VIRGINIA HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the Commonwealth of Virginia)

Management's Discussion and Analysis,
Basic Financial Statements and Supplementary Information

June 30, 2026, and 2025

(With Independent Auditors' Reports Thereon)

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Virginia Housing Development Authority
Richmond, Virginia

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and fiduciary activities of Virginia Housing Development Authority (the Authority), a component unit of the Commonwealth of Virginia, as of and for the years ended June 30, 2026 and 2025 (except for the Retiree Health Care Plan fiduciary fund, which is as of and for the years ended December 31, 2025 and 2024), and the related notes to the financial statements, which collectively comprise the Virginia Housing Development Authority'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 the fiduciary activities of the Virginia Housing Development Authority, as of June 30, 2026 and 2025 (except for the Retiree Health Care Plan fiduciary fund, which is as of and for the years ended December 31, 2025 and 2024), and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority 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.

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

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority'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 Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Retiree Healthcare Plan – Schedule of Changes in the Net OPEB (Asset) Liability and Related Ratios, and the Retiree Healthcare Plan – Schedule of Contributions (collectively, the Required Supplementary Information), be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The Combining Schedule of Net Position - June 30, 2026 and 2025, Combining Schedule of Revenues, Expenses, and Changes in Net Position – Year Ended June 30, 2026 and 2025, Combining Schedule of Fiduciary Net Position – Fiduciary Funds – Custodial Funds - June 30, 2026 and 2025, and the Combining Schedule of Changes in Fiduciary Net Position – Fiduciary Funds – Custodial Funds – Year Ended June 30, 2026 and 2025 (collectively, the Supplementary Information), are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2026, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Arlington, Virginia
September 10, 2026

Management of the Virginia Housing Development Authority (Authority) provides this discussion and analysis as an introduction to and overview of the financial statements for the fiscal years ended June 30, 2026, and 2025. Its purpose is to assist readers in understanding the information presented in the financial statements and notes, and to highlight and explain changes that occurred during the reporting periods.

Organization Overview

The Authority is a political subdivision of the Commonwealth of Virginia (Commonwealth), established under the Virginia Housing Development Authority Act (Act) enacted by the General Assembly in 1972, as amended. The Act authorizes the Authority to finance the acquisition, construction, rehabilitation, and ownership of affordable housing for low or moderate-income Virginians. To finance its mortgage lending activities, the Authority issues tax-exempt and taxable bonds and sells mortgage-backed securities to investors. The bonds and other indebtedness of the Authority are not obligations of the Commonwealth, and the Commonwealth is not liable for repayments. As a self-supporting entity, the Authority does not receive operational funding from the Commonwealth; its revenues are derived primarily from interest on mortgage loans, mortgage servicing fees, gains from the sale of mortgage-backed securities, program administration fees, and investment income.

The Authority participates in the Government National Mortgage Association (GNMA) Mortgage-Backed Securities (MBS) program. Through this MBS program, the Authority issues GNMA securities backed by pools of mortgage loans, which may be retained or sold to third parties. Once securitized, the underlying mortgage loans are no longer assets of the Authority nor pledged to any bond resolution; however, the Authority may either sell the GNMA security or retain ownership and record it as an investment. Each GNMA security represents an undivided ownership interest in a pool of homeownership mortgage loans and are backed by the full faith and guaranty of the United States (U.S.) government, ensuring timely payment of scheduled principal and interest. All mortgage loans under the GNMA MBS program are insured or guaranteed by the Federal Housing Administration (FHA), the U.S. Department of Agriculture's Rural Development agency, or the Veterans Administration.

The Authority also participates in the Federal National Mortgage Association (FNMA) and Federal Home Loan Mortgage Corporation (FHLMC) MBS programs. The Authority may sell homeownership mortgage loans to FNMA or FHLMC under their whole loan programs, or it may issue securities backed by homeownership mortgage loans. Such securities may be held by the Authority or sold to third parties. Once securitized, the mortgage loans are no longer assets of the Authority nor pledged to any bond resolution; however, the Authority may either sell the FNMA and FHLMC securities or retain ownership and record them as investments. Guarantees provided by FNMA and FHLMC ensure the timely payment of scheduled principal and interest to the security holders.

In addition to its core mortgage lending programs, the Authority administers various other housing-related programs on a fee-for-service basis. These include the Housing Choice Voucher (HCV) program, which provides federally funded rental subsidies, and the federal Low-Income Housing Tax Credit (LIHTC) program, which awards income tax credits for the development or rehabilitation of rental housing projects. The Authority also administers the Commonwealth's Virginia Housing Opportunity Tax Credit (HOTC) program, which provides state income tax credits to support low-income housing developments that have received federal LIHTCs.

The Authority uses a portion of its net position to support its Resources Enabling Affordable Community Housing (REACH) *Virginia* initiatives, which provide grants or subsidized mortgage loan interest rates to expand housing opportunities for elderly, disabled, homeless, and other low- to moderate-income populations. Following a full financial analysis of the Authority's financial position, the Authority's Board of Commissioners determines the REACH percentage that will be multiplied by the average of a modified change in the net position for the three preceding fiscal years. The modified change in net position for each of those three preceding fiscal years is determined by taking the actual change in net position for the year, adding back the amount disbursed as grants, and then removing any adjustment related to the impact of Governmental Accounting Standards Board (GASB) No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*.

In fiscal year 2023, the Board approved increasing the REACH percentage from 60 percent to 75 percent, effective in fiscal year 2025. Amounts designated for REACH are subject to periodic review for impacts on the Authority's financial position. The Authority finances some, but not all, REACH-subsidized mortgage loans using funds available under its various bond resolutions or mortgage loan securitization programs.

Overview of the Financial Statements

The basic financial statements consist of the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Fund Net Position, the Statements of Cash Flows, the Statements of Fiduciary Net Position, the Statements of Changes in Fiduciary Net Position, and the accompanying notes to the basic financial statements. The Authority reports all its activity as an enterprise fund, in accordance with U.S. generally accepted accounting principles (GAAP) established by the Governmental Accounting Standards Board (GASB). In Addition, the Commonwealth reports the Authority as a component unit in its Annual Comprehensive Financial Report.

The *Statement of Net Position* presents the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, using the accrual basis of accounting, presented in the order of liquidity. The difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, is reported as net position and is classified into four components: net investment in capital assets; restricted other post-employment benefits (OPEB) asset, restricted portion of net position; and unrestricted portion of net position. Net position is considered restricted when external constraints, such as bond indentures, legal agreements, or statutes, limit its use. Over time, changes in net position can indicate whether the Authority's financial condition is improving or declining.

The *Statement of Revenues, Expenses, and Changes in Fund Net Position* reports all revenues and expenses for the fiscal period, distinguishing between operating activities, nonoperating activities and noncapital subsidies. This statement measures the results of operations over the fiscal year and whether the Authority has been able to cover its costs through mortgage loan income, investment income, externally funded programs and other revenue sources.

The *Statement of Cash Flows* provides information regarding cash receipts and cash payments during the reporting period. It reports the net cash provided or used by operating, noncapital financing, capital financing, and investing activities, and identifies the sources and uses of cash and the change in cash and cash equivalents over the reporting period.

The *Statement of Fiduciary Net Position* presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position of pension (and other employee benefit) trust funds and custodial funds for which the Authority acts as a steward. These assets and obligations do not represent resources of the Authority itself.

The *Statement of Changes in Fiduciary Net Position* reports the additions to and deductions from the pension (and other employee benefit) trust funds and custodial funds. This statement reflects the financial activity related to resources held in a fiduciary capacity and not included in the Authority's own operating activities.

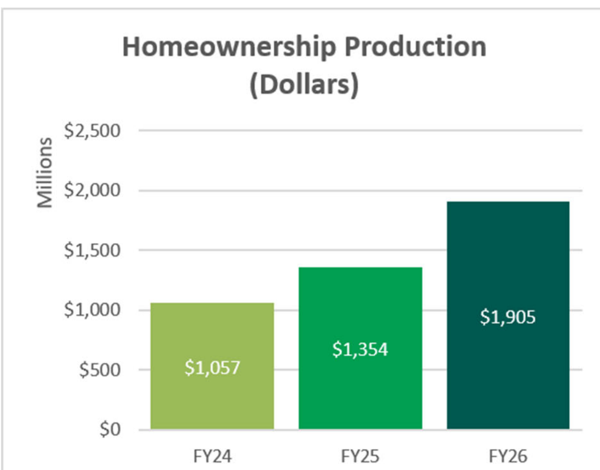
The *Notes to the Basic Financial Statements* provide essential additional information and disclosures that are not presented on the face of the financial statements but are necessary for a full understanding of the Authority's financial position and operations.

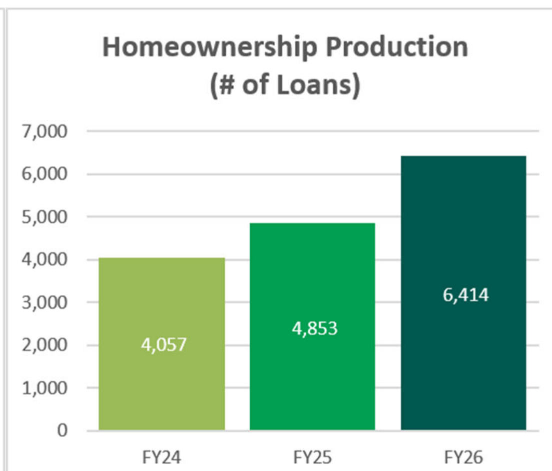
Required supplementary information and other supplementary schedules follow the notes and provide further detail regarding the OPEB plan and the combining schedules of the Authority's various fund groups and types.

Overview of Lending Programs

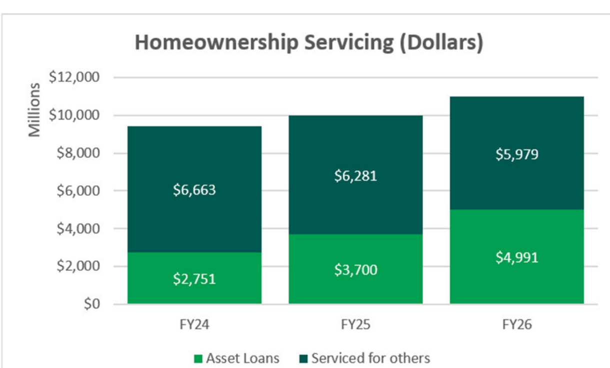
Homeownership Program Under its Homeownership mortgage loan program, the Authority either originates or purchases single-family residential mortgage loans from participating mortgage lenders. The Authority offers several types of federally insured loans, including Federal Housing Administration (FHA) loans, USDA Rural Housing loans, and Veterans Administration (VA) loans, financed through securitizations with GNMA MBSs, mortgage revenue bond issues, or the Authority's net position. Additionally, the Authority offers conventional mortgage loans that are financed through securitizations of FNMA or FHLMC MBSs, mortgage revenue bond issues, or the Authority's net position. Conventional or government loans financed with tax-exempt bond issuance are subject to certain income and purchase price limitations. The Authority provides second mortgages and various grants to help first-time homebuyers and other qualified borrowers with down payment and/or closing cost assistance through the REACH *Virginia* program. Once a mortgage loan is acquired, the Authority services the loan, including collecting monthly payments, processing escrow payments for taxes and insurance, and managing any delinquencies. This also includes any loans pooled and securitized into MBSs.

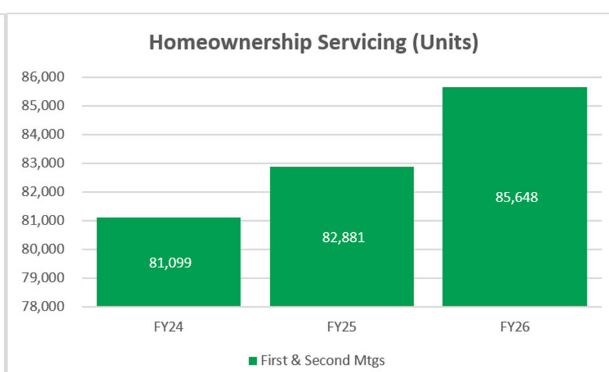
Despite higher interest rates and housing costs, the Authority's Homeownership loan production continued to grow with a 41% increase in fiscal year 2026 and 28% in fiscal year 2025, which is attributed to a solid demand for single-family homes in the Commonwealth that the Authority supports with its grant programs to help borrowers afford the homebuying process.





Strong production has led to growth in the loan servicing portfolio, with a 10% increase in fiscal year 2026 and a 6% increase in fiscal year 2025.





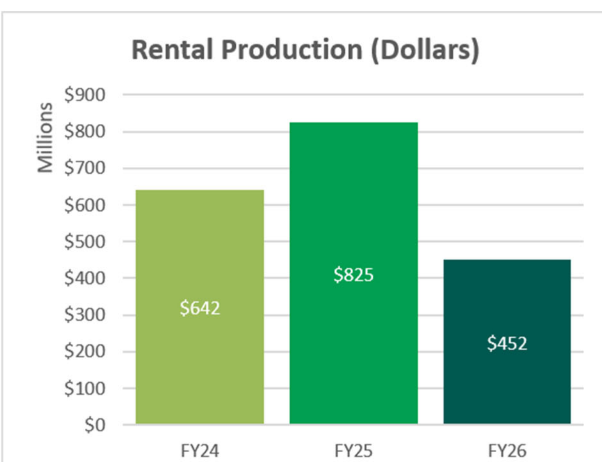
The Authority has seen a small increase in its average delinquency rate, by 0.6% in both fiscal years 2026 and 2025. Additionally, after holding steady in fiscal year 2025, the number of loans completing foreclosure sales increased from 151 to 290 in fiscal year 2026. However, the Authority has seen a 3.5% increase in the recovery rate due to strong home property values.

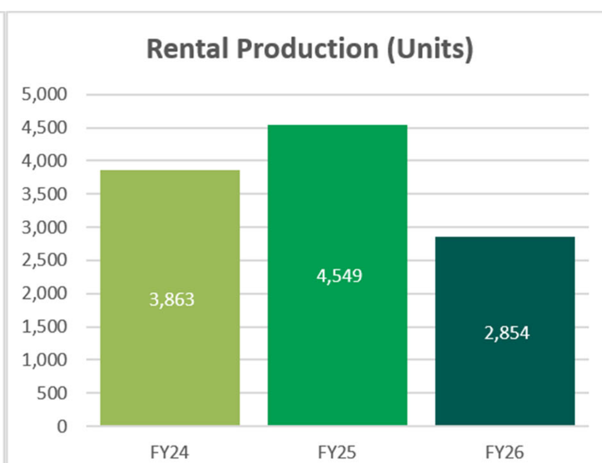
Homeownership Delinquency

Fiscal Year	Average Delinquency %	Foreclosure Sales	Recovery Rate
FY24	10.3%	151	92.4%
FY25	10.9%	151	92.0%
FY26	11.5%	290	95.5%

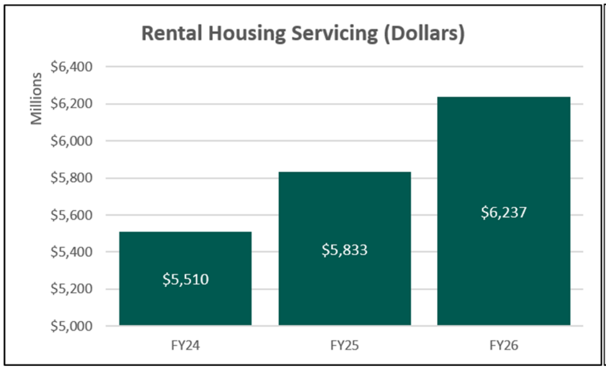
Rental Housing Program Under its Rental Housing mortgage loan program, the Authority provides conventional loans for the construction and permanent financing of rental housing developments that are not supported by federal mortgage insurance or subsidy, with the exception of the HUD Risk-Sharing program on eight development loans, in which HUD provides limited insurance. Loans are financed with a combination of tax-exempt bonds, taxable bonds, and the Authority's net position. Many developments financed under this program are assisted by LIHTC where the Authority issues 4% and 9% federal tax credits and HOTC state tax credits. The REACH Virginia program is often used to help subsidize the interest rate provided to developers. Once a loan is originated, the Authority services the loan, including collecting monthly payments, approving construction draw requests, processing escrow payments for taxes and insurance, and managing any delinquencies.

