VERMONT HOUSING FINANCE AGENCY

(A Component Unit of the State of Vermont)

Financial Statements and
Required Supplementary Information

June 30, 2024

(With Independent Auditor's Report Thereon)

VERMONT HOUSING FINANCE AGENCY
(A Component Unit of the State of Vermont)

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Independent Auditor's Report

The Honorable Douglas R. Hoffer
State Auditor of the State of Vermont
and
The Commissioners
Vermont Housing Finance Agency

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Vermont Housing Finance Agency (the "Agency"), a component unit of the State of Vermont, as of and for the year ended June 30, 2024, 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 present fairly, in all material respects, the financial position of the Agency as of June 30, 2024, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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, on pages listed in the table of contents, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2024, 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.

CohnReznick LLP

Charlotte, North Carolina
September 30, 2024

This section of the Vermont Housing Finance Agency's (the Agency) annual Financial Report presents management's discussion and analysis of its financial performance and significant changes in financial position for the fiscal year ended June 30, 2024. Readers are encouraged to consider the information presented in conjunction with the financial statements as a whole.

Overview of the Agency

The Agency was created in 1974 by an Act of the General Assembly of the State of Vermont. The purpose of the Agency is to promote the expansion of the supply of funds available for mortgages on residential housing and to encourage an adequate supply of safe and decent housing at reasonable costs. The Agency is authorized to issue bonds and other obligations to fulfill its corporate purposes. Obligations of the Agency do not constitute debt of the State of Vermont.

The majority of the Agency's funding has been provided from the proceeds of sales of tax-exempt and taxable bonds and notes, and advances from lending institutions. Since September 1974, the Agency has issued $4.2 billion of bonds, notes and line of credit borrowings, of which $460 million was outstanding as of June 30, 2024, to finance its various programs. The proceeds of the debt have been or will be used to make mortgage loans to sponsors of multi-family residential housing units for persons and families of low and moderate income in the State and to purchase mortgage-backed securities (MBS) or mortgage loans on single family residential housing units for persons and families of low and moderate income in the State. The bonds are secured pursuant to the terms of the resolutions under which they were issued.

Overview of the Financial Statements

The Agency's financial statements consist of three parts – Management's Discussion and Analysis, the basic financial statements and the notes to the financial statements. The basic financial statements include the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows. The notes to the basic financial statements are intended to provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Financial Analysis

The Agency's Statement of Net Position consists primarily of single family and multi-family mortgage loans, mortgage-backed securities, cash and investments, and related bonds and notes payable. It also includes a portfolio of construction loans, as well as a variety of other assets such as miscellaneous receivables, prepaid expenses and capital assets.

Cash and investments are used to fund loan and MBS purchases, bond debt service, reserve funds, and operating expenses, and are typically held in a variety of investment vehicles, as authorized in accordance with the Agency's investment policy.

(Continued)

The following table summarizes the Net Position of the Agency as of June 30, 2024 with comparative data from the prior fiscal year (dollars in thousands):

		June 30, 2024	June 30, 2023	% Change June 2024 vs. June 2023
Assets:				
Cash and investments	$	98,388	77,985	26.2
Loans receivable, net		228,705	234,023	(2.3)
Mortgage-backed securities		233,997	170,264	37.4
Other assets		4,048	4,107	(1.4)
Capital assets, net		472	527	(10.4)
Total assets		565,610	486,906	16.2
Deferred Outflows of Resources:				
Interest rate swap agreements		8	11	(27.27)
VHCB related outflows		27,112	28,639	(5.3)
Total deferred outflows of resources		27,120	28,650	(5.3)
Total assets and deferred outflows of resources		592,730	515,556	15.0
Liabilities and deferred inflows of resources:				
Bonds and notes payable		460,415	395,336	16.5
Other liabilities		19,807	15,371	28.9
Deferred inflow of resources - swap agreements		316	333	(5.1)
Total liabilities and deferred inflows of resources		480,538	411,040	16.9
Net Position:				
Net investment in capital assets		472	527	(10.4)
Restricted for bond resolutions		81,630	80,752	1.1
Restricted for special purpose loans		12,171	9,880	23.2
Unrestricted		17,919	13,357	34.2
Total net position	$	112,192	104,516	7.3

(Continued)

Total assets increased by $78.7 million for the fiscal year ended June 30, 2024 when compared to the year ended June 30, 2023, mainly due to a $20.4 million increase in cash and investments and a net increase of $63.7 million in mortgage-backed securities offset by a $5.3 million decrease in loans receivable, net. The increase in cash and investments is primarily due to the receipt of $102 million in lendable proceeds from the Agency's Multiple Purpose 2023 CD, 2023 EFG and Multiple Purpose 2024 AB bonds.

Major contributors to mortgage loan and MBS changes were as follows:

- Multi-family loan originations totaled $52.8 million for the twelve month period vs. $39.3 million for the same period last fiscal year.
- Bond financed single family mortgage-backed securities purchases totaled $82 million for twelve months vs. $41.3 million for the same period last fiscal year.
- Down payment assistance loan originations totaled $2.1 million vs $1.8 million for the same period last fiscal year.
- Principal collections for the twelve month period totaled $53.8 million in the multi-family portfolio and $22.2 million in the single family whole loan and MBS portfolios.

The following table summarizes the change in mortgage loans receivable for the year ended June 30, 2024 (in thousands):

Mortgage Loans Receivable:	**Year Ended June 30, 2024**	**Year Ended June 30, 2023**	**% Change June 2024 vs. June 2023**
Beginning balance	$ 234,023	236,075	-0.9%
Whole loan originations	52,760	39,320	34.2%
Down payment assistance loans	2,112	1,818	16.2%
Principal collections	(60,520)	(43,181)	40.2%
Nonperforming loans transferred out	(16)	(46)	-65.2%
Change in loan loss reserve	346	37	835.1%
Ending balance	$ 228,705	234,023	-2.3%

The following table summarizes the change in mortgage-backed securities for the year ended June 30, 2024 (in thousands):

(Continued)

Mortgage-Backed Securities (MBS):	Year Ended June 30, 2024	Year Ended June 30, 2023	% Change June 2024 vs. June 2023
Beginning balance	$ 170,264	150,690	13.0%
MBS purchases	81,976	41,261	98.7%
Principal paydowns on MBS	(15,441)	(14,659)	5.3%
Change in fair value	(2,802)	(7,028)	-60.1%
Ending balance	$ 233,997	170,264	37.4%

The $1.5 million decrease in –VHCB related deferred outflows reflects the portion of the $2.5 million Property Transfer Tax (PTT) revenue received from the State of Vermont which was allocated to the reduction in Deferred Outflows for the fiscal year.

Total liabilities of the Agency increased by $69.5 million, or 16.9% for the fiscal year ending June 30, 2024 when compared to the year ended June 30, 2023.

Bonds and notes payable increased by a net of $65.1 million. Activity related to bonds and notes payable can be summarized as follows:

- In July 2023, the Agency issued $35.0 million of Multiple Purpose 2023 CD bonds. The proceeds of the bonds were used to purchase approximately $35.4 million in mortgage-backed securities.
- In October 2023, the Agency issued $31.4 million of Multiple Purpose 2023 EFG bonds. The proceeds of the bonds were used to purchase approximately $22.8 million in mortgage-backed securities and to fund $8.6 million in multi-family mortgages.
- In April 2024, the Agency issued $35.0 million of Multiple Purpose 2024 AB bonds. The proceeds of the bonds are being used to purchase approximately $35.7 million in mortgage-backed securities
- Bonds redeemed prior to maturity resulting primarily from mortgage loan prepayments totaled $14.7 in the Multiple Purpose indenture. Bonds redeemed prior to maturity at the discretion of the Agency totaled $10.5 million in the Multi-Family Mortgage indenture.
- Bonds redeemed as result of scheduled maturities totaled $8.2 million in the Multiple Purpose indenture, $1.4 million in the Multi-Family Mortgage indenture, $360 thousand in the HFA Initiative Multi-Family indenture and $1.5 million in the Vermont Property Transfer Tax indenture.
- Notes payable decreased by $143 thousand primarily due to $29.9 million in draws on construction lines of credit offset by $26.7 million in payments on construction notes, a $2.1 million payoff on a Federal Home Loan Bank note that matured and $1.4 million in paydowns on other notes with TD Bank, National Bank of Middlebury, the Federal Financing Bank and the State of Vermont.

