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DATE: October 6, 2022

TO: Minnesota Housing Board Members

FROM: Jennifer Ho, Commissioner

SUBJECT: **FINANCE AND AUDIT COMMITTEE MEETING**

A meeting of the **Finance and Audit Committee** has been scheduled for **11:00 a.m.** on **Tuesday, October 11** via Teams (info below).

The topics for discussion at this meeting are:

A. Call to Order
B. RSM US LLP presentation launching the FY22 financial audit
C. Other Business (if any)
D. Adjournment

This committee is a committee of the whole and all members are encouraged to

attend. If you have questions, please call Rachel Franco at (651) 296-2172.

<u>Conference Call Information:</u>

Toll-free dial-in number (U.S. and Canada):
651-395-7448

Access code:
287 915 501#

The Agency may conduct a meeting by telephone or other electronic means, provided the conditions of Minn. Stat. §462A.041 or Minn. Stat. 13D.021 are met. The Agency shall, to the extent practical, allow a person to monitor the meeting electronically and may require the person making a connection to pay for documented marginal costs that the Agency incurs as a result of the additional connection.

MINNESOTA HOUSING

Finance Committee Item: B.
Date: 10/11/2022

Item: Discussion, Fiscal 2022 Financial Audit

Staff Contact(s):
Michael Solomon, 651-297-4009, michael.solomon@state.mn.us
Debbi Larson, 651.296.8183, debbi.larson@state.mn.us
Kayla Vang, 651.296.3598. kayla.vang@state.mn.us

Request Type:

☐ Approval
- ☐ Motion
- ☐ Resolution

☒ No Action Needed
- ☒ Discussion
- ☐ Information

Summary of Request:
RSM LLP, the Agency's external auditor, will discuss the results of their fiscal 2022 financial statement audit.

Fiscal Impact:
None.

Meeting Agency Priorities:
☐ Address Specific and Critical Local Housing Needs
☐ Finance Housing Responsive to Minnesota's Changing Demographics
☐ Preserve Housing with Federal Project-Based Rent Assistance
☐ Prevent and End Homelessness
☐ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):
- Auditor letters (drafts): Required Communication to the Board and Audit Opinions
- Auditor Presentation
- Fiscal Year 2022 Annual Report (draft)

Since concluding auditing procedures were in progress when the board report attachments were prepared, they have been marked as drafts even though they are essentially in final form. Material differences, if any, from the final versions will be noted by staff and representatives from RSM LLP at the committee meeting.

Minnesota Housing Finance Agency

Report to the Board of Directors/Audit Committee
October 11, 2022

October 11, 2022

Board of Directors/Audit Committee
Minnesota Housing Finance Agency
St. Paul, Minnesota

We are pleased to present this report related to our audit of the basic financial statements of Minnesota Housing Finance Agency (the Agency) as of and for the year ended June 30, 2022. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Agency's financial reporting process.

This report is intended solely for the information and use of the Board of Directors, Audit Committee and management, and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to be of service to the Agency.

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REQUIRED COMMUNICATIONS

Auditing standards generally accepted in the United States of America (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Our Responsibilities With Regard to the Financial Statement Audit

Our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States, have been described to you in the professional and technical services contract dated April 8, 2022. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

Overview of the Planned Scope and Timing of the Financial Statement Audit

We communicated the planned scope and timing of our audit and identified significant risks during our presentation to the Audit Committee on April 21, 2022.

Accounting Policies and Practices

Preferability of Accounting Policies and Practices
Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. We did not discuss with management any alternative treatments within generally accepted accounting practices related to material items during the current audit period.

Adoption of, or Change in, Accounting Policies
Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Agency. The following is a description of significant accounting policies or their application that were either initially selected or changed during the year:

- During 2022, an incorrect classification in accounting for HIB projects was identified. The Agency recognized an additional liability titled "Funds Held for Others" at the same time the state appropriation-backed debt was issued, and misclassified various items such as bond premiums and appropriations received. This recognition is not in accordance with generally accepted accounting principles (GAAP) as the legal obligations to respective third-party beneficiaries of the appropriation-backed debt occur at a point subsequent to the issuance of the related debt. The Agency retroactively changed its method of accounting to comply with GAAP. The summarized comparative financial statements for the year ended June 30, 2021, have been retroactively restated for this change which increased the June 30, 2021, beginning net position by $17,799,000 and the change in net position increased by $52,414,000 in the Business-type Activities and the State Appropriated Fund.

- GASB Statement No. 87, *Leases*, which was adopted during 2022, establishes criteria for identifying and reporting certain lease assets and liabilities. The summarized comparative financial statements for the year ended June 30, 2021, have been retroactively restated for this change which decreased both the change in net position and net position by $316,000 in the Business-type Activities and the General Reserve Fund.

Significant Accounting Policies
We did not identify any significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant or Unusual Transactions
We identified the following significant transactions and the policies and practices management used to account for these transactions:

- We had discussions with management to determine the appropriate accounting for the “Funds Held for Others” related to the state appropriation-backed debt.

Management’s Judgments and Accounting Estimates
Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached Summary of Significant Accounting Estimates.

Audit Adjustments and Uncorrected Misstatements

There were no audit adjustments made to the original trial balance presented to us to begin our audit.

We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

Departure From the Auditor’s Standard Report

Emphasis-of-Matter Paragraph
The incorrect classification in accounting for HIB projects and the implementation of GASB Statement No. 87, *Leases,* resulted in an emphasis-of-matter paragraph included in the auditor’s report. Below is the paragraph included in the auditor’s report:

> As discussed in Note 23 to the financial statements, the 2021 beginning net position for the business-type activities and State Appropriated Fund have been restated to correct errors. The 2021 beginning net position for the business-type activities and General Reserve Fund have been restated for the adoption and implementation of Governmental Accounting Standards Board Statement No. 87. Our opinions are not modified with respect to these matters.

Other-Matter Paragraph
The 2022 Financial Report includes 2021 summarized information rather than complete 2021 financial statements. This resulted in an other-matter paragraph included in the auditor’s report. Below is the paragraph included in the auditor’s report:

> The financial statements include summarized prior-year comparative information. Such information does not include all of the information required or sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Agency’s financial statements for the year ended June 30, 2021, from which such summarized information was derived.

Other Information Included in Annual Report

Our responsibility for other information included in annual report is to read the information and consider whether its content or the manner of its presentation is materially inconsistent with the financial information covered by our auditor's report, whether it contains a material misstatement of fact or whether the other information is otherwise misleading. We read the Commissioner's Report, Agency's General Reserve and Bond Funds - Five Year Financial Summary, and Contact Information. We did not identify material inconsistencies with the audited financial statements.

Observations About the Audit Process

Disagreements With Management
We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.

Consultations With Other Accountants
We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Significant Issues Discussed With Management
Significant issues arising from the audit that were discussed or were the subject of correspondence with management included the potential fraud perpetuated by third-party beneficiaries of the Emergency Rental Assistance Program.

Significant Difficulties Encountered in Performing the Audit
We did not encounter any significant difficulties in dealing with management during the audit.

Internal Control Matters

We have separately communicated a material weakness in internal control over financial reporting identified during our audit of the financial statements as required by *Government Auditing Standards*. This communication is included in the Compliance Report.

Significant Written Communication Between Management and Our Firm

A copy of the representation letter provided to us by management is attached as Exhibit A.

SIGNIFICANT ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events, and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following summarizes the significant accounting estimates reflected in the Agency's June 30, 2022, financial statements.

Significant Accounting Estimates	
Allowance for Loan Losses	
Accounting policy	The Agency provides an allowance for loan losses for multifamily loans after considering the specific known risks: adequacy of collateral and projected cash flows; past experience; amount of federal or state rent subsidies, if any; the status and amount of past-due payments, if any; the deferred maintenance, if any; and current economic conditions. For homeownership and home improvement loans, the Agency establishes varying amounts of reserves depending upon the number of delinquent loans, the estimated amount of loss per delinquent loan, the number of days delinquent and the type of insurance coverage in force, if any: Federal Housing Administration (FHA) insurance, Rural Development (RD) guarantee, Veterans Administration (VA) guarantee, or private mortgage insurance.
Management's estimation process	For multifamily loans, the housing management officer responsible for monitoring the development receives monthly financial information for each development and performs an analysis of the development's risk score based upon the Agency's loan loss reserve methodology. If the score is less than 255, the loan loss reserve is 0.5% of the outstanding balance. If the score is 255 or greater, the credit is considered a watchlist credit and is further evaluated based upon additional criteria to determine the loan loss reserve percentage, ranging from 5% to 100% of the outstanding balance, to establish the specific reserve balance required for the development. For homeownership loans, the Agency utilizes 12 months of actual gains and losses by insurance type to determine the loss amount per loan applied to the number of delinquent loans. For home improvement loans, the Agency uses only the days delinquent to determine the loss percentage.

Significant Accounting Estimates	
Basis for our conclusion on the reasonableness of the estimate	For multifamily loans, we tested the Agency's risk-scoring methodology for 20 developments to determine that the analysis was operating as designed. We selected six watchlist credits to test the calculation of the specific loan loss. For homeownership and home improvement loans, we agreed the number of delinquent loans to system-generated reports. For the loss by insurance type, we obtained the detailed gain and loss reports for the last 12 months and recalculated by insurance type the loss amount per loan. The multifamily, homeownership and home improvement loan loss reserve calculations were reviewed by us, and no significant errors were noted in the testing performed.
Real Estate Owned Property Valuation	
Accounting policy	Real estate owned represents properties acquired through foreclosure and is recorded at the lower of the investment in the loan or estimated market value less estimated selling costs. These properties may be RD guaranteed, uninsured, or have private mortgage insurance. Real estate owned is carried at its estimated realizable value.
Management's estimation process	The Agency evaluates each of the properties acquired through foreclosure, utilizing the estimated fair value of the property and assumptions, which include foreclosure expenses, closing costs and expected reimbursement rates, to determine estimated realizable value.
Basis for our conclusion on the reasonableness of the estimate	We tested the valuation of real estate owned through selecting a sample of individual properties to test the reasonableness of the fair value measurements of the properties and through review of the Agency's real estate owned reserve assumptions. No significant errors were noted in the testing performed.
Fair Value of Investments	
Accounting policy	Investment securities are reported at fair value, with unrealized gains or losses reported as a separate component of revenue. Realized gains or losses, determined on the basis of the cost of specific securities sold, are included in interest earned on investments—other.
Management's estimation process	The fair value of debt securities is generally determined based on matrix pricing, which utilizes yield curves, credit ratings and prepayment speeds. Volatility in economic conditions influences bond prices.
Basis for our conclusion on the reasonableness of the estimate	We tested the valuation for a sample of investment securities through an independent third party and compared to quoted market prices to test the reasonableness of the unrealized gains/losses on the individual securities. No significant valuation differences were noted.

Significant Accounting Estimates	
Net Pension Liability	
Accounting policy	The Agency is a participant in a multiemployer defined benefit pension plan (the Plan) administered by the State of Minnesota (the State). A liability is recognized for a proportional share of the difference between the present value of the future payments to enrollees of the Plan and the fair value of the Plan's assets and other deferred outflows/inflows.
Management's estimation process	The estimated liability is calculated by the State with the assistance of an independent actuary and is allocated to employers participating in the Plan based on their proportional share of the net pension liability. The independent actuary uses various assumptions (including discount rate, projected salary increases, mortality, expected return on Plan assets, and inflation rates). These estimates are based on the Plan's historical experience and forecasts of various attributes/assumptions.
Basis for our conclusion on the reasonableness of the estimate	We reviewed the independent actuary's information and the Plan auditor's schedules and tested certain Agency-related information underlying the estimates. Based on our procedures, we concluded that management's estimates are reasonable.
Classified Presentation of the Statement of Net Position	
Accounting policy	The Agency defines current assets as cash and other assets reasonably expected to be realized in cash and/or available for current operations within the next fiscal year. The Agency defines current liabilities as obligations that are expected to be liquidated with current assets and/or obligations that are expected to be liquidated within the next fiscal year.
Management's estimation process	**Investments:** Current portion is estimated using a forecast of all MBS payments for the subsequent fiscal year. **Loans receivable:** Current portion is estimated using scheduled payments from BGI, if available, or anticipated principal payments utilizing a ratio that was calculated based on actual current fiscal year payments divided by the previous year-end balance. **Accounts payable and other liabilities:** Current portion of vacation and compensated absence liability is estimated using average of vacation and compensated absence amounts used annually the past five years. **Funds held for others:** Current portion of insurance escrow liability is estimated using the percentage increase in insurance escrow payments from the previous fiscal year to the current fiscal year. Current portion of tax escrow liability is estimated using the average change of annual insurance payments over the past four years.
Basis for our conclusion on the reasonableness of the estimate	We tested the assumptions underlying management's estimate and reviewed documentation supporting the allocations for proper classification. Based on our procedures, we concluded that management's estimates are reasonable.

EXHIBIT A

Significant Written Communication Between Management and Our Firm

__________, 2022

RSM US LLP
227 West First Street, Suite 700
Duluth, MN 55802

This representation letter is provided in connection with your audit of the basic financial statements of Minnesota Housing Finance Agency (the Agency), a component of the State of Minnesota, as of and for the year ended June 30, 2022 for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves, that as of ________, 2022:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated April 8, 2022, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.

2. We acknowledge our responsibility 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.

3. We acknowledge our responsibility for the design, implementation and maintenance of controls to prevent and detect fraud.

4. The methods, data, and significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in the context of U.S. GAAP, and reflect our judgment based on our knowledge and experience about past and current events, and our assumptions about conditions we expect to exist and courses of action we expect to take.

5. We are a component unit of the State of Minnesota as this term is defined in Section 2100 of the Governmental Accounting Standards Board’s (GASB) Codification of Governmental Accounting and Financial Reporting Standards.

6. The Agency has no component units.

7. Related-party transactions, including those with the primary government, have been recorded in accordance with the economic substance of the transaction and appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. Types of related party transactions engaged in by the Agency include:

    a. Those with the primary government having accountability for the Agency.

    b. Interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements and guarantees, as applicable.

8. There are no fiduciary activities to be included in the financial statements as required by GASB Statement No. 84, *Fiduciary Activities*, as amended.

9. All events subsequent to the date of the financial statements, and for which U.S. GAAP requires adjustment or disclosure, have been adjusted or disclosed.

10. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.

11. Risk disclosures associated with deposit and investment securities and derivative transactions are presented in accordance with GASB requirements.

12. Provisions for uncollectible receivables have been properly identified and recorded.

13. Capital assets, including intangible assets and right of use assets are properly capitalized, reported and, if applicable, depreciated.

14. The government has properly separated information in debt disclosures related to direct borrowings and direct placements of debt from other debt and disclosed any unused lines of credit, collateral pledged to secure debt, terms in the debt agreements related to significant default or termination events with finance-related consequences and significant subjective acceleration clauses in accordance with GASB Statement No. 88.

15. Components of net position (net investment in capital assets, restricted, and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.

16. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

17. The Agency's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and appropriately disclosed and that net position is properly recognized under the policy.

18. We have no direct or indirect legal or moral obligation for any debt of any organization, public or private, that is not disclosed in the financial statements.

19. We have complied with all aspects of laws, regulations and provisions of contracts and agreements that would have a material effect on the financial statements in the event of noncompliance.

20. We have reviewed the GASB Statements effective for the fiscal year ending June 30, 2022, and concluded the implementation of the following Statements did not have a material impact on the basic financial statements:

    a. GASB Statement No. 92, *Omnibus 2020*

    b. GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB No. 14 and No. 84, and a supersession of GASB Statement No. 32*

21. We believe the implementation of the GASB Statements listed below is appropriate:

    a. GASB Statement No. 87, *Leases:* The impact on the financial statements was to record a right-to-use lease asset (capital asset) and lease liability for the Agency office space lease.

22. We have no knowledge of any uncorrected misstatements in the financial statements. We believe that the omitted disclosure of a rollforward schedule for compensated absences, which would be included in the notes to the financial statements, is immaterial to the financial statements taken as a whole.

23. We have concluded that the allowances for loan losses adequately reserve for probable losses inherent in the loan portfolios as of June 30, 2022.

24. We are in compliance with the covenants contained in the bond resolutions, including to maintain certain reserves, in all material respects and the assets of all funds and accounts in the bond funds equaled or exceeded the requirements as established by the respective bond resolutions as of June 30, 2022.

25. We have not been required to post collateral as a means to mitigate potential credit risk exposure related to our interest rate swap agreements.

26. We have experienced no settlements or actual losses in excess of insurance coverage in the last three fiscal years.

27. Workers' compensation costs and claims related to our participation in the State of Minnesota Workers' Compensation Program have been negligible during the last three years.

Information Provided

28. We have provided you with:

    a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the basic financial statements, such as records, documentation and other matters.

    b. Additional information that you have requested from us for the purpose of the audit.

    c. Unrestricted access to persons within the Agency from whom you determined it necessary to obtain audit evidence.

    d. Minutes of the meetings of the governing board and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.

29. All transactions have been recorded in the accounting records and are reflected in the basic financial statements.

30. We have disclosed to you the results of our assessment of risk that the basic financial statements may be materially misstated as a result of fraud.

31. It is our responsibility to establish and maintain internal control over financial reporting. One of the components of an entity's system of internal control is risk assessment. We hereby represent that our risk assessment process includes identification and assessment of risks of material misstatement due to fraud. We have shared with you our fraud risk assessment, including a description of the risks, our assessment of the magnitude and likelihood of misstatements arising from those risks, and the controls that we have designed and implemented in response to those risks.

32. We have no knowledge of allegations of fraud or suspected fraud affecting the Agency's basic financial statements involving:

    a. Management.

    b. Employees who have significant roles in internal control.

    c. Others where the fraud could have a material effect on the basic financial statements.

33. We have no knowledge of any allegations of fraud or suspected fraud affecting the Agency's basic financial statements received in communications from employees, former employees, analysts, regulators, or others.

34. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations.

35. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.

36. We have disclosed to you the identity of all of the Agency's related parties and all the related-party relationships and transactions of which we are aware.

37. We have informed you of all significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the Agency's ability to record, process, summarize and report financial data.

38. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

39. We agree with the findings of the specialists in evaluating the Minnesota State Retirement System Pension Trust Funds of the State of Minnesota and State of Minnesota Post Retirement Medical Plan (collectively, the Plans) and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give instructions, or cause any instructions to be given, to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.

40. We believe that the actuarial assumptions and methods used by the actuary for funding purposes and for determining accumulated Plan benefits are appropriate in the circumstances. We did not give instructions, or cause any instructions to be given, to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the Plan's actuary.

41. We believe that the information obtained from the audited financial statements of and other participant information provided by the Plans is appropriate in the circumstances. We did not give instructions, or cause any instructions to be given, to the Plans or their auditors in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the Plans or their auditors.

42. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

43. We agree with the restatement of the previously issued financial statements discussed in Note 23. In that regard:

    a. The restatement corrects an error in those financial statements.

    b. We were not aware of the error when those financial statements were issued.

    c. We are not aware of any other errors in those financial statements.

    d. We do not believe it is necessary to recall those financial statements and all users of those financial statements will receive a copy of the current year's financial statements and independent auditor's report.

Supplementary Information

44. With respect to supplementary information presented in relation to the basic financial statements as a whole:

    a. We acknowledge our responsibility for the presentation of such information.

    b. We believe such information, including its form and content, is fairly presented in accordance with U.S. GAAP.

    c. The methods of measurement or presentation have not changed from those used in the prior period.

    d. When supplementary information is not presented with the audited basic financial statements, we will make the audited basic financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.

45. With respect to management's discussion and analysis and the schedules of selected pension and postemployment benefits other than pension information presented as required by GASB to supplement the basic financial statements:

    a. We acknowledge our responsibility for the presentation of such required supplementary information.

    b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by U.S. GAAP.

    c. The methods of measurement or presentation have not changed from those used in the prior period.

Compliance Considerations

In connection with your audit conducted in accordance with *Government Auditing Standards*, we confirm that management:

46. Is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework.

47. Is responsible for compliance with the laws, regulations and provisions of contracts and grant agreements applicable to the auditee.

48. Is not aware of any instances of identified and suspected fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that have a material effect on the financial statements other than with third-party beneficiaries noted below

49. We have disclosed the potential fraud perpetuated by third-party beneficiaries of the Emergency Rental Assistance federal program; we are taking timely and appropriate steps to have the proper authorities investigate the instances; we are in communication with U.S. Department of Treasury; and we have concluded any potential impact to the financial statements to be immaterial.

50. Is responsible 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.

51. Acknowledges its responsibility for the design, implementation and maintenance of controls to prevent and detect fraud.

52. Has a process to track the status of audit findings and recommendations.

53. Has identified for the auditor previous audits, attestation engagements and other studies related to the objectives of the audit and whether related recommendations have been implemented.

54. Is not aware of any investigations or legal proceedings that have been initiated with respect to the period under audit.

55. Has provided views on the auditor's reported findings, conclusions and recommendations, as well as management's planned corrective actions, for the report.

In connection with your audit of federal awards conducted in accordance with Subpart F of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), we confirm:

56. Management is responsible for complying, and has complied, with the requirements of Uniform Guidance.

57. Management is responsible for understanding and complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of its federal programs.

58. Management is responsible for the design, implementation, and maintenance, and has designed, implemented and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award that could have a material effect on its federal programs.

59. Management is responsible for the preparation of the schedule of expenditures of federal awards, acknowledges and understands its responsibility for the presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance; believes the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with the Uniform Guidance; asserts that methods of measurement or presentation have not changed from those used in the prior period, or if the methods of measurement or presentation have changed, the reasons for

such changes have been communicated; and is responsible for any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards.

60. Management has identified and disclosed all of its government programs and related activities subject to the Uniform Guidance compliance audit.

61. Management has identified and disclosed to the auditor the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major program.

62. Management has made available all federal awards (including amendments, if any) and any other correspondence relevant to federal programs and related activities that have taken place with federal agencies or pass-through entities.

63. Management has identified and disclosed to the auditor all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal awards or stated that there was no such noncompliance.

64. Management believes that the auditee has complied with the direct and material compliance requirements.

65. Management has made available all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.

66. Management has provided to the auditor its interpretations of any compliance requirements that are subject to varying interpretations.

67. Management is aware of no communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.

68. There are no findings and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.

69. Management has provided the auditor with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.

70. There are no subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period.

71. Management has disclosed all known noncompliance with direct and material compliance requirements occurring subsequent to the period covered by the auditor's report or stated that there were no such known instances.

72. Management has disclosed whether any changes in internal control over compliance or other factors that might significantly affect the entity's system of internal control, including any corrective action taken by management with regard to significant deficiencies and material weaknesses in internal control over compliance, have occurred subsequent to the period covered by the auditor's report.

73. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.

74. The copies of federal program financial reports provided to the auditor are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.

75. Management has monitored subrecipients, as necessary, to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and the terms and conditions of the subaward and have met the other pass-through entity requirements of the Uniform Guidance.

76. Management has issued management decisions for audit findings that relate to federal awards it makes to subrecipients and such management decisions are issued within six months of acceptance of the audit report by the FAC. Additionally, management has followed up to ensure that the subrecipient takes timely and appropriate action on all deficiencies detected through audits, on-site reviews and other means that pertain to the federal award provided to the subrecipient from the pass-through entity.

77. Management has considered the results of subrecipient monitoring and audits, and has made any necessary adjustments to the auditee's own books and records.

78. Management has charged costs to federal awards in accordance with applicable cost principles.

79. Management is responsible for, and has accurately prepared, the summary schedule of prior audit findings to include all findings required to be included by Uniform Guidance.

80. The reporting package does not contain protected personally identifiable information.

81. Management has accurately completed the appropriate sections of the data collection form.

82. If applicable, management has disclosed all contracts or other agreements with service organizations.

83. If applicable, management has disclosed to the auditor all communications from service organizations relating to noncompliance at those organizations.

Minnesota Housing Finance Agency

____
Jennifer Leimaile Ho, Commissioner

____
Michael Solomon, Chief Financial Officer

____
Debbi Larson, Finance Director/Director of Operations

____
Kayla Vang, Controller—Financial Operations

Independent Auditor's Report

Board of Directors
Minnesota Housing Finance Agency

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Agency, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 23 to the financial statements, the 2021 beginning net position for the business-type activities and State Appropriated Fund have been restated to correct errors. The 2021 beginning net position for the business-type activities and General Reserve Fund have been restated for the adoption and implementation of Governmental Accounting Standards Board Statement No. 87. Our opinions are not modified with respect to these matters.

Other Matter

The financial statements include summarized prior-year comparative information. Such information does not include all of the information required or sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Agency's financial statements for the year ended June 30, 2021, from which such summarized information was derived.

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 Agency's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

In performing an audit in accordance with GAAS, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of selected pension and postemployment benefits other than pension information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the 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 opinions on the financial statements that collectively comprise the Agency's basic financial statements. The supplementary information as listed in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information as listed in the accompanying table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the Agency as of and for the year ended June 30, 2021 (not presented herein), and have issued our report thereon dated November 18, 2021, which contained unmodified opinions on the respective financial statements of the business-type activities and each major fund. The accompanying supplementary information, as listed in the table of contents, for the year ended June 30, 2021, is presented for purposes of additional analysis and is 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 2021 basic financial statements. The accompanying 2021 supplementary information was subjected to the audit procedures applied in the audit of the 2021 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2021 supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2021.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and other information section as listed in the accompanying table of contents but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Duluth, Minnesota
[Date], 2022

Independent Auditor's Report

Board of Directors
Minnesota Housing Finance Agency

Report on the Audit of the Financial Statements

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Agency, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Emphasis of Matter
As discussed in Note 23 to the financial statements, the 2021 beginning net position for the business-type activities and State Appropriated Fund have been restated to correct errors. The 2021 beginning net position for the business-type activities and General Reserve Fund have been restated for the adoption and implementation of Governmental Accounting Standards Board Statement No. 87. Our opinions are not modified with respect to these matters.

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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 Agency's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

In performing an audit in accordance with GAAS and *Government Auditing Standards,* we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of selected pension and postemployment benefits other than pension information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the 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 opinions on the financial statements that collectively comprise the Agency's basic financial statements. The supplementary information as listed in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information as listed in the accompanying table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the Agency as of and for the year ended June 30, 2021 (not presented herein), and have issued our report thereon dated November 18, 2021, which contained unmodified opinions on the respective financial statements of the business-type activities and each major fund. The accompanying supplementary information, as listed in the table of contents, for the year ended June 30, 2021, is presented for purposes of additional analysis and is 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 2021 basic financial statements. The accompanying 2021 supplementary information was subjected to the audit procedures applied in the audit of the 2021 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2021 supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2021.

Other Information
Management is responsible for the other information included in the annual report. The other information comprises the introductory section and other information section as listed in the accompanying table of contents but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated [Date], 2022, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Duluth, Minnesota
[Date], 2022

MINNESOTA HOUSING FINANCE AGENCY PRESENTATION TO THE AUDIT COMMITTEE

2022 Audit Results

October 11, 2022

Agenda

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RSM

Summary of required communications

Matters to be Communicated	Our Response
Our Responsibility With Regard to the Financial Statement Audit	• Our responsibility is outlined in our engagement letter
Overview of the Scope and Timing of the Financial Statement Audit	• Financial and compliance audit • Preliminary work was completed in May and June • Final work commenced in August
Accounting Policies and Practices	• Restatement to correct accounting for HIB projects. The Agency recognized an additional liability titled "Funds Held for Others" at the same time the state appropriation-backed debt was issued and misclassified various items such as bond premiums and appropriations received. • Implementation of GASB 87, *Leases*. • Significant accounting estimates − Allowance for loan losses − Real estate owned (REO) property valuation − Fair value of investments − Net pension liability − Classified presentation of the Statement of Net Position
Basis of Accounting	• Prepared on assumption that the entity will continue as a going concern

Summary of required communications

Matters to be Communicated	Our Response
Audit Adjustment and Uncorrected Misstatements	• None
Disagreements With Management	• None
Consultation With Other Accountants	• None
Significant Issues Discussed With Management	• Potential fraud perpetuated by third-party beneficiaries of the Emergency Rental Assistance Program
Significant Difficulties Encountered in Performing the Audit	• None
Significant Written Communication Between Management and Our Firm	• Representation letter

2022 financial report

- Unmodified (clean) opinions on Agency-wide and major funds

- Emphasis-of-Matter paragraph
  - The incorrect classification in accounting for HIB projects and the implementation of GASB Statement No. 87, *Leases* resulted in an emphasis-of-matter paragraph

- Other Matter paragraph
  - The 2022 Financial Report includes 2021 summarized information rather than complete 2021 financial statements.

2022 compliance report

- Schedule of expenditures of federal awards
  - $801.8 million spent on federal awards
  - Increase of $416.7 million from 2021
- *Government Auditing Standards*
  - Compliance based on an audit of the financial statements
  - Internal control over financial reporting
- Uniform Guidance
  - Compliance with requirements applicable to the major programs
  - Internal control over compliance
- Schedule of current-year findings and questioned costs
- Summary schedule of prior audit findings

RSM

Significant risk areas

- Revenue recognition
  - Detail tested sample of intergovernmental revenue transactions
  - Test of controls over the Agency's cash receipts
  - Test of controls over file maintenance changes for interest income
  - Analytics over other revenue categories
- Management override of controls
  - Detail tested sample of journal entry transactions
  - Test of controls over receipts, general disbursements, payroll disbursements, loans receivable
  - Identification of related parties and potential transactions

Significant risk areas (continued)

- Loans and allowance for loan loss
  - Management provides for an allowance for loan losses for multifamily, home ownership and home improvement loans as well as for other loan types. Management utilizes delinquency reports, historical loss probability analysis and historical average loss analysis to assess and compute the allowances on a monthly basis.
  - Our process involved testing of controls over loans and confirmation of loan receivable balances. Our process also involved testing of controls over the allowance process, sample testing loans for impairment, charge-off testing, and delinquent testing to determine allowances are being properly calculated.

Significant risk areas (continued)

- Net pension liability
  - The estimated liability is calculated by the State with the assistance of an independent actuary and is allocated to employers participating in the Plan based on their proportional share of the net pension liability. The independent actuary uses various assumptions (including discount rate, projected salary increases, mortality, expected return on Plan assets, and inflation rates). These estimates are based on the Plan's historical experience and forecasts of various attributes/ assumptions.
  - We reviewed the independent actuary's information and the Plan auditor's schedules and tested certain Agency-related information underlying the estimates. Based on our procedures, we concluded that management's estimates are reasonable.

Other significant audit areas

- COVID-19 considerations
  - Remote work environment
  - New and continuation of COVID related federal programs
    - Emergency Rental Assistance
    - Homeowner Assistance Fund Program
    - Coronavirus State and Local Fiscal Recovery Funds

Other significant audit areas (continued)

- Information systems general controls review
  - We evaluated the design effectiveness of IT general controls surrounding financially significant applications and the supporting infrastructure. We specifically tested IT general controls in the areas of Logical Security, Change Management, Security (Access) Administration, and Computer Operations where they were relevant to financial reporting processes.
  - We identified one IT general control design deficiency that pertains to authentication/password parameters for AOD, HDS Single Family, and Multifamily not aligning with the Agency's IT policy standards. However, this deficiency alone would not negatively impact our overall assessment of the completeness and accuracy of financial statements.