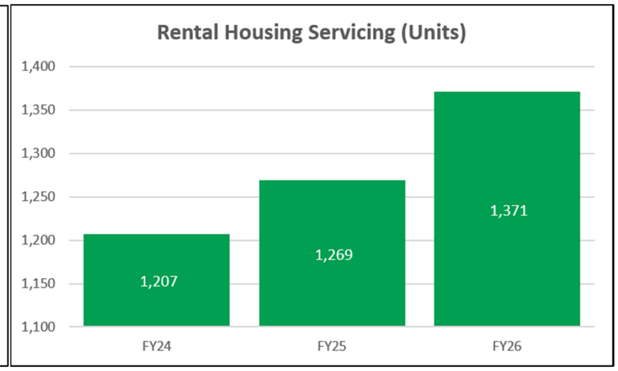
Rental production declined 45% in fiscal year 2026 due to several factors, including higher interest rates, developers learning to apply the new 25% test to tax credit deals, and a slight decrease in the value of LIHTC due to changes in the U.S. Tax code.





Since there is a delay in production becoming an active loan serviced by the Authority, solid production over the past few years has led to growth in the loan-servicing portfolio, with a 7% increase in fiscal year 2026 and a 6% increase in fiscal year 2025.





The Authority has seen a small increase in its average delinquency rate, by 0.04% in fiscal year 2026 and 0.43% in fiscal year 2025. Additionally, foreclosure sales in the Rental Program remain rare with one in fiscal year 2026, and two in fiscal year 2025.

Rental Housing Delinquency

Fiscal Year	Average Delinquency %	Foreclosure Sales
FY24	0.16%	1
FY25	0.59%	2
FY26	0.62%	1

Financial Summary

Cash balances are maintained in trustee and bank depository accounts, as well as in various investments, to support a wide range of operational and programmatic needs. These include funding the purchase of homeownership loans for MBS securitization and bond financing, disbursements for rental housing construction and permanent lending, scheduled debt service payments, early bond redemptions, required advances as a servicer of GNMA, FNMA, and FHLMC securities during forbearance or delinquency periods, REACH grant activity, and general operating expenditures. Deposits held in Virginia banking institutions are collateralized in accordance with the Virginia Security for Public Deposits Act.

The Authority's Investment Policy prioritizes liquidity and preservation of principal. To mitigate investment risk, the Authority monitors credit quality based on Moody's ratings, along with exposure to concentration and maturity risks.

To manage interest rate exposure associated with commitments to originate homeownership mortgage loans, particularly those expected to be pooled into GNMA, FNMA, or FHLMC securities, the Authority may use forward sales transactions as a hedging tool. The Authority does not engage in short sales, forward sales, or futures transactions unless a bona fide hedging purpose has been established.

Mortgage and other loan receivables constitute the Authority's largest asset category. These loans are financed through a combination of bond and note proceeds, GNMA, FNMA, and FHLMC securitizations, HUD Risk Share and Federal Financing Bank programs, and accumulated net position. Payments received on mortgage loans are used to meet debt service obligations on outstanding bonds and mortgage-backed securities.

Outstanding bonds payable represent the Authority's most significant liability, with most issuances structured as fixed-rate obligations extending up to forty-three years. The Authority continues to maintain strong long-term credit ratings of Aa1 from Moody's for its general credit, except for the Commonwealth Mortgage Bonds resolution, which carries Aaa from Moody's.

Net position consists of net investment in capital assets, restricted other post-employment benefits (OPEB) asset, net position restricted by bond indentures, and unrestricted net position. Net investment in capital assets includes office facilities, land, equipment, and vehicles, net of related debt. The restricted OPEB asset reflects the excess of plan assets over the total OPEB liability. Net position restricted by bond indentures represents amounts held in trust for bondholders under various bond resolutions. Unrestricted net position represents resources designated for a broad range of initiatives, including administration of the HCV program, REACH initiatives, bond issue support, working capital, future operating and capital needs, and general financial support for the Authority's lending programs.

Condensed Statements of Net Position
(In Millions)

	2026	2025	2024
Cash and cash equivalents	$ 1,554.3	1,711.9	1,564.1
Investments	945.4	1,259.4	1,194.4
Mortgage loans held for sale	42.6	79.6	52.3
Mortgage and other loans receivable, net	10,744.4	9,128.1	7,937.4
Other assets	213.5	171.1	161.3
Total assets	**13,500.2**	**12,350.1**	**10,909.5**
Deferred outflows of resources	**7.9**	**6.0**	**7.6**
Notes and bonds payable, net	9,017.6	7,951.1	6,666.2
Other liabilities	392.2	362.2	318.7
Total liabilities	**9,409.8**	**8,313.3**	**6,984.9**
Deferred inflows of resources	**85.4**	**79.7**	**72.8**
Invested in capital assets, net of related debt	18.4	7.9	7.5
Restricted OPEB asset	22.7	19.7	12.6
Restricted by bond indentures	3,310.0	3,366.0	3,327.4
Unrestricted	661.8	569.5	511.9
Net position	**$ 4,012.9**	**3,963.1**	**3,859.4**

June 30, 2026 Compared to June 30, 2025

Total assets increased $1,150.1 million, or 9.3% from the prior year. Cash and cash equivalents and investments decreased by $471.6 million, or 15.9%, from the prior year, due to the timing of mortgage loan acquisitions partially financed by bond proceeds from prior periods. Mortgage and other loans receivable, net, and mortgage loans held for sale increased by $1,579.3 million, or 17.2%, primarily because of strong loan production, with fewer loans sold to GNMA, FNMA and FHLMC as mortgage revenue bond issuance grew to finance the loan production.

Total liabilities increased $1,096.5 million, or 13.2% from the prior year. Notes and bonds payable increased $1,066.5 million or 13.4%, due primarily to the return of the mortgage revenue bond program, which has led to increased bond issuance. For the year ended June 30, 2026, the Authority issued a total of $966.0 million of Commonwealth Mortgage bonds and $370.8 million of Rental Housing bonds. Bond principal repayments and redemptions during the year totaled $103.4 million of the Commonwealth Mortgage Bond Group, $3.4 million of the Homeownership Mortgage Bond Group and $133.5 million of the Rental Housing Bond Group. Proceeds from bond issuance and from GNMA, FNMA and FHLMC mortgage loan securitizations were the principal sources of funding for mortgage loan originations.

Net position has grown to $4,012.9 million, representing an increase in net position of $49.8 million, and a 1.3% return over the preceding fiscal year. As of June 30, 2026, net position invested in capital assets, net of related debt, was $18.4 million. Net position restricted by OPEB totaled $22.7 million, an increase of $3.0 million from the prior year. Net position restricted by bond resolutions totaled $3,310.0 million, a decrease of $56.0 million, or 1.7% from the prior year. Unrestricted net position totaled $661.8 million, an increase of $92.3 million, or 16.2%.

June 30, 2025 Compared to June 30, 2024

Total assets increased $1,440.6 million, or 13.2% from the prior year. Cash and cash equivalents and investments increased $212.8 million, or 7.7% from the prior year, due to increased bond issuance and rental units under construction. Mortgage and other loans receivables, net, and mortgage loans held for sale increased by $1,218.0 million, or 15.2%, primarily because of the return of mortgage revenue bond issuance which means fewer loans were sold to GNMA, FNMA and FHLMC to fund the homeownership loan program as well as growth in the rental loan production.

Total liabilities increased $1,328.4 million, or 19.0% from the prior year. Notes and bonds payable increased $1,284.9 million or 19.3%, due primarily to the return of the mortgage revenue bond program which has led to increased bond issuance. For the year ended June 30, 2025, the Authority issued a total of $1.1 billion of Commonwealth Mortgage bonds and $638.9 million of Rental Housing bonds. Bond principal repayments and redemptions during the year totaled $354.8 million of the Commonwealth Mortgage Bond Group, $3.5 million of the Homeownership Mortgage Bond Group and $126.3 million of the Rental Housing Bond Group. Proceeds from bond issuance and from GNMA, FNMA and FHLMC mortgage loan securitizations were the principal sources of funding for mortgage loan originations.

Net position has grown to $3,963.1 million, representing an increase in net position of $103.7 million, and a 2.7% return over the preceding fiscal year. As of June 30, 2025, net position invested in capital assets, net of related debt, was $7.9 million. Net position restricted by OPEB totaled $19.7 million, an increase of $7.1 million from the prior year. Net position restricted by bond resolutions totaled $3,366.0 million, an increase of $38.6 million, or 1.2% from the prior year. Unrestricted net position totaled $569.5 million, an increase of $57.6 million, or 11.3%.

Condensed Statements of Revenues, Expenses and Changes in Fund Net Position
(In Millions)

	2026	2025	2024
Operating Revenues:			
Interest on mortgage and other loans	$ 499.1	422.2	340.2
Other operating revenues	93.5	85.7	93.5
Total operating revenues	**592.6**	**507.9**	**433.7**
Operating Expenses:			
Other operating expenses	179.1	166.7	165.1
Provision for loan losses	24.7	9.6	30.2
Total operating expenses	**203.8**	**176.3**	**195.3**
Operating Income	**388.8**	**331.6**	**238.4**
Noncapital subsidies:			
Grant expenses	(90.8)	(64.6)	(50.1)
Transfers In	265.8	205.3	204.9
Transfers Out	(265.8)	(205.3)	(204.9)
Total noncapital subsidies	**(90.8)**	**(64.6)**	**(50.1)**
Operating income and noncapital subsidies	**298.0**	**267.0**	**188.3**
Other nonoperating revenues and expenses:			
Investment income	115.2	133.4	108.3
Interest expense on notes and bonds	(352.0)	(285.4)	(211.1)
Pass-through grant awards	113.3	112.1	170.8
Pass-through grant expenses	(113.3)	(112.1)	(170.8)
Other nonoperating expenses	(11.4)	(11.3)	(11.2)
Total other nonoperating revenues expenses, net	**(248.2)**	**(163.3)**	**(114.0)**
Increase in fund net position	**49.8**	**103.7**	**74.3**
Total fund net position, beginning of year	**3,963.1**	**3,859.4**	**3,785.1**
Total fund net position, end of year	**$ 4,012.9**	**3,963.1**	**3,859.4**

Fiscal Year 2026

Operating revenues increased $84.7 million or 16.7% from the prior year. The primary factor was an increase in interest on mortgage and other loans of $76.9 million or 18.2%, resulting from growth in the mortgage loan portfolio. Operating expenses for the year increased $27.5 million or 15.6% from the prior year. This increase was primarily due to a higher provision for loan losses, which rose by $15.1, or 157.3%, reflecting overall loan portfolio growth and rising portfolio risk associated with higher delinquency rates and other factors. Noncapital subsidies increased $26.2 million or 40.6% from the prior year due to greater grant disbursements from special REACH programs. Non-operating activity increased $84.9 million or 52.0% from the prior year, driven by higher interest costs resulting from increased bond issuances of $66.6 million, or 23.3%.

Fiscal Year 2025

Operating revenues increased $74.2 million or 17.1% from the prior year. The primary factor was an increase in interest on mortgages and other loans of $82.0 million, or 24.1%, driven by growing in the mortgage loan portfolio. Operating expenses decreased $19.0 million or 9.7% from the prior year, primarily due to a reduced provision for loan losses, which declined $20.6 million or 68.2%. Noncapital subsidies increased by $14.5 million, or 28.9%, from the prior year, driven by higher REACH program grant expenses. Non-operating activity increased $49.3 million or 43.2% from the prior year, driven by higher interest costs resulting from increased bond issuances of $74.3 million, or 35.2%.

Significant Capital Assets & Long-Term Financing Activity

The Authority has nearly completed construction of a new parking deck near its headquarters that will accommodate more than 200 cars. Once construction is finished, the Authority will begin renovations to its headquarters building to modify its layout to accommodate more associates. This will allow most associates to utilize the headquarters building and discontinue the leasing of off-site office space.

In addition to the long-term bond issuance noted above, the Authority entered into eight new subscription-based information technology arrangements (SBITAs) totaling $4.4 million, while the terms of three arrangements expired, totaling $6.4 million. These agreements provide the right to use various software systems, ranging from procurement systems to enterprise-wide operating platforms. In Fiscal Year 2025, a five-year lease was signed to support associates who could not be accommodated in the headquarters building, creating a $3.4 million liability for the Authority. This lease replaced a previous agreement that had been in place for seven years.

Currently Known Facts, Decisions, or Conditions

Virginia, like most of the United States, is experiencing a severe housing affordability crisis driven by a deficit of thousands of homes. Virginians are feeling the burden of rising housing costs and are struggling to afford a home in a market marked by increasing prices and a general shortage of housing options. To address these challenges, Virginia Housing has introduced its strategic plan for the next 5 years, titled "Pathways to Housing 2030." This plan represents the organization's vision for 2030 and serves as a guide to empower and strengthen communities, enabling all residents to thrive. Virginia Housing will leverage its existing REACH program to support the plan goals.

The plan outlines three primary goals:

- Increase housing inventory through the expansion of new affordable housing opportunities.
- Increase housing affordability through the preservation of quality, affordable, and attainable housing opportunities.
- Deploying multiple strategies, housing options, and resources to support all areas of the state.

Additionally, Virginia Housing developed and awarded new Innovation Grants to support advancements in both technical and process-based solutions, with a focus on addressing the needs of low- and moderate-income households. Grant applications were evaluated not only on the proposed innovation but also on the applicant's approach to assessing their project and sharing lessons learned.

The Authority's mortgage loan financing activities are sensitive to the general level of involvement of the federal government in the housing and capital markets, the general level of interest rates, the interest rates and other characteristics of the Authority's mortgage loans compared to mortgage loan products available in the mortgage loan market, and the supply of available affordable housing in the Commonwealth. The availability of long-term tax-exempt and taxable financing on favorable terms and the ability to securitize loans through GNMA, FNMA and FHLMC are key elements in providing the funding necessary for the Authority to continue its mortgage loan financing activities.

The Authority's main sources of revenues include mortgage loan interest, gains on sale of mortgage loans and mortgage servicing fees. The Authority's non-mortgage loan investment portfolio generally consists of marketable securities bearing short-term maturities. The one-month Daily Treasury rates have decreased to 3.70% in June 2026 from 4.28% in June 2025.