(Continued)

The increase of $4.4 million in other liabilities is due primarily to a $2.9 million increase in Funds Held on Behalf of Others, and a $767 thousand increase in Unearned Income (primarily due to a $4.5 million increase for Capital Magnet Funds received offset by a $3.3 million decrease in Unearned Income for the Agency's Homeowner Assistance Program as that program winds down).

Discussion of Changes in Statement of Revenues, Expenses and Changes in Net Position

The Agency's operating revenues consist primarily of interest income on mortgage and construction loans and mortgage-backed securities, investment income, revenue from state tax credit sales, miscellaneous fee and grant income. Operating expenses consist mainly of bond interest expense, other debt financing costs and operational expenses.

The following summarizes these items for the fiscal year ended June 30, 2024 with comparative data from the prior fiscal year (dollars in thousands):

	Year Ended June 30, 2024	Year Ended June 30, 2023	% Change June 2024 vs. June 2023
Operating revenues:			
Interest on investments	$ 4,414	2,327	89.7
Interest on mortgage loans	10,892	11,092	(1.8)
Interest on mortgage-backed securities	8,976	5,858	53.2
Fee income	1,572	1,309	20.1
Grant administration revenue	393	822	(52.2)
Revenue from sales of state tax credits	1,125	1,326	(15.2)
State reimbursements	974	1,031	(5.5)
Grants	5,187	2,242	131.4
TBA program revenue	1	20	(95.0)
Gain on bond redemptions	756	848	(10.8)
Other revenue	96	153	(37.3)
Total operating revenues	34,386	27,028	27.2
Operating expenses:			
Financing costs	17,128	12,926	32.5
Operational expenses	6,461	6,462	(0.0)
Loan loss expenses, net	(282)	109	-
Total operating expenses	23,307	19,497	19.5
Operating income	11,079	7,531	47.1
Nonoperating revenues (expenses):			
Net appreciation (depreciation) in fair value of investments	(3,403)	(7,080)	(51.9)
Federal and State Programs:			
Program revenue	12,208	28,928	(57.8)
Program expenses	(10,713)	(26,039)	(58.9)
Administration and period costs	(1,495)	(2,889)	(48.3)
Net nonoperating revenues (expenses)	(3,403)	(7,080)	(51.9)
Increase in net position	$ 7,676	451	-

(Continued)

The Agency reported net operating income of $11.1 million for the fiscal year ended June 30, 2024, compared to net operating income of $7.5 million for the prior year. After the change in market value of investments and, inclusion of the impact of Federal & State Programs, the overall increase in net position for the fiscal year ended June 30, 2024 is $7.7 million compared to a net increase of $451 thousand for the same period last year. Income and expense highlights include:

- Interest income on investments increased $2.1 million or 89.7% primarily due to higher interest rates. Interest income on MBS increased by $3.1 million or 53.2%, primarily due a larger portfolio of mortgage-backed securities.
- The increase in Fee income of $263 thousand or 20.1% is due primarily to increases in multi-family loan origination and other income related to prepayments on two loans.
- The increase in Grant revenue is due to a $3.0 million grant from a private charitable foundation during the current period.
- The decrease in revenue from the sale of state tax credits is due to differences in timing of the sale of credits across fiscal years.
- Financing costs increased $4.2 million or 32.5% due primarily to an increase in bonds outstanding, higher interest rates and higher bond issuance costs.
- Operational expenses of $6.5 million were almost flat relative to the same period last year.
- Loan and REO write offs, net of reserve adjustments, were $282 thousand for the twelve months ended June 30, 2024, and are related to single family loans. Compared to the prior year, this is a decrease of $391 thousand which includes a $310 thousand decrease to the Agency's general loan loss reserves and a decrease of $81 thousand for distressed property related expenses.

(Continued)

Budgetary Information

The Agency prepares an annual budget of income, expenses and fund transfers for the General Fund component of its Operating Fund. The budget is prepared by staff and reviewed and approved prior to the start of the fiscal year by the Agency's Board of Commissioners.

The Agency relies on fund transfers from bond programs and General Fund unrestricted cash to bridge the gap between annual operating expenses and General Fund operating income.

For fiscal year 2024, the Agency budgeted $3.3 million in operating revenues and $6.8 million in operating expenses. Actual operating revenues of $3.3 million came in just $27 thousand more than the amount budgeted. Actual operating expenses were under budget by $259 thousand. Most notably, salaries and benefits were $262 thousand under budget for the year.

Contacting the Agency's Financial Management

This financial report is designed to provide a general overview of the Agency's operations, and insight into the financial statements. If you have questions about this report or need additional information, please contact the Chief Financial Officer at VHFA, 164 St. Paul St., Burlington, VT 05401 or visit our website at www.vhfa.org.

VERMONT HOUSING FINANCE AGENCY
(A Component Unit of the State of Vermont)

Statement of Net Position

June 30, 2024

(in thousands)

Assets	Operating Fund	Single Family Mortgage Program Fund	Multiple Purpose Program Fund	Multi-Family Mortgage Program Fund	State Bond Fund	Total
Current assets:						
Cash and cash equivalents:						
Unrestricted	$ 7,928	—	—	—	—	7,928
Restricted	19,919	2,302	45,739	8,296	1,329	77,585
Accrued interest receivable:						
Investments	48	47	214	42	1	352
Mortgage loans	1,408	2	284	428	—	2,122
Mortgage backed securities	—	—	929	—	—	929
Investments maturing within one year	100	80	2,227	1,273	—	3,680
Current portion of mortgage loans receivable	3,923	32	3,604	21,389	—	28,948
Current portion of mortgage backed securities	—	10	4,406	—	—	4,416
Other receivables and prepaid expenses	159	—	165	11	1	336
Due from (to) other funds	(387)	—	—	392	(5)	—
Total current assets	33,098	2,473	57,568	31,831	1,326	126,296
Noncurrent assets:						
Investments	—	6,367	1,207	1,621	—	9,195
Mortgage loans receivable, net	67,719	384	55,694	75,960	—	199,757
Mortgage backed securities, net	—	110	229,471	—	—	229,581
Capital assets, net	472	—	—	—	—	472
Fair value of derivative instrument - interest rate swaps, net	—	—	309	—	—	309
Total noncurrent assets	68,191	6,861	286,681	77,581	—	439,314
Total assets	101,289	9,334	344,249	109,412	1,326	565,610
Deferred Outflows of Resources						
VHCB related deferred outflows	—	—	—	—	27,112	27,112
Accumulated decrease in fair value of hedging derivatives - Interest rate swaps	—	—	8	—	—	8
Total deferred outflows of resources	—	—	8	—	27,112	27,120
Total assets and deferred outflows of resources	101,289	9,334	344,257	109,412	28,438	592,730
Liabilities						
Current liabilities:						
Current portion of notes payable	951	—	—	12,342	—	13,293
Current portion of bonds payable, net	—	—	8,714	1,458	1,535	11,707
Accrued interest payable	100	—	1,980	548	163	2,791
Other payables	596	—	137	13	—	746
Funds held on behalf of others	7,459	—	—	—	—	7,459
Arbitrage rebate payable	—	—	84	—	—	84
Funds held for federal programs	7,733	—	—	—	—	7,733
Total current liabilities	16,839	—	10,915	14,361	1,698	43,813
Noncurrent liabilities:						
Notes payable, net	53,888	—	—	20,806	—	74,694
Bonds payable, net	—	—	281,305	53,670	25,745	360,720
Other liabilities	—	—	—		995	995
Total noncurrent liabilities	53,888	—	281,305	74,476	26,740	436,409
Total liabilities	70,727	—	292,220	88,837	28,438	480,222
Deferred Inflows of Resources						
Accumulated increase in fair value of hedging derivatives	—	—	316	—	—	316
Total liabilities and deferred inflows of resources	70,727	—	292,536	88,837	28,438	480,538
Net Position						
Net Investment in capital assets	472	—	—	—	—	472
Restricted for bond resolutions	—	9,334	51,721	20,575	—	81,630
Restricted for special purpose loans	12,171	—	—	—	—	12,171
Unrestricted	17,919	—	—	—	—	17,919
Total net position	$ 30,562	9,334	51,721	20,575	—	112,192

See accompanying notes to financial statements.

