

# Annual Financial Report

## Fiscal Year 2023



A Component Unit of the State of Minnesota



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**MINNESOTA HOUSING FINANCE AGENCY**  
**Annual Financial Report as of and for the year ended June 30, 2023**

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**TABLE OF CONTENTS**

|  | <b>Page #</b> |
|--|---------------|
| <b>I. INTRODUCTORY SECTION (UNAUDITED)</b>   |               |
| Commissioner’s Report  | 2-3           |
| <b>II. FINANCIAL SECTION</b>   |               |
| Independent Auditors’ Report   | 4-7           |
| Management’s Discussion and Analysis of Financial Condition and Results of Operations (Unaudited)                                | 8-23          |
| Basic Financial Statements:  |               |
| Agency-wide Financial Statements:  |               |
| Statement of Net Position  | 24            |
| Statement of Activities  | 25            |
| Fund Financial Statements:   |               |
| Statement of Net Position — Proprietary Funds  | 26-27         |
| Statement of Revenues, Expenses and Changes in Net Position — Proprietary Funds  | 28-29         |
| Statement of Cash Flows — Proprietary Funds  | 30-33         |
| <b>III. Index to Notes to the Financial Statements</b>   | <b>34</b>     |
| Notes to Financial Statements  | 35-79         |
| <b>IV. REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)</b>  |               |
| General Reserve and Bond Funds, Schedules of Selected Pension and Post-Employment Benefits Other Than Pension (OPEB) Information | 80-81         |
| <b>V. SUPPLEMENTARY INFORMATION</b>  |               |
| Fund Financial Statements:   |               |
| Statement of Net Position — General Reserve and Bond Funds   | 82-83         |
| Statement of Revenues, Expenses and Changes in Net Position — General Reserve and Bond Funds                                     | 84-85         |
| Statement of Cash Flows — General Reserve and Bond Funds   | 86-89         |
| <b>VI. OTHER INFORMATION (UNAUDITED)</b>   |               |
| General Reserve and Bond Funds, Five Year Financial Summary  | 90            |
| Contact Information  | 91            |

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## MINNESOTA HOUSING FINANCE AGENCY

### Commissioner's Report

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Minnesota Housing continued to create, preserve, and finance affordable housing this year as the ongoing impacts of the COVID-19 pandemic began to wane. The Agency maintained strong financial performance and positive program outcomes while advocating for a historic state investment in housing. On top of that, the Agency closed out the largest-scale direct assistance program it has ever managed.

Staff, who have persevered through a challenging period, settled into a new normal of hybrid operations made possible by investments in systems, new processes, and innovative procedures. Combined with the continued mission focus of the Agency, the year ended with many accomplishments, some of which are highlighted below.

#### **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 17 multifamily applications to create/preserve 1,002 rental units, which included 430 units that will be deeply affordable.
  - The 17 multifamily applications represent \$380 million in total development costs.
- Selected 37 single-family applications to create/preserve 412 homes.
- Selected 14 manufactured housing applications to fund infrastructure upgrades to improve 742 home lots in manufactured home communities.
- Supported projects funded with more than \$20 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 nearly \$1.3 billion in mortgage financing for almost 5,600 households.
- Provided \$70 million in loans to cover down payment 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.
- Nearly 1,200 borrowers accessed more than \$32 million in capital to improve or rehabilitate their homes.
- For the first time, 40% of our first-time homebuyer mortgages went to Black, Indigenous or homebuyers of color. Minnesota Housing reached this ambitious goal one year earlier than expected.

#### **Delivering financial assistance through programs**

In addition to direct lending, Minnesota Housing administers a variety of programs that provide rental and homelessness prevention assistance, access to supportive housing for 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 \$223 million in Section 8 rental assistance on behalf of HUD to serve nearly 30,000 units across Minnesota.

#### **Historic state investment in housing**

Minnesota Housing worked with stakeholders, the Governor's Office, and State Legislature to pass a biennial budget including a historic investment in housing resources, that will provide \$1.3 billion to prevent and end homelessness and to create and preserve significant levels of housing affordable to people with modest incomes. This more-than 800% increase in state-appropriated funds will be a significant focus of the Agency over the next year as it seeks to design new programs, hire additional staff, and effectively deploy resources across the state.

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## MINNESOTA HOUSING FINANCE AGENCY

### Commissioner's Report (continued)

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#### **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, is helping 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, which stopped taking applications in January 2022, has paid out approximately \$430 million in more than 100,000 payments, assisting more than 50,000 unique households. The final stage of the program to distribute remaining funds by referral-based direct assistance through Housing Stability Services providers launched in August 2023 after a robust program design process.
- Launched HomeHelpMN in May 2022 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. Funds in excess of \$104 million continue to be distributed reaching more than 8,600 applicants so far. The application window was closed in July 2023 and the program expects to finish processing applications and disbursing remaining funds later this year.

#### **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.

- In addition to achieving the ambitious goal of delivering 40% of single-family homebuyer loan products to Black and Indigenous households and households of color, more than 60% of our Impact Fund investments, 65% of our Homeownership Education, Counseling and Training and 88% of our Homeownership Capacity Grants served these populations.
- Embedded our Director of Equity and Inclusion and Equity Action Team in the work of every division in the Agency to prioritize the equity goals in our Strategic Plan to achieve racial diversity, equity and inclusion internally and externally.
- Continually developed the Agency's cultural competency by expanding its bias trainings and related learnings offered to all staff, sponsoring more than 30 trainings since October 1, 2022.
- Integrated the Intercultural Development Inventory in our operating mechanisms, with 16 staff certified as Qualified Administrators and a third of staff members voluntarily completing this assessment.
- Centered the most impacted communities in our program design priorities, including hiring 12 consultants with lived expertise to co-create our new 2024-2027 Strategic Plan.
- 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 the most 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, along with 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, 2023, 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, the right-of-use assets and related liability, as of July 1, 2022, have been restated for the adoption of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinions are not modified with respect to this matter.

#### **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.

### ***Report of Summarized Comparative Information***

We have previously audited the Agency's June 30, 2022, financial statements and expressed unmodified opinions on the respective financial statements of the business-type activities and each major fund in our report dated October 11, 2022. The summarized comparative information presented herein as of and for the year June 30, 2022, was derived from those financial statements and adjusted for the implementation of GASB Statement 96 as described in Note 23 of the financial statements. 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, 2022, from which such summarized information was derived.

**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 GASB 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 for the year ended June 30, 2023, was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The accompanying supplementary information as listed in the table of contents as of and for the year ended June 30, 2023, 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 for the year ended June 30, 2023, 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 for the year ended June 30, 2023.

The accompanying supplementary information, as listed in the table of contents, for the year ended June 30, 2022, 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 related directly to the underlying accounting and other records used to prepare the 2022 basic financial statements adjusted for the implementation of GASB 96.

**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.

*RSM US LLP*

Duluth, Minnesota  
October 6, 2023

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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 (unaudited)

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#### 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 affordable housing.

Minnesota Housing is authorized to issue its general obligation 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 four program divisions; Multifamily, Single Family, Housing Stability 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, Alternative Loan Fund and the State budget investment. 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 for terms of four years 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<sup>SM</sup>), and Multifamily Housing.

The basic financial statements also include summarized comparative totals as of and for the year ended June 30, 2022. 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 2023 in comparison to the prior fiscal year.

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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 (continued – unaudited)**

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**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<sup>SM</sup> (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](http://www.mnhousing.gov) and on EMMA (Electronic Municipal Markets Access system) at [emma.msrb.org](http://emma.msrb.org).

**Discussion of Individual Funds**

**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**

Over 52% 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”), 62% 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.

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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 (continued – unaudited)

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Inherent risks remain in these portfolios, especially for multifamily developments without project-based tenant subsidies or HUD risk sharing agreements. 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, 2023. 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, are 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 2023.

Assets of Pool 2 consist of investment quality housing loans, as defined by the Agency, and investment grade securities. During fiscal year 2023 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 interest expenses, and for contributions related to bond sales. 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 2023 funds from Pool 3 were used for down payment and closing cost assistance loans 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 and deferred, subordinated multifamily loans.

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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 (continued – unaudited)**

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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<sup>SM</sup>**

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<sup>SM</sup> certificates), each secured by a mortgage-backed security guaranteed by FNMA or GNMA. Minnesota Housing is not committed to sell any HOMES<sup>SM</sup> certificates but has the option to accept the investment bank's bid for HOMES<sup>SM</sup> certificates, which may be a higher price than the Agency could achieve by selling the mortgage-backed security in the open market. The HOMES<sup>SM</sup> 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. Since the initial issuance in fiscal year 2014, the Agency has not issued any additional HOMES<sup>SM</sup> certificates.

**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 has not pledged, and will not use or pledge 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.

**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 (continued – unaudited)**

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

|   | <b>Agency-wide Total</b> |                    |                    |
|---|--------------------------|--------------------|--------------------|
|   | <b>Fiscal 2023</b>       | <b>Fiscal 2022</b> | <b>Change</b>      |
| Cash and other investments                                  | \$1,003,830              | \$1,214,346        | \$(210,516)        |
| Investments - program securities mortgage-backed securities | 3,176,976                | 2,804,425          | 372,551            |
| Loans receivable, net                                       | 1,039,791                | 954,733            | 85,058             |
| Capital assets, net   | 9,549                    | 11,344             | (1,795)            |
| Other   | 55,962                   | 35,160             | 20,802             |
| <b>Total assets</b>   | <b>5,286,108</b>         | <b>5,020,008</b>   | <b>266,100</b>     |
| Total deferred outflows of resources                        | 11,271                   | 12,398             | (1,127)            |
| <b>Total assets and deferred outflows</b>                   | <b>5,297,379</b>         | <b>5,032,406</b>   | <b>264,973</b>     |
| Long term liabilities (noncurrent)                          | 4,245,175                | 3,713,221          | 531,954            |
| Other (current)   | 276,289                  | 365,056            | (88,767)           |
| <b>Total liabilities</b>                                    | <b>4,521,464</b>         | <b>4,078,277</b>   | <b>443,187</b>     |
| Deferred inflows of resources                               | 56,158                   | 58,390             | (2,232)            |
| <b>Total liabilities and deferred inflows</b>               | <b>4,577,622</b>         | <b>4,136,667</b>   | <b>440,955</b>     |
| Restricted by bond resolution                               | 513,008                  | 203,444            | 309,564            |
| Restricted by covenant                                      | 558,741                  | 554,491            | 4,250              |
| Restricted by law   | 360,072                  | 382,148            | (22,076)           |
| Unrestricted - state appropriation-backed debt              | (288,924)                | (245,138)          | (43,786)           |
| Unrestricted  | (423,930)                | -                  | (423,930)          |
| Invested in capital assets                                  | 790                      | 794                | (4)                |
| <b>Total net position</b>                                   | <b>\$ 719,757</b>        | <b>\$ 895,739</b>  | <b>\$(175,982)</b> |

|  | <b>Agency-wide Total</b> |                    |                    |
|--|--------------------------|--------------------|--------------------|
|  | <b>Fiscal 2023</b>       | <b>Fiscal 2022</b> | <b>Change</b>      |
| Interest earned on loans and other investments   | \$ 73,962                | \$ 47,511          | \$ 26,451          |
| Interest earned on investments-program mortgage-backed securities                          | 107,963                  | 81,674             | 26,289             |
| Appropriations received and appropriation recoveries                                       | 421,674                  | 624,436            | (202,762)          |
| Fees and reimbursements (2)  | 23,970                   | 20,193             | 3,777              |
| Net gain/loss on sale of mortgage-backed securities (MBS) held for sale/HOMES certificates | 2,229                    | 2,016              | 213                |
| Unrealized (losses) on investments   | (151,498)                | (294,763)          | 143,265            |
| <b>Total revenues (1)</b>  | <b>478,300</b>           | <b>481,067</b>     | <b>(2,767)</b>     |
| Interest and financing, net expense  | 113,615                  | 74,411             | 39,204             |
| Appropriations disbursed   | 413,608                  | 769,030            | (355,422)          |
| Fees   | 3,420                    | 3,183              | 237                |
| Payroll, General & Administrative  | 39,550                   | 28,007             | 11,543             |
| Loan loss/value Adjustments  | 83,530                   | 61,600             | 21,930             |
| <b>Total expenses (1)</b>  | <b>653,723</b>           | <b>936,231</b>     | <b>(282,508)</b>   |
| Non-operating transfer of assets between funds   | -                        | (1,140)            | 1,140              |
| Non-operating expenses   | (559)                    | (898)              | 339                |
| <b>Revenues over/under expenses</b>  | <b>(175,982)</b>         | <b>(457,202)</b>   | <b>281,220</b>     |
| Beginning net position, as restated  | 895,739                  | 1,352,941          | (457,202)          |
| <b>Ending net position</b>   | <b>\$ 719,757</b>        | <b>\$ 895,739</b>  | <b>\$(175,982)</b> |

(1) Agency-wide totals include interfund amounts

(2) Includes administrative reimbursements, net

| Combined General Reserve and Bond Funds |           |            |             |             | Combined State and Federal Appropriations Funds |             |             |
|---|-----------|------------|-------------|-------------|---|-------------|-------------|
| Fiscal 2023                             |           |            |             |             |   |             |             |
| Excluding Pool 3                        | Pool 3    | Total      | Fiscal 2022 | Change      | Fiscal 2023                                     | Fiscal 2022 | Change      |
| \$ 476,796                              | \$ 9,827  | \$ 486,623 | \$ 706,004  | \$(219,381) | \$517,207                                       | \$ 508,342  | \$ 8,865    |
| 3,176,976                               | -         | 3,176,976  | 2,804,425   | 372,551     | -   | -           | -           |
| 860,525                                 | 137,986   | 998,511    | 916,107     | 82,404      | 41,280  | 38,626      | 2,654       |
| 9,323                                   | -         | 9,323      | 10,827      | (1,504)     | 226   | 517         | (291)       |
| 54,347                                  | 105       | 54,452     | 34,607      | 19,845      | 1,510   | 553         | 957         |
| 4,577,967                               | 147,918   | 4,725,885  | 4,471,970   | 253,915     | 560,223   | 548,038     | 12,185      |
| 11,271                                  | -         | 11,271     | 12,398      | (1,127)     | -   | -           | -           |
| 4,589,238                               | 147,918   | 4,737,156  | 4,484,368   | 252,788     | 560,223   | 548,038     | 12,185      |
| 3,780,347                               | -         | 3,780,347  | 3,337,490   | 442,857     | 464,828   | 375,731     | 89,097      |
| 260,537                                 | (19,846)  | 240,691    | 329,759     | (89,068)    | 35,598  | 35,297      | 301         |
| 4,040,884                               | (19,846)  | 4,021,038  | 3,667,249   | 353,789     | 500,426   | 411,028     | 89,398      |
| 56,158                                  | -         | 56,158     | 58,390      | (2,232)     | -   | -           | -           |
| 4,097,042                               | (19,846)  | 4,077,196  | 3,725,639   | 351,557     | 500,426   | 411,028     | 89,398      |
| 513,008                                 | -         | 513,008    | 203,444     | 309,564     | -   | -           | -           |
| 390,977                                 | 167,764   | 558,741    | 554,491     | 4,250       | -   | -           | -           |
| -                                       | -         | -          | -           | -           | 360,072   | 382,148     | (22,076)    |
| -                                       | -         | -          | -           | -           | (288,924)                                       | (245,138)   | (43,786)    |
| (412,579)                               | -         | (412,579)  | -           | (412,579)   | (11,351)  | -           | (11,351)    |
| 790                                     | -         | 790        | 794         | (4)         | -   | -           | -           |
| \$ 492,196                              | \$167,764 | \$ 659,960 | \$ 758,729  | \$ (98,769) | \$ 59,797                                       | \$ 137,010  | \$ (77,213) |

| Combined General Reserve and Bond Funds |           |            |             |             | Combined State and Federal Appropriations Funds |             |             |
|---|-----------|------------|-------------|-------------|---|-------------|-------------|
| Fiscal 2023                             |           |            |             |             |   |             |             |
| Excluding Pool 3                        | Pool 3    | Total      | Fiscal 2022 | Change      | Fiscal 2023                                     | Fiscal 2022 | Change      |
| \$ 56,666                               | \$ 753    | \$ 57,419  | \$ 45,073   | \$ 12,346   | \$ 16,543                                       | \$ 2,438    | \$ 14,105   |
| 107,963                                 | -         | 107,963    | 81,674      | 26,289      | -   | -           | -           |
| -                                       | -         | -          | -           | -           | 421,674   | 624,436     | (202,762)   |
| 30,462                                  | (1,572)   | 28,890     | 20,565      | 8,325       | (4,920)   | (372)       | (4,548)     |
| 2,229                                   | -         | 2,229      | 2,016       | 213         | -   | -           | -           |
| (151,428)                               | (70)      | (151,498)  | (294,763)   | 143,265     | -   | -           | -           |
| 45,892                                  | (889)     | 45,003     | (145,435)   | 190,438     | 433,297   | 626,502     | (193,205)   |
| 99,606                                  | -         | 99,606     | 64,577      | 35,029      | 14,009  | 9,834       | 4,175       |
| -                                       | -         | -          | -           | -           | 413,608   | 769,030     | (355,422)   |
| 3,273                                   | 33        | 3,306      | 3,073       | 233         | 114   | 110         | 4           |
| 36,032                                  | 1,746     | 37,778     | 26,309      | 11,469      | 1,772   | 1,698       | 74          |
| 1,372                                   | 2,000     | 3,372      | 2,396       | 976         | 80,158  | 59,204      | 20,954      |
| 140,283                                 | 3,779     | 144,062    | 96,355      | 47,707      | 509,661   | 839,876     | (330,215)   |
| (32,715)                                | 33,564    | 849        | 193         | 656         | (849)   | (1,333)     | 484         |
| (559)                                   | -         | (559)      | (898)       | 339         | -   | -           | -           |
| (127,665)                               | 28,896    | (98,769)   | (242,495)   | 143,726     | (77,213)  | (214,707)   | 137,494     |
| 619,861                                 | 138,868   | 758,729    | 1,001,224   | (242,495)   | 137,010   | 351,717     | (214,707)   |
| \$ 492,196                              | \$167,764 | \$ 659,960 | \$ 758,729  | \$ (98,769) | \$ 59,797                                       | \$ 137,010  | \$ (77,213) |

**MINNESOTA HOUSING FINANCE AGENCY**  
**A Component Unit of the State of Minnesota**  
**Management’s Discussion and Analysis of Financial Condition**  
**and Results of Operations (continued – unaudited)**

**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 2023 Financial Report.

Investments-including 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.

Program 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 increased 13.3% to \$3,177.0 million. Single Family mortgage loan production was very strong in fiscal year 2023 driving the increase in MBS.

**Mortgage-backed Securities Portfolio Delinquency**  
 Actual Loan Count

|                | <u>June 30, 2023</u> |       | <u>June 30, 2022</u> |       |
|----------------|----------------------|-------|----------------------|-------|
| Current        | 29,622               | 95.5% | 27,026               | 95.0% |
| 60-89 Days     | 446                  | 1.4%  | 372                  | 1.3%  |
| 90-119 Days    | 310                  | 1.0%  | 202                  | 0.7%  |
| 120+ Days      | 641                  | 2.1%  | 861                  | 3.0%  |
| Total count    | <u>31,019</u>        |       | <u>28,461</u>        |       |
| Total past due | 1,397                | 4.5%  | 1,435                | 5.0%  |

Similar to the homeownership loan portfolio described below, borrowers with mortgage loans that back the MBS portfolio were able to 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 other liquidity needs. This category decreased 36.7% to \$334.6 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 obligations, US treasuries, municipal bonds and government backed investment pools at the trustee, Computershare, and the State Board of Investments (SBI). This category decreased by 14.3% to \$152.0 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 Second lien (MP 2nds) loans that include down payment and closing cost assistance loans. Loans receivable, net, increased 9.0% to \$998.5 million at June 30, 2023 as a result of repayments, 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. The reserve for loan loss for the homeownership loan portfolio increased slightly. The reserve for loan loss for the home improvement loan portfolio grew 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 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

**MINNESOTA HOUSING FINANCE AGENCY**  
**A Component Unit of the State of Minnesota**  
**Management’s Discussion and Analysis of Financial Condition**  
**and Results of Operations (continued – unaudited)**

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

COVID Pandemic, borrowers with mortgage loans that are FHA insured, VA, HUD or RA, or purchased or securitized by FNMA or FHLMC were able to 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

|                | <b>June 30, 2023</b> |       | <b>June 30, 2022</b> |       |
|----------------|----------------------|-------|----------------------|-------|
| Current        | 3,175                | 95.8% | 3,386                | 92.9% |
| 60-89 Days     | 40                   | 1.2%  | 54                   | 1.5%  |
| 90-119 Days    | 19                   | 0.6%  | 19                   | 0.5%  |
| 120+ Days      | 79                   | 2.4%  | 184                  | 5.1%  |
| Total Count    | <u>3,313</u>         |       | <u>3,643</u>         |       |
| Total Past Due | 138                  | 4.2%  | 257                  | 7.1%  |

**Homeownership Loan Portfolio Delinquency (In Forbearance)**

Actual Loan Count

|                | <b>June 30, 2023</b> |       | <b>June 30, 2022</b> |       |
|----------------|----------------------|-------|----------------------|-------|
| Current        | 5                    | 27.8% | 3                    | 9.1%  |
| 60-89 Days     | 2                    | 11.1% | 2                    | 6.1%  |
| 90-119 Days    | 0                    | 0.0%  | 1                    | 3.0%  |
| 120+ Days      | 11                   | 61.1% | 27                   | 81.8% |
| Total Count    | <u>18</u>            |       | <u>33</u>            |       |
| Total Past Due | 13                   | 72.2% | 30                   | 90.9% |

The first table above also includes loans in forbearance due to the COVID Pandemic. The 60+ day delinquency rate as of June 30, 2023, 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, 2023 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).

**MINNESOTA HOUSING FINANCE AGENCY**  
**A Component Unit of the State of Minnesota**  
**Management’s Discussion and Analysis of Financial Condition**  
**and Results of Operations (continued – unaudited)**

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

**Homeownership (MP 2<sup>nd</sup>) Loan Portfolio Delinquency**  
Actual Loan Count

|                | June 30, 2023 |       | June 30, 2022 |       |
|----------------|---------------|-------|---------------|-------|
| Current        | 8,106         | 94.9% | 7,505         | 95.0% |
| 60-89 Days     | 94            | 1.1%  | 68            | 0.9%  |
| 90-119 Days    | 41            | 0.5%  | 33            | 0.4%  |
| 120+ Days      | 298           | 3.5%  | 291           | 3.7%  |
| Total Count    | 8,539         |       | 7,897         |       |
| Total Past Due | 433           | 5.1%  | 392           | 5.0%  |

**Homeownership (MP 2<sup>nd</sup>) Loan Portfolio Delinquency (In Forbearance)**  
Actual Loan Count

|                | June 30, 2023 |       | June 30, 2022 |        |
|----------------|---------------|-------|---------------|--------|
| Current        | 21            | 23.3% | 0             | 0.0%   |
| 60-89 Days     | 6             | 6.7%  | 15            | 12.1%  |
| 90-119 Days    | 3             | 3.3%  | 16            | 12.9%  |
| 120+ Days      | 60            | 66.7% | 93            | 75.0%  |
| Total Count    | 90            |       | 124           |        |
| Total Past Due | 69            | 76.7% | 124           | 100.0% |

The first table above also includes loans in forbearance due to the COVID Pandemic. The MP 2<sup>nd</sup> 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, 2023 |       | June 30, 2022 |       |
|----------------|---------------|-------|---------------|-------|
| Current        | 4,978         | 98.1% | 4,723         | 97.8% |
| 60-89 Days     | 6             | 0.1%  | 13            | 0.3%  |
| 90-119 Days    | 3             | 0.1%  | 10            | 0.2%  |
| 120+ Days      | 90            | 1.8%  | 85            | 1.8%  |
| Total Count    | 5,077         |       | 4,831         |       |
| Total Past Due | 99            | 1.9%  | 108           | 2.2%  |

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, was \$0.1 million at June 30, 2023 no change from prior year.

Over 52% of the principal amount of multifamily first mortgage loans receivable held in Rental Housing, and 62% of the principal amount of multifamily first mortgage loans receivable held in Residential Housing Finance, are insured by the

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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 (continued – unaudited)**

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

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 28.1% to \$1.0 million at June 30, 2023.

While the delinquency rates and foreclosures in the Agency's loan portfolio remained above historical norms during fiscal year 2023, the combined net total of FHA/VA insurance claims and real estate owned remains immaterial compared to total loans receivable at June 30, 2023, being less than 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 was \$16.3 million at June 30, 2023.

Bonds payable is the largest single category of liabilities, resulting primarily from debt issued to fund housing-related lending. Bonds payable increased 8.8% to \$3,781.9 million at June 30, 2023 because new bond issuance related to lending activities outpaced scheduled redemptions and early bond redemptions of existing debt.

The companion category of interest payable increased 47.8% to \$41.5 million at June 30, 2023, largely due to a increase in the amount of outstanding debt and higher market interest rates.

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 certain capital expenditures. Funds held for others in General Reserve, Pool 2 and HOMES<sup>SM</sup> increased 5.7% in fiscal year 2023 to \$74.4 million at June 30, 2023.