Delinquency and foreclosure rates in the homeownership loan portfolio, and to a lesser extent, the rental housing loan portfolio, are influenced by unemployment and underemployment. Virginia's seasonally adjusted unemployment rate was 3.7% and 3.5% in June 2026 and 2025, respectively. Virginia underemployment rates, which include those no longer seeking employment and those employed only part-time who desire full-time work, were 8.1% and 7.2% in the fiscal year ended June 30, 2026 and 2025, respectively.

Additional Information

Questions about this report or additional information can be obtained by visiting the Authority's website, www.virginiahousing.com.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

Statements of Net Position

June 30, 2026 and 2025

		2026	2025
Assets			
Current assets:			
Cash and cash equivalents (note 5)	$	1,554,325,867	1,711,864,059
Investments (note 5)		365,940,499	619,373,000
Interest receivable – investments		19,086,529	26,671,229
Mortgage loans held for sale (note 1)		42,629,113	79,589,598
Mortgage and other loans receivable, net (note 4)		224,584,656	201,686,802
Interest receivable – mortgage and other loans		38,384,840	34,296,944
Other real estate owned (note 1)		45,177,654	6,291,656
Other assets		18,696,393	16,285,002
Total current assets		2,308,825,551	2,696,058,290
Noncurrent assets:			
Investments (note 5)		579,496,157	640,033,109
Mortgage and other loans receivable, net		10,519,810,829	8,926,465,350
Capital assets, net (note 6)		39,264,833	32,952,251
Mortgage servicing rights, net (note 1)		12,445,885	17,466,412
Other assets		40,491,626	37,155,327
Total noncurrent assets		11,191,509,330	9,654,072,449
Total assets		13,500,334,881	12,350,130,739
Deferred outflows of resources			
Other postemployment benefits - change in assumptions (note 16)		1,035,375	1,374,522
Other postemployment benefits - difference between expected and actual experience (note 16)		6,824,535	4,655,454
Total deferred outflows of resources		7,859,910	6,029,976

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

Statements of Net Position

June 30, 2026 and 2025

		2026	2025
Liabilities			
Current liabilities:			
Notes and bonds payable (note 9)	$	563,725,427	704,729,940
Accrued interest payable on notes and bonds		104,950,586	77,190,041
Escrows (note 11)		61,326,696	50,997,689
Federal grant awards held (note 1)		-	1,334,590
Derivative instruments (note 12)		130,508	575,152
Accounts payable and other liabilities		51,172,797	49,245,741
Total current liabilities		781,306,014	884,073,153
Noncurrent liabilities:			
Bonds payable, net (note 9)		8,453,871,076	7,246,362,212
Project reserves (notes 11 and 17)		124,454,999	127,712,700
Loan participation payable to Federal Financing Bank (note 10)		31,411,376	32,316,895
Other liabilities (notes 15 and 17)		18,805,074	22,862,578
Total noncurrent liabilities		8,628,542,525	7,429,254,385
Total liabilities		9,409,848,539	8,313,327,538
Deferred inflows of resources			
Deferred fees and points on multifamily loans (note 1)		68,236,708	66,611,196
Other postemployment benefits - change in assumptions (note 16)		1,331,481	430,519
Other postemployment benefits - difference between expected and actual experience (note 16)		8,898,974	9,812,467
Other postemployment benefits - difference between projected and actual earning (note 16)		6,938,959	2,873,277
Total deferred inflows of resources		85,406,122	79,727,459
Net position:			
Net investment in capital assets (notes 1 and 14)		18,360,446	7,885,392
Restricted OPEB asset (note 16)		22,675,956	19,680,411
Restricted by bond indentures (notes 1 and 14)		3,310,048,505	3,366,000,473
Unrestricted (notes 1 and 14)		661,855,223	569,539,442
Total net position	$	4,012,940,130	3,963,105,718

See accompanying notes to basic financial statements.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

Statements of Revenues, Expenses, and Changes in Fund Net Position

June 30, 2026 and 2025

		2026	2025
Operating revenues:			
Interest on mortgage and other loans receivable	$	499,135,127	422,191,171
Housing Choice Voucher program administrative income (note 1)		15,516,553	10,254,976
Other real estate owned income		245,450	-
Gains and recoveries on sale of other real estate owned		967,428	782,412
Gains on sale of single family mortgage loans		11,600,898	9,542,314
Mortgage servicing fees net of guaranty fees		38,001,736	41,263,706
Tax credit program fees earned		12,883,245	12,034,028
Other		14,278,038	11,810,258
Total operating revenues		592,628,475	507,878,865
Operating expenses:			
Salaries and related employee benefits (notes 15 and 16)		86,347,198	86,088,065
General operating expenses		41,974,948	38,050,034
Housing Choice Voucher program expenses (note 1)		10,684,070	7,287,445
Mortgage servicing rights amortization and other servicing costs		37,807,500	33,800,617
Losses on other real estate owned (note 1)		2,267,054	1,465,837
Provision for loan losses (note 1)		24,726,667	9,632,987
Total operating expenses		203,807,437	176,324,985
Operating income		388,821,038	331,553,880
Noncapital subsidies:			
Grant expenses		(90,807,421)	(64,661,005)
Transfers in		265,811,432	205,316,375
Transfers out		(265,811,432)	(205,316,375)
Total noncapital subsidies		(90,807,421)	(64,661,005)
Operating income and noncapital subsidies		298,013,617	266,892,875
Other nonoperating revenues and expenses:			
Investment earnings:			
Investment income (notes 1, 5, and 13)		106,350,143	120,386,722
Realized loss on investments		(2,602)	(3,003)
Unrealized gain on investments (notes 1 and 5)		8,860,746	13,021,683
Interest on notes and bonds payable		(352,046,512)	(285,379,243)
Bond issuance and financing expenses		(11,340,980)	(11,285,034)
Pass-through grant awards (note 1)		113,380,151	112,112,431
Pass-through grant expenses (note 1)		(113,380,151)	(112,112,431)
Total other nonoperating expenses, net		(248,179,205)	(163,258,875)
Increase in fund net postion		49,834,412	103,634,000
Total fund net position, beginning of year		3,963,105,718	3,859,471,718
Total fund net position, end of year	$	4,012,940,130	3,963,105,718

See accompanying notes to basic financial statements.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

Statements of Cash Flows

June 30, 2026 and 2025

		2026	2025
Cash flows from operating activities:			
Cash payments for mortgage and other loans	$	(2,678,933,306)	(1,967,523,684)
Principal repayments on mortgage and other loans		664,061,578	484,691,708
Sale of mortgage loans		344,234,836	243,171,356
Interest received on mortgage and other loans		493,517,540	414,897,781
Pass-through grant awards received		113,380,151	108,776,075
Pass-through grant awards disbursed		(113,380,151)	(110,975,512)
Grant administrative fees received		-	1,173,578
Funds returned to the U.S. Treasury		(1,334,590)	-
Housing Choice Voucher payments received		16,698,185	9,852,997
Housing Choice Voucher payments disbursed		(13,912,495)	(9,698,764)
Escrow and project reserve payments received		340,664,841	333,358,787
Escrow and project reserve payments disbursed		(333,593,537)	(323,515,551)
Other operating revenues		83,029,448	83,708,417
Cash received for loan origination fees and loan discounts		14,051,849	14,202,243
Cash paid for loan origination fees and loan premiums		(7,436,174)	(5,719,219)
Cash payments for salaries and related benefits		(84,869,729)	(86,578,430)
Cash payments for general operating expenses		(34,334,252)	(22,297,379)
Cash payments for servicing release premiums and guaranty fees		(43,092,932)	(34,775,653)
Proceeds from sale of other real estate owned		26,210,834	10,480,961
Disposition of other real estate owned property		245,450	-
Net cash used in operating activities		(1,214,792,454)	(856,770,289)
Cash flows from noncapital financing activities:			
Proceeds from issuance of notes and bonds		1,387,715,000	1,771,395,000
Principal payments on notes and bonds		(321,263,483)	(486,584,269)
Principal payments on loan participation - FFB		(905,519)	(869,760)
Interest payments on notes and bonds		(324,233,135)	(263,737,757)
Cash payments for bond issuance expenses		(11,340,980)	(11,285,034)
Cash payments on grants		(90,807,421)	(64,661,005)
Net cash provided by noncapital financing activities		639,164,462	944,257,175
Cash flows from capital and related financing activities:			
Purchases of property, furniture, and equipment		(11,286,054)	(3,024,715)
Lease payments		(638,206)	(863,291)
Subscription-based information technology payments		(6,428,501)	(6,133,863)
Net cash used in capital and related financing activities		(18,352,761)	(10,021,869)
Cash flows from investing activities:			
Purchases of investments		(361,680,296)	(615,503,993)
Proceeds from sales or maturities of investments		684,187,583	563,947,821
Interest received on investments		113,935,274	121,843,141
Net cash provided by investing activities		436,442,561	70,286,969
Net (decrease)/increase in cash and cash equivalents		(157,538,192)	147,751,986
Cash and cash equivalents, at beginning of year		1,711,864,059	1,564,112,073
Cash and cash equivalents, at end of year	$	1,554,325,867	1,711,864,059

(Continued)

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

Statements of Cash Flows

June 30, 2026 and 2025

		2026	2025
Reconciliation of operating income to net cash used in operating activities:			
Operating income	$	388,821,038	331,553,880
Adjustments to reconcile operating income to net cash provided by/(used in) operating activities:			
Depreciation of property, furniture, and equipment		3,220,084	2,169,950
Amortization of right to use asset		6,172,251	5,790,467
Decrease/(increase) in mortgage loans held for sale		36,960,485	(27,242,350)
Increase in mortgage and other loans receivable		(1,636,860,125)	(1,199,766,895)
Increase in allowance for loan loss		20,616,792	8,957,397
Increase in interest receivable – mortgage and other loans		(4,087,896)	(5,480,643)
Increase in other real estate owned		(38,885,998)	(2,269,632)
Decrease in mortgage servicing rights		5,020,527	9,134,788
Increase in other assets		(5,747,693)	(7,148,296)
(Increase)/decrease in deferred outflows of resources		(1,829,936)	1,576,237
Increase in deferred inflows of resources		5,678,663	6,915,770
Decrease in Federal funds held		(1,334,590)	(3,336,356)
Increase in accounts payable and other liabilities		380,176	12,499,578
Increase in escrows and project reserves		7,083,768	9,875,816
Net cash used in operating activities	$	(1,214,792,454)	(856,770,289)
Supplemental disclosure of noncash activity:			
Increase in other real estate owned as a result of loan foreclosures	$	30,267,401	12,169,872

See accompanying notes to the financial statements.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

Statements of Fiduciary Net Position

Fiduciary Funds

June 30, 2026 and 2025

	2026		2025	
	Retiree Health Care Plan*	**Custodial Funds**	**Retiree Health Care Plan***	**Custodial Funds**
ASSETS				
Current assets:				
Cash and cash equivalents	$ 5,089	111,127,433	4,204	91,723,613
Interest receivable - investments	-	152,781	-	151,685
Interest receivable - mortgage and other loans	-	242,994	-	195,150
Other assets	-	212	-	213
Total current assets	5,089	111,523,420	4,204	92,070,661
Noncurrent assets:				
Mortgage and other loans receivable	-	1,631,558	-	1,654,120
Investments	75,547,182	-	66,569,027	-
Total noncurrent assets	75,547,182	1,631,558	66,569,027	1,654,120
Total assets	75,552,271	113,154,978	66,573,231	93,724,781
LIABILITIES				
Accounts payable	1,159,672	-	1,031,407	-
Other liabilities	-	17,347,513	-	9,720,031
Total liabilities	1,159,672	17,347,513	1,031,407	9,720,031
NET POSITION				
Restricted for:				
Other postemployment benefit plan other than pension	74,392,599	-	65,541,824	-
Funds held in escrow	-	89,301,420	-	78,005,910
Other governmental agency	-	6,506,045	-	5,998,840
Total Net Position	$ 74,392,599	95,807,465	65,541,824	84,004,750

*December 31, 2025 and 2024 year-end, see note 16

See accompanying notes to the financial statements.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

Statements of Changes in Fiduciary Net Position

Fiduciary Funds

Years ended June 30, 2026 and 2025

		2026		2025	
		Retiree Health Care Plan*	Custodial Funds	Retiree Health Care Plan*	Custodial Funds
ADDITIONS					
Contribution:					
Borrower payments	$	-	1,790,087,128	-	1,754,587,838
Employers		659,682	-	1,686,116	-
Total Contributions		659,682	1,790,087,128	1,686,116	1,754,587,838
Investment earnings:					
Net increase in fair value of investments		2,125,583	-	1,383,481	-
Interest, dividends, and other		1,811,616	3,058,857	1,719,457	2,733,191
Securities lending income gain on sales		5,613,248	-	4,516,416	-
Total investment earnings		9,550,447	3,058,857	7,619,354	2,733,191
Total additions		10,210,129	1,793,145,985	9,305,470	1,757,321,029
DEDUCTIONS					
Benefits paid to participants or beneficiaries		1,159,672	-	1,031,407	-
Other governmental agency		-	2,551,652	-	1,961,323
Disbursement of escrow funds		-	1,778,791,618	-	1,734,773,615
Disbursements to DHCD		-	-	-	500,000
Administrative expense		199,682	-	186,116	23,750
Total deductions		1,359,354	1,781,343,270	1,217,523	1,737,258,688
Net increase in fiduciary net position		8,850,775	11,802,715	8,087,947	20,062,341
Net position - beginning of year		65,541,824	84,004,750	57,453,877	63,942,409
Net position - end of year	$	74,392,599	95,807,465	65,541,824	84,004,750

*December 31, 2025 and 2024 year-end, see note 16

See accompanying notes to the financial statements.

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

The Virginia Housing Development Authority (Authority) was created under the Virginia Housing Development Authority Act, as amended (Act), enacted by the 1972 Session of the Virginia General Assembly. The Act empowers the Authority, among other authorized activities, to finance the acquisition, construction, rehabilitation and ownership of housing intended for occupancy or ownership, or both, by families of low or moderate income. Mortgage loans are generally financed by the proceeds of notes, bonds, or other debt obligations of the Authority or by Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA) and Federal Home Loan Mortgage Corporation (FHLMC) guaranteed mortgage-backed securities (see Note 1 (g)). The notes, bonds and other debt obligations do not constitute a debt or grant or line of credit of the Commonwealth of Virginia (Commonwealth), and the Commonwealth is not liable for the repayment of such obligations.

For financial reporting purposes, the Authority is a component unit of the Commonwealth. The accounts of the Authority, along with other component units, are combined to form the component units of the Commonwealth. The Authority reports all its activities as a single enterprise fund, in accordance with U.S. generally accepted accounting principles (GAAP) as established by the Governmental Accounting Standards Board (GASB). See Note 2 for further discussion.

(b) Measurement Focus and Basis of Accounting

The Authority utilizes the economic resources measurement focus and accrual basis of accounting in preparing its basic financial statements, where revenues are recognized when earned and expenses when incurred. The accounts are organized on the basis of funds and groups of funds, which are set up in accordance with the Act and the various note and bond resolutions.

(c) Use of Estimates

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

(d) Fair Value Hierarchy

Fair value measurements not valued at net asset value using the practical expedient are categorized into a three-level hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the assets fall within different levels of the hierarchy, the classification is based on the lowest level input that is significant to the fair value measurement of the asset. Classification of assets within the hierarchy considers the markets in which assets are traded and the reliability and transparency of the assumptions used to determine fair value. The hierarchy requires the use of observable market data when available.