Control deficiency definitions

Control deficiencies are evaluated individually and in aggregate as follows:

Type of Deficiency	Likelihood	Potential Impact	Reporting Impact
Material Weakness	Reasonable Possibility	Material	Included in Single Audit Report
Significant Deficiency	Reasonable Possibility	Merits attention by those charged with governance	Included in Single Audit Report
Control Deficiency	Remote Possibility	Inconsequential	Audit Committee Presentation Only

Government Auditing Standards

Internal control over financial reporting

- Material weakness
  - Restatement to correct accounting for HIB projects. The Agency recognized an additional liability titled “Funds Held for Others” at the same time the state appropriation-backed debt was issued and misclassified various items such as bond premiums and appropriations received. This resulted in the restatement of the comparative financial statements for the year ended June 30, 2021 increasing the beginning net position by $17,799,000 and the change in net position increased by $52,414,000 in the Business-type Activities and the State Appropriated Fund.

Compliance with laws and regulations

- No findings identified.

Uniform Guidance audit

- 2022 major programs
  - Section 8 Project-Based Cluster
    - ALN 14.182, 14.195
    - $6.1 million spent in 2022
  - HOME Investment Partnerships Program
    - ALN 14.239
    - $58.5 million spent in 2022
  - Emergency Rental Assistance
    - ALN 21.023
    - $482.7 million spent in 2022
  - Homeowner Assistance Fund Program
    - ALN 21.026
    - $5.2 million spent in 2022
  - Coronavirus State and Local Fiscal Recovery Funds
    - ALN 21.027
    - $7.0 million spent in 2022

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Uniform Guidance audit (continued)

- Internal control over compliance
  - No material weaknesses or significant deficiencies identified
- Major program compliance
  - No findings identified

General comments and feedback

Thank you for allowing us to serve Minnesota Housing Finance Agency.

Our goal is to not only meet, but exceed, your expectations.

Your feedback is important to us in achieving that goal.

Presented by: Bart Rodberg, Corey Topp, Dave Antonson, Rebekah Box, Aksan Goktug

QUESTIONS AND ANSWERS?

RSM

Minnesota Housing Finance Agency

(A Component Unit of the State of Minnesota)

2022 Financial Report

MINNESOTA HOUSING FINANCE AGENCY
Annual Financial Report as of and for the year ended June 30, 2022

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MINNESOTA HOUSING FINANCE AGENCY
Commissioner's Report

Minnesota Housing continued to create, preserve and finance affordable housing throughout another year challenged by the ongoing impacts of the COVID-19 pandemic. The Agency maintained strong financial performance and positive program outcomes even as it also administered the largest-scale direct assistance program it has ever managed. The perseverance of staff, investment in systems, and mission focus of the Agency resulted in many accomplishments, some of which are highlighted below.

Delivering emergency federal housing assistance related to the COVID-19 pandemic

Minnesota Housing received unprecedented levels of federal funding to continue to assist Minnesota households falling behind on their housing bills due to the effects of the pandemic with two new programs. The first program, RentHelpMN, helped renter households by paying property owners their past-due rent and covering overdue utility bills. The second program, HomeHelpMN, helped struggling homeowners avoid foreclosure by working with lenders to cover overdue mortgage payments and related costs.

- Successfully administered COVID-19 Emergency Rental Assistance funds allocated to the state by the U.S. Department of Treasury through its RentHelpMN program. The program has paid out approximately $450 million in more than 100,000 payments, assisting more than 50,000 unique households.
- Developed and launched HomeHelpMN with $128 million from the Homeowner Assistance Fund, also issued by Treasury to assist homeowners who have fallen behind on mortgage payments or other housing-related expenses due to the pandemic.

Additionally, Minnesota Housing policy staff worked with stakeholders and the Governor's Office to propose a comprehensive budget that over three years would have provided over $715 million in new investments to prevent and end homelessness and to create and preserve significant levels of housing affordable to people with modest incomes. Unfortunately, the 2022 legislative session ended without new housing investments.

Creating and preserving homes Minnesotans can afford

At the heart of Minnesota Housing's mission is creating and preserving affordable rental and homeownership opportunities across the state. To that end, Minnesota Housing announced the following funding selections and project advancements as part of our annual consolidated Request for Proposals:

- Selected 20 multifamily applications to create/preserve 1,095 rental units, which included 377 units that will be deeply affordable.
- The 20 multifamily applications represent $220 million in total development costs.
- Selected 44 Single-family applications to create/preserve 360 homes.
- Supported projects funded with more than $21 million in grants and loans through its Single-family Impact Fund and Workforce and Affordable Housing Development selections.

Promoting affordable homeownership

Minnesota Housing's home mortgage production exceeded last year's record-breaking results. Highlights include the following:

- Programs for first-time and repeat homebuyers totaled over $1.1 billion in mortgage financing for almost 5,400 households.
- Provided $68 million in loans to cover downpayment and closing costs related to first mortgage financing.
- 98% of homeowners who use Minnesota Housing homeownership programs also used Agency downpayment/closing cost assistance loan programs.
- Over 1,400 borrowers accessed more than $30 million in capital to improve or rehabilitate their homes.

- Nearly 40% of homeownership first mortgage loans were made to Black or Indigenous households or households of color.

Delivering financial assistance through programs

In addition to direct lending, Minnesota Housing administers a variety of programs that provide rental assistance to individuals and families who are homeless or who face housing instability, as well as individuals experiencing behavioral health issues. Minnesota Housing runs grant programs providing resources aimed at making homelessness rare, brief and one-time. Minnesota Housing also manages the federal Section 8 performance-based contract programs on behalf of the United States Department of Housing and Urban Development.

- Administered programs to assist individuals and families who are homeless or who face housing instability, reaching over 10,000 individuals and families in the last year.
- Delivered more than $220 million in Section 8 rental assistance on behalf of HUD to serve nearly 30,000 units across Minnesota.

Addressing equity and inclusion, especially with regard to race and disability

Progress on issues of equity and inclusion remains a priority at the Agency, with a focus on antiracism. Accomplishments include:

- Nearly achieved the ambitious stretch goal of delivering 40% of single-family homebuyer loan products to Black and Indigenous households and households of color.
- Embedded the newly created leadership role, the Director of Equity and Inclusion, into all areas of our work.
- Established an Equity Action Team with participation from every division, which is developing a plan to advance the Agency's efforts to achieve equity internally and externally.
- Continually developed the Agency's cultural competency by expanding its bias trainings and related learnings offered to all staff, and built internal capacity to administer the Intercultural Development Inventory, with 16 staff certified as Qualified Administrators, and a third of staff members voluntarily taking this assessment.
- Centered the most impacted communities in our program design priorities.
- Defined health, housing and racial justice in the Minnesota Interagency Council on Homelessness plan and incorporated input from people with lived experience of homelessness.
- Increased opportunities for individuals with disabilities to live and work in integrated settings through the Olmstead Subcabinet and the Olmstead Implementation Office.

Minnesota Housing's work is made possible by our partners and investors across the state and country, and by the Agency's resilient staff, who have continued to develop and deliver responsive, effective programs under trying circumstances. Staff capacity and the challenge of making progress on new initiatives while maintaining existing programs and services will be a focus of the Agency in the year to come with the goal of continuing to deliver strong financial performance and positive program outcomes.

Jennifer Leimaile Ho, Commissioner
Minnesota Housing

Independent Auditor's Report

Board of Directors
Minnesota Housing Finance Agency

Report on the Audit of the Financial Statements

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Agency, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions
We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter
As discussed in Note 23 to the financial statements, the 2021 beginning net position for the business-type activities and State Appropriated Fund have been restated to correct errors. The 2021 beginning net position for the business-type activities and General Reserve Fund have been restated for the adoption and implementation of Governmental Accounting Standards Board Statement No. 87. Our opinions are not modified with respect to these matters.

Other Matter
The financial statements include summarized prior-year comparative information. Such information does not include all of the information required or sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Agency's financial statements for the year ended June 30, 2021, from which such summarized information was derived.

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 Agency's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of selected pension and postemployment benefits other than pension information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the 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 opinions on the financial statements that collectively comprise the Agency's basic financial statements. The supplementary information as listed in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information as listed in the accompanying table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the Agency as of and for the year ended June 30, 2021 (not presented herein), and have issued our report thereon dated November 18, 2021, which contained unmodified opinions on the respective financial statements of the business-type activities and each major fund. The accompanying supplementary information, as listed in the table of contents, for the year ended June 30, 2021, is presented for purposes of additional analysis and is 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 2021 basic financial statements. The accompanying 2021 supplementary information was subjected to the audit procedures applied in the audit of the 2021 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2021 supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2021.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and other information section as listed in the accompanying table of contents but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Duluth, Minnesota
[Date], 2022

MINNESOTA HOUSING FINANCE AGENCY
A Component Unit of the State of Minnesota
Management's Discussion and Analysis of Financial Condition and Results of Operations – Unaudited

Introduction

Management's Discussion and Analysis of Financial Condition and Results of Operations is not audited. However, it is supplementary information required by accounting principles generally accepted in the United States of America. This discussion should be read in conjunction with the financial statements and notes thereto.

The Minnesota Housing Finance Agency (Minnesota Housing or the Agency) was created in 1971 by the Minnesota legislature through the enactment of Minnesota Statutes, Chapter 462A, which has been amended from time to time. The Agency was established to facilitate the construction and rehabilitation of housing in Minnesota for families of low- and moderate-income by providing mortgage loans, development loans, and technical assistance to qualified housing sponsors. Minnesota Housing is a component unit of the State of Minnesota and receives appropriations from the state legislature, substantially all of which are used to make loans or grants under specified state-defined programs and to pay debt service and related expenses on state appropriation-backed housing bonds. Minnesota Housing also receives funds appropriated by the federal government for similar program purposes and distribution of emergency assistance. The Agency's mission is: Housing is the foundation for success, so we collaborate with individuals, communities and partners to create, preserve and finance affordable housing.

Minnesota Housing is authorized to issue bonds and notes to fulfill its corporate purposes up to a total outstanding amount of $5.0 billion and to incur other indebtedness. None of the bonds, notes or other indebtedness is a debt of the State of Minnesota or any political subdivision thereof.

Minnesota Housing operates three program divisions; Multifamily, Single Family and Community Development which offer housing programs with funding from the sale of tax-exempt and taxable bonds, state and federal appropriations, the Housing Development Fund and the Alternative Loan Fund. The federal Low Income Housing Tax Credit is another resource the Agency allocates. The members of Minnesota Housing (the Board) consist of six public members appointed by the Governor with the advice and consent of the state senate and the State Auditor as an ex-officio member.

Discussion of Financial Statements

The Financial Section of this report consists of three parts: the independent auditors' report, management's discussion and analysis (this section), and the basic financial statements. The basic financial statements are prepared on an accrual basis and presented on an agency-wide basis and by fund.

- Agency-wide financial statements provide information about Minnesota Housing's overall financial position and results of operations. These statements consist of the Statement of Net Position and the Statement of Activities. Significant interfund transactions have been eliminated within the agency-wide statements. Assets and revenues of the separate funds that comprise the agency-wide financial statements are generally restricted as to use and the reader should not assume they may be used for every corporate purpose.
- The fund financial statements provide information about the financial position and results of operations for Minnesota Housing's eight proprietary funds.
- The financial statements also include notes to financial statements which provide more detailed explanations of certain information contained in the agency-wide and fund financial statements.

Required and other Supplementary Information is presented following the Notes to Financial Statements for certain funds of Minnesota Housing, which have been established under the bond resolutions under which Minnesota Housing issues bonds and other debt for its programs. These funds consist of General Reserve and the bond funds, which are Rental Housing, Residential Housing Finance, Homeownership Finance, Home Ownership Mortgage-backed Exempt Securities (HOMES^{SM}), and Multifamily Housing.

The basic financial statements also include summarized comparative totals as of and for the year ended June 30, 2021. Although not required, these comparative totals are intended to facilitate an understanding of Minnesota Housing's financial position and results of operations for fiscal year 2022 in comparison to the prior fiscal year.

General Overview

Minnesota Housing financial statements are presented in two formats: agency-wide and by fund. Funds include Rental Housing, Residential Housing Finance, Homeownership Finance, Multifamily Housing, and HOMES[SM] (collectively the bond funds); State and Federal Appropriated (collectively the appropriated funds) and General Reserve. Agency-wide financial statements are provided to display a comprehensive view of all Minnesota Housing funds as required by accounting principles generally accepted in the United States of America applicable to governmental entities under accounting standards promulgated from time to time by the Governmental Accounting Standards Board (GASB). Agency-wide financial statements reflect totals of similar accounts for various funds. However, substantially all of the funds in these accounts are restricted as to use by Agency covenants or legislation as further described below.

Assets and revenues of the bond funds are restricted to uses specifically set forth in the respective bond resolutions and are pledged for the primary benefit of the respective bondholders and interest rate swap agreement counterparties. General Reserve is created under the Minnesota Housing bond resolutions as part of the pledge of the general obligation of Minnesota Housing. Minnesota Housing covenants in the bond resolutions that it will use the assets in General Reserve only for administration and financing of programs in accordance with the policy and purpose of the Minnesota Housing enabling legislation, including reserves for the payment of bonds and notes and of loans made from the proceeds thereof, and to accumulate and maintain therein such a balance of funds and investments as will be sufficient for the purpose.

Minnesota Housing has no taxing power and neither the State of Minnesota nor any political subdivision thereof is legally obligated to pay the principal of or interest on bonds or other obligations issued by Minnesota Housing. The state has pledged to and agreed with bondholders that it will not limit or alter the rights vested in Minnesota Housing to fulfill the terms of any agreements made with bondholders or in any way impair the rights and remedies of the bondholders.

Public funds directly appropriated to Minnesota Housing by the State of Minnesota or made available to Minnesota Housing from the federal government are restricted by law to specified uses set forth in the state appropriations or federal contracts. Assets and revenues of Appropriated funds are not pledged or available to secure bonds issued under the bond funds or other obligations of Minnesota Housing or its general obligation pledge in respect thereof.

In addition to its audited annual financial statements, Minnesota Housing has published unaudited quarterly disclosure reports for Residential Housing Finance and Homeownership Finance bond resolutions and unaudited semiannual disclosure reports for the Rental Housing bond resolution. Recent disclosure reports can be found in the "Investors" section on Minnesota Housing's web site at www.mnhousing.gov.

<u>Discussion of Individual Funds</u>

General Reserve

The purposes of General Reserve are to maintain sufficient liquidity for Minnesota Housing operations, to hold escrowed funds and to maintain the Housing Endowment Fund (also referred to as Pool 1). The costs of administering Minnesota Housing programs are captured on the Statement of Revenues, Expenses and changes in Net Position for General Reserve. The fees earned are generally related to the administration of the federal Low Income Housing Tax Credit program, administration of the federal Housing Assistance Payment program, and contract administration of the Section 8 program for developments not financed by Minnesota Housing.

Rental Housing

One-half of the developments with a first mortgage loan presently held in Rental Housing receive Section 8 payments under contracts with U.S. Department of Housing and Urban Development ("HUD"). Over 60% of the principal amount of multifamily first mortgage loans receivable held in Rental Housing are insured by HUD pursuant to a risk sharing agreement whereby HUD agrees to assume 50% or greater of the loss upon a default of the mortgage loan

Inherent risks remain in these portfolios, especially for multifamily developments without project-based tenant subsidies. Maintaining asset quality is a high priority for Minnesota Housing; therefore, this portfolio receives a significant amount of oversight.

All of Minnesota Housing's bond-financed multifamily loans, except loans financed under state appropriation-backed housing bonds, conduit bonds, and one loan under Multifamily Housing, are financed in Rental Housing as of June 30, 2022. Funds in excess of bond resolution requirements may be withdrawn and used to redeem any Agency bonds, to fund housing programs and for Agency operations.

Residential Housing Finance

Included within Residential Housing Finance are the bonds issued and outstanding under the Residential Housing Finance bond resolution, the 2018 limited obligation Index Bank Note issued under a separate bond trust indenture and the restricted by covenant, Alternative Loan Fund which consists of the Housing Investment Fund (Pool 2), and the Housing Affordability Fund (Pool 3). The Alternative Loan Fund is not pledged as security for any bonds of the Agency but is available to pay debt service on any bonds except state appropriation-backed bonds and conduit bonds.

Bonds have been issued for the purpose of funding purchases of single family first mortgage loans, mortgage-backed securities backed by single family mortgage loans, certain down payment and closing cost housing assistance loans, and unsecured and secured subordinated home improvement mortgage loans. The mortgage-backed securities are guaranteed as to payment of principal and interest by one of the Government National Mortgage Association (GNMA), the Federal National Mortgage Association (FNMA) or the Federal Home Loan Mortgage Corporation (FHLMC). The majority of the single family first mortgage loans financed by these bond issues are insured by private mortgage insurance or the Federal Housing Administration (FHA) or guaranteed by the U.S. Department of Veterans Affairs (VA) or the U.S. Department of Agriculture Rural Development (RD). While mortgage insurance and guarantees help mitigate the risk of loss to the Agency, inherent risks remain including the impact of declining home values on default recoveries and the risk of deterioration to the credit worthiness of insurers. The Agency's collection experience among mortgage insurers has been generally favorable.

This bond resolution, along with the Homeownership Finance bond resolution (see Homeownership Finance below), were the principal sources of financing for bond-financed homeownership programs. Minnesota Housing may also issue bonds for its home improvement loan program under this bond resolution although no bonds were issued to support home improvement lending during fiscal year 2022.

Assets of Pool 2 consist of investment quality housing loans, as defined by the Agency, and investment grade securities. During fiscal year 2022 this fund provided capital for several Agency programs including its home improvement loan program and its multifamily first-mortgage loan program. It also provided capital for warehousing purchases of mortgage-backed securities secured by single family first mortgage loans before those securities are permanently financed by issuing bonds, or sold into the to-be-announced (TBA) market. In addition, it provided capital for amortizing second lien homeownership loans made in conjunction with the Agency's single family first mortgage loans, for tax credit bridge loans, for loans to partner organizations to acquire, rehabilitate and sell foreclosed homes and to develop new affordable housing, and index bank note expenses, and for bond sale contributions. The fund may also provide interim financing for construction and rehabilitation of single family housing and may be used to advance funds to retire debt.

Assets of Pool 3 consist of investment-grade securities when not utilized for program purposes. Program purposes include, but are not limited to: no-interest loans, loans at interest rates substantially below market, high risk loans, deferred loans, revolving funds, and grants. During fiscal year 2022 funds from Pool 3 were used for down payment and closing cost assistance for first-time homebuyers, below-market interim financing for construction and rehabilitation of single family housing, capital costs and rental assistance for permanent supportive housing, advances for certain multifamily housing developments in anticipation of permanent funding through state appropriation-backed housing bonds, Habitat loans and deferred, subordinated multifamily loans.

Funds in excess of bond resolution requirements may be withdrawn and used to redeem any Agency bonds, to fund housing programs and for Agency operations.

Homeownership Finance

This bond resolution was originally adopted for the purpose of issuing mortgage revenue bonds under the United States Treasury's Single Family New Issue Bond Program (NIBP). Non-NIBP mortgage revenue bonds, which also meet resolution requirements, have also been issued under this resolution. Bonds issued under this resolution fund mortgage-backed securities backed by single family mortgage loans. These securities are guaranteed as to payment of principal and interest by one of the GNMA, FNMA or the FHLMC. Funds in excess of bond resolution requirements may be withdrawn and used to redeem any Agency bonds, to fund housing programs and for Agency operations.

HOMES^{SM}

This bond indenture implements a program developed by the investment banking division of a major bank whereby the Agency issues and sells to the investment bank limited obligations of the Agency (HOMES^{SM} certificates), each secured by a mortgage-backed security guaranteed by FNMA or GNMA. Minnesota Housing is not committed to sell any HOMES^{SM} certificates but has the option to accept the investment bank's bid for HOMES^{SM} certificates, which may be a higher price than the Agency could achieve by selling the mortgage-backed security in the open market. The HOMES^{SM} Certificates are not secured by the general obligation pledge of the Agency and are not protected by the moral obligation backing from the State of Minnesota.

Multifamily Housing

This bond resolution was adopted for the purpose of issuing multifamily housing bonds under the United States Treasury's Multifamily New Issue Bond Program.

State and Federal Appropriated Funds

The appropriated funds are maintained by Minnesota Housing for the purpose of receiving and disbursing monies appropriated by the state and federal government for housing. All funds appropriated by the state and federal government must be used for specific uses as set forth in the state appropriations or federal contracts and except for funds appropriated to pay debt service on state appropriation-backed bonds are not pledged or available to secure the bondholders or creditors of Minnesota Housing. Because the Agency is the issuer of the state appropriation-backed bonds they are shown in bonds payable section even though they are not a general obligation of the Agency. These bonds are payable solely from appropriations from the State of Minnesota. Per the offering disclosures for these appropriation-backed bonds, the Agency will not use its own resources to redeem or repay the bonds.

The State Appropriated Fund was established to account for funds, received from the state legislature, which are to be used for programs for low- and moderate-income persons and families and multifamily housing developments in the form of low-interest loans, no-interest deferred loans, low-interest amortizing loans, debt service and other costs associated with appropriation-backed housing bonds, and other housing-related program costs.

The Federal Appropriated Fund was established to account for funds received from the federal government which are to be used for programs for low- and moderate-income persons and families and multifamily housing developments in the form of no-interest deferred loans and grants in support of foreclosure counseling and remediation efforts, assistance to tax credit developments, federal emergency housing assistance and other housing-related program costs.

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MINNESOTA HOUSING FINANCE AGENCY
A Component Unit of the State of Minnesota
Management's Discussion and Analysis of Financial Condition and Results of Operations
Condensed Financial Information

Selected Elements From Statement of Net Position (in $000's)

	Agency-wide Total			Combined General Reserve and Bond Funds					Combined State and Federal Appropriations Funds		
				Fiscal 2022							
	Fiscal 2022	Fiscal 2021	Change	Excluding Pool 3	Pool 3	Total	Fiscal 2021	Change	Fiscal 2022	Fiscal 2021	Change
Cash and other investments	$ 1,214,346	$ 1,510,215	$ (295,869)	$ 691,735	$ 14,269	$ 706,004	$ 869,008	$ (163,004)	$ 508,342	$ 641,207	$ (132,865)
Investments - program securities mortgage-backed securities	2,804,425	2,810,602	(6,177)	2,804,425	-	2,804,425	2,810,602	(6,177)	-	-	-
Loans receivable, net	954,733	929,425	25,308	801,316	114,791	916,107	892,886	$ 23,221	38,626	36,539	2,087
Capital assets, net	8,317	10,512	(2,195)	8,317	-	8,317	10,512	$ (2,195)	-	-	-
Other	35,160	19,091	16,069	34,499	108	34,607	18,601	$ 16,006	553	490	63
Total assets	5,016,981	5,279,845	(262,864)	4,340,292	129,168	4,469,460	4,601,609	(132,149)	547,521	678,236	(130,715)
Total deferred outflows of resources	12,398	16,372	(3,974)	12,398	-	12,398	16,372	(3,974)	-	-	-
Total assets and deferred outflows	5,029,379	5,296,217	(266,838)	4,352,690	129,168	4,481,858	4,617,981	(136,123)	547,521	678,236	(130,715)
Long term liabilities (noncurrent)	3,710,689	3,492,511	218,178	3,339,592	-	3,339,592	3,190,891	148,701	375,350	301,620	73,730
Other (current)	364,321	411,210	(46,889)	334,843	(9,700)	325,143	386,311	(61,168)	34,925	24,899	10,026
Total liabilities	4,075,010	3,903,721	171,289	3,674,435	(9,700)	3,664,735	3,577,202	87,533	410,275	326,519	83,756
Deferred inflows of resources	58,390	39,555	18,835	58,390	-	58,390	39,555	18,835	-	-	-
Total liabilities and deferred inflows	4,133,400	3,943,276	190,124	3,732,825	(9,700)	3,723,125	3,616,757	106,368	410,275	326,519	83,756
Restricted by bond resolution	203,444	485,980	(282,536)	203,444	-	203,444	485,980	(282,536)	-	-	-
Restricted by covenant	554,495	513,428	41,067	415,627	138,868	554,495	513,428	41,067	-	-	-
Restricted by law	382,384	562,264	(179,880)	-	-	-	-	-	382,384	562,264	(179,880)
Unrestricted - state appropriation-backed debt	(245,138)	(210,547)	(34,591)	-	-	-	-	-	(245,138)	(210,547)	(34,591)
Invested in capital assets	794	1,816	(1,022)	794	-	794	1,816	(1,022)	-	-	-
Total net position	$ 895,979	$ 1,352,941	$ (456,962)	$ 619,865	$ 138,868	$ 758,733	$ 1,001,224	$ (242,491)	$ 137,246	$ 351,717	$ (214,471)

	Agency-wide Total			Combined General Reserve and Bond Funds					Combined State and Federal Appropriations Funds		
				Fiscal 2022							
	Fiscal 2022	Fiscal 2021	Change	Excluding Pool 3	Pool 3	Total	Fiscal 2021	Change	Fiscal 2022	Fiscal 2021	Change
Interest earned on loans and other investments	$ 47,511	$ 47,791	$ (280)	$ 44,462	$ 611	$ 45,073	$ 46,214	$ (1,141)	$ 2,438	$ 1,577	$ 861
Interest earned on investments-program mortgage-backed securities	81,674	80,931	743	81,674	-	81,674	80,931	743	-	-	-
Appropriations received	624,436	816,121	(191,685)	-	-	-	-	-	624,436	816,121	(191,685)
Fees and reimbursements (2)	20,193	22,890	(2,697)	22,101	(1,536)	20,565	22,592	(2,027)	(372)	298	(670)
Net gain/loss on sale of mortgage-backed securities (MBS)											
Held for sale/HOMES certificates	2,016	12,376	(10,360)	2,016	-	2,016	12,376	(10,360)	-	-	-
Unrealized (losses) on investments	(294,763)	(45,098)	(249,665)	(294,535)	(228)	(294,763)	(45,098)	(249,665)	-	-	-
Total revenues (1)	481,067	935,011	(453,944)	(144,282)	(1,153)	(145,435)	117,015	(262,450)	626,502	817,996	(191,494)
Interest and financing, net expense	74,402	106,563	(32,161)	64,568	-	64,568	98,131	(33,563)	9,834	8,432	1,402
Appropriations disbursed	769,089	395,726	373,363	-	-	-	-	-	769,089	395,726	373,363
Fees	3,183	3,413	(230)	3,044	29	3,073	3,304	(231)	110	109	1
Payroll, General & Administrative	27,717	45,996	(18,279)	24,631	1,683	26,314	44,063	(17,749)	1,403	1,933	(530)
Loan loss/value Adjustments	61,600	73,741	(12,141)	1,319	1,077	2,396	9,873	(7,477)	59,204	63,868	(4,664)
Total expenses (1)	935,991	625,439	310,552	93,562	2,789	96,351	155,371	(59,020)	839,640	470,068	369,572
Non-operating transfer of assets between funds	(2,038)	(1,012)	(1,026)	(10,705)	10,000	(705)	1,238	(1,943)	(1,333)	(2,250)	917
Revenues over/under expenses	(456,962)	308,560	(765,522)	(248,549)	6,058	(242,491)	(37,118)	(205,373)	(214,471)	345,678	(560,149)
Beginning net position, as restated	1,352,941	1,044,381	308,560	868,414	132,810	1,001,224	1,038,342	(37,118)	351,717	6,039	345,678
Ending net position	$ 895,979	$ 1,352,941	$ (456,962)	$ 619,865	$ 138,868	$ 758,733	$ 1,001,224	$ (242,491)	$ 137,246	$ 351,717	$ (214,471)

(1) Agency-wide totals include interfund amounts
(2) Includes administrative reimbursements, net

General Reserve and Bond Funds – Statement of Net Position

Financial Highlights

The following financial highlights section refers to the General Reserve and bond funds. The reader is encouraged to review the Fund Financial Statements as well as supplementary information in this 2022 Financial Report.

Investments-program Mortgage-backed securities (MBS), cash, cash equivalents, investment securities-other, loans receivable, and interest receivable comprise the majority of assets. Deferred pension expense, deferred loss on refunding and deferred loss on interest rate swap agreements comprise the majority of deferred outflows of resources in the General Reserve and bond funds. Capital assets, real estate owned and other assets continue to be insignificant in relation to the total General Reserve and bond fund assets and deferred outflows of resources.

MBS is the single largest category of bond fund assets. Those assets are pledged as security for the payment of certain Agency mortgage revenue bonds held in acquisition accounts pledged to bond holders as security for bonds. This category of investments decreased 0.2% to $2,804.4 million. Single Family production was very strong in fiscal year 2022.

Mortgage-backed Securities Portfolio Delinquency
Actual Loan Count

	June 30, 2022		June 30, 2021	
Current	27,026	95.0%	23,981	89.3%
60-89 Days	372	1.3%	246	0.9%
90-119 Days	202	0.7%	120	0.4%
120+ Days	861	3.0%	2,505	9.3%
Total count	28,461		26,852	
Total past due	1,435	5.0%	2,871	10.7%

The 60+ day delinquency rate as of June 30, 2022 for the mortgage loans originated within the past 2 years under the MBS model was approximately 1.84 points above the delinquency rates benchmark at the HFA division of US Bank for the same time period. Similar to the homeownership loan portfolio described below, borrowers with mortgage loans that back the MBS portfolio can seek up to 18 months of payment forbearance due to the COVID Pandemic; the MBS payments are guaranteed by GNMA, FNMA or FHLMC and are not delinquent.

Cash and cash equivalents are carefully managed to provide adequate resources for future debt service requirements and liquidity needs. This category decreased 21.8% to $528.6 million. Cash and Cash equivalents can fluctuate based on the timing of bond sales, the rate of production, debt repayments, purchase of investments and loan transactions.

Investments securities-other consists of MBS that are held by the Agency as investments, MBS held in the warehouse for future bond sales and MBS held for sale in the TBA market as well as other quality investments such as US agency, US treasuries, municipal bonds and government backed investment pools at the trustee, Wells Fargo, and the State Board of Investments (SBI). This category decreased by 8.0% to $177.4 million.

Loans receivable, net is another large single category of bond fund assets. Loans are limited to housing-related lending for low- and moderate-income individuals and families and multifamily housing developments; including Monthly Payment 2nd (MP 2nds) loans that include down payment and closing cost assistance loans. Loans receivable, net, increased 2.6% to $916.1 million at June 30, 2022 as a result of repayments,

General Reserve and Bond Funds – Statement of Net Position (continued)

prepayments, and loss reserves net of new loan purchases and originations. Amortizing homeownership loans at fixed interest rates, secured by first mortgages, continue to be the dominant loan product offered by Minnesota Housing. In the last half of 2009, the Agency changed its business model from purchasing homeownership loans to purchasing MBS secured by homeownership loans. As a result, the homeownership loan portfolio, now in runoff, will continue to shrink as repayments and prepayments are no longer offset by new loans. Instead, the portion of investments represented by MBS may increase as they are purchased in place of loans. The Agency also sells a portion of those MBS directly into the TBA market after hedging the interest rate risk with forward sales contracts at the time of loan commitment. The reserve for loan loss for the homeownership loan portfolio increased slightly. The reserve for loan loss for the home improvement loan portfolio increased due to a slight increase in the 120 day past due category. Amortizing multifamily loans at fixed interest rates, secured by first mortgages (referred to as the multifamily portfolio) exhibited little change in delinquency rate and the aggregate loan receivable balance. Minnesota Housing's primary loan programs offer fixed interest rate financing and therefore differ from the high risk characteristics associated with some adjustable payment loan products. During the national emergency concerning the COVID Pandemic, borrowers with mortgage loans that are FHA insured, VA, HUD or RA, or purchased or securitized by FNMA or FHLMC can seek up to 18 months of payment forbearance. The Agency has chosen to grant similar forbearance relief for other single family homeownership and home improvement loans.