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, 2023, the Net Pension Liability and OPEB increased to \$13.4 million, the Deferred Pension Expense decreased by \$1.7 million to \$10.7 million, and the Deferred Pension Credit decreased by \$18.3 million to \$4.5 million. This decrease 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 \$5.6 million to the net position.

Accounts payable and other liabilities increased to \$98.0 million at June 30, 2023.

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 increased 59.0% to a loss of \$99.1 million. Revenues over expenses excluding unrealized gains and losses decreased 1.0% to a gain of \$52.4 million for fiscal year 2023. Unrealized gains and losses are the result of mark to market increases and decreases, and due to the changes in market values in fiscal year 2023 revenues over expenses in the General Reserve and bond funds increased.

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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 (continued – unaudited)**

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**General Reserve and Bond Funds Revenues over Expenses (continued)**

Total revenues increased 162.1% to \$72.7 million. Revenue excluding unrealized gains and losses on investments increased 26.1% to \$224.2 million. The largest impacts on the increase in revenues was due to the mark to market swing in unrealized gains and losses and increased interest revenue on mortgage-backed securities.

Total expenses increased 37.5% to \$171.7 million. The majority of the increase is the result of growing interest expense increases due to higher market interest rates and pension adjustments.

The largest revenue component, interest earned on MBS and investments increased 40.7% to \$128.2 million. This is primarily due to higher market interest rates in fiscal year 2023. Loan interest revenue increased 4.2% to \$37.1 million as repayments and prepayments decreased the size of the homeownership loan portfolio, interest rates increased in the overall portfolio. Administrative reimbursements to General Reserve from bond funds were \$34.9 million in fiscal year 2023 compared to \$31.2 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 \$7.3 million from the State and Federal Appropriated funds to recover certain overhead expenses incurred during fiscal year 2023 compared to \$2.6 million during the prior fiscal year.

Other fee income to General Reserve and bond funds of \$21.6 million increased by \$3.7 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 \$2.2 million a increase of \$0.2 million over prior fiscal year. Components of the net gain, in addition to the gain or loss on the security itself, include the cost of hedging activities that seek to minimize interest rate risk through forward sale contracts, certain trustee fees, and service release premiums.

Unrealized loss on investment securities for fiscal year 2023 are \$151.5 million compared to \$294.8 million of unrealized losses for fiscal year 2022. The unrealized gains or losses arise due to the changes in fair value and mark-to-market in accordance with GASB Statement 31. The fair value adjustments are booked quarterly and fluctuate based on market conditions. Of these unrealized gains or losses, \$315.7 million of unrealized losses are related to the program MBS portfolio pledged to bond holders for payments of debt service and \$6.3 million of unrealized losses 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 program 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 as the Agency does not plan to sell investments prior to maturity and realize gains or losses.

Interest expense increased 28.7% to \$96.5 million compared to the prior fiscal year as a result of higher interest rates impacting new bond issues.

Financing costs increased 129.4% to \$3.1 million, this is primarily related to hedge gains in prior year.

Expenses for loan administration and trustee fees in the bond funds was stable at \$3.3 million for current fiscal year. Of the total administrative reimbursement revenue in General Reserve of \$34.9 million, the interfund charge to the bond funds and State Appropriated fund of \$33.4 million was eliminated for purposes of financial reporting in the Agency-wide financial statements.

Salaries and benefits in General Reserve of \$29.2 million increased 65.3% 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 was \$8.6 million, no change from prior year.

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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 (continued – unaudited)**

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**General Reserve and Bond Funds Revenues over Expenses (continued)**

Reductions in carrying value of certain low interest rate deferred loans in the bond funds decreased from \$1.0 million to \$0.1 million.

The provision for loan loss expense in the bond funds increased from \$1.4 million to \$3.2 million.

The provision for loan loss expense for the homeownership loan portfolio for current fiscal year is \$0.01 million and prior fiscal year was (\$0.7) million.

The provision for loan loss expense for the home improvement loan portfolio and MP 2nds was at \$0.34 million compared to prior year of \$1.15 million.

The provision for loan loss expense for the multifamily loan portfolio was \$1.13 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 2023, \$14.44 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 \$33.00 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 \$1.71 million in bond sale transfers to the Homeownership Finance and Rental Housing Funds.

Total combined net position of General Reserve and bond funds decreased 13.0% to \$660.0 million as of June 30, 2023. 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, 2023 combined balance increased 1.7% to \$517.2 million as a result of the combined appropriations received and other revenues being 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, 2023 State Appropriated fund net loans receivable increased 7.0% to \$41.3 million.

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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 (continued – unaudited)**

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

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 \$0.20 million at June 30, 2022 to \$1.3 million on June 30, 2023. Accounts payable and other liabilities represent amounts payable to program participants as of year-end. The balance of payables at June 30, 2023 was \$9.2 million compared to \$13.8 million at June 30, 2022. 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, 2023 the combined net interfund receivable was a credit of \$2.9 million.

At June 30, 2023 and June 30, 2022 the balance of funds held for others was zero.

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. The combined net position of the appropriated funds decreased from \$137.0 million as June 30, 2022, to \$59.8 million as of June 30, 2023. This decrease is predominately due to COVID emergency rental assistance disbursements from 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, 2023 was \$348.7 million. There was a decrease in restricted by law net position of \$33.4 million for fiscal year 2023. As a result of emergency rental assistance disbursements, the combined expenses exceed receipts during fiscal year 2023. The principal amount outstanding of the state appropriation-backed bonds was \$389.6 million restated as of June 30, 2022, and \$485.9 million as of June 30, 2023. 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 \$624.4 million in fiscal year 2022 to \$421.7 million in fiscal year 2023. In fiscal year 2023 the disbursement of COVID emergency assistance funds received in prior fiscal years had a major impact on our ending balance. Federal appropriations received decreased by \$250.3 million. State appropriations received increased by \$47.6 million.

The combined interest income from investments increased 1076.6% to \$15.6 million for fiscal year 2023 due to higher market interest rates.

Loan interest income from state appropriations loan assets continues to be minimal at \$1.0 million as relatively few loans bear interest.

Fees earned and other income, in the amount of \$0.8 million were recorded in the State Appropriated Fund during fiscal year 2023.

Combined unrealized losses were zero for fiscal year 2023 and fiscal year 2022. 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 increased 549.3% to \$5.7 million compared to the prior fiscal year. The Agency incurs the overhead expense

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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 (continued – unaudited)**

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**State and Federal Appropriated Funds – Revenues over Expenses (continued)**

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.

Combined appropriations disbursed decreased 46.2% to \$413.6 million compared to the prior fiscal year, reflecting state appropriations disbursed of \$48.6 million and federal appropriations disbursed of \$365.0 million. The decrease was predominately related to ending of 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 increased 35.1% to \$79.8 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 was \$1.4 million at June 30, 2023, no change from fiscal year 2022.

Combined expenses were more than combined revenue of the appropriated funds by \$76.4 million at June 30, 2023. Historically, the entire existing state restricted by law and federal appropriated funds' net position is likely to be expended for housing programs. In fiscal year 2023 and prior the disbursement of federal appropriated funds for COVID Emergency Rental Assistance had a major impact on our net position.

**Capital Assets and Significant Long Term Debt Activities**

The Agency's net capital assets balance at June 30, 2023 was \$9.549 million, as compared to \$11.344 million on June 30, 2022. Included in this amount were \$25.000 million of net depreciable assets after reduction of \$15.451 million for accumulated depreciation. The Agency added a net \$2.559 million and \$1.614 million of capital assets in Fiscal year 2023 and 2022, respectively. Refer to note 5 for table.

The principal amount of general obligation bonds and notes of the Agency that are outstanding at any time (excluding the principal amount of any refunded bonds and notes) is limited to \$5.0 billion by State statute.

Minnesota Housing issues a significant amount of bonds, having outstanding at June 30, 2023, not including state appropriation-backed bonds, long-term bonds totaling \$3,782.7 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, 2023, 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 \$485.9 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 2023 fiscal year, Minnesota Housing issued nineteen series of bonds aggregating \$713.1 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 fifteen series totaling \$853.6 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 \$104.2 million in state appropriation-backed bonds were issued in fiscal year 2023.

A total of \$340.1 million in bond principal repayments and \$95.7 million of bond-related interest expense occurred during fiscal year 2023 not including state appropriation-backed bonds. Of the total bond principal repayments, \$180.5 million were repayments made on bonds prior to the scheduled maturity date using a combination of optional and special

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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 (continued – unaudited)**

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**Capital Assets and Significant Long Term Debt Activities (continued)**

redemption provisions. A total of \$13.4 million in bond principal repayments for state appropriation-backed bonds were made in fiscal year 2023.

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 years 2022 and 2023. 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**

The Minnesota Legislature met between January 3 and May 22, 2023. The Legislature convened with the Democratic Farm Labor (DFL) Party in control of both the House and Senate and a state budget surplus forecast at \$17.5 billion.

After no new legislation with respect to the Agency's operations or programs was adopted by the Legislature in 2022, the 2023 legislative session resulted in over \$1.3 billion for new programs and existing agency programs. The funding and programmatic changes were the result of several pieces of legislation including: 1) Family Homelessness Prevention and Assistance bill, 2) Omnibus Housing Bill, 3) Capital Budget Bills and the 4) Omnibus Tax Bill.

1) Family Homelessness Prevention and Assistance Program Bill

Chapter 20 appropriates \$50 million for the Family Homelessness Prevention and Assistance program administered by the Agency. An initial amount of these funds was provided to local administrators to provide homelessness prevention resources, including emergency rental assistance, throughout the state.

2) Omnibus Housing Budget Bill

Chapter 37 appropriates \$1.065 billion to the Agency for State Fiscal Year (SFY) 2024-25 for existing Agency programs and over 15 new programs and activities. The base funding for agency programs in the bill for SFY 26-27 is \$166 million. For context, the Agency typically receives around \$115 million every two years for state appropriated programs funded in the omnibus housing budget bill.

A few of the larger appropriations by housing policy area include:

- New Construction and Preservation
  - \$200 million in cash appropriations for Housing Infrastructure program. This program is typically financed by state-appropriated-backed Housing Infrastructure Bonds authorized by the Legislature and issued by the Agency.
  - \$121 million for Economic Development and Housing Challenge program for both homeownership and rental housing needs

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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 (continued – unaudited)**

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**State Legislative Actions that May Impact Financial Conditions and/or Operations (continued)**

- \$90 million for a new, one-time Community Stabilization program to address naturally occurring affordable housing
- Housing Stability
  - \$65 million for the Family Homelessness and Assistance Program (in addition to Chapter 20)
  - \$46 million for a new rental assistance program (in addition to amounts dedicated to this new program funded through a new metro area sales tax)
- Supporting and Strengthening Homeownership
  - \$102 million to support Agency down payment assistance programs including \$50 million for a new first-generation homebuyer program
  - \$100 million to community development financial institutions (CDFI) for first-generation homebuyer grants
- Other housing investments:
  - \$50 million for a new, one-time Stable Housing Organizational Relief Program for non-profit housing owners.

In addition to the state appropriations, the law also creates a new .25% metro area sales tax. Twenty-five percent of those new state taxes will be transferred to the agency to finance a portion of the new rental assistance program. That amount of revenues estimated for the new rental assistance program is \$77 million. This is in addition to the \$1.065 billion appropriated to the agency which includes \$46 million for the new rental assistance program.

3) Capital Budget Bills

Chapter 71 and Chapter 72 provide an additional \$76 million for capital resources to the agency for SFY 2024. Collectively, these Chapters represent the Bonding/Capital Improvement Bill for the 2023 legislative Session since no bill was passed in the 2022 legislative Session.

- Chapter 71 appropriates cash for two programs including \$30.1 million for Publicly Owned Housing Program (POHP) and \$1 million for a grant to the City of Minneapolis.
- Chapter 72 appropriates State General Obligation bond proceeds for two programs including \$41.9 million for Publicly Owned Housing Program (POHP) and \$3 million for a new Greater Minnesota Housing Infrastructure program.

Both the POHP program and the new Greater Minnesota Housing Infrastructure program were funded in Chapter 37 with \$15 million and \$5 million respectively.

4) Omnibus Tax Bill

Chapter 64 provides an additional \$44.5 million to the Agency for two programs. The legislation appropriates \$40 million for the Workforce and Affordable Homeownership program. This program was also funded in Chapter 37 with \$20 million. The legislation also creates a new \$4.5 million grant program to cities in Greater Minnesota with a population less than 10,000 residents.

A summary of all the budget initiatives and highlights of policy changes can be found here - <https://www.mnhousing.gov/policy-and-research/legislative-budget.html>

**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, 2023 (with comparative totals as of June 30, 2022)**

|   | Agency wide<br>Total as of<br>June 30, 2023 | Agency wide<br>Total as of<br>June 30, 2022<br>(as restated) |
|---|---|--|
| <b>Current Assets</b>   |   |  |
| Cash and cash equivalents   | \$ 802,691                                  | \$1,036,900  |
| Investments-program mortgage-backed securities                            | 66,698                                      | 60,291   |
| Investment securities-other   | 79,286                                      | 9,287  |
| Loans receivable, net   | 64,410                                      | 61,300   |
| Interest receivable on loans and program mortgage-backed securities       | 14,326                                      | 11,962   |
| Interest receivable on investments  | 3,329                                       | 1,370  |
| Federal Housing Administration/Veterans Affairs insurance claims, net     | 108   | 109  |
| Real estate owned, net  | 972   | 759  |
| Other assets  | 4,369                                       | 4,538  |
| <b>Total current assets</b>   | <b>1,036,189</b>                            | <b>1,186,516</b>   |
| <b>Noncurrent Assets</b>  |   |  |
| Investments-program mortgage-backed securities                            | 3,110,278                                   | 2,744,134  |
| Investment securities-other   | 121,853                                     | 168,159  |
| Loans receivable, net   | 975,381                                     | 893,433  |
| Interest rate swap agreements   | 32,228                                      | 15,792   |
| Capital assets, net   | 9,549                                       | 11,344   |
| Other assets  | 630   | 630  |
| <b>Total noncurrent assets</b>  | <b>4,249,919</b>                            | <b>3,833,492</b>   |
| Deferred loss on refunding  | -   | 1  |
| Deferred loss on interest rate swap agreements                            | 479   | -  |
| Deferred pension and other post-employment benefits (OPEB) expense        | 10,792                                      | 12,397   |
| <b>Total deferred outflows of resources</b>                               | <b>11,271</b>                               | <b>12,398</b>  |
| <b>Total assets and deferred outflows of resources</b>                    | <b>\$5,297,379</b>                          | <b>\$5,032,406</b>   |
| <b>Current Liabilities</b>  |   |  |
| Bonds payable, net, current   | \$ 176,992                                  | \$ 284,960   |
| Interest payable  | 49,412                                      | 34,074   |
| Accounts payable and other liabilities                                    | 33,993                                      | 28,649   |
| Interfund payable (receivable)  | -   | -  |
| Funds held for others   | 13,780                                      | 15,376   |
| Lease Liability, net  | 1,334                                       | 1,262  |
| Subscription Liability, net   | 778   | 735  |
| <b>Total current liabilities</b>  | <b>276,289</b>                              | <b>365,056</b>   |
| <b>Noncurrent Liabilities</b>   |   |  |
| Bonds payable, net, noncurrent  | 4,090,786                                   | 3,580,892  |
| Interest rate swap agreements   | 479   | -  |
| Net pension liability and OPEB  | 13,428                                      | 2,423  |
| Accounts payable and other liabilities                                    | 73,052                                      | 66,101   |
| Funds held for others   | 60,614                                      | 55,012   |
| Lease liability, net  | 4,926                                       | 6,261  |
| Subscription liability, net   | 1,890                                       | 2,532  |
| <b>Total noncurrent liabilities</b>                                       | <b>4,245,175</b>                            | <b>3,713,221</b>   |
| Deferred gain on interest rate swap agreements                            | 32,228                                      | 15,792   |
| Deferred service release fee  | 19,296                                      | 19,785   |
| Deferred pension and OPEB credit  | 4,634                                       | 22,813   |
| <b>Total deferred inflows of resources</b>                                | <b>56,158</b>                               | <b>58,390</b>  |
| <b>Total liabilities and deferred inflows of resources</b>                | <b>\$4,577,622</b>                          | <b>\$4,136,667</b>   |
| Restricted by bond resolution   | 513,008                                     | 203,444  |
| Restricted by covenant  | 558,741                                     | 554,491  |
| Restricted by law   | 360,072                                     | 382,148  |
| Unrestricted - State Appropriation-backed Debt                            | (288,924)                                   | (245,138)  |
| Unrestricted  | (423,930)                                   | -  |
| Net Investment in capital assets  | 790   | 794  |
| <b>Total net position</b>   | <b>719,757</b>                              | <b>895,739</b>   |
| <b>Total liabilities, deferred inflows of resources, and net position</b> | <b>\$5,297,379</b>                          | <b>\$5,032,406</b>   |

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, 2023 (with comparative totals for year ended June 30, 2022)**

|   | <b>Agency-wide<br/>Total for<br/>Year Ended<br/>June 30, 2023</b> | <b>Agency-wide<br/>Total for<br/>Year Ended<br/>June 30, 2022<br/>(as restated)</b> |
|---|---|---|
| <b>Operating Revenues</b>   |   |   |
| Interest earned on loans  | \$ 38,126   | \$ 36,750   |
| Interest earned on investments-program mortgage-backed securities       | 107,963   | 81,674  |
| Interest earned on investments-other                                    | 35,836  | 10,761  |
| Net gain on Sale of MBS* held for sale/HOMES** Certificates             | 2,229   | 2,016   |
| Appropriations received and appropriations recoveries                   | 421,674   | 624,436   |
| Administrative reimbursement  | 1,583   | 1,789   |
| Fees earned and other income  | 22,387  | 18,404  |
| Unrealized loss on investments  | (151,498)   | (294,763)   |
| <b>Total operating revenues</b>   | <b>478,300</b>  | <b>481,067</b>  |
| <b>Operating Expenses</b>   |   |   |
| Interest  | 109,798   | 84,361  |
| Financing, net  | 3,817   | (9,950)   |
| Loan administration and trustee fees                                    | 3,420   | 3,183   |
| Salaries and benefits   | 29,219  | 17,676  |
| Other general operating   | 10,331  | 10,331  |
| Appropriations disbursed  | 413,608   | 769,030   |
| Reduction in carrying value of certain low interest rate deferred loans | 79,928  | 60,079  |
| Provision for loan losses   | 3,602   | 1,521   |
| <b>Total operating expenses</b>   | <b>653,723</b>  | <b>936,231</b>  |
| <b>Operating Income (loss)</b>  | <b>(175,423)</b>  | <b>(455,164)</b>  |
| Non-operating transfers between funds                                   | -   | (1,140)   |
| Non-operating expenses  | (559)   | (898)   |
| <b>Change in net position</b>   | <b>(175,982)</b>  | <b>(457,202)</b>  |
| <b>Total net position, beginning of period</b>                          | <b>895,739</b>  | <b>1,352,941</b>  |
| <b>Total net position, end of year</b>                                  | <b>\$ 719,757</b>   | <b>\$ 895,739</b>   |

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, 2023 (with comparative totals for year ended June 30, 2022)**

|   | <b>Bond Funds</b>      |                       |                                    |
|---|------------------------|-----------------------|------------------------------------|
|   | <b>General Reserve</b> | <b>Rental Housing</b> | <b>Residential Housing Finance</b> |
| <b>Current assets</b>   |                        |                       |                                    |
| Cash and cash equivalents   | \$ 77,463              | \$ 42,831             | \$ 172,038                         |
| Investments-program mortgage-backed securities                        | -                      | -                     | 42,634                             |
| Investment securities-other   | 24,830                 | 3,620                 | 1,544                              |
| Loans receivable, net   | -                      | 16,897                | 45,693                             |
| Interest receivable on loans and program mortgage-backed securities   | -                      | 715                   | 10,401                             |
| Interest receivable on investments                                    | 282                    | 219                   | 1,333                              |
| Federal Housing Administration/Veterans Affairs insurance claims, net | -                      | -                     | 108                                |
| Real estate owned, net  | -                      | -                     | 972                                |
| Other assets  | 3,906                  | 44                    | 269                                |
| <b>Total current assets</b>   | <b>106,481</b>         | <b>64,326</b>         | <b>274,992</b>                     |
| <b>Noncurrent assets</b>  |                        |                       |                                    |
| Investments-program mortgage-backed securities                        | -                      | -                     | 2,185,468                          |
| Investment securities-other   | -                      | 14,643                | 99,108                             |
| Loans receivable, net   | -                      | 165,377               | 757,651                            |
| Interest rate swap agreements   | -                      | -                     | 32,228                             |
| Capital assets, net   | 7,050                  | -                     | 2,273                              |
| Other assets  | -                      | -                     | 630                                |
| <b>Total noncurrent assets</b>  | <b>7,050</b>           | <b>180,020</b>        | <b>3,077,358</b>                   |
| <b>Total assets</b>   | <b>113,531</b>         | <b>244,346</b>        | <b>3,352,350</b>                   |
| Deferred loss on refunding  | -                      | -                     | -                                  |
| Deferred loss on interest rate swap agreements                        | -                      | -                     | 479                                |
| Deferred pension and OPEB expense                                     | 10,792                 | -                     | -                                  |
| <b>Total deferred outflows of resources</b>                           | <b>10,792</b>          | <b>-</b>              | <b>479</b>                         |
| <b>Total assets and deferred outflows of resources</b>                | <b>124,323</b>         | <b>244,346</b>        | <b>3,352,829</b>                   |
| <b>Current liabilities</b>  |                        |                       |                                    |
| Bonds payable, net  | -                      | 13,430                | 134,145                            |
| Interest payable  | -                      | 655                   | 38,516                             |
| Accounts payable and other liabilities                                | 5,569                  | 16,701                | 2,507                              |
| Interfund payable (receivable)  | 8,952                  | (17,133)              | 11,091                             |
| Funds held for others   | 13,780                 | -                     | -                                  |
| Lease liability, net  | 1,334                  | -                     | -                                  |
| Subscription liability, net   | -                      | -                     | 397                                |
| <b>Total current liabilities</b>                                      | <b>29,635</b>          | <b>13,653</b>         | <b>186,656</b>                     |
| <b>Noncurrent liabilities</b>   |                        |                       |                                    |
| Bonds payable, net  | -                      | 56,295                | 2,531,792                          |
| Interest rate swap agreements   | -                      | -                     | 479                                |
| Net pension and OPEB liability  | 13,428                 | -                     | -                                  |
| Accounts payable and other liabilities                                | 1,158                  | 13,837                | 58,057                             |
| Funds held for others   | 61,052                 | -                     | -                                  |
| Lease liability, net  | 4,926                  | -                     | -                                  |
| Subscription liability, net   | -                      | -                     | 1,890                              |
| <b>Total noncurrent liabilities</b>                                   | <b>80,564</b>          | <b>70,132</b>         | <b>2,592,218</b>                   |
| <b>Total liabilities</b>  | <b>110,199</b>         | <b>83,785</b>         | <b>2,778,874</b>                   |
| Deferred gain on interest rate swap agreements                        | -                      | -                     | 32,228                             |
| Deferred service release fee  | -                      | -                     | 13,770                             |
| Deferred pension and OPEB credit                                      | 4,634                  | -                     | -                                  |
| <b>Total deferred inflows of resources</b>                            | <b>4,634</b>           | <b>-</b>              | <b>45,998</b>                      |
| <b>Total liabilities and deferred inflows of resources</b>            | <b>114,833</b>         | <b>83,785</b>         | <b>2,824,872</b>                   |
| Restricted by bond resolution   | -                      | 160,864               | 284,052                            |
| Restricted by covenant  | 8,700                  | -                     | 550,041                            |
| Restricted by law   | -                      | -                     | -                                  |
| Unrestricted - State Appropriation-backed Debt                        | -                      | -                     | -                                  |
| Unrestricted  | -                      | (303)                 | (306,136)                          |
| Net Investment in capital assets                                      | 790                    | -                     | -                                  |
| <b>Total net position</b>   | <b>\$ 9,490</b>        | <b>\$160,561</b>      | <b>\$ 527,957</b>                  |