VERMONT HOUSING FINANCE AGENCY
(A Component Unit of the State of Vermont)

Statement of Revenues, Expenses and Changes in Net Position

Year ended June 30, 2024

(in thousands)

	Operating Fund	Single Family Mortgage Program Fund	Multiple Purpose Program Fund	Multi-Family Mortgage Program Fund	State Bond Fund	Total
Operating revenues:						
Interest income:						
Investments	$ 588	530	2,790	459	47	4,414
Mortgage loans	2,666	23	3,258	4,945	—	10,892
Mortgage backed securities	—	6	8,970	—	—	8,976
Fee income	1,463	—	109	—	—	1,572
Grant administration revenue	393	—	—	—	—	393
Revenue from sales of state tax credits	1,125	—	—	—	—	1,125
State reimbursements	—	—	—	—	974	974
Grants	5,187	—	—	—	—	5,187
TBA program revenue	1	—	—	—	—	1
Gain on bond redemptions	—	—	756	—	—	756
Other revenue	96	—	—	—	—	96
Total operating revenues	11,519	559	15,883	5,404	1,021	34,386
Operating expenses:						
Financing costs, including interest expense	1,552	1	11,406	3,170	999	17,128
Salaries and benefits	4,776	—	—	—	—	4,776
Operating expenses	1,188	1	134	2	20	1,345
Professional fees	140	1	61	35	2	239
State program expenses and administration costs	101	—	—	—	—	101
Provision for losses on loans and real estate owned	—	—	(282)	—	—	(282)
Total operating expenses	7,757	3	11,319	3,207	1,021	23,307
Operating income (loss)	3,762	556	4,564	2,197	—	11,079
Nonoperating revenues (expenses):						
Net increase (decrease) in fair value of investments and MBS	36	(3)	(3,526)	90	—	(3,403)
State and federal grants:						
Grant revenue	12,203	—	—	—	5	12,208
Grant expenses	(10,713)	—	—	—	—	(10,713)
Administration costs	(1,490)	—	—	—	(5)	(1,495)
Total nonoperating revenues (expenses)	36	(3)	(3,526)	90	—	(3,403)
Income (loss) before transfers	3,798	553	1,038	2,287	—	7,676
Net transfers (from) to other funds	3,000	—	(2,000)	(1,000)	—	—
Increase (decrease) in net position	6,798	553	(962)	1,287	—	7,676
Net position:						
Net position at beginning of year	23,764	8,781	52,683	19,288	—	104,516
Net position at end of year	$ 30,562	$ 9,334	$ 51,721	$ 20,575	—	112,192

See accompanying notes to financial statements.

VERMONT HOUSING FINANCE AGENCY
(A Component Unit of the State of Vermont)

Statement of Cash Flows

Year ended June 30, 2024

(in thousands)

	Operating Fund	Single Family Mortgage Program Fund	Multiple Purpose Program Fund	Multi-Family Mortgage Program Fund	State Bond Fund	Total
Cash flows from operating activities:						
Mortgage loans interest receipts	$ 2,630	23	3,303	5,030	—	10,986
MBS interest receipts	—	6	8,625	—	—	8,631
Mortgage loans principal collections	5,115	94	9,429	28,534	—	43,172
MBS sales and paydowns	—	60	14,650	—	—	14,710
Mortgage loan originations	(8,892)	(51)	(2,790)	(25,860)	—	(37,593)
MBS purchases, net	—	—	(81,194)	—	—	(81,194)
Fee income and other receipts	6,991	—	—	—	1,439	8,430
State tax credit sales	1,125	—	—	—	—	1,125
Salaries and benefits payments	(4,775)	—	—	—	—	(4,775)
Operating expense payments	(1,264)	(2)	(242)	(23)	(26)	(1,557)
PTT receipts from State of Vermont	—	—	—	—	2,370	2,370
Other revenue	—	—	—	—	—	—
State and Federal program receipts	12,203	—	—	—	5	12,208
State and Federal program expenditures	(12,203)	—	—	—	(5)	(12,208)
Operating transfers from (to) other funds	—	(51)	—	51	—	—
Net cash provided by (used in) operating activities	930	79	(48,219)	7,732	3,783	(35,695)
Cash flows from investing activities:						
Investment sales	2,500	—	—	7,007	—	9,507
Investment purchases	—	(696)	(325)	(733)	—	(1,754)
Investment interest receipts	575	526	2,689	504	47	4,341
Net increase in funds held on behalf of others	2,871	—	—	—	—	2,871
Sales of distressed properties	—	—	—	—	—	—
Distressed property expenditures	(5)	(1)	21	—	—	15
Arbitrage rebate payable	—	—	84	—	—	84
Net cash provided by (used in) investing activities	5,941	(171)	2,469	6,778	47	15,064
Cash flows from noncapital financing activities:						
Bond and note interest payments	(1,553)	—	(9,593)	(3,262)	(1,006)	(15,414)
Bond principal payments	—	—	(22,895)	(12,265)	(1,495)	(36,655)
Repayment of notes	(3,017)	—	—	(22,330)	—	(25,347)
Bond issue proceeds	—	—	102,960	—	—	102,960
Increase in notes payable	—	—	—	25,204	—	25,204
Gain on bond redemptions	—	—	—	—	—	—
Financing costs other than interest	—	—	(1,336)	—	—	(1,336)
Noncapital financing transfers (from) to other funds	3,835	—	(1,996)	(1,534)	(305)	0
Net cash provided by (used in) noncapital financing activities	(735)	—	67,140	(14,187)	(2,806)	49,412
Cash flows from capital related financing activities:						
Capital asset purchases	(24)	—	—	—	—	(24)
Net cash provided by (used in) capital related financing activities	(24)	—	—	—	—	(24)
Net increase (decrease) in cash and cash equivalents	6,112	(92)	21,390	323	1,024	28,757
Cash and cash equivalents at beginning of year	21,735	2,394	24,349	7,973	305	56,756
Cash and cash equivalents at end of year	$ 27,847	2,302	45,739	8,296	1,329	85,513

VERMONT HOUSING FINANCE AGENCY
(A Component Unit of the State of Vermont)

Statement of Cash Flows - Continued

Year ended June 30, 2024

(in thousands)

	Operating Fund	Single Family Mortgage Program Fund	Multiple Purpose Program Fund	Multi-Family Mortgage Program Fund	State Bond Fund	Total
Reconciliation of cash flows from operating activities:						
Net operating income	$ 3,762	556	4,564	2,197	—	11,079
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:						
Depreciation	79	—	—	—	—	79
Financing costs other than interest	—	—	987	21	—	1,008
Investment interest income	(588)	(530)	(2,790)	(459)	(47)	(4,414)
Distressed property expenditures	—	—	25	—	—	25
Bond and note interest expense	1,552	—	10,335	3,150	999	16,036
Gain on bond redemptions	—	—	(756)	—	—	(756)
Net decrease in fair value of investments and MBS	—	(1)	(2,801)	—	—	(2,802)
Changes in assets and liabilities:						
(Increase) decrease in accrued interest receivable	(37)	—	(299)	86	—	(250)
(Increase) decrease in mortgage loans receivable	(3,777)	43	6,333	2,725	—	5,324
Decrease (increase) in mortgage backed securities	—	11	(63,743)	—	—	(63,732)
(Increase) decrease in other receivables and prepaid	(4)	—	(3)	(1)	—	(8)
Decrease (increase) in VHCB related deferred outflows	—	—	—	—	1,394	1,394
Increase (decrease) in other liabilities	(48)	—	(109)	—	1,437	1,280
(Decrease) increase in other payables	(9)	—	38	13	—	42
Net cash provided by (used in) operating activities	$ 930	79	(48,219)	7,732	3,783	(35,695)
Supplemental noncash operating/investing activities:						

See accompanying notes to financial statements.