The levels of the hierarchy are defined as follows:

- Level 1 - Valuation is based on quoted prices (unadjusted) for identical assets in an active market.
- Level 2 - Valuation is based upon quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, and assets valued based on observable market data and market-corroborated inputs for similar instruments.

- Level 3 - Valuation is based upon various techniques that use assumptions that are not observable in the market and are significant to the fair value measurement.

In determining which hierarchy level a financial instrument is classified, the Authority considers all available information, including observable market data and indications of market liquidity. Assets and liabilities that are valued at fair value on a recurring basis include investments and derivative instruments. Assets that are measured on a non-recurring basis include other real estate owned and mortgage loans held for sale, as these are carried at the lower of cost or fair value.

(e) Investments

Investments include various debt and asset-backed securities, which are reported at fair value in the Statements of Net Position, with changes in fair value recognized separately as unrealized gains or losses on investments in the Statements of Revenues, Expenses, and Changes in Fund Net Position. The fair value of the debt securities and asset-backed securities is derived from management's review of third-party pricing services that use various models that are based on quoted market prices when available or on adjusted values in relation to observable prices on similar investments. If investments are sold, then the resulting realized gains or losses are reported separately in the Statements of Revenues, Expenses, and Changes in Fund Net Position.

(f) Derivative Instruments

Forward sales securities commitments are utilized to hedge changes in fair value of mortgage loan inventory and commitments to originate mortgage loans. At June 30, 2026, the Authority had outstanding 38 forward sales transactions with a $80.6 million book value with four counterparties with concentrations and ratings (Moody's Investors Service) as shown in Note 12. At June 30, 2025, the Authority had outstanding 38 forward sales transactions with a $119.4 million book value with four counterparties with concentrations and ratings (Moody's Investors Service). The 2026 forward sales contracts will settle by August 20, 2026. These contracts are treated as investments in derivative instruments and the change in fair value is reported on the Statement of Revenues, Expenses, and Changes in Fund Net Position as unrealized gain (loss) on investments.

(g) Mortgage Loans Held for Sale

The Authority is an authorized issuer of GNMA, FNMA, and FHLMC Mortgage-Backed Securities (MBS). Through the MBS programs, GNMA, FNMA, and FHLMC guarantee securities that are backed by pools of mortgage loans originated or purchased by the Authority. These mortgage loan securitizations are treated as sales for accounting and reporting purposes. Upon the sale, the Authority no longer recognizes the mortgage loans receivable in the Statements of Net Position.

Mortgage loans originated or acquired with the intent to sell through the MBS programs are carried at the lower of cost or fair value. The fair values of the loans are based on observable market prices for similar instruments traded on the secondary mortgage loan markets. The Authority's portfolio of mortgage loans held for sale is classified as Level 2 in the fair value hierarchy. Any gains or losses on loan sales are reported in the Statements of Revenues, Expenses, and Changes in Fund Net Position.

(h) Mortgage and Other Loans Receivable

Mortgage and other loans receivable are stated at their unpaid principal balance, net of premiums and discounts and an allowance for loan losses. Pricing premiums and discounts are deferred and amortized, using the interest method, over the contractual life of the loans as an adjustment to yield. The interest method is computed on a loan-by-loan basis, and any unamortized premiums and discounts on loans fully repaid are recognized as income in the year in which such loans are repaid.

(i) Allowance for Loan Losses

The Authority provides for expected losses when a specific need for an allowance is identified. The provision for loan losses charged or credited to operating expense is the amount necessary, in management's judgment, to maintain the allowance at a level it believes sufficient to cover losses in the collection of its mortgage loans. Estimates of future losses involve the exercise of management's judgment and assumptions with respect to future conditions. The principal factors considered by management in determining the adequacy of the allowance are the composition of the loan portfolio, historical loss experience and delinquency statistics, the value and adequacy of collateral, and economic conditions.

The allowance for loan losses increased by $20,616,792 for the year ended June 30, 2026, and increased by $8,957,397 for the year ended June 30, 2025.

		Year ended June 30	
		2026	**2025**
Beginning balance, July 1	$	152,080,775	143,123,378
Provision:			
Homeownership		3,677,371	6,183,594
Rental Housing		21,049,296	3,449,393
Provision		24,726,667	9,632,987
Net (charge-offs)/recoveries:			
Homeownership		(1,451,824)	(675,590)
Rental Housing		(2,658,051)	-
Net charge-offs		(4,109,875)	(675,590)
Net change		20,616,792	8,957,397
Ending balance, June 30	$	172,697,567	152,080,775

(j) Mortgage servicing rights

The Authority pays mortgage servicing release premiums when purchasing homeownership mortgage loans from participating lenders. These premiums are capitalized at cost and amortized on a loan-by-loan basis over the estimated life of the related mortgage loans using the sum-of-years-digits method. Mortgage servicing rights are recorded when those mortgage loans are securitized through either GNMA, FNMA or FHLMC, and the Authority remains the servicer of the loans. The estimated life is determined to be 7 years.

(k) Other Real Estate Owned

Other real estate owned represents current investments in homeownership dwellings and rental housing developments, acquired primarily through foreclosure, and is stated at the lower of cost or fair value less estimated disposal costs. On a non-recurring basis, fair values of the real properties are assessed by comparing them to similar properties. The Authority's portfolio of real estate owned is classified as a Level 2 in the fair value hierarchy. Gains and losses from the disposition of other real estate owned are reported separately in the Statements of Revenues, Expenses, and Changes in Fund Net Position.

(l) Capital Assets

Capital assets are capitalized at cost, and depreciation is provided on a straight-line basis over the estimated useful lives: 30 years for buildings; 3 to 10 years for furniture and equipment; and 5 years for vehicles. The capitalization threshold for property, furniture, and equipment is $1,000.

(m) Leases and Subscription-Based Information Technology Arrangements

On August 26, 2024, the Authority entered into a lease agreement for office space commencing on April 1st, 2025. This lease replaces the existing office space lease that expired on September 8, 2025. The lease asset is reported as a capital asset, net of accumulated amortization, and has a current and non-current lease liability. Both the lease asset and lease liability are reported in the Statement of Net Position. Leasehold improvements are capitalized and amortized over the remaining life of the lease term. Further disclosure for the building lease is discussed in Note 8.

Subscription-Based Information Technology Arrangements (SBITA) are contracts that grant the Authority non-cancellable rights to use another party's software. These arrangements are recorded as a subscription asset with a corresponding subscription liability. The asset, which may include eligible implementation costs, is amortized over the subscription term once placed into service. The liability is measured at the present value of expected subscription payments, with the current portion reported in Accounts Payable and other current liabilities and the remainder as a noncurrent other liability. Additional information is provided in Note 7. The Authority has established a materiality threshold of $15,000 for identifying arrangements with financial impact.

(n) Bond Issuance Expense

Bond issuance costs are expensed in the period incurred.

(o) Notes and Bonds Payable

Notes and bonds payable are stated at their unpaid balance less any unamortized premiums or discounts. Bond premiums and discounts are amortized over the lives of the issues using the interest method. The Authority generally has the right to specially redeem bonds, without premium, upon the occurrence of certain specified events, such as the prepayment of a mortgage loan. The Authority also has the right to optionally redeem the various bonds. The optional redemptions generally cannot be exercised until the bonds have been outstanding for approximately ten years. All issues generally have term bonds, which are subject to partial redemption, without premium, from mandatory sinking fund installments.

(p) Retirement Plans and Other Postemployment Benefit Plans

The Authority has three defined contribution retirement savings plans covering substantially all employees. Employer required contributions to retirement plans are fully funded and expensed as incurred. To the extent terminating employees are less than 100% vested in the Authority's contributions, the unvested portion is forfeited and redistributed to the remaining participating employees.

The Authority also provides postretirement healthcare benefits administered through a trust under a defined benefit plan to all employees who have met the years of service requirement and who retire from the Authority on or after attaining age 55 or become permanently disabled. For purposes of measuring the net OPEB liability (asset), deferred outflows or inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Virginia Housing Development Authority Retiree Health Care Plan (the Plan) and additions to or deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognized benefit payments when due and payable in accordance with the benefit terms of the Plan. Investments are reported at fair value, except for money market investments that have a maturity at the time of purchase of one year or less, which are reported at cost, which approximates fair value.

(q) Compensated Absences

Authority employees may accumulate unused vacation, sick, or other types of leave, subject to certain limitations, as services are provided. A liability for compensated absences is recorded for leave attributable to services already rendered that has not been used, accumulates, and is more likely than not to be taken or otherwise paid in cash upon retirement, termination, or death.

(r) Related Party Transactions

The Authority provides split-dollar life insurance as a form of compensation to retain talented key associates.

(s) Pass-Through Revenues and Expenses

U.S. Department of Housing and Urban Development – Tenant Based Section 8

The Authority serves as an administrator for the U.S. Department of Housing and Urban Development's (HUD) Section 8 Housing Choice Voucher program, consisting of the voucher program as well as other tenant-based assistance programs. The Authority requisitions Section 8 funds, makes disbursements of funds to eligible participants, and recognizes administrative fee income. Program income and program expenses that are recognized as pass-through grants based upon the amount of allowable Housing Assistance Payments (HAP) disbursements totaled $113,380,151 and $109,963,261 during the years ended June 30, 2026, and 2025, respectively

Excess HAP or administrative funds disbursed to the Authority were recorded as a liability in the Statements of Net Position. The cumulative excess of HAP funds totaled $1,808,579 and $149,729 as of June 30, 2026, and 2025, respectively. Cumulative excess administrative funds totaled $6,665,427 and $5,011,222 as of June 30, 2026, and 2025, respectively. HUD monitors the utilization of these excess funds and adjusts funding levels prospectively to ensure all funds are being used to serve families up to the maximum number of vouchers authorized for the program.

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U.S. Department of Housing and Urban Development – Housing Counseling Assistance Program

The Authority serves as an administrator for HUD-approved Housing Counseling Agencies in the Commonwealth. The Housing Counseling Assistance Program provides counseling to consumers on seeking, financing, maintaining, renting, or owning a home. The Authority did not have pass-through grants as of June 30, 2026. As of June 30, 2025, the Authority had a pass-through grant of $1,017,885.

U.S. Department of the Treasury – Homeowner Assistance Fund

The Authority serves as the recipient of U.S. Department of the Treasury funds to support the Homeowner Assistance Fund. The program provided financial assistance to mitigate financial hardships associated with the coronavirus pandemic by providing funds to eligible entities for the purpose of preventing homeowner mortgage delinquencies, defaults, foreclosures, loss of utilities or home energy services, and displacements of homeowners experiencing financial hardship after January 21, 2020.

In August of 2025, the Authority concluded the Homeowner Assistance Fund. The Authority did not disburse any Homeowner Assistance Fund grants or earn any administrative fees during the year ended June 30, 2026. During the year ended June 30, 2025, the Authority disbursed Homeowner Assistance Fund grants of $1,131,285. For its support of the program, the Authority earned $1,173,578 in administrative fees during the year ended June 30, 2025.

(t) Commonwealth Priority Housing Fund, Housing Trust Fund, & National Housing Trust Fund

The Commonwealth Priority Housing Fund (Fund), established by the 1988 Session of the Virginia General Assembly, uses funds provided by the Commonwealth in that Session to make loans and grants for a wide variety of housing initiatives. The Virginia Department of Housing and Community Development (DHCD) develops the program guidelines, and the Authority acts as administrator for the Fund.

The Housing Trust Fund (Trust Fund), established by the 2013 Session of the Virginia General Assembly, uses funds provided by the Commonwealth in that Session to make loans and grants for a wide variety of housing initiatives. DHCD develops program guidelines, and the Authority acts as administrator for the Trust Fund.

The National Housing Trust Fund (National Trust) is a federal fund established through the Housing and Economic Recovery Act of 2008. It exclusively aims to help build, preserve, rehabilitate, and operate housing that is affordable to people with the lowest incomes. DHCD administers the program through the Affordable and Special Needs Housing application process.

In accordance with GASB Statement No. 84, *Fiduciary Activities,* the Commonwealth Priority Housing Fund, Housing Trust Fund and National Housing Trust Fund are accounted for as fiduciary activities and disclosed on the Authority's Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position.

(u) Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid short-term instruments with original maturities of three months or less from the date of purchase and are recorded at amortized cost. These include commercial paper, repurchase agreements, money-market securities, and other short-term instruments.

(v) Rebatable Arbitrage

Rebatable arbitrage involves the investment of proceeds from the sale of tax-exempt debt in a taxable investment that yields a higher rate than the rate of the debt. This results in investment income in excess of interest costs. Federal law requires such income to be rebated to the U.S. government if the yield from these earnings exceeds the effective yield on the related tax-exempt debt issued. Arbitrage must be calculated, reported, and paid every five years or at maturity of the debt, whichever is earlier. For financial reporting purposes, the potential liability is calculated annually, see Note 13.

(w) Statements of Net Position

The assets presented in the Statements of Net Position represent the total of similar accounts of the Authority's various groups (see Note 2). Since the assets of certain groups are restricted by the related debt resolutions, the total does not indicate that the combined assets are available in any manner other than that provided for in the resolutions for the separate groups. When both restricted and unrestricted resources are available for use, the Authority's policy is to use restricted resources first and thereafter, unrestricted resources as needed.

(x) Operating, Noncapital Subsidies and Nonoperating Revenues and Expenses

The Governmental Accounting Standards Board (GASB) issued Statement No. 103, Financial Reporting Model Improvements, which defines operating revenues and expenses as all revenues and expenses other than those classified as nonoperating. Nonoperating revenues and expenses include subsidies received and provided, revenues and expenses related to financing activities, resources from the disposal of capital assets, and investment income and expenses.

Noncapital subsidies include resources received from or provided to another party or fund for which the Authority or other party does not provide goods or services, and that directly or indirectly keep the Authority's or other party's current or future fees and charges lower than they would otherwise be, as well as all other transfers.

(y) Deferred Outflows of Resources and Deferred Inflows of Resources

The Authority reports deferred outflows of resources and deferred inflows of resources on its Statements of Net Position. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expense) until the applicable period. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until a future period. See Note 16 for further discussion regarding deferred outflows of resources and deferred inflows of resources associated with the Authority's other postemployment benefits plan.

(z) Deferred Fees and Points on Multifamily Loans

During the rental housing origination process, fees are collected during the loan closing process. Origination type fees are reported as income in the current year collected; however, the fees related to loan pricing are treated as points and deferred over the life of the loan.

(aa) Federal Grant Awards Held

Since fiscal year 2021, the Authority has held federally awarded funds to support three specific programs: the Emergency Rental Assistance program, the Coronavirus Relief Fund program, and the Homeowner Assistance Fund program. As of June 30, 2026, all federally awarded funds on these programs were either disbursed or returned to the U.S. Treasury.

(bb) REACH and Grant Expenses

The Authority developed the Resources Enabling Affordable Community Housing (REACH) *Virginia* program to use internally generated funds to provide grants and subsidize mortgage loans to assist the elderly, disabled, homeless, and other low-income persons and increase affordable housing opportunities in the Commonwealth. The amount of REACH *Virginia* the Authority commits is based on the average of the Authority's change in net position, as unadjusted for the effect of Governmental Accounting Standards Board (GASB) No. 31, Accounting and Financial Reporting for Certain Investments and External Investment Pools, for the preceding three fiscal years then the amount disbursed as grants is added back with the result then being multiplied by a Board approved percentage currently set a 75%. The amount made available to the REACH *Virginia* initiative is subject to periodic review by the Authority depending on the impact on its financial position. The Authority had outstanding REACH *Virginia* grant commitments of $49.0 million and $65.8 million as of June 30, 2026, and June 30, 2025, respectively.