See accompanying notes to financial statements

| Bond Funds               |                        |                     | Appropriated Funds    |                         |                              | Total as of<br>June 30, 2022<br>(as restated) |
|--------------------------|------------------------|---------------------|-----------------------|-------------------------|------------------------------|---|
| Homeownership<br>Finance | Multifamily<br>Housing | HOMES <sup>SM</sup> | State<br>Appropriated | Federal<br>Appropriated | Total as of<br>June 30, 2023 | Total as of<br>June 30, 2022<br>(as restated) |
| \$ 40,310                | \$ 1,935               | \$ -                | \$ 335,112            | \$133,002               | \$ 802,691                   | \$1,036,900                                   |
| 24,064                   | -                      | -                   | -                     | -                       | 66,698                       | 60,291  |
| 44                       | -                      | 155                 | 49,093                | -                       | 79,286                       | 9,287   |
| -                        | 239                    | -                   | 1,581                 | -                       | 64,410                       | 61,300  |
| 3,143                    | 47                     | -                   | 20                    | -                       | 14,326                       | 11,962  |
| 133                      | 8                      | 12                  | 1,324                 | 18                      | 3,329                        | 1,370   |
| -                        | -                      | -                   | -                     | -                       | 108                          | 109   |
| -                        | -                      | -                   | -                     | -                       | 972                          | 759   |
| 1                        | 1                      | -                   | -                     | 148                     | 4,369                        | 4,538   |
| 67,695                   | 2,230                  | 167                 | 387,130               | 133,168                 | 1,036,189                    | 1,186,516                                     |
| 924,810                  | -                      | -                   | -                     | -                       | 3,110,278                    | 2,744,134                                     |
| 3,943                    | -                      | 4,159               | -                     | -                       | 121,853                      | 168,159                                       |
| -                        | 12,654                 | -                   | 39,699                | -                       | 975,381                      | 893,433                                       |
| -                        | -                      | -                   | -                     | -                       | 32,228                       | 15,792  |
| -                        | -                      | -                   | -                     | 226                     | 9,549                        | 11,344  |
| -                        | -                      | -                   | -                     | -                       | 630                          | 630   |
| 928,753                  | 12,654                 | 4,159               | 39,699                | 226                     | 4,249,919                    | 3,833,492                                     |
| 996,448                  | 14,884                 | 4,326               | 426,829               | 133,394                 | 5,286,108                    | 5,020,008                                     |
| -                        | -                      | -                   | -                     | -                       | -                            | 1   |
| -                        | -                      | -                   | -                     | -                       | 479                          | -   |
| -                        | -                      | -                   | -                     | -                       | 10,792                       | 12,397  |
| -                        | -                      | -                   | -                     | -                       | 11,271                       | 12,398  |
| 996,448                  | 14,884                 | 4,326               | 426,829               | 133,394                 | 5,297,379                    | 5,032,406                                     |
| 8,095                    | 240                    | -                   | 21,082                | -                       | 176,992                      | 284,960                                       |
| 2,311                    | 31                     | 12                  | 7,887                 | -                       | 49,412                       | 34,074  |
| 58                       | -                      | -                   | 4,079                 | 5,079                   | 33,993                       | 28,649  |
| -                        | -                      | -                   | (3,374)               | 464                     | -                            | -   |
| -                        | -                      | -                   | -                     | -                       | 13,780                       | 15,376  |
| -                        | -                      | -                   | -                     | -                       | 1,334                        | 1,262   |
| -                        | -                      | -                   | -                     | 381                     | 778                          | 735   |
| 10,464                   | 271                    | 12                  | 29,674                | 5,924                   | 276,289                      | 365,056                                       |
| 1,020,839                | 12,280                 | 4,760               | 464,820               | -                       | 4,090,786                    | 3,580,892                                     |
| -                        | -                      | -                   | -                     | -                       | 479                          | -   |
| -                        | -                      | -                   | -                     | -                       | 13,428                       | 2,423   |
| -                        | -                      | -                   | -                     | -                       | 73,052                       | 66,101  |
| -                        | -                      | (446)               | -                     | 8                       | 60,614                       | 55,012  |
| -                        | -                      | -                   | -                     | -                       | 4,926                        | 6,261   |
| -                        | -                      | -                   | -                     | -                       | 1,890                        | 2,532   |
| 1,020,839                | 12,280                 | 4,314               | 464,820               | 8                       | 4,245,175                    | 3,713,221                                     |
| 1,031,303                | 12,551                 | 4,326               | 494,494               | 5,932                   | 4,521,464                    | 4,078,277                                     |
| -                        | -                      | -                   | -                     | -                       | 32,228                       | 15,792  |
| 5,526                    | -                      | -                   | -                     | -                       | 19,296                       | 19,785  |
| -                        | -                      | -                   | -                     | -                       | 4,634                        | 22,813  |
| 5,526                    | -                      | -                   | -                     | -                       | 56,158                       | 58,390  |
| 1,036,829                | 12,551                 | 4,326               | 494,494               | 5,932                   | 4,577,622                    | 4,136,667                                     |
| 65,759                   | 2,333                  | -                   | -                     | -                       | 513,008                      | 203,444                                       |
| -                        | -                      | -                   | -                     | -                       | 558,741                      | 554,491                                       |
| -                        | -                      | -                   | 231,776               | 128,296                 | 360,072                      | 382,148                                       |
| -                        | -                      | -                   | (288,924)             | -                       | (288,924)                    | (245,138)                                     |
| (106,140)                | -                      | -                   | (10,517)              | (834)                   | (423,930)                    | -   |
| -                        | -                      | -                   | -                     | -                       | 790                          | 794   |
| \$ (40,381)              | \$ 2,333               | \$ -                | \$ (67,665)           | \$127,462               | \$ 719,757                   | \$ 895,739                                    |

**MINNESOTA HOUSING FINANCE AGENCY**  
**A Component Unit of the State of Minnesota**  
**Fund Financial Statements**  
**Statement of Revenues, Expenses and Changes in Net Position (in thousands)**  
**Proprietary Funds**  
**Year ended June 30, 2023 (with comparative totals for year ended June 30, 2022)**

|   | <b>Bond Funds</b>      |                       |                                    |
|---|------------------------|-----------------------|------------------------------------|
|   | <b>General Reserve</b> | <b>Rental Housing</b> | <b>Residential Housing Finance</b> |
| <b>Operating Revenues</b>   |                        |                       |                                    |
| Interest earned on loans  | \$ -                   | \$ 7,784              | \$ 28,794                          |
| Interest earned on investments-program mortgage-backed securities       | -                      | -                     | 71,496                             |
| Interest earned on investments-other                                    | 823                    | 1,840                 | 16,149                             |
| Net gain on sale of MBS held for sale/HOMES certificates                | -                      | -                     | 2,229                              |
| Appropriations received and appropriation recoveries                    | -                      | -                     | -                                  |
| Administrative reimbursement  | 34,949                 | -                     | -                                  |
| Fees earned and other income  | 14,901                 | 38                    | 5,176                              |
| Unrealized losses on investments  | -                      | (929)                 | (105,533)                          |
| <b>Total operating revenues</b>   | <b>50,673</b>          | <b>8,733</b>          | <b>18,311</b>                      |
| <b>Operating Expenses</b>   |                        |                       |                                    |
| Interest  | 359                    | 1,209                 | 66,100                             |
| Financing, net  | -                      | 10                    | 3,377                              |
| Loan administration and trustee fees                                    | -                      | 56                    | 2,840                              |
| Administrative reimbursement  | -                      | 1,330                 | 19,407                             |
| Salaries and benefits   | 29,219                 | -                     | -                                  |
| Other general operating   | 5,574                  | 7                     | 2,945                              |
| Appropriations disbursed  | -                      | -                     | -                                  |
| Reduction in carrying value of certain low interest rate deferred loans | -                      | -                     | 123                                |
| Provision for loan losses   | -                      | 447                   | 2,803                              |
| <b>Total operating expenses</b>   | <b>35,152</b>          | <b>3,059</b>          | <b>97,595</b>                      |
| <b>Operating income (loss)</b>  | <b>15,521</b>          | <b>5,674</b>          | <b>(79,284)</b>                    |
| Non-operating transfer of assets between funds                          | (14,363)               | 190                   | 13,307                             |
| Non-operating expenses  | (559)                  | -                     | -                                  |
| <b>Change in net position</b>   | <b>599</b>             | <b>5,864</b>          | <b>(65,977)</b>                    |
| <b>Total net position, beginning of year</b>                            | <b>8,891</b>           | <b>154,697</b>        | <b>593,934</b>                     |
| <b>Total net position, end of year</b>                                  | <b>\$ 9,490</b>        | <b>\$160,561</b>      | <b>\$ 527,957</b>                  |

See accompanying notes to financial statements

| Bond Funds               |                        |                     | Appropriated Funds    |                         | Total for the<br>Year Ended<br>June 30, 2023 | Year Ended<br>June 30, 2022<br>(as restated) |
|--------------------------|------------------------|---------------------|-----------------------|-------------------------|--|--|
| Homeownership<br>Finance | Multifamily<br>Housing | HOMES <sup>SM</sup> | State<br>Appropriated | Federal<br>Appropriated |  |  |
| \$ -                     | \$ 571                 | \$ -                | \$ 977                | \$ -                    | \$ 38,126                                    | \$ 36,750                                    |
| 36,467                   | -                      | -                   | -                     | -                       | 107,963                                      | 81,674                                       |
| 1,227                    | 66                     | 165                 | 13,681                | 1,885                   | 35,836                                       | 10,761                                       |
| -                        | -                      | -                   | -                     | -                       | 2,229  | 2,016  |
| -                        | -                      | -                   | 136,408               | 285,266                 | 421,674                                      | 624,436                                      |
| -                        | -                      | -                   | -                     | -                       | 34,949                                       | 31,161                                       |
| 1,485                    | -                      | -                   | 787                   | -                       | 22,387                                       | 18,404                                       |
| (45,036)                 | -                      | -                   | -                     | -                       | (151,498)                                    | (294,763)                                    |
| (5,857)                  | 637                    | 165                 | 151,853               | 287,151                 | 511,666                                      | 510,439                                      |
| 28,326                   | 380                    | 165                 | 13,255                | 4                       | 109,798                                      | 84,361                                       |
| (320)                    | -                      | -                   | 750                   | -                       | 3,817  | (9,950)                                      |
| 406                      | 4                      | -                   | 114                   | -                       | 3,420  | 3,183  |
| 6,832                    | 90                     | -                   | 5,707                 | -                       | 33,366                                       | 29,372                                       |
| -                        | -                      | -                   | -                     | -                       | 29,219                                       | 17,676                                       |
| 33                       | -                      | -                   | 1,472                 | 300                     | 10,331                                       | 10,331                                       |
| -                        | -                      | -                   | 48,608                | 365,000                 | 413,608                                      | 769,030                                      |
| -                        | -                      | -                   | 79,805                | -                       | 79,928                                       | 60,079                                       |
| -                        | (1)                    | -                   | 353                   | -                       | 3,602  | 1,521  |
| 35,277                   | 473                    | 165                 | 150,064               | 365,304                 | 687,089                                      | 965,603                                      |
| (41,134)                 | 164                    | -                   | 1,789                 | (78,153)                | (175,423)                                    | (455,164)                                    |
| 1,715                    | -                      | -                   | -                     | (849)                   | -  | (1,140)                                      |
| -                        | -                      | -                   | -                     | -                       | (559)  | (898)  |
| (39,419)                 | 164                    | -                   | 1,789                 | (79,002)                | (175,982)                                    | (457,202)                                    |
| (962)                    | 2,169                  | -                   | (69,454)              | 206,464                 | 895,739                                      | 1,352,941                                    |
| <u>\$ (40,381)</u>       | <u>\$ 2,333</u>        | <u>\$ -</u>         | <u>\$ (67,665)</u>    | <u>\$ 127,462</u>       | <u>\$ 719,757</u>                            | <u>\$ 895,739</u>                            |

**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, 2023 (with comparative totals for year ended June 30, 2022)**

|   | <b>Bond Funds</b>      |                       |                                    |
|---|------------------------|-----------------------|------------------------------------|
|   | <b>General Reserve</b> | <b>Rental Housing</b> | <b>Residential Housing Finance</b> |
| <b>Cash flows from operating activities:</b>                                  |                        |                       |                                    |
| Principal repayments on loans and program mortgage-backed securities          | \$ -                   | \$ 34,592             | \$ 206,991                         |
| Investment in loans/loan modifications and program mortgage-backed securities | -                      | (25,418)              | (851,917)                          |
| Interest received on loans and program mortgage-backed securities             | -                      | 7,445                 | 100,137                            |
| Fees and other income received  | 14,739                 | 36                    | 8,933                              |
| Salaries, benefits and other operating  | (39,209)               | (4)                   | (8,467)                            |
| Appropriations received   | -                      | -                     | -                                  |
| Appropriations disbursed  | -                      | -                     | -                                  |
| Administrative reimbursement from funds                                       | 33,517                 | (1,330)               | (19,407)                           |
| Deposits into funds held for others   | 37,450                 | -                     | -                                  |
| Disbursements made from funds held for others                                 | (35,810)               | -                     | -                                  |
| Interfund transfers and other assets  | 6,090                  | (17,001)              | 17,009                             |
| <b>Net cash provided (used) by operating activities</b>                       | <b>16,777</b>          | <b>(1,680)</b>        | <b>(546,721)</b>                   |
| <b>Cash flows from noncapital financing activities:</b>                       |                        |                       |                                    |
| Proceeds from sale of bonds and notes   | -                      | 43,140                | 2,338,599                          |
| Principal repayment on bonds and notes  | -                      | (22,765)              | (1,983,376)                        |
| Interest paid on bonds, notes, leases and subscriptions                       | (359)                  | (771)                 | (62,334)                           |
| Financing costs paid related to bonds issued                                  | -                      | (10)                  | (4,958)                            |
| Interest paid/received between funds  | -                      | 261                   | (261)                              |
| Agency contribution to program funds  | -                      | 190                   | (2,243)                            |
| Transfer of cash between funds  | (24,027)               | -                     | 24,027                             |
| <b>Net cash provided (used) by noncapital financing activities</b>            | <b>(24,386)</b>        | <b>20,045</b>         | <b>309,454</b>                     |
| <b>Cash flows from capital financing activities:</b>                          |                        |                       |                                    |
| Purchases of capital assets   | (2,150)                | -                     | (174)                              |
| <b>Net cash provided (used) by capital financing activities</b>               | <b>(2,150)</b>         | <b>-</b>              | <b>(174)</b>                       |
| <b>Cash flows from investing activities:</b>                                  |                        |                       |                                    |
| Investment in real estate owned   | -                      | -                     | (439)                              |
| Interest received on investments  | 2,403                  | 1,347                 | 14,774                             |
| Net gain on Sale of MBS Held for Sale and HOMES Certificates                  | -                      | -                     | 4,793                              |
| Proceeds from sale of mortgage insurance claims/real estate owned             | -                      | -                     | 3,849                              |
| Proceeds from maturity, sale or transfer of investment securities             | 25,485                 | 404                   | 971,259                            |
| Purchase of investment securities   | (49,539)               | (72)                  | (937,329)                          |
| Purchase of loans between funds   | -                      | (15,035)              | 20,550                             |
| <b>Net cash provided (used) by investing activities</b>                       | <b>(21,651)</b>        | <b>(13,356)</b>       | <b>77,457</b>                      |
| Net increase (decrease) in cash and cash equivalents                          | (31,410)               | 5,009                 | (159,984)                          |
| <b>Cash and cash equivalents:</b>   |                        |                       |                                    |
| <b>Beginning of period</b>  | <b>108,873</b>         | <b>37,822</b>         | <b>332,022</b>                     |
| <b>End of period</b>  | <b>\$ 77,463</b>       | <b>\$ 42,831</b>      | <b>\$ 172,038</b>                  |

See accompanying notes to financial statements

| Bond Funds               |                        |                     | Appropriated Funds    |                         | Total for the<br>Year Ended<br>June 30, 2023 | Year Ended<br>June 30, 2022<br>(as restated) |
|--------------------------|------------------------|---------------------|-----------------------|-------------------------|--|--|
| Homeownership<br>Finance | Multifamily<br>Housing | HOMES <sup>SM</sup> | State<br>Appropriated | Federal<br>Appropriated |  |  |
| \$ 99,854                | \$ 230                 | \$ -                | \$ 18,386             | \$ -                    | \$ 360,053                                   | \$ 770,977                                   |
| (51,476)                 | -                      | -                   | (94,483)              | -                       | (1,023,294)                                  | (1,161,961)                                  |
| 38,725                   | 572                    | -                   | 967                   | -                       | 147,846                                      | 130,549                                      |
| -                        | -                      | -                   | 787                   | -                       | 24,495                                       | 21,637                                       |
| (364)                    | (4)                    | -                   | (1,590)               | (372)                   | (50,010)                                     | (44,175)                                     |
| -                        | -                      | -                   | 136,441               | 284,556                 | 420,997                                      | 624,315                                      |
| -                        | -                      | -                   | (49,231)              | (370,403)               | (419,634)                                    | (768,747)                                    |
| (6,832)                  | (90)                   | -                   | (4,104)               | -                       | 1,754  | 1,594  |
| -                        | -                      | -                   | -                     | -                       | 37,450                                       | 36,489                                       |
| -                        | -                      | -                   | -                     | -                       | (35,810)                                     | (36,135)                                     |
| (1)                      | (1)                    | -                   | (5,471)               | 217                     | 842  | (941)  |
| 79,906                   | 707                    | -                   | 1,702                 | (86,002)                | (535,311)                                    | (426,398)                                    |
| 50,000                   | -                      | -                   | 114,452               | -                       | 2,546,191                                    | 3,337,911                                    |
| (108,041)                | (240)                  | (922)               | (13,425)              | -                       | (2,128,769)                                  | (3,127,774)                                  |
| (28,389)                 | (381)                  | (168)               | (16,034)              | (4)                     | (108,440)                                    | (95,583)                                     |
| (452)                    | -                      | -                   | (750)                 | -                       | (6,170)                                      | (9,000)                                      |
| -                        | -                      | -                   | -                     | -                       | -  | (140)  |
| 2,053                    | -                      | -                   | -                     | -                       | -  | (1,109)                                      |
| -                        | -                      | -                   | -                     | -                       | -  | -  |
| (84,829)                 | (621)                  | (1,090)             | 84,243                | (4)                     | 302,812                                      | 104,305                                      |
| -                        | -                      | -                   | -                     | (9)                     | (2,333)                                      | (5,303)                                      |
| -                        | -                      | -                   | -                     | (9)                     | (2,333)                                      | (5,303)                                      |
| -                        | -                      | -                   | -                     | -                       | (439)  | (274)  |
| 1,013                    | 59                     | 168                 | 11,040                | 1,873                   | 32,677                                       | 10,822                                       |
| -                        | -                      | -                   | -                     | -                       | 4,793  | 20,863                                       |
| -                        | -                      | -                   | -                     | -                       | 3,849  | 1,168  |
| 5,015                    | -                      | 922                 | 50,974                | -                       | 1,054,059                                    | 1,414,177                                    |
| (8,846)                  | -                      | -                   | (98,530)              | -                       | (1,094,316)                                  | (1,399,892)                                  |
| -                        | -                      | -                   | (5,515)               | -                       | -  | -  |
| (2,818)                  | 59                     | 1,090               | (42,031)              | 1,873                   | 623  | 46,864                                       |
| (7,741)                  | 145                    | -                   | 43,914                | (84,142)                | (234,209)                                    | (280,532)                                    |
| 48,051                   | 1,790                  | -                   | 291,198               | 217,144                 | 1,036,900                                    | 1,317,432                                    |
| \$ 40,310                | \$1,935                | \$ -                | \$335,112             | \$ 133,002              | \$ 802,691                                   | \$ 1,036,900                                 |

(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, 2023 (with comparative totals for year ended June 30, 2022)**

|   | <b>Bond Funds</b>      |                       |                                    |
|---|------------------------|-----------------------|------------------------------------|
|   | <b>General Reserve</b> | <b>Rental Housing</b> | <b>Residential Housing Finance</b> |
| <b>Reconciliation of revenue over (under) expenses to net cash by operating activities</b>                                |                        |                       |                                    |
| <b>Revenues over (under) expenses</b>   | \$ 15,521              | \$ 5,674              | \$ (79,284)                        |
| 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                                       | -                      | (209)                 | 2,896                              |
| Amortization of proportionate share-Pension   | 166                    | -                     | -                                  |
| Depreciation  | 3,417                  | -                     | 411                                |
| Gain (loss) on sale of MBS held for sale and HOMES Certificates   | -                      | -                     | (2,229)                            |
| Realized losses (gains) on sale of securities, net  | -                      | 5                     | 4                                  |
| Unrealized losses on securities, net  | -                      | 929                   | 105,533                            |
| Salaries and Benefits-Pensions  | (6,294)                | -                     | -                                  |
| Provision for loan losses   | -                      | 447                   | 2,803                              |
| Reduction in carrying value of certain low interest rate and/or deferred loans  | -                      | -                     | 123                                |
| Capitalized interest on loans and real estate owned   | -                      | -                     | (751)                              |
| Interest earned on investments  | (823)                  | (1,845)               | (16,151)                           |
| Interest expense on bonds and notes and leases  | 359                    | 1,209                 | 66,100                             |
| Financing expense on bonds  | -                      | 10                    | 3,377                              |
| (Increase) in appropriated disbursed  | -                      | -                     | -                                  |
| Changes in assets and liabilities:  | -                      | -                     | -                                  |
| Decrease (increase) in loans receivable and program mortgage-backed securities, excluding loans transferred between funds | -                      | 9,174                 | (644,926)                          |
| Decrease (increase) in interest receivable on loans   | -                      | (130)                 | (2,298)                            |
| Increase (decrease) in arbitrage rebate liability   | -                      | -                     | (2)                                |
| Increase (decrease) in accounts payable   | (1,705)                | 57                    | 881                                |
| Increase (decrease) in interfund payable, affecting operating activities only   | 4,039                  | (17,000)              | 16,783                             |
| Increase (decrease) in funds held for others  | 1,640                  | -                     | -                                  |
| Other   | 457                    | (1)                   | 9                                  |
| <b>Total</b>  | <b>1,256</b>           | <b>(7,354)</b>        | <b>(467,437)</b>                   |
| <b>Net cash provided (used) by operating activities</b>   | <b>\$ 16,777</b>       | <b>\$ (1,680)</b>     | <b>\$ (546,721)</b>                |

See accompanying notes to financial statements

| Bond Funds               |                        |                     | Appropriated Funds    |                         | Total for the<br>Year Ended<br>June 30, 2023 | Year Ended<br>June 30, 2022<br>(as restated) |
|--------------------------|------------------------|---------------------|-----------------------|-------------------------|--|--|
| Homeownership<br>Finance | Multifamily<br>Housing | HOMES <sup>SM</sup> | State<br>Appropriated | Federal<br>Appropriated |  |  |
| \$ (41,134)              | \$ 164                 | \$ -                | \$ 1,789              | \$(78,153)              | \$(175,423)                                  | \$(455,164)                                  |
| 2,185                    | -                      | -                   | -                     | -                       | 4,872  | 12,605                                       |
| -                        | -                      | -                   | -                     | -                       | 166  | 167  |
| -                        | -                      | -                   | -                     | 300                     | 4,128  | 4,470  |
| -                        | -                      | -                   | -                     | -                       | (2,229)                                      | (2,016)                                      |
| -                        | -                      | -                   | -                     | -                       | 9  | (138)  |
| 45,036                   | -                      | -                   | -                     | -                       | 151,498                                      | 294,763                                      |
| -                        | -                      | -                   | -                     | -                       | (6,294)                                      | (15,341)                                     |
| -                        | (1)                    | -                   | 353                   | -                       | 3,602  | 1,521  |
| -                        | -                      | -                   | 79,805                | -                       | 79,928                                       | 60,079                                       |
| -                        | -                      | -                   | -                     | -                       | (751)  | (869)  |
| (1,227)                  | (66)                   | (165)               | (13,681)              | (1,885)                 | (35,843)                                     | (10,623)                                     |
| 28,326                   | 380                    | 165                 | 13,255                | 4                       | 109,798                                      | 84,361                                       |
| (320)                    | -                      | -                   | 750                   | -                       | 3,817  | (9,925)                                      |
| -                        | -                      | -                   | -                     | (849)                   | (849)  | (224)  |
| -                        | -                      | -                   | -                     | -                       | -  | -  |
| 48,378                   | 230                    | -                   | (76,097)              | -                       | (663,241)                                    | (390,984)                                    |
| 73                       | 1                      | -                   | (10)                  | -                       | (2,364)                                      | 389  |
| -                        | -                      | -                   | -                     | -                       | (2)  | -  |
| (1,410)                  | -                      | -                   | (627)                 | (5,604)                 | (8,408)                                      | 821  |
| -                        | -                      | -                   | (3,868)               | 46                      | -  | (801)  |
| -                        | -                      | -                   | -                     | -                       | 1,640  | 354  |
| (1)                      | (1)                    | -                   | 33                    | 139                     | 635  | 157  |
| 121,040                  | 543                    | -                   | (87)                  | (7,849)                 | (359,888)                                    | 28,766                                       |
| <u>\$ 79,906</u>         | <u>\$ 707</u>          | <u>\$ -</u>         | <u>\$ 1,702</u>       | <u>\$(86,002)</u>       | <u>\$(535,311)</u>                           | <u>\$(426,398)</u>                           |

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**MINNESOTA HOUSING FINANCE AGENCY**  
**A Component Unit of the State of Minnesota**  
**Index to Notes to the Financial Statements**  
**Year ended June 30, 2023**

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|   |    |
|---|----|
| Note 1 – Nature of Business and Fund Structure .....  | 35 |
| Note 2 – Summary of Significant Accounting and Reporting Policies.....                        | 37 |
| Note 3 – Cash, Cash Equivalents and Investment Securities .....                               | 48 |
| Note 4 – Loans Receivable, Net.....   | 51 |
| Note 5 – Capital Asset Rollforward, Right to Use – Lease, Subscription and Other Assets ..... | 52 |
| Note 6 – Bonds Payable.....   | 53 |
| Note 7 – Demand Bonds .....   | 59 |
| Note 8 – Floating Rate Term Bonds and Derivative Instruments – Interest Rate Swaps .....      | 60 |
| Note 9 – Derivative Instruments – Forward Sales Contracts .....                               | 64 |
| Note 10 – State Appropriation – Backed Debt Obligation .....                                  | 65 |
| Note 11 – Conduit Debt Obligation .....   | 66 |
| Note 12 – Accounts Payable and Other Liabilities.....   | 66 |
| Note 13 – Lease and Subscription Liability Rollforward .....                                  | 67 |
| Note 14 – Interfund Balances and Transfers.....   | 68 |
| Note 15 – Net Position .....  | 69 |
| Note 16 – Defined Benefit Pension Plan.....   | 71 |
| Note 17 – Post-Employment Benefits Other Than Pensions .....                                  | 74 |
| Note 18 – Risk Management .....   | 76 |
| Note 19 – Commitments .....   | 77 |
| Note 20 – Line of Credit – Federal Home Loan Bank.....  | 77 |
| Note 21 – Litigation .....  | 77 |
| Note 22 – Subsequent Events.....  | 77 |
| Note 23 – Restatement.....  | 79 |

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**MINNESOTA HOUSING FINANCE AGENCY**  
**A Component Unit of the State of Minnesota**  
**Notes to Financial Statements**  
**Year ended June 30, 2023**

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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<sup>SM</sup>) 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 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.