(1) Authorizing Legislation and Nature of Funds

(a) Authorizing Legislation

Vermont Housing Finance Agency (the Agency) was created as a body politic and corporate of the State of Vermont by an Act of the General Assembly approved on April 11, 1974 (the Act). The purpose of the Agency is to promote the expansion of the supply of funds available for mortgages on residential housing and to encourage an adequate supply of safe and decent housing at reasonable costs. The Agency is a component unit of the State of Vermont and the State of Vermont appoints a majority of the Agency's board of commissioners.

The Agency is empowered by the Act and subsequent amendments to issue bonds and notes. Instruments so issued do not constitute a debt or obligation of the State of Vermont and are payable solely from revenues or assets of the Agency.

The State of Vermont has pledged and agreed with the holders of bonds and notes of the Agency not to impair in any way the rights and remedies of such holders.

(b) Basis of Presentation and Nature of Funds

The financial statements are presented on a program basis, combining the various restricted accounts required by each bond resolution into groups that account for the various bonds issued, related costs of issuance and debt service activity and the investment and related earnings of the bond proceeds in mortgages or loans and temporary investments and the maintenance of certain reserve fund requirements – all under the specific requirements of each resolution.

These accounts are in turn grouped by program as described below for the Operating Fund, the Single Family Mortgage Program Fund, the Multiple Purpose Program Fund, the Multi-Family Mortgage Program Fund, and the State Bond Fund.

(i) Operating Fund

This fund derives its revenue principally from fees, mortgage interest and investment income. Operating expenses of the Agency are paid from this fund.

Transfers from program funds to the Operating Fund represent amounts allowed to be transferred pursuant to the terms of the Agency's bond resolutions.

(ii) Single Family Mortgage Program Fund

This fund has been established under the Single Family Insured Mortgage Bond Resolution adopted in September 1976, the Single Family Mortgage Purchase Bond Resolution adopted in June 1978, the Home Mortgage Purchase Bond Resolution adopted in July 1983, the Single Family Housing Bond Resolution adopted in September 1990, and the Mortgage Revenue Bond (Mortgage Backed Securities Program) indenture adopted in December 2009 under the federal New Issue Bond Program (NIBP). Monies from these programs have been used by the Agency to purchase mortgage backed securities or mortgage loans on single family residential housing units for persons and families of low and moderate income in Vermont.

(iii) Multiple Purpose Program Fund

This fund has been established under the Multiple Purpose Bond indenture adopted in July 2007. Monies from these programs have been used by the Agency to finance mortgage loans on single family residential housing units and multi-family residential housing units for persons and families of low and moderate income in Vermont.

(iv) Multi-Family Mortgage Program Fund

This fund has been established under the Multi-Family Mortgage Bond Resolution adopted in February 1977, the Multi-Family Housing Bond Resolution adopted in September 1981, the Multi-Family HFA initiative adopted in December 2009 under the federal NIBP, and various individualized taxable and tax-exempt bond resolutions adopted between December 1985 and June 2007. Monies from these programs are used by the Agency to make and finance mortgage loans to sponsors of multi-family residential housing units for persons and families of low and moderate income in Vermont. In addition, the Agency has lines of credit with TD Bank and Northfield Savings Bank used to support multi-family development projects.

(v) State Bond Fund

This fund has been established under the Property Transfer Tax Revenue Bond Resolution adopted in December 2017. Bonds issued under this program are special, limited obligations of the Agency paid and secured solely from pledged State of Vermont Property Transfer Tax Revenues. Bond proceeds are used to provide funds to the Vermont Housing and Conservation Board (VHCB) to create affordable housing in Vermont.

(vi) Reserve Requirements

Under various bond resolutions of the Agency, certain amounts from bond proceeds are required to be set aside and maintained for potential debt service requirements in trusteed accounts. As of June 30, 2024, reserve requirements totaled $956,000 for the Operating Fund, $2,125,000 for the Multiple Purpose Program Fund, and $3,198,000 for the Multi-Family Mortgage Program Fund. Amounts held in reserve accounts as of June 30, 2024 exceeded the required balances in all cases.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The Agency's financial statements have been prepared on the accrual basis of accounting using the economic resource measurement focus. Accordingly, the Agency recognizes revenue in the period earned and expenses in the period incurred.

(b) Net Position

Net Position has been classified for external financial reporting purposes into the following three categories:

- *Net investment in Capital Assets* – Capital assets, net of accumulated depreciation, and cost of construction or improvement of those assets.
- *Restricted* – Net Position subject to externally imposed stipulations.
- *Unrestricted* – Net Position that is not subject to externally imposed stipulations. Unrestricted Net Position may be designated for specific purposes by action of management or the Board of Commissioners or may otherwise be limited by contractual agreements with outside parties.

The Agency first considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted net position is available.

(c) Cash Equivalents

The Agency considers all highly liquid investments with original maturities of three months or less to be cash equivalents for purposes of the Statement of Cash Flows. Cash equivalents also includes mortgage payments which are held in trust by loan servicers in depository accounts or amounts in transit to trustees to be invested in collateralized repurchase agreements.

(d) Mortgage Loans Receivable

Mortgage loans receivable are carried at their uncollected principal balances less allowances for loan losses on mortgages and reserves for federally funded loans that are pass-through in nature.

The allowance for the multi-family loan portfolio is based on a review of each loan and considers the operating cash flows of the respective projects and fair values of the properties. At June 30, 2024, the allowances for loan losses totaled $6,245,000, broken out as follows: $2,618,000 for the Operating Fund, $1,767,000 for the Multiple Purpose Fund, and $1,860,000 for the Multi-Family Fund and are recorded net with the mortgage loans receivables on the Statement of Net Position.

The reserve for federally funded mortgage loans made under Section 1602 and the Tax Credit Assistance Program (TCAP) is $19,579,000 and is recorded net with the mortgage loans receivables and loan loss allowance in the Operating Fund on the Statement of Net Position.

(e) Mortgage Backed Securities

Mortgage backed securities consist of Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), and Government National Mortgage Association (GNMA) certificates. Mortgage backed securities are reported at fair value on the Statement of Net Position, and the net appreciation (depreciation) in the fair value, including both realized and unrealized gains and losses, is recognized in the Statement of Revenues, Expenses and Changes in Net Position.

(f) Investments

Investments are comprised of short-term investments that did not meet the cash equivalent criteria and mature in one year or less, and long-term investments with maturities in excess of one year. Investments, excluding guaranteed investment contracts (GICs), are reported at fair value in the Statement of Net Position. The net appreciation (depreciation) in the fair value of investments, including both realized and unrealized gains and losses, is recognized in the Statement of Revenues, Expenses and Changes in Net Position. The Agency's GICs are considered non-participatory in nature and therefore are recorded at cost rather than fair value.

(g) Interest Income

Interest income on mortgage loans, investments, and mortgage backed securities is recorded as income when earned.