The Authority provides several different types of grants, which are reflected on the financial statements as noncapital subsidies and include but are not limited to, down payment assistance grants, accessibility grants, network capacity support grants, and community market support grants. Most of these grants are conditional and are only paid based on a loan closing or for reimbursement for a supportive housing expense incurred by a grantee. In fiscal year 2026, the Authority had grant expenses of $90.8 million. In fiscal year 2025, the Authority had grant expenses of $64.7 million.

(cc) Reclassifications

The Authority adopted the Governmental Accounting Standards Board (GASB) Statement No. 103, Financial Reporting Model Improvements, effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter, and applied it to the financial statements for all periods presented. GASB No. 103 requires a new format for presenting information in the Management Discussion and Analysis section and in the Statements of Revenues, Expenses, and Changes in Fund Net Position.

The result is that Investment earnings, interest on notes and bonds payable, bond issuance, and financing expenses have all been relocated to the nonoperating revenues (expenses) section of the Statements of Revenues, Expenses, and Changes in Fund Net Position. Additionally, a new section for noncapital subsidies has been added, which includes grant expenses and transfers in and out. This change will also be applied to the Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position for June 30, 2026, and June 30, 2025.

(2) Basis of Presentation

The accounts of the Authority are presented in a single enterprise fund set of basic financial statements consisting of various programs. The Authority's activities include the following programs:

(a) General Operating Accounts

The General Operating Accounts consist of a group of accounts used to record the receipt of income not directly pledged to the repayment of specific notes and bonds and the payment of expenses related to the Authority's administrative functions.

(b) Rental Housing Bond Group

The proceeds of the Rental Housing Bonds are used to finance construction and permanent mortgage loans on rental housing developments, as well as temporary financing for other rental housing real estate owned, and the financing of the Authority's office facilities.

(c) Commonwealth Mortgage Bond Group

The proceeds of Commonwealth Mortgage Bonds are used to purchase or make long-term mortgage loans to owner occupants of homeownership dwellings, as well as, temporary financing for other homeownership real estate owned.

(d) Homeownership Mortgage Bond Group

The Homeownership Mortgage Bond group was established to encompass the Authority's participation in the U.S. Department of the Treasury's New Issue Bond Program, which was created to assist state and local housing finance agencies in acquiring cost-effective mortgage loan capital. The proceeds of Homeownership Mortgage Bonds are used to purchase or make long-term mortgage loans to owner-occupants of homeownership dwellings.

(3) Restricted Assets

Restricted assets are primarily assets held for the benefit of the respective bond owners and include mortgage loans and investments. Certain assets are held on behalf of federal programs or housing initiatives of the Commonwealth.

Restricted assets as of June 30, 2026, and 2025 were as follows:

	June 30	
	2026	**2025**
Restricted current assets:		
Cash and cash equivalents	$ 1,382,134,844	1,566,266,695
Investments	330,453,495	573,036,451
Interest receivable – investments	16,069,548	22,483,454
Mortgage loans held for sale	42,629,113	79,589,598
Mortgage and other loans receivable	211,446,197	190,028,138
Interest receivable – mortgage and other loans	37,371,720	33,283,215
Other real estate owned	37,726,548	864,715
Other assets	637,883	1,800,795
Total restricted current assets	2,058,469,348	2,467,353,061
Restricted noncurrent assets:		
Investments	578,506,430	626,763,063
Mortgage and other loans receivable, net	10,031,266,155	8,505,236,328
Net OPEB asset	22,675,956	19,680,411
Capital assets, net	4,833,286	5,529,720
Total restricted noncurrent assets	10,637,281,827	9,157,209,522
Total restricted assets	$ 12,695,751,175	11,624,562,583

(4) Mortgage and Other Loans Receivable

Substantially all mortgage and other loans receivable are secured by first liens on real property within the Commonwealth. The following are the interest rates and typical loan terms by loan program or bond group for the major loan programs:

Loan program/bond group	Interest rates	Initial loan terms
General Operating Accounts	0% to 8.75%	Thirty to forty years
Rental Housing Bond Group	0% to 9.51%	Thirty to forty years
Commonwealth Mortgage Bond Group	0% to 9.38%	Thirty years
Homeownership Mortgage Bond Group	2.00% to 5.63%	Thirty years

Commitments to fund new loans were as follows:

		June 30, 2026	June 30, 2025
Rental Housing Bond Group	$	892,182,394	1,061,132,576
Commonwealth Mortgage Bond Group		354,166,722	357,703,668
Total	$	1,246,349,116	1,418,836,244

(5) Cash, Cash Equivalents, and Investments

Cash includes cash on hand and amounts in checking accounts, which are insured by the Federal Depository Insurance Corporation or are collateralized under provisions of the Virginia Security for Public Deposits Act. At June 30, 2026 and 2025, the carrying amount of the Authority's deposits was $115,674,147 and $78,886,066, respectively. The associated bank balance of the Authority's deposits was $109,246,560 and $73,464,606 at June 30, 2026, and 2025, respectively. The difference between the carrying amount and the bank balance is due to outstanding checks, deposits in transit, and other reconciling items.

Cash equivalents include investments with original maturities of three months or less from the date of purchase. Investments consist of U.S. government and agency securities, repurchase agreements, asset-backed securities, agency-mortgage-backed securities, money market securities, and other interest-bearing securities held at the FHLB Atlanta. At June 30, 2026 and 2025, total cash equivalents were $1,438,651,720 and $1,632,977,993, respectively.

Investments made by the Authority are governed by the Virginia Housing Development Authority Act and the Investment of Public Funds Act of the Code of Virginia. Additionally, for assets or monies pledged to the bond resolutions, there are various investment provisions contained in the bond resolutions that affect invested bond proceeds. Within this permitted statutory and bond resolution framework, the Authority's investment policy is to fully invest all monies in a prudent manner that will maintain the Authority's liquidity and maximize return while preserving the capital to enable the Authority to fulfill its financial commitments. The types of investments approved within the statutes and resolutions include but are not limited to direct obligations of the U.S. government, direct obligations of any state or political subdivision of the U.S. government, obligations unconditionally guaranteed by the U.S. government or other political subdivisions, bonds, debentures, certificates of deposit, repurchase agreements, swap contracts, futures contracts, and forward contracts. No more than 3.0% of the Authority's total assets may be invested in any one entity, excluding obligations issued or guaranteed by the U.S. government and repurchase agreement transactions. However, repurchase agreements cannot be more than 10% of the Authority's total assets and must mature in less than one month. Such agreements must be collateralized with U.S. Treasury or Agency securities with a fair value at least equal to 102% of the principal amount of the agreement.

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy is to generally hold all investments to maturity and to limit the length of an investment at purchase, to coincide with the expected timing of its use.

(a) Interest Rate Risk

Interest rate risk is the risk that changes in market rates of interest will adversely affect the fair value of an investment. Investments with interest rates that are fixed for longer periods are likely to be subject to more variability in their fair values as a result of future changes in interest rates. As a means of communicating interest rate risk, the Authority has elected the segmented time distribution method of disclosure, which requires the grouping of investment cash flows into sequential time periods in tabular form.

As of June 30, 2026, the Authority had the following investments (including cash equivalents) and maturities:

Investment type	Less than 1 year	1-5 years	6-10 years	Over 10 years	Total
U.S. government and agency	$ 1,588,929,114	-	-	-	1,588,929,114
Repurchase agreements	50,000,000	-	-	-	50,000,000
Asset-backed securities	-	-	46,891	942,836	989,727
Collateralized mortgage obligations	-	-	-	21,853,704	21,853,704
Agency-mortgage backed securities	-	77,370	5,400,655	551,174,701	556,652,726
Money market securities	165,663,105	-	-	-	165,663,105
Total investments	$ 1,804,592,219	77,370	5,447,546	573,971,241	2,384,088,376

As of June 30, 2025, the Authority had the following investments (including cash equivalents but excludes equity investments) and maturities:

Investment type	Less than 1 year	1-5 years	6-10 years	Over 10 years	Total
U.S. government and agency	$ 2,099,869,471	-	-	-	2,099,869,471
Repurchase agreements	100,000,000	-	-	-	100,000,000
Asset-backed securities	-	-	45,709	1,056,222	1,101,931
Collateralized mortgage obligations	-	-	-	22,376,056	22,376,056
Agency-mortgage backed securities	-	141,019	2,076,684	614,337,419	616,555,122
Money market securities	52,481,522	-	-	-	52,481,522
Total investments	$ 2,252,350,993	141,019	2,122,393	637,769,697	2,892,384,102

The Authority extended a pledge and security agreement with FNMA that requires the Authority to post collateral to secure it's repurchase obligations with respect to the HFA Preferred Risk Sharing mortgage loans during the recourse period. The required collateral amount was \$0.5 million and \$1.8 million as of February 28, 2026, and March 31, 2025, respectively. To comply with the collateral requirement, the Authority elected to pledge agency mortgage-backed securities valued at \$3.2 million and \$18.2 million, held in trust by a custodian agent for FNMA as of February 28, 2026, and March 31, 2025, respectively.

(b) Credit Risk

Credit risk is the risk that an issuer or other counterparties to an investment will not fulfill its obligations. The Authority places emphasis on securities of high credit quality and marketability. The following table presents investment (including cash equivalents) exposure to credit risk by investment type as of June 30, 2026:

	Amount	Moody's rating	Percentage of total investments
US Government & Agency	$ 1,588,929,114	P-1/Aa1	66.65 %
Agency-Mortgage Backed Securities	556,652,726	Aa1	23.34
Money Market Securities	161,296,818	P-1	6.76
Repurchase Agreements	50,000,000	NR	2.09
Collateralized Mortgage Obligation	21,853,704	Aa1	0.92
Money Market Securities	4,000,000	NR	0.17
Asset-Backed Securities	942,836	Caa1/Caa2	0.04
Money Market Securities	366,287	Aaa-mf	0.02
Asset-Backed Securities	46,891	WR	0.01
Total investments	$ 2,384,088,376		100.00 %

The following table presents investment (including cash equivalents but excluding equity investments) exposure to credit risk by investment type as of June 30, 2025:

	Amount	Moody's rating	Percentage of total investments
US Government & Agency	$ 2,099,869,471	P-1/Aa1	72.60 %
Agency-Mortgage Backed Securities	616,555,122	Aaa	21.31
Repurchase Agreements	100,000,000	Baa2/BBB-	3.46
Money Market Securities	48,115,235	P-1	1.66
Collateralized Mortgage Obligation	22,376,056	Aaa	0.77
Money Market Securities	4,000,000	NR	0.14
Asset-Backed Securities	1,006,355	Caa1/Caa2	0.04
Money Market Securities	366,287	Aaa-mf	0.01
Asset-Backed Securities	95,576	WR	0.01
Total investments	$ 2,892,384,102		100.00 %

(c) Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to investments held by a single issuer. The Authority only makes large investments with issuers who are either insured by the government, have strong credit ratings or who post collateral. The Authority had the following issuers that represent 5% or more of the total investments as of June 30, 2026 and 2025:

Investment	Moody's rating	June 30, 2026 Amount	June 30, 2026 Percentage of total investments
Agency-Mortgage Backed Securities			
GNMA	Aa1	$ 468,813,183	19.7%
FNMA	Aa1	87,839,543	3.7%
Repurchase Agreements			
Cantor Fitzgerald	NR	50,000,000	2.1%
Money Market Securities			
US Bank Commercial Paper	P-1	165,663,105	6.9%
		$ 772,315,831	32.4%

Investment	Moody's rating	June 30, 2025 Amount	June 30, 2025 Percentage of total investments
Agency-Mortgage Backed Securities			
GNMA	Aaa	$ 522,017,977	18.0%
FNMA	Aaa	94,537,145	3.3%
Repurchase Agreements			
Cantor Fitzgerald	BBB-	50,000,000	1.7%
Jefferies	Baa2	50,000,000	1.7%
Money Market Securities			
US Bank Commercial Paper	P-1	48,115,235	1.7%
		$ 764,670,357	26.4%

(d) Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of a counterparty, the Authority will not be able to recover the value of its investment of collateral securities that are in the possession of an outside party. For deposits, custodial credit risk refers to the risk that, in the event of a failure of a depository financial institution, the Authority may not be able to recover its deposits. The Authority's deposits are insured by the federal depository insurance or collateralized under the provisions of the Virginia Security for Public Deposits Act. For investments, custodial risk is the risk that, in the event of a failure of a counterparty, the Authority will not be able to recover the value of its investments. The Authority's market value of securities that were uninsured and held by a counterparty at June 30, 2026 and 2025:

Investment		Amount as of June 30, 2026	Amount as of June 30, 2025
Asset Backed Securities - Held by US Bank	$	989,727	1,101,931
Money Market Securities - Held by Broker-Dealer		165,663,105	52,481,522
	$	166,652,832	53,583,453

(e) Fair Value Hierarchy

As of June 30, 2026, the Authority had the following investments, excluding cash equivalents valued at cost, measured at fair value on a recurring basis using the following fair value hierarchy categories:

			Fair value measurement using		
Investment type		June 30, 2026	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Agency-mortgage backed securities	$	556,652,726	-	556,652,726	-
Asset-backed securities		989,727	-	989,727	-
Collateralized mortgage obligations		21,853,704	-	21,853,704	-
Total investments	$	579,496,157	-	579,496,157	-

As of June 30, 2025, the Authority had the following investments (excluding cash equivalents but excluding equity investments) measured using the following fair value hierarchy categories:

			Fair value measurement using		
Investment type		June 30, 2025	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Agency-mortgage backed securities	$	616,555,122	-	616,555,122	-
Asset-backed securities		1,101,931	-	1,101,931	-
Collateralized mortgage obligations		22,376,056	-	22,376,056	-
Total investments	$	640,033,109	-	640,033,109	-

(6) Capital Assets

Activity in the capital assets' accounts for the year ended June 30, 2026, was as follows:

	Balance June 30, 2025	Additions	Disposals	Transfers	Balance June 30, 2026
Nondepreciable capital assets:					
Land	$ 2,935,815	-	-	-	2,935,815
Construction in process	2,173,718	11,002,951	-	(2,040,874)	11,135,795
Total nondepreciable capital assets:	5,109,533	11,002,951	-	(2,040,874)	14,071,610
Depreciable capital assets:					
Building	38,428,721	-	-	255,804	38,684,525
Leased Building	8,486,341	239,353	(5,108,970)	-	3,616,724
Subscription assets	31,066,741	4,427,611	(6,373,291)	-	29,121,061
Furniture and equipment	18,327,079	-	(6,071,217)	1,785,070	14,040,932
Motor vehicles	780,587	43,750	(21,481)	-	802,856
Total depreciable capital assets:	97,089,469	4,710,714	(17,574,959)	2,040,874	86,266,098
Less accumulated depreciation:					
Building	30,751,034	1,185,807	-	-	31,936,841
Leased Building	5,148,872	812,103	(5,108,970)	-	852,005
Subscription assets	15,554,227	6,172,251	(6,373,291)	-	15,353,187
Furniture and equipment	17,131,678	1,145,561	(6,062,470)	-	12,214,769
Motor vehicles	660,940	76,614	(21,481)	-	716,073
Total accumulated depreciation	69,246,751	9,392,336	(17,566,212)	-	61,072,875
Total depreciable capital assets, net	27,842,718	(4,681,622)	(8,747)	2,040,874	25,193,223
Total capital assets, net	$ 32,952,251	6,321,329	(8,747)	-	39,264,833

Activity in the capital assets' accounts for the year ended June 30, 2025, was as follows:

	Balance June 30, 2024	Additions	Disposals	Transfers	Balance June 30, 2025
Nondepreciable capital assets:					
Land	$ 2,935,815	-	-	-	2,935,815
Construction in process	7,796	2,990,023	-	(824,101)	2,173,718
Total nondepreciable capital assets:	2,943,611	2,990,023	-	(824,101)	5,109,533
Depreciable capital assets:					
Building	38,428,721	-	-	-	38,428,721
Leased Building	5,108,970	3,377,371	-	-	8,486,341
Subscription assets	31,775,797	7,909,091	(8,618,147)	-	31,066,741
Furniture and equipment	21,512,881	-	(4,009,903)	824,101	18,327,079
Motor vehicles	829,554	34,692	(83,659)	-	780,587
Total depreciable capital assets:	97,655,923	11,321,154	(12,711,709)	824,101	97,089,469
Less accumulated depreciation:					
Building	29,425,333	1,325,701	-	-	30,751,034
Leased Building	4,262,505	886,367	-	-	5,148,872
Subscription assets	18,380,534	5,790,467	(8,616,774)	-	15,554,227
Furniture and equipment	20,387,352	753,657	(4,009,331)	-	17,131,678
Motor vehicles	654,007	90,592	(83,659)	-	660,940
Total accumulated depreciation	73,109,731	8,846,784	(12,709,764)	-	69,246,751
Total depreciable capital assets, net	24,546,192	2,474,370	(1,945)	824,101	27,842,718
Total capital assets, net	$ 27,489,803	5,464,393	(1,945)	-	32,952,251

(7) Subscription-Based Information Technology Arrangements

The Authority has entered into subscription-based information technology arrangements (SBITAs) with various software vendors, granting the Authority the right to use cloud- or web-based software systems for a specified contractual period. The standards require the Authority to record a capital asset and a corresponding liability related to these agreements.