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**MINNESOTA HOUSING FINANCE AGENCY**  
**A Component Unit of the State of Minnesota**  
**Notes to Financial Statements**  
**Year ended June 30, 2023 (continued)**

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

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 2023 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 2023 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.

**Home Ownership Mortgage-backed Exempt Securities (HOMES<sup>SM</sup>)**

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<sup>SM</sup> certificates), each secured by a mortgage-backed security guaranteed by FNMA or GNMA. The HOMES<sup>SM</sup> 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.

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**MINNESOTA HOUSING FINANCE AGENCY**  
**A Component Unit of the State of Minnesota**  
**Notes to Financial Statements**  
**Year ended June 30, 2023 (continued)**

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

**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 present both Agency-wide and Fund Financials and 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. Eliminations have been made to minimize the double-counting of internal activities in the Agency-wide financial statements.

Proprietary fund operating revenues result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Agency's enterprises are investment and loan related revenues, appropriations received, and administrative reimbursements. The principal operating expenses of the proprietary funds are bond interest, administrative reimbursements, salaries and benefits, appropriations disbursed, and reduction in carrying value of certain low interest rate deferred loans. All revenue and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

**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 fiscal 2023.*

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.

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**MINNESOTA HOUSING FINANCE AGENCY**  
**A Component Unit of the State of Minnesota**  
**Notes to Financial Statements**  
**Year ended June 30, 2023 (continued)**

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

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.

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 was adopted as on July 1, 2022. Refer to the restatement note for disclosed impact on the financials.

*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.

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**MINNESOTA HOUSING FINANCE AGENCY**  
**A Component Unit of the State of Minnesota**  
**Notes to Financial Statements**  
**Year ended June 30, 2023 (continued)**

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

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)
- 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.

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MINNESOTA HOUSING FINANCE AGENCY  
A Component Unit of the State of Minnesota  
Notes to Financial Statements  
Year ended June 30, 2023 (continued)

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

*Future Accounting Pronouncements*

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 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.

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**MINNESOTA HOUSING FINANCE AGENCY**  
**A Component Unit of the State of Minnesota**  
**Notes to Financial Statements**  
**Year ended June 30, 2023 (continued)**

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

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.

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<sup>SM</sup> 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.

**Loans Receivable, Net**

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.

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**MINNESOTA HOUSING FINANCE AGENCY**  
**A Component Unit of the State of Minnesota**  
**Notes to Financial Statements**  
**Year ended June 30, 2023 (continued)**

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

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, 2023.

**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 2023 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. Statement No. GASB 96, subscription-based information technology (SBITA) assets for contracts that convey control of the right to use another party’s information technology software amortized over life of contract.

**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.

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**MINNESOTA HOUSING FINANCE AGENCY**  
**A Component Unit of the State of Minnesota**  
**Notes to Financial Statements**  
**Year ended June 30, 2023 (continued)**

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

**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 2023. 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.

**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, 2023, 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 2023 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.

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**MINNESOTA HOUSING FINANCE AGENCY**  
**A Component Unit of the State of Minnesota**  
**Notes to Financial Statements**  
**Year ended June 30, 2023 (continued)**

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

**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 Housing Endowment Fund (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 supporting HOMES<sup>SM</sup> 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 1<sup>st</sup> 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.

**Subscription Liability**

On July 1, 2022, the Agency implemented *GASB 96, Subscription-Based Information Technology Arrangement (SBITAs)*. The Agency's SBITAs generally consist of vendor Information Technology (IT) software license fees, application and service transaction fees, technology-based subscriptions such as cloud services and other services based on the contracts. The Agency has acquired several SBITAs where the terms of the assets are valued at over one year. The Agency has implemented an internal process and procedure to examine whether a SBITA is subject to GASB 96 thoroughly and to ensure the classification of such SBITAs complies with GASB 96. The classification process factors in the three stages of a SBITA during the preliminary, implementation stage, (including all ancillary charges associated with putting the asset in place, which are included in the initial asset amount), and the operational and additional implementation stages, are factored into our considerations. SBITAs with variable costs driven by volume and usage are exempted from the statement and excluded. The amount of outflows of resources recognized in the reporting period for the variable payments not previously included in the measurement of the subscription liability amount was \$152,755 as of June 30, 2023.

On June 30, 2023, FY23, the assets have an ending balance of \$3,872,266, accumulated amortization of \$1,372,696, and an ending subscription liability balance of \$2,668,740. The subscription liability was initially recorded at the present value

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**MINNESOTA HOUSING FINANCE AGENCY**  
**A Component Unit of the State of Minnesota**  
**Notes to Financial Statements**  
**Year ended June 30, 2023 (continued)**

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

of the future lease payments using an incremental borrowing rate determined by the Agency's advance rates and is being amortized using the effective interest method over the life of the subscription terms.

**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, 2023. 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. 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.

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**MINNESOTA HOUSING FINANCE AGENCY**  
**A Component Unit of the State of Minnesota**  
**Notes to Financial Statements**  
**Year ended June 30, 2023 (continued)**

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

**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.

**Unrestricted - Other**

Negative amounts are not allowed in any category of restricted net position. If related liabilities and net inflows of resources exceed the assets on hand, the “shortfall” by default is covered by unrestricted assets. The Agency has moved the negative net restricted amounts to unrestricted.

**Net Investment in Capital Assets**

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

**Order of Net Position Used**

When both restricted and unrestricted resources are available for use, it is the Agency’s policy to use restricted resources first and then unrestricted resources as they are needed.

**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, 2022, 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 \$1.6 million are reflected as administrative reimbursement revenues in the General Reserve. Administrative

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**MINNESOTA HOUSING FINANCE AGENCY**  
**A Component Unit of the State of Minnesota**  
**Notes to Financial Statements**  
**Year ended June 30, 2023 (continued)**

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

reimbursements in the amount of \$27.7 million between the Agency's funds have been 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**

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 2023 were \$3.5 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.

**MINNESOTA HOUSING FINANCE AGENCY**  
**A Component Unit of the State of Minnesota**  
**Notes to Financial Statements**  
**Year ended June 30, 2023 (continued)**

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

**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 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, 2023 (in thousands):

| Funds                         | Deposits <sup>1</sup> | Money Market<br>Funds | State<br>Investment<br>Pool (ITC) | Investment<br>Agreements | Combined<br>Totals |
|-------------------------------|-----------------------|-----------------------|-----------------------------------|--------------------------|--------------------|
| General Reserve Account       | \$ -                  | \$ -                  | \$ 77,463                         | \$ -                     | \$ 77,463          |
| Rental Housing                | -                     | 42,831                | -                                 | -                        | 42,831             |
| Residential Housing Finance   | 766                   | 171,022               | -                                 | 250                      | 172,038            |
| Homeownership Finance Bonds   | -                     | 40,310                | -                                 | -                        | 40,310             |
| Multifamily Housing Bonds     | -                     | 1,935                 | -                                 | -                        | 1,935              |
| State Appropriated Accounts   | 197                   | 197,376               | 137,539                           | -                        | 335,112            |
| Federal Appropriated Accounts | 73,317                | 4,511                 | 55,174                            | -                        | 133,002            |
| Combined Totals               | <u>\$74,280</u>       | <u>\$457,985</u>      | <u>\$270,176</u>                  | <u>\$250</u>             | <u>\$802,691</u>   |

<sup>1</sup> 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.

**MINNESOTA HOUSING FINANCE AGENCY**  
**A Component Unit of the State of Minnesota**  
**Notes to Financial Statements**  
**Year ended June 30, 2023 (continued)**

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

**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.

**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, 2023 (in thousands):

| Funds                                    | Investment<br>Securities-Other<br>at Amortized<br>Cost | Program<br>Mortgage-<br>backed<br>Securities | Unrealized<br>Appreciation<br>(Depreciation) | Estimated<br>Market Value |
|--|--|--|--|---------------------------|
| General Reserve Account                  | \$ 24,830  | \$ -   | \$ -   | \$ 24,830                 |
| Rental Housing                           | 19,370   | -  | (1,107)                                      | 18,263                    |
| Residential Housing Finance              | 105,468  | 2,446,575                                    | (223,289)                                    | 2,328,754                 |
| Homeownership Finance Bonds              | 3,937  | 1,046,123                                    | (97,199)                                     | 952,861                   |
| Homeownership Mortgage-backed Securities | 4,760  | -  | (446)  | 4,314                     |
| State Appropriated Accounts              | 49,093   | -  | -  | 49,093                    |
| Federal Appropriated Accounts            | -  | -  | -  | -                         |
| Combined Totals                          | <u>\$207,458</u>                                       | <u>\$3,492,698</u>                           | <u>\$(322,041)</u>                           | <u>\$3,378,115</u>        |

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, 2023 were (in thousands):

**Credit Ratings of Investment Securities**

| Type               | Par Value          | AA+/Aaa            | AA+/Not rated |
|--------------------|--------------------|--------------------|---------------|
| U.S. Agencies      | \$3,640,693        | \$3,640,693        | \$ -          |
| Municipal Bonds    | 7,075              | -                  | 7,075         |
| Agency-wide Totals | \$3,647,768        | \$3,640,693        | \$7,075       |
| U.S. Treasuries    | 25,000             | 25,000             | -             |
| Agency-wide Totals | <u>\$3,672,768</u> | <u>\$3,665,693</u> | -             |

**MINNESOTA HOUSING FINANCE AGENCY**  
**A Component Unit of the State of Minnesota**  
**Notes to Financial Statements**  
**Year ended June 30, 2023 (continued)**

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

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 \$ 322.041 million and net discount of \$5.922 million, along with the weighted average maturities (in years) as of June 30, 2023, consisted of the following (in thousands):

**Cash, Cash Equivalents and Investment Securities**

| Type                      | Par Value          | Weighted Average Maturity, in Years |                |                             |                              |                           |                     |                    |                      |
|---------------------------|--------------------|-------------------------------------|----------------|-----------------------------|------------------------------|---------------------------|---------------------|--------------------|----------------------|
|                           |                    | General Reserve                     | Rental Housing | Residential Housing Finance | Home-ownership Finance Bonds | Multifamily Housing Bonds | HOMES <sup>SM</sup> | State Appropriated | Federal Appropriated |
| Deposits                  | \$ 74,280          | 0.0                                 | 0.0            | 0.0                         | 0.0                          | 0.0                       | 0.0                 | 0.0                | 0.0                  |
| Money market fund         | 457,985            | 0.0                                 | 0.0            | 0.0                         | 0.0                          | 0.0                       | 0.0                 | 0.0                | 0.0                  |
| ITC                       | 270,176            | 0.0                                 | 0.0            | 0.0                         | 0.0                          | 0.0                       | 0.0                 | 0.0                | 0.0                  |
| Investment agreements     | 250                | 0.0                                 | 0.0            | 0.0                         | 0.0                          | 0.0                       | 0.0                 | 0.0                | 0.0                  |
| US Agencies               | 3,640,693          | 0.0                                 | 4.6            | 27.8                        | 25.1                         | 0.0                       | 20.1                | 0.4                | 0.0                  |
| US Treasuries             | 25,000             | 0.3                                 | 0.0            | 0.0                         | 0.0                          | 0.0                       | 0.0                 | 0.3                | 0.0                  |
| Municipals                | 7,075              | 0.0                                 | 0.0            | 0.0                         | 0.0                          | 0.0                       | 0.0                 | 0.0                | 0.0                  |
| Agency-wide Totals        | <u>\$4,475,459</u> |                                     |                |                             |                              |                           |                     |                    |                      |
| Weighted Average Maturity |                    | 0.0                                 | 1.4            | 26.0                        | 24.2                         | 0.0                       | 20.1                | 0.0                | 0.0                  |

Investments in any one issuer, excluding \$1,814 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*, as of June 30, 2023 were as follows (in thousands):

| Investment Issuer   | Amount      |
|---|-------------|
| Federal National Mortgage Association and Federal Home Loan Mortgage Corporation, U.S. Agencies | \$1,776,390 |

The Agency maintained certain deposits and investments throughout fiscal year 2023 that were subject to custodial credit risk. As of June 30, 2023, the amounts subject to this risk consisted of the following (in thousands):

|   | Amount             |
|---|--------------------|
| Deposits not covered by depository insurance and uncollateralized (including \$457,985 in a money market fund and \$270,176 in the ITC) | \$ 802,441         |
| Investment securities uninsured, uncollateralized.  | 3,304,442          |
| Agency-wide Total   | <u>\$4,106,883</u> |

Net realized gain on sale of investment securities of \$0.009 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, 2023 were as follows (in thousands):

| Program Funds               | Amount         |
|-----------------------------|----------------|
| Multifamily Housing Bonds   | \$ 479         |
| Rental Housing              | 391            |
| Residential Housing Finance | 6,310          |
| Combined Totals             | <u>\$7,180</u> |

**MINNESOTA HOUSING FINANCE AGENCY**  
**A Component Unit of the State of Minnesota**  
**Notes to Financial Statements**  
**Year ended June 30, 2023 (continued)**

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

The following table summarizes Minnesota Housing’s investments within the fair value hierarchy at June 30, 2023:

| <b>Investments (at par)</b>   | <b>Level 1</b>  | <b>Level 2</b>     | <b>Level 3</b> | <b>Total</b>       |
|---|-----------------|--------------------|----------------|--------------------|
| U.S. Agencies   | \$ 1,991        | \$3,638,702        | \$ -           | \$3,640,693        |
| U.S. Treasuries   | 25,000          | -                  | -              | 25,000             |
| Municipals  | -               | 7,075              | -              | 7,075              |
|   | <u>\$26,991</u> | <u>\$3,645,777</u> | <u>\$ -</u>    | <u>3,672,768</u>   |
| Premium/discount, I/O principal Pmts (not received), and unrealized appreciation/depreciation |                 |                    |                | (294,653)          |
| Fair market value   |                 |                    |                | <u>\$3,378,115</u> |

**Note 4 – Loans Receivable, Net**

Loans receivable, net at June 30, 2023 consisted of (in thousands):

| <b>Funds</b>                | <b>Outstanding Principal</b> | <b>Allowance for Loan Losses</b> | <b>Loans Receivable, Net</b> |
|-----------------------------|------------------------------|----------------------------------|------------------------------|
| Rental Housing              | \$ 184,997                   | \$ (2,723)                       | \$ 182,274                   |
| Residential Housing Finance | 816,549                      | (13,205)                         | 803,344                      |
| Multifamily Housing         | 12,958                       | (65)                             | 12,893                       |
| State Appropriated          | 42,703                       | (1,423)                          | 41,280                       |
| Agency-wide Totals          | <u>\$1,057,207</u>           | <u>\$(17,416)</u>                | <u>\$1,039,791</u>           |

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 2023 aggregated \$5.892 million in Pool 3, \$0 in Rental Housing and \$95.642 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<sup>SM</sup>, 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, 2023 was \$67.700 million compared to \$64.700 million on June 30, 2022.

**MINNESOTA HOUSING FINANCE AGENCY**  
**A Component Unit of the State of Minnesota**  
**Notes to Financial Statements**  
**Year ended June 30, 2023 (continued)**

**Note 4 – Loans Receivable, Net (continued)**

Loans receivable, net and gross in Residential Housing Finance at June 30, 2023 consist of a variety of loans as follows (in thousands):

| Description  | Net<br>Outstanding<br>Amount | Gross<br>Outstanding<br>Amount |
|--|------------------------------|--------------------------------|
| <b>Residential Housing Finance Bonds:</b>                          |                              |                                |
| Homeownership, first mortgage loans                                | \$183,833                    | \$184,431                      |
| Other homeownership loans, generally secured by a second mortgage  | 19,402                       | 20,106                         |
| <b>Alternative Loan Fund, Housing Investment Fund (Pool 2):</b>    |                              |                                |
| Home Improvement loans, generally secured by a second mortgage     | 100,285                      | 101,584                        |
| Homeownership, first mortgage loans                                | 57,429                       | 58,115                         |
| Other homeownership loans, generally secured by a second mortgage  | 72,769                       | 75,020                         |
| Multifamily, first mortgage loans                                  | 231,639                      | 233,996                        |
| <b>Alternative Loan Fund, Housing Affordability Fund (Pool 3):</b> |                              |                                |
| Other homeownership loans, generally secured by a second mortgage  | 135,853                      | 140,909                        |
| Multifamily, first mortgage loans                                  | 2,133                        | 2,388                          |
| Residential Housing Finance Totals                                 | <u>\$803,344</u>             | <u>\$816,549</u>               |

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, Subscription and Other Assets**

**Capital Assets Rollforward**

A summary of capital asset activity for the year ended June 30, 2023 is as follows:

|   | Beginning<br>Balance<br>(as restated) | Increases         | Decreases   | Adjustments <sup>1</sup> | Ending<br>Balance |
|---|---------------------------------------|-------------------|-------------|--------------------------|-------------------|
| Capital assets, being depreciated:      |                                       |                   |             |                          |                   |
| Furniture and equipment                 | \$ 3,659                              | \$ 90             | \$ -        | \$ -                     | \$ 3,749          |
| Software                                | 8,600                                 | 2,060             | (3,020)     | -                        | 7,640             |
| Right to use - lease                    | 9,626                                 | -                 | -           | 113                      | 9,739             |
| Right to use - Subscription             | 3,689                                 | 183               | -           | -                        | 3,872             |
| Total capital assets, being depreciated | 25,574                                | 2,333             | (3,020)     | 113                      | 25,000            |
| Less accumulated depreciation for:      |                                       |                   |             |                          |                   |
| Furniture and equipment                 | (3,166)                               | (530)             | -           | -                        | (3,696)           |
| Software                                | (7,797)                               | (1,528)           | 3,020       | -                        | (6,305)           |
| Right to use - lease                    | (2,605)                               | (1,359)           | -           | (113)                    | (4,077)           |
| Right to use - Subscription             | (662)                                 | (711)             | -           | -                        | (1,373)           |
| Total accumulated depreciation          | (14,230)                              | (4,128)           | 3,020       | (113)                    | (15,451)          |
| Capital assets, net                     | <u>\$11,344</u>                       | <u>\$ (1,795)</u> | <u>\$ -</u> | <u>\$ -</u>              | <u>\$ 9,549</u>   |
| Depreciation expense for:               |                                       |                   |             |                          |                   |
| Furniture and equipment                 | \$ -                                  | \$ 530            | \$ -        | \$ -                     | \$ 530            |
| Software                                | -                                     | 1,528             | -           | -                        | 1,528             |
| Right to use - lease                    | -                                     | 1,359             | -           | -                        | 1,359             |
| Right to use - Subscription             | -                                     | 711               | -           | -                        | 711               |
| Total depreciation expense              | <u>\$ -</u>                           | <u>\$ 4,128</u>   | <u>\$ -</u> | <u>\$ -</u>              | <u>\$ 4,128</u>   |

<sup>1</sup> adjustments include corrections

**MINNESOTA HOUSING FINANCE AGENCY**  
**A Component Unit of the State of Minnesota**  
**Notes to Financial Statements**  
**Year ended June 30, 2023 (continued)**

**Note 5 – Capital Asset Rollforward, Right to Use – Lease, Subscription and Other Assets (continued)**

**Other Assets**

Other assets, including receivables, at June 30, 2023 consisted of the following (in thousands):

| Funds                       | Receivables Due<br>from the |                                 | Total          |
|-----------------------------|-----------------------------|---------------------------------|----------------|
|                             | Federal<br>Government       | Other Assets and<br>Receivables |                |
| General Reserve Account     | \$3,905                     | \$ 1                            | \$3,906        |
| Rental Housing              | -                           | 44                              | 44             |
| Residential Housing Finance | -                           | 899                             | 899            |
| Homeownership Finance       | -                           | 1                               | 1              |
| Multifamily Housing         | -                           | 1                               | 1              |
| Federal Appropriated        | 148                         | -                               | 148            |
| Combined Totals             | <u>\$4,053</u>              | <u>\$946</u>                    | <u>\$4,999</u> |

**Note 6 – Bonds Payable**

Summary of bonds payable activity, at June 30, 2023 is as follows (in thousands):

| Funds   | June 30, 2022        |                    |                    | Premium/<br>Discount/<br>VRD Fees<br>Amortization | June 30, 2023        |                                 |
|---|----------------------|--------------------|--------------------|---|----------------------|---------------------------------|
|   | Bonds<br>Outstanding | Bonds<br>Issued    | Bonds<br>Repaid    |   | Bonds<br>Outstanding | Bonds<br>Due Within<br>One Year |
| Rental Housing                                    | \$ 49,350            | \$ 43,140          | \$ 22,765          | \$ -  | \$ 69,725            | \$ 13,430                       |
| Residential Housing Finance                       | 2,161,245            | 619,980            | 208,170            | -   | 2,573,055            | 61,720                          |
| Homeownership Finance Bonds                       | 1,086,975            | 50,000             | 108,041            | -   | 1,028,934            | 8,095                           |
| Multifamily Housing Bonds                         | 12,760               | -                  | 240                | -   | 12,520               | 240                             |
| HOMES <sup>SM</sup>                               | 5,682                | -                  | 922                | -   | 4,760                | -                               |
| 2018 Index Bank Note                              | 48,135               | 159,280            | 195,206            | -   | 12,209               | 12,209                          |
| Total   | <u>\$3,364,147</u>   | <u>\$ 872,400</u>  | <u>\$ 535,344</u>  | <u>\$ -</u>                                       | <u>\$3,701,203</u>   | <u>\$ 95,694</u>                |
| Bond premium/discount-Residential Housing Finance | 37,143               | 9,339              | -                  | 10,809  | 35,673               | 15,216                          |
| State Appropriation-backed Bonds                  | 348,040              | 104,195            | 13,425             | -   | 438,810              | 16,665                          |
| State Appropriated Premium                        | 41,522               | 10,257             | -                  | 4,687   | 47,092               | 4,417                           |
| Notes Payable                                     | 75,000               | 1,550,000          | 1,580,000          | -   | 45,000               | 45,000                          |
| Bonds Payable, net                                | <u>\$3,865,852</u>   | <u>\$2,546,191</u> | <u>\$2,128,769</u> | <u>\$15,496</u>                                   | <u>\$4,267,778</u>   | <u>\$176,992</u>                |

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

**MINNESOTA HOUSING FINANCE AGENCY**  
**A Component Unit of the State of Minnesota**  
**Notes to Financial Statements**  
**Year ended June 30, 2023 (continued)**