(h) Capital Assets and Depreciation

The Agency records purchases of its capital assets at cost and depreciates that cost over the estimated useful lives of the assets, which are forty years for the building, five to ten years for building improvements, and three to five years for furniture and fixtures and computer equipment, using the straight-line method. In accordance with the Agency's capitalization policy, capital assets greater than $5,000 are capitalized.

(i) Real Estate Owned

Real estate owned (REO) consists of properties acquired through foreclosure or repossession and are carried at the lower of cost or net realizable value (estimated market value less costs to sell). The Agency did not hold any Real Estate Owned at June 30, 2024.

(j) Deferred Outflows

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources, which represents a consumption of net position that applies to future periods.

The Agency issued State Property Transfer Tax Revenue (PTT) Bonds in fiscal year 2018 to provide funds to the Vermont Housing and Conservation Board (VHCB), a component unit of the State of Vermont financial reporting entity, to create affordable housing in Vermont. The State of Vermont has pledged to transfer to the Agency $2,500,000 of State PTT receipts annually through 2038 to cover the PTT Bond debt service payments. Cash transfers to VHCB are recorded as deferred outflows of resources. As the annual State PTT reimbursements are received, the applicable PTT Bond interest portion is paid and the remaining reimbursement reduces the VHCB deferred outflows balance and is reported on the Statement of Revenues, Expenses and Changes in Net Position as State reimbursements.

(k) Hedging Derivatives – Interest Rate Swaps

The Agency enters into interest rate swap agreements with counterparties with the intention to achieve a lower overall cost of funds for certain bond issuances. In accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, the interest rate swap instruments are reported at fair value on the Statement of Net Position.

All of the Agency's interest rate swaps are deemed to be effective cash flow hedges, therefore the fair value adjustment is reported as a Deferred Outflow of Resources when the Agency owes the counter-party and a Deferred Inflow of Resources when the counter-party owes the Agency.

(l) Bond Issuance Costs and Amortization

Bond premiums and discounts are deferred and amortized over the lives of the respective issues using the straight-line method. Scheduled amortization of net bond premiums are $332,000; $306,000; $280,000; $251,000 and $222,000 for the five years ending June 30, 2025 through 2029.

Bond issuance costs are expensed in the period they are incurred.

In the event of an in-substance defeasance, the difference between the reacquisition price and net carrying amount of defeased bonds is recognized as a gain or loss in the Statement of Revenues, Expenses and Changes in Net Position.

(m) Income Tax Status

The Agency is generally not subject to federal and Vermont income taxes under Section 115 of the Internal Revenue Code (IRC) and applicable state laws. The Agency qualifies as a tax-exempt organization under Section 501(c)(3) of the IRC.

(n) Arbitrage to be Rebated

Bonds issued by the Agency are subject to a variety of Internal Revenue Service (IRS) regulations which limit the amount of income which may be earned with non-mortgage investments to an amount not greater than that amount which would have been earned had the funds been invested at the yield on the bonds as defined by the IRS. Excess earnings, if any, must be rebated every five years.

(o) Operating and Nonoperating Revenues and Expenses

The Agency records all revenues and expenses related to its loan programs as operating revenues and expenses since they are generated from the Agency's daily operations needed to carry out its statutory purposes. Investment income is recorded as operating revenue in all funds. Gains and losses on bond redemption are recorded in operating revenues and expenses, as they are a part of the normal operations of the Agency's activities.

Net appreciation and depreciation in the fair value of investments and federal grant revenues and expenses are recorded as nonoperating revenues and expenses. Grants received from federal, state and local governments are recognized as nonoperating revenue as the related expenditures are incurred.

(p) Use of Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires estimates and assumptions that affect the reported amount of the assets and liabilities and 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. Significant items subject to estimates and assumptions include the provision for loan losses and the valuation of investments.

(3) Cash, Cash Equivalents and Investments

For mortgage program investments, bond resolution requirements mandate specific classes of investment vehicles. Qualified investments are: direct obligations of the United States of America; obligations unconditionally guaranteed by the United States of America; indebtedness issued by certain federal agencies; bank time deposits evidenced by certificates of deposit insured by the Federal Deposit Insurance Corporation (FDIC) and, if in excess of insured limits, collateralized in full by the aforementioned federal government investments; obligations of the State of Vermont, and/or federal or state insured mortgages; collateralized repurchase agreements secured by obligations of the federal government; Guaranteed Investment Contracts with the collateral held by or at the direction of the appropriate trustee; and, investment agreements with banks or bank holding companies rated in the top categories by nationally recognized rating agencies.

The Agency has an investment policy with an overriding goal of providing optimum coverage of risk exposure and maintaining liquidity necessary for future cash needs while maximizing the return on investments. All investment agreements with banks or bank holding companies, insurance companies or other financial institutions must be rated at least "A" by nationally recognized credit rating agencies or have posted adequate collateral to minimize the Agency's risk. All bonds are issued by U.S. Treasury or U.S. government agencies such as FNMA, FHLMC and FHLB, and had implied credit ratings of Aaa by Moody's and AA+ by Standard & Poors' at the time of purchase and continued to hold those ratings at June 30, 2024. In August of 2011, Standard & Poors (S&P) downgraded the long-term debt rating of the U.S. Government from AAA to AA+. S&P subsequently lowered its credit rating on both Fannie Mae (FNMA) and Freddie Mac (FHLMC) one level from AAA to AA+, noting that the two companies were directly reliant on the U.S. government and have been under U.S. government conservatorship since 2008. The debt of the U.S. Government, FNMA and FHLMC continue to be rated Aaa by Moody's Investment Services.

(a) Custodial Credit Risk – Deposits

The custodial credit risk for deposits is the risk that in the event of a bank failure, the Agency's deposits may not be recovered. Bank deposits in excess of the insured amounts are uninsured and uncollateralized. Deposits in bank accounts at June 30, 2024 totaled $18,154,000. Of this amount, $9,768,000 was exposed to custodial credit risk as uninsured and uncollateralized.

(b) Cash, Cash Equivalents, and Investments

The Agency's cash and investments at June 30, 2024 are presented below (in thousands).

		Investment maturities (in years)			
	Total	Less than 1	1 – 5	6 – 10	More than 10
Cash	$ 18,154	18,154	—	—	—
Money market accounts	67,359	67,359	—	—	—
Certificates of deposit	5,328	3,013	2,315	—	—
Guaranteed investment contracts	6,217	6,217	—	—	—
U.S. Treasury securities	667	667	—	—	—
Government agency securities	663	—	—	663	—
Mortgage backed securities	233,997	—	46	1,200	232,751
Total cash and investments	$ 332,385	95,410	2,361	1,863	232,751

The following table provides information on the short-term credit ratings associated with the Agency's cash, money market and certificates of deposit at June 30, 2024 (in thousands):

	Total	P-1	Aaa-mf	NR
Cash	$ 18,154	14,156	—	3,998
Money market accounts	67,359	—	67,359	—
Certificates of deposit (FDIC Insured. All under $250,000)	5,328	—	—	5,328
Subtotal short-term investments	$ 90,841	14,156	67,359	9,326

The following table provides information on the long-term credit ratings associated with the Agency's long-term investments at June 30, 2024 (in thousands):

	Total	AAA	AA	NR
Guaranteed investment contracts	$ 6,217	—	6,217	—
U.S. Treasury securities	667	667	—	—
Government agency securities	663	663	—	—
Mortgage backed securities	233,997	233,997	—	—
Subtotal long-term investments	$ 241,544	235,327	6,217	—

(Continued)

(c) Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of the Agency's investment in a single issuer. Of the Agency's total cash and investments, 2% are guaranteed investment contracts (GICs) and 70% are MBS. Of the Agency's GICs, 100% is invested at PNC. MBS issued by Ginnie Mae, Fannie Mae, and Freddie Mac comprise 40%, 47%, and 13%, respectively, of the Agency's MBS portfolio.