Homeownership Loan Portfolio Delinquency
Actual Loan Count

	June 30, 2022		June 30, 2021	
Current	3,386	92.9%	3,801	89.7%
60-89 Days	54	1.5%	36	0.8%
90-119 Days	19	0.5%	31	0.7%
120+ Days	184	5.1%	369	8.7%
Total count	3,643		4,237	
Total past due	257	7.1%	436	10.3%

Homeownership Loan Portfolio Delinquency (In Forbearance)
Actual Loan Count

	June 30, 2022		June 30, 2021	
Current	3	9.1%	15	7.5%
60-89 Days	2	6.1%	10	5.0%
90-119 Days	1	3.0%	9	4.5%
120+ Days	27	81.8%	167	83.1%
Total count	33		201	
Total past due	30	90.9%	186	92.5%

The first table above also includes loans in forbearance due to the COVID Pandemic. The 60+ day delinquency rate as of June 30, 2022 for the entire Minnesota Housing homeownership first lien loan portfolio, excluding those loans not customarily included in foreclosure statistics, exceed by approximately one percentage point the delinquency rates of similar loan data available as of June 30, 2022 from the Mortgage Bankers Association of America for loans in Minnesota (as adjusted to reflect the proportions of insurance types in the Agency's loan portfolio).

General Reserve and Bond Funds – Statement of Net Position (continued)

Homeownership (MP 2nd) Loan Portfolio Delinquency
Actual Loan Count

	June 30, 2022		June 30, 2021	
Current	7,505	95.0%	6,500	90.1%
60-89 Days	68	0.9%	36	0.5%
90-119 Days	33	0.4%	31	0.4%
120+ Days	291	3.7%	647	9.0%
Total count	7,897		7,214	
Total past due	392	5.0%	714	9.9%

Homeownership (MP 2nd) Loan Portfolio Delinquency (In Forbearance)
Actual Loan Count

	June 30, 2022		June 30, 2021	
Current	0	0.0%	221	34.0%
60-89 Days	15	12.1%	17	2.6%
90-119 Days	16	12.9%	17	2.6%
120+ Days	93	75.0%	395	60.8%
Total count	124		650	
Total past due	124	100.0%	429	66.0%

The first table above also includes loans in forbearance due to the COVID Pandemic. The MP 2nd loans were made in conjunction with first lien mortgage loans that were pooled into MBS including, in part, the MBS portfolio the delinquency characteristics of which are described on a preceding page.

Home Improvement Loan Portfolio Delinquency
Actual Loan Count

	June 30, 2022		June 30, 2021	
Current	4,723	97.8%	4,806	98.6%
60-89 Days	13	0.3%	8	0.2%
90-119 Days	10	0.2%	3	0.1%
120+ Days	85	1.8%	55	1.1%
Total count	4,831		4,872	
Total past due	108	2.2%	66	1.4%

General Reserve and Bond Funds – Statement of Net Position (continued)

Home Improvement Loan Portfolio Delinquency (In Forbearance)
Actual Loan Count

	June 30, 2022		June 30, 2021	
Current	0	0.0%	23	95.8%
60-89 Days	0	0.0%	0	0.0%
90-119 Days	0	0.0%	0	0.0%
120+ Days	0	0.0%	1	4.2%
Total count	0		24	
Total past due	0	0.0%	1	4.2%

Due to the unique program characteristics of the Minnesota home improvement loan portfolio, the Agency has determined that delinquency data from other available sources is not directly comparable. The table above excludes inactive home improvement loans defined as delinquent loans for which the Agency has a valid lien but active collection efforts have been exhausted.

FHA/VA insurance claims, net consist of non-performing homeownership loans that are FHA insured or VA guaranteed. These loans are reclassified as claims receivable at the time the Agency files a claim. FHA/VA insurance claims, net decreased 48.8% to $0.1 million at June 30, 2022 as a result of a decrease in the amount of loans with outstanding claims.

Over 60% of the principal amount of multifamily first mortgage loans receivable held in Rental Housing, and 61% of the principal amount of multifamily first mortgage loans receivable held in Residential Housing Finance, are insured by the HUD pursuant to a risk sharing agreement whereby HUD agrees to assume 50% or greater of the loss upon a default of the mortgage loan.

Real estate owned, net consists of properties acquired upon foreclosure of homeownership loans. There was a net increase in real estate owned of 23.0% to $0.8 million at June 30, 2022.

While the delinquency rates and foreclosures in the Agency's loan portfolio remained above historical norms during fiscal year 2022, the combined net total of FHA/VA insurance claims and real estate owned remains immaterial compared to total loans receivable at June 30, 2022, being 1.0% of total net loans receivable.

Management believes that reserves for loan losses are adequate based on the current assessment of asset quality.

No loans reside in General Reserve.

Interest receivable on loans and investments is a function of the timing of interest payments and the general level of interest rates. Combined loan and investment interest receivable remained stable at $13.1 million at June 30, 2022.

Bonds payable is the largest single category of liabilities, resulting primarily from debt issued to fund housing-related lending. Bonds payable increased 3.4% to $3,476.3 million at June 30, 2022 because new bonding issuance did not outpace scheduled redemptions and early bond redemptions of existing debt.

The companion category of interest payable decreased 7.2% to $28.1 million at June 30, 2022, largely due to a decrease in the amount of outstanding debt.

While there is no debt issued in General Reserve, there is a significant liability for funds held for others. These funds are routinely collected and held in escrow on behalf of multifamily borrowers pursuant to loan documents and are used for future periodic payments of real property taxes, casualty insurance premiums, and

General Reserve and Bond Funds – Statement of Net Position (continued)

certain capital expenditures. Funds held for others in General Reserve, Pool 2 and HOMES[SM] decreased 0.6% in fiscal year 2022 to $70.4 million at June 30, 2022.

On the Statement of Net Position there are three accounts that report the overall pension and other post employment benefits (OPEB) picture. As of June 30, 2022, the Net Pension Liability and OPEB decreased to $2.4 million, the Deferred Pension Expense increased by $9.9 million to $12.4 million, and the Deferred Pension Credit increased by $3.5 million to $22.8 million. This increase was due to Minnesota State Retirement System (MSRS) making changes to the assumptions that were used for the plans actuarial reports. GASB 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27,* prescribes how these accounts are recorded and how income and expense are recognized. GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, prescribes that OPEB are now included in these numbers. The net result of the pension entries is an overall increase of $14.3 million to the net position.

Accounts payable and other liabilities decreased to $80.9 million at June 30, 2022.

Interfund payable/receivable exists primarily as a result of interfund borrowing and pending administrative and program reimbursements between funds. Most administrative expenses are paid from General Reserve, with the bond funds and appropriated funds owing an administrative reimbursement to General Reserve for the respective fund's contribution to those administrative expenses.

General Reserve and Bond Funds Revenues over Expenses

Revenues over expenses of General Reserve and bond funds decreased 530.4% to a loss of $241.8 million. Revenues over expenses excluding unrealized gains and losses increased 688.1% to $52.8 million for fiscal year 2022. Unrealized gains and losses are the result of mark to market increases and decreases, and due to the market swing in fiscal year 2022 revenues over expenses in the General Reserve and bond funds decreased.

Total revenues decreased 178.7% to a loss of $116.9 million. Revenue excluding unrealized gains and losses on investments decreased 8.3% to $177.8 million. The largest impact on the decrease in revenues was due to the mark to market swing in unrealized gains and losses.

Total expenses decreased 33.2% to $124.8 million. The majority of the decrease is the result of pension adjustments and hedging gains.

The largest revenue component, interest earned on MBS and investments decreased 4.7% to $91.1 million. This is primarily due to interest rate decreases and prepayments in fiscal year 2022. Loan interest revenue decreased 11.2% to $35.6 million as repayments and prepayments decreased the size of the homeownership loan portfolio. That portfolio is in runoff because of the change to the mortgage-backed securities business model during fiscal year 2010. Administrative reimbursements to General Reserve from bond funds were $31.2 million in fiscal year 2022 compared to $33.1 million during the prior fiscal year. General Reserve also incurs overhead expenses to administer state and federal appropriated housing programs. General Reserve received overhead reimbursements of $2.6 million from the State and Federal Appropriated funds to recover certain overhead expenses incurred during fiscal year 2022 compared to $1.6 million during the prior fiscal year.

Other fee income to General Reserve and bond funds of $17.9 million decreased by $3.1 million compared to the prior fiscal year. The primary components are service acquisition fees earned from the sale of mortgage servicing rights, fees earned from the federal low-income housing tax credit program, Section 8 contract administration, federal Housing Assistance Payments (HAP) administration, and various loan programs.

The net gain on the sale of mortgage-backed securities held for sale was $2.0 million a decrease of $10.4 million over prior fiscal year. Components of the net gain, in addition to the gain or loss on the security itself,

General Reserve and Bond Funds Revenues over Expenses (continued)

include the cost of minimizing interest rate risk through forward sale contracts, certain trustee fees, and service release premiums.

Unrealized loss on investment securities for fiscal year 2022 are $294.8 million compared to $45.1 million of unrealized losses for fiscal year 2021. The unrealized gains or losses arise due to the changes in fair value and mark-to-market in accordance with GASB. The fair value adjustments are booked quarterly and fluctuate based on market conditions. Of these unrealized gains or losses, $182.9 million of unrealized losses are related to the program MBS portfolio pledged to bond holders for payments of debt service and $12.5 million of unrealized gains are related to the investment securities portfolio. The Agency will hold these MBS until all requirements of the Residential Housing Finance and Homeownership Finance Bond resolution are satisfied. The Agency is not permitted by the bond resolution to sell the MBS at this time. This value fluctuation is booked as required by GASB; however analysis performed on income normally excludes the unrealized gains or losses.

Interest expense decreased 13.5% to $75.0 million compared to the prior fiscal year as a result of lower interest rates on new bond issues.

Financing costs decreased 195.1% to a credit of $10.4 million.

Expenses for loan administration and trustee fees in the bond funds was stable at $3.1 million for current fiscal year. Of the total administrative reimbursement revenue in General Reserve of $30.9 million, the interfund charge to the bond funds and State Appropriated fund of $29.1 million was eliminated for purposes of financial reporting in the Agency-wide financial statements.

Salaries and benefits in General Reserve of $17.7 million decreased 45.6% from the prior year. A main component of the Salaries and Benefits change is due to the valuation of pension expense.

Other general operating expense in General Reserve and bond funds of $8.6 million recognized a 25.3% decrease compared to prior fiscal year at $11.6 million.

Reductions in carrying value of certain low interest rate deferred loans in the bond funds decreased from $8.7 million to $1.0 million.

The provision for loan loss expense in the bond funds increased from $1.1 million to $1.4 million, overall delinquencies remained stable compared to prior fiscal year.

The provision for loan loss expense for the homeownership loan portfolio for current fiscal year is ($0.7) million and prior fiscal year was $0.4 million.

The provision for loan loss expense for the home improvement loan portfolio and MP 2nds was at $1.15 million compared to prior year of ($0.3) million.

The provision for loan loss expense for the multifamily loan portfolio was ($1.1) million.

Non-operating transfers occur as a result of bond sale contributions related to new debt issues, the periodic transfer of assets to maintain the Pool 1 requirement, periodic fiscal year end transfers to the Pool 3, if any, and periodic transfers from the bond funds of amounts in excess of bond resolution requirements. During fiscal year 2022, $21.2 million of Pool 1 funds in excess of requirements were transferred to Pool 2. Revenues over expenses in General Reserve that are in excess of the Pool 1 requirement are transferred periodically to Pool 2 for use in housing programs. Pool 2 also recorded a $10.0 million transfer to Pool 3 to be used for highly subsidized housing programs. Per the Rental Housing Bond Resolution requirement, funds must be transferred to General Reserve when they are removed from the Rental Housing Bond Resolution. Revenues over expenses plus non-operating transfers in Pool 2 may be transferred periodically, with approval of the Board, to Pool 3 for use in more highly subsidized housing programs. Board investment guidelines establish required balances for Pool 1 and Pool 2. In addition, Pool 2 made $6.8 million in bond sale transfers to the Homeownership Finance and Rental Housing Funds.

General Reserve and Bond Funds Revenues over Expenses (continued)

Total combined net position of General Reserve and bond funds decreased 24.2% to $242.5 million as of June 30, 2022. The net position of General Reserve and bond funds is divided into two primary categories. Restricted by Bond Resolution is pledged to the payment of bonds, subject to bond resolution provisions that authorize Minnesota Housing to withdraw funds in excess of the amounts required to be maintained under the bond resolutions. Restricted by Covenant is subject to a covenant with bondholders that the Agency will use the money in General Reserve, and money that would otherwise have been released to General Reserve, only for the administration and financing of programs in accordance with the policy and purpose of Minnesota Housing's enabling legislation, including the creation of reserves for the payment of bonds and of loans made from the proceeds thereof, and will accumulate and maintain therein such a balance of funds and investments as will be sufficient for the purpose. The Board of the Agency has established investment guidelines for these funds to implement this covenant.

State and Federal Appropriated Funds – Statement of Net Position

Assets of the appropriated funds are derived from the appropriation of funds by the State of Minnesota and funds made available to Minnesota Housing by the federal government for housing purposes. Housing preservation and development typically requires appropriations received in the current period to be expended over several future years of planned development. This timing difference is the primary reason for the presence of investments, cash, and cash equivalent assets in the appropriated funds and for the balance of net position restricted by law. In fiscal year 2018, the Agency added a new line called Unrestricted - State Appropriation-backed Bonds. This line shows the amount of outstanding Appropriation-backed Bonds issued by the Agency.

Investments, cash, and cash equivalents combined are the largest category of assets in the appropriated funds. The June 30, 2022 combined balance decreased 20.7% to $508.3 million as a result of the combined appropriations received and other revenues less than the combined disbursements for programs, loans and expenses during the fiscal year.

Certain state appropriations are expended as housing loans which are in a first lien position and with near- or below-market interest rates, resulting in net loans receivable. At June 30, 2022 State Appropriated fund net loans receivable decreased 5.8% to $38.6 million.

Interest receivable in appropriated funds is a function of the timing of interest payments and the general level of interest rates on investments. Interest receivable on appropriated funds increased from $0.10 million at June 30, 2021 to $0.20 million on June 30, 2022. Accounts payable and other liabilities represent amounts payable to program participants as of year-end. The balance of payables at June 30, 2022 was $13.8 million compared to $12.3 million at June 30, 2021. Interfund payable occurs in the Federal Appropriated fund as a result of overhead expense and indirect cost recoveries owed to General Reserve. Interfund payable occurs in the State Appropriated fund because of accrued overhead expense payable to General Reserve. At June 30, 2022 the combined net interfund receivable was $0.9 million.

At June 30, 2022 and June 30, 2021 the balance of funds held for others was $0 million.

The appropriated net position is broken into two categories. Restricted by law is for use with housing programs only and is not pledged or available to secure bonds issued under any of the Agency's bond funds or other obligations of the Agency or its general obligation pledge in respect thereof. Unrestricted - State Appropriation-backed shows the amount of state appropriation-backed bonds outstanding. These bonds are backed solely by the standing appropriation by the State of Minnesota and the Agency's resources are not pledged or available to secure the bondholders. Per GASB, as the issuer, the Agency is required to show these bonds as bonds payable and therefore the reduction in net position. The combined net position of the appropriated funds decreased from $351.7 million as June 30, 2021 to $137.2 million as of June 30, 2022.

State and Federal Appropriated Funds – Statement of Net Position (continued)

This decrease is predominately due to COVID emergency rental assistance in the Federal Appropriated Fund and the state appropriation-backed bonds being recorded in the State Appropriated Fund. The balance in restricted by law at June 30, 2022 was $382.4 million. There was a decrease in restricted by law net position of $179.9 million for fiscal year 2022. As a result of emergency rental assistance disbursement the combined expenses exceeds receipts during fiscal year 2022. The principal amount outstanding of the state appropriation-backed bonds was $309.809 million restated as of June 30, 2021, and $389.562 million as of June 30, 2022. State and federal appropriated funds are recorded as revenue in the period in which such appropriations are earned. Funds are spent for eligible program activities as defined by Minnesota Housing, the State of Minnesota or agencies of the federal government. Unexpended appropriations are invested and the interest income on the investments is recorded as it is earned, except for interest earned on certain unexpended federal appropriations, which is recorded as funds held for others. Similarly, interest income on certain State Appropriated fund loan receivables is recorded as it is earned.

State and Federal Appropriated Funds – Revenues over Expenses

Historically, the largest revenue category is appropriations received, and is a function of the fiscal, legislative, and political environment of the State of Minnesota and the federal government. The combined appropriations received decreased from $816.1 million in fiscal year 2021 to $624.4 million in fiscal year 2022. In fiscal year 2022 COVID emergency assistance funds had a major impact on our ending balance. Federal appropriations received decreased by $208.4 million. State appropriations received increased by $16.7 million.

The combined interest income from investments increased 46.1% to $1.3 million for fiscal year 2022.

Loan interest income from state appropriations loan assets continues to be minimal at $1.1 million as relatively few loans bear interest.

Fees earned and other income, in the amount of $0.5 million were recorded in the State Appropriated Fund during fiscal year 2022.

Combined unrealized losses were zero for fiscal year 2022 and fiscal year 2021. The unrealized gains and losses arise due to the changes in fair value and mark-to-market in accordance with GASB. The fair value adjustments are booked quarterly and fluctuate based on market conditions.

Administrative reimbursements to General Reserve of overhead expenses to administer State Appropriated Fund programs decreased 22.5% to $0.9 million compared to the prior fiscal year. The Agency incurs the overhead expense in General Reserve. General Reserve is reimbursed for these overhead expenses by the state appropriated funds to the extent of investment earnings on unexpended state appropriations. During fiscal year 2022 investment earnings in the state appropriated fund were insufficient to reimburse all of the overhead expenses incurred in General Reserve for state appropriated programs during this fiscal year.

Combined appropriations disbursed increased 94.3% to $769.1 million compared to the prior fiscal year, reflecting state appropriations disbursed of $38.0 million and federal appropriations disbursed of $731.1 million. The increase was predominately related to COVID emergency rental assistance disbursed from the Federal Appropriated Fund.

Increased expenditures of state appropriated funds for fully reserved below-market and zero-percent interest rate loans impacted expense from reductions in carrying value of certain loans. Net reductions of carrying value decreased 8.6% to $59.1 million compared to the prior fiscal year.

Other general operating expenses in the State Appropriation Fund represent fees for professional and technical support to implement and administer certain housing programs and disbursements of funds. Other general operating expenses in the State Appropriation Fund decreased 37.8% to $1.4 million at June 30, 2022.

Combined expenses were more than combined revenue of the appropriated funds by $213.1 million at June 30, 2022. Historically, the entire existing state restricted by law and federal appropriated funds' net position

State and Federal Appropriated Funds – Revenues over Expenses (cont)

is likely to be expended for housing programs. In fiscal year 2022 the disbursement of federal appropriated funds for COVID Emergency Rental Assistance had a major impact on our net position.

Significant Long Term Debt Activities

Minnesota Housing issues a significant amount of bonds, having outstanding at June 30, 2022, not including state appropriation-backed bonds, long-term bonds totaling $3,476.3 million. Bond proceeds and related revenues are held by a trustee, who is responsible for administration of bond resolution requirements including payment of debt service. The bond resolutions may require funding debt service reserve accounts and insurance reserve accounts. At June 30, 2022, amounts held by the trustee in principal, interest, redemption, and reserve accounts represented full funding of those requirements as of that date. In addition, at year-end the Agency had $389.6 million in state appropriation-backed bonds outstanding.

Minnesota Housing continually investigates and utilizes financing and debt management techniques designed to achieve its goals of reducing interest expense and efficiently utilizing bonding authority while managing risk and responding to changing capital markets. During 2022 fiscal year, Minnesota Housing issued fifteen series of bonds aggregating $853.6 million (excluding state appropriation-backed housing bonds, limited obligation drawdown index bank note, and short-term borrowing against a line of credit), compared to the issuance of sixteen series totaling $850.1 million the previous fiscal year. Long-term bonds are issued as capital is needed for program purposes and as opportunities arise to economically refund outstanding bonds. Short-term bonds and notes and other indebtedness may be issued to preserve tax-exempt bonding authority for future program use and to warehouse purchases of mortgage-backed securities in advance of permanent financing. A total of $77.0 million in state appropriation-backed bonds were issued in fiscal year 2022.

A total of $760.0 million (does not include state appropriation-backed bonds) in bond principal repayments and $74.4 million of bond-related interest expense occurred during fiscal year 2022. Of the total bond principal repayments, $385.5 million were repayments made on bonds prior to the scheduled maturity date using a combination of optional and special redemption provisions. A total of $9.7 million in bond principal repayments for state appropriation-backed bonds were made in fiscal year 2022.

Most of the bonds issued by Minnesota Housing bear interest that is not includable in gross income for federal and State of Minnesota income taxation, in accordance with requirements of the federal Internal Revenue Code (IRC) and Treasury regulations governing either qualified mortgage bonds, bonds issued to provide qualified residential rental projects or bonds issued to finance certain types of loans to nonprofit entities for single family and multifamily housing. Minnesota Housing's ability to issue certain types of tax-exempt debt is limited by its share of the state's allocation of private activity bond volume cap, which is established by Minnesota statutes. Minnesota Housing's ability to issue tax-exempt debt is also limited by a provision in the IRC (commonly known as the 10-year rule) that requires single family mortgage loan repayments and prepayments received more than ten years after the date of issuance of the bonds that financed those mortgage loans to be used to redeem bonds.

While most of the Agency's bonds are tax-exempt, taxable bonds have been issued to supplement limited tax-exempt private activity bond volume cap in order to meet demand for financing single family mortgage loans. Taxable bonds may also be issued to refund existing debt or to finance lending programs where federal tax-exempt bond restrictions are inconsistent with program goals. Variable-rate demand bonds and interest-rate swaps were incorporated into Minnesota Housing's financings from fiscal year 2003 through fiscal year 2010, and again in fiscal years 2016 through fiscal year 2020 and in fiscal year 2022. In fiscal years 2018 and 2019 SIFMA Floating Rate Term bonds with interest-rate swaps were also incorporated enabling the Agency to provide below-market mortgage financing at synthetically fixed interest rates. Interest-rate swaps help to hedge the mismatch between fixed-rate loans and variable-rate bonds.

State Legislative Actions that May Impact Financial Conditions and/or Operations

After a special legislative session at the end of fiscal year 2021, the Governor signed into law a $125.6 million two-year program budget for the Agency including $10 million per year in fiscal year 2022 and 2023 in one-time funding across several agency programs. The Agency's programs range from homelessness prevention assistance and rental assistance to deferred resources for multifamily development to down payment and closing cost assistance for first-time homebuyers. The bill included a new, one-time

Local Housing Trust Fund matching program for $1 million. The legislation also included an ending to the Governor's eviction moratorium including eviction protections for renters with a pending application for emergency pandemic rental assistance. That protection ended on June 1, 2022. No new legislation with respect to the Agency's operations or programs was adopted by the legislature in fiscal year 2022.

In addition, the bill adopted and signed into law at the end of the fiscal year 2021 special legislative session included $100 million in new Housing Infrastructure Bond authority available beginning January 16, 2022. The availability of al or a portion of this Housing Infrastructure Bonds authority was contingent on the failure of Congress to pass a federal infrastructure bill in by December 31, 2021 that includes funding for the same purposes. Additionally, $33.3 million of the $100 million is set aside for single-family development ($18.3 million) and manufactured home community acquisition and infrastructure ($15.0 million) contingent on Congress not providing funds for those purposes. The set-asides are available until January 16, 2024. Congress did not pass such a federal infrastructure bill and all of these authorizations became available to the Agency on January 16, 2022. Current eligible uses of Housing Infrastructure Bond proceeds are:

- New construction or acquisition and rehabilitation of permanent supportive housing
- Preservation of federally-assisted housing
- Land acquisition for single family homes to be sold as part of a community land trust
- Acquisition, rehabilitation, adaptive reuse, or new construction of senior housing
- Acquisition, improvement and infrastructure of manufactured home parks
- Acquisition, rehabilitation, adaptive reuse, or new construction of single-family housing

Loans to be funded with the proceeds of authorized Housing Infrastructure Bonds have been and will be selected for housing projects as part of Minnesota Housing's consolidated Request for Proposal (RFP) as well as other standalone RFP for manufactured home communities.

Additional Information

Questions and inquiries may be directed to Ms. Debbi Larson at Minnesota Housing Finance Agency, 400 Wabasha Street North, Suite 400, St. Paul, MN 55102 (651-296-8183 or 800-657-3769 or if T.T.Y. 651-297-2361)

MINNESOTA HOUSING FINANCE AGENCY
A Component Unit of the State of Minnesota
Agency-wide Financial Statements
Statement of Net Position (in thousands)
As of June 30, 2022 (with comparative totals as of June 30, 2021)

	Agency wide Total as of June 30, 2022	Agency wide Total as of June 30, 2021
Current Assets		
Cash and cash equivalents	$ 1,036,900	$ 1,317,432
Investments-program mortgage-backed securities	60,291	38,003
Investment securities-other	9,287	7,310
Loans receivable, net	61,300	41,984
Interest receivable on loans and program mortgage-backed securities	11,962	12,312
Interest receivable on investments	1,370	841
Federal Housing Administration/Veterans Affairs insurance claims, net	109	213
Real estate owned, net	759	617
Other assets	4,538	4,478
Total current assets	1,186,516	1,423,190
Noncurrent Assets		
Investments-program mortgage-backed securities	2,744,134	2,772,599
Investment securities-other	168,159	185,473
Loans receivable, net	893,433	887,441
Interest rate swap agreements	15,792	-
Capital assets, net	8,317	10,512
Other assets	630	630
Total noncurrent assets	3,830,465	3,856,655
Deferred loss on refunding	1	6
Deferred loss on interest rate swap agreements	-	13,932
Deferred pension and other post-employment benefits (OPEB) expense	12,397	2,434
Total deferred outflows of resources	12,398	16,372
Total assets and deferred outflows of resources	$ 5,029,379	$ 5,296,217
Current Liabilities		
Bonds payable, net, current	$ 284,960	$ 325,863
Interest payable	34,074	30,951
Accounts payable and other liabilities	28,649	30,493
Interfund payable (receivable)	-	-
Funds held for others	15,376	22,730
Lease Liability, net	1,262	1,173
Total current liabilities	364,321	411,210
Noncurrent Liabilities		
Bonds payable, net, noncurrent	3,580,892	3,344,329
Interest rate swap agreements	-	13,932
Net pension liability and OPEB	2,423	10,189
Accounts payable and other liabilities	66,101	69,302
Funds held for others	55,012	47,236
Lease liability, net	6,261	7,523
Total noncurrent liabilities	3,710,689	3,492,511
Deferred gain on interest rate swap agreements	15,792	-
Deferred service release fee	19,785	20,226
Deferred pension and OPEB credit	22,813	19,329
Total deferred inflows of resources	58,390	39,555
Total liabilities and deferred inflows of resources	$ 4,133,400	$ 3,943,276
Restricted by bond resolution	203,444	485,980
Restricted by covenant	554,495	513,428
Restricted by law	382,384	562,264
Unrestricted - State Appropriation-backed Debt	(245,138)	(210,547)
Net Investment in capital assets	794	1,816
Total net position	895,979	1,352,941
Total liabilities, deferred inflows of resources, and net position	$ 5,029,379	$ 5,296,217

See accompanying notes to financial statements

MINNESOTA HOUSING FINANCE AGENCY
A Component Unit of the State of Minnesota
Agency-wide Financial Statements
Statement of Activities (in thousands)
Year-ended June 30, 2022 (with comparative total for year ended June 30, 2021)

	Agency-wide Total for Year Ended June 30, 2022	Agency-wide Total for Year Ended June 30, 2021
Interest earned on loans	$ 36,750	$ 40,791
Interest earned on investments-program mortgage-backed securities	81,674	80,931
Interest earned on investments-other	10,761	7,000
Net gain on Sale of MBS* held for sale/HOMES** Certificates	2,016	12,376
Appropriations received	624,436	816,121
Administrative reimbursement	1,789	763
Fees earned and other income	18,404	22,127
Unrealized loss on investments	(294,763)	(45,098)
Total revenues	481,067	935,011
Interest	84,352	94,962
Financing, net	(9,950)	11,601
Loan administration and trustee fees	3,183	3,413
Salaries and benefits	17,676	32,501
Other general operating	10,041	13,495
Appropriations disbursed	769,089	395,726
Reduction in carrying value of certain low interest rate deferred loans	60,079	72,875
Provision for loan losses	1,521	866
Total expenses	935,991	625,439
Revenues over expenses	(454,924)	309,572
Non-operating expenses	(2,038)	(1,012)
Change in net position	(456,962)	308,560
Total net position, beginning of period, as restated	1,352,941	1,044,381
Total net position, end of year	$ 895,979	$ 1,352,941

See accompanying notes to financial statements

* Mortgage-backed securities

** Home Ownership mortgage-backed exempt securities

MINNESOTA HOUSING FINANCE AGENCY
A Component Unit of the State of Minnesota
Fund Financial Statements
Statement of Net Position (in thousands)
Proprietary Funds
As of June 30, 2022 (with comparative totals as of June 30, 2021)