**Note 6 – Bonds Payable (continued)**

Bonds payable at June 30, 2023 were as follows (in thousands):

| <b>Series</b>                            | <b>Interest Rate</b> | <b>Final Maturity</b> | <b>Original Amount</b> | <b>Outstanding Amount</b> |
|--|----------------------|-----------------------|------------------------|---------------------------|
| <b>Rental Housing Bonds</b>              |                      |                       |                        |                           |
| 2013 Series A-1                          | 3.50% to 5.30%       | 2049                  | \$ 3,710               | \$ 3,320                  |
| 2013 Series B-1                          | 3.65% to 5.30%       | 2044                  | 2,040                  | 1,740                     |
| 2021 Series A                            | 0.40%                | 2023                  | 5,485                  | 5,485                     |
| 2021 Series C                            | 0.30%                | 2024                  | 7,840                  | 7,840                     |
| 2022 Series A                            | 2.30%                | 2024                  | 7,190                  | 7,190                     |
| 2022 Series B                            | 2.85%                | 2024                  | 8,200                  | 8,200                     |
| 2022 Series C                            | 3.80%                | 2025                  | 10,495                 | 10,495                    |
| 2023 Series A                            | 3.15%                | 2025                  | 5,150                  | 5,150                     |
| 2023 Series B                            | 3.30%                | 2025                  | 10,640                 | 10,640                    |
| 2023 Series C                            | 3.45%                | 2025                  | 9,665                  | 9,665                     |
|  |                      |                       | <u>\$ 70,415</u>       | <u>\$ 69,725</u>          |
| <b>Residential Housing Finance Bonds</b> |                      |                       |                        |                           |
| 2007 Series M                            | 6.345%               | 2028                  | \$ 70,000              | \$ 8,565                  |
| 2013 Series A                            | 3.00%                | 2031                  | 33,305                 | 495                       |
| 2013 Series C                            | 2.75% to 3.90%       | 2043                  | 42,310                 | 14,715                    |
| 2014 Series A                            | 4.00%                | 2038                  | 50,000                 | 1,295                     |
| 2014 Series B                            | 4.00%                | 2038                  | 50,000                 | 2,390                     |
| 2014 Series C                            | 3.05% to 4.00%       | 2045                  | 143,145                | 18,100                    |
| 2014 Series D                            | 3.00% to 3.10%       | 2026                  | 6,585                  | 2,320                     |
| 2014 Series E                            | 3.10% to 3.50%       | 2032                  | 76,000                 | 21,805                    |
| 2015 Series A                            | 4.00%                | 2041                  | 43,070                 | 3,660                     |
| 2015 Series D                            | Variable             | 2046                  | 18,225                 | 13,460                    |
| 2015 Series E                            | 3.50%                | 2046                  | 96,930                 | 10,170                    |
| 2015 Series G                            | Variable             | 2034                  | 35,000                 | 27,710                    |
| 2016 Series A                            | 2.15% to 3.20%       | 2033                  | 63,135                 | 10,405                    |
| 2016 Series B                            | 3.10% to 3.50%       | 2046                  | 74,985                 | 15,575                    |
| 2016 Series C                            | 3.05% to 4.20%       | 2037                  | 15,590                 | 2,290                     |
| 2016 Series E                            | 4.00%                | 2047                  | 75,005                 | 5,570                     |
| 2016 Series F                            | Variable             | 2041                  | 50,000                 | 38,200                    |
| 2017 Series B                            | 4.00%                | 2047                  | 37,390                 | 8,515                     |
| 2017 Series C                            | Variable             | 2038                  | 40,000                 | 32,045                    |
| 2017 Series E                            | 4.00%                | 2048                  | 63,075                 | 15,775                    |
| 2017 Series F                            | Variable             | 2041                  | 40,000                 | 33,180                    |
| 2018 Series B                            | 4.00%                | 2048                  | 43,680                 | 14,870                    |
| 2018 Series D                            | Variable             | 2045                  | 35,000                 | 20,740                    |
| 2018 Series E                            | 4.25%                | 2049                  | 65,200                 | 24,805                    |
| 2018 Series G                            | 4.73%                | 2049                  | 35,000                 | 525                       |
| 2018 Series H                            | Variable             | 2041                  | 35,000                 | 28,820                    |
| 2019 Series B                            | 4.25%                | 2049                  | 98,195                 | 31,860                    |
| 2019 Series C                            | 2.992% to 4.204%     | 2042                  | 37,500                 | 365                       |

**MINNESOTA HOUSING FINANCE AGENCY**  
**A Component Unit of the State of Minnesota**  
**Notes to Financial Statements**  
**Year ended June 30, 2023 (continued)**

**Note 6 – Bonds Payable (continued)**

| <b>Series</b>  | <b>Interest Rate</b> | <b>Final Maturity</b> | <b>Original Amount</b> | <b>Outstanding Amount</b> |
|--|----------------------|-----------------------|------------------------|---------------------------|
| <b>Residential Housing Finance Bonds (continued)</b> |                      |                       |                        |                           |
| 2019 Series D  | Variable             | 2042                  | \$ 45,000              | \$ 32,425                 |
| 2019 Series E  | 1.55% to 1.75%       | 2025                  | 13,225                 | 2,440                     |
| 2019 Series F  | 1.50% to 3.75%       | 2050                  | 96,775                 | 48,510                    |
| 2019 Series H  | Variable             | 2050                  | 43,985                 | 43,005                    |
| 2020 Series A  | 1.35% to 1.70%       | 2026                  | 20,850                 | 7,675                     |
| 2020 Series B  | 1.45% to 3.50%       | 2050                  | 149,150                | 95,195                    |
| 2020 Series C  | 1.866% to 3.337%     | 2050                  | 60,000                 | 35,100                    |
| 2020 Series D  | 0.90% to 1.80%       | 2027                  | 19,300                 | 8,675                     |
| 2020 Series E  | 1.20% to 3.50%       | 2050                  | 130,700                | 96,810                    |
| 2020 Series F  | 0.70% to 1.70%       | 2028                  | 15,630                 | 9,210                     |
| 2020 Series G  | 1.45% to 3.00%       | 2051                  | 109,370                | 90,160                    |
| 2020 Series H  | 0.66% to 1.50%       | 2028                  | 16,525                 | 11,040                    |
| 2020 Series I  | 1.15% to 3.00%       | 2051                  | 108,475                | 95,225                    |
| 2021 Series A  | 0.50% to 1.95%       | 2030                  | 23,060                 | 18,620                    |
| 2021 Series B  | 0.60% to 3.00%       | 2051                  | 101,940                | 93,455                    |
| 2021 Series C  | 0.45% to 1.45%       | 2028                  | 24,020                 | 19,245                    |
| 2021 Series D  | 0.95% to 3.00%       | 2052                  | 154,145                | 138,975                   |
| 2021 Series E  | 0.30% to 1.25%       | 2027                  | 15,695                 | 12,385                    |
| 2021 Series F  | 0.30% to 3.00%       | 2052                  | 134,305                | 127,965                   |
| 2021 Series G  | 0.50% to 2.40%       | 2033                  | 22,690                 | 22,095                    |
| 2021 Series H  | 0.90% to 3.00%       | 2052                  | 127,310                | 123,750                   |
| 2021 Series I  | 0.87% to 2.77%       | 2035                  | 25,000                 | 22,505                    |
| 2022 Series A  | 0.90% to 3.00%       | 2052                  | 75,000                 | 73,595                    |
| 2022 Series B  | 1.30% to 2.57%       | 2031                  | 24,990                 | 23,280                    |
| 2022 Series C  | 1.125% to 3.50%      | 2052                  | 100,000                | 96,740                    |
| 2022 Series D  | Variable             | 2052                  | 50,000                 | 48,945                    |
| 2022 Series E  | 2.498% to 4.707%     | 2041                  | 100,000                | 99,115                    |
| 2022 Series F  | Variable             | 2052                  | 50,000                 | 50,000                    |
| 2022 Series G  | 2.884% to 4.947%     | 2047                  | 100,000                | 99,580                    |
| 2022 Series H  | Variable             | 2052                  | 50,000                 | 50,000                    |
| 2022 Series I  | 2.450% to 5.00%      | 2053                  | 40,000                 | 39,445                    |
| 2022 Series J  | 4.058% to 5.263%     | 2045                  | 34,990                 | 34,990                    |
| 2022 Series K  | Variable             | 2053                  | 25,000                 | 25,000                    |
| 2022 Series L  | 3.75% to 5.350%      | 2036                  | 24,290                 | 24,290                    |
| 2022 Series M  | 3.150% to 6.00%      | 2053                  | 75,710                 | 75,405                    |
| 2022 Series N  | 4.480% to 6.345%     | 2053                  | 50,000                 | 50,000                    |
| 2023 Series A  | 3.050% to 4.10%      | 2033                  | 11,570                 | 11,570                    |
| 2023 Series B  | 2.60% to 5.750%      | 2053                  | 55,420                 | 55,410                    |
| 2023 Series C  | 4.508% to 5.591%     | 2053                  | 33,000                 | 33,000                    |
| 2023 Series D  | 2.80% to 5.50%       | 2053                  | 60,000                 | 60,000                    |
| 2023 Series E  | 4.617% to 5.593%     | 2053                  | 60,000                 | 60,000                    |
|  |                      |                       | <u>\$3,950,445</u>     | <u>\$2,573,055</u>        |

**MINNESOTA HOUSING FINANCE AGENCY**  
**A Component Unit of the State of Minnesota**  
**Notes to Financial Statements**  
**Year ended June 30, 2023 (continued)**

**Note 6 – Bonds Payable (continued)**

| <b>Series</b>                      | <b>Interest Rate</b> | <b>Final Maturity</b> | <b>Original Amount</b> | <b>Outstanding Amount</b> |
|------------------------------------|----------------------|-----------------------|------------------------|---------------------------|
| <b>Homeownership Finance Bonds</b> |                      |                       |                        |                           |
| 2012 Series A                      | 2.60%                | 2042                  | \$ 50,000              | \$ 6,564                  |
| 2012 Series B                      | 2.25%                | 2042                  | 75,000                 | 13,439                    |
| 2013 Series A                      | 2.35%                | 2043                  | 75,000                 | 16,096                    |
| 2013 Series B                      | 2.70%                | 2041                  | 85,149                 | 12,954                    |
| 2013 Series C                      | 3.00%                | 2043                  | 37,000                 | 7,780                     |
| 2014 Series A                      | 3.00%                | 2044                  | 38,527                 | 3,520                     |
| 2014 Series B                      | 2.95%                | 2044                  | 18,868                 | 3,142                     |
| 2014 Series C                      | 3.25%                | 2044                  | 13,663                 | 2,276                     |
| 2014 Series D                      | 2.875%               | 2044                  | 39,934                 | 6,128                     |
| 2015 Series A                      | 2.80%                | 2045                  | 60,013                 | 13,415                    |
| 2015 Series B                      | 3.00%                | 2045                  | 54,530                 | 9,797                     |
| 2015 Series C                      | 3.05%                | 2045                  | 40,226                 | 7,136                     |
| 2015 Series D                      | 2.90%                | 2045                  | 52,365                 | 11,297                    |
| 2016 Series A                      | 2.95%                | 2046                  | 97,274                 | 24,089                    |
| 2016 Series B                      | 2.70%                | 2046                  | 50,971                 | 14,043                    |
| 2016 Series C                      | 2.33%                | 2046                  | 35,390                 | 9,706                     |
| 2016 Series D                      | 2.73%                | 2046                  | 35,390                 | 9,705                     |
| 2016 Series E                      | 2.35%                | 2046                  | 35,495                 | 10,296                    |
| 2016 Series F                      | 2.68%                | 2046                  | 65,918                 | 19,984                    |
| 2016 Series G                      | 2.30%                | 2046                  | 20,445                 | 6,985                     |
| 2016 Series H                      | 2.65%                | 2046                  | 30,668                 | 10,619                    |
| 2017 Series A                      | 2.93%                | 2047                  | 24,966                 | 7,654                     |
| 2017 Series B                      | 3.25%                | 2047                  | 24,966                 | 8,159                     |
| 2017 Series C                      | 3.08%                | 2047                  | 23,904                 | 8,601                     |
| 2017 Series D                      | 3.43%                | 2047                  | 23,904                 | 8,471                     |
| 2017 Series E                      | 2.85%                | 2047                  | 39,283                 | 10,712                    |
| 2017 Series F                      | 3.20%                | 2047                  | 19,348                 | 5,367                     |
| 2017 Series G                      | 2.65%                | 2047                  | 84,998                 | 26,132                    |
| 2017 Series H                      | 3.00%                | 2047                  | 64,998                 | 19,983                    |
| 2017 Series I                      | 2.80%                | 2047                  | 69,238                 | 22,547                    |
| 2017 Series J                      | 3.10%                | 2047                  | 46,159                 | 15,010                    |
| 2018 Series A                      | 3.30%                | 2048                  | 38,247                 | 12,795                    |
| 2018 Series B                      | 3.65%                | 2048                  | 38,247                 | 13,800                    |
| 2018 Series C                      | 3.30%                | 2048                  | 30,326                 | 10,420                    |
| 2018 Series D                      | 3.65%                | 2048                  | 20,218                 | 6,894                     |
| 2018 Series E                      | 3.45%                | 2048                  | 47,757                 | 13,234                    |
| 2018 Series F                      | 3.80%                | 2048                  | 52,573                 | 14,593                    |
| 2018 Series G                      | 3.75%                | 2048                  | 31,784                 | 9,872                     |
| 2018 Series H                      | 4.10%                | 2048                  | 31,784                 | 9,947                     |
| 2018 Series I                      | 3.60%                | 2049                  | 22,971                 | 6,500                     |
| 2018 Series J                      | 4.00%                | 2049                  | 37,500                 | 10,611                    |
| 2019 Series A                      | 3.45%                | 2049                  | 35,630                 | 10,408                    |

**MINNESOTA HOUSING FINANCE AGENCY**  
**A Component Unit of the State of Minnesota**  
**Notes to Financial Statements**  
**Year ended June 30, 2023 (continued)**

**Note 6 – Bonds Payable (continued)**

| <u>Series</u>                                  | <u>Interest Rate</u> | <u>Final Maturity</u> | <u>Original Amount</u> | <u>Outstanding Amount</u> |
|--|----------------------|-----------------------|------------------------|---------------------------|
| <b>Homeownership Finance Bonds (continued)</b> |                      |                       |                        |                           |
| 2019 Series B                                  | 3.80%                | 2049                  | \$ 30,351              | \$ 8,866                  |
| 2019 Series C                                  | 3.15%                | 2049                  | 13,728                 | 5,389                     |
| 2019 Series D                                  | 3.55%                | 2049                  | 30,555                 | 11,996                    |
| 2019 Series E                                  | 3.25%                | 2049                  | 45,949                 | 14,040                    |
| 2019 Series F                                  | 3.23%                | 2049                  | 59,851                 | 21,951                    |
| 2019 Series G                                  | 3.02%                | 2049                  | 90,295                 | 42,143                    |
| 2019 Series H                                  | 2.47%                | 2050                  | 48,324                 | 19,937                    |
| 2020 Series A                                  | 2.50%                | 2050                  | 43,964                 | 28,750                    |
| 2020 Series B                                  | 2.35%                | 2050                  | 18,000                 | 11,311                    |
| 2020 Series C                                  | 2.45%                | 2050                  | 37,979                 | 23,922                    |
| 2020 Series D                                  | 1.92%                | 2050                  | 100,000                | 74,251                    |
| 2020 Series E                                  | 1.68%                | 2050                  | 40,067                 | 32,054                    |
| 2021 Series A                                  | 1.58%                | 2051                  | 83,328                 | 70,138                    |
| 2021 Series B                                  | 1.93%                | 2051                  | 49,022                 | 39,936                    |
| 2021 Series C                                  | 2.05%                | 2051                  | 61,764                 | 56,670                    |
| 2021 Series D                                  | 2.05%                | 2051                  | 50,768                 | 47,933                    |
| 2022 Series A                                  | 4.45%                | 2052                  | 50,000                 | 48,966                    |
|  |                      |                       | <u>\$2,674,572</u>     | <u>\$1,028,933</u>        |
| <b>Multifamily Housing Bonds</b>               |                      |                       |                        |                           |
| 2009   | 3.01%                | 2051                  | \$ 15,000              | \$ 12,520                 |
|  |                      |                       | <u>\$ 15,000</u>       | <u>\$ 12,520</u>          |
| <b>HOMES<sup>SM</sup></b>                      |                      |                       |                        |                           |
| 2013 Series A-1                                | 3.50%                | 2043                  | \$ 3,359               | \$ 531                    |
| 2013 Series B-1                                | 3.00%                | 2043                  | 24,471                 | 3,457                     |
| 2013 Series C-1                                | 3.50%                | 2043                  | 4,713                  | 772                       |
|  |                      |                       | <u>\$ 32,543</u>       | <u>\$ 4,760</u>           |
| <b>Drawdown Index Bonds</b>                    |                      |                       |                        |                           |
| 2018 Index Bank Note                           | Variable             | 2023                  | \$ -                   | \$ 12,209                 |
|  |                      |                       | <u>\$ -</u>            | <u>\$ 12,209</u>          |
| Combined Totals (Bonds only) No SA             |                      |                       | \$6,742,975            | \$3,701,204               |
| Premium on Bonds-No SA                         |                      |                       |                        | 35,673                    |
| Notes Payable                                  |                      |                       |                        | 45,000                    |
|  |                      |                       |                        | <u>\$3,781,876</u>        |

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.

**MINNESOTA HOUSING FINANCE AGENCY**  
**A Component Unit of the State of Minnesota**  
**Notes to Financial Statements**  
**Year ended June 30, 2023 (continued)**

**Note 6 – Bonds Payable (continued)**

The following table summarizes the annual debt service requirements to maturity for bonds outstanding as of June 30, 2023, excluding optional calls known at June 30, 2023 (in thousands). The current portion of bonds payable reported in the statement of net position includes known optional calls as of June 30, 2023.

| Fiscal Year | Rental Housing |          | Residential Housing Finance |             |
|-------------|----------------|----------|-----------------------------|-------------|
|             | Principal      | Interest | Principal                   | Interest    |
| 2024        | \$13,430       | \$1,781  | \$ 45,630                   | \$ 87,464   |
| 2025        | 51,450         | 1,700    | 52,585                      | 90,598      |
| 2026        | 110            | 250      | 54,600                      | 89,515      |
| 2027        | 115            | 244      | 55,895                      | 88,277      |
| 2028        | 120            | 239      | 57,050                      | 86,915      |
| 2029-2033   | 720            | 1,096    | 348,885                     | 406,737     |
| 2034-2038   | 980            | 885      | 455,230                     | 339,580     |
| 2039-2043   | 1,295          | 594      | 487,510                     | 254,039     |
| 2044-2048   | 1,160          | 247      | 559,810                     | 157,551     |
| 2049-2053   | 345            | 18       | 446,765                     | 48,176      |
| 2054-2058   | -              | -        | 9,095                       | 264         |
| Total       | \$69,725       | \$7,054  | \$2,573,055                 | \$1,649,116 |

| Fiscal Year | Multifamily Housing |          | Homeownership Finance |            |
|-------------|---------------------|----------|-----------------------|------------|
|             | Principal           | Interest | Principal             | Interest   |
| 2024        | \$ 240              | \$ 374   | \$ -                  | \$ 27,737  |
| 2025        | 240                 | 366      | -                     | 27,737     |
| 2026        | 240                 | 359      | -                     | 27,737     |
| 2027        | 240                 | 352      | -                     | 27,737     |
| 2028        | 330                 | 344      | -                     | 27,737     |
| 2029-2033   | 1,790               | 1,558    | -                     | 138,684    |
| 2034-2038   | 1,950               | 1,285    | -                     | 138,684    |
| 2039-2043   | 2,400               | 949      | 49,053                | 137,698    |
| 2044-2048   | 2,910               | 556      | 346,463               | 117,415    |
| 2049-2053   | 2,180               | 114      | 633,418               | 35,589     |
| Total       | \$12,520            | \$6,257  | \$1,028,934           | \$ 706,755 |

| Fiscal Year | HOMES <sup>SM</sup> |          | DDIB/IBN  |          |
|-------------|---------------------|----------|-----------|----------|
|             | Principal           | Interest | Principal | Interest |
| 2024        | \$ -                | \$ 149   | \$ 12,209 | \$ 342   |
| 2025        | -                   | 149      | -         | -        |
| 2026        | -                   | 149      | -         | -        |
| 2027        | -                   | 149      | -         | -        |
| 2028        | -                   | 149      | -         | -        |
| 2029-2033   | -                   | 747      | -         | -        |
| 2034-2038   | -                   | 747      | -         | -        |
| 2039-2043   | -                   | 747      | -         | -        |
| 2044-2048   | 4,760               | 25       | -         | -        |
| Total       | \$ 4,760            | \$3,011  | \$ 12,209 | \$ 342   |

**MINNESOTA HOUSING FINANCE AGENCY**  
**A Component Unit of the State of Minnesota**  
**Notes to Financial Statements**  
**Year ended June 30, 2023 (continued)**

**Note 6 – Bonds Payable (continued)**

| <u>Fiscal Year</u> | <u>Combined Totals</u> |                    |
|--------------------|------------------------|--------------------|
|                    | <u>Principal</u>       | <u>Interest</u>    |
| 2024               | \$ 71,509              | \$ 117,847         |
| 2025               | 104,275                | 120,550            |
| 2026               | 54,950                 | 118,010            |
| 2027               | 56,250                 | 116,759            |
| 2028               | 57,500                 | 115,384            |
| 2029-2033          | 351,395                | 548,822            |
| 2034-2038          | 458,160                | 481,181            |
| 2039-2043          | 540,258                | 394,027            |
| 2044-2048          | 915,103                | 275,794            |
| 2049-2053          | 1,082,708              | 83,897             |
| 2054-2058          | 9,095                  | 264                |
| Total              | <u>\$3,701,203</u>     | <u>\$2,372,535</u> |

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 D, 2022 Series F, 2022 Series H and 2022 Series K (collectively, the Demand bonds) accrue interest at rates that change weekly as determined by a remarketing agent for such series based on market conditions. During fiscal year 2023, 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. Effective January 3, 2022, the 2018 Index Bank Note accrued interest at a rate equal to SOFR (Secured Overnight Financing Rate) Index plus 0.35%, increasing to plus 0.45% effective December 29, 2022. 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, 2023, 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<sup>SM</sup> 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, 2023, 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, 2023, for the redemption of certain bonds thereafter. See Subsequent Events.

On June 30, 2023, the Agency had in place a revolving line of credit with the Federal Home Loan Bank of Des Moines with an outstanding balance of \$45.0 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. 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

**MINNESOTA HOUSING FINANCE AGENCY**  
**A Component Unit of the State of Minnesota**  
**Notes to Financial Statements**  
**Year ended June 30, 2023 (continued)**

**Note 7 – Demand Bonds (continued)**

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 \$1.100 million to the liquidity providers for fiscal year 2023.

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 \$0.329 million to the remarketing agents for fiscal year 2023.

As of June 30, 2023, the following demand bonds were outstanding (in thousands):

**Demand Bonds**

| Variable Rate Series                     | Principal Amount<br>Outstanding<br>at par | Liquidity Facility<br>Maturity-<br>SBPA <sup>1</sup> | Liquidity<br>Fee | Remarketing<br>Agent Fee |
|--|---|--|------------------|--------------------------|
| Residential Housing Finance Series 2015D | \$ 13,460,000                             | 8/11/2027  | 0.230%           | 0.100%                   |
| Residential Housing Finance Series 2015G | 27,710,000                                | 11/17/2027   | 0.230%           | 0.100%                   |
| Residential Housing Finance Series 2016F | 38,200,000                                | 1/2/2024   | 0.250%           | 0.100%                   |
| Residential Housing Finance Series 2017C | 32,045,000                                | 7/19/2024  | 0.290%           | 0.100%                   |
| Residential Housing Finance Series 2017F | 33,180,000                                | 11/17/2027   | 0.230%           | 0.100%                   |
| Residential Housing Finance Series 2019D | 32,425,000                                | 7/1/2024   | 0.340%           | 0.100%                   |
| Residential Housing Finance Series 2019H | 43,005,000                                | 9/10/2024  | 0.330%           | 0.060%                   |
| Residential Housing Finance Series 2022D | 48,945,000                                | 3/16/2027  | 0.230%           | 0.070%                   |
| Residential Housing Finance Series 2022F | 50,000,000                                | 5/12/2027  | 0.230%           | 0.070%                   |
| Residential Housing Finance Series 2022H | 50,000,000                                | 7/7/2025   | 0.210%           | 0.070%                   |
| Residential Housing Finance Series 2022K | 25,000,000                                | 9/29/2025  | 0.210%           | 0.070%                   |
| Combined Totals                          | <u>\$393,970,000</u>                      |  |                  |                          |

<sup>1</sup> 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 was reset weekly based on the SIFMA Index plus 0.43% and 0.55%, respectively. The bonds were subject to mandatory purchase on July 3, 2023, and December 12, 2023, respectively, at a price equal to principal plus accrued interest. On July 3, 2023, the Agency remarketed both series of the bonds as Demand bonds and entered into a liquidity facility, expiring June 30, 2028, and a remarketing agreement with respect to each series of the bonds.