(d) Interest Rate Risk – Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Agency's policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

(4) Fair Value of Investments, MBS, and Interest Rate Swaps

VHFA has adopted GASB No. 72, Fair Value Measurement and Application. This statement establishes a hierarchy of inputs to valuation techniques used to measure fair value:

- Level 1 – quoted market prices in active markets
- Level 2 – inputs other than quoted market prices that are observable either directly or indirectly
- Level 3 – unobservable inputs

U.S. Treasury securities and government agency securities classified in Level 1 are valued using prices quoted in active markets for those securities. Certificates of deposit and mortgage backed securities classified in Level 2 are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Interest rate swaps are valued based on quoted market prices or model-driven valuations using significant inputs derived from or corroborated by observable market data and determined to be Level 2.

The investments, MBS, and interest rate swaps that the Agency measured at fair value at June 30, 2024 are as follows (in thousands):

	Total	Level 1	Level 2	Level 3
Certificates of Deposit	$ 5,328	—	5,328	—
U.S. Treasury securities	667	667	—	—
Government agency securities	663	663	—	—
Mortgage backed securities	233,997	—	233,997	—
Total investments	240,655	1,330	239,325	—
Interest rate swaps	$ 309	—	309	—

There have been no changes in Level 1, Level 2, and Level 3 and no changes in valuation techniques for these assets or liabilities for the year ended June 30, 2024.

(5) Mortgage Loans Receivable

(a) Single Family Mortgage Loans Receivable

Single Family mortgage loans earn interest at annual rates ranging from 0% to 8.80%. Mortgage payments are received monthly by the Agency from which service fees are generally retained by servicing lenders or sub-servicers.

At June 30, 2024, approximately 1.47% of the Single Family mortgage portfolios consist of primary insured mortgages.

Mortgage loans, not requiring primary insurance, are limited to 80% of the appraised value of the property.

(b) Multi-Family Mortgage Loans Receivable

Multi-family mortgage loans receivable earn interest at annual rates ranging from 0% to 8.54%, and are collateralized by mortgage liens on all real and personal property of the mortgaged premises.

(6) Capital Assets

Capital Asset activity for the year ended June 30, 2024 is shown in the following table (in thousands):

	Beginning balance	Additions	Disposals	Ending balance
Capital assets not being depreciated:				
Land	$ 50	—	—	50
Capital assets being depreciated:				
Building	1,001	—	—	1,001
Building improvements	1,008	17	(16)	1,009
Computer equipment	746	12	(115)	643
Furniture and fixtures	217	—	—	217
Total capital assets being depreciated	2,972	29	(131)	2,870
Less accumulated depreciation for:				
Building	(713)	(25)	—	(738)
Building improvements	(875)	(28)	10	(893)
Computer equipment	(692)	(24)	115	(602)
Furniture and fixtures	(215)	(1)	—	(216)
Total accumulated depreciation	(2,495)	(79)	125	(2,448)
Total capital assets being depreciated, net	477	(50)	(5)	422
Capital assets, net	527	(50)	(5)	472

Depreciation expense of $79,000 was charged to the Operating Fund.

(7) Deferred Outflows of Resources – VHCB Related Deferred Outflows

Proceeds of the State Property Transfer Tax Revenue (PTT) Bonds are used to provide funds to the Vermont Housing and Conservation Board (VHCB), a component unit of the State of Vermont financial reporting entity, to create affordable housing in Vermont. Amounts transferred to VHCB are recorded as deferred outflows of resources. The State of Vermont has pledged to transfer to the Agency annual State PTT receipts to cover the PTT Bond debt service payments. The VHCB related deferred outflows beginning balance of $28,639,000 less applicable State PTT receipts of $1,527,000 equals the ending VHCB related deferred outflows balance at June 30, 2024 of $27,112,000.

(8) Funds Held on Behalf of Others

Funds held on behalf of others are received primarily from multi-family housing developers and are governed by agreements, and released upon satisfactory compliance with their terms. At June 30, 2024, $7,459,000 was held on behalf of others.

(9) Bonds Payable

Outstanding bonds payable at June 30, 2024 are as follows (dollars in thousands):

A. Multiple Purpose Program Fund:	
Multiple Purpose Bonds:	
2013 Series A and C maturing 2024 to 2043, interest at 3.682% to 4.000%	$ 1,210
2014 Series A and B maturing 2024 to 2044, interest at 3.500% to 4.250%	9,305
2015 Series B, C and D maturing 2024 to 2043, interest at 2.850% to 3.750%	6,400
2015 Series G maturing 2024 to 2034, interest at 2.900% to 3.900%	3,380
2016 Series A and B maturing 2024 to 2046, interest at 2.250% to 4.000%	8,370
2016 Series C and D maturing 2024 to 2046, interest at 2.000% to 4.000%	9,275
2017 Series A and B maturing 2024 to 2047, interest at 2.700% to 4.050%	9,885
2017 Series C and D maturing 2024 to 2048, interest at 2.200% to 4.000%	5,650
2018 Series A maturing 2024 to 2048, interest at 2.600% to 4.000%	8,820
2018 Series B, C, D, E and F maturing 2024 to 2048, interest at 3.100% to 5.050%	18,920
2019 Series A maturing 2024 to 2049, interest at 1.800% to 4.000%	15,855
2020 Series A maturing 2024 to 2050, interest at 1.200% to 3.750%	18,055
2021 Series A, B and C maturing 2024 to 2051, interest at 1.600% to 5.000%	21,695
2022 Series A and B maturing 2024 to 2052, interest at 2.200% to 5.250%	22,425
2023 Series A and B maturing 2024 to 2053, interest at 3.750% to 6.000%	24,115
2023 Series C and D maturing 2025 to 2053, interest at 4.550% to 6.000%	34,910
2023 Series E, F and G maturing 2025 to 2053, interest at 3.500% to 6.250%	31,390
2024 Series A and B maturing 2025 to 2054, interest at 3.500% to 6.250%	35,000
Total Multi Purpose Program Fund	284,660
B. Multi-Family Mortgage Program Fund:	
Mortgage Program:	
2012 Series B and C maturing 2032 to 2052, interest at 3.750% to 4.629%	6,410
2019 Series A and B maturing 2024 to 2049, interest at 2.400% to 3.900%	12,185
2021 Series A maturing 2024 to 2051, interest at 0.500% to 2.600%	10,015
2022 Series A and B maturing 2024 to 2052, interest at 0.700% to 3.100%	13,735
Total Mortgage Program	42,345
HFA Initiative Multifamily Bonds:	
2009 Series C, maturing 2024 to 2051, interest at 2.32%	12,820
Total Multi-Family Mortgage Program Fund	55,165
C. State Bond Fund:	
Vermont Property Transfer Tax Revenue Bonds	
Series 2018, maturing 2024 to 2037, interest at 2.8% to 3.8%	27,280
Total bonds payable	367,105
Plus Unamortized Bond Premium (Discount), net	5,322
	$ 372,427

(All calendar year 2024 maturities on bonds payable occur after June 30, 2024).

A summary of bonds payable, discount on bonds, premium on bonds and arbitrage rebate payable activity for the year ended June 30, 2024 is as follows (in thousands):

	Beginning balance	Increases	Decreases	Ending balance	Due within one year	Due thereafter
Bonds payable	$ 302,370	101,390	(36,655)	367,105	11,375	355,730
Discount on bonds	(58)	-	21	(37)	(2)	(35)
Premium on bonds	4,894	1,570	(1,105)	5,359	334	5,025
Bonds payable, net	$ 307,206	102,960	(37,739)	372,427	11,707	360,720
Arbitrage Rebate Payable	$ -	84	—	84	—	84

All bonds in the Multiple Purpose and Multi-Family Program Funds are general obligations of the Agency and are collateralized by the operating revenues, loans, funds, and investments pledged pursuant to the respective bond resolutions. The bond documents contain provisions that in the event of default, outstanding principal and accrued interest are immediately due and payable.