As of June 30, 2026, the Authority had right-to-use assets of $29,121,061 with accumulated amortization of $15,353,187. As of June 30, 2025, the Authority had right-to-use assets of $31,066,741 with accumulated amortization of $15,554,227. The associated liabilities of the right to use assets were broken out into two categories: current and noncurrent. As of June 30, 2026, the current and noncurrent SBITA liability was $5,347,462 and $7,697,676, respectively. As of June 30, 2025, the current and noncurrent SBITA liability was $4,145,881 and $10,096,009, respectively.

The principal payments by division as of July 1, 2026, and thereafter are as follows:

Division		6/30/2027	6/30/2028	6/30/2029	6/30/2030
Homeownership	$	3,037,049	3,121,854	1,937,665	178,030
Operations		2,310,413	1,902,637	312,351	245,139
Total	$	5,347,462	5,024,491	2,250,016	423,169

The associated interest by division as of July 1, 2026, and thereafter is as follows:

Division		6/30/2027	6/30/2028	6/30/2029	6/30/2030
Homeownership	$	210,091	125,284	42,476	1,160
Operations		164,866	64,811	14,835	1,875
Total	$	374,957	190,095	57,311	3,035

The principal payments by division as of July 1, 2025, and thereafter are as follows:

Division		6/30/2026	6/30/2027	6/30/2028	6/30/2029	6/30/2030
Homeownership	$	2,955,340	3,037,049	3,121,854	1,937,665	178,030
Operations		1,083,096	1,027,640	708,464	85,307	-
Rental Housing		107,445	-	-	-	-
Total	$	4,145,881	4,064,689	3,830,318	2,022,972	178,030

The associated interest by division as of July 1, 2025, and thereafter is as follows:

Division		6/30/2026	6/30/2027	6/30/2028	6/30/2029	6/30/2030
Homeownership	$	291,800	210,091	125,284	42,476	1,160
Operations		123,341	71,099	25,326	2,061	-
Rental Housing		955	-	-	-	-
Total	$	416,096	281,190	150,610	44,537	1,160

(8) Leases

On July 1, 2018, the Authority entered into an agreement to lease an office building. The lease term was 5 years, with two options to renew at one year each. In June of 2022, the Authority reassessed the terms of the lease, which resulted in an increase to the lease liability. In February of 2023, the Authority exercised its right to renew the lease for an additional year. In March of 2024, the Authority amended the lease agreement to extend the lease for an additional year, expiring on September 8, 2025.

On August 26, 2024, the Authority entered into a lease agreement for office space commencing on April 1st, 2025. This lease replaces the existing office space lease that expires on September 8, 2025. The new lease has a sixty-three-month term requiring monthly payments. The new space is located near the existing space in Henrico, Virginia.

The annual rent expense for the year ended June 30, 2026, is $892,024. As of June 30, 2026, the net book value of the leased assets is $3,616,724, with accumulated amortization of $852,005.

The principal payment obligations and associated interest related to the building lease commencing July 1, 2027, and thereafter are as follows:

Year ending June 30		Principal	Interest	Total
2027	$	630,949	103,162	734,111
2028		679,483	76,651	756,134
2029		730,691	48,121	778,812
2030		784,836	17,457	802,293
Total	$	2,825,959	245,391	3,071,350

(9) Notes and Bonds Payable

Notes and bonds payable at June 30, 2025 and June 30, 2026 and changes for the year ended June 30, 2026 were as follows:

Description		Balance at June 30, 2025	Issued	Retired	Balance at June 30, 2026
			(Amounts shown in thousands)		
General operating accounts:					
Revolving line of credit:					
Bank of America					
floating daily rate with a termination date of December 1, 2026	$	—	38,000	38,000	—
Wells Fargo					
floating daily rate with a termination date of December 1, 2026		—	3,000	3,000	—
Federal Home Loan Bank					
varying fixed rate notes with 30 to 90-day maturities (average of 3.87% as of June 30, 2026, and 4.43% at June 30, 2025), maturities range from July 02, 2026 to September 23, 2026		400,000	10,000	40,000	370,000
Total general operating accounts		400,000	51,000	81,000	370,000
Rental housing bond group:					
2012 Series D dated October 30, 2012, 4.15% effective interest rate, final due date October 1, 2037		104,030	—	6,295	97,735
2012 Series E dated November 2, 2013, 3.16% effective interest rate, final due date November 1, 2042		7,690	—	315	7,375
2013 Series A/B dated April 11, 2013, 3.95% effective interest rate, final due date April 1, 2043		24,685	—	1,020	23,665
2013 Series C dated May 2, 2013, 3.82% effective interest rate, final due date February 1, 2043		117,440	—	4,960	112,480
2013 Series D dated May 30, 2013, 4.06% effective interest rate, final due date June 1, 2043		82,795	—	3,250	79,545
2013 Series E dated July 11, 2013, 4.15% effective interest rate, final due date July 1, 2043		15,710	—	595	15,115
2013 Series F dated October 10, 2013, 5.24% effective interest rate, final due date October 1, 2043		43,055	—	1,525	41,530
2013 Series G dated December 3, 2013, 4.39% effective interest rate, final due date December 1, 2043		8,140	—	275	7,865
2014 Series A dated August 19, 2014, 3.75% effective interest rate, final due date August 1, 2049		10,655	—	260	10,395

Description	Balance at June 30, 2025	Issued	Retired	Balance at June 30, 2026
		(Amounts shown in thousands)		
2014 Series B dated October 28, 2014, 3.30% effective interest rate, final due date October 1, 2044	$ 6,985	—	250	6,735
2014 Series C dated November 20, 2014, 4.29% effective interest rate, final due date November 1, 2044	104,335	—	3,565	100,770
2015 Series A dated March 18, 2015, 3.50% effective interest rate, final due date March 1, 2045	30,755	—	1,095	29,660
2015 Series B dated May 12, 2015, 3.44% effective interest rate, final due date May 1, 2045	9,130	—	330	8,800
2015 Series C dated August 5, 2015, 3.68% effective interest rate, final due date August 1, 2045	18,270	—	625	17,645
2015 Series D dated November 10, 2015, 3.55% effective interest rate, final due date November 1, 2045	28,180	—	960	27,220
2015 Series E/F dated December 8, 2015, 3.94% effective interest rate, final due date December 1, 2045	67,480	—	2,135	65,345
2016 Series A dated March 8, 2016, 2.99% effective interest rate, final due date March 1, 2046	3,865	—	135	3,730
2016 Series B dated May 17, 2016, 3.48% effective interest rate, final due date May 1, 2046	55,350	—	1,950	53,400
2016 Series C dated July 19, 2016, 2.72% effective interest rate, final due date July 1, 2046	3,850	—	125	3,725
2016 Series D dated October 18, 2016, 2.89% effective interest rate, final due date October 1, 2046	6,515	—	220	6,295
2017 Series A dated March 14, 2017, 3.66% effective interest rate, final due date March 1, 2049	24,280	—	660	23,620
2017 Series B dated June 13, 2017, 3.35% effective interest rate, final due date June 1, 2047	5,840	—	185	5,655
2017 Series C dated September 13, 2017, 3.24% effective interest rate, final due date September 1, 2047	2,460	—	75	2,385
2017 Series D dated October 19, 2017, 3.21% effective interest rate, final due date October 1, 2047	4,815	—	150	4,665

Description	Balance at June 30, 2025	Issued	Retired	Balance at June 30, 2026
	(Amounts shown in thousands)			
2017 Series E dated December 5, 2017, 3.28% effective interest rate, final due date December 1, 2050	$ 42,615	—	1,130	41,485
2018 Series A dated March 27, 2018, 3.62% effective interest rate, final due date March 1, 2053	30,225	—	735	29,490
2018 Series B dated June 5, 2018, 3.76% effective interest rate, final due date June 1, 2053	24,665	—	565	24,100
2018 Series C dated August 28, 2018, 3.63% effective interest rate, final due date August 1, 2053	17,350	—	370	16,980
2018 Series D dated October 2, 2018, 3.79% effective interest rate, final due date October 1, 2053	67,045	—	1,415	65,630
2018 Series E dated December 4, 2018, 3.90% effective interest rate, final due date December 1, 2049	32,890	—	825	32,065
2019 Series A dated March 26, 2019, 3.70% effective interest rate, final due date March 1, 2054	57,740	—	1,305	56,435
2019 Series B dated May 22, 2019, 3.10% effective interest rate, final due date May 1, 2054	15,615	—	345	15,270
2019 Series C dated August 21, 2019 3.13% effective interest rate, final due date August 1, 2054	46,890	—	935	45,955
2019 Series D dated October 16, 2019 3.12% effective interest rate, final due date October 1, 2054	46,835	—	955	45,880
2019 Series E dated December 12, 2019 3.00% effective interest rate, final due date December 1, 2054	48,410	—	1,140	47,270
2020 Series A dated March 25, 2020 2.74% effective interest rate, final due date March 1, 2055	69,940	—	1,510	68,430
2020 Series B dated March 25, 2020 2.39% effective interest rate, final due date March 1, 2055	62,690	—	1,515	61,175
2020 Series C dated April 28, 2020 3.57% effective interest rate, final due date April 1, 2055	174,505	—	8,405	166,100
2020 Series D dated May 27, 2020 3.58% effective interest rate, final due date June 1, 2055	417,800	—	3,170	414,630

Description	Balance at June 30, 2025	Issued	Retired	Balance at June 30, 2026
		(Amounts shown in thousands)		
2020 Series E dated July 28, 2020				
2.53% effective interest rate,				
final due date July 1, 2055	$ 35,060	—	825	34,235
2020 Series F dated July 21, 2020				
3.09% effective interest rate,				
final due date July 1, 2055	191,835	—	4,145	187,690
2020 Series G dated October 14, 2020				
2.29% effective interest rate,				
final due date September 1, 2055	18,790	—	535	18,255
2020 Series H dated October 7, 2020				
2.94% effective interest rate,				
final due date September 1, 2055	167,870	—	3,620	164,250
2020 Series I dated December 9, 2020				
2.33% effective interest rate,				
final due date November 1, 2053	42,755	—	1,115	41,640
2020 Series J dated December 2, 2020				
3.04% effective interest rate,				
final due date November 1, 2055	47,850	—	1,090	46,760
2021 Series A dated March 2, 2021				
2.68% effective interest rate,				
final due date February 1, 2056	77,660	—	1,995	75,665
2021 Series B dated March 30, 2021				
2.23% effective interest rate,				
final due date March 1, 2056	30,655	—	825	29,830
2021 Series C dated april 22, 2021				
2.85% effective interest rate,				
final due date April 1, 2056	95,420	—	2,445	92,975
2021 Series D dated June 3, 2021				
2.17% effective interest rate,				
final due date May 1, 2056	30,740	—	840	29,900
2021 Series E dated June 24, 2021				
2.71% effective interest rate,				
final due date June 1, 2056	74,275	—	1,945	72,330
2021 Series F dated July 27, 2021				
2.17% effective interest rate,				
final due date July 1, 2056	49,345	—	1,330	48,015
2021 Series G dated July 27, 2021				
2.56% effective interest rate,				
final due date August 1, 2056	29,355	—	650	28,705
2021 Series H dated September 2, 2021				
2.58% effective interest rate,				
final due date September 1, 2056	29,665	—	685	28,980
2021 Series I dated October 12, 2021				
2.23% effective interest rate,				
final due date October 1, 2056	5,855	—	140	5,715

Description	Balance at June 30, 2025	Issued	Retired	Balance at June 30, 2026
	(Amounts shown in thousands)			
2021 Series J dated November 9, 2021 2.98% effective interest rate, final due date November 1, 2056	$ 221,895	—	4,770	217,125
2021 Series K dated December 7, 2021 2.39% effective interest rate, final due date December 1, 2056	138,790	—	3,790	135,000
2022 Series A dated February 2, 2022 2.95% effective interest rate, final due date February 1, 2057	39,610	—	805	38,805
2022 Series B dated March 8, 2022 3.12% effective interest rate, final due date March 1, 2057	57,170	—	1,195	55,975
2022 Series C dated March 29, 2022 3.91% effective interest rate, final due date April 1, 2057	48,310	—	875	47,435
2022 Series D dated May 3, 2022 3.95% effective interest rate, final due date May 1, 2057	21,895	—	400	21,495
2022 Series E dated June 30, 2022 4.19% effective interest rate, final due date June 1, 2057	40,035	—	3,430	36,605
2022 Series F dated October 5, 2022 4.85% effective interest rate, final due date October 1, 2057	57,550	—	1,110	56,440
2022 Series G dated November 30, 2022 5.13% effective interest rate, final due date November 1, 2064	78,820	—	720	78,100
2023 Series A dated February 9, 2023 5.28% effective interest rate, final due date February 1, 2066	60,000	—	425	59,575
2023 Series B dated March 8, 2023 4.65% effective interest rate, final due date March 1, 2065	40,250	—	390	39,860
2023 Series C dated June 1, 2023 4.24% effective interest rate, final due date May 1, 2060	6,915	—	95	6,820
2023 Series D dated August 3, 2023 4.75% effective interest rate, final due date August 1, 2065	109,895	—	32,075	77,820
2023 Series E dated October 12, 2023 5.12% effective interest rate, final due date October 1, 2065	56,630	—	5,160	51,470
2023 Series F dated November 30, 2023 5.16% effective interest rate, final due date May 1, 2067	167,855	—	85	167,770