**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*, GASB 53. A consultant was engaged by the Agency to determine the fair value of these agreements and to evaluate their effectiveness as hedges

**MINNESOTA HOUSING FINANCE AGENCY**  
**A Component Unit of the State of Minnesota**  
**Notes to Financial Statements**  
**Year ended June 30, 2023 (continued)**

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

as of June 30, 2023. 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, 2023. 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, 2023, 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, 2023 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, 2015 through 2019 and 2022 and 2023. 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, 2023, 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.

| <b>Fiscal Year</b> | <b>Principal</b> | <b>Interest</b>  | <b>Interest Rate Swaps, Net</b> | <b>Total</b>     |
|--------------------|------------------|------------------|---------------------------------|------------------|
| 2024               | \$ 3,715         | \$ 18,009        | \$ (3,934)                      | \$ 17,790        |
| 2025               | -                | 18,382           | (4,866)                         | 13,516           |
| 2026               | -                | 15,991           | (4,860)                         | 11,131           |
| 2027               | -                | 18,380           | (4,860)                         | 13,520           |
| 2028               | -                | 18,381           | (4,861)                         | 13,520           |
| 2029-2033          | 54,475           | 88,390           | (23,179)                        | 119,686          |
| 2034-2038          | 105,440          | 74,403           | (14,653)                        | 165,190          |
| 2039-2043          | 97,505           | 56,225           | (4,038)                         | 149,692          |
| 2044-2048          | 79,225           | 37,211           | (1,419)                         | 115,017          |
| 2049-2053          | 103,115          | 13,642           | (1,149)                         | 115,608          |
| 2054-2058          | 55               | 1                | -                               | 56               |
| <b>Totals</b>      | <b>\$443,530</b> | <b>\$359,015</b> | <b>\$(67,819)</b>               | <b>\$734,726</b> |

**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, 2023, 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 for 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

**MINNESOTA HOUSING FINANCE AGENCY**  
**A Component Unit of the State of Minnesota**  
**Notes to Financial Statements**  
**Year ended June 30, 2023 (continued)**

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

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, the 5-year anniversary date for the 2017F, 2018D, 2018H, 2019D and 2019H swaps and the 9-year anniversary date for the 2022D, 2022F, 2022H and 2022K 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\* Aa1 (Stable outlook) / Standard & Poor's\*\* AA- (Stable outlook)<sup>2</sup>

| Associated Bond Series | Notional Amount as of June 30, 2023 (in thousands) | Effective Date     | Swap Maturity Date | Fixed Rate Payable | Variable Rate Receivable               | Fair Value <sup>1</sup> as of June 30, 2023 (in thousands) | Increase (Decrease) in Fair Value since June 30, 2022 (in thousands) |
|------------------------|--|--------------------|--------------------|--------------------|--|--|--|
| RHFB 2018D             | \$ 20,740  | June 28, 2018      | January 1, 2045    | 3.1875%            | 70% of 1 month LIBOR + 43 basis points | \$ 1,148   | \$ 625   |
| RHFB 2019H             | 43,985   | September 11, 2019 | January 1, 2047    | 2.1500%            | 100% of 1 month LIBOR                  | 9,434  | 3,523  |
| RHFB 2022D             | 25,000   | March 16, 2022     | January 1, 2044    | 2.2050%            | 100% 1D SOFR                           | 4,457  | 1,863  |
| RHFB 2022F             | 10,000   | May 12, 2022       | July 1, 2030       | 2.5100%            | 100% 1D SOFR                           | 870  | 693  |
| RHFB 2022F             | 25,000   | May 12, 2022       | July 1, 2052       | 3.2375%            | 100% 1D SOFR                           | 2,522  | 2,048  |
| RHFB 2023I             | -  | July 26, 2023      | January 1, 2050    | 4.5450%            | 100% SOFR + .11448%                    | (479) <sup>3</sup>   | (479)  |
| Counterparty Total     | \$124,725  |                    |                    |                    |  | \$17,952   | \$8,273  |

**Counterparty: Royal Bank of Canada**

Moody's\* Aa1 (Stable outlook) / Standard & Poor's\*\* AA- (Stable outlook)

| Associated Bond Series | Notional Amount as of June 30, 2023 (in thousands) | Effective Date     | Swap Maturity Date | Fixed Rate Payable | Variable Rate Receivable | Fair Value <sup>1</sup> as of June 30, 2023 (in thousands) | Increase (Decrease) in Fair Value since June 30, 2022 (in thousands) |
|------------------------|--|--------------------|--------------------|--------------------|--------------------------|--|--|
| RHFB 2015D             | \$ 13,460  | August 11, 2015    | January 1, 2046    | 2.343%             | 67% of 1 month LIBOR     | \$ 916   | \$ 583   |
| RHFB 2015G             | 27,710   | December 8, 2015   | January 1, 2034    | 1.953%             | 67% of 1 month LIBOR     | 1,737  | 1,232  |
| RHFB 2016F             | 38,200   | December 22, 2016  | January 1, 2041    | 2.175%             | 67% of 1 month LIBOR     | 2,673  | 1,798  |
| RHFB 2018H             | 28,820   | December 12, 2018  | July 1, 2041       | 2.8035%            | 70% of 1 month LIBOR     | 1,225  | 1,110  |
| RHFB 2019D             | 32,425   | April 11, 2019     | January 1, 2042    | 2.409%             | 70% of 1 month LIBOR     | 2,254  | 1,526  |
| RHFB 2022H             | 50,000   | October 1, 2022    | January 1, 2049    | 3.7395%            | 100% SOFR                | 2,897  | 2,897  |
| RHFB 2022K             | 25,000   | September 29, 2022 | July 1, 2053       | 4.1775%            | 100% SOFR                | 617  | 617  |
| Counterparty Total     | \$215,615  |                    |                    |                    |                          | \$12,319   | \$9,763  |

**MINNESOTA HOUSING FINANCE AGENCY**  
**A Component Unit of the State of Minnesota**  
**Notes to Financial Statements**  
**Year ended June 30, 2023 (continued)**

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

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

| Associated Bond Series              | Notional Amount as of June 30, 2023 (in thousands) | Effective Date    | Swap Maturity Date | Fixed Rate Payable | Variable Rate Receivable | Fair Value <sup>1</sup> as of June 30, 2023 (in thousands) | Increase (Decrease) in Fair Value since June 30, 2022 (in thousands) |
|-------------------------------------|--|-------------------|--------------------|--------------------|--------------------------|--|--|
| RHFB 2017C                          | \$ 32,045  | January 1, 2019   | January 1, 2038    | 2.180%             | 67% of 1 month LIBOR     | \$ 1,874   | \$ 1,474   |
| RHFB 2017F                          | 33,180   | December 27, 2017 | January 1, 2041    | 2.261%             | 67% of 1 month LIBOR     | 2,079  | 1,201  |
| Counterparty Total                  | \$ 65,225  |                   |                    |                    |                          | \$ 3,953   | \$ 2,675   |
| Accrued Interest Total <sup>2</sup> | \$ -   |                   |                    |                    |                          | \$ (1,996)   |  |
| Combined Totals                     | \$405,565  |                   |                    |                    |                          | \$32,228   | \$20,711   |

<sup>1</sup> 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.

<sup>2</sup> Accrued interest is included in the Statement of Net Position under Swap Interest Payable.

<sup>3</sup> The trade date for RHFB 2023 I is June 29, 2023.

\* 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.

**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, 2023, the Agency did not have a net credit risk exposure to any of its three counterparties because the Agency's respective combined swap positions to each counterparty 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 \$0, if either rating is lower. These bilateral requirements are established to mitigate potential credit risk exposure. As of June 30, 2023, 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

**MINNESOTA HOUSING FINANCE AGENCY**  
**A Component Unit of the State of Minnesota**  
**Notes to Financial Statements**  
**Year ended June 30, 2023 (continued)**

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

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 was 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, 2023, the interest rate on the Agency’s variable rate tax-exempt debt ranged from 3.98% to 5.10% per annum while the variable interest rate on the associated swaps ranged from 5.05% to 5.19% 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). Upon the cessation of LIBOR on June 30, 2023, the variable rate received by the Agency on all of its swaps was converted from a LIBOR-based rate to a rate based on a percentage of SOFR plus, in some cases, a specified spread.

**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 was 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 that risk to the swap counterparties.

**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, 2023, are as follows: (in thousands):

|                          | <b>Counter Party<br/>Short-term Rating</b> | <b>Number of<br/>Contracts</b> | <b>Notional<br/>Amount</b> | <b>Original<br/>Price</b> | <b>Market<br/>Price</b> | <b>Fair<br/>Value</b> |
|--------------------------|--|--------------------------------|----------------------------|---------------------------|-------------------------|-----------------------|
| Bank of Oklahoma         | A-2*/F1**                                  | 5                              | \$ 19,000                  | \$ 19,120                 | \$ 19,074               | \$ 46                 |
| Daiwa                    | A-2*/F1**                                  | 1                              | 5,000                      | 5,066                     | 5,038                   | 28                    |
| Huntington Securities    | Not rated*/F1**                            | 13                             | 32,500                     | 32,733                    | 32,631                  | 102                   |
| Janney Montgomery Scott  | Not Rated*/Not Rated**                     | 19                             | 71,000                     | 71,588                    | 71,331                  | 256                   |
| South Street Securities  | A-1*/F1+**                                 | 33                             | 133,000                    | 134,256                   | 133,849                 | 407                   |
| Texas Capital Securities | Not Rated*/Not Rated**                     | 10                             | 35,000                     | 35,351                    | 35,320                  | 31                    |
|                          |  | <u>81</u>                      | <u>\$295,500</u>           | <u>\$298,114</u>          | <u>\$297,244</u>        | <u>\$871</u>          |

\* Standard and Poor's Rating Services Inc.

\*\* Fitch Ratings, Ltd

**MINNESOTA HOUSING FINANCE AGENCY**  
**A Component Unit of the State of Minnesota**  
**Notes to Financial Statements**  
**Year ended June 30, 2023 (continued)**

**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, 2023, \$438.810 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, 2021 and 2022.

State Appropriation-backed Bonds at June 30, 2023 consisted of the following (in thousands):

| <u>Series</u>                    | <u>Interest Rate</u> | <u>Final Maturity</u> | <u>Original Amount</u> | <u>Outstanding Amount</u> |
|----------------------------------|----------------------|-----------------------|------------------------|---------------------------|
| <b><u>State Appropriated</u></b> |                      |                       |                        |                           |
| 2009 Series                      | 3.50% to 4.00%       | 2029                  | \$ 13,270              | \$ 5,025                  |
| 2011 Series                      | 4.25% to 5.25%       | 2031                  | 21,750                 | 12,490                    |
| 2013 Series AB                   | 3.25% to 5.00%       | 2033                  | 15,460                 | 9,145                     |
| 2014 Series AB                   | 2.90% to 5.00%       | 2035                  | 14,540                 | 10,885                    |
| 2015 Series A                    | 2.15% to 5.00%       | 2035                  | 37,570                 | 24,115                    |
| 2015 Series C                    | 3.25% to 5.00%       | 2037                  | 31,095                 | 25,425                    |
| 2016 Series AC                   | 2.00% to 4.00%       | 2038                  | 18,625                 | 14,550                    |
| 2017 Series A                    | 3.00% to 5.00%       | 2037                  | 12,690                 | 10,450                    |
| 2018 Series ABCD                 | 2.375% to 5.00%      | 2040                  | 25,295                 | 20,770                    |
| 2019 Series ABCD                 | 1.75% to 5.00%       | 2041                  | 26,775                 | 24,045                    |
| 2020 Series ABCD                 | 3.00% to 4.00%       | 2043                  | 108,280                | 102,850                   |
| 2021 Series ABCD                 | 3.00% to 5.00%       | 2043                  | 76,970                 | 74,865                    |
| 2022ABC                          | 4.00% to 5.00%       | 2044                  | 104,195                | 104,195                   |
| Bonds payable                    |                      |                       | <u>\$506,515</u>       | <u>\$438,810</u>          |

State appropriation-backed bond debt service requirements at June 30, 2023 consisted of the following:

| <u>Fiscal Year</u> | <u>State Appropriated</u> |                  |
|--------------------|---------------------------|------------------|
|                    | <u>Principal</u>          | <u>Interest</u>  |
| 2024               | \$ 16,665                 | \$ 18,620        |
| 2025               | 17,315                    | 17,965           |
| 2026               | 18,050                    | 17,221           |
| 2027               | 18,890                    | 16,401           |
| 2028               | 19,735                    | 15,545           |
| 2029-2033          | 110,320                   | 63,728           |
| 2034-2038          | 122,795                   | 37,627           |
| 2039-2043          | 95,405                    | 13,507           |
| 2044-2048          | 19,635                    | 562              |
| Total              | <u>\$438,810</u>          | <u>\$201,176</u> |

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.

**MINNESOTA HOUSING FINANCE AGENCY**  
**A Component Unit of the State of Minnesota**  
**Notes to Financial Statements**  
**Year ended June 30, 2023 (continued)**

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

As of fiscal 2023, the Agency recorded the Nonprofit Housing Bonds and Housing Infrastructure Bonds 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.

**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, 2023, \$20.595 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, 2023, \$19.851 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, 2023, \$29.675 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 and equipping of two multi-family rental housing development projects that will preserve units with federal rental assistance. As of June 30, 2023, \$4.963 million of bonds were outstanding.

The total outstanding conduit debt as of June 30, 2023, was \$75.084 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, 2023 consisted of the following (in thousands):

| <u>Funds</u>                | <u>Salaries,<br/>Compensated<br/>Absences and<br/>Employee Benefits</u> | <u>Other Liabilities<br/>and Accounts<br/>Payable</u> | <u>Total</u>     |
|-----------------------------|---|---|------------------|
| General Reserve Account     | \$ 5,022  | \$ 1,705  | \$ 6,727         |
| Rental Housing              | -   | 30,538  | 30,538           |
| Residential Housing Finance | -   | 60,564  | 60,564           |
| Homeownership Finance       | -   | 58  | 58               |
| State Appropriated          | -   | 4,079   | 4,079            |
| Federal Appropriated        | 5,079   | -   | 5,079            |
| Combined Totals             | <u>\$10,101</u>   | <u>\$96,944</u>                                       | <u>\$107,045</u> |

**MINNESOTA HOUSING FINANCE AGENCY**  
**A Component Unit of the State of Minnesota**  
**Notes to Financial Statements**  
**Year ended June 30, 2023 (continued)**

**Note 13 – Lease and Subscription Liability Rollforward**

Principal and interest payments due for the remaining lease arrangement as of June 30, 2023, consisted of the following

| <b>Year Ending<br/>June 30</b> | <b>Principal<br/>Payments</b> | <b>Interest<br/>Payments</b> | <b>Total</b>       |
|--------------------------------|-------------------------------|------------------------------|--------------------|
| 2024                           | \$1,333,939                   | \$294,788                    | \$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            |
|                                | <u>\$6,260,663</u>            | <u>\$724,926</u>             | <u>\$6,985,589</u> |

Principal and interest payments due for the remaining subscription arrangement as of June 30, 2023, consisted of the following:

| <b>Year Ending<br/>June 30</b> | <b>Principal<br/>Payments</b> | <b>Interest<br/>Payments</b> | <b>Total</b>       |
|--------------------------------|-------------------------------|------------------------------|--------------------|
| 2024                           | \$ 780,498                    | \$ 9,920                     | \$ 790,418         |
| 2025                           | 401,023                       | 6,977                        | 408,000            |
| 2026                           | 402,786                       | 5,214                        | 408,000            |
| 2027                           | 404,557                       | 3,443                        | 408,000            |
| 2028                           | 370,338                       | 1,662                        | 372,000            |
| 2029                           | 309,537                       | 463                          | 310,000            |
|                                | <u>\$2,668,740</u>            | <u>\$ 27,678</u>             | <u>\$2,696,418</u> |

Summary of Long-Term Liability Rollforward Schedule for the year ended June 30, 2023, is as follows:

|                          | <b>Beginning<br/>Balance<br/>(as restated)</b> | <b>Increases</b> | <b>Decreases</b> | <b>Ending<br/>Balance</b> | <b>Due in FY24<br/>Balance</b> |
|--------------------------|--|------------------|------------------|---------------------------|--------------------------------|
| Governmental activities: |  |                  |                  |                           |                                |
| Lease Liability          | \$ 7,523                                       | \$ -             | \$1,263          | \$6,260                   | \$1,334                        |
| Subscription Liability   | 3,267  | 174              | 773              | 2,668                     | 778                            |
| Total liabilities        | <u>\$10,790</u>                                | <u>\$174</u>     | <u>\$2,036</u>   | <u>\$8,928</u>            | <u>\$2,112</u>                 |

**MINNESOTA HOUSING FINANCE AGENCY**  
**A Component Unit of the State of Minnesota**  
**Notes to Financial Statements**  
**Year ended June 30, 2023 (continued)**

**Note 14 – Interfund Balances and Transfers**

Interfund balances displayed as Interfund Payable (Receivable) at June 30, 2023 consisted of the following (in thousands):

|        |                             | Due from        |                |                             |                       |                     |                     |                    |                      |                 |
|--------|-----------------------------|-----------------|----------------|-----------------------------|-----------------------|---------------------|---------------------|--------------------|----------------------|-----------------|
| Due to | Funds                       | General Reserve | Rental Housing | Residential Housing Finance | Homeownership Finance | Multifamily Housing | HOMES <sup>SM</sup> | State Appropriated | Federal Appropriated | Total           |
|        |                             | General Reserve | \$ -           | \$ -                        | \$ -                  | \$ -                | \$ -                | \$ -               | \$ -                 | \$247           |
|        | Rental Housing              | -               | -              | 17,133                      | -                     | -                   | -                   | -                  | -                    | 17,133          |
|        | Residential Housing Finance | 5,825           | -              | -                           | -                     | -                   | -                   | -                  | 217                  | 6,042           |
|        | State Appropriated          | 3,374           | -              | -                           | -                     | -                   | -                   | -                  | -                    | 3,374           |
|        | Agency-wide Totals          | <u>\$9,199</u>  | <u>\$ -</u>    | <u>\$17,133</u>             | <u>\$ -</u>           | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>        | <u>\$464</u>         | <u>\$26,796</u> |

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) 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 \$5.515 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, 2023, consisted of the following (in thousands):

|             |                             | Transfer from                |                |                             |                       |                     |                     |                    |                      |                 |
|-------------|-----------------------------|------------------------------|----------------|-----------------------------|-----------------------|---------------------|---------------------|--------------------|----------------------|-----------------|
| Transfer to | Funds                       | General Reserve              | Rental Housing | Residential Housing Finance | Homeownership Finance | Multifamily Housing | HOMES <sup>SM</sup> | State Appropriated | Federal Appropriated | Total           |
|             |                             | General Reserve <sup>1</sup> | \$ -           | \$ -                        | \$ 9,664              | \$ -                | \$ -                | \$ -               | \$ -                 | \$ -            |
|             | Rental Housing              | -                            | -              | 190                         | -                     | -                   | -                   | -                  | -                    | 190             |
|             | Residential Housing Finance | 24,027                       | -              | -                           | -                     | -                   | -                   | -                  | 849                  | 24,876          |
|             | Homeownership Finance       | -                            | -              | 1,715                       | -                     | -                   | -                   | -                  | -                    | 1,715           |
|             | Agency-wide Totals          | <u>\$24,027</u>              | <u>\$ -</u>    | <u>\$11,569</u>             | <u>\$ -</u>           | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>        | <u>\$849</u>         | <u>\$36,445</u> |

<sup>1</sup> On Financial statements Non-operating transfer of assets between funds is combined with adjustments, so this is off each year by adjustments, (569) GR for FY23.

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.

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**MINNESOTA HOUSING FINANCE AGENCY**  
**A Component Unit of the State of Minnesota**  
**Notes to Financial Statements**  
**Year ended June 30, 2023 (continued)**

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**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 \$558.741 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 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 \$390.977 million as of June 30, 2023.

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, 2023 (in thousands):

**MINNESOTA HOUSING FINANCE AGENCY**  
**A Component Unit of the State of Minnesota**  
**Notes to Financial Statements**  
**Year ended June 30, 2023 (continued)**

**Note 15 – Net Position (continued)**

|  | Certain<br>Balances<br>Maintained<br>According to<br>Agency's Board<br>Guidelines | Unrealized<br>Appreciation<br>(Depreciation)<br>in Fair Market<br>Value of<br>Investments | Total Net<br>Position<br>Restricted<br>by Covenant |
|--|---|---|--|
| <b>Net Position — Restricted By Covenant</b>   |   |   |  |
| <b>Housing Endowment Fund (Pool 1), General Reserve</b>  |   |   |  |
| 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  | \$ 8,700  | \$ -  | \$ 8,700   |
| Subtotal, Housing Endowment Fund (Pool 1), General Reserve   | 8,700   | -   | 8,700  |
| <b>Housing Investment Fund (Pool 2), Residential Housing Finance</b>   |   |   |  |
| 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 2023, \$33.0 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. | 386,860   | -   | 386,860  |
| Unrealized appreciation in fair market value of investments  | -   | (4,583)   | (4,583)  |
| Subtotal, Housing Investment Fund (Pool 2), Residential Housing Finance  | 386,860   | (4,583)   | 382,277  |
| <b>Housing Affordability Fund (Pool 3), Residential Housing Finance</b>  |   |   |  |
| 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.   | 167,770   | -   | 167,770  |
| Unrealized appreciation in fair market value of investments  | -   | (6)   | (6)  |
| Subtotal, Housing Affordability Fund (Pool 3), Residential Housing Finance   | 167,770   | (6)   | 167,764  |
| Agency-wide Total  | \$563,330   | \$(4,589)   | \$558,741  |

**Restricted by Law**

Undisbursed, recognized federal and state appropriations are classified as restricted by law under net position. The \$128.296 million balance of restricted by law in the Federal Appropriated fund as of June 30, 2023, is restricted by federal requirements that control the use of the funds. The \$231.776 million balance of Restricted by Law in the State Appropriated fund as of June 30, 2023, is restricted by the state laws appropriating such funds.

**Unrestricted - State Appropriation-Backed Bonds**

The \$288.924 million balance of unrestricted - State Appropriation-backed Bonds as of June 30, 2023, does not represent a general obligation of the Agency and is not payable from any funds or assets of the Agency.

**Unrestricted**

The \$423.930 million balance of unrestricted net position represents debit balances in the unrestricted by bond, law, and covenant net positions at June 30, 2023. The unrestricted net position deficit was primarily due to the unrealized losses on investments recorded at June 30, 2023.

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**MINNESOTA HOUSING FINANCE AGENCY**  
**A Component Unit of the State of Minnesota**  
**Notes to Financial Statements**  
**Year ended June 30, 2023 (continued)**

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**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](http://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.

**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 2023. The Agency’s contribution to the General Plan for the fiscal year ending June 30, 2023, was \$1.549 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, 2022, 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    | 6.75%          |

Salary increases were based on a service-related table.

**MINNESOTA HOUSING FINANCE AGENCY**  
**A Component Unit of the State of Minnesota**  
**Notes to Financial Statements**  
**Year ended June 30, 2023 (continued)**

**Note 16 – Defined Benefit Pension Plan (continued)**

Mortality rates for healthy pre-retirement on Pub 2010 General Employee Mortality Table adjusted for mortality improvements using projection scale 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, 2022, valuation were based on the results of actuarial experience study, dated June 27, 2019, and a review of inflation and investment return assumptions dated July 12, 2022.

The long-term expected rate of return on pension plan investments is 6.75%. The rate assumption was selected as the result of a review of inflation and investment return assumptions dated July 12, 2022, 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:

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

**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 6.50% per annum to 6.75% per annum.

**Single Discount Rate**

A Single Discount Rate of 6.75% 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 6.75%. 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, 2023, the Agency reported a liability of \$11.271 million for its proportionate share of MSRS' net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2021, through June 30, 2022, relative to the total employer contributions received from all of MSRS's participating employers. At June 30, 2022 the Agency's proportionate share of the entire plan was 0.68588% an increase of 0.019% over prior reporting period.

**MINNESOTA HOUSING FINANCE AGENCY**  
**A Component Unit of the State of Minnesota**  
**Notes to Financial Statements**  
**Year ended June 30, 2023 (continued)**

**Note 16 – Defined Benefit Pension Plan (continued)**

**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 (asset) 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):

|  | <b>1% Decrease in<br/>Discount Rate<br/>(5.75%)</b> | <b>Discount Rate<br/>(6.75%)</b> | <b>1% Increase in<br/>Discount Rate<br/>(7.75%)</b> |
|--|---|----------------------------------|---|
| Agency proportionate share of the net pension liability (asset): | \$26,450  | \$11,271                         | (\$1,286)   |

**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](http://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, 2023, the Agency recognized pension expense credit of \$4.619 million. At June 30, 2023, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

|  | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred Inflows<br/>of Resources</b> |
|--|---|--|
| Differences between expected and actual experience   | \$ 88                                     | \$ 72                                    |
| Changes of assumptions   | 7,717                                     | 4,098                                    |
| Net difference between projected and actual earnings on investments  | 537                                       | -  |
| Changes in proportion and differences between actual contributions<br>and proportionate share of contributions | 391                                       | 21                                       |
| Contributions paid to MSRS subsequent to the measurement date  | 1,549                                     | -  |
| Total  | <u>\$10,282</u>                           | <u>\$4,191</u>                           |

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

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, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

| <b>Year Ended<br/>June 30:</b> | <b>Pension Expense<br/>Amount</b> |
|--------------------------------|-----------------------------------|
| 2024                           | \$ 808                            |
| 2025                           | 701                               |
| 2026                           | 753                               |
| 2027                           | 2,280                             |

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**MINNESOTA HOUSING FINANCE AGENCY**  
**A Component Unit of the State of Minnesota**  
**Notes to Financial Statements**  
**Year ended June 30, 2023 (continued)**

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**Note 16 – Defined Benefit Pension Plan (continued)**

**Deferred Compensation Plan**

The Minnesota Deferred Compensation Plan is a voluntary savings plan intended for long-term investing for retirement. The deferred compensation plan is offered to any full-time, part-time, or temporary Minnesota public employee.

**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 Agency’s current year active participant count (employees only) for implicit subsidy is 251.

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 \$2.157 million for fiscal year 2023.

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](http://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, 2022. The total OPEB liability was rolled-forward from the valuation date to the measurement date of June 30, 2022 using generally accepted actuarial principles.

As of July 1, 2022, 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  | 8.4% per year  |
| Ultimate Medical Trend Rate | 3.7%   |
| Salary Increases            | 13.0% 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-2021. Rates are multiplied by a factor of .97 for males and 1.06 for females |

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, 2022.