Bonds in the State Bond Fund are special, limited obligations of the Agency and are secured solely from pledged State of Vermont Property Transfer Tax Revenues. In the event of default the Bond Trustee may proceed to protect and enforce its rights and the rights of the Bond owners under the Vermont Housing Finance Agency Act, the Vermont Transfer Tax Statute, and the Bonds and Bond Indenture by such suits, actions, or proceedings deemed expedient.

In most cases, interest is payable semi-annually. All bonds are subject to redemption after various dates at par value.

Debt service requirements at June 30, 2024 are as follows (in thousands):

Year ending	Multiple Purpose		Multi-Family		State Bond Fund - Property Transfer Tax		Total	
June 30:	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2025	$ 8,380	11,965	1,460	1,443	1,535	961	11,375	14,369
2026	9,010	11,562	1,500	1,416	1,590	910	12,100	13,888
2027	9,050	11,262	1,620	1,389	1,640	860	12,310	13,511
2028	9,460	10,946	1,640	1,358	1,695	806	12,795	13,110
2029	9,820	10,601	1,660	1,323	1,750	748	13,230	12,672
2030-2034	49,750	47,488	9,300	6,024	9,790	2,714	68,840	56,226
2035-2039	45,785	38,473	12,165	4,580	9,280	721	67,230	43,774
2040-2044	46,385	29,732	12,610	2,742	—	—	58,995	32,474
2045-2049	51,900	19,530	8,920	1,242	—	—	60,820	20,772
2050-2054	43,990	6,939	4,290	169	—	—	48,280	7,108
2055-2059	1,130	35	—	—	—	—	1,130	35
Total	$ 284,660	198,533	55,165	21,686	27,280	7,720	367,105	227,939

The Agency enters into interest rate swap agreements with counterparties in connection with the Variable Rate Demand Bonds (VRDB). Under the current swap agreements, the swap provider pays the Agency amounts based on the Securities Industry and Financial Markets Association (SIFMA), and the Agency pays the swap provider amount at a fixed rate of interest.

Using rates as of June 30, 2024, debt service requirements of the variable rate bonds and net swap payments, assuming current interest rates remain constant, are as follows (in thousands):

Year ending June 30:	Variable rate Principal	Variable rate Interest	Interest rate swaps, net	Total
2025	$ 250	162	(54)	358
2026	300	153	(54)	399
2027	200	143	(54)	289
2028	150	137	(54)	233
2029	100	131	(54)	177
2030-2034	—	643	(271)	372
2035-2039	485	625	(263)	847
2040-2044	2,350	415	(175)	2,590
2045	750	20	(8)	761
Total	$ 4,585	2,429	(988)	6,026

A summary of the swap agreement is as follows (in thousands):

Issue	Counter-Party	Ratings (Moody's/Fitch)	Effective Date	Notional amount	Termination date	Fixed swap payment rate	Variable receivable rate	Fair Value at 6/30/24
MPB 2013A	BNY Mellon	Aa2/AA	11/30/2004	$ 1,000	5/1/2029	3.68%	SIFMA + 0.10%	$ 8
MPB 2019A	BNY Mellon	Aa2/AA	7/16/2019	3,585	5/1/2044	2.08%	SIFMA + 0.05%	(317)
				$ 4,585				$ (309)

The notional amount of Swaps decreased by $750,000 and the fair value of Swaps decreased by $12,000 for the year ended June 30, 2024.

By using derivative financial instruments to hedge exposures to changes in interest rates, the Agency exposes itself to credit, market, and basis risk. Credit risk is the failure of the counter-party to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counter-party owes the Agency, which creates credit risk for the Agency. When the fair value of a derivative contract is negative, the Agency owes the counter-party and, therefore, it does not possess credit risk. The Agency minimizes its credit risk in derivative instruments by entering into transactions with high quality- counter-parties whose credit ratings are higher than A. Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. The market risk associated with interest rates is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken. Basis risk is the risk that variable rate payments to bondholders will not equal variable rate receipts from the counterparty.

(10) Notes Payable

The Agency may borrow from the Federal Home Loan Bank (FHLB) in an amount not to exceed assets pledged to the FHLB. As of June 30, 2024, the Agency had outstanding borrowings totaling $1,554,000 which are secured by mortgage loans with a carrying value of $1,323,000, and $225,000 in a FHLB collateral account. In the event of default FHLB may take immediate possession of any collateral. These borrowings do not accrue interest and mature from October 2026 through November 2027.

The Agency has $1,500,000 in unsecured notes payable to the Vermont Community Foundation at rates from 1.0% to 1.5%, with $500,000 payments due in June 2026, June 2038, and June 2053.

The Agency has $37,691,000 in amortizing notes payable to the Federal Financing Bank (FFB). These borrowings have interest rates ranging from 1.565% to 3.652%, and mature from March 2047 to November 2060. The proceeds of these notes were used to finance FHA Risk-Sharing Insured Mortgage Loans. The notes are secured by mortgage loans equal in value to the outstanding notes payable balance.

The Agency is operating under three unsecured lines of credit with lending institutions that total $132,500,000. There is a $10,000,000 working line of credit, with TD Bank, expiring in March 2025, a $100,000,000 line used for construction loans with TD Bank expiring in March, 2025 and a $22,500,000 line used for construction loans with Northfield Savings Bank expiring in April, 2025. As of June 30, 2024, there were $33,148,000 of borrowings under the lines at interest rates of 5.0% to 7.25% as described below.

The Agency has $26,324,000 in notes payable to TD Bank at rates from 5.13% to 7.25%, maturing from August 2024 to May 2026.

The Agency has $6,824,000 in notes payable to Northfield Savings Bank at rates from 5.0% to 6.37%, maturing from June 2025 to March 2026.

The Agency has $11,641,000 in unsecured notes payable to TD Bank at rates from 1.87% to 3.51% maturing from May 2029 to April 2036. The notes are secured by a moral obligation from the State of Vermont.

The Agency has $2,453,000 in unsecured notes payable to National Bank of Middlebury at a rate of 2.15%, maturing from April 2036 to June 2036.

For the Agency's outstanding notes, in the event of default, outstanding principal and accrued interest are immediately due and payable. The FFB notes contain a provision stating that FFB shall have all remedies available at equity and under law.

(Continued)

Future notes payable maturities as of June 30, 2024 are as follows (in thousands):

	Operating		Multi-Family		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
Year ending June 30:						
2025	$ 951	1,356	12,342	866	13,293	2,222
2026	1,485	1,331	20,806	139	22,291	1,470
2027	1,620	1,301	—	—	1,620	1,301
2028	2,010	1,275	—	—	2,010	1,275
2029	7,180	4,794	—	—	7,180	4,794
2030 - 2034	10,704	4,577	—	—	10,704	4,577
2035 - 2039	9,003	3,411	—	—	9,003	3,411
2040 - 2044	6,766	2,409	—	—	6,766	2,409
2045 - 2049	6,937	1,498	—	—	6,937	1,498
2050 - 2054	7,091	530	—	—	7,091	530
2055 - 2059	1,092	21	—	—	1,092	21
2060 - 2064	—	—	—	—	—	—
Total	$ 54,839	22,503	33,148	1,005	87,987	23,508

A summary of notes payable activity for the year ended June 30, 2024 is as follows (in thousands):

	Beginning balance	Increases	Decreases	Ending balance	Current	Non-current
Line of credit borrowings	$ 29,763	35,771	(32,386)	33,148	12,342	20,806
Notes payable	58,367	—	(3,528)	54,839	951	53,888
Total	$ 88,130	35,771	(35,914)	87,987	13,293	74,694

(11) Asset Restrictions

Pursuant to the Act and agreements with bondholders and other parties, the Agency's assets are pledged to secure specific obligations or are otherwise restricted.