Description	Balance at June 30, 2025	Issued	Retired	Balance at June 30, 2026
		(Amounts shown in thousands)		
2024 Series A dated March 7, 2024 4.53% effective interest rate, final due date September 1, 2065	$ 177,070	—	—	177,070
2024 Series B dated May 2, 2024 5.84% effective interest rate, final due date May 1, 2066	25,000	—	—	25,000
2024 Series C dated June 18, 2024 4.73% effective interest rate, final due date June 1, 2066	80,270	—	700	79,570
2024 Series D dated August 1, 2024 4.41% effective interest rate, final due date August 1, 2060	50,900	—	—	50,900
2024 Series E dated October 10, 2024 4.07% effective interest rate, final due date April 1, 2066	89,820	—	—	89,820
2024 Series F dated October 31, 2024 5.84% effective interest rate, final due date October 1, 2066	106,000	—	—	106,000
2024 Series G dated November 7, 2024 4.11% effective interest rate, final due date November 1, 2066	34,300	—	—	34,300
2024 Series H dated December 5, 2024 4.57% effective interest rate, final due date December 1, 2066	164,175	—	—	164,175
2025 Series A dated March 20, 2025 4.59% effective interest rate, final due date March 1, 2068	172,520	—	—	172,520
2025 Series B dated June 17, 2025 5.01% effective interest rate, final due date June 1, 2067	21,200	—	—	21,200
2025 Series C dated July 22, 2025 4.87% effective interest rate, final due date July 1, 2062	—	36,675	—	36,675
2025 Series D dated August 21, 2025 5.91% effective interest rate, final due date August 1, 2067	—	57,315	—	57,315
2025 Series E dated October 9, 2025 4.71% effective interest rate, final due date October 1, 2067	—	111,795	—	111,795
2025 Series F dated December 4, 2025 4.55% effective interest rate, final due date December 1, 2067	—	102,780	—	102,780

Description	Balance at June 30, 2025	Issued	Retired	Balance at June 30, 2026
		(Amounts shown in thousands)		
2026 Series A dated March 19, 2026 4.52% effective interest rate, final due date March 1, 2068	$ —	17,860	—	17,860
2026 Series B dated May 28, 2026 4.63% effective interest rate, final due date May 1, 2063	—	35,510	—	35,510
2026 Series C dated June 17, 2026 4.13% effective interest rate, final due date June 1, 2064	—	8,820	—	8,820
	4,935,530	370,755	133,485	5,172,800
Unamortized premium	(702)	—	38	(664)
Total rental housing bonds	4,934,828			5,172,136
Commonwealth mortgage bonds group:				
2006 Series C, dated June 8, 2006, 6.58% effective interest rate, final due date June 25, 2034	3,182	—	692	2,490
2012 Series A, dated December 20, 2012, 2.10% effective interest rate, final due date July 1, 2026	12,400	—	8,200	4,200
2012 Series B/C, dated December 20, 2012, 3.04% effective interest rate, final due date January 1, 2039.	167,670	—	24,200	143,470
2013 Series B, dated May 21, 2013, 2.75% effective interest rate, final due date April 25, 2042	13,158	—	1,398	11,760
2013 Series C, dated October 24, 2013, 4.25% effective interest rate, final due date October 25, 2043	15,043	—	1,496	13,547
2013 Series D, dated December 19, 2013, 4.30% effective interest rate, final due date December 25, 2043	14,597	—	858	13,739
2014 Series A, dated December 11, 2014, 3.50% effective interest rate, final due date October 25, 2037	20,900	—	3,300	17,600
2015 Series A, dated November 10, 2015, 3.25% effective interest rate, final due date June 25, 2042	34,287	—	4,192	30,095
2016 Series A, dated June 9, 2016, 3.10% effective interest rate, final due date June 25, 2041	34,552	—	4,172	30,380
2017 Series A, dated June 13, 2017, 3.13% effective interest rate, final due date November 25, 2039	39,902	—	4,719	35,183

Description	Balance at June 30, 2025	Issued	Retired	Balance at June 30, 2026
	(Amounts shown in thousands)			
2019 Series A, dated November 5, 2019, 2.95% effective interest rate, final due date October 25, 2049	$ 38,324	—	3,465	34,859
2020 Series A, dated February 12, 2020, 2.85% effective interest rate, final due date December 25, 2049	50,570	—	2,778	47,792
2020 Series B, dated April 21, 2020, 2.75% effective interest rate, final due date October 25, 2046	59,755	—	6,289	53,466
2021 Series A, dated August 17, 2021, 2.13% effective interest rate, final due date July 25, 2051	114,086	—	9,126	104,960
2022 Series A, dated February 1, 2022, 2.88% effective interest rate, final due date February 25, 2052	33,256	—	2,463	30,793
2023 Series A, dated October 24, 2023, 5.07% effective interest rate, final due date November 1, 2053	97,635	—	2,740	94,895
2023 Series B, dated October 24, 2023, 6.39% effective interest rate, final due date November 1, 2053	147,155	—	3,560	143,595
2023 Series CE, dated December 14, 2023, 4.42% effective interest rate, final due date July 1, 2055	364,395	—	6,110	358,285
2023 Series D, dated December 14, 2023, 6.03% effective interest rate, final due date January 1, 2054	99,000	—	2,210	96,790
2024 A Series, dated March 28, 2024, 5.46% effective interest rate, final due date April 1, 2054	160,000	—	3,755	156,245
2024 B Series, dated May 29, 2024, 5.79% effective interest rate, final due date October 1, 2054	160,000	—	3,200	156,800
2024 C Series, dated September 17, 2024, 5.59% effective interest rate, final due date October 1, 2054	160,005	—	3,060	156,945
2024 D Series, dated November 21, 2024, 4.63% effective interest rate, final due date July 1, 2055	150,000	—	—	150,000
2024 F Series, dated November 21, 2024, 3.63% effective interest rate, final due date July 1, 2055	145,480	—	400	145,080
2024 E Series, dated November 21, 2024 5.74% effective interest rate, final due date July 1, 2055	160,000	—	1,030	158,970

Description		Balance at June 30, 2025	Issued	Retired	Balance at June 30, 2026
		(Amounts shown in thousands)			
2025 A Series, dated February 19, 2025 5.76% effective interest rate, final due date July 1, 2055	$	150,000	—	—	150,000
2025 B Series, dated May 20, 2025 6.05% effective interest rate, final due date July 1, 2055		140,000	—	—	140,000
2025 C Series, dated July 16, 2025 5.91% effective interest rate, final due date July 1, 2055		—	150,000	—	150,000
2025 Series D dated October 8, 2025 5.60% effective interest rate, final due date July 1, 2055		—	140,960	—	140,960
2025 Series EG dated November 12, 2025 4.47% effective interest rate, final due date July 1, 2056		—	300,000	—	300,000
2025 Series F dated November 12, 2025 5.41% effective interest rate, final due date July 1, 2056		—	150,000	—	150,000
2026 Series A dated February 26, 2026 5.62% effective interest rate, final due date July 1, 2056		—	150,000	—	150,000
2026 Series B dated May 20, 2026 5.67% effective interest rate, final due date July 1, 2056		—	75,000	—	75,000
		2,585,352	965,960	103,413	3,447,899
Unamortized premium		(66)	—	15	(51)
Total commonwealth mortgage bonds group		2,585,286			3,447,848
Homeownership mortgage bonds group:					
2013 Series A, dated March 27, 2013, 3.25% effective interest rate, final due date August 25, 2042		30,978	—	3,365	27,613
Total homeownership mortgage bonds group		30,978			27,613
Total	$	7,951,092			9,017,597

Notes and bonds payable at June 30, 2025 and June 30, 2026 and changes for the year ended June 30, 2026 were summarized as follows (amounts in thousands):

Description	Balance at June 30, 2025	Increases	Decreases	Balance at June 30, 2026	Due within one year
Notes from direct borrowings	$ 400,000	51,000	81,000	370,000	370,000
Rental housing bonds group	4,934,828	370,755	133,447	5,172,136	100,420
Commonwealth mortgage bonds group	2,585,286	965,960	103,398	3,447,848	91,850
Homeownership mortgage bonds group	30,978	-	3,365	27,613	1,455
Total	$ 7,951,092	1,387,715	321,210	9,017,597	563,725

Notes and bonds payable at June 30, 2024 and June 30, 2025 and changes for the year ended June 30, 2025 were summarized as follows (amounts in thousands):

Description	Balance at June 30, 2024	Increases	Decreases	Balance at June 30, 2025	Due within one year
Notes from direct borrowings	$ 400,000	2,000	2,000	400,000	400,000
Rental housing bonds group	4,422,184	638,915	126,271	4,934,828	95,900
Commonwealth mortgage bonds group	1,809,536	1,130,480	354,730	2,585,286	207,346
Homeownership mortgage bonds group	34,441	-	3,463	30,978	1,484
Total	$ 6,666,161	1,771,395	486,464	7,951,092	704,730

Current and noncurrent amounts of notes and bonds payable at June 30, 2026 and 2025 were as follows:

	June 30	
	2026	2025
Notes and bonds payable - current	$ 563,725,427	704,729,940
Bonds payable - noncurrent	8,453,871,076	7,246,362,212
Total	$ 9,017,596,503	7,951,092,152

From time to time, the Authority has participated in refunding, in which new debt is issued and the proceeds are used to redeem, generally within ninety days, previously issued debt. Related discounts or premiums previously deferred are recognized in income or expense, respectively. There were no refundings during the years ended June 30, 2026 and 2025. The Authority had redemptions of $56,700,000 and $296,890,000 during the years ended June 30, 2026, and 2025, respectively. The Authority had remarkings of $370,480,00 and $224,995,000 during the years ending June 30, 2026 and 2025, respectively.

The principal payment obligations and associated interest related to all note and bond indebtedness (excluding the effect of unamortized discounts and premiums) commencing July 1, 2026 and thereafter are as follows:

		Bonds		Direct Placements & Direct Borrowings		
Year ending June 30		Outstanding principal	Current interest	Outstanding principal	Current interest	Total debt service
2027	$	185,235,427	334,017,663	378,490,000	21,759,935	919,503,025
2028		213,840,000	348,279,187	8,780,000	7,110,661	578,009,848
2029		331,105,000	336,787,281	9,085,000	6,763,702	683,740,983
2030		293,255,000	321,583,379	9,400,000	6,404,754	630,643,133
2031		222,305,000	313,167,327	9,725,000	6,033,321	551,230,648
2032-2036		1,110,091,340	1,441,783,841	53,885,000	24,129,615	2,629,889,796
2037-2041		1,223,745,890	1,217,950,796	63,890,000	12,711,751	2,518,298,437
2042-2046		1,373,776,163	938,402,315	28,770,000	1,423,109	2,342,371,587
2047-2051		1,473,183,894	637,960,303	-	-	2,111,144,197
2052-2056		1,392,073,786	300,662,298	-	-	1,692,736,084
2057-2061		327,385,000	117,323,272	-	-	444,708,272
2062-2066		262,845,000	47,642,586	-	-	310,487,586
2067-2071		47,445,000	2,365,136	-	-	49,810,136
Total	$	8,456,286,500	6,357,925,384	562,025,000	86,336,848	15,462,573,732

The principal payment obligations related to all note and bond indebtedness (excluding the effect of unamortized discounts and premiums) commencing July 1, 2026, and thereafter are as follows:

Year ending June 30		General fund notes	Rental housing bonds	Rental housing bonds direct placement	Commonwealth mortgage bonds	Homeownership mortgage bonds	Total principal
2027	$	370,000,000	91,930,000	8,490,000	91,850,104	1,455,323	563,725,427
2028		-	120,560,000	8,780,000	93,280,000	-	222,620,000
2029		-	229,130,000	9,085,000	101,975,000	-	340,190,000
2030		-	191,195,000	9,400,000	102,060,000	-	302,655,000
2031		-	123,675,000	9,725,000	98,630,000	-	232,030,000
2032-2036		-	642,830,000	53,885,000	467,261,340	-	1,163,976,340
2037-2041		-	683,585,000	63,890,000	540,160,890	-	1,287,635,890
2042-2046		-	761,485,000	28,770,000	586,134,979	26,156,184	1,402,546,163
2047-2051		-	769,065,000	-	704,118,894	-	1,473,183,894
2052-2056		-	740,075,000	-	651,998,786	-	1,392,073,786
2057-2061		-	316,955,000	-	10,430,000	-	327,385,000
2062-2066		-	262,845,000	-	-	-	262,845,000
2067-2071		-	47,445,000	-	-	-	47,445,000
Total	$	370,000,000	4,980,775,000	192,025,000	3,447,899,993	27,611,507	9,018,311,500

The associated interest related to all note and bond indebtedness commencing July 1, 2026, and thereafter are as follows:

Year ending June 30	General fund interest	Rental housing interest	Rental housing bonds direct placement	Commonwealth interest	Homeownership interest	Total interest
2027	$ 14,314,000	174,423,095	7,445,935	158,693,384	901,184	355,777,598
2028	-	186,689,944	7,110,661	160,739,167	850,076	355,389,848
2029	-	178,893,452	6,763,702	157,043,753	850,076	343,550,983
2030	-	167,671,339	6,404,754	153,061,964	850,076	327,988,133
2031	-	163,265,911	6,033,321	149,051,340	850,076	319,200,648
2032-2036	-	753,847,358	24,129,615	683,686,103	4,250,380	1,465,913,456
2037-2041	-	643,805,457	12,711,751	569,894,959	4,250,380	1,230,662,547
2042-2046	-	514,199,627	1,423,109	423,154,261	1,048,427	939,825,424
2047-2051	-	376,543,833	-	261,416,470	-	637,960,303
2052-2056	-	228,090,375	-	72,571,923	-	300,662,298
2057-2061	-	117,077,717	-	245,555	-	117,323,272
2062-2066	-	47,642,586	-	-	-	47,642,586
2067-2071	-	2,365,136	-	-	-	2,365,136
Total	$ 14,314,000	3,554,515,830	72,022,848	2,789,558,879	13,850,675	6,444,262,232

The Authority has bonds outstanding under three general bond resolutions. All are general obligation bonds backed by the full faith and credit of the Authority. Interest and principal payments are secured by a pledge of the assets and revenues pledged to the bond resolution under which the bonds are issued, to the extent provided for in such resolution. The direct placement bonds are general obligation bonds, which are secured on parity with other outstanding bonds from the same bond resolution, and there are no terms of the indentures that are unique to those placements.

The assets and revenues pledged to each bond resolution secure only the bonds issued under that resolution. For each resolution, assets and revenues in excess of the liability to bondholders are available to support the general obligations of the Authority. The Authority has the option to redeem various bonds pursuant to the terms of each bond issue. The redemptions generally cannot be exercised without condition until the bonds have been outstanding for nine years or more, as fully described in various bond documents. Further discussion of the resolutions is in Note 2.

Direct borrowings include an uncollateralized revolving credit agreement with Bank of America and Wells Fargo and a credit agreement with the Federal Home Loan Bank (FHLB) of Atlanta.