**MINNESOTA HOUSING FINANCE AGENCY**  
**A Component Unit of the State of Minnesota**  
**Notes to Financial Statements**  
**Year ended June 30, 2023 (continued)**

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

**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.

|   | <u>1% Decrease in<br/>Trend Rate (2.7%)</u> | <u>Trend Rate (3.7%)</u> | <u>1% Increase in<br/>Trend Rate (4.7%)</u> |
|---|---|--------------------------|---|
| Agency proportionate share of the total OPEB liability: | \$1,955                                     | \$2,157                  | \$2,393                                     |

**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, 2022. 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 3.54% as of June 30, 2022.

**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.

|   | <u>1% Decrease in<br/>Discount Rate<br/>(2.54%)</u> | <u>Discount Rate<br/>(3.54%)</u> | <u>1% Increase in<br/>Discount Rate<br/>(4.54%)</u> |
|---|---|----------------------------------|---|
| Agency proportionate share of the OPEB liability: | \$2,322   | \$2,157                          | \$2,003   |

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

For the year ended June 30, 2023, the Agency recognized OPEB expense of \$0.152 million. At June 30, 2023, the Agency reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

|  | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|--|---|--|
| Differences between expected and actual experience   | \$127                                     | \$165                                    |
| Changes of assumptions   | 163                                       | 189                                      |
| Contributions paid to OPEB subsequent to the measurement date                                  | -   | -  |
| Change in proportion and differences between employer contributions<br>and proportionate share | 220                                       | 89                                       |
| Total  | <u>\$510</u>                              | <u>\$443</u>                             |

**MINNESOTA HOUSING FINANCE AGENCY**  
**A Component Unit of the State of Minnesota**  
**Notes to Financial Statements**  
**Year ended June 30, 2023 (continued)**

**Note 18 – Risk Management**

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, 2023. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows (in thousands):

| <u>Year Ended<br/>June 30:</u> | <u>OPEB Expense<br/>Amount</u> |
|--------------------------------|--------------------------------|
| 2024                           | (\$32)                         |
| 2025                           | (22)                           |
| 2026                           | (1)                            |
| 2027                           | 4                              |
| 2028                           | (6)                            |
| Thereafter                     | (7)                            |

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):

| <u>Type of Coverage</u>                          | <u>Coverage Limits</u> |
|--|------------------------|
| Real and personal property loss                  | \$4,560                |
| 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                              | 261                    |

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.

**MINNESOTA HOUSING FINANCE AGENCY**  
**A Component Unit of the State of Minnesota**  
**Notes to Financial Statements**  
**Year ended June 30, 2023 (continued)**

**Note 19 - Commitments**

As of June 30, 2023, 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):

| <u>Funds</u>                | <u>Amount</u>    |
|-----------------------------|------------------|
| Rental Housing              | \$ 96,605        |
| Residential Housing Finance | 348,488          |
| State Appropriated          | 197,476          |
| Federal Appropriated        | 57,610           |
| Agency Wide Totals          | <u>\$700,179</u> |

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 2027 and for parking through August 2027, totaling \$8.385 million. Combined office facilities and parking lease expense for fiscal year 2023 was \$1.649 million.

**Note 20 – Line of Credit – Federal Home Loan Bank**

On June 30, 2023, 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, 2023, \$79.631 million of mortgage-backed securities were pledged. The advances taken during fiscal year 2023 were used to purchase and warehouse mortgage-backed securities in Pool 2.

The line of credit activity for the year ended June 30, 2023, is summarized as follows (in thousands):

| <u>Beginning Balance</u> | <u>Cumulative Draws</u> | <u>Cumulative Repayments</u> | <u>Ending Balance</u> |
|--------------------------|-------------------------|------------------------------|-----------------------|
| \$75,000                 | \$1,550,000             | \$1,580,000                  | \$45,000              |

**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, 2023 for the following bonds (in thousands):

| <u>Program</u>              | <u>Retirement Date</u> | <u>Par</u> |
|-----------------------------|------------------------|------------|
| Residential Housing Finance | July 1, 2023           | \$9,395    |
| Residential Housing Finance | August 1, 2023         | 6,460      |
| Residential Housing Finance | September 1, 2023      | 6,645      |
| Residential Housing Finance | October 1, 2023        | 4,960      |

On May 25, 2023, 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, 2023 Series D, in the

**MINNESOTA HOUSING FINANCE AGENCY**  
**A Component Unit of the State of Minnesota**  
**Notes to Financial Statements**  
**Year ended June 30, 2023 (continued)**

**Note 22 – Subsequent Events (continued)**

principal amount of \$7.940 million were delivered on July 27, 2023, and the Rental Housing Bonds, 2023 Series E, in the principal amount of \$5.720 million, were delivered August 17, 2023.

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 and on July 27, 2023, approved additional loans to be financed by those bonds. The State Appropriation Bonds (Housing Infrastructure), 2023 Series AB, in the aggregate principal amount of \$26.635 million were delivered September 19, 2023, pursuant to that authorization.

On July 20, 2023, the Agency delivered its Residential Housing Finance Bonds, 2023 Series FG, in the aggregate principal amount of \$150 million; on July 26, 2023, the Agency delivered its Residential Housing Finance Bonds, 2023 Series HI, in the aggregate principal amount of \$100 million; on August 24, 2023, the Agency delivered its Residential Housing Finance Bonds, 2023 Series JK, in the aggregate principal amount of \$150 million; and on September 14, 2023, the Agency delivered its Residential Housing Finance Bonds, 2023 Series LM, in the aggregate principal amount of \$100 million, each for the purpose of providing funds for certain of the Agency’s homeownership programs. The issuance of these bonds was authorized pursuant to series resolutions adopted by the Board of the Agency on October 27, 2022, and June 6, 2023, authorizing the issuance of fixed interest rate bonds in the aggregate principal of \$400 million and \$500 million, respectively, and on October 27, 2022, authorizing the issuance of variable interest rate bonds in the aggregate principal of \$100 million.

On September 12, 2023, the Agency sold its Residential Housing Finance Bonds, 2023 Series NOPQ, in the aggregate principal amount of \$150 million for delivery on October 12, 2023, pursuant to series resolutions adopted by the Board of the Agency on June 6, 2023, authorizing the issuance of fixed interest rate bonds in the aggregate principal of \$500 million and on October 27, 2022, and August 24, 2023, each authorizing the issuance of variable interest rate bonds in the aggregate principal amount of \$100 million, for the purpose of providing funds 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, 2023, as shown in the table below (in thousands).

| <b>Program</b>  | <b>Series</b> | <b>Advance Date</b>   | <b>Par</b> |
|-----------------|---------------|-----------------------|------------|
| Index Bank Note | 2018 AMT      | July 3, 2023          | \$ 8,818   |
| Index Bank Note | 2018 Non-AMT  | July 3, 2023          | 8,707      |
| Index Bank Note | 2018 AMT      | August 1, 2023        | 283        |
| Index Bank Note | 2018 Non-AMT  | August 1, 2023        | 6,466      |
| Index Bank Note | 2018 AMT      | September 1, 2023     | 254        |
| Index Bank Note | 2018 Non-AMT  | September 1, 2023     | 6,400      |
| Index Bank Note | 2018 AMT      | October 2, 2023       | 222        |
| Index Bank Note | 2018 Non-AMT  | October 2, 2023       | 4,789      |
| <b>Program</b>  | <b>Series</b> | <b>Repayment Date</b> | <b>Par</b> |
| Index Bank Note | 2018 Non-AMT  | July 20, 2023         | \$19,276   |

The Agency repaid \$19.276 million of the Non-AMT Portion of the Index Bank Note, on July 20, 2023.

The Agency has evaluated subsequent events through October 9, 2023, the date on which the financial statements were available to be issued.

**MINNESOTA HOUSING FINANCE AGENCY**  
**A Component Unit of the State of Minnesota**  
**Notes to Financial Statements**  
**Year ended June 30, 2023 (continued)**

**Note 23 – Restatement**

During the year ended June 30, 2023, the Agency adopted new accounting guidance by implementing the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which establishes criteria for identifying and reporting certain subscription assets and liabilities.

The summarized comparative financial statements for the year ended June 30, 2022, have been retroactively restated for these changes. The impact of these changes on the 2022 summarized comparative totals is outlined in the table below.

|                                  | Increase/(decrease) in thousands  |   |                                 |
|----------------------------------|-----------------------------------|---|---------------------------------|
|                                  | <b>Agency-wide<br/>Activities</b> | <b>Residential<br/>Housing Finance<br/>Pool 2</b> | <b>Federal<br/>Appropriated</b> |
| Net position, beginning          | \$ -                              | \$ -  | \$ -                            |
| Assets:                          |                                   |   |                                 |
| Capital assets                   | 3,027                             | 2,510   | 517                             |
| Liabilities:                     |                                   |   |                                 |
| Subscription liability, net      | 3,267                             | 2,514   | 753                             |
| Revenues:                        |                                   |   |                                 |
| Interest earned on loans         | -                                 | -   | -                               |
| Interest earned on investments   | -                                 | -   | -                               |
| Appropriations received          | -                                 | -   | -                               |
| Expenses:                        |                                   |   |                                 |
| Interest                         | 9                                 | 9   | -                               |
| Other general operating          | 290                               | (5)   | 295                             |
| Appropriations disbursed         | (59)                              | -   | (59)                            |
| Change in net position           | (240)                             | (4)   | (236)                           |
| Net position, ending:            |                                   |   |                                 |
| Restricted by covenant           | \$ (4)                            | \$ (4)  | \$ -                            |
| Restricted by law                | \$ (236)                          | \$ -  | \$ (236)                        |
| Unrestricted                     | \$ -                              | \$ -  | \$ -                            |
| Net investment in capital assets | \$ -                              | \$ -  | \$ -                            |

**MINNESOTA HOUSING FINANCE AGENCY**  
**Required Supplementary Information**  
**General Reserve and Bond Funds**  
**Schedule of Selected Pension Information-Unaudited (in thousands)**  
**Fiscal Year 2023**

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

|  | <b>2016</b> | <b>2017</b> | <b>2018</b> | <b>2019</b> | <b>2020</b> | <b>2021</b> | <b>2022</b> | <b>2023</b> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Employer unit's proportion of the net pension liability  | 0.781%      | 0.822%      | 0.830%      | 0.836%      | 0.820%      | 0.632%      | 0.667%      | 0.686%      |
| Employer unit's proportionate share of the net pension liability   | \$ 8,979    | \$ 76,077   | \$ 46,137   | \$ 8,725    | \$ 8,740    | \$ 8,396    | \$ 544      | \$ 11,271   |
| Employer unit's covered-employee payroll   | 22,438      | 23,836      | 19,693      | 20,931      | 21,408      | 22,555      | 23,750      | 25,110      |
| 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%      | 44.886%     |
| 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%      | 90.60%      |

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)

|  | <b>2016</b> | <b>2017</b> | <b>2018</b> | <b>2019</b> | <b>2020</b> | <b>2021</b> | <b>2022</b> | <b>2023</b> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Contractually required contribution                                  | \$ 874      | \$ 968      | \$ 1,018    | \$ 1,151    | \$ 1,264    | \$ 1,317    | \$ 1,405    | \$ 1,549    |
| Contributions in relation to the contractually required contribution | 874         | 968         | 1,018       | 1,151       | 1,264       | 1,317       | 1,405       | 1,549       |
| Contribution deficiency (excess)                                     | -           | -           | -           | -           | -           | -           | -           | -           |
| Employer unit's covered-employee payroll                             | 22,438      | 23,836      | 19,693      | 20,931      | 21,408      | 22,555      | 23,750      | 25,110      |
| Contributions as a percentage of covered-employee payroll            | 3.895%      | 4.061%      | 5.169%      | 5.499%      | 5.904%      | 5.839%      | 5.916%      | 6.169%      |

\* 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 2023**

**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            | 2023            |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Total OPEB Liability</b>   |                 |                 |                 |                 |                 |                 |
| Service cost  | \$ 144          | \$ 135          | \$ 124          | \$ 119          | \$ 121          | \$ 144          |
| Interest  | 52              | 66              | 65              | 59              | 41              | 48              |
| Change in benefit term  | -               | -               | -               | -               | -               | -               |
| Difference between expected and actual experience                         | -               | -               | (40)            | -               | -               | 149             |
| Change in assumptions - discount rate                                     | (94)            | (84)            | -               | 165             | 7               | (230)           |
| Change in assumptions - other   | -               | (42)            | (102)           | (128)           | -               | 35              |
| Change in proportionate share of allocation                               | -               | -               | -               | -               | -               | 247             |
| Benefit payments  |                 |                 |                 |                 |                 |                 |
| Explicit subsidy  | (43)            | (48)            | (45)            | (47)            | (55)            | (63)            |
| Implicit subsidy  | (45)            | (51)            | (46)            | (48)            | (28)            | (53)            |
| <b>Net change in total OPEB liability</b>                                 | 15              | (25)            | (43)            | 121             | 86              | 278             |
| <b>Total OPEB liability-beginning</b>                                     | 1,727           | 1,742           | 1,716           | 1,672           | 1,793           | 1,879           |
| <b>Total OPEB liability-ending (a)</b>                                    | <u>\$ 1,742</u> | <u>\$ 1,716</u> | <u>\$ 1,672</u> | <u>\$ 1,793</u> | <u>\$ 1,879</u> | <u>\$ 2,157</u> |
| <b>Plan Fiduciary Net Position</b>  |                 |                 |                 |                 |                 |                 |
| Contribution employer   |                 |                 |                 |                 |                 |                 |
| Explicit subsidy  | \$ 43           | \$ 48           | \$ 45           | \$ 47           | \$ 55           | \$ 63           |
| Implicit subsidy  | 45              | 51              | 46              | 48              | 28              | 53              |
| Net investment income   |                 |                 |                 |                 |                 |                 |
| Expected investment earnings  | -               | -               | -               | -               | -               | -               |
| Difference between projected and actual investment earnings               | -               | -               | -               | -               | -               | -               |
| Benefit payments  |                 |                 |                 |                 |                 |                 |
| Explicit subsidy  | (43)            | (48)            | (45)            | (47)            | (55)            | (63)            |
| Implicit subsidy  | (45)            | (51)            | (46)            | (48)            | (28)            | (53)            |
| Administrative expense  | -               | -               | -               | -               | -               | -               |
| <b>Net change in fiduciary net position</b>                               | -               | -               | -               | -               | -               | -               |
| <b>Plan fiduciary net position-beginning</b>                              | -               | -               | -               | -               | -               | -               |
| <b>Plan fiduciary net position-ending(b)</b>                              | -               | -               | -               | -               | -               | -               |
| Employer's total OPEB liability-ending(a-b)                               | <u>\$ 1,742</u> | <u>\$ 1,716</u> | <u>\$ 1,672</u> | <u>\$ 1,793</u> | <u>\$ 1,879</u> | <u>\$ 2,157</u> |
| Plan fiduciary total position as a percentage of the total OPEB Liability | -               | -               | -               | -               | -               | -               |
| Covered employee payroll  | <u>\$19,963</u> | <u>\$20,931</u> | <u>\$21,408</u> | <u>\$22,555</u> | <u>\$23,750</u> | <u>\$25,110</u> |
| Employer's net OPEB liability as a percentage of covered employee payroll | <u>8.72%</u>    | <u>8.20%</u>    | <u>7.81%</u>    | <u>7.95%</u>    | <u>7.91%</u>    | <u>8.59%</u>    |

\* 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     | 2023     |
|--|----------|----------|----------|----------|----------|----------|
| Actuarially required contribution                                  |          |          |          |          |          |          |
| Explicit subsidy   | \$ 43    | \$ 48    | \$ 45    | \$ 47    | \$ 55    | \$ 63    |
| Implicit subsidy   | 45       | 51       | 46       | 48       | 28       | 53       |
| Contributions in relation to the actuarially required contribution |          |          |          |          |          |          |
| Explicit subsidy   | 43       | 48       | 45       | 47       | 55       | 63       |
| Implicit subsidy   | 45       | 51       | 46       | 48       | 28       | 53       |
| Employer unit's covered-employee payroll                           | \$19,963 | \$20,931 | \$21,408 | \$22,555 | \$23,750 | \$25,110 |
| Contributions as a percentage of covered-employee payroll          |          |          |          |          |          |          |
| Explicit subsidy   | 0.215%   | 0.229%   | 0.210%   | 0.208%   | 0.232%   | 0.251%   |
| Implicit subsidy   | 0.225%   | 0.244%   | 0.215%   | 0.213%   | 0.118%   | 0.211%   |

\* 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, 2023 (with comparative totals as of June 30, 2022)**

|   | <b>Bond Funds</b>      |                       |                                    |                  |
|---|------------------------|-----------------------|------------------------------------|------------------|
|   | <b>General Reserve</b> | <b>Rental Housing</b> | <b>Residential Housing Finance</b> |                  |
|   |                        |                       | <b>Bonds</b>                       | <b>Pool 2</b>    |
| Cash and cash equivalents   | \$ 77,463              | \$ 42,831             | \$ 137,909                         | \$ 32,776        |
| Investments-program mortgage-backed securities                      | -                      | -                     | 2,228,102                          | -                |
| Investment securities-other   | 24,830                 | 18,263                | 3,067                              | 89,111           |
| Loans receivable, net   | -                      | 182,274               | 203,236                            | 462,122          |
| Interest receivable on loans and program mortgage-backed securities | -                      | 715                   | 8,691                              | 1,673            |
| Interest receivable on investments                                  | 282                    | 219                   | 633                                | 631              |
| Interest Rate Swap Agreements                                       | -                      | -                     | 32,228                             | -                |
| FHA/VA insurance claims, net  | -                      | -                     | 123                                | (15)             |
| Real estate owned, net  | -                      | -                     | 527                                | 456              |
| Capital assets, net   | 7,050                  | -                     | -                                  | 2,273            |
| Other assets  | 3,906                  | 44                    | 161                                | 728              |
| <b>Total assets</b>   | <b>113,531</b>         | <b>244,346</b>        | <b>2,614,677</b>                   | <b>589,755</b>   |
| Deferred loss on refunding  | -                      | -                     | -                                  | -                |
| Deferred loss on interest rate swap agreements                      | -                      | -                     | 479                                | -                |
| Deferred pension and OPEB expense                                   | 10,792                 | -                     | -                                  | -                |
| <b>Total deferred outflows of resources</b>                         | <b>10,792</b>          | <b>-</b>              | <b>479</b>                         | <b>-</b>         |
| <b>Total assets and deferred outflows of resources</b>              | <b>\$124,323</b>       | <b>\$244,346</b>      | <b>\$2,615,156</b>                 | <b>\$589,755</b> |
| Bonds payable, net  | \$ -                   | \$ 69,725             | \$2,608,728                        | \$ 57,209        |
| Interest payable  | -                      | 655                   | 38,327                             | 189              |
| Interest rate swap agreements                                       | -                      | -                     | 479                                | -                |
| Net pension and OPEB liability                                      | 13,428                 | -                     | -                                  | -                |
| Accounts payable and other liabilities                              | 6,727                  | 30,538                | 739                                | 59,671           |
| Interfund payable (receivable)                                      | 8,952                  | (17,133)              | (54,524)                           | 85,615           |
| Funds held for others   | 74,832                 | -                     | -                                  | -                |
| Lease liability   | 6,260                  | -                     | -                                  | -                |
| Subscription Liability  | -                      | -                     | -                                  | 2,287            |
| <b>Total liabilities</b>  | <b>110,199</b>         | <b>83,785</b>         | <b>2,593,749</b>                   | <b>204,971</b>   |
| Deferred gain on interest rate swap agreements                      | -                      | -                     | 32,228                             | -                |
| Deferred service release fees                                       | -                      | -                     | 11,263                             | 2,507            |
| Deferred pension and OPEB credit                                    | 4,634                  | -                     | -                                  | -                |
| <b>Total deferred inflows of resources</b>                          | <b>4,634</b>           | <b>-</b>              | <b>43,491</b>                      | <b>2,507</b>     |
| <b>Total liabilities and deferred inflows of resources</b>          | <b>\$114,833</b>       | <b>\$ 83,785</b>      | <b>\$2,637,240</b>                 | <b>\$207,478</b> |
| Restricted by bond resolution                                       | \$ -                   | \$160,864             | \$ 284,052                         | \$ -             |
| Restricted by covenant  | 8,700                  | -                     | -                                  | 382,277          |
| Unrestricted  | -                      | (303)                 | (306,136)                          | -                |
| Invested in capital assets  | 790                    | -                     | -                                  | -                |
| <b>Total net position</b>   | <b>9,490</b>           | <b>160,561</b>        | <b>(22,084)</b>                    | <b>382,277</b>   |
| <b>Total liabilities, deferred inflows, and net position</b>        | <b>\$124,323</b>       | <b>\$244,346</b>      | <b>\$2,615,156</b>                 | <b>\$589,755</b> |

| Bond Funds             |                     |                     | General Reserve & Bond Funds Excluding Pool 3 | General Reserve & Bond Funds Excluding Pool 3 | Residential Housing Finance Pool 3     | General Reserve & Bond Funds           | General Reserve & Bond Funds           |
|------------------------|---------------------|---------------------|---|---|--|--|--|
| Home-ownership Finance | Multifamily Housing | HOMES <sup>SM</sup> | Total For The Year Ended June 30, 2023        | Total For The Year Ended June 30, 2022        | Total For The Year Ended June 30, 2023 | Total For The Year Ended June 30, 2023 | Total For The Year Ended June 30, 2022 |
| \$ 40,310              | \$ 1,935            | \$ -                | \$ 333,224                                    | \$ 523,309                                    | \$ 1,353                               | \$ 334,577                             | \$ 528,558                             |
| 948,874                | -                   | -                   | 3,176,976                                     | 2,804,425                                     | -                                      | 3,176,976                              | 2,804,425                              |
| 3,987                  | -                   | 4,314               | 143,572                                       | 168,426                                       | 8,474                                  | 152,046                                | 177,446                                |
| -                      | 12,893              | -                   | 860,525                                       | 801,316                                       | 137,986                                | 998,511                                | 916,107                                |
| 3,143                  | 47                  | -                   | 14,269  | 11,911  | 37                                     | 14,306                                 | 11,952                                 |
| 133                    | 8                   | 12                  | 1,918   | 1,107   | 69                                     | 1,987                                  | 1,147                                  |
| -                      | -                   | -                   | 32,228  | 15,792  | -                                      | 32,228                                 | 15,792                                 |
| -                      | -                   | -                   | 108   | 109   | -                                      | 108                                    | 109                                    |
| -                      | -                   | -                   | 983   | 734   | (11)                                   | 972                                    | 759                                    |
| -                      | -                   | -                   | 9,323   | 10,827  | -                                      | 9,323                                  | 10,827                                 |
| 1                      | 1                   | -                   | 4,841   | 4,846   | 10                                     | 4,851                                  | 4,848                                  |
| 996,448                | 14,884              | 4,326               | 4,577,967                                     | 4,342,802                                     | 147,918                                | 4,725,885                              | 4,471,970                              |
| -                      | -                   | -                   | -   | 1   | -                                      | -                                      | 1                                      |
| -                      | -                   | -                   | 479   | -   | -                                      | 479                                    | -                                      |
| -                      | -                   | -                   | 10,792  | 12,397  | -                                      | 10,792                                 | 12,397                                 |
| -                      | -                   | -                   | 11,271  | 12,398  | -                                      | 11,271                                 | 12,398                                 |
| \$ 996,448             | \$14,884            | \$4,326             | \$4,589,238                                   | \$4,355,200                                   | \$147,918                              | \$4,737,156                            | \$4,484,368                            |
| \$1,028,934            | \$12,520            | \$4,760             | \$3,781,876                                   | \$3,476,290                                   | \$ -                                   | \$3,781,876                            | \$3,476,290                            |
| 2,311                  | 31                  | 12                  | 41,525  | 28,095  | -                                      | 41,525                                 | 28,095                                 |
| -                      | -                   | -                   | 479   | -   | -                                      | 479                                    | -                                      |
| -                      | -                   | -                   | 13,428  | 2,423   | -                                      | 13,428                                 | 2,423                                  |
| 58                     | -                   | -                   | 97,733  | 80,633  | 154                                    | 97,887                                 | 80,933                                 |
| -                      | -                   | -                   | 22,910  | 9,088   | (20,000)                               | 2,910                                  | (912)                                  |
| -                      | -                   | (446)               | 74,386  | 70,383  | -                                      | 74,386                                 | 70,383                                 |
| -                      | -                   | -                   | 6,260   | 7,523   | -                                      | 6,260                                  | 7,523                                  |
| -                      | -                   | -                   | 2,287   | 2,514   | -                                      | 2,287                                  | 2,514                                  |
| 1,031,303              | 12,551              | 4,326               | 4,040,884                                     | 3,676,949                                     | (19,846)                               | 4,021,038                              | 3,667,249                              |
| -                      | -                   | -                   | 32,228  | 15,792  | -                                      | 32,228                                 | 15,792                                 |
| 5,526                  | -                   | -                   | 19,296  | 19,785  | -                                      | 19,296                                 | 19,785                                 |
| -                      | -                   | -                   | 4,634   | 22,813  | -                                      | 4,634                                  | 22,813                                 |
| 5,526                  | -                   | -                   | 56,158  | 58,390  | -                                      | 56,158                                 | 58,390                                 |
| \$1,036,829            | \$12,551            | \$4,326             | \$4,097,042                                   | \$3,735,339                                   | \$ (19,846)                            | \$4,077,196                            | \$3,725,639                            |
| \$ 65,759              | \$ 2,333            | \$ -                | \$ 513,008                                    | \$ 203,444                                    | \$ -                                   | \$ 513,008                             | \$ 203,444                             |
| -                      | -                   | -                   | 390,977                                       | 415,623                                       | 167,764                                | 558,741                                | 554,491                                |
| (106,140)              | -                   | -                   | (412,579)                                     | -   | -                                      | (412,579)                              | -                                      |
| -                      | -                   | -                   | 790   | 794   | -                                      | 790                                    | 794                                    |
| (40,381)               | 2,333               | -                   | 492,196                                       | 619,861                                       | 167,764                                | 659,960                                | 758,729                                |
| \$ 996,448             | \$14,884            | \$4,326             | \$4,589,238                                   | \$4,355,200                                   | \$147,918                              | \$4,737,156                            | \$4,484,368                            |