		Bond Funds					Appropriated Funds			
	General Reserve	Rental Housing	Residential Housing Finance	Homeownership Finance	Multifamily Housing	HOMES^SM	State Appropriated	Federal Appropriated	Total as of June 30, 2022	Total as of June 30, 2021
Current assets										
Cash and cash equivalents	$ 108,873	$ 37,822	$ 332,022	$ 48,051	$ 1,790	$ -	$ 291,198	$ 217,144	$ 1,036,900	$ 1,317,432
Investments-program mortgage-backed securities	-	-	33,603	26,688	-	-	-	-	60,291	38,003
Investment securities-other	-	3,106	5,998	-	-	183	-	-	9,287	7,310
Loans receivable, net	-	23,615	35,870	-	229	-	1,586	-	61,300	41,984
Interest receivable on loans and program mortgage-backed securities	-	585	8,103	3,216	48	-	10	-	11,962	12,312
Interest receivable on investments	81	85	939	26	1	15	220	3	1,370	841
Federal Housing Administration/Veterans Affairs insurance claims, net	-	-	109	-	-	-	-	-	109	213
Real estate owned, net	-	-	759	-	-	-	-	-	759	617
Other assets	3,744	25	425	24	-	-	33	287	4,538	4,478
Total current assets	112,698	65,238	417,828	78,005	2,068	198	293,047	217,434	1,186,516	1,423,190
Noncurrent assets										
Investments-program mortgage-backed securities	-	-	1,726,907	1,017,227	-	-	-	-	2,744,134	2,772,599
Investment securities-other	-	16,453	146,459	-	-	5,247	-	-	168,159	185,473
Loans receivable, net	-	135,523	707,977	-	12,893	-	37,040	-	893,433	887,441
Interest rate swap agreements	-	-	15,792	-	-	-	-	-	15,792	-
Capital assets, net	8,317	-	-	-	-	-	-	-	8,317	10,512
Other assets	-	-	630	-	-	-	-	-	630	630
Total noncurrent assets	8,317	151,976	2,597,765	1,017,227	12,893	5,247	37,040	-	3,830,465	3,856,655
Total assets	121,015	217,214	3,015,593	1,095,232	14,961	5,445	330,087	217,434	5,016,981	5,279,845
Deferred loss on refunding	-	-	1	-	-	-	-	-	1	6
Deferred loss on interest rate swap agreements	-	-	-	-	-	-	-	-	-	13,932
Deferred pension and OPEB expense	12,397	-	-	-	-	-	-	-	12,397	2,434
Total deferred outflows of resources	12,397	-	1	-	-	-	-	-	12,398	16,372
Total assets and deferred outflows of resources	133,412	217,214	3,015,594	1,095,232	14,961	5,445	330,087	217,434	5,029,379	5,296,217
Current liabilities										
Bonds payable, net	-	22,765	231,363	16,375	240	-	14,217	-	284,960	325,863
Interest payable	-	217	25,457	2,374	32	15	5,979	-	34,074	30,951
Accounts payable and other liabilities	5,476	7,081	2,216	59	-	-	3,506	10,311	28,649	30,493
Interfund payable (receivable)	14,577	-	(15,489)	-	-	-	494	418	-	-
Funds held for others	15,376	-	-	-	-	-	-	-	15,376	22,730
Lease liability, net	1,262	-	-	-	-	-	-	-	1,262	1,173
Total current liabilities	36,691	30,063	243,547	18,808	272	15	24,196	10,729	364,321	411,210
Noncurrent liabilities										
Bonds payable, net	-	26,585	2,090,160	1,070,600	12,520	5,682	375,345	-	3,580,892	3,344,329
Interest rate swap agreements	-	-	-	-	-	-	-	-	-	13,932
Net pension and OPEB liability	2,423	-	-	-	-	-	-	-	2,423	10,189
Accounts payable and other liabilities	1,074	5,869	59,158	-	-	-	-	-	66,101	69,302
Funds held for others	55,259	-	-	-	-	(252)	-	5	55,012	47,236
Lease liability, net	6,261	-	-	-	-	-	-	-	6,261	7,523
Total noncurrent liabilities	65,017	32,454	2,149,318	1,070,600	12,520	5,430	375,345	5	3,710,689	3,492,511
Total liabilities	101,708	62,517	2,392,865	1,089,408	12,792	5,445	399,541	10,734	4,075,010	3,903,721
Deferred gain on interest rate swap agreements	-	-	15,792	-	-	-	-	-	15,792	-
Deferred service release fee	-	-	12,999	6,786	-	-	-	-	19,785	20,226
Deferred pension and OPEB credit	22,813	-	-	-	-	-	-	-	22,813	19,329
Total deferred inflows of resources	22,813	-	28,791	6,786	-	-	-	-	58,390	39,555
Total liabilities and deferred inflows of resources	124,521	62,517	2,421,656	1,096,194	12,792	5,445	399,541	10,734	4,133,400	3,943,276
Restricted by bond resolution	-	154,697	47,540	(962)	2,169	-	-	-	203,444	485,980
Restricted by covenant	8,097	-	546,398	-	-	-	-	-	554,495	513,428
Restricted by law	-	-	-	-	-	-	175,684	206,700	382,384	562,264
Unrestricted - State Appropriation-backed Debt	-	-	-	-	-	-	(245,138)	-	(245,138)	(210,547)
Net Investment in capital assets	794	-	-	-	-	-	-	-	794	1,816
Total net position	$ 8,891	$ 154,697	$ 593,938	$ (962)	$ 2,169	$ -	$ (69,454)	$ 206,700	$ 895,979	$ 1,352,941

See accompanying notes to financial statements

MINNESOTA HOUSING FINANCE AGENCY
A Component Unit of the State of Minnesota
Fund Financial Statements
Statement of Revenue, Expenses and Changes in Net Position (in thousands)
Proprietary Funds
Year ended June 30, 2022 (with comparative totals for year ended June 30, 2021)

		Bond Funds					Appropriated Funds			
	General Reserve	Rental Housing	Residential Housing Finance	Homeownership Finance	Multifamily Housing	HOMES[SM]	State Appropriated	Federal Appropriated	Total for the Year Ended June 30, 2022	Total for the Year Ended June 30, 2021
Interest earned on loans	$ -	$ 7,041	$ 28,013	$ -	$ 581	$ -	$ 1,115	$ -	$ 36,750	$ 40,791
Interest earned on investments-program mortgage-backed securities	-	-	45,423	36,251	-	-	-	-	81,674	80,931
Interest earned on investments-other	157	837	8,197	53	2	192	879	444	10,761	7,000
Net gain on sale of MBS held for sale/HOMES certificates	-	-	2,016	-	-	-	-	-	2,016	12,376
Appropriations received	-	-	-	-	-	-	88,822	535,614	624,436	816,121
Administrative reimbursement	31,161	-	-	-	-	-	-	-	31,161	33,144
Fees earned and other income	12,372	80	3,981	1,464	-	-	507	-	18,404	22,127
Unrealized losses on investments	-	(2,442)	(179,603)	(112,718)	-	-	-	-	(294,763)	(45,098)
Total revenues	43,690	5,516	(91,973)	(74,950)	583	192	91,323	536,058	510,439	967,392
Interest	423	594	41,760	31,630	387	192	9,366	-	84,352	94,962
Financing, net	-	2	(11,781)	1,361	-	-	468	-	(9,950)	11,601
Loan administration and trustee fees	-	65	2,562	442	4	-	110	-	3,183	3,413
Administrative reimbursement	-	1,295	19,160	7,947	91	-	879	-	29,372	32,381
Salaries and benefits	17,676	-	-	-	-	-	-	-	17,676	32,501
Other general operating	4,282	5	4,317	34	-	-	1,403	-	10,041	13,495
Appropriations disbursed	-	-	-	-	-	-	38,044	731,045	769,089	395,726
Reduction in carrying value of certain low interest rate deferred loans	-	-	1,003	-	-	-	59,076	-	60,079	72,875
Provision for loan losses	-	(663)	2,057	-	(1)	-	128	-	1,521	866
Total expenses	22,381	1,298	59,078	41,414	481	192	109,474	731,045	965,363	657,820
Revenues over expenses	21,309	4,218	(151,051)	(116,364)	102	-	(18,151)	(194,987)	(454,924)	309,572
Non-operating transfer of assets between funds and other	(22,153)	37	14,569	6,842	-	-	(1,109)	(224)	(2,038)	(1,012)
Change in net position	(844)	4,255	(136,482)	(109,522)	102	-	(19,260)	(195,211)	(456,962)	308,560
Total net position, beginning of year, as restated	9,735	150,442	730,420	108,560	2,067	-	(50,194)	401,911	1,352,941	1,044,381
Total net position, end of year	$ 8,891	$ 154,697	$ 593,938	$ (962)	$ 2,169	$ -	$ (69,454)	$ 206,700	$ 895,979	$ 1,352,941

See accompanying notes to financial statements

MINNESOTA HOUSING FINANCE AGENCY
A Component Unit of the State of Minnesota
Fund Financial Statements
Statement of Cash Flows (in thousands)
Proprietary Funds
Year ended June 30, 2022 (with comparative totals for year ended June 30, 2021)

		Bond Funds					Appropriated Funds			
	General Reserve	Rental Housing	Residential Housing Finance	Homeownership Finance	Multifamily Housing	HOMES^{SM}	State Appropriated	Federal Appropriated	Total for the Year Ended June 30, 2022	Total for the Year Ended June 30, 2021
Cash flows from operating activities:										
Principal repayments on loans and program mortgage-backed securities	$ -	$ 25,890	$ 404,873	$ 308,006	$ 220	$ -	$ 31,988	$ -	$ 770,977	$ 1,267,370
Investment in loans/loan modifications and program mortgage-backed securities	-	(20,615)	(940,968)	(116,876)	-	-	(83,502)	-	(1,161,961)	(992,061)
Interest received on loans and program mortgage-backed securities	-	6,920	78,648	43,240	582	-	1,159	-	130,549	139,182
Fees and other income received	12,566	47	8,517	-	-	-	507	-	21,637	24,456
Salaries, benefits and other operating	(34,304)	(94)	(11,414)	(492)	(4)	-	(1,507)	1	(47,814)	(38,388)
Appropriations received	-	-	-	-	-	-	89,022	535,293	624,315	814,514
Appropriations disbursed	-	-	-	-	-	-	(38,345)	(730,461)	(768,806)	(385,094)
Administrative reimbursement from funds	30,655	(1,295)	(19,160)	(7,947)	(91)	-	(568)	-	1,594	698
Deposits into funds held for others	36,489	-	-	-	-	-	-	-	36,489	38,097
Disbursements made from funds held for others	(36,135)	-	-	-	-	-	-	-	(36,135)	(38,155)
Interfund transfers and other assets	18	(276)	(683)	-	-	-	-	-	(941)	(9,196)
Net cash provided (used) by operating activities	9,289	10,577	(480,187)	225,931	707	-	(1,246)	(195,167)	(430,096)	821,423
Cash flows from noncapital financing activities:										
Proceeds from sale of bonds and notes	-	16,040	3,115,739	112,532	-	-	93,600	-	3,337,911	2,888,116
Principal repayment on bonds and notes	-	(26,570)	(2,712,850)	(376,892)	(240)	(1,532)	(9,690)	-	(3,127,774)	(2,849,662)
Interest paid on bonds, notes and leases	(423)	(829)	(48,244)	(33,197)	(388)	(196)	(12,297)	-	(95,574)	(107,127)
Financing costs paid related to bonds issued	-	(2)	(7,429)	(1,101)	-	-	(468)	-	(9,000)	(9,459)
Interest paid/received between funds	-	-	(140)	-	-	-	-	-	(140)	-
Agency contribution to program funds	-	37	(5,366)	5,329	-	-	(1,109)	-	(1,109)	(663)
Transfer of cash between funds	(4,200)	-	4,200	-	-	-	-	-	-	-
Net cash provided (used) by noncapital financing activities	(4,623)	(11,324)	345,910	(293,329)	(628)	(1,728)	70,036	-	104,314	(78,795)
Cash flows from capital financing activities:										
Purchases of capital assets	(1,614)	-	-	-	-	-	-	-	(1,614)	-
Net cash provided (used) by capital financing activities	(1,614)	-	-	-	-	-	-	-	(1,614)	-
Cash flows from investing activities:										
Investment in real estate owned	-	-	(274)	-	-	-	-	-	(274)	(540)
Interest received on investments	365	725	8,356	28	1	196	711	440	10,822	7,556
Net gain on Sale of MBS Held for Sale and HOMES Certificates	-	-	20,863	-	-	-	-	-	20,863	10,336
Proceeds from sale of mortgage insurance claims/real estate owned	-	-	1,168	-	-	-	-	-	1,168	1,907
Proceeds from maturity, sale or transfer of investment securities	-	998	1,411,647	-	-	1,532	-	-	1,414,177	1,094,552
Purchase of investment securities	-	(681)	(1,399,211)	-	-	-	-	-	(1,399,892)	(1,107,052)
Purchase of loans between funds	-	(26,716)	34,355	-	-	-	(7,639)	-	-	-
Net cash provided (used) by investing activities	365	(25,674)	76,904	28	1	1,728	(6,928)	440	46,864	6,759
Net increase (decrease) in cash and cash equivalents	3,417	(26,421)	(57,373)	(67,370)	80	-	61,862	(194,727)	(280,532)	749,387
Cash and cash equivalents:										
Beginning of period	105,456	64,243	389,395	115,421	1,710	-	229,336	411,871	1,317,432	568,045
End of period	$ 108,873	$ 37,822	$ 332,022	$ 48,051	$ 1,790	$ -	$ 291,198	$ 217,144	$ 1,036,900	$ 1,317,432

See accompanying notes to financial statements

(Continued)

MINNESOTA HOUSING FINANCE AGENCY
A Component Unit of the State of Minnesota
Fund Financial Statements
Statement of Cash Flows (in thousands)
Proprietary Funds (continued)
Year ended June 30, 2022 (with comparative totals for year ended June 30, 2021)

		Bond Funds					Appropriated Funds			
	General Reserve	Rental Housing	Residential Housing Finance	Homeownership Finance	Multifamily Housing	HOMES SM	State Appropriated	Federal Appropriated	Total for the Year Ended June 30, 2022	Total for the Year Ended June 30, 2021
Reconciliation of revenue over (under) expenses to net cash by operating activities										
Revenues over (under) expenses	$ 21,309	$ 4,218	$ (151,051)	$ (116,364)	$ 102	$ -	$ (18,151)	$ (194,987)	$ (454,924)	$ 309,572
Adjustments to reconcile revenues over (under) expenses to net cash provided (used) by operating activities:										
Amortization of premiums (discounts) and fees on program mortgage-backed securities	-	(76)	6,404	6,277	-	-	-	-	12,605	17,155
Amortization of proportionate share-Pension	167	-	-	-	-	-	-	-	167	64
Depreciation	3,808	-	-	-	-	-	-	-	3,808	3,581
Gain (loss) on sale of MBS held for sale and HOMES Certificates	-	-	(2,016)	-	-	-	-	-	(2,016)	(12,376)
Realized losses (gains) on sale of securities, net	-	(121)	(17)	-	-	-	-	-	(138)	(240)
Unrealized losses on securities, net	-	2,442	179,603	112,718	-	-	-	-	294,763	45,098
Salaries and Benefits-Pensions	(15,341)	-	-	-	-	-	-	-	(15,341)	736
Provision for loan losses	-	(663)	2,057	-	(1)	-	128	-	1,521	866
Reduction in carrying value of certain low interest rate and/or deferred loans	-	-	1,003	-	-	-	59,076	-	60,079	72,875
Capitalized interest on loans and real estate owned	-	-	(869)	-	-	-	-	-	(869)	(222)
Interest earned on investments	(157)	(716)	(8,180)	(53)	(2)	(192)	(879)	(444)	(10,623)	(6,931)
Interest expense on bonds and notes and leases	423	594	41,760	31,630	387	192	9,366	-	84,352	94,962
Financing expense on bonds	-	2	(11,756)	1,361	-	-	468	-	(9,925)	11,546
(Increase) in appropriated disbursed	-	-	-	-	-	-	-	(224)	(224)	(1,587)
Changes in assets and liabilities:	-	-	-	-	-	-	-	-		
Decrease (increase) in loans receivable and program mortgage backed securities, excluding loans transferred between funds	-	5,275	(536,095)	191,130	220	-	(51,514)	-	(390,984)	275,309
Decrease (increase) in interest receivable on loans	-	(45)	(323)	712	1	-	44	-	389	698
Increase (decrease) in accounts payable	(980)	(57)	(24)	(1,480)	-	-	(295)	390	(2,446)	20,528
Increase (decrease) in interfund payable, affecting operating activities only	(550)	(257)	(500)	-	-	-	311	195	(801)	766
Increase (decrease) in funds held for others	354	-	-	-	-	-	-	-	354	(58)
Other	256	(19)	(183)	-	-	-	200	(97)	157	(10,919)
Total	(12,020)	6,359	(329,136)	342,295	605	-	16,905	(180)	24,828	511,851
Net cash provided (used) by operating activities	$ 9,289	$ 10,577	$ (480,187)	$ 225,931	$ 707	$ -	$ (1,246)	$ (195,167)	$ (430,096)	$ 821,423

See accompanying notes to financial statements

MINNESOTA HOUSING FINANCE AGENCY
A Component Unit of the State of Minnesota
Index of Notes to the Financial Statements

MINNESOTA HOUSING FINANCE AGENCY

Index of Notes to the Financial Statement

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Note 1 – Nature of Business and Fund Structure

The Minnesota Housing Finance Agency (the Agency or Minnesota Housing) was created in 1971 by the Minnesota legislature through the enactment of Minnesota Statutes, Chapter 462A, which has been amended from time to time. The Agency was established to facilitate the construction and rehabilitation of housing in Minnesota for families of low- and moderate-income by providing mortgage loans, development loans, and technical assistance to qualified housing sponsors. The Agency, as a special purpose agency engaged in business-type activities is reflected on the State's annual comprehensive financial report as a discrete component unit of the State of Minnesota. The Agency receives appropriations from the state legislature annually, substantially all of which are used to make loans or grants under specified programs. The Agency also receives funds from the federal government and other entities for similar program purposes.

A primary government that appoints a voting majority of the organization's governing Board, and either (1) is able to impose its will on the organization or (2) has the potential to receive specific financial benefits or burdens imposed on it by the organization, is financially accountable to that organization. Based on this criterion, the Agency is considered a discretely presented component unit of the State of Minnesota and is included in its basic financial statements. The Agency has no component units required to be included as part of the reporting entity.

The Agency is authorized to issue bonds and notes to fulfill its corporate purposes up to a total outstanding amount of $5.0 billion and to incur other indebtedness. None of the bonds, notes or other indebtedness is a debt of the State of Minnesota or any political subdivision thereof.

The following describes the funds maintained by the Agency. All Agency funds are presented as a major fund for public interest purposes, and are included in this report, all of which conform to the authorizing legislation and bond resolutions:

General Reserve

General Reserve was established in fulfillment of the pledge by the Agency of its full faith and credit to the payment of its general obligation bonds in its bond resolutions. Administrative costs of the Agency and multifamily development escrow receipts and related disbursements are recorded in this account. The net position of General Reserve is available to support the following funds which are further described below: Rental Housing, Residential Housing Finance, Homeownership Finance and Multifamily Housing. Also described below is the Home Ownership Mortgage-backed Exempt Securities (HOMES)[SM] fund which carries limited obligations of the Agency and is therefore not supported by General Reserve.

Rental Housing

Activities relating to bond-financed multifamily housing programs are maintained under the Rental Housing bond resolution. Loans are generally secured by first mortgages on real property. The Rental Housing bond resolution prescribes the application of bond proceeds, debt service requirements of the bond indebtedness, permitted investments, and eligible loans to be financed from the bond proceeds.

Residential Housing Finance

Included within Residential Housing Finance are the bond funds, which include bonds issued and outstanding under the Residential Housing Finance bond resolution, the limited obligation drawdown index bonds and index bank note issued under a separate trust indentures, and the Alternative Loan Fund which consists of the Housing Investment Fund (Pool 2) and the Housing Affordability Fund (Pool 3). All of these funds are restricted by a covenant with bondholders as to their use.

The bond resolution within Residential Housing Finance, along with the Homeownership Finance bond resolution, were the principal sources of financing for bond-financed homeownership programs (see Homeownership Finance below). Bonds were issued for the purpose of funding purchases of single family first mortgage loans, mortgage-backed securities backed by single family first mortgage loans, some related

Note 1 – Nature of Business and Fund Structure (continued)

down payment and closing cost housing assistance loans, and subordinated home improvement loans. The majority of the single family first mortgage loans financed by these bond issues are insured by private mortgage insurers or the Federal Housing Administration (FHA) or guaranteed by the U.S. Department of Veterans Affairs (VA) or the U.S. Department of Agriculture Rural Development (RD). Assets financed by the bonds issued and outstanding under the Residential Housing Finance bond resolution are pledged to the repayment of Residential Housing Finance bonds.

The Alternative Loan Fund has been established in Residential Housing Finance and residing therein are two sub funds; Pool 2 and Pool 3. Funds deposited therein would otherwise be available to be transferred to General Reserve. The Alternative Loan Fund is not pledged to the payment of the Residential Housing Finance bonds or any other debt obligation of the Agency but, to the extent that funds are available therein, is available to honor the general obligation pledge of the Agency.

Assets of the Pool 2 consist of investment quality housing loans, as defined by the Agency, and investment grade securities. During fiscal year 2022 this fund provided capital for several Agency programs including its home improvement loan program and its multifamily first-mortgage loan program. It also provided capital for warehousing purchases of mortgage-backed securities secured by single family first mortgage loans before these securities are permanently financed by issuing bonds, or sold into the to be announced (TBA) market. In addition, it provided capital for amortizing second lien homeownership loans made in conjunction with the Agency's single family first mortgage loans. The fund may also provide interim financing for construction and rehabilitation of single family housing, and may be used to advance funds to retire Agency high interest-rate debt to provide tax credit bridge loans, for loans to partner organizations to acquire, rehabilitate and sell foreclosed homes, and to develop new affordable housing.

Assets of the Pool 3 consist of investment-grade securities when not utilized for program purposes. Program purposes include, but are not limited to: no-interest loans; loans at interest rates substantially below market, high risk loans, deferred loans, revolving funds, and grants. During fiscal year 2022 funds from Pool 3 were used for down payment and closing cost assistance for first-time homebuyers for capital costs and rental assistance for permanent supportive housing, for advances for certain multifamily housing developments in anticipation of permanent funding through state appropriation-backed housing bonds, and to provide deferred, subordinated multifamily loans.

The Residential Housing Finance bond resolution prescribes the application of bond proceeds, debt service requirements of the bond indebtedness, permitted investments, and eligible loans to be financed from the bond proceeds. The limited obligation index bank note trust indentures prescribes the application of debt proceeds and permitted investments.

Homeownership Finance

This bond resolution was originally adopted for the purpose of issuing mortgage revenue bonds under the United States Treasury's Single Family New Issue Bond Program (NIBP). Non-NIBP mortgage revenue bonds, which also meet resolution requirements, have also been issued under this resolution. Bonds issued under this resolution fund mortgage-backed securities backed by single family first mortgage loans. These securities are guaranteed as to payment of principal and interest by either the GNMA or the FNMA or the Federal Home Loan Mortgage Corporation (FHLMC).

Multifamily Housing

This bond resolution was adopted for the purpose of issuing multifamily housing bonds under the United States Treasury's Multifamily New Issue Bond Program. Bonds were issued during a prior fiscal year for one rental housing project.

Note 1 – Nature of Business and Fund Structure (continued)

Home Ownership Mortgage-backed Exempt Securities (HOMES^{SM})

This bond indenture implements a program developed by the investment banking division of a major bank whereby the Agency issues and sells to the investment bank limited obligations of the Agency (HOMES^{SM} certificates), each secured by a mortgage-backed security guaranteed by FNMA or GNMA. The HOMES^{SM} Certificates are not secured by the general obligation pledge of the Agency and are not protected by the moral obligation backing from the State of Minnesota.

State Appropriated

The State Appropriated fund was established to account for funds received from the Minnesota legislature which are to be used for programs for low- and moderate-income persons and families in the form of low-interest loans, no-interest deferred loans, low-interest amortizing loans, debt service and other costs associated with appropriation-backed housing bonds, and other housing-related program costs. The net position of the State Appropriated fund is not pledged or available to secure bonds issued under any of the Agency's bond funds, nor available to creditors of the Agency. State appropriations received for debt service payments on State appropriation-backed bonds are restricted for that use only and are not pledged or available for any other purpose. The unrestricted – state appropriated-backed bonds will be retired through future appropriations from the State.

Federal Appropriated

The Federal Appropriated fund was established to account for funds received from the federal government which are to be used for programs for low- and moderate-income persons and families in the form of no-interest deferred loans and grants in support of foreclosure counseling and remediation efforts, assistance to tax credit developments and other housing-related program costs. Beginning in fiscal year 2021 the fund was also for funds received from the federal government for COVID emergency rental assistance and beginning in fiscal year 2022 funds received were also used for COVID emergency homeowners assistance. The net position of the Federal Appropriated fund is not pledged or available to secure bondholders or creditors of the Agency.

Note 2 – Summary of Significant Accounting and Reporting Policies

Basis of Accounting

The Agency's financial statements presented both Agency-wide and Fund Financials have been prepared on the accrual basis utilizing the proprietary fund concept which pertains to financial activities that operate in a manner similar to private business enterprises and are financed through fees and charges assessed primarily to the users of the services.

Accounting Principles Generally Accepted in the United States (GAAP)

The financial statements of the Agency have been prepared in conformity with GAAP as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles.

The following are GASB statements adopted during 2022.

In June 2017, GASB issued Statement No. 87 *Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources

Note 2 – Summary of Significant Accounting and Reporting Policies (continued)

based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

Leases should be recognized and measured using the facts and circumstances that exist at the beginning of the period of implementation (or, if applied to earlier periods, the beginning of the earliest period restated). However, lessors should not restate the assets underlying their existing sales-type or direct financing leases. Any residual assets for those leases become the carrying values of the underlying assets. See note 23 for the effect of adopting this standard.

In May 2019, the GASB issued Statement No. 91 *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

The Statements defines conduit debt with the following characteristics:

- At least three parties involved (1) issuer (2) third-party obligor, and (3) debt holder or trustee.
- The issuer and third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt.
- The third-party obligor or its agent, not the issuers, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

This Statement requires the issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

In January 2020, the GASB issued Statement 92 *Omnibus 2020.* The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement address a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, *Leases,* and implementation Guide No. 2019-3, *Leases,* for interim financial reports.
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan.
- The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain*

Note 2 – Summary of Significant Accounting and Reporting Policies (continued)

- *Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments.

In January 2020, the GASB issued Statement 93 *Replacement of Interbank Offered Rates*. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, as amended, requires a government to terminate hedge accounting when it renegotiates or amends a critical term of a hedging derivative instrument, such as the reference rate of a hedging derivative instrument's variable payment. In addition, in accordance with Statement No. 87, *Leases*, as amended, replacement of the rate on which variable payments depend in a lease contract would require a government to apply the provisions for lease modifications, including remeasurement of the lease liability or lease receivable.

The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap
- Clarifying the definition of reference rate, as it is used in Statement 53, as amended
- Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

GASB issued Statement No. 97 *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32.* The primary objectives of this Statement

Note 2 – Summary of Significant Accounting and Reporting Policies (continued)

are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

This Statement requires that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or an other employee benefit plan (for example, certain Section 457 plans), the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform.

This Statement also requires that the financial burden criterion in paragraph 7 of Statement No. 84, *Fiduciary Activities*, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans*, or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plan*, respectively.

This Statement (1) requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities.

This Statement supersedes the remaining provisions of Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans,* as amended, regarding investment valuation requirements for Section 457 plans. As a result, investments of all Section 457 plans should be measured as of the end of the plan's reporting period in all circumstances.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this statement.

GASB issued Statement No. 98 *The Annual Comprehensive Financial Report* which is effective for all fiscal years beginning after December 15, 2021. This statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive

Note 2 – Summary of Significant Accounting and Reporting Policies (continued)

annual financial report and its acronym in U.S. GAAP for state and local governments.

This statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness.

Future Accounting Pronouncements

In May 2020, GASB issued Statement 96 *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

The subscription term includes the period during which a government has a noncancellable right to use the underlying information technology assets. The subscription term also includes periods covered by an option to extend (if it is reasonably certain that the government or SBITA vendor will exercise that option) or to terminate (if it is reasonably certain that the government or SBITA vendor will not exercise that option).

Under this Statement, a government generally should recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. A government should recognize the subscription liability at the commencement of the subscription term, —which is when the subscription asset is placed into service. The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments should be discounted using the interest rate the SBITA vendor charges the government, which may be implicit, or the government's incremental borrowing rate if the interest rate is not readily determinable. A government should recognize amortization of the discount on the subscription liability as an outflow of resources (for example, interest expense) in subsequent financial reporting periods.

The subscription asset should be initially measured as the sum of (1) the initial subscription liability amount, (2) payments made to the SBITA vendor before commencement of the subscription term, and (3) capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. A government should recognize amortization of the subscription asset as an outflow of resources over the subscription term.

Activities associated with a SBITA, other than making subscription payments, should be grouped into the following three stages, and their costs should be accounted for accordingly:

- Preliminary Project Stage, including activities such as evaluating alternatives, determining needed technology, and selecting a SBITA vendor. Outlays in this stage should be expensed as incurred.
- Initial Implementation Stage, including all ancillary charges necessary to place the subscription asset into service. Outlays in this stage generally should be capitalized as an addition to the subscription asset.
- Operation and Additional Implementation Stage, including activities such as subsequent implementation activities, maintenance, and other activities for a government's ongoing operations related to a SBITA. Outlays in this stage should be expensed as incurred unless they meet specific capitalization criteria.

Note 2 – Summary of Significant Accounting and Reporting Policies (continued)

This Statement requires a government to disclose descriptive information about its SBITAs other than short-term SBITAs, such as the amount of the subscription asset, accumulated amortization, other payments not included in the measurement of a subscription liability, principal and interest requirements for the subscription liability, and other essential information.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB issued Statement No. 99 – Omnibus 2022. The requirements of this Statement are effective as follows:

• The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. \

• The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

• The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement are as follows:

• Classification and reporting of derivative instruments within the scope of Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument

• Clarification of provisions in Statement No. 87, Leases, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives

• Clarification of provisions in Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset

• Clarification of provisions in Statement No. 96, Subscription-Based Information Technology Arrangements, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short term SBITA, and recognition and measurement of a subscription liability

• Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt

• Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP)

Note 2 – Summary of Significant Accounting and Reporting Policies (continued)

- Disclosures related to nonmonetary transactions

- Pledges of future revenues when resources are not received by the pledging government

- Clarification of provisions in Statement No. 34, Basic Financial Statements— and Management's Discussion and Analysis—for State and Local Governments, as amended, related to the focus of the government-wide financial statements

- Terminology updates related to certain provisions of Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position

- Terminology used in Statement 53 to refer to resource flows statements.

The requirements of this Statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.

- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB issued Statement No. 100, Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on

Note 2 – Summary of Significant Accounting and Reporting Policies (continued)

beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated.

Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles.

The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

GASB Issued Statement 101 – Compensated Absences. The requirements of this Statement are effective as follows:

The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used.

This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources.

Note 2 – Summary of Significant Accounting and Reporting Policies (continued)

Notes to Financials:

This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences.

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Cash and Cash Equivalents

Cash and Cash equivalents are short-term, highly liquid investments and are classified as current assets. Cash equivalents may include commercial paper, money market funds, repurchase agreements, State Investment Pool holdings and any other investments, primarily U.S. treasury and agency securities, that have 90 or less days remaining to maturity at the time of purchase. Investment agreements are also classified as cash and cash equivalents.

Investments- Program Mortgage-backed Securities (or MBS) and Investment Securities-Other

The Agency generally carries investment securities at fair market value. Unrealized gains and losses on investment securities resulting from changes in market valuation are generally recorded as revenue. However, unrealized gains and losses on investments of multifamily development escrow funds resulting from changes in market valuation, as well as unrealized gains and losses on MBS held in the HOMES^{SM} Fund, are recorded as adjustments to funds held for others. Mortgage-backed securities held for sale are carried at the lower of cost or market. Investments- program mortgage-backed securities, as previously described, are shown separately on the Statement of Net Position and based on maturity date are classified as current and noncurrent.

Permitted Agency investments include government obligations, commercial paper, repurchase agreements, money market funds, guaranteed investment contracts (i.e., investment agreements), the State investment pool, corporate obligations, municipal bonds and other investments consistent with requirements of safety and liquidity that comply with applicable provisions of the bond resolutions, state law and Board policy.

<u>Loans Receivable, Net</u>

Loans receivable are carried at their unpaid principal balances, net of an allowance for loan losses. Loans scheduled to mature or paid off in the coming fiscal year are considered current, the remaining loans are noncurrent.

The allowances for loan losses are established based on management's evaluation of the loan portfolio.

Generally, the Agency provides an allowance for loan losses for multifamily loans after considering the specific known risks: adequacy of collateral and projected cash flows; past experience; amount of federal or state rent subsidies, if any; the status and amount of past due payments, if any; the amount of deferred maintenance, if any; and current economic conditions.

For homeownership, monthly payment seconds (MP2nds) and home improvement loans, the Agency establishes varying amounts of reserves depending upon the number of delinquent loans, the estimated amount of loss per delinquent loan, the number of days delinquent and the type of insurance coverage in force, if any: FHA insurance, RD guarantee, VA guarantee, or private mortgage insurance. Actual gains and losses are posted to allowance for loan losses. Management believes the allowances for loan losses adequately reserve for probable losses inherent in the loan portfolios as of June 30, 2022.