Programs which are financed by the issuance of bonds are accounted for separately in accordance with each of the general bond resolutions. Program assets and revenues are pledged to bondholders. Revenues in excess of required amounts are available to be transferred to the Operating Fund.

Amounts transferred to the Operating Fund from the bond resolutions are free and clear of any lien or pledge created by the bond resolutions, and may be used for any lawful purpose under the Act, including payments to various accounts within the bond resolutions. All of the outstanding bonds, except for the State Property Transfer Tax Revenue Bonds, are general obligations of the Agency. For general obligation bonds, the Agency covenants that it will restore deficiencies to the bond programs, as defined by the bond resolutions, from the Operating Fund.

The Operating Fund is also the primary source to pay administrative expenses in connection with current and future housing programs, and to provide collateral for credit agreements.

Net Position derived from purpose restricted resources provided under contractual agreements with federal agencies are restricted to the underlying purpose.

(12) Retirement Plan

Upon meeting certain eligibility requirements, the Agency's employees are eligible to participate in the Vermont Housing Finance Agency 403(b) Plan, a defined contribution retirement plan. The Agency's contribution to the Plan is 10% of the covered payroll. Employees are 30% vested in benefits under the plan upon participation, and vest in the remaining 70% on a pro-rata basis over five years of service. Forfeitures on non-vested benefits by terminated employees reduce the Agency's contribution. The cost of the plan was $314,000 for the year ended June 30, 2024, and is included in salaries and benefits expense.

(13) Bond Redemptions

During the year ended June 30, 2024, the Agency redeemed $12,900,000 of its Multiple Purpose premium PAC Bonds and serial bonds acquired at a premium and $1,600,000 of its Multifamily Mortgage Term Bonds acquired at discount, prior to scheduled maturity dates. Net gain on premium and discount bond redemptions was $737,000 and represents the unamortized balance of bond premium and discount that were written off when the bonds were retired.

(14) Federal and State Programs

The Agency is a subrecipient of a federal Homeowner Assistance Fund grant the State received as part of the American Rescue Plan Act (ARPA). During fiscal year 2022, the Agency was awarded a grant from the State of Vermont to administer the Homeowner Assistance Program (HAP) to financially assist Vermont homeowners experiencing financial hardship, for the purpose of preventing mortgage delinquencies, defaults, foreclosures, and loss of utilities or home energy services. The Agency expended $9,622,000 of HAP funds in the year ended June 30, 2024. The HAP grant balance at June 30, 2024 was $442,000.

The Agency is a recipient of a federal Capital Magnet Fund (CMF II) grant which was awarded on October 4, 2023 in the amount of $4,500,000. The program is intended to create and preserve affordable housing for low-income families and revitalize distressed communities by attracting private capital. The Agency expended $0 in CMF II funds in the year ended June 30, 2024. The CMF grant balance at June 30, 2024 was $4,500,000.

The Agency is a recipient of a federal Capital Magnet Fund grant which was awarded on June 22, 2022 in the amount of $4,000,000. The program is intended to create and preserve affordable housing for low-income families and revitalize distressed communities by attracting private capital. The Agency expended $1,098,000 in CMF funds in the year ended June 30, 2024. The CMF grant balance at June 30, 2024 was $2,114,000.

The Agency is a subrecipient of a federal Missing Middle Housing grant the State received as part of the American Rescue Plan Act (ARPA). In June 2022, the Agency was awarded a grant from the State of Vermont to administer the Missing Middle Program to provide subsidies for new construction or acquisition and substantial rehabilitation of affordable owner-occupied housing for purchase by income-eligible homebuyers. The Program will provide funds to address both value and affordability gaps in the creation and financing of new single-family homes for low- and moderate-income Vermonters. The Agency expended $631,000 in the year ended June 30, 2024. The Missing Middle Grant balance at June 30, 2024 was $14,306,000.

The Agency is a recipient of a State Weatherization Repayment Assistance Program (WRAP) grant which was awarded on March 1, 2021 in the amount of $9,000,000. The program is intended to provide financial support to low and moderate-income Vermonters to weatherize their homes. The Agency expended $101,000 in WRAP funds in the year ended June 30, 2024. The WRAP grant balance at June 30, 2024 was $8,489,000.

The Agency is a recipient of a State Rental Housing Revolving Loan Program (RRLP) grant which was awarded on January 1, 2024 in the amount of $10,000,000. The program is intended to provide loans to developers and builders to create rental housing for middle-income households. The Agency expended $5,000 in RRLP funds in the year ended June 30, 2024. The RRLP grant balance at June 30, 2024 was $9,995,000.

(15) Commitments and Contingencies

At June 30, 2024, the Agency had outstanding commitments in the amount of $29,641,000 to purchase mortgage loans or mortgage backed securities pursuant to its normal funding from bond proceeds. In addition, there were commitments of $230,115,000 for multi-family loans and $853,000 for down payment assistance loans.

(16) Risk Management

The Agency is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; employees' health; and natural disasters. The Agency manages these risks through a combination of participating in State insurance programs and purchasing commercial insurance packages in the name of the Agency. The Agency has not experienced settled claims resulting from these risks which have exceeded its insurance coverage. In addition, the Agency's bylaws provide for the indemnification of Agency commissioners and officers by the Agency. This indemnification requirement is supported by various statutes related to claims against employees and entities of the State and the Agency's authorizing legislation which includes the benefit of sovereign immunity.

(17) Conduit Debt Obligations

On December 27, 2018, the Agency issued tax-exempt bonds on a conduit basis. The proceeds of the bonds were used for the purpose of (a) financing capital expenditures of a multi-family residential housing facility, (b) refunding the principal amount of Series 2010 bonds (c) repaying a 2010 Taxable Loan and (d) financing certain costs of issuance. The bonds were sold on a private placement basis. As of June 30, 2024, $11,405,687 of the bonds were outstanding.

On December 7, 2022, the Agency issued tax-exempt bonds on a conduit basis. The proceeds of the bonds were used for the purpose of financing a portion of the costs for the acquisition, construction, rehabilitation, equipment and completion of a building to be used for general occupancy residential rental housing. The bonds were sold on a private placement basis. As of June 30, 2024, $7,558,459 of the bonds were outstanding.

On June 28, 2023, the Agency issued tax-exempt bonds on a conduit basis. The proceeds of the bonds were used for the purpose of financing the costs of the acquisition, rehabilitation and equipping of scattered-site multifamily residential rental housing projects. The bonds were sold on a private placement basis. As of June 30, 2024, $13,945,000 of the bonds were outstanding.

On November 21, 2022, the Agency committed to issuing tax-exempt bonds on a conduit basis. The proceeds of the bonds will be used for the purpose of financing a portion of the costs for the acquisition, construction, rehabilitation, equipment and completion of buildings to be used for both age-specific and general occupancy residential rental housing.

The Agency is not obligated in any manner for repayment of these conduit bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

(18) Subsequent Events

The events that occur after the date of the Statement of Net Position but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the date of the Statement of Net Position are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the date of the Statement of Net Position require disclosure in the accompanying notes. Management evaluated the activity of VHFA through September 30, 2024 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the Financial Statements and the following subsequent event requires disclosure in the Notes to the Financial Statements.

On August 1, 2024, the Agency issued $25,000,000 of 2024 Series C (Non-AMT), $9,945,000 of 2024 Series D (Federally Taxable), $3,155,000 of 2024 Series E-1 (Non-AMT) and $16,910,000 of 2024 Series E-2 (Non-AMT).

The Agency is in the process of finalizing an agreement with the State to borrow $56,000,000 to fund a spectrum of housing initiatives including perpetually affordable rental housing, housing for Vermonters exiting homelessness, manufactured home communities, homeownership, and middle-income rental units in Vermont’s economic centers.