# 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, 2023 (with comparative totals for year ended June 30, 2022)

|   | Bond Funds      |                  |                             |                  |
|---|-----------------|------------------|-----------------------------|------------------|
|   | General Reserve | Rental Housing   | Residential Housing Finance |                  |
|   |                 |                  | Bonds                       | Pool 2           |
| Interest earned on loans  | \$ -            | \$ 7,784         | \$ 9,907                    | \$ 18,555        |
| Interest earned on investments-program mortgage-backed securities       | -               | -                | 71,496                      | -                |
| Interest earned on investments-other                                    | 823             | 1,840            | 7,218                       | 8,510            |
| Net G/L on Sale of MBS Held for Sale/HOMES Certificate                  | -               | -                | -                           | 2,229            |
| Administrative reimbursement  | 34,949          | -                | -                           | -                |
| Fees earned and other income  | 14,901          | 38               | 2,502                       | 2,634            |
| Unrealized gains (losses) on Investments                                | -               | (929)            | (85,274)                    | (20,189)         |
| <b>Total revenues</b>   | <b>\$50,673</b> | <b>\$ 8,733</b>  | <b>\$ 5,849</b>             | <b>\$ 11,739</b> |
| Interest  | \$ 359          | \$ 1,209         | \$ 60,536                   | \$ 5,564         |
| Financing, net  | -               | 10               | 3,348                       | 29               |
| Loan administration and trustee fees                                    | -               | 56               | 1,504                       | 1,303            |
| Administrative reimbursement  | -               | 1,330            | 15,027                      | 2,768            |
| Salaries and benefits   | 29,219          | -                | -                           | -                |
| Other general operating   | 5,574           | 7                | 69                          | 1,130            |
| Reduction in carrying value of certain low interest rate deferred loans | -               | -                | 55                          | (356)            |
| Provision for loan losses   | -               | 447              | 8                           | 1,219            |
| <b>Total expenses</b>   | <b>\$35,152</b> | <b>\$ 3,059</b>  | <b>\$ 80,547</b>            | <b>\$ 11,657</b> |
| <b>Revenue over(Under) expenses</b>                                     | <b>\$15,521</b> | <b>\$ 5,674</b>  | <b>\$(74,698)</b>           | <b>\$ 82</b>     |
| Non-operating transfer of assets between funds                          | (14,363)        | 190              | 5,074                       | (25,331)         |
| Non-operating expenses  | (559)           | -                | -                           | -                |
| <b>Change in net position</b>   | <b>599</b>      | <b>5,864</b>     | <b>(69,624)</b>             | <b>(25,249)</b>  |
| <b>Total net position, beginning of Year, as restated</b>               | <b>8,891</b>    | <b>154,697</b>   | <b>47,540</b>               | <b>407,526</b>   |
| <b>Total net position, end of Year</b>                                  | <b>\$ 9,490</b> | <b>\$160,561</b> | <b>\$(22,084)</b>           | <b>\$382,277</b> |

| Bond Funds             |                     |                     | General Reserve & Bond Funds Excluding Pool 3 | General Reserve & Bond Funds Excluding Pool 3 | Residential Housing Finance Pool 3     | General Reserve & Bond Funds           | General Reserve & Bond Funds           |
|------------------------|---------------------|---------------------|---|---|--|--|--|
| Home-ownership Finance | Multifamily Housing | HOMES <sup>SM</sup> | Total For The Year Ended June 30, 2023        | Total For The Year Ended June 30, 2022        | Total For The Year Ended June 30, 2023 | Total For The Year Ended June 30, 2023 | Total For The Year Ended June 30, 2022 |
| \$ -                   | \$ 571              | \$ -                | \$ 36,817                                     | \$ 35,115                                     | \$ 332                                 | \$ 37,149                              | \$ 35,635                              |
| 36,467                 | -                   | -                   | 107,963                                       | 81,674  | -                                      | 107,963                                | 81,674                                 |
| 1,227                  | 66                  | 165                 | 19,849  | 9,347   | 421                                    | 20,270                                 | 9,438                                  |
| -                      | -                   | -                   | 2,229   | 2,016   | -                                      | 2,229                                  | 2,016                                  |
| -                      | -                   | -                   | 34,949  | 31,161  | -                                      | 34,949                                 | 31,161                                 |
| 1,485                  | -                   | -                   | 21,560  | 17,876  | 40                                     | 21,600                                 | 17,897                                 |
| (45,036)               | -                   | -                   | (151,428)                                     | (294,535)                                     | (70)                                   | (151,498)                              | (294,763)                              |
| \$ (5,857)             | \$ 637              | \$ 165              | \$ 71,939                                     | \$(117,346)                                   | \$ 723                                 | \$ 72,662                              | \$(116,942)                            |
| \$ 28,326              | \$ 380              | \$ 165              | \$ 96,539                                     | \$ 74,995                                     | \$ -                                   | \$ 96,539                              | \$ 74,995                              |
| (320)                  | -                   | -                   | 3,067   | (10,418)                                      | -                                      | 3,067                                  | (10,418)                               |
| 406                    | 4                   | -                   | 3,273   | 3,044   | 33                                     | 3,306                                  | 3,073                                  |
| 6,832                  | 90                  | -                   | 26,047  | 26,936  | 1,612                                  | 27,659                                 | 28,493                                 |
| -                      | -                   | -                   | 29,219  | 17,676  | -                                      | 29,219                                 | 17,676                                 |
| 33                     | -                   | -                   | 6,813   | 6,950   | 1,746                                  | 8,559                                  | 8,633                                  |
| -                      | -                   | -                   | (301)   | 261   | 424                                    | 123                                    | 1,003                                  |
| -                      | (1)                 | -                   | 1,673   | 1,058   | 1,576                                  | 3,249                                  | 1,393                                  |
| \$ 35,277              | \$ 473              | \$ 165              | \$ 166,330                                    | \$ 120,502                                    | \$ 5,391                               | \$171,721                              | \$ 124,848                             |
| \$(41,134)             | \$ 164              | \$ -                | \$ (94,391)                                   | \$(237,848)                                   | \$ (4,668)                             | \$ (99,059)                            | \$(241,790)                            |
| 1,715                  | -                   | -                   | (32,715)                                      | (9,807)                                       | 33,564                                 | 849                                    | 193                                    |
| (39,419)               | 164                 | -                   | (559)   | (898)   | -                                      | (559)                                  | (898)                                  |
| (962)                  | 2,169               | -                   | (127,665)                                     | (248,553)                                     | 28,896                                 | (98,769)                               | (242,495)                              |
| (962)                  | 2,169               | -                   | 619,861                                       | 868,414                                       | 138,868                                | 758,729                                | 1,001,224                              |
| \$(40,381)             | \$2,333             | \$ -                | \$ 492,196                                    | \$ 619,861                                    | \$167,764                              | \$659,960                              | \$ 758,729                             |

# MINNESOTA HOUSING FINANCE AGENCY

## Supplementary Information

### Statement of Cash Flows (in thousands)

#### General Reserve and Bond Funds

Year ended June 30, 2023 (with comparative totals for year ended June 30, 2022)

|  | Bond Funds       |                  |                             |                  |
|--|------------------|------------------|-----------------------------|------------------|
|  | General Reserve  | Rental Housing   | Residential Housing Finance |                  |
|  |                  |                  | Bonds                       | Pool 2           |
| <b>Cash flows from operating activities:</b>                         |                  |                  |                             |                  |
| Principal repayments on loans and program mortgage-backed securities | \$ -             | \$ 34,592        | \$ 154,604                  | \$ 41,612        |
| Investment in loans and program mortgage-backed securities           | -                | (25,418)         | (692,239)                   | (118,770)        |
| Interest received on loans and program mortgage-backed securities    | -                | 7,445            | 83,117                      | 16,684           |
| Fees and other income received                                       | 14,739           | 36               | 55                          | 8,838            |
| Salaries, benefits and other operating                               | (39,209)         | (4)              | (1,457)                     | (5,087)          |
| Administrative reimbursement from funds                              | 33,517           | (1,330)          | (15,027)                    | (2,768)          |
| Deposits into funds held for others                                  | 37,450           | -                | -                           | -                |
| Disbursements made from funds held for others                        | (35,810)         | -                | -                           | -                |
| Interfund transfers and other assets                                 | 6,090            | (17,001)         | (29,014)                    | 46,023           |
| Net cash provided (used) by operating activities                     | <u>16,777</u>    | <u>(1,680)</u>   | <u>(499,961)</u>            | <u>(13,468)</u>  |
| <b>Cash flows from noncapital financing activities:</b>              |                  |                  |                             |                  |
| Proceeds from sale of bonds and notes                                | -                | 43,140           | 629,319                     | 1,709,280        |
| Principal repayment on bonds and notes                               | -                | (22,765)         | (208,170)                   | (1,775,206)      |
| Interest paid on bonds, notes and leases                             | (359)            | (771)            | (58,395)                    | (3,939)          |
| Financing costs paid related to bonds issued                         | -                | (10)             | (4,930)                     | (28)             |
| Interest paid/received between funds                                 | -                | 261              | 603                         | (864)            |
| Principal paid/received between funds                                | -                | -                | -                           | -                |
| Agency contribution to program funds                                 | -                | 190              | 13,872                      | (16,115)         |
| Transfer of cash between funds                                       | (24,027)         | -                | -                           | 1,027            |
| Net cash provided (used) by noncapital financing activities          | <u>(24,386)</u>  | <u>20,045</u>    | <u>372,299</u>              | <u>(85,845)</u>  |
| <b>Cash flows from capital financing activities:</b>                 |                  |                  |                             |                  |
| Purchases of capital assets  | (2,150)          | -                | -                           | (174)            |
| Net cash provided (used) by capital financing activities             | <u>(2,150)</u>   | <u>-</u>         | <u>-</u>                    | <u>(174)</u>     |
| <b>Cash flows from investing activities:</b>                         |                  |                  |                             |                  |
| Investment in real estate owned                                      | -                | -                | (275)                       | (164)            |
| Interest received on investments                                     | 2,403            | 1,347            | 5,838                       | 8,513            |
| Net gain (loss) on Sale of MBS Held for Sale and HOME Certificates   | -                | -                | -                           | 4,793            |
| Proceeds from sale of mortgage insurance claims/real estate owned    | -                | -                | 2,629                       | 1,207            |
| Proceeds from maturity, sale or transfer of investment securities    | 25,485           | 404              | 3,792                       | 967,022          |
| Purchase of investment securities                                    | (49,539)         | (72)             | -                           | (937,329)        |
| Purchase of loans between funds                                      | -                | (15,035)         | -                           | 15,035           |
| Net cash provided (used) by investing activities                     | <u>(21,651)</u>  | <u>(13,356)</u>  | <u>11,984</u>               | <u>59,077</u>    |
| Net increase (decrease) in cash and cash equivalents                 | (31,410)         | 5,009            | (115,678)                   | (40,410)         |
| Beginning of year  | 108,873          | 37,822           | 253,587                     | 73,186           |
| End of year  | <u>\$ 77,463</u> | <u>\$ 42,831</u> | <u>\$ 137,909</u>           | <u>\$ 32,776</u> |

| Bond Funds            |                     |                     | General Reserve & Bond Funds Excluding Pool 3 | Residential Housing Finance Pool 3     | General Reserve & Bond Funds           | General Reserve & Bond Funds                         |
|-----------------------|---------------------|---------------------|---|--|--|--|
| Homeownership Finance | Multifamily Housing | HOMES <sup>SM</sup> | Total For The Year Ended June 30, 2023        | Total For The Year Ended June 30, 2023 | Total For The Year Ended June 30, 2023 | Total For The Year Ended June 30, 2022 (as restated) |
| \$ 99,854             | \$ 230              | \$ -                | \$ 330,892                                    | \$ 10,775                              | \$ 341,667                             | \$ 738,989   |
| (51,476)              | -                   | -                   | (887,903)                                     | (40,908)                               | (928,811)                              | (1,078,459)  |
| 38,725                | 572                 | -                   | 146,543                                       | 336                                    | 146,879                                | 129,390  |
| -                     | -                   | -                   | 23,668  | 40                                     | 23,708                                 | 21,130   |
| (364)                 | (4)                 | -                   | (46,125)                                      | (1,923)                                | (48,048)                               | (43,422)   |
| (6,832)               | (90)                | -                   | 7,470   | (1,612)                                | 5,858                                  | 2,162  |
| -                     | -                   | -                   | 37,450  | -                                      | 37,450                                 | 36,489   |
| -                     | -                   | -                   | (35,810)                                      | -                                      | (35,810)                               | (36,135)   |
| (1)                   | (1)                 | -                   | 6,096   | -                                      | 6,096                                  | (941)  |
| 79,906                | 707                 | -                   | (417,719)                                     | (33,292)                               | (451,011)                              | (230,797)  |
| 50,000                | -                   | -                   | 2,431,739                                     | -                                      | 2,431,739                              | 3,244,311  |
| (108,041)             | (240)               | (922)               | (2,115,344)                                   | -                                      | (2,115,344)                            | (3,118,084)  |
| (28,389)              | (381)               | (168)               | (92,402)                                      | -                                      | (92,402)                               | (83,286)   |
| (452)                 | -                   | -                   | (5,420)                                       | -                                      | (5,420)                                | (8,532)  |
| -                     | -                   | -                   | -   | -                                      | -                                      | (140)  |
| -                     | -                   | -                   | -   | -                                      | -                                      | -  |
| 2,053                 | -                   | -                   | -   | -                                      | -                                      | -  |
| -                     | -                   | -                   | (23,000)                                      | 23,000                                 | -                                      | -  |
| (84,829)              | (621)               | (1,090)             | 195,573                                       | 23,000                                 | 218,573                                | 34,269   |
| -                     | -                   | -                   | (2,324)                                       | -                                      | (2,324)                                | (4,491)  |
| -                     | -                   | -                   | (2,324)                                       | -                                      | (2,324)                                | (4,491)  |
| -                     | -                   | -                   | (439)   | -                                      | (439)                                  | (274)  |
| 1,013                 | 59                  | 168                 | 19,341  | 423                                    | 19,764                                 | 9,671  |
| -                     | -                   | -                   | 4,793   | -                                      | 4,793                                  | 20,863   |
| -                     | -                   | -                   | 3,836   | 13                                     | 3,849                                  | 1,168  |
| 5,015                 | -                   | 922                 | 1,002,640                                     | 445                                    | 1,003,085                              | 1,414,177  |
| (8,846)               | -                   | -                   | (995,786)                                     | -                                      | (995,786)                              | (1,399,892)  |
| -                     | -                   | -                   | -   | 5,515                                  | 5,515                                  | 7,639  |
| (2,818)               | 59                  | 1,090               | 34,385  | 6,396                                  | 40,781                                 | 53,352   |
| (7,741)               | 145                 | -                   | (190,085)                                     | (3,896)                                | (193,981)                              | (147,667)  |
| 48,051                | 1,790               | -                   | 523,309                                       | 5,249                                  | 528,558                                | 676,225  |
| \$ 40,310             | \$ 1,935            | \$ -                | \$ 333,224                                    | \$ 1,353                               | \$ 334,577                             | \$ 528,558   |

(Continued)

# MINNESOTA HOUSING FINANCE AGENCY

## Supplementary Information

### Statement of Cash Flows (in thousands)

#### General Reserve and Bond Funds (continued)

Year ended June 30, 2023 (with comparative totals for year ended June 30, 2022)

|   | Bond Funds      |                |                             |            |
|---|-----------------|----------------|-----------------------------|------------|
|   | General Reserve | Rental Housing | Residential Housing Finance |            |
|   |                 |                | Bonds                       | Pool 2     |
| <b>Reconciliation of revenue over (under) expenses to net cash provided (used) by operating activities:</b>               |                 |                |                             |            |
| Revenues over (under) expenses  | \$15,521        | \$ 5,674       | \$ (74,698)                 | \$ 82      |
| 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                                       | -               | (209)          | 4,451                       | (1,555)    |
| Amortization of premium (discounts) and fees on sale of HOMES Certificates  | -               | -              | -                           | -          |
| Amortization of proportionate share-Pension   | 166             | -              | -                           | 411        |
| Depreciation  | 3,417           | -              | -                           | -          |
| Gain (loss) on sale of MBS held for sale and HOMES Certificates   | -               | -              | -                           | (2,229)    |
| Realized losses (gains) on sale of securities, net  | -               | 5              | -                           | 4          |
| Unrealized losses (gains) on securities, net  | -               | 929            | 85,274                      | 20,189     |
| Salaries and Benefits-Pensions  | (6,294)         | -              | -                           | -          |
| Provision for loan losses   | -               | 447            | 8                           | 1,219      |
| Reduction in carrying value of certain low interest rate and/or deferred loans  | -               | -              | 55                          | (356)      |
| Capitalized interest on loans and real estate owned   | -               | -              | (523)                       | (228)      |
| Interest earned on investments  | (823)           | (1,845)        | (7,216)                     | (8,514)    |
| Interest expense on bonds and notes   | 359             | 1,209          | 60,536                      | 5,564      |
| Financing expense in bonds  | -               | 10             | 3,348                       | 29         |
| Changes in assets and liabilities:  |                 |                |                             |            |
| Decrease (increase) in loans receivable and program mortgage-backed securities, excluding loans transferred between funds | -               | 9,174          | (537,635)                   | (77,158)   |
| Decrease (increase) in interest receivable on loans   | -               | (130)          | (2,214)                     | (88)       |
| Increase (decrease) in arbitrage rebate liability   | -               | -              | (2)                         | -          |
| Increase (decrease) in accounts payable   | (1,705)         | 57             | (2,331)                     | 3,356      |
| Increase (decrease) in interfund payable, affecting operating activities only   | 4,039           | (17,000)       | (29,000)                    | 45,783     |
| Increase (decrease) in funds held for others  | 1,640           | -              | -                           | -          |
| Other   | 457             | (1)            | (14)                        | 23         |
| Total   | 1,256           | (7,354)        | (425,263)                   | (13,550)   |
| Net cash provided (used) by operating activities  | \$16,777        | \$(1,680)      | \$(499,961)                 | \$(13,468) |

| Bond Funds            |                     |                     | General Reserve & Bond Funds Excluding Pool 3 | Residential Housing Finance Pool 3     | General Reserve & Bond Funds           | General Reserve & Bond Funds                         |
|-----------------------|---------------------|---------------------|---|--|--|--|
| Homeownership Finance | Multifamily Housing | HOMES <sup>SM</sup> | Total For The Year Ended June 30, 2023        | Total For The Year Ended June 30, 2023 | Total For The Year Ended June 30, 2023 | Total For The Year Ended June 30, 2022 (as restated) |
| \$(41,134)            | \$164               | \$ -                | \$ (94,391)                                   | \$ (4,668)                             | \$ (99,059)                            | \$(241,790)  |
| 2,185                 | -                   | -                   | 4,872   | -                                      | 4,872                                  | 12,605   |
| -                     | -                   | -                   | -   | -                                      | -                                      | -  |
| -                     | -                   | -                   | 577   | -                                      | 577                                    | 167  |
| -                     | -                   | -                   | 3,417   | -                                      | 3,417                                  | 4,175  |
| -                     | -                   | -                   | (2,229)                                       | -                                      | (2,229)                                | (2,016)  |
| -                     | -                   | -                   | 9   | -                                      | 9                                      | (138)  |
| 45,036                | -                   | -                   | 151,428                                       | 70                                     | 151,498                                | 294,763  |
| -                     | -                   | -                   | (6,294)                                       | -                                      | (6,294)                                | (15,341)   |
| -                     | (1)                 | -                   | 1,673   | 1,576                                  | 3,249                                  | 1,393  |
| -                     | -                   | -                   | (301)   | -                                      | (301)                                  | 1,003  |
| -                     | -                   | -                   | (751)   | 424                                    | (327)                                  | (869)  |
| (1,227)               | (66)                | (165)               | (19,856)                                      | (421)                                  | (20,277)                               | (9,300)  |
| 28,326                | 380                 | 165                 | 96,539  | -                                      | 96,539                                 | 74,995   |
| (320)                 | -                   | -                   | 3,067   | -                                      | 3,067                                  | (10,393)   |
| 48,378                | 230                 | -                   | (557,011)                                     | (30,133)                               | (587,144)                              | (339,470)  |
| 73                    | 1                   | -                   | (2,358)                                       | 4                                      | (2,354)                                | 345  |
| -                     | -                   | -                   | (2)   | -                                      | (2)                                    | -  |
| (1,410)               | -                   | -                   | (2,033)                                       | (144)                                  | (2,177)                                | (27)   |
| -                     | -                   | -                   | 3,822   | -                                      | 3,822                                  | (1,307)  |
| -                     | -                   | -                   | 1,640   | -                                      | 1,640                                  | 354  |
| (1)                   | (1)                 | -                   | 463   | -                                      | 463                                    | 54   |
| 121,040               | 543                 | -                   | (323,328)                                     | (28,624)                               | (351,952)                              | 10,993   |
| \$ 79,906             | \$707               | \$ -                | \$(417,719)                                   | \$(33,292)                             | \$(451,011)                            | \$(230,797)  |

## Other Information (Unaudited)

|   | 2019               | 2020               | 2021               | 2022               | 2023               |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>Loans Receivable, net (as of June 30)</b>                              |                    |                    |                    |                    |                    |
| Multifamily programs  | \$ 299,276         | \$ 314,588         | \$ 363,128         | \$ 382,833         | \$ 428,939         |
| Homeownership programs  | 548,869            | 510,358            | 447,542            | 447,134            | 469,287            |
| Home Improvement programs   | 67,453             | 70,678             | 82,216             | 86,139             | 100,285            |
| Total   | <u>\$ 915,598</u>  | <u>\$ 895,624</u>  | <u>\$ 892,886</u>  | <u>\$ 916,106</u>  | <u>\$ 998,511</u>  |
| <b>Mortgage-backed securities (MBS), net at par (as of June 30)</b>       |                    |                    |                    |                    |                    |
| Program mortgage-backed securities  | \$2,624,763        | \$3,021,369        | \$2,698,923        | \$2,987,314        | \$3,492,698        |
| Warehoused mortgaged-backed securities                                    | 68,718             | 73,516             | 121,849            | 99,768             | 84,961             |
| Total   | <u>\$2,693,481</u> | <u>\$3,094,885</u> | <u>\$2,820,772</u> | <u>\$3,087,082</u> | <u>\$3,577,659</u> |
| <b>Bonds Payable, net (as of June 30)</b>                                 |                    |                    |                    |                    |                    |
| Multifamily programs  | \$ 59,755          | \$ 63,295          | \$ 72,880          | \$ 62,110          | \$ 82,245          |
| Homeownership programs  | 3,044,251          | 3,390,509          | 3,287,503          | 3,414,180          | 3,699,631          |
| Home Improvement programs   | -                  | -                  | -                  | -                  | -                  |
| Total   | <u>\$3,104,006</u> | <u>\$3,453,804</u> | <u>\$3,360,383</u> | <u>\$3,476,290</u> | <u>\$3,781,876</u> |
| <b>MBS purchased at par and loans purchased or originated during year</b> |                    |                    |                    |                    |                    |
| Multifamily programs  | \$ 52,893          | \$ 45,307          | \$ 89,947          | \$ 65,696          | \$ 74,071          |
| Homeownership programs  | 47,119             | 61,738             | 58,696             | 91,309             | 80,221             |
| Program and warehoused mortgage-backed securities                         | 696,597            | 837,103            | 791,619            | 913,030            | 661,214            |
| Home Improvement programs   | 16,085             | 21,925             | 36,198             | 28,316             | 31,102             |
| Total   | <u>\$ 812,694</u>  | <u>\$ 966,073</u>  | <u>\$ 976,460</u>  | <u>\$1,098,351</u> | <u>\$ 846,608</u>  |
| <b>Net Position (as of June 30)</b>                                       |                    |                    |                    |                    |                    |
| Total Net Position*   | \$ 807,271         | \$ 913,336         | \$ 868,414         | \$ 619,861         | \$ 492,196         |
| Percent of total assets and deferred outflows of resources                | 19.6%              | 19.8%              | 19.3%              | 14.2%              | 10.7%              |
| <b>Revenues over expenses for the fiscal year</b>                         | \$ 133,948         | \$ 121,545         | \$ (27,573)        | \$ (237,848)       | \$ 94,391          |

\* Does not include State Appropriated

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## Other Information (continued)

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