Note 2 – Summary of Significant Accounting and Reporting Policies (continued)

Interest Receivable on Loans and Program Mortgage-Backed Securities

The Agency accrues interest on its amortizing loans until they become 90 days or more delinquent in the case of multifamily loans, until they become "real estate owned" (described below) for homeownership loans, or until they are classified by the Agency as inactive for home improvement loans.

FHA/VA Insurance Claims, Net

Mortgages that are FHA insured or VA guaranteed, and for which insurance claims have been filed, are included in this category. FHA/VA insurance claims receivable, net is carried at its estimated realizable value.

Real Estate Owned, Net

Real estate acquired through foreclosure is recorded at the lower of the investment in the loan or estimated fair market value less estimated selling costs. These properties may be RD guaranteed, uninsured or have private mortgage insurance. Real estate owned, net is carried at its estimated realizable value. The intent for holding real estate owned is to convert them to cash within a year, therefore are classified as a current asset.

Interest Rate Swap Agreements

Agency interest rate swap agreements with a positive fair value as of the end of fiscal year 2022 are recorded here as a noncurrent asset.

Capital Assets

Capital assets are recorded at cost and estimated historical cost and depreciated over their estimated useful lives (excluding salvage value). The Agency defines capital assets as assets with an initial cost of more than $2,000 and useful life of more than one year. Donated capital assets are recorded at their acquisition value at the date of donation. Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight-line depreciation is used based on the following estimated useful lives: furniture and equipment five years and software two to five years. Statement No. GASB 87, right to use lease asset for our long-term building lease with a term of 10 years is included as a capital asset.

Other Assets

Other Assets include prepaid fees and fees receivable expected to be transacted within one year and Federal Financing Board (FFB) Mortgage Reserve expected to be held more than one year.

Deferred Loss on Refunding

The deferred loss on refunding results from the difference in the carrying amount of the refunded debt and its reacquisition price. The deferred loss on refunding is recognized as a component of interest expense over the shorter of the remaining life of the old debt or the life of the new debt

Deferred Gain on Interest Rate Swap Agreements

The Agency's interest rate swap agreements all have a positive fair value as of the end of fiscal year 2022. Because these agreements have been determined to be effective hedges under applicable accounting guidance, the positive fair value is recorded as a deferred gain.

Deferred Pension and OPEB Expense

The deferred inflows and outflows of pension resources are amounts used under applicable accounting guidance in developing the annual pension expense. They arise with differences between expected and actual experience, investment differences, changes of assumptions and changes in proportions. The portion of these amounts not included in pension expense should be included in the deferred inflows or outflows of resources.

Note 2 – Summary of Significant Accounting and Reporting Policies (continued)

Bonds Payable

Bonds payable are carried at their unpaid principal balances. Principal balances scheduled to be paid within one year subsequent to year-end, mandatory pass-through redemptions and optional redemptions of bonds exercised before June 30, 2022, are reported as current liabilities. Because the Agency is the issuer of the state appropriation-backed bonds they are included in this category, but amounts held in funds securing those bonds are not pledged or available to secure other bondholders or creditors of Minnesota Housing.

Interest Payable

The interest payable represents interest payable on bonds, notes and swaps as of end of fiscal year 2022 and are recorded as a current liability.

Net Pension and OPEB Liability

The net pension and OPEB noncurrent liability is the liability of employers and non-employer contribution entities to plan members for benefits provided through a defined benefit pension plan.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Minnesota State Retirement System (MSRS), a multi-employer defined benefit plan in which Agency employees participate, and additions to/deductions from MSRS's fiduciary net position have been determined on the same basis as they are reported by MSRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the benefits plan and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by MSRS. For this purpose, MSRS recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Accounts Payable and Other Liabilities

Accounts payable is comprised of short-term debt owed to suppliers. Other liabilities includes the current and noncurrent portion of compensated absences, payroll accrual, Federal Financing Bank (FFB) loan liability and outstanding bridge loan liability.

Interfund Payable (Receivable)

Interfund payable (receivable) primarily reflects current pending transfers of cash and assets between funds. The more significant activities that flow through this fund may include funds advanced for purposes of optionally redeeming bonds when economically advantageous; funds advanced for loan warehousing; administrative fees receivable and payable between funds; non-operating transfers among the Pool 1, the Pool 2, and the Pool 3; and certain mortgage payments received but not yet transferred to their respective funds.

Funds Held for Others

Funds held for others are primarily escrow amounts held by the Agency on behalf of multifamily housing developments where the Agency holds the first mortgages. These amounts are held under the terms of the related loans and federal regulations regarding subsidized housing. Investment income relating to these funds is credited directly to the escrow funds and is not included in the investment income of General Reserve. Escrows are classified between current and noncurrent based on the scheduled pay out dates.

Also included in funds held for others are unrealized gains and losses on investments of the multifamily housing development escrow fund investments, unrealized gains and losses on the mortgage-backed securities

Note 2 – Summary of Significant Accounting and Reporting Policies (continued)

supporting HOMES[SM] certificates, and funds held for, and reimbursable to, HUD, such as Section 8 payments. In addition, investment income on unspent Section 8 funds is credited directly to funds held for others and not included in the investment income of the Federal Appropriated Fund.

Lease Liability

On September 1, 2017, the Agency entered in a lease for 61,000 square feet of office space. The term of the lease is September 1,2017 – August 31, 2027, with total lease payments over the life of the lease of $15,432,390.00, payable monthly, with incremental increases on September 1st of each year during the term of the lease. The lease liability was initially recorded at the present value of the future lease payments using an incremental borrowing rate of 5.11 percent and is being amortized using the effective interest method over the life of the lease.

Deferred Service Release Fees

The Agency's master servicer pays the Agency a fee for the right to service the loans backing mortgage-backed securities that are purchased and retained by the Agency. These fees are initially recorded as deferred inflows of resources and then amortized to fees earned and other income using the effective interest method over the expected life of the loans.

Deferred Pension and OPEB

The deferred inflows and outflows of pension resources are amounts used under GASB Statement No. 68 in developing the annual pension expense. Deferred inflows and outflows arise with differences between expected and actual experiences; changes of assumptions. The portion of these amounts not included in pension expense should be included in the deferred inflows or outflows of resources.

Fair Value Reporting

To the extent available, the Minnesota Housing investments are recorded at fair value as of June 30, 2022. GASB No. 72 *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset between market participants at the measure date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

Level 1: Investments whose values are based on quoted prices (unadjusted) for identical assets (liabilities) in active markets that a government can access at measurement date.

Level 2: Investments with inputs–other than quoted prices included within Level 1 that are observable for an asset (liabilities), either directly or indirectly.

Level 3: Investments classified as Level 3 have unobservable inputs for an asset (liabilities) and may require a degree of professional judgement.

Restricted by Bond Resolution

The Restricted by bond resolution portion of net position represents the amount restricted within the respective bond resolution due to the specific provisions of the bond resolutions.

Restricted by Covenant

The Restricted by covenant portion of net position represents those assets in General Reserve and those assets that would otherwise be available to be transferred to General Reserve under the applicable bond resolutions.

Note 2 – Summary of Significant Accounting and Reporting Policies (continued)

Under the Agency's bond resolutions, the Agency covenants that it will use the assets in General Reserve only for the administration and financing of programs in accordance with the policy and purpose of Minnesota Housing's enabling legislation, including reserves for the payment of bonds and notes and of loans made from the proceeds thereof, and will accumulate and maintain therein such balance of funds and investments as will be sufficient for the purpose. The Agency's Board establishes investment guidelines for these funds.

Restricted by Law

Undisbursed, recognized federal and state appropriations are classified as restricted by law.

Unrestricted - State Appropriation-backed Bonds

The deficit position of unrestricted by state appropriation-backed bond net position represents outstanding non-profit housing and housing infrastructure bonds that are not a general obligation of the Agency. Amounts held in funds securing those bonds are not pledged or available to secure other bondholders or creditors of Minnesota Housing.

Net Investment in Capital Assets

This represents the balance of capital assets, net of depreciation and lease liability.

Agency-wide Total

The Agency-wide total columns reflect the totals of the similar accounts of the various funds. Since the assets of certain funds are restricted by either the related bond resolutions or legislation, the totaling of the accounts, including assets therein, does not indicate that the combined assets are available in any manner other than that provided for in either the bond resolutions, Board resolutions or the legislation for the separate funds or groups of funds.

The financial statements include summarized prior-year comparative information. Such information does not include all of the information required or sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Agency's financial statements for the year ended June 30, 2021, from which such summarized information was derived.

Appropriations Received

Revenue from grants and housing infrastructure bonds is recognized as revenue in the fiscal year in which all eligibility requirements have been satisfied.

Administrative Reimbursement

The largest source of funding for the Agency's administrative operations is a monthly transfer from each of the bond funds to General Reserve based on adjusted assets. Adjusted assets are defined as total assets excluding the reserve for loan loss, proceeds of limited obligation debt and unrealized appreciation and depreciation on investments including all mortgage-backed securities. Additional funding for the Agency's administrative operations is provided by a monthly transfer from Pool 2 based on a portion of the net gain on the sale of mortgage-backed securities held for sale.

For programs funded by state appropriations, the Agency recovers the cost of administering the programs but only to the extent of interest earnings on unexpended state appropriations.

For programs funded by federal appropriations, the Agency recovers the cost of administering programs through an approved federal indirect cost recovery rate but only to the extent that funds are available. Certain other direct costs are also recovered. Total direct and indirect costs recovered from the federal government in the amount of $1.8 million are reflected as administrative reimbursement revenues in the General Reserve. Administrative reimbursements in the amount of $29.1 million between the Agency's funds have been

Note 2 – Summary of Significant Accounting and Reporting Policies (continued)

eliminated from the respective administrative reimbursement revenues and expenses line items for purposes of presentation in the Agency-wide statement of activities.

Fees Earned and Other Income

Fees earned and other income consists mainly of fees related to the financing and administration of Section 8 properties, including administration of a HUD-owned Section 8 portfolio, acquisition fees earned from the sale of mortgage servicing rights, fees in connection with operating the federal Low Income Housing Tax Credits program, annual fees related to certain multifamily housing development loans, fees from the Low Income Rental Classification program, private contributions restricted to use in the Agency's Homeownership Education, Counseling and Training Program, housing development operating subsidies received from other state agencies, fees received for reimbursement for the cost of issuance for certain bonds, and fees for issuing and monitoring conduit bonds. Fees earned and other income is recorded as it is earned.

Reduction in Carrying Value of Certain Low-Interest Rate Deferred Loans

The carrying value of certain Pool 3 loans and State Appropriated loans which are originated at below market interest rates and for which repayment is deferred for up to 30 years, is written down to zero at the time of origination by providing for a reduction in carrying value of certain low interest rate deferred loans because of the nature of these loans and the risks associated with them. Certain of these loans may be forgiven at maturity.

Other Changes and Non-operating Transfer of Assets Between Funds and Other Adjustments

The Agency utilizes the other changes section of the Statement of revenues, Expenses and Changes in Net Position to describe various non-operating transfers of assets between funds.

Non-operating transfers occur as a result of bond sale contributions related to new debt issues; transfers between the Pool 1, the Pool 2, and the Pool 3 to maintain the Pool 1 required balance, and periodic transfers from the bond funds of assets in excess of bond resolution requirements.

Non-Cash Activities

Transfers from loans receivable to FHA/VA insurance claims receivable and real estate owned for fiscal year 2022 were $0.8 million in Residential Housing Finance.

Use of Estimates

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

Income Taxes

The Agency, as a component unit of the State of Minnesota, is exempt from federal and state income taxes. Accordingly, no provision for income taxes is necessary.

Rebatable Arbitrage

Arbitrage earnings that are owed to the United States Treasury are recorded in accounts payable and based on estimated calculations performed by an independent calculation specialist on an ongoing basis. Also included in this category is yield compliance liability.

Agency Investments

Permitted Agency investments include government obligations, commercial paper, repurchase agreements, money market funds, guaranteed investment contracts (i.e., investment agreements), the State Investment

Note 2 – Summary of Significant Accounting and Reporting Policies (continued)

Pool, corporate obligations, municipal bonds and other investments consistent with requirements of safety and liquidity that comply with applicable provisions of the bond resolutions, state law and Board policy.

Note 3 – Cash, Cash Equivalents and Investment Securities

Cash and Cash Equivalents

Cash and cash equivalents are generally stated at cost, which approximates fair value. The balances were composed of the following at June 30, 2022 (in thousands):

Funds	Deposits [1]	Money Market Funds	State Investment Pool(ITC)	Investment Agreements	Combined Totals
General Reserve Account	$ -	$ -	$ 108,873	$ -	$ 108,873
Rental Housing	-	37,822	-	-	37,822
Residential Housing Finance	882	330,873	-	267	332,022
Homeownership Finance Bonds	-	48,051	-	-	48,051
Multifamily Housing Bonds	-	1,790	-	-	1,790
State Appropriated Accounts	179	143,882	147,137	-	291,198
Federal Appropriated Accounts	138,179	4,093	74,872	-	217,144
Combined Totals	$ 139,240	$ 566,511	$ 330,882	$ 267	$ 1,036,900

1 Deposits may be in Cash or Cash Equivalents.

Included in deposits was cash awaiting investment, consisting of interest earned on investments accrued at year end and certain federal emergency funds.

The ITC is an internal investment pool managed by the Minnesota State Board of Investments (SBI). The SBI invests in debt securities, including U.S. treasury securities, U.S. agency securities, bankers' acceptances, high grade corporates, and commercial paper. The investment objectives for investing state cash accounts are to preserve capital and to provide a level of current income consistent with the goal of preserving capital. This investment pool is unrated.

Generally, investment agreements are uncollateralized, interest-bearing contracts with financial institutions or corporations with variable liquidity features, which require a one-day to two-week notice for deposits and/or withdrawals, and are invested in accordance with the restrictions specified in the various bond resolutions.

Interest Rate Risk – Investments

Interest rate risk is the risk that changes in market interest rates of debt investments will adversely affect the fair value of an investment. The Agency's Board Policy – *Investments and Cash Management* requires interest rate risk of variable rate debt to be hedged with interest rate swaps. Interest rate risk information is presented using the weighted average maturity method, which expresses investment time horizons, the period when investments become due and payable in years or months, weighted to reflect the dollar size of individual investments within investment type.

Concentration of Credit Risk – Investments

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer's debt or otherwise lack of diversification. The Agency does not have a formal policy regarding concentration of credit risk for rated corporate debt securities that are among the top four quality categories. For other types of investments, Minnesota Statutes 11A.24 established investment parameters.

Note 3 – Cash, Cash Equivalents and Investment Securities (continued)

Investment Securities

Investment securities (comprising U.S. Treasury securities, U.S. Agency securities, mortgage-backed securities and municipal bonds) are recorded at fair market value and were allocated to the following funds at June 30, 2022 (in thousands):

Funds	Investment Securities-Other at Amortized Cost	Program Mortgage-backed Securities	Unrealized Appreciation (Depreciation)	Estimated Market Value
Rental Housing	$ 19,738	$ -	$ (179)	$ 19,559
Residential Housing Finance	139,488	1,890,620	(117,141)	1,912,967
Homeownership Finance Bonds	-	1,096,693	(52,778)	1,043,915
Homeownership Mortgage-backed Securities	5,682	-	(252)	5,430
Combined Totals	$ 164,908	$ 2,987,313	$ (170,350)	$ 2,981,871

U.S. Treasury securities, U.S. Agency securities, and municipal bonds in General Reserve, State Appropriated and Federal Appropriated are held by the State of Minnesota on behalf of the Agency. U.S. treasury and U.S. agency securities in the remainder of the funds are held by the trustees under the Agency's bond resolutions and bond indentures in the Agency's name.

Investment securities are subject to credit risk. The following table classifies investment securities, except U.S. Treasuries, by their lowest Standard & Poor's/Moody's rating. Investment securities' credit rating categories (without qualifiers) at June 30, 2022 were (in thousands):

Credit Rating of Investment Securities

Type	Par Value	AA+/Aaa	AA+/not rated
US Agencies	$ 3,142,510	$ 3,142,510	$ -
Municipal Bonds	7,375	-	7,375
Agency-wide subtotals	3,149,885	$ 3,142,510	$ 7,375
US Treasuries	3,560	3,560	
Agency-wide totals	$ 3,153,445	$ 3,146,070	

Examining the weighted average maturities of the Agency's investment securities can reveal information about interest rate risk. Cash, cash equivalents and investment securities (excluding unrealized depreciation of $170.350 million and net discount of $1.224 million, along with the weighted average maturities (in years) as of June 30, 2022, consisted of the following (in thousands):

Cash, Cash Equivalents and Investment Securities

		Weighted Average Maturity, in Years							
Type	Par Value	General Reserve	Rental Housing	Residential Housing Finance	Home-ownership Finance Bonds	Multifamily Housing Bonds	HOMES[SM]	State Appropriated	Federal Appropriated
Deposits	$ 1,061	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Money market fund	566,511	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ITC	469,061	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Investment agreements	267	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
US Agencies	3,142,510	0.0	5.6	27.8	25.8	0.0	21.1	0.0	0.0
US Treasuries	3,560	0.0	0.0	0.6	0.0	0.0	0.0	0.0	0.0
Municipals	7,375	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Agency-wide Totals	$ 4,190,345								
Weighted Average Maturity		0.0	1.7	23.8	24.7	0.0	21.1	0.0	0.0

MINNESOTA HOUSING FINANCE AGENCY
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Notes to Financial Statements
Year ended June 30, 2022 (continued)

Note 3 – Cash, Cash Equivalents and Investment Securities (continued)

Investments in any one issuer, excluding $1,610 million of investments issued or explicitly guaranteed by the U.S. Government, that represent five percent or more of the par value of total investments, as defined by GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3,*of June 30, 2021 were as follows (in thousands):

Investment Issuer	Amount
Federal National Mortgage Association and Federal Home Loan Mortgage Corporation, U.S. Agencies	$1,514,182

The Agency maintained certain deposits and investments throughout fiscal year 2022 that were subject to custodial credit risk. As of June 30, 2022, the amounts subject to this risk consisted of the following (in thousands):

		Amount
Deposits not covered by depository insurance and uncollateralized (including $566,511 in a money market fund and $330,882 in the ITC)	$	1,036,633
Investment securities uninsured, uncollateralized.		3,153,712
Agency-wide total	$	4,190,345

Net realized gain on sale of investment securities of $0.138 million is included in interest earned on investments.

Certain balances are required to be maintained under the various bond resolutions. These balances represent debt service and insurance reserves. The required balances at June 30, 2022 were as follows (in thousands):

Program Funds		Amount
Multifamily Housing Bonds	$	479
Rental Housing		616
Residential Housing Finance		8,038
Combined Totals	$	9,133

The following table summarizes Minnesota Housing's investments within the fair value hierarchy at June 30, 2022:

Investments (at par)		Level 1		Level 2		Level 3		Total
US Agencies	$	230	$	3,142,280	$	-	$	3,142,510
US Treasuries		3,560		-		-		3,560
Municipals		-		7,375		-		7,375
	$	3,790	$	3,149,655	$	-		3,153,445
Premium/discount and unrealized appreciation/depreciation								(171,574)
Fair market value							$	2,981,871

Note 4 – Loans Receivable, Net

Loans receivable, net at June 30, 2022 consisted of (in thousands):

Funds		Outstanding Principal		Allowance for Loan Losses		Loans Receivable, Net
Rental Housing	$	161,338	$	(2,200)	$	159,138
Residential Housing Finance		755,466		(11,619)		743,847
Multifamily Housing		13,188		(66)		13,122
State Appropriated		39,835		(1,209)		38,626
Agency-wide Totals	$	969,827	$	(15,094)	$	954,733

Substantially all loans in the table above are secured by first or second mortgages on the real property financed. A significant portion of the homeownership first mortgage loans in the Residential Housing Finance fund have either FHA insurance or a VA or RD guarantee. Insurance reduces, but does not eliminate, loan losses.

In addition to the loans in the table above, certain loans are carried at below-market interest rates and repayment is deferred for up to 30 years. These loans are generally in either a second or more subordinate mortgage position or may be unsecured. Given the nature of these loans and the risk associated with them, at the time of origination they are fully reserved resulting in a net carrying value of zero. The principal amount of loans with such characteristics originated during fiscal year 2022 aggregated $5.697 million in the Pool 3, $0 in Rental Housing and $31.228 million in State Appropriated. Loans with net carrying values of $0 are excluded from the tables above and below. The Agency also has deferred and/or forgivable loans with net carrying values of $0 in the Federal Appropriated, HOMES℠, National Housing Trust Fund (NHTF) and Housing Opportunities for Persons with Aids (HOPWA) programs. These loans are tracked for affordability by staff. The balance of these loans at June 30, 2022 was $64.700 million compared to $58.100 million on June 30, 2021.

Loans receivable, net and gross in Residential Housing Finance at June 30, 2022 consist of a variety of loans as follows (in thousands):

Description		Net Outstanding Amount		Gross Outstanding Amount
Residential Housing Finance Bonds:				
Homeownership, first mortgage loans	$	208,376	$	209,061
Other homeownership loans, generally secured by a second mortgage		19,833		20,552
Alternative Loan Fund, Housing Investment Fund (Pool 2):				
Home Improvement loans, generally secured by a second mortgage		86,139		87,563
Homeownership, first mortgage loans		40,531		40,963
Other homeownership loans, generally secured by a second mortgage		65,565		67,593
Multifamily, first mortgage loans		208,612		210,703
Alternative Loan Fund, Housing Affordability Fund (Pool 3):				
Other homeownership loans, generally secured by a second mortgage		112,828		117,059
Multifamily, first mortgage loans		1,963		1,972
Residential Housing Finance Totals	$	743,847	$	755,466

The Agency is limited by statute to financing real estate located within the State of Minnesota. Collectability depends on, among other things, local economic conditions.

Note 5 – Capital Asset Rollforward, Right to Use – Lease and Other Assets

Capital Assets Rollforward

A summary of capital asset activity for the year ended June 30, 2022 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Furniture and equipment	$ 3,366	$ 293	$ -	$ 3,659
Software	11,007	1,321	(3,728)	8,600
Right to use - lease	9,626			9,626
Total capital assets, being depreciated	23,999	1,614	(3,728)	21,885
Less accumulated depreciation for:				
Furniture and equipment	(2,660)	(506)	-	(3,166)
Software	(9,581)	(1,944)	3,728	(7,797)
Right to use - lease	(1,246)	(1,359)		(2,605)
Total accumulated depreciation	(13,487)	(3,809)	3,728	(13,568)
Capital assets, net	$ 10,512	$ (2,195)	$ -	$ 8,317

Other Assets

Other assets, including receivables, at June 30, 2022 consisted of the following (in thousands):

Funds	Receivables Due from the Federal Government	Other Assets and Receivables	Total
General Reserve Account	$ 3,743	$ 1	$ 3,744
Rental Housing	-	25	25
Residential Housing Finance	121	934	1,055
Homeownership Finance	-	24	24
State Appropriated	-	33	33
Federal Appropriated	287	-	287
Combined Totals	$ 4,151	$ 1,017	$ 5,168

Note 6 – Bonds Payable

Summary of bonds payable activity, at June 30, 2022 is as follows (in thousands):

Funds	June 30, 2021 Bonds Outstanding	Bonds Issued	Bonds Repaid	Premium/ Discount/ VRD Fees Amortization	June 30, 2022 Bonds Outstanding
Rental Housing	$ 59,880	$ 16,040	$ 26,570	$ -	$ 49,350
Residential Housing Finance	1,790,980	724,990	354,725	-	2,161,245
Homeownership Finance Bonds	1,351,335	112,532	376,892	-	1,086,975
Multifamily Housing Bonds	13,000	-	240	-	12,760
HOMES[SM]	7,214	-	1,532	-	5,682
2018 Index Bank Note	18,330	237,930	208,125	-	48,135
Total	$ 3,240,739	$ 1,091,492	$ 968,084	$ -	$ 3,364,147
Bond premium/discount-Residential Housing Finance	34,644	12,819		10,320	37,143
State Appropriation-backed Bonds	280,760	76,970	9,690		348,040
State Appropriated Premium	29,049	16,630		4,157	41,522
Notes Payable	85,000	2,140,000	2,150,000		75,000
Bonds Payable, net	$ 3,670,192	$ 3,337,911	$ 3,127,774	$ 14,477	$ 3,865,852

HFB 2021B bond series, issued on May 26, 2021 refunded $6.890 million of HFB 2009A-5 bond series in FY2021, and also refunded $5.985 million of HFB 2011CD bond series and $7.630 million of HFB 2011FG bond series in FY2022. All outstanding bonds of bond series HFB 2009 A-5 were redeemed on June 1, 2021 and all outstanding bonds of bond series HFB 2011CD and HFB 2011FG were paid or redeemed on July 1, 2021.

RHFB 2021CD bonds, which were issued on June 17, 2021 in FY2021, refunded $10.845 million of HFB 2011AB bond series, $9.390 million of HFB 2009 A-4 bond series, and $10.475 million of HFB 2011E bond series. All outstanding bonds of bond series HFB 2011AB, HFB 2009A-4 and HFB 2011E were paid or redeemed on July 1, 2021.

The drawdown Index Bank Note is part of the Residential Housing Finance Fund. State appropriation-backed bonds are included in the State Appropriated fund.

Bonds payable at June 30, 2022 were as follows (in thousands):

Series	Interest rate	Final Maturity	Original amount	Outstanding amount
Rental Housing Bonds				
2012 Series A-1	3.75%	2048	$ 4,175	$ 3,630
2013 Series A-1	3.50% to 5.30%	2049	3,710	3,375
2013 Series B-1	3.65% to 5.30%	2044	2,040	1,780
2020 Series A	0.35%	2022	4,610	4,610
2020 Series B	0.35%	2023	5,665	5,665
2021 Series A	0.40%	2023	5,485	5,485
2021 Series B	0.30%	2023	8,765	8,765
2021 Series C	0.30%	2024	7,840	7,840
2022 Series B	2.85%	2024	8,200	8,200
			$ 50,490	$ 49,350

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Note 6 – Bonds Payable (continued)

Series	Interest rate	Final Maturity	Original amount	Outstanding amount
Residential Housing Finance Bonds				
2007 Series M	6.345%	2038	$ 70,000	$ 9,955
2012 Series A	3.75% to 3.90%	2023	50,945	265
2012 Series B	3.30% to 3.45%	2024	8,830	435
2012 Series C	3.625% to 3.85%	2029	30,975	1,525
2012 Series D	3.90%	2030	60,000	810
2013 Series A	3.00%	2031	33,305	965
2013 Series C	2.55% to 3.90%	2043	42,310	16,650
2014 Series A	4.00%	2038	50,000	2,810
2014 Series B	4.00%	2038	50,000	3,830
2014 Series C	2.90% to 4.00%	2045	143,145	26,105
2014 Series D	3.00% to 3.10%	2026	6,585	2,375
2014 Series E	3.10% to 3.50%	2032	76,000	22,320
2015 Series A	4.00%	2041	43,070	7,635
2015 Series C	2.40% to 3.60%	2031	61,780	1,045
2015 Series D	Variable	2046	18,225	18,225
2015 Series E	3.50%	2046	96,930	15,815
2015 Series G	Variable	2034	35,000	30,815
2016 Series A	2.00% to 3.20%	2033	63,135	11,600
2016 Series B	3.10% to 3.50%	2046	74,985	19,600
2016 Series C	2.90% to 4.20%	2037	15,590	2,780
2016 Series E	2.40% to 4.00%	2047	75,005	11,380
2016 Series F	Variable	2041	50,000	42,420
2017 Series B	3.40% to 4.00%	2047	37,390	12,225
2017 Series C	Variable	2038	40,000	38,380
2017 Series E	4.00%	2048	63,075	21,085
2017 Series F	Variable	2041	40,000	40,000
2018 Series B	4.00%	2048	43,680	17,610
2018 Series D	Variable	2045	35,000	34,465
2018 Series E	4.25%	2049	65,200	30,090
2018 Series G	3.44% to 4.73%	2049	35,000	1,090
2018 Series H	Variable	2041	35,000	35,000
2019 Series B	4.25%	2049	98,195	38,940
2019 Series C	2.897% to 4.204%	2042	37,500	880
2019 Series D	Variable	2042	45,000	40,160
2019 Series E	1.45% to 1.75%	2025	13,225	3,730
2019 Series F	1.50% to 3.75%	2050	96,775	54,145
2019 Series G	1.896% to 3.164%	2040	46,015	3,895
2019 Series H	Variable	2050	43,985	43,985
2020 Series A	1.30% to 1.70%	2026	20,850	10,195
2020 Series B	1.45% to 3.50%	2050	149,150	103,910
2020 Series C	1.77% to 3.337%	2050	60,000	39,155
2020 Series D	.65% to 1.80%	2027	19,300	11,400
2020 Series E	1.20% to 3.50%	2050	130,700	104,395
2020 Series F	.50% to 1.70%	2028	15,630	11,150
2020 Series G	.45% to 3.00%	2051	109,370	95,700
2020 Series H	.375% to 1.50%	2028	16,525	13,690
2020 Series I	1.15% to 3.00%	2051	108,475	99,340

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Note 6 – Bonds Payable (continued)

Series	Interest rate	Final Maturity	Original amount	Outstanding amount
Residential Housing Finance Bonds (continued)				
2021 Series A	.30% to 1.95%	2030	23,060	21,160
2021 Series B	.60% to 3.00%	2051	101,940	97,135
2021 Series C	.25% to 1.45%	2028	24,020	22,370
2021 Series D	.20% to 3.00%	2052	154,145	146,225
2021 Series E	.15% to 1.25%	2027	15,695	15,190
2021 Series F	.125% to 3.00%	2052	134,305	131,370
2021 Series G	.25% to 2.40%	2033	22,690	22,495
2021 Series H	.25% to 3.00%	2052	127,310	126,590
2021 Series I	.67% to 2.77%	2035	25,000	25,000
2022 Series A	.70% to 3.00%	2052	75,000	74,745
2022 Series B	1.05% to 2.57%	2031	24,990	24,990
2022 Series C	.95% to 3.50%	2052	100,000	100,000
2022 Series D	Variable	2052	50,000	50,000
2022 Series E	2.498% to 4.707%	2041	100,000	100,000
2022 Series F	Variable	2052	50,000	50,000
			$ 3,589,010	$ 2,161,245
Homeownership Finance Bonds				
2012 Series A	2.60%	2042	$ 50,000	$ 8,403
2012 Series B	2.25%	2042	75,000	16,196
2013 Series A	2.35%	2043	75,000	18,338
2013 Series B	2.70%	2041	85,149	14,390
2013 Series C	3.00%	2043	37,000	8,573
2014 Series A	3.00%	2044	38,527	3,683
2014 Series B	2.95%	2044	18,868	3,524
2014 Series C	3.25%	2044	13,663	2,552
2014 Series D	2.875%	2044	39,934	6,683
2015 Series A	2.80%	2045	60,013	15,422
2015 Series B	3.00%	2045	54,530	11,395
2015 Series C	3.05%	2045	40,226	8,205
2015 Series D	2.90%	2045	52,365	12,922
2016 Series A	2.95%	2046	97,274	26,299
2016 Series B	2.70%	2046	50,971	15,746
2016 Series C	2.33%	2046	35,390	10,820
2016 Series D	2.73%	2046	35,390	10,781
2016 Series E	2.35%	2046	35,495	11,803
2016 Series F	2.68%	2046	65,918	22,513
2016 Series G	2.30%	2046	20,445	7,379
2016 Series H	2.65%	2046	30,668	11,255
2017 Series A	2.93%	2047	24,966	8,358
2017 Series B	3.25%	2047	24,966	9,116
2017 Series C	3.08%	2047	23,904	9,563
2017 Series D	3.43%	2047	23,904	9,531
2017 Series E	2.85%	2047	39,283	11,693
2017 Series F	3.20%	2047	19,348	5,896
2017 Series G	2.65%	2047	84,998	29,097
2017 Series H	3.00%	2047	64,998	22,250
2017 Series I	2.80%	2047	69,238	25,494
2017 Series J	3.10%	2047	46,159	16,991

Note 6 – Bonds Payable (continued)

Series	Interest rate	Final Maturity	Original amount	Outstanding amount
Homeownership Finance Bonds (continued)				
2018 Series A	3.30%	2048	38,247	15,179
2018 Series B	3.65%	2048	38,247	16,297
2018 Series C	3.30%	2048	30,326	11,816
2018 Series D	3.65%	2048	20,218	7,915
2018 Series E	3.45%	2048	47,757	15,519
2018 Series F	3.80%	2048	52,573	17,040
2018 Series G	3.75%	2048	31,784	11,431
2018 Series H	4.10%	2048	31,784	11,597
2018 Series I	3.60%	2049	22,971	6,913
2018 Series J	4.00%	2049	37,500	11,285
2019 Series A	3.45%	2049	35,630	12,072
2019 Series B	3.80%	2049	30,351	10,284
2019 Series C	3.15%	2049	13,728	5,889
2019 Series D	3.55%	2049	30,555	13,107
2019 Series E	3.25%	2049	45,949	16,241
2019 Series F	3.23%	2049	59,851	24,885
2019 Series G	3.02%	2049	90,295	46,992
2019 Series H	2.47%	2050	48,324	23,186
2020 Series A	2.50%	2050	43,964	31,826
2020 Series B	2.35%	2050	18,000	12,518
2020 Series C	2.45%	2050	37,979	26,482
2020 Series D	1.92%	2050	100,000	81,230
2020 Series E	1.68%	2050	40,067	35,937
2021 Series A	1.58%	2051	83,328	74,703
2021 Series B	1.93%	2051	49,022	42,778
2021 Series C	2.05%	2051	61,764	59,367
2021 Series D	2.05%	2051	50,768	49,615
			$ 2,624,572	$ 1,086,975
Multifamily Housing Bonds				
2009	3.01%	2051	$ 15,000	$ 12,760
			$ 15,000	$ 12,760
HOMES[SM]				
2013 Series A-1	3.50%	2043	$ 3,359	$ 550
2013 Series B-1	3.00%	2043	24,471	4,126
2013 Series C-1	3.50%	2043	4,713	1,006
			$ 32,543	$ 5,682
Drawdown Index Bonds				
2018 Index Bank Note	Variable	2021	$ -	$ 48,135
			$ -	$ 48,135
Combined totals (Bonds only) No State Appropriated			$ 6,311,615	$ 3,364,147
Premium on bonds				37,143
Notes payable				75,000
				$ 3,476,290

Note 6 – Bonds Payable (continued)

The Agency uses special redemption provisions to retire certain bonds prior to their stated maturity from unexpended bond proceeds, if any, and revenues in excess of scheduled debt service resulting primarily from loan prepayments.

Substantially all bonds are subject to optional redemption after various dates at an amount equal to 100% of the unpaid principal and accrued interest as set forth in the applicable series resolution.

The following table summarizes the annual debt service requirements to maturity for bonds outstanding as of June 30, 2022, excluding optional calls known at June 30, 2022 (in thousands). The current portion of bonds payable reported in the statement of net position includes known optional calls as of June 30, 2022.

	Rental Housing		Residential Housing Finance	
Fiscal Year	Principal	Interest	Principal	Interest
2023	$ 19,215	$ 640	$ 33,955	$ 49,865
2024	13,520	661	41,805	53,095
2025	8,400	501	43,960	52,503
2026	200	375	45,825	51,758
2027	215	367	47,020	50,882
2028-2032	1,200	1,683	280,415	237,724
2033-2037	1,545	1,382	389,195	199,853
2038-2042	1,995	977	429,835	150,722
2043-2047	2,195	471	462,665	94,626
2048-2052	865	56	379,370	27,228
2053-2057	-	-	7,200	93
Total	$ 49,350	$ 7,113	$ 2,161,245	$ 968,349

	Multifamily Housing		Homeownership Finance	
Fiscal Year	Principal	Interest	Principal	Interest
2023	$ 240	$ 381	$ -	$ 28,493
2024	240	373	-	28,493
2025	240	366	-	28,493
2026	240	359	-	28,493
2027	240	352	-	28,493
2028-2032	1,760	1,612	-	142,465
2033-2037	1,840	1,342	-	142,465
2038-2042	2,390	1,022	14,390	142,173
2043-2047	2,790	642	286,646	127,789
2048-2052	2,780	189	785,939	46,640
Total	$ 12,760	$ 6,638	$ 1,086,975	$ 743,997

	HOMES^{SM}		DDIB/IBN	
Fiscal Year	Principal	Interest	Principal	Interest
2023	$ -	$ 178	$ 48,135	$ 276
2024	-	178	-	-
2025	-	179	-	-
2026	-	178	-	-
2027	-	178	-	-
2028-2032	-	891	-	-
2033-2037	-	891	-	-
2038-2042	-	892	-	-
2043-2047	5,682	208	-	-
Total	$ 5,682	$ 3,773	$ 48,135	$ 276

Note 6 – Bonds Payable (continued)

	Combined Totals	
Fiscal Year	**Principal**	**Interest**
2023	$ 101,545	$ 79,833
2024	55,565	82,800
2025	52,600	82,042
2026	46,265	81,163
2027	47,475	80,272
2028-2032	283,375	384,375
2033-2037	392,580	345,933
2038-2042	448,610	295,786
2043-2047	759,978	223,736
2048-2052	1,168,954	74,113
2053-2057	7,200	93
Total	$ 3,364,147	$ 1,730,146

Residential Housing Finance Bonds Series 2015 Series D and 2015 Series G; 2016 Series F; 2017 Series C and 2017 Series F, 2019 Series D and 2019 Series H and 2022 Series C and 2022 Series F (the Demand Bonds) accrue interest at rates that change weekly as determined by a remarketing agent for such series based on market conditions. Residential Housing Finance Bonds 2018 Series D and 2018 Series H accrue interest at a rate equal to the SIFMA (Securities Industry and Financial Markets Association) Index plus 0.43% and 0.55%, respectively. The 2018 Index Bank Note accrues interest at a rate equal to forward looking Term Secured Overnight Financing Rate (SOFR) Reference Rate for the following one month interest period plus 0.35%. Future interest due for these bonds, as displayed above in the annual debt service requirements table, assumes that the respective rates in effect on June 30, 2022 continue for the term of the bonds. Variable rate bond interest payments will vary as general short-term interest rates vary. Associated interest rate swaps are not included in the annual debt service requirements table. See the Swap Payments and Associated Debt table below to view those amounts.

The income and assets of each of the bond funds, except for the HOMES[SM] fund, are pledged on a parity basis for the payment of principal and interest on the bonds issued, and to be issued, under the respective resolutions. All but one of the bond resolutions contains covenants that require the Agency to maintain certain reserves. The Agency believes that as of June 30, 2022, it is in compliance with those covenants in all material respects and the assets of all funds and accounts in the bond funds equaled or exceeded the requirements as established by the respective bond resolutions.

Call notices were issued on or before June 30, 2022 for the redemption of certain bonds thereafter. See Subsequent Events.

On June 30, 2022 the Agency had in place a revolving line of credit with the Federal Home Loan Bank of Des Moines with an outstanding balance of $75.0 million. Draws against the line of credit are required to be collateralized with mortgage-backed securities which reside in Pool 2.

Note 7 – Demand Bonds

The Demand bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest with seven days' notice and delivery to the Agency's remarketing agent. The remarketing agent is authorized to use its best efforts to sell the bonds at a price equal to 100 percent of the principal amount. In the event the remarketing agent does not sell the bonds, the liquidity provider has agreed to purchase the bonds at a price equal to principal plus accrued interest. While held by the liquidity provider the bonds bear interest at a bank rate.

Note 7 – Demand Bonds (continued)

If the remarketing agent is unable to resell bonds purchased by the liquidity provider within one year of the purchase date the principal amount of these bonds together with interest at a bank rate will be payable to the liquidity provider in quarterly or semiannual installments payable over a five-year period that begins on the purchase date.

The Agency is required to pay each liquidity provider a fee ranging from 0.23 to 0.34 percent per annum of the liquidity provider's available commitment (the outstanding principal amount of the bonds and approximately six months interest on the bonds at the rate of 12% per annum).

The Agency has paid $0.992 million to the liquidity providers for fiscal year 2022.

In addition, each remarketing agent receives a fee ranging from .060 to 0.1 percent of the outstanding principal amount of the bonds. The Agency has paid a fee of $0.250 million to the remarketing agents for fiscal year 2022.

As of June 30, 2022, the following demand bonds were outstanding (in thousands):

Demand Bonds

Variable Rate Series	Principal Amount Outstanding at par	Liquidity Facility Maturity-SBPA[1]	Liquidity Fee	Remarketing Agent Fee
Residential Housing Finance Series 2015D	18,225,000	8/11/2027	0.230%	0.100%
Residential Housing Finance Series 2015G	30,815,000	1/2/2023	0.300%	0.100%
Residential Housing Finance Series 2016F	42,420,000	1/2/2024	0.250%	0.100%
Residential Housing Finance Series 2017C	38,380,000	7/19/2024	0.290%	0.100%
Residential Housing Finance Series 2017F	40,000,000	1/2/2023	0.300%	0.100%
Residential Housing Finance Series 2019D	40,160,000	7/1/2024	0.340%	0.100%
Residential Housing Finance Series 2019H	43,985,000	9/10/2024	0.330%	0.060%
Residential Housing Finance Series 2022D	50,000,000	3/16/2027	0.230%	0.070%
Residential Housing Finance Series 2022F	50,000,000	5/12/2027	0.230%	0.070%
Combined Totals	$353,985,000			

[1] SBPA-Standby Purchase Agreement

Note 8 – Floating Rate Term Bonds and Derivative Instruments – Interest Rate Swaps

Floating Rate Term Bonds

The Agency has issued the Residential Housing Finance Bonds 2018 Series D and 2018 Series H as floating rate term bonds each in the principal amounts of $35.0 million. The interest rate on the bonds is reset weekly based on the SIFMA Index plus 0.43% and 0.55%, respectively. The bonds are subject to mandatory purchase on July 3, 2023 and December 12, 2023, respectively, at a price equal to principal plus accrued interest. On or after January 1, 2023, the Agency may redeem the 2018 Series D bonds, and on or after July 1, 2023, the Agency may redeem the 2018 Series H bonds or may remarket the bonds with new terms.

Note 8 – Floating Rate Term Bonds and Derivative Instruments – Interest Rate Swaps (continued)

Derivative Instruments – Interest Rate Swaps

The Agency has entered into certain interest rate swap agreements that are considered to be derivative instruments under GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. A consultant was engaged by the Agency to determine the fair value of these agreements and to evaluate their effectiveness as hedges as of June 30, 2022. The fair values approximate the termination payments that would have been due from the Agency, or payable to the Agency, had the swaps been terminated as of June 30, 2022. Under GASB 53, instruments, in whole or in part, such as interest rate swaps and similar transactions that fall under the definition of derivative instruments must be reported on the statement of net position, the classification of which depends on whether they represent assets or liabilities, and derivative instruments generally should be measured at "fair value". Fair values were determined pursuant to GASB 72. The fair value hierarchy of interest rate swap agreements is determined to be level 2. The fair values exclude accrued interest. As of June 30, 2022, all of the Agency's interest rate swap agreements have been determined to be effective hedges, as defined by GASB 53. The fair value is displayed on the statement of net position as a liability named "interest rate swap agreements." The inception-to-date change in fair value as of June 30, 2022 is included under deferred outflows of resources as "deferred loss on interest rate swap agreements," or under deferred inflows of resources as "deferred gain on interest rate swap agreements."

Objective of Swaps

The Agency entered into interest rate swap agreements in connection with its issuance of variable rate mortgage revenue bonds under the Residential Housing Finance Bond Resolution from calendar year 2003 through 2009, and 2015 through 2022. Using variable-rate debt hedged with interest-rate swaps reduced the Agency's cost of capital at the time of issuance compared to using long-term fixed rate bonds and, in turn, enabled the Agency to reduce mortgage rates offered to the Agency's low- and moderate-income, first-time home buyers.

Swap Payments and Associated Debt

Using rates as of June 30, 2022, debt service requirements of the Residential Housing Finance outstanding variable rate debt and net swap payments, assuming current interest rates remain the same for their term, are as follows (in thousands). As rates vary, variable rate bond interest payments and net swap payments will vary.

Fiscal Year	Principal	Interest	Interest Rate Swaps, Net	Total
2023	$ 30,620	$ 3,267	$ 5,179	$ 39,066
2024	-	4,364	3,314	7,678
2025	-	4,364	3,317	7,681
2026	-	4,364	3,315	7,679
2027	-	4,364	3,315	7,679
2028-2032	43,570	21,253	16,191	81,014
2033-2037	123,055	17,186	12,873	153,114
2038-2042	121,340	11,079	6,914	139,333
2043-2047	69,280	5,419	2,197	76,896
2048-2052	26,510	1,536	499	28,545
2053-2057	9,075	137	48	9,260
Totals	423,450	77,333	57,162	557,945

Note 8 – Floating Rate Term Bonds and Derivative Instruments – Interest Rate Swaps (continued)

Terms of Swaps

Terms of the swaps, the fair values, changes in fair values, and the credit ratings of the three counterparties thereto as of June 30, 2022, are contained in the three tables below (in thousands). All swaps are pay-fixed, receive-variable. Initial swap notional amounts matched original principal amounts of the associated debt except 2022D and 2022F. The Agency's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximate scheduled or anticipated reductions in outstanding principal amounts of the associated bond series. With respect to the outstanding swaps the Agency has also purchased the right, generally based upon a 300% PSA prepayment rate (The Standard Prepayment Model of The Securities Industry and Financial Markets Association and formerly the Public Securities Association) on the underlying mortgage loans, to further reduce the notional balances of the swaps as necessary to match the outstanding principal amount of the associated bond series and the right to terminate the swaps at par at approximately the 7-year anniversary date for the 2015D, 2015G, 2016F and 2017C swaps and the 5-year anniversary date for the 2017F, 2018D , 2018H, 2019D and 2019H swaps and the 9-year anniversary date for the 2022D and 2022F swaps. The Agency also has the right to terminate outstanding swaps in whole or in part at fair value at any time if it is not in default thereunder:

Counterparty: The Bank of New York Mellon

Moody's* Aa2 (stable outlook) / Standard & Poor's** AA- (stable outlook)[2]

Associated Bond Series	Notional Amount as of June 30, 2022 (in thousands)	Effective Date	Swap Maturity Date	Fixed Rate Payable	Variable Rate Receivable	Fair Value[1] as of June 30, 2022 (in thousands)	Increase (Decrease) in Fair Value since June 30, 2021 (in thousands)
RHFB 2018D	35,000	June 28, 2018	January 1, 2045	3.1875%	70% of 1 month LIBOR + 43 basis points	$ 523	$ 2,479
RHFB 2019H	43,985	September 11, 2019	January 1, 2047	2.1500%	100% of 1 month LIBOR	5,911	7,338
RHFB 2022D	25,000	March 16, 2022	January 1, 2044	2.2050%	100% SOFR	2,594	2,594
RHFB 2022F	10,000	May 12, 2022	July 1, 2030	2.5100%	100% SOFR	177	177
RHFB 2022F	25,000	May 12, 2022	July 1, 2052	3.2375%	100% SOFR	474	474
Counterparty Total	$138,985					$ 9,679	$ 13,062

Note 8 – Floating Rate Term Bonds and Derivative Instruments – Interest Rate Swaps (continued)

Counterparty: Royal Bank Of Canada
Moody's* Aa2 (Stable outlook) / Standard & Poor's** AA- (Stable outlook)

Associated Bond Series	Notional Amount as of June 30, 2022 (in thousands)	Effective Date	Swap Maturity Date	Fixed Rate Payable	Variable Rate Receivable	Fair Value[1] as of June 30, 2022 (in thousands)	Increase (Decrease) in Fair Value since June 30, 2021 (in thousands)
RHFB 2015D	18,225	August 11, 2015	January 1, 2046	2.343%	67% of 1 month LIBOR	$ 333	$ 927
RHFB 2015G	30,815	December 8, 2015	January 1, 2034	1.953%	67% of 1 month LIBOR	505	1,614
RHFB 2016F	42,420	December 22, 2016	January 1, 2041	2.175%	67% of 1 month LIBOR	875	3,253
RHFB 2018H	35,000	December 12, 2018	July 1, 2041	2.8035%	70% of 1 month LIBOR	115	2,628
RHFB 2019D	45,000	April 11, 2019	January 1, 2042	2.409%	70% of 1 month LIBOR	728	3,955
Counterparty Total	$ 171,460					$ 2,556	$ 12,377

Counterparty: Wells Fargo Bank
Moody's* Aa2 (Stable outlook) / Standard & Poor's** A+ (Stable outlook)

Associated Bond Series	Notional Amount as of June 30, 2022 (in thousands)	Effective Date	Swap Maturity Date	Fixed Rate Payable	Variable Rate Receivable	Fair Value[1] as of June 30, 2022 (in thousands)	Increase (Decrease) in Fair Value since June 30, 2021 (in thousands)
RHFB 2017C	38,380	January 1, 2019	January 1, 2038	2.180%	67% of 1 month LIBOR	$ 400	$ 2,521
RHFB 2017F	40,000	December 27, 2017	January 1, 2041	2.261%	67% of 1 month LIBOR	878	2,104
Counterparty Total	$ 78,380					$ 1,278	$ 4,625
Accrued Interest Total[2]	$ -					$ 2,279	
Combined Totals	$ 388,825					$ 15,792	$ 30,064

1. A positive fair value represents money due to the Agency by the counterparty upon an assumed termination of the swap while a negative fair value represents the amount payable by the Agency.
2. Accrued interest is included in the Statement of Net Position under Swap Interest Payable.
* Moody's Investor Service Inc.
** Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies
*** London Inter-Bank Offered Rate

Termination Risk

The swap contracts may be terminated by either party if the other party fails to perform under the terms of the contract or upon certain termination events. Upon termination at market, a payment is due by one party based upon the fair value of the swap even if the payment is owed to a defaulting party. The potential termination risks to the Agency are the liability for a termination payment to the counterparty or the inability to replace the swap upon favorable financial terms, in which event the variable rate bonds would no longer be hedged. To reduce the risk of termination, swap contracts generally limit counterparty terminations to the following

Agency actions or events: payment default, other defaults that remain uncured for 30 days after notice, substantial impairment of credit ratings, bankruptcy and insolvency.

Note 8 – Floating Rate Term Bonds and Derivative Instruments – Interest Rate Swaps (continued)

Credit Risk

A swap potentially exposes the Agency to credit risk with the counterparty. The fair value of a swap represents the Agency's current potential credit exposure to the swap counterparty assuming the occurrence of a termination event. As of June 30, 2022, the Agency did not have a net credit risk exposure to any of its three counterparties because the Agency's respective combined swap positions had a positive net fair value, as set forth in the foregoing tables. Each of the swap agreements requires that, upon demand, a party post collateral to secure its obligation to make a termination payment to the extent the fair value exceeds a collateral threshold specified in the agreement. The collateral threshold for each counterparty and the Agency is $50 million if the ratings on the unsubordinated, unsecured long-term indebtedness of the counterparty, in the case of the counterparty, or the hedged bonds, in the case of the Agency, are not less than "AA-" and "Aa3" from Standard & Poor's and Moody's, respectively, $5 million if the ratings are not less than "A+" and "A1", $5 million if the ratings are not less than "A" and "A2", and zero, if either rating is lower. These bilateral requirements are established to mitigate potential credit risk exposure. As of June 30, 2022, neither the Agency nor any counterparty had been required to post collateral.

Amortization Risk

The Agency is subject to amortization risk because prepayments from the mortgage loan portfolio may cause the outstanding principal amount of variable rate bonds to decline faster than the amortization of the notional amount of the swap. To ameliorate amortization risk, termination options were structured within most of the outstanding swaps to enable the Agency to manage the outstanding balances of variable rate bonds and notional swap amounts. (See *Terms of Swaps*.) Additionally, the Agency may terminate outstanding swaps in whole or in part at fair value at any time if it is not in default thereunder.

Basis Risk

The potential for basis risk exists when variable interest payments on the Agency's bonds do not equal variable interest receipts payable by the counterparty under the associated swap. The variable rate the Agency pays on its bonds resets weekly, but the variable rate received on its swaps is based upon a specified percentage of the one-month taxable LIBOR, or the Secured Overnight Financing Rate (SOFR), plus, in some cases, a specified spread. Basis risk will vary over time due to inter-market conditions. As of June 30, 2022, the interest rate on the Agency's variable rate tax-exempt debt ranged from 0.90% to 1.60% per annum while the variable interest rate on the associated swaps ranged from 1.51% to 1.71314% per annum. In order to reduce the cumulative effects of basis risk on the swaps relating to tax-exempt variable rate debt, the determination of the spread from one-month LIBOR payable by the counterparty under the swap was based upon a regression analysis of the long-term relationship between one-month LIBOR and the tax-exempt variable rate SIFMA index (which ordinarily would approximate the weekly variable rate on the Agency's tax-exempt variable rate bonds).

Tax Risk

The structure of the variable interest rate payments the Agency receives from its LIBOR-based swap contracts relating to tax-exempt variable rate bonds is based upon the historical long-term relationship between taxable and tax-exempt short-term interest rates. Tax risk represents the risk that may arise due to a change in the tax code that may fundamentally alter this relationship. The Agency chose to assume this risk at the time the swaps were entered into because it was not economically favorable to transfer to the swap counterparties.

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Note 9 – Derivative Instruments – Forward Sales Contracts

The Agency has entered into forward sales contracts for the future delivery of GNMA, FNMA and FHLMC securities. The contracts offset the financial impact to the Agency of changes in interest rates between the time of loan reservations and the securitization and sale of such loans as GNMA, FNMA and FHLMC securities. These contracts are considered investment derivative instruments and, accordingly, are recorded as a component of instruments in the Statement of Net Position. Therefore, the change in value is reported as unrealized gains (losses) on investments. Outstanding forward sales contracts, summarized by counterparty as of June 30, 2022, are as follows: (in thousands):

	Counter Party Short-term Rating	Number of Contracts	Notional Amount	Original Price	Market Price	Fair Value
Bank of Oklahoma	A-2*/F1**	2	$ 6,000	$ 5,851	$ 5,797	$ 54
Daiwa	A-2*/F1**	2	13,000	12,665	12,532	133
ED&F Man Capital Markets	A-1*/F1+**	4	14,000	13,975	14,020	(45)
Fannie Mae	Not rated*/F1+*	4	25,500	24,178	23,929	249
Huntington Securities	Not rated*/F1+**	6	31,000	31,399	31,274	125
Janney Montgomery Scott	Not Rated*/Not Rated**	6	24,500	24,813	24,791	22
South Street Securities	A-1*/F1+**	8	45,000	45,610	45,369	240
		32	$159,000	$ 158,491	$157,712	$778

* Standard and Poor's Rating Services Inc.

** Fitch Ratings, Ltd

Note 10 – State Appropriation-Backed Debt Obligation

The Agency has outstanding bonds under two indentures of trust that permit capital funding for loans for permanent supportive housing for long-term homeless households, preservation of federally assisted housing and other purposes. As of June 30, 2022, $348.040 million of bonds were outstanding. This debt is not a general obligation of the Agency and is not payable from any funds or assets of the Agency including any loan repayments. These bonds are payable solely from the appropriations the Agency receives from the State of Minnesota General Fund pursuant to standing appropriations made by the Legislature as authorized by state laws adopted in 2008, 2012, 2014, 2015, 2017, 2018, 2019, 2020 and 2021.

State Appropriation-backed Bonds at June 30, 2022 consisted of the following (in thousands):

Series	Interest rate	Final Maturity	Original amount	Outstanding amount
State Appropriated				
2009 Series	3.375% to 4.00%	2029	$ 13,270	$ 5,640
2011 Series	4.125% to 5.25%	2031	21,750	13,420
2013 Series AB	3.00% to 5.00%	2033	15,460	9,790
2014 Series AB	2.90% to 5.00%	2035	14,540	11,395
2015 Series A	2.15% to 5.00%	2035	37,570	25,485
2015 Series C	3.25% to 5.00%	2037	31,095	26,350
2016 Series AC	2.00% to 4.00%	2038	18,625	15,275
2017 Series A	3.00% to 5.00%	2037	12,690	10,930
2018 Series ABCD	2.375% to 5.00%	2040	25,295	21,575
2019 Series ABCD	1.75% to 5.00%	2041	26,775	24,975
2019 Series ABCD	2.00% to 4.00%	2043	108,280	106,235
2019 Series ABCD	3.00% to 5.00%	2043	76,970	76,970
Bonds payable			$ 402,320	$ 348,040

Note 10 – State Appropriation-Backed Debt Obligation (continued)

State appropriation-backed bond debt service requirements at June 30, 2022 consisted of the following:

	State Appropriated	
Fiscal Year	Principal	Interest
2023	$ 13,425	$ 14,109
2024	13,910	13,628
2025	14,415	13,115
2026	15,005	12,519
2027	15,685	11,856
2028-2032	89,225	48,453
2033-2037	95,490	28,209
2038-2042	75,480	9,810
2043-2047	15,405	601
Total	$ 348,040	$ 152,300

As the issuer of the state appropriation-backed debt, the Agency is required to record these bonds as bonds payable with the correlating reduction in net position.

As of fiscal 2022, the Agency recorded the Housing Infrastructure Bonds (HIB) as bonds payable in State Appropriated. These are bonds that are backed solely by appropriations from the State of Minnesota. The premium income and finance costs associated with the HIB bonds are now recorded when incurred and amortized. The proceeds that have not yet been disbursed and investment income on the proceeds will be recorded in cash equivalents and other program expense when disbursed. Debt service appropriated by the state is recorded in the appropriations received account. Before this, the undisbursed proceeds, investment income, and debt service appropriated were recorded in the funds held for others account, and no premiums or finance costs were recorded. Due to the change in the recording of the HIB bonds and certain HIB bonds related activity in fiscal 2022, the fiscal 2021 financial statements were restated to reflect the impacts of fiscal 2021 ending net position in fiscal 2022 which is described in more detail in Note 23.

Note 11 – Conduit Debt Obligation

On December 21, 2005, the Agency issued tax-exempt bonds on a conduit basis to assist a Minnesota nonprofit organization in preserving assisted elderly rental housing. The proceeds of the bonds were used by the organization to refinance certain HUD Section 202 elderly housing projects. The bonds were sold on a private placement basis. As of June 30, 2022, $21.604 million of the bonds were outstanding.

On March 1, 2016, the Agency issued a long-term tax-exempt multifamily revenue note on a conduit basis that was purchased by Freddie Mac under their Tax Exempt Loan Program. The proceeds of the sale were lent to the owner to pay for a portion of the costs of the acquisition, construction, and equipping of a multifamily senior rental housing development. As of June 30, 2022, $20.151 million of the bonds were outstanding.

On April 20, 2016 and May 11, 2016, the Agency issued long-term tax-exempt multifamily revenue notes on a conduit basis that was purchased by Freddie Mac under their Tax Exempt Loan Program. The proceeds of the sales were lent to the owner to pay for a portion of the costs of the acquisition and rehabilitation of three HUD Section 8 multifamily housing developments. As of June 30, 2022, $30.246 million of the bonds were outstanding.

On December 28, 2017, the Agency issued long-term conduit tax-exempt revenue bonds and a short-term conduit tax exempt revenue note. The proceeds of the sales were used to finance the acquisition, rehabilitation

Note 11 – Conduit Debt Obligation (continued)

and equipping of two multi-family rental housing development projects that will preserve units with federal rental assistance. As of June 30, 2022, $5.039 million of bonds were outstanding.

The total outstanding conduit debt as of June 30, 2022, was $77.039 million.

Neither the Agency, the State of Minnesota, nor any political subdivision thereof is obligated in any manner for repayment of these conduit bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

Note 12 – Accounts Payable and Other Liabilities

Accounts payable and other liabilities at June 30, 2022 consisted of the following (in thousands):

Funds	Accrued Salaries, Compensated Absences and Employee Benefits	Other Liabilities and Accounts Payable	Total
General Reserve Account	$ 5,957	$ 593	$ 6,550
Rental Housing	-	12,950	12,950
Residential Housing Finance	-	61,374	61,374
Homeownership Finance	-	59	59
State Appropriated	-	3,506	3,506
Federal Appropriated	10,311	-	10,311
Combined Totals	$ 16,268	$ 78,482	$ 94,750

Note 13 – Lease Liability and Rollforward

Principal and interest payments due for the remaining lease arrangement as of June 30, 2022 consisted of the following:

Year Ending June 30	Principal Payments	Interest Payments	Total
2023	1,261,796	360,325	1,622,121
2024	1,334,768	293,960	1,628,728
2025	1,436,657	221,748	1,658,405
2026	1,549,513	144,668	1,694,181
2027	1,655,617	61,840	1,717,457
2028	284,937	1,882	286,819
	$ 7,523,288	$ 1,084,423	$ 8,607,711

Note 13 – Lease Liability and Rollforward

Summary of Long-Term Liability Rollforward Schedule for the year ended June 30, 2022 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Lease Liability	$ 8,696	$ -	$ 1,173	$ 7,523
Total liabilities	$ 8,696	$ -	$ 1,173	$ 7,523

Note 14 – Interfund Balances and Transfers

Interfund balances displayed as Interfund Payable (Receivable) at June 30, 2022 consisted of the following (in thousands):

	Funds	Due from								
		General Reserve	Rental Housing	Residential Housing Finance	Homeownership Finance	Multifamily Housing	HOMES[SM]	State Appropriated	Federal Appropriated	Total
Due To	General Reserve	$ -		$ -	$ -	$ -	$ -	$ 494	$ 418	$ 912
	Residential Housing Finance	15,489	-	-	-	-	-	-	-	15,489
	Agency-wide Totals	$15,489	$ -	$ -	$ -	$ -	$ -	$ 494	$ 418	$16,401

All balances resulted from the time lag between the dates that: (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers recorded in interfund payable (receivable) for the year ended June 30, 2022 consisted of the following (in thousands):

		Transfer from							
		General Reserve	Rental Housing	Residential Housing Finance	Home-ownership Finance	Multifamily Housing	State Appropriated	Federal Appropriated	Total
Transfer to	General Reserve	$ -	$ 1,295	$ 19,160	$ 7,947	$ 91	$ 568	$ 1,594	$ 30,655
	Rental Housing	142	-	-	-	-	-		142
	Residential Housing Finance	379	26,973	-	-	-	7,639	-	34,991
	State Appropriated	44	-	756	-	-	-		800
	Federal Appropriated	-	-	224	-	-	-	-	224
	Agency-wide Totals	$ 565	$ 28,268	$ 20,140	$ 7,947	$ 91	$ 8,207	$ 1,594	$ 66,812

Interfund transfers recorded in interfund payable (receivable) were made to move loan payments that were deposited for administrative convenience in a fund not holding the loans; to make administrative reimbursements to the General Reserve from other funds; to pay for loans transferred between funds including $7.639 million of down payment and closing cost assistance loans transferred from Residential Housing Finance to State Appropriated.

Interfund transfers recorded in non-operating transfer of assets between funds for the year ended June 30, 2022, consisted of the following (in thousands):

Note 14 – Interfund Balances and Transfers (continued)

Transfer to	Transfer from: General Reserve	Rental Housing	Residential Housing Finance	Home-ownership Finance	Multifamily Housing	HOMES[SM]	State Appropriated	Federal Appropriated	Total
Rental Housing	-	-	37	-	-	-	-	-	37
Residential Housing Finance	21,224	-	-	-	-	-	-	224	21,448
Homeownership Finance	-	-	6,842	-	-	-	-	-	6,842
Agency-wide Totals	$ 21,224	$ -	$ 6,879	$ -	$ -	$ -	$ -	$ 224	$ 28,327

Interfund transfers recorded in non-operating transfer of assets between funds normally result from bond sale contributions to new debt issues in other funds, the transfer of assets to maintain Pool 1 requirement and periodic transfers from the bond funds of assets in excess of bond resolution requirements.

Note 15 – Net Position

Restricted by Bond Resolution

The restricted by bond resolution portion of net position represents those funds restricted within the respective bond resolution due to the specific provisions of the bond resolutions.

Restricted by Covenant

In accordance with provisions of the respective bond resolutions, the Agency may transfer excess money from bond funds to General Reserve. The Agency has pledged to deposit in General Reserve any such funds transferred from the bond funds, except for any amounts as may be necessary to reimburse the state for money appropriated to restore a deficiency in any debt service reserve fund. The Agency further covenanted that it will use the money in General Reserve (or any such transferred funds deposited directly in the Alternative Loan Fund) only for the administration and financing of programs in accordance with the policy and purpose of Minnesota Housing's enabling legislation, including reserves for the payment of bonds and of loans made from the proceeds thereof, and will accumulate and maintain therein such a balance of funds and investments as will be sufficient for that purpose. All interfund transfers are approved by the Board of the Agency.

In order to provide financial security for the Agency's general obligation bonds, and to provide additional resources for housing loans to help meet the housing needs of low- and moderate-income Minnesota residents, the Agency's Board adopted investment guidelines. These guidelines are periodically evaluated in consideration of changes in the economy and in the Agency's specific risk profile.

The $554.495 million restricted by covenant portion of net position is restricted by a covenant made with bondholders authorized by the Agency's enabling legislation.

Pool 1 is maintained in the restricted by covenant portion of net position of the General Reserve. Pool 2 and the Pool 3 are maintained in the restricted by covenant portion of net position of the Residential Housing Finance fund.

The combined net position of the General Reserve and bond funds (exclusive of Pool 3, accumulated unrealized gains/losses on investments, and realized gains/losses in sale of investments between Agency funds) is required by Board investment guidelines to be not less than the combined net position of the same funds (exclusive of cumulative unrealized gains/losses on investments) as of the immediately preceding fiscal year end. That combined net position was $619.865 million as of June 30, 2022.

The following table describes the restricted by covenant portion of net position, including the balances to be maintained according to the Agency's Board investment guidelines, as of June 30, 2022 (in thousands):

Note 15 – Net Position (continued)

Net Position — Restricted By Covenant	Certain Balances Maintained According to Agency's Board Guidelines	Unrealized Appreciation (Depreciation) in Fair Market Value of Investments	Total Net Position Restricted by Covenant
Housing Endowment Fund (Pool 1), General Reserve			
Pool 1 is an amount equal to 1% of gross loans outstanding (excluding Pool 3 and appropriation-funded loans) and must be invested in short-term, investment-grade securities at market interest rates	$ 8,097	$ -	$ 8,097
Subtotal, Housing Endowment Fund (Pool 1), General Reserve	8,097	-	8,097
Housing Investment Fund (Pool 2), Residential Housing Finance			
An amount that causes the combined net position in the General Reserve and bond funds (exclusive of: Pool 3, unrealized gains/losses on investments, and realized gains/losses from the sale of investments between Agency funds) to be at least equal to the combined net position of the same funds for the immediately preceding audited fiscal year end (after restatements, if any, required by generally accepted accounting principles). During fiscal year 2022, $10.0 million was transferred from Pool 2 to Pool 3 in compliance with these Board guidelines. Pool 2 is invested in investment-quality housing loans, as defined by the Agency, or investment-grade securities.	394,585	-	394,585
Unrealized appreciation in fair market value of investments	-	12,945	12,945
Subtotal, Housing Investment Fund (Pool 2), Residential Housing Finance	394,585	12,945	407,530
Housing Affordability Fund (Pool 3), Residential Housing Finance			
Funds in excess of the combined requirement of Pool 1, Pool 2 and General Reserve may be transferred to Pool 3. Assets are invested in deferred loans, zero percent and low interest-rate loans, other loans with higher than ordinary risk factors, or, pending use, investment-grade securities.	138,803	-	138,803
Unrealized appreciation in fair market value of investments	-	65	65
Subtotal, Housing Affordability Fund (Pool 3), Residential Housing Finance	138,803	65	138,868
Agency-wide Total	$ 541,485	$ 13,010	$ 554,495

Note 15 – Net Position (continued)

Restricted by Law

Undisbursed, recognized federal and state appropriations are classified as restricted by law under net position. The $206.7 million balance of restricted by law in the Federal Appropriated fund as of June 30, 2022 is restricted by federal requirements that control the use of the funds. The $175.7 million balance of Restricted by Law in the State Appropriated fund as of June 30, 2022 is restricted by the state laws appropriating such funds.

Unrestricted - State Appropriation-Backed Bonds

The $245.1 million balance of unrestricted - State Appropriation-backed Bonds as of June 30, 2022 does not represent a general obligation of the Agency and is not payable from any funds or assets of the Agency.

Note 16 – Defined Benefit Pension Plan

The Agency contributes to the MSRS, a multiple-employer public employee retirement system, which provides pension benefits for all permanent employees.

The State Employees Retirement Fund (SERF) is administered by the MSRS, and is established and administered in accordance with Minnesota Statutes, Chapters 352 and 356. SERF includes the General Employees Retirement Plan (General Plan), a multiple-employer, cost-sharing defined benefit plan, and three single-employer defined benefit plans: the Military Affairs Plan, the Transportation Pilots Plan, and the Fire Marshals Plan. Only certain employees of the Department of Military Affairs, the Department of Transportation, and the State Fire Marshal's Division are eligible to be members of those plans, but all state of Minnesota employees who are not members of another plan are covered by the General Plan.

MSRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at www.msrs.state.mn.us/financial-information; by writing to MSRS at 60 Empire Drive, #300, St. Paul, Minnesota, 55103; or by calling (651) 296-2761 or 1-800-657-5757.

Benefits Provided

MSRS provides retirement, disability, and death benefits through the SERF. Benefit provisions are established by state statute and can only be modified by the state legislature. Benefits are based on a member's age, years of credit, and the highest average salary for any sixty successive months of allowable service at termination of service. Benefit increases or decreases are provided to benefit recipients each January, and are related to the funded ratio of the plan. Annuitants receive benefit increases of 2.0% each year through December 31, 2018, 1% January 1, 2019 – December 31, 2023, and 1.5% January 1, 2024 and thereafter. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age (not applicable to Rule of 90 retirees, disability benefit recipients, or survivors). A benefit recipient who has been receiving a benefit for at least 12 full months as of the June 30 of the calendar year immediately before the adjustment will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of the June 30 of the calendar year immediately before the adjustment will receive a pro rata increase.

Prior to 2002, members who retired under the laws in effect before July 1, 1973, received an additional lump sum payment each year. In 1989, this lump sum payment was the greater of $25 times each full year of Allowable Service or $400 per full year of service less any Social Security benefits received or annuity from a Minnesota public employee pension plan. In each following year, the lump sum payment was increased by the same percentage increase that was applied to regular annuities paid from the Minnesota Post Retirement Investment Fund. Effective January 1, 2002, the annual lump sum payment was divided by 12 and paid as a monthly life annuity in the annuity form elected.

Note 16 – Defined Benefit Pension Plan (continued)

Contributions

Minnesota Statutes Chapter 352 sets the rates for employer and employee contributions. Eligible General Plan members contribute 6.00% and participating employers are required to contribute 6.25% of their annual covered salary in fiscal year 2022. The Agency's contribution to the General Plan for the fiscal year ending June 30, 2022 was $1.405 million. These contributions were equal to the contractually required contributions for each year as set by state statute.

Actuarial Assumptions

The Agency's net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25% per year
Active member payroll growth	3.00% per year
Investment rate of return	7.50%

Salary increases were based on a service-related table.

Mortality rates for healthy pre-retirement on Pub 2010 General Employee Mortality Table adjusted for mortality improvements using projection scall MP-2018. Rates are multiplied by a factor of 0.97 for males and 1.06 for females. Mortality rates for healthy post-retirement on Pub-2010 Healthy General Mortality Table, adjusted for mortality improvements using projection scale MP-2018. Rates are multiplied by a factor of 1.04 for males and 1.10 for females. Actuarial assumptions used in the June 30, 2021 valuation were based on the results of actuarial experience study, dated June 27, 2019, and a review of inflation and investment return assumptions dated June 24, 2021.

The long-term expected rate of return on pension plan investments is 7.5%. The rate assumption was selected as the result of a review of inflation and investment return assumptions dated June 24, 2021 and a recent liability study. The review combined the asset class target allocations and long-term rate of return expectations from the SBI.

The SBI, which manages the investments of MSRS, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method. Best-estimates of expected future real rates of return are developed for each major asset class. These asset class estimates and target allocations are combined to produce a geometric, expected long-term rate of return as summarized in the following table:

Asset Class	Target Allocation	SBI's Long-Term Expected Real Rate of Return (Geometric Mean)
Domestic Stocks	33.5%	5.10%
International Stocks	16.5%	5.30%
Fixed Income	25.0%	0.75%
Private Markets	25.0%	5.90%

Note 16 – Defined Benefit Pension Plan (continued)

Changes in Actuarial Assumptions

The Combined Service Annuity (CSA) loads were 1.20% for active member liability and 40% for vested and non-vested deferred member liability. The revised CSA loads are now zero percent for active member liability, 4.00% for vested deferred member liability, and 5.00% for non-vested deferred member liability. The Single Discount Rate was changed from 7.50% per annum to 6.50% per annum.

Single Discount Rate

A Single Discount Rate of 6.50% was used to measure the total pension liability. This Single Discount Rate was based on an expected rate of return on pension plan investments of 6.50%. The projection of cash flows used to determine this Single Discount Rate assumed that employee and employer contributions will be made at the current statutory contribution rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. As a result, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Net Pension Liability

At June 30, 2022, the Agency reported a liability of $0.544 million for its proportionate share of MSRS' net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Agency's proportion of the net pension liability was based on the Agency's contributions received by MSRS during the measurement period July 1, 2020, through June 30, 2021, relative to the total employer contributions received from all of MSRS's participating employers. At June 30, 2021 the Agency's proportionate share of the entire plan was 0.66726% an increase of 0.035% over prior reporting period.

Pension Liability Sensitivity

The following presents the Agency's proportionate share of the net pension liability, calculated using the discount rate disclosed above, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate (in thousands):

	1% Decrease in Discount Rate (5.5%)	Discount Rate (6.5%)	1% Increase in Discount Rate (7.5%)
Agency proportionate share of the net pension liability:	$21,377	$544	($819)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the MSRS Comprehensive Annual Financial Report, available on the MSRS website (www.msrs.state.mn.us/financial-information).

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

For the year ended June 30, 2022, the Agency recognized pension expense credit of $13.774 million. At June 30, 2022, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

Note 16 – Defined Benefit Pension Plan (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 135	$ 63
Changes of assumptions	10,002	7,489
Net difference between projected and actual earnings on investments	-	15,033
Changes in proportion and differences between actual contributions and proportionate share of contributions	565	-
Contributions paid to MSRS subsequent to the measurement date	1,405	-
Total	$ 12,107	$ 22,585

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Amounts reported as deferred outflows of resources related to pensions resulting from Agency's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

Year ended June 30:	Pension Expense Amount
2023	($7,433)
2024	(1,429)
2025	(1,536)
2026	(1,485)

Note 17 – Post – Employment Benefits Other Than Pensions

The Agency's employees participate in the State of Minnesota-sponsored hospital, medical, and dental insurance group. State statute requires that former employees and their dependents be allowed to continue participation indefinitely, under certain conditions, in the insurance that the employees participated in immediately before retirement. The former employees must pay the entire premium for continuation coverage. An implicit rate subsidy exists for the former participants that elect to continue coverage. That subsidy refers to the concept that retirees under the age of 65 (i.e. not eligible for Medicare) generate greater claims on average than active participants.

The State of Minnesota obtains an actuarial valuation from an independent firm of its postretirement medical benefits and to determine its OPEB liability. The state intends to fund the OPEB liability on a "pay as you go" basis. The net other postemployment benefit obligation (NOO) for the Agency is $1.879 million for fiscal year 2022.

MSRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at www.msrs.state.mn.us/financial-information; by writing to MSRS at 60 Empire Drive, #300, St. Paul, Minnesota, 55103; or by calling (651) 296-2761 or 1-800-657-5757.

Net OPEB Liability

The total OPEB liability, net OPEB liability (total OPEB liability minus fiduciary net position), OPEB expense, and certain sensitivity information shown are based on actuarial valuations performed as of July 1,

Note 17 – Post – Employment Benefits Other Than Pensions (continued)

Net OPEB Liability (continued)

2020. The total OPEB liability was rolled-forward from the valuation date to the measurement date of June 30, 2021 using generally accepted actuarial principles.

As of July 1, 2020 the following assumptions were used for the actuarial valuation. The actuarial cost method was updated from Entry Age Normal as a level dollar amount to Entry Age Normal as a level percentage of pay.

Inflation	2.25% per year
Initial Medical Trend Rate	7.5% per year
Ultimate Medical Trend Rate	3.8%
Salary Increases	13.9% with one year of service to 3.0% with 30 or more years of service
Mortality Rate	Refer Pub-2010 General Employee Mortality Headcount-Weighted Table, adjusted for mortality improvements using projection scale MP-2020.

The majority of the State of Minnesota employees are participants in the MSRS, Minnesota Teacher's Retirement Association (TRA), or the Minnesota Public Employees' Retirement System (PERA). For this reason, the aggregate payroll growth, individual salary increase, mortality, withdrawal, retirement, and age of spouse assumptions are based on the assumptions used for the respective plans' Actuarial Valuation Reports as of July 1, 2021.

OPEB Sensitivity Based on Trend Rate

The following presents the Agency's share of total OPEB, calculated using a discount rate disclosed above, as well as what the total OPEB calculated using 1 percentage point higher and 1 percentage point lower than the current trend rate.

	1% Decrease in Trend Rate (2.8%)	Trend Rate (3.8%)	1% Increase in Trend Rate (4.8%)
Agency proportionate share of the total OPEB liability:	$1,682	$1,879	$2,112

Single Discount Rate

The State of Minnesota elected to change its discount rate methodology to be consistent with the requirements of GASB 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* which will be in effect for the fiscal year ending June 30, 2021. Since the State's retiree health benefits are not funded by assets in a separate trust the discount rate will be based on the index rate for 20-year tax-exempt general obligation municipal bond index rate with an average rating of AA/Aa or higher as of the measurement date, as prescribed by GASB 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The State of Minnesota elected to determine the discount rate using the Bond Buyer 20-Bond General Obligation Index. The discount rate was 2.21% as of June 30, 2021.

OPEB Sensitivity Based on Discount Rate

The following presents the Agency's share of total OPEB, calculated using a discount rate disclosed above, as well as what the total OPEB calculated using 1 percentage point higher and 1 percentage point lower than the current discount rate.

Note 17 – Post – Employment Benefits Other Than Pensions (continued)

	1% Decrease in Discount Rate (2.5%)	Discount Rate (3.5%)	1% Increase in Discount Rate (4.5%)
Agency proportionate share of the OPEB liability:	$2,021	$1,879	$1,744

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

For the year ended June 30, 2022, the Agency recognized OPEB expense of $0.116 million. At June 30, 2022, the Agency reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 193
Changes of assumptions	184	35
Contributions paid to OPEB subsequent to the measurement date	106	-
Total	$ 290	$ 228

Amounts reported as deferred outflows of resources related to OPEB resulting from Agency's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows (in thousands):

Year Ended June 30:	OPEB Expense Amount
2023	7
2024	7
2025	7
2026	7
2027	7
Thereafter	9

Note 18 – Risk Management

Minnesota Housing is exposed to various insurable risks of loss related to tort; theft of, damage to, or destruction of assets; errors or omissions; and employer obligations. Minnesota Housing manages these risks through State of Minnesota insurance plans including the State of Minnesota Risk Management Fund (a self-insurance fund) and through purchased insurance coverage. Property, casualty, liability, and crime coverage is provided by the Minnesota Risk Management Fund which may also purchase other insurance from qualified insurers for Minnesota Housing's needs. Minnesota Housing bears a $2,500 deductible per claim for the following coverage limits (in thousands):

Note 18 – Risk Management (continued)

Type of Coverage	Coverage Limits
Real and personal property loss	$ 4,342
Business interruption/loss of use/extra expense	500
Bodily injury and property damage per person	500
Bodily injury and property damage per occurrence	1,500
Faithful performance/commercial crime	9,000
Employee dishonesty	250

Minnesota Housing retains the risk of loss, although there have been no settlements or actual losses in excess of coverage in the last three fiscal years.

The Agency participates in the State Employee Group Insurance Plan, which provides life insurance and hospital, medical, and dental benefits coverage through provider organizations.

Minnesota Housing participates in the State of Minnesota Workers' Compensation Program. Annual premiums are assessed by the program based on average costs and claims. Minnesota Housing workers compensation costs and claims have been negligible during the last three fiscal years.

Note 19 - Commitments

As of June 30, 2022, the Agency had approved, either finally or preliminarily, the purchase or origination of future loans or other housing assistance in the following amounts (in thousands):

Funds	Amount
Rental Housing	$ 96,004
Residential Housing Finance	501,781
State Appropriated	144,434
Federal Appropriated	46,803
Agency wide totals	$ 789,022

Board-approved selections of future loans or other housing assistance for housing projects are included in the above table although the approvals may only be preliminary. However, a preliminary approval is not a commitment but an expectation that the Agency will be able to make the loan to, or provide the other assistance for the project if all underwriting or other criteria are met. The Agency may decline to proceed with a final approval of any loan or assistance that has not been formally and legally committed.

The Agency has cancellable lease commitments for office facilities through August 2028 and for parking through August 2028, totaling $10.435 million. Combined office facilities and parking lease expense for fiscal year 2022 was $1.630 million.

Note 20 – Line of Credit Federal Home Loan Bank

On June 30, 2022 the Agency had in place a revolving line of credit with the Federal Home Loan Bank of Des Moines. Draws against the line of credit are required to be collateralized with mortgage-backed securities which reside in Pool 2. As of June 30, 2022, $96.474 million of mortgage-backed securities were pledged. The advances taken during fiscal year 2022 were used to purchase and warehouse mortgage-backed securities in Pool 2.

Note 20 – Line of Credit Federal Home Loan Bank (continued)

The line of credit activity for the year ended June 30, 2022, is summarized as follows (in thousands):

Beginning Balance	Cumulative Draws	Cumulative Repayments	Ending Balance
$ 85,000	$ 2,140,000	$ 2,150,000	$ 75,000

Note 21 - Litigation

The Agency is a party to various litigations arising in the ordinary course of business. While the ultimate effect of such actions cannot be predicted with certainty, the Agency expects that the outcome of these matters will not result in a material adverse effect on the financial position or results of operations of the Agency.

Note 22 – Subsequent Events

The Agency called for redemption or repayment subsequent to June 30, 2022 for the following bonds (in thousands):

Program	Retirement Date	Par
Homeownership Finance	July 1, 2022	$ 2,062
Residential Housing Finance	July 1, 2022	51,080
Residential Housing Finance	August 1, 2022	8,470
Rental Housing	August 1, 2022	3,590
Residential Housing Finance	September 1, 2022	9,245
Residential Housing Finance	October 1, 2022	9,835

On February 24, 2022 and May 26, 2022, the Board of the Agency adopted series resolutions authorizing the issuance of bonds for the purpose of providing funds for certain of the Agency's multifamily programs. The Rental Housing Bonds, 2022 Series A, in the principal amount of $7.190 million were delivered pursuant to the February 24, 2022 authorization on August 11, 2022, and the Rental Housing Bonds, 2022 Series C, in the principal amount of $10.495 million, are anticipated to be delivered pursuant to the May 26, 2022 authorization in early October 2022.

On July 21, 2022, the Board of the Agency adopted a resolution authorizing the issuance of additional State Appropriation Bonds (Housing Infrastructure) up to the aggregate principal amount of $100 million for the purpose of providing funds to make loans for certain statutory-authorized purposes. The State Appropriation Bonds (Housing Infrastructure), 2022 Series ABC, in the aggregate principal amount of $104.195 million were delivered September 14, 2022, pursuant to that authorization as well as a previous authorization in July 2021.

On September 21, 2022, the Agency delivered its Homeownership Finance Bonds, 2022 Series A (Taxable) (Mortgage-Backed Securities Pass-Through Program) in the aggregate principal amount of $50 million pursuant to a series resolution adopted by the Board of the Agency on April 22, 2021 authorizing the issuance of bonds in the aggregate principal amount of $300 million for the purpose of providing funds for certain of the Agency's homeownership programs.

On July 7, 2022, the Agency delivered its Residential Housing Finance Bonds, 2022 Series GH in the aggregate principal amount of $150 million, and on September 29, 2022, the Agency delivered its Residential Housing Finance Bonds, 2022 Series IJK in the aggregate principal amount of $99.99 million, in each case pursuant to series resolutions adopted by the Board of the Agency on February 24, 2022 and May 26, 2022 authorizing the issuance of fixed interest rate bonds in the aggregate principal of $300 million and variable interest rate bonds in the aggregate principal of $75 million, respectively, for the purpose of providing funds

Note 22 – Subsequent Events (continued)

for certain of the Agency's homeownership programs. Per Board resolution 18-004 dated April 26, 2018, extension per Board resolution 20-055 on October 22, 2020, Board resolution 21-007 on February 2, 2021, and extension per Board resolution 21-070 on December 16, 2021, the Agency made, or has committed to make, draws from the Index Bank notes subsequent to June 30, 2022 as shown in the table below (in thousands).

Program	Series	Advance Date	Par
Index Bank Note	2018 AMT	July 1, 2022	$ 14,142
Index Bank Note	2018 Non-AMT	July 1, 2022	34,080
Index Bank Note	2018 AMT	August 1, 2022	536
Index Bank Note	2018 Non-AMT	August 1, 2022	8,824
Index Bank Note	2018 AMT	September 1, 2022	641
Index Bank Note	2018 Non-AMT	September 1, 2022	8,682
Index Bank Note	2018 AMT	October 3, 2022	551
Index Bank Note	2018 Non-AMT	October 3, 2022	8,598

The Agency repaid $41.571 million of the Non-AMT Portion of the Index Bank Note, on September 29, 2022.

The Agency has evaluated subsequent events through October 11, 2022, the date on which the financial statements were available to be issued.

Note 23 – Restatement

During fiscal year 2022, an incorrect classification in accounting for HIB projects was identified. The Agency recognized an additional liability titled "Funds Held for Others" at the same time the state appropriation-backed debt was issued, and misclassified various items such as bond premiums and appropriations received. This recognition is not in accordance with generally accepted accounting principles (GAAP) as the legal obligations to respective third-party beneficiaries of the appropriation-backed debt occur at a point subsequent to the issuance of the related debt. The Agency retroactively changed its method of accounting to comply with GAAP.

During the year ended September 30, 2022, the Agency adopted new accounting guidance by implementing the provisions of GASB Statement No. 87, *Leases*, which establishes criteria for identifying and reporting certain lease assets and liabilities.

The summarized comparative financial statements for the year ended June 30, 2021, have been retroactively restated for these changes. The impact of these changes on the 2021 summarized comparative totals is outlined in the table below.

Note 23 – Restatement (continued)

	Increase/(decrease) in thousands		
	Business-Type Activities	General Reserve	State Appropriated
Net position, beginning	$ 17,799	$ -	$ 17,799
Assets:			
Loans receivable, net	313	-	313
Capital assets	8,380	8,380	-
Liabilities:			
Bonds payable, net	29,049	-	29,049
Interest payable	4,753	-	4,753
Interfund payable (receivable)	-		-
Funds held for others	(103,702)	-	(103,702)
Lease liability, net	8,696	8,696	-
Revenues:			
Interest earned on loans	47	-	47
Interest earned on investments	17	-	17
Appropriations received	14,687	-	14,687
Expenses:			
Interest	8,270	479	7,791
Financing, net	641	-	641
Other general operating	31	(163)	194
Reduction in carrying value of certain low interest rate deferred loans	54,311	-	54,311
Provision for loan losses	(348)	-	(348)
Non-operating transfer of assets between funds and other	(100,252)		(100,252)
Change in net position	52,098	(316)	52,414
Unrestricted	$ 70,213	$ -	$ 70,213
Net investment in capital assets	$ (316)	$ (316)	$ -

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MINNESOTA HOUSING FINANCE AGENCY
Required Supplementary Information
General Reserve and Bond Funds
Scheduled of Selected Pension Information-Unaudited (in thousands)
Fiscal Year 2022

Schedule of Employer's Share of Net Pension Liability
State Employees Retirement Fund
Last 10 Fiscal Years*
(dollars in thousands)

	2016	2017	2018	2019	2020	2021	2022
Employer unit's proportion of the net pension liability	0.781%	0.822%	0.830%	0.836%	0.820%	0.632%	0.667%
Employer unit's proportionate share of the net pension liability	$ 8,979	$ 76,077	$ 46,137	$ 8,725	$ 8,740	$ 8,396	$ 544
Employer unit's covered-employee payroll	22,438	23,836	19,693	20,931	21,408	22,555	23,750
Employer unit's proportionate share of the net pension liability as a percentage of its covered-employee payroll	40.017%	319.168%	234.281%	41.685%	40.826%	37.225%	2.291%
Plan fiduciary net position as a percentage of the total pension liability	88.320%	47.51%	62.73%	90.56%	90.73%	91.25%	99.53%

The measurement date is June 30 preceeding each fiscal year.

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

Schedule of Employer's Contributions
State Employees Retirement Fund
Last 10 Fiscal Years*
(dollars in thousands)

	2016	2017	2018	2019	2020	2021	2022
Contractually required contribution	$ 874	$ 968	$ 1,018	$ 1,151	$ 1,264	$ 1,317	$ 1,405
Contributions in relation to the contractually required contribution	874	968	1,018	1,151	1,264	1,317	1,405
Contribution deficiency (excess)	-	-	-	-	-	-	-
Employer unit's covered-employee payroll	22,438	23,836	19,693	20,931	21,408	22,555	23,750
Contributions as a percentage of covered-employee payroll	3.895%	4.061%	5.169%	5.499%	5.904%	5.839%	5.916%

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

MINNESOTA HOUSING FINANCE AGENCY
Required Supplementary Information
General Reserve and Bond Funds
Schedule of Selected OPEB Information-Unaudited (in thousands)
Fiscal Year 2022

Schedule of Changes in the Employer's Share of Total OPEB Liability
And Related Ratios
Last 10 Fiscal Years*
(dollars in thousands)

	2018	2019	2020	2021	2022
Total OPEB Liability					
Service cost	$ 144	$ 135	$ 124	$ 119	$ 121
Interest	52	66	65	59	41
Change in benefit term	-	-	-	-	-
Difference between expected and actual experience	-	-	(40)		-
Change in assumptions - discount rate	(94)	(84)	-	165	7
Change in assumptions - other	-	(42)	(102)	(128)	-
Benefit payments					
Explicit subsidy	(43)	(48)	(45)	(47)	(55)
Implicit subsidy	(45)	(51)	(46)	(48)	(28)
Net change in total OPEB liability	15	(25)	(43)	121	86
Total OPEB liability-beginning	1,727	1,742	1,716	1,672	1,793
Total OPEB liability-ending (a)	$ 1,742	$ 1,716	$ 1,672	$ 1,793	$ 1,879
Plan Fiduciary Net Potition					
Contribution employer					
Explicit subsidy	$ 43	$ 48	$ 45	$ 47	$ 55
Implicit subsidy	45	51	46	48	28
Net investment income					
Expected investment earnings	-	0	-	-	-
Difference between projected and actual investment earnings	-	0	-	-	-
Benefit payments					
Explicit subsidy	(43)	(48)	(45)	(47)	(55)
Implicit subsidy	(45)	(51)	(46)	(48)	(28)
Administrative expense	-	-	-	-	-
Net change in fiducary net position	-	-	-	-	-
Plan fiduciary net position-beginning	-	-	-	-	-
Plan fiduciary net position-ending(b)	-	-	-	-	-
Employer's total OPEB liability-ending(a-b)	$ 1,742	$ 1,716	$ 1,672	$ 1,793	$ 1,879
Plan fiduciary total position as a percentage of the total OPEB Liability			-	-	
Covered employee payroll	$ 19,963	$ 20,931	$ 21,408	$ 22,555	$ 23,750
Employer's net OPEB liability as a percentage of covered employee payroll	8.72%	8.20%	7.81%	7.95%	7.91%

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

Schedule of Employer's Contributions-OPEB
Last 10 Fiscal Years*
(dollars in thousands)

	2018	2019	2020	2021	2022
Actuarially required contribution					
Explicit subsidy	$ 43	$ 48	$ 45	$ 47	55
Implicit subsidy	45	51	46	48	28
Contributions in relation to the actuarially required contribution					
Explicit subsidy	43	48	45	47	55
Implicit subsidy	45	51	46	48	28
Employer unit's covered-employee payroll	$ 19,963	$ 20,931	$ 21,408	$ 22,555	$ 23,750
Contributions as a percentage of covered-employee payroll					
Explicit subsidy	0.215%	0.229%	0.210%	0.208%	0.232%
Implicit subsidy	0.225%	0.244%	0.215%	0.213%	0.118%

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

MINNESOTA HOUSING FINANCE AGENCY
Supplementary Information
Statement of Net Position (in thousands)
General Reserve and Bond Funds
As of June 30, 2022 (with comparative totals as of June 30, 2021)

		Bond Funds						General Reserve & Bond Funds Excluding Pool 3 Total For The Year Ended	General Reserve & Bond Funds Excluding Pool 3 Total For The Year Ended	Residential Housing Finance Pool 3 Total For The Year Ended	General Reserve & Bond Funds Total For The Year Ended	General Reserve & Bond Funds Total For The Year Ended
			Residential Housing Finance									
	General Reserve	Rental Housing	Bonds	Pool 2	Homeownership Finance	Multifamily Housing	HOMES℠	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2022	June 30, 2021
Cash and cash equivalents	$ 108,873	$ 37,822	$ 253,587	$ 73,186	$ 48,051	$ 1,790	$ -	$ 523,309	$ 668,613	5,249	$ 528,558	$ 676,225
Investments-program mortgage-backed securities	-	-	1,760,510	-	1,043,915	-	-	2,804,425	2,810,602	-	2,804,425	2,810,602
Investment securities-other	-	19,559	7,099	136,338	-	-	5,430	168,426	183,304	9,020	177,446	192,783
Loans receivable, net	-	159,138	228,209	400,847	-	13,122	-	801,316	785,032	114,791	916,107	892,886
Interest receivable on loans and program mortgage-backed securities	-	585	6,477	1,585	3,216	48	-	11,911	12,266	41	11,952	12,297
Interest receivable on investments	81	85	324	575	26	1	15	1,107	757	40	1,147	789
Interest Rate Swap Agreements	-	-	15,792	-	-	-	-	15,792	-	-	15,792	-
FHA/VA insurance claims, net	-	-	109	-	-	-	-	109	213	-	109	213
Real estate owned, net	-	-	250	484	-	-	-	734	617	25	759	617
Capital assets, net	8,317	-	-	-	-	-	-	8,317	10,512	-	8,317	10,512
Other assets	3,744	25	290	763	24	-	-	4,846	4,683	2	4,848	4,685
Total assets	121,015	217,214	2,272,647	613,778	1,095,232	14,961	5,445	4,340,292	4,476,599	129,168	4,469,460	4,601,609
Deferred loss on refunding	-	-	1	-	-	-	-	1	6	-	1	6
Deferred loss on interest rate swap agreements	-	-	-	-	-	-	-	-	13,932	-	-	13,932
Deferred pension and OPEB expense	12,397	-	-	-	-	-	-	12,397	2,434	-	12,397	2,434
Total deferred outflows of resources	12,397	-	1	-	-	-	-	12,398	16,372	-	12,398	16,372
Total assets and deferred outflows of resources	$ 133,412	$ 217,214	$2,272,648	$ 613,778	$ 1,095,232	$ 14,961	$ 5,445	$ 4,352,690	$ 4,492,971	$ 129,168	$ 4,481,858	$ 4,617,981
Bonds payable, net	$ -	$ 49,350	$ 2,198,388	$ 123,135	$ 1,086,975	$ 12,760	$ 5,682	$ 3,476,290	$ 3,360,383	$ -	$ 3,476,290	$ 3,360,383
Interest payable	-	217	25,377	80	2,374	32	15	28,095	26,198	-	28,095	26,198
Interest rate swap agreements	-	-	-	-	-	-	-	-	13,932	-	-	13,932
Net pension and OPEB liability	2,423	-	-	-	-	-	-	2,423	10,189	-	2,423	10,189
Accounts payable and other liabilities	6,550	12,950	597	60,477	59	-	-	80,633	86,249	300	80,933	87,449
Interfund payable (receivable)	14,577	-	(25,005)	19,516	-	-	-	9,088	9,395	(10,000)	(912)	395
Funds held for others	70,635	-	-	-	-	-	(252)	70,383	69,960	-	70,383	69,960
Lease liability	7,523	-	-	-	-	-	-	7,523	8,696	-	7,523	8,696
Total liabilities	101,708	62,517	2,199,357	203,208	1,089,408	12,792	5,445	3,674,435	3,585,002	(9,700)	3,664,735	3,577,202
Deferred gain on interest rate swap agreements	-	-	15,792	-	-	-	-	15,792	-	-	15,792	-
Deferred service release fees	-	-	9,959	3,040	6,786	-	-	19,785	20,226	-	19,785	20,226
Deferred pension and OPEB credit	22,813	-	-	-	-	-	-	22,813	19,329	-	22,813	19,329
Total deferred inflows of resources	22,813	-	25,751	3,040	6,786	-	-	58,390	39,555	-	58,390	39,555
Total liabilities and deferred inflows of resources	$ 124,521	$ 62,517	$2,225,108	$ 206,248	$ 1,096,194	$ 12,792	$ 5,445	$ 3,732,825	$ 3,624,557	$ (9,700)	$ 3,723,125	$ 3,616,757
Restricted by bond resolution	$ -	$ 154,697	$ 47,540	$ -	$ (962)	$ 2,169	$ -	$ 203,444	$ 485,980	$ -	$ 203,444	$ 485,980
Restricted by covenant	8,097	-	-	407,530	-	-	-	415,627	380,618	138,868	554,495	513,428
Invested in capital assets	794	-	-	-	-	-	-	794	1,816	-	794	1,816
Total net position	8,891	154,697	47,540	407,530	(962)	2,169	-	619,865	868,414	138,868	758,733	1,001,224
Total liabilities, deferred inflows, and net position	$ 133,412	$ 217,214	$2,272,648	$ 613,778	$ 1,095,232	$ 14,961	$ 5,445	$ 4,352,690	$ 4,492,971	$ 129,168	$ 4,481,858	$ 4,617,981

MINNESOTA HOUSING FINANCE AGENCY
Supplementary Information
Statement of Revenues, Expenses and Changes in Net Position (in thousands)
General Reserve and Bond Funds
Year ended June 30, 2022 (with comparative totals for year end June 30, 2021)

	General Reserve	Bond Funds: Rental Housing	Bond Funds: Residential Housing Finance: Bonds	Bond Funds: Residential Housing Finance: Pool 2	Bond Funds: Homeownership Finance	Bond Funds: Multifamily Housing	Bond Funds: HOMES SM	General Reserve & Bond Funds Excluding Pool 3 Total For The Year Ended June 30, 2022	General Reserve & Bond Funds Excluding Pool 3 Total For The Year Ended June 30, 2021	Residential Housing Finance Pool 3 Total For The Year Ended June 30, 2022	General Reserve & Bond Funds Total For The Year Ended June 30, 2022	General Reserve & Bond Funds Total For The Year Ended June 30, 2021
Interest earned on loans	$ -	$ 7,041	$ 11,735	$ 15,758	$ -	$ 581	$ -	$ 35,115	$ 39,499	$ 520	$ 35,635	$ 40,117
Interest earned on investments-program mortgage-backed securities	-	-	45,423	-	36,251	-	-	81,674	80,931	-	81,674	80,931
Interest earned on investments-other	157	837	845	7,261	53	2	192	9,347	5,923	91	9,438	6,097
Net G/L on Sale of MBS Held for Sale/HOMES Certificate	-	-	-	2,016	-	-	-	2,016	12,376	-	2,016	12,376
Administrative reimbursement	31,161	-	-	-	-	-	-	31,161	33,144	-	31,161	33,144
Fees earned and other income	12,372	80	1,816	2,144	1,464	-	-	17,876	19,206	21	17,897	20,985
Unrealized gains (losses) on Investments	-	(2,442)	(188,220)	8,845	(112,718)	-	-	(294,535)	(44,909)	(228)	(294,763)	(45,098)
Total revenues	$ 43,690	$ 5,516	$(128,401)	$ 36,024	$ (74,950)	$ 583	$ 192	$ (117,346)	$ 146,170	$ 404	$ (116,942)	$ 148,552
Interest	$ 423	$ 594	$ 40,733	$ 1,027	$ 31,630	$ 387	$ 192	$ 74,986	$ 87,171	$ -	$ 74,986	$ 87,171
Financing, net	-	2	(11,828)	47	1,361	-	-	(10,418)	10,960	-	(10,418)	10,960
Loan administration and trustee fees	-	65	1,376	1,157	442	4	-	3,044	3,281	29	3,073	3,304
Administrative reimbursement	-	1,295	12,161	5,442	7,947	91	-	26,936	30,004	1,557	28,493	31,537
Salaries and benefits	17,676	-	-	-	-	-	-	17,676	32,501	-	17,676	32,501
Other general operating	4,282	5	50	2,584	34	-	-	6,955	8,977	1,683	8,638	11,562
Reduction in carrying value of certain low interest			-	-						-		
rate deferred loans	-	-	719	(458)	-	-	-	261	137	742	1,003	8,746
Provision for loan losses	-	(663)	(215)	1,937	-	(1)	-	1,058	712	335	1,393	1,127
Total expenses	$ 22,381	$ 1,298	$ 42,996	$ 11,736	$ 41,414	$ 481	$ 192	$ 120,498	$ 173,743	$ 4,346	$ 124,844	$ 186,908
Revenue over(Under) expenses	$ 21,309	$ 4,218	$(171,397)	$ 24,288	$ (116,364)	$ 102	$ -	$ (237,844)	$ (27,573)	$ (3,942)	$ (241,786)	$ (38,356)
Non-operating transfer of assets between funds	(22,153)	37	(5,974)	10,543	6,842	-	-	(10,705)	(17,349)	10,000	(705)	1,238
Change in net position	(844)	4,255	(177,371)	34,831	(109,522)	102	-	(248,549)	(44,922)	6,058	(242,491)	(37,118)
Total net position, beginning of Year, as restated	9,735	150,442	224,911	372,699	108,560	2,067	-	868,414	913,336	132,810	1,001,224	1,038,342
Total net position, end of Year	$ 8,891	$ 154,697	$ 47,540	$ 407,530	$ (962)	$ 2,169	$ -	$ 619,865	$ 868,414	$ 138,868	$ 758,733	$ 1,001,224

MINNESOTA HOUSING FINANCE AGENCY
Supplementary Information
Statement of Cash Flows (in thousands)
General Reserve and Bond Funds (continued)
Year ended June 30, 2022 (with comparative totals for year ended June 30, 2021)

	General Reserve	Bond Funds: Rental Housing	Bond Funds: Residential Housing Finance: Bonds	Bond Funds: Residential Housing Finance: Pool 2	Bond Funds: Homeownership Finance	Bond Funds: Multifamily Housing	Bond Funds: HOMES^{SM}	General Reserve & Bond Funds Excluding Pool 3 Total For The Year Ended June 30, 2022	Residential Housing Finance Pool 3 Total For The Year Ended June 30, 2022	General Reserve & Bond Funds Total For The Year Ended June 30, 2022	General Reserve & Bond Funds Total For The Year Ended June 30, 2021
Cash flows from operating activities:											
Principal repayments on loans and program mortgage-backed securities	$ -	$ 25,890	$ 331,317	$ 56,090	$ 308,006	$ 220	$ -	$ 721,523	$ 17,466	$ 738,989	$ 1,243,472
Investment in loans and program mortgage-backed securities	-	(20,615)	(776,999)	(116,543)	(116,876)	-	-	(1,031,033)	(47,426)	(1,078,459)	(910,310)
Interest received on loans and program mortgage-backed securities	-	6,920	63,346	14,792	43,240	582	-	128,880	510	129,390	138,548
Fees and other income received	12,566	47	11	8,485	-	-	-	21,109	21	21,130	23,314
Salaries, benefits and other operating	(34,304)	(94)	(1,420)	(7,382)	(492)	(4)	-	(43,696)	(2,612)	(46,308)	(36,341)
Administrative reimbursement from funds	30,655	(1,295)	(12,161)	(5,442)	(7,947)	(91)	-	3,719	(1,557)	2,162	1,784
Deposits into funds held for others	36,489	-	-	-	-	-	-	36,489	-	36,489	38,097
Disbursements made from funds held for others	(36,135)	-	-	-	-	-	-	(36,135)	-	(36,135)	(38,155)
Interfund transfers and other assets	18	(276)	(25,073)	24,390	-	-	-	(941)	-	(941)	(8,962)
Net cash provided (used) by operating activities	9,289	10,577	(420,979)	(25,610)	225,931	707	-	(200,085)	(33,598)	(233,683)	451,447
Cash flows from noncapital financing activities:											
Proceeds from sale of bonds and notes	-	16,040	737,809	2,377,930	112,532	-	-	3,244,311	-	3,244,311	2,756,747
Principal repayment on bonds and notes	-	(26,570)	(354,725)	(2,358,125)	(376,892)	(240)	(1,532)	(3,118,084)	-	(3,118,084)	(2,842,297)
Interest paid on bonds, notes and leases	(423)	(829)	(47,424)	(820)	(33,197)	(388)	(196)	(83,277)	-	(83,277)	(98,056)
Financing costs paid related to bonds issued	-	(2)	(7,374)	(55)	(1,101)	-	-	(8,532)	-	(8,532)	(8,818)
Interest paid/received between funds	-	-	-	(140)	-	-	-	(140)	-	(140)	-
Principal paid/received between funds	-	-	-	-	-	-	-	-	-	-	-
Agency contribution to program funds	-	37	12,148	(17,514)	5,329	-	-	-	-	-	-
Transfer of cash between funds	(4,200)	-	-	(4,800)	-	-	-	(9,000)	9,000	-	-
Net cash provided (used) by noncapital financing activities	(4,623)	(11,324)	340,434	(3,524)	(293,329)	(628)	(1,728)	25,278	9,000	34,278	(192,424)
Cash flows from capital financing activities:											
Purchases of capital assets	(1,614)	-	-	-	-	-	-	(1,614)	-	(1,614)	-
Net cash provided (used) by capital financing activities	(1,614)	-	-	-	-	-	-	(1,614)	-	(1,614)	-
Cash flows from investing activities:											
Investment in real estate owned	-	-	(274)	-	-	-	-	(274)	-	(274)	(540)
Interest received on investments	365	725	747	7,495	28	1	196	9,557	114	9,671	6,653
Net gain (loss) on Sale of MBS Held for Sale and HOME Certificates	-	-	-	20,863	-	-	-	20,863	-	20,863	10,336
Proceeds from sale of mortgage insurance claims/real estate owned	-	-	1,168	-	-	-	-	1,168	-	1,168	1,907
Proceeds from maturity, sale or transfer of investment securities	-	998	2,191	1,409,256	-	-	1,532	1,413,977	200	1,414,177	1,094,552
Purchase of investment securities	-	(681)	(250)	(1,398,961)	-	-	-	(1,399,892)	-	(1,399,892)	(1,107,052)
Purchase of loans between funds	-	(26,716)	(14,282)	26,716	-	-	-	(14,282)	21,921	7,639	4,544
Net cash provided (used) by investing activities	365	(25,674)	(10,700)	65,369	28	1	1,728	31,117	22,235	53,352	10,400
Net increase (decrease) in cash and cash equivalents	3,417	(26,421)	(91,245)	36,235	(67,370)	80	-	(143,690)	(2,363)	(147,667)	269,423
Beginning of year	105,456	64,243	344,832	36,951	115,421	1,710	-	668,613	7,612	676,225	406,802
End of year	$ 108,873	$ 37,822	$ 253,587	$ 73,186	$ 48,051	$ 1,790	$ -	$ 524,923	$ 5,249	$ 528,558	$ 676,225

MINNESOTA HOUSING FINANCE AGENCY
Supplementary Information
Statement of Cash Flows (in thousands)
General Reserve and Bond Funds (continued)
Year ended June 30, 2022 (with comparative totals for year ended June 30, 2021)

		Bond Funds									
			Residential Housing Finance								
	General Reserve	Rental Housing	Bonds	Pool 2	Homeownership Finance	Multifamily Housing	HOMES SM	General Reserve & Bond Funds Excluding Pool 3 Total For The Year Ended June 30, 2022	Residential Housing Finance Pool 3 Total For The Year Ended June 30, 2022	General Reserve & Bond Funds Total For The Year Ended June 30, 2022	General Reserve & Bond Funds Total For The Year Ended June 30, 2021
Reconciliation of revenue over (under) expenses to net cash provided (used) by operating activities:											
Revenues over (under) expenses	$ 21,309	$ 4,218	$ (171,397)	$ 24,288	$ (116,364)	$ 102	$ -	$ (237,844)	$ (3,942)	$ (241,786)	$ (38,356)
Adjustments to reconcile revenues over (under) expenses to net cash provided (used) by operating activities:											
Amortization of premiums (discounts) and fees on program mortgage -backed s	-	(76)	7,295	(891)	6,277	-	-	12,605	-	12,605	17,155
Amortization of premium (discounts) and fees on sale of HOMES Certificates	-	-	-	-	-	-	-	-	-	-	-
Amortization of proportionate share-Pension	167	-	-	-	-	-	-	167	-	167	64
Depreciation	3,808	-	-	-	-	-	-	3,808	-	3,808	3,581
Gain (loss) on sale of MBS held for sale and HOMES Certificates	-	-	-	(2,016)	-	-	-	(2,016)	-	(2,016)	(12,376)
Realized losses (gains) on sale of securities, net	-	(121)	(17)	-	-	-	-	(138)	-	(138)	(240)
Unrealized losses (gains) on securities, net	-	2,442	188,220	(8,845)	112,718	-	-	294,535	228	294,763	45,098
Salaries and Benefits-Pensions	(15,341)	-	-	-	-	-	-	(15,341)	-	(15,341)	736
Provision for loan losses	-	(663)	(215)	1,937	-	(1)	-	1,058	335	1,393	1,127
Reduction in carrying value of certain low interest rate and/or deferred loans	-	-	719	(458)	-	-	-	261	742	1,003	8,746
Capitalized interest on loans and real estate owned	-	-	(789)	(80)	-	-	-	(869)	-	(869)	(222)
Interest earned on investments	(157)	(716)	(828)	(7,261)	(53)	(2)	(192)	(9,209)	(91)	(9,300)	(6,028)
Interest expense on bonds and notes	423	594	40,733	1,027	31,630	387	192	74,986	-	74,986	87,171
Financing expense in bonds	-	2	(11,800)	44	1,361	-	-	(10,393)	-	(10,393)	10,905
Changes in assets and liabilities:											
Decrease (increase) in loans receivable and program mortgage backed securities, excluding loans transferred between funds	-	5,275	(445,682)	(60,453)	191,130	220	-	(309,510)	(29,960)	(339,470)	333,162
Decrease (increase) in interest receivable on loans	-	(45)	(318)	5	712	1	-	355	(10)	345	738
Increase (decrease) in accounts payable	(980)	(57)	(1,827)	2,703	(1,480)	-	-	(1,641)	(900)	(2,541)	9,952
Increase (decrease) in interfund payable, affecting operating activities only	(550)	(257)	(25,000)	24,500	-	-	-	(1,307)	-	(1,307)	977
Increase (decrease) in funds held for others	354	-	-	-	-	-	-	354	-	354	(58)
Other	256	(19)	(73)	(110)	-	-	-	54	-	54	(10,685)
Total	(12,020)	6,359	(249,582)	(49,898)	342,295	605	-	37,759	(29,656)	8,103	489,803
Net cash provided (used) by operating activities	$ 9,289	$ 10,577	$ (420,979)	$ (25,610)	$ 225,931	$ 707	$ -	$ (200,085)	$ (33,598)	$ (233,683)	$ 451,447

Other Information (Unaudited)

	2018	2019	2020	2021	2022
Loans Receivable, net (as of June 30)					
Multifamily programs	$ 297,982	$ 299,276	$ 314,588	$ 363,128	$ 382,833
Homeownership programs	586,498	548,869	510,358	447,542	447,134
Home Improvement programs	66,414	67,453	70,678	82,216	86,139
Total	$950,894	$915,598	$895,624	$892,886	$916,106
Mortgage-backed securities (MBS), net at par (as of June 30)					
Program mortgage-backed securities	$ 2,176,052	$ 2,624,763	$ 3,021,369	$ 2,698,923	$ 2,987,314
Warehoused mortgaged-backed securities	61,853	68,718	73,516	121,849	99,768
Total	$2,237,905	$2,693,481	$3,094,885	$2,820,772	$3,087,082
Bonds Payable, net (as of June 30)					
Multifamily programs	$ 53,250	$ 59,755	$ 63,295	$ 72,880	$ 62,110
Homeownership programs	2,634,542	3,044,251	3,390,509	3,287,503	3,414,180
Home Improvement programs	-	-	-	-	-
Total	$2,687,792	$3,104,006	$3,453,804	$3,360,383	$3,476,290
MBS purchased at par and loans purchased or origninated during year					
Multifamily programs	35,849	52,893	45,307	89,947	65,696
Homeownership programs	42,807	47,119	61,738	58,696	91,309
Program and warehoused mortgage-backed securities	648,062	696,597	837,103	791,619	913,030
Home Improvement programs	11,366	16,085	21,925	36,198	28,316
Total	$738,084	$812,694	$966,073	$976,460	$1,098,351
Net Position (as of June 30)					
Total Net Position*	$ 678,651	$ 807,271	$ 913,336	$ 868,414	$ 619,865
Percent of total assets and deferred outflows of resources	18.9%	19.6%	19.8%	19.3%	14.2%
Revenues over expenses for the fiscal year	$ (39,857)	$ 133,948	$ 121,545	$ (27,573)	$ (237,844)

*Does not include State Appropriated

Other Information (continued)

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John DeCramer, Chair
Member

Terri Thao, Vice Chair
Member

The Honorable Julie Blaha
Ex-officio member
State Auditor, State of Minnesota

Stephen Spears
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Craig Klausing
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Member

Melanie Benjamin

Member **Legal and Financial Services**

Bond Trustee and Bond Paying Agent
Computershare Trust Company, National Association

Bond Counsel
Kutak Rock LLP, Atlanta

Financial Advisor
CSG Advisors Incorporated

Underwriters
RBC Capital Markets, J.P. Morgan Securities LLC, Piper Sandler & Co, Wells Fargo Bank, National Association

Certified Public Accountants
RSM US LLP

Location

Minnesota Housing is located at 400 Wabasha Street North, Suite 400, Saint Paul, Minnesota 55102.

For further information, please write, call or visit our web site.

(651) 296-7608 (general phone number)

(800) 657-3769 (toll free)

(651) 296-8139 (fax number)

www.mnhousing.gov

If you use a text telephone or Telecommunications Device for the Deaf, you may call (651) 297-2361.

Minnesota Housing does not discriminate on the basis of race, color, status with regard to receipt of public assistance, creed, marital status, sexual orientation, familial status, national origin, sex, religion, age, or disability in employment or the provision of services or resources. Information contained in this publication will be made available in an alternative format upon request.

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Minnesota Housing Finance Agency

Compliance Report
June 30, 2022

Contents

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

Independent Auditor's Report

Board of Directors
Minnesota Housing Finance Agency

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the business-type activities and each major fund of Minnesota Housing Finance Agency (the Agency), a component unit of the State of Minnesota, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated ___________, 2022.

Report on Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001, that we consider to be a material weakness.

Report on Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Agency's Response to the Finding
Government Auditing Standards requires the auditor to perform limited procedures on the Agency's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The Agency's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Duluth, Minnesota
____________, 2022

Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on Schedule of
Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditor's Report

Board of Directors
Minnesota Housing Finance Agency

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Minnesota Housing Finance Agency's (the Agency), a component unit of the State of Minnesota, compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Agency's major federal programs for the year ended June 30, 2022. The Agency's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Agency complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Agency's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Agency's federal programs.

Auditor's Responsibilities for the Audit of Compliance
Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Agency's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Agency's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, 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 Agency's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the Agency's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance
We have audited the financial statements of the business-type activities and each major fund of the Agency as of and for the year ended June 30, 2022, and have issued our report thereon dated __________, 2022, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Duluth, Minnesota
___________, 2022

Minnesota Housing Finance Agency

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Funding Source	Grant Name	Assistance Listing Number	Pass-through Entity Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Housing and Urban Development:					
Direct:					
	Section 8 Project-Based Cluster:				
	Section 8 New Construction and Substantial Rehabilitation	14.182	N/A	$ -	$ 2,449,058
	Section 8 Housing Assistance Payments Program	14.195	N/A	-	3,605,546
	Total Section 8 Project-Based Cluster			-	6,054,604
	Performance Based Contract Administrator Program	14.327	N/A	-	226,714,163
	COVID-19—Performance Based Contract Administrator Program	14.327	N/A	-	832,637
	Total Assistance Listing Number 14.327			-	227,546,800
	HOME Investment Partnerships Program	14.239	N/A	-	58,460,371
	Housing Trust Fund	14.275	N/A	-	12,555,303
	Housing Opportunities for Persons with AIDS	14.241	N/A	225,953	512,735
	COVID-19—Housing Opportunities for Persons with AIDS	14.241	N/A	-	31,901
	Total Assistance Listing Number 14.241			225,953	544,636
	Section 811 Project Rental Assistance Program	14.326	N/A	1,100,940	1,100,940
	Community Development Block Grants	14.228	N/A	-	7,292
	Total U.S. Department of Housing and Urban Development			1,326,893	306,269,946
U.S. Department of Treasury:					
Direct:					
	COVID-19—Emergency Rental Assistance	21.023	N/A	3,132,104	482,677,014
	COVID-19—Homeowner Assistance Fund Program	21.026	N/A	96,681	5,241,024
Passed through Minnesota Management and Budget:					
	COVID-19—Coronavirus Relief Fund	21.019	SLT0016	-	583,461
	COVID-19—Coronavirus State and Local Fiscal Recovery Funds	21.027	Not available	-	7,000,000
	Total U.S. Department of Treasury			3,228,785	495,501,499
	Total expenditures of federal awards			$ 4,555,678	$ 801,771,445

See notes to schedule of expenditures of federal awards.

Minnesota Housing Finance Agency

Notes to the Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Minnesota Housing Finance Agency (the Agency) under programs of the federal government for the year ended June 30, 2022. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Because the Schedule presents only a selected portion of the operations of the Agency, it is not intended to, and does not, present the financial position, changes in net position, or cash flows of the Agency.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Agency has elected to not use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3. Loans Receivable

The Agency provides rental rehabilitation and new construction loans to approved properties via funding provided through Assistance Listing Number (ALN) 14.239 HOME Investment Partnerships Program (the HOME Program). These loans have continuing compliance requirements during the period of affordability, as defined by the HOME Program requirements, which vary depending on the number of HOME Program units at each property. The balance of rental rehabilitation loans outstanding totaled $49,322,332 at June 30, 2022.

The Agency provided loans to eligible homebuyers through the HOME Program. These down-payment and closing-cost loans have continuing compliance requirements during the period of affordability, as defined by the HOME Program requirements. The balance of down-payment and closing-cost loans outstanding totaled $162,420 at June 30, 2022.

The Agency provided loans to approved properties via funding provided through ALN 14.241 Housing Opportunities for Persons with AIDS (HOPWA). These capital loans have continuing compliance requirements during the period of affordability, as defined by the HOPWA program requirements. The balance of the capital loans outstanding totaled $209,631 at June 30, 2022.

The Agency provided loans to approved properties via funding provided through ALN 14.275 National Housing Trust Fund. These capital loans have continuing compliance requirements during the period of affordability, as defined by the program requirements. The balance of the capital loans outstanding totaled $8,607,788 at June 30, 2022.

Minnesota Housing Finance Agency

Notes to the Schedule of Expenditures of Federal Awards

Note 4. Reconciliation to the Financial Statements

The reconciliation of the schedule of expenditures of federal awards to the Agency's basic financial statements for the year ended June 30, 2022, is as follows:

Total federal awards per the schedule of expenditures of federal awards	$ 801,771,445
Beginning balance of loans included in total federal awards	(61,127,874)
Administration fees received, included in fees earned and other income in the general reserve fund	(9,598,543)
Total federal appropriations disbursed per federal appropriated fund of the Agency	$ 731,045,028

Minnesota Housing Finance Agency

Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Section I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

A. Financial Statements

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

2. Internal control over financial reporting:

• Material weakness(es) identified?	X Yes	___ No
• Significant deficiency(ies) identified?	___ Yes	X None Reported

3. Noncompliance material to financial statements noted? ___ Yes X No

B. Federal Awards

1. Internal control over major programs:

• Material weakness(es) identified?	___ Yes	X No
• Significant deficiency(ies) identified?	___ Yes	X None Reported

2. Type of auditor's report issued on compliance for major programs: Unmodified

• Any audit findings that are required to be reported in accordance with section 2 CFR 200.516(a)?	___ Yes	X No

C. Identification of Major Programs

1.

Name of Federal Program	Assistance Listing Number
Section 8 Project-Based Cluster	14.182, 14.195
HOME Investment Partnerships Program	14.239
Emergency Rental Assistance	21.023
Homeowner Assistance Fund Program	21.026
Coronavirus State and Local Fiscal Recovery Funds	21.027

2. Dollar threshold used to distinguish between Type A and Type B programs: $3,000,000

3. Auditee qualified as low-risk auditee? X Yes ___ No

(Continued)

Minnesota Housing Finance Agency

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2022

Section II. FINANCIAL STATEMENT FINDINGS

A. Internal Control Findings

See item 2022-001.

B. Compliance Findings.

No matters to report.

Section III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

A. Internal Control Findings

No matters to report.

B. Compliance Findings.

No matters to report.

Minnesota Housing Finance Agency

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2022

Item 2022-001: State Appropriation-Back Bonds Activity

Criteria: Proceeds from the State appropriation-backed bonds issued by the Agency are provided to third-party beneficiaries for housing development projects. The Agency does not incur an obligation to the third-party beneficiaries until the beneficiaries meet the conditions to make a claim to the proceeds which is when executed loan agreement is in place and eligible construction/rehabilitation costs are incurred. Further, all activity related to the State appropriation-backed bonds, including premium and interest payable on the bonds, annual appropriation from the State of Minnesota, interest expense, and disbursements to third-party beneficiaries should be reported in appropriate accounts.

Condition: The proceeds from the State appropriation-backed bonds were reported as a liability titled Funds Held for Others at the time the bonds were issued which is prior to the beneficiaries meeting all the conditions to make a claim to the proceeds. Further, certain activity related to the State appropriation-backed bonds, including premium and interest payable on the bonds, annual appropriation from the State of Minnesota, interest expense, and disbursements to third-party beneficiaries were reported net in Funds Held for Others and Other Expense.

Cause: The Agency's interpretation of applicable accounting guidance, and prior advice and annual transaction review of its auditors, was that the obligation to the third-party beneficiaries existed when the State appropriation-backed bonds were issued. Further, the Agency was reporting certain State appropriation-backed bond activity net in Funds Held for Others and/or Other Expense rather than in appropriate separate accounts.

Effect: The Agency's prior-year financial statements contained a misstatement relating to the activity of the State appropriation-backed bonds for the amount of proceeds and other activity reported in Funds Held for Others and Other Expense. The summarized comparative financial statements for the year ended June 30, 2021, were retroactively restated resulting in an increase to the June 30, 2021, beginning net position of $17,799,000 in both the business-type activities and State Appropriated Fund.

Recommendation: The Agency should continue its efforts to develop procedures to implement appropriate accounting guidance.

Views of responsible officials of the auditee: We agree with the above finding and our response is included in the corrective action plan.

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Minnesota Housing Finance Agency

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2022

Prior-year findings:

Finding 2021-001-Financial Reporting and Schedule of Expenditures of Federal AWARDS (SEFA)

Criteria: The Uniform Guidance requires the auditee to prepare a schedule of expenditures of federal awards for the period covered by the auditee's financial statements. Timely reconciliation and review of the SEFA should be completed to ensure complete and accurate reporting.

Condition: There was a breakdown in the Agency's procedures related to preparation and review of the SEFA.

Context: The Agency's expenditures of federal awards reported on the SEFA were understated $5,534,531.

Cause: The Agency did not complete their reconciliation of the expenditures reported on the SEFA to the expenses reported the statement of revenue, expenses and changes in net position.

Effect: The Agency's SEFA was misstated for the items noted above.

Recommendation: The Agency should complete their reconciliation of the expenditures reported on the SEFA to the expenses reported the statement of revenue, expenses and changes in net position. Completing this reconciliation provides a tool to identify differences between the two financial statements that then can be evaluated whether they are appropriately reported.

Views of responsible officials of the auditee: We agree with the above finding and our response is included in the corrective action plan.

Status:

The Agency updated procedures for developing the SEFA in accordance with 2 C.F.R. 200.510 (b) to include the process improvements stated in the corrective action plan signed November 22, 2021 by Jessica Deegan Director of Federal Affairs. Corrective Action Plan is complete for this finding.

Signature	Print Name/Title	Date
	Michael Solomon, Chief Financial Officer	9/14/2022