The Authority had maintained a $150.0 million line of credit with Bank of America; however, on December 1, 2024, the Authority made changes to the credit agreement with Bank of America, decreasing the line of credit to $75.0 million. Additionally, the Authority opened a new $75.0 million line of credit with Wells Fargo Bank. This gave the Authority a total available borrowing amount of $150.0 million, expiring on December 1, 2026. As of June 30, 2026, there was no outstanding balance on the line of credit for Bank of America or Wells Fargo Bank. The Authority is in compliance with all debt covenant requirements.

The Authority maintains a $1.9 billion credit agreement with the FHLB of Atlanta, whereby FHLB of Atlanta may advance funds that are secured by cash, mortgage loans, and government agency securities held in FHLB of Atlanta as collateral. As of June 30, 2026, there was $465.6 million in mortgage-backed securities pledged to FHLB Atlanta. As of June 30, 2025, there was $474.1 million in mortgage-backed securities pledged to FHLB Atlanta. Interest on any advance can be charged either under a floating daily rate or a fixed rate with a stated maturity not to exceed either one year for the daily rate or twenty years for fixed-rate loans.

As of June 30, 2026, there was one 30-day and one 90-day fixed-rate borrowing: one for a total of $190.0 million at 3.82% and one for a total of $180.0 million at 3.92%. The Authority is in compliance with all debt covenant requirements. As of June 30, 2026, and 2025, there were $370.0 million and $400.0 million outstanding, respectively.

(10) Loan Participation Payable to Federal Financing Bank

On March 23, 2015, the Authority was designated as a “qualified Housing Finance Agency” under the Risk-Sharing Act and entered into a Risk-Sharing Agreement with HUD. In conjunction with the Risk-Sharing Agreement, the Authority elected to participate in a program offered by the Federal Financing Bank (FFB) for the financing of rental housing mortgage loans. The FFB is a government corporation, under the general supervision and direction of the Secretary of the Treasury, created by Congress with statutory authority to purchase any obligation that is fully guaranteed by another federal agency. To the extent that FFB proceeds are utilized to finance certain mortgage loans, such mortgage loans would not be available to be financed under the Rental Housing Bond Group other than on a temporary basis prior to such FFB financing. In February 2016, the Authority executed the necessary agreements to allow the Authority to participate in such FFB financing.

Under the program established by the Risk-Sharing Act (the “Risk-Sharing Program”), the Authority retains underwriting, mortgage loan management, and property disposition functions and responsibility for defaulted loans. Following default under a mortgage loan subject to a HUD contract of mortgage insurance under the Risk-Sharing Program, HUD agrees to make an initial claim payment of 100% of the loan’s unpaid principal balance and accrued interest, subject to certain adjustments that pass through the Authority to FFB. After a period during which the Authority may work toward curing the default, foreclosing the mortgage, or reselling the related project, any losses are calculated and apportioned between the Authority and HUD according to a specified risk-sharing percentage determined at the time of its endorsement for insurance. At its issuance, the Authority may choose a risk percentage ranging from 50% to 90%, which in turn determines its reimbursement obligation to HUD. During the intervening period prior to the final loss settlement, the Authority is obligated to pay interest on the amount of the initial claim payment under a debenture required to be issued to HUD at the time of the initial claim payment.

For each rental housing mortgage loan to be financed by the FFB, the Authority will sell to the FFB a certificate representing a participation interest in the rental housing mortgage loan consisting of all principal payments due thereon and all interest payments due thereon, whereby the rate to FFB will be less than the mortgage loan interest rate. The participation proceeds from the FFB are recorded as a debt obligation payable to the FFB.

Under these agreements, the Authority will retain responsibility for originating, closing and servicing the rental housing mortgage loans underlying the certificates sold to the FFB. As servicer, the Authority will remit the balance of each mortgage payment to U.S. Bank, N.A. (“Custodian”). The Custodian will fund any required account and pay the amounts due to the FFB, deduct their fees, then remit any amount remaining to the Authority as servicing fees.

Under the terms of the agreements in the Risk-Sharing Program, the Authority has sold certificates representing the beneficial interest in the following mortgage loans to FFB:

Activity in the related risk-sharing program with the FFB as of June 30, 2026.

Description	Balance at June 30, 2025	Issued	Retired	Balance at June 30, 2026
Participation Certificates Outstanding:				
Colonnade at Rocktown - Note rate of 4.68%				
Risk-Share percentage (10% HUD / 90% VHDA)				
Pass-through rate of 3.45%				
Maturity date of May 1, 2047	$ 2,557,120	—	68,560	2,488,560
Wilsondale II - Note rate of 4.47%				
Risk-Share percentage (10% HUD / 90% VHDA)				
Pass-through rate of 3.12%				
Maturity date of July 1, 2047	6,625,458	—	180,092	6,445,366
Baker Woods - Note rate of 3.91%				
Risk-Share percentage (10% HUD / 90% VHDA)				
Pass-through rate of 2.89%				
Maturity date of December 1, 2052	4,947,726	—	102,301	4,845,425
Twin Canal Village - Note rate of 3.82%				
Risk-Share percentage (10% HUD / 90% VHDA)				
Pass-through rate of 3.18%				
Maturity date of April 1, 2043	5,841,032	—	233,096	5,607,936
Treesdale - Note rate of 4.22%				
Risk-Share percentage (10% HUD / 90% VHDA)				
Pass-through rate of 3.30%				
Maturity date of November 1, 2048	3,274,629	—	83,748	3,190,881
Landing at Weyers Cove - Note rate of 4.22%				
Risk-Share percentage (10% HUD / 90% VHDA)				
Pass-through rate of 3.30%				
Maturity date of November 1, 2048	2,153,564	—	55,077	2,098,487
Belle Hall - Note rate of 3.57%				
Risk-Share percentage (10% HUD / 90% VHDA)				
Pass-through rate of 2.72%				
Maturity date of September 1, 2049	3,921,310	—	103,538	3,817,772
Campostella Commons - Note rate of 3.57%				
Risk-Share percentage (10% HUD / 90% VHDA)				
Pass-through rate of 2.72%				
Maturity date of September 1, 2049	2,996,056	—	79,107	2,916,949
Total participation certificates payable	$ 32,316,895	—	905,519	31,411,376

Activity in the related risk-sharing program with the FFB as of June 30, 2025.

Description	Balance at June 30, 2024	Issued	Retired	Balance at June 30, 2025
Participation Certificates Outstanding:				
Colonnade at Rocktown - Note rate of 4.68%				
Risk-Share percentage (10% HUD / 90% VHDA)				
Pass-through rate of 3.45%				
Maturity date of May 1, 2047	$ 2,622,550	—	65,430	2,557,120
Wilsondale II - Note rate of 4.47%				
Risk-Share percentage (10% HUD / 90% VHDA)				
Pass-through rate of 3.12%				
Maturity date of July 1, 2047	6,797,692	—	172,234	6,625,458
Baker Woods - Note rate of 3.91%				
Risk-Share percentage (10% HUD / 90% VHDA)				
Pass-through rate of 2.89%				
Maturity date of December 1, 2052	5,046,112	—	98,386	4,947,726
Twin Canal Village - Note rate of 3.82%				
Risk-Share percentage (10% HUD / 90% VHDA)				
Pass-through rate of 3.18%				
Maturity date of April 1, 2043	6,065,404	—	224,372	5,841,032
Treesdale - Note rate of 4.22%				
Risk-Share percentage (10% HUD / 90% VHDA)				
Pass-through rate of 3.30%				
Maturity date of November 1, 2048	3,354,920	—	80,291	3,274,629
Landing at Weyers Cove - Note rate of 4.22%				
Risk-Share percentage (10% HUD / 90% VHDA)				
Pass-through rate of 3.30%				
Maturity date of November 1, 2048	2,206,367	—	52,803	2,153,564
Belle Hall - Note rate of 3.57%				
Risk-Share percentage (10% HUD / 90% VHDA)				
Pass-through rate of 2.72%				
Maturity date of September 1, 2049	4,021,219	—	99,909	3,921,310
Campostella Commons - Note rate of 3.57%				
Risk-Share percentage (10% HUD / 90% VHDA)				
Pass-through rate of 2.72%				
Maturity date of September 1, 2049	3,072,391	—	76,335	2,996,056
Total participation certificates payable	$ 33,186,655	—	869,760	32,316,895

(11) Escrows and Project Reserves

Escrows and project reserves represent amounts held by the Authority as escrows for insurance, real estate taxes, and completion assurance, and as reserves for replacement and operations (Note 17). The Authority invests these funds and, for project reserves, allows earnings to accrue to the benefit of the mortgagor.

At June 30, 2026 and 2025, these escrows and project reserves were presented in the Authority's Statements of Net Position as follows:

	June 30	
	2026	2025
Escrow - current	$ 61,326,696	50,997,689
Project reserves - noncurrent	124,454,999	127,712,700
Total	$ 185,781,695	178,710,389

(12) Derivative Instruments

The Authority enters into forward sales contracts for the delivery of GNMA, FNMA, and FHLMC securities in order to lock in the sales price for the securitization of certain homeownership mortgage loans. The contracts offset changes in interest rates between the time of the loan reservations and the securitization of such loans into GNMA, FNMA, and FHLMC securities. These contracts are considered investment derivative instruments, such that their change in fair value is reported as investment derivative gains or losses on the Statements of Revenues, Expenses, and Changes in Fund Net Position. Fair values of the forwards are based on observable market prices for similar instruments traded on the secondary mortgage loan markets. The Authority's portfolio of investment derivatives is classified as Level 2 in the fair value hierarchy.

The outstanding forward contracts, summarized by counterparty rating as of June 30, 2026, were as follows:

Counterparty rating	Count	Par	Concentration	Book value	Fair value	Fair value asset (liability)
P-1/A1	10	$ 13,500,000	17.1%	$ 13,887,422	$ 13,896,328	$ (8,906)
NR	10	31,500,000	39.9%	32,182,188	32,232,734	(50,546)
NR	10	17,000,000	21.5%	17,276,953	17,309,375	(32,422)
P-1/Aa3	8	17,000,000	21.5%	17,242,929	17,281,563	(38,634)
	38	$ 79,000,000	100.0%	$ 80,589,492	$ 80,720,000	$ (130,508)

The outstanding forward contracts, summarized by counterparty rating as of June 30, 2025, were as follows:

Counterparty rating	Count	Par	Concentration	Book value	Fair value	Fair value asset (liability)
A-1/A+	12	$ 36,700,000	31.3%	$ 37,495,332	$ 37,684,234	$ (188,902)
A-1/A+	11	37,000,000	31.6%	37,658,672	37,815,000	(156,328)
A-1+/AA-	8	22,500,000	19.2%	22,861,641	23,000,625	(138,984)
A-1/A+	7	21,000,000	17.9%	21,420,234	21,511,172	(90,938)
	38	$ 117,200,000	100.0%	$ 119,435,879	$ 120,011,031	$ (575,152)

(13) Investment Income and Arbitrage Liabilities

The amount of investment income the Authority may earn with respect to certain tax-exempt bond issues in the Commonwealth Mortgage Bond Group and Rental Housing Bond Group is limited by certain federal legislation. Earnings in excess of the allowable amount must be rebated to the U.S. Department of the Treasury. These excess earnings are recorded in other liabilities (noncurrent). As of June 30, 2026, and 2025, rebate payments of $14,320 and $172,492, respectively, were paid. At June 30, 2026, and 2025, the Authority recorded a rebate liability of $3,016,989 and $3,113,599, respectively.

(14) Net Position

Net investment in capital assets represents property, furniture, equipment, and vehicles, less the current outstanding applicable debt. Restricted net position represents those portions of the total net position in trust accounts established by the various bond resolutions for the benefit of the respective bond owners. Restricted net position is generally mortgage loans and funds held for placement into mortgage loans, investments, funds held for scheduled debt service, and excess funds held in the OPEB plan. At the bond resolution level, assets can be released from restriction by bond indentures at any time, subject to the revenue test that requires the assets and future income stream generated by those restricted assets to be greater than the funds needed to cover scheduled debt service.

Unrestricted net position represents those portions of the total net position set aside for current utilization and tentative plans for future utilization of such net position. As of June 30, 2026 and 2025, such plans included funds to be available for other loans and loan commitments; over commitments and over allocations in the various bond issues; support funds and contributions to bond issues; support for REACH *Virginia* initiatives and tenant-based housing assistance payments; and working capital and future operating and capital expenditures. Additional unrestricted net position commitments include maintenance of the Authority's obligation with regard to the general obligation pledge on its bonds; contributions to future bond issues other than those scheduled during the next year; coverage on uninsured assets; unsubsidized rental housing conventional loan program; and any unanticipated losses in connection with the uninsured portions of the balance of the homeownership and rental housing loans; coverage on the liability exposure of commissioners and officers; the cost of holding foreclosed property prior to resale; costs incurred with the redemption of bonds; homeownership loan prepayment shortfalls; and other risks and contingencies.

(15) Employee Benefits Plans

The Authority incurs employment retirement savings expenses under two defined contribution plans equal to between 8% and 11% of full-time employees' compensation. Total retirement savings expense for the year ended June 30, 2026, and 2025 was $6,367,234 and $6,529,012, respectively.

The Authority sponsors a deferred compensation plan available to all employees created in accordance with Internal Revenue Section 457(b). The Plan permits participants to defer a portion of their salary or wages until future years. The deferred compensation is not available to employees until termination, retirement, or death. The assets of the Plan are in an irrevocable trust with an external trustee, and, accordingly, no assets or liabilities are reflected in the Authority's basic financial statements.

As of June 30, 2026, and 2025, an employee compensated absences accrual of $7,247,069 and $7,180,128, respectively, is included in other liabilities (Note 17). Additionally, as of June 30, 2026, and 2025, a liability of $1,088,840 and $1,123,642, respectively, was accrued to accounts payable and other liabilities on the Statement of Net Position due to the implementation of GASB 101.

(16) Other Postemployment Benefits

(a) Retiree Healthcare Plan Description (the Plan)

Beginning with the year ended June 30, 2018, the Authority applied the provisions of GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

The Plan is a single-employer defined benefit other postemployment benefit (OPEB) plan established January 1, 2006 to provide post-employment reimbursement of eligible medical, dental, and vision expenses to current and eligible future retirees and their spouses in accordance with the terms of the Plan.

The Authority serves as Plan Administrator for the Plan. Pursuant to a resolution of the Board of Commissioners of the Authority, the Executive Director of the Authority authorized and empowered the Retiree Health Care Plan Oversight Committee (Oversight Committee), a committee made up of five members of management, to carry out the duties and responsibilities as Plan Administrator for the Plan.

Plan assets are administered through the Virginia Housing Development Authority Retiree Health Care Plan Trust (the Trust), an irrevocable trust to be used solely for providing benefits to eligible participants in the Plan. Assets of the Trust are irrevocable, legally protected from creditors, and are dedicated to providing post-employment reimbursement of eligible medical, dental, and vision expenses to current and eligible future retirees and their spouses, in accordance with the terms of the Plan. The Oversight Committee oversees investment determinations based on the objective of moderate growth of capital, consistent with the principle of diversification, while maintaining liquidity. The trust may invest in stocks, bonds, mutual funds, or any other reasonable investment instrument so long as it maintains a diversified portfolio consistent with the Investment Policy as defined in the Trust.

At its sole discretion, the Authority retains the right to amend the Plan at any time and from time to time with respect to benefits, funding, contributions, and permanency. The Authority reserves the right to discontinue or terminate its funding of the Plan at any time without prejudice, provided that the decision to terminate funding of the Plan is made by a written resolution adopted by a majority of the Board of Commissioners of the Authority. There is a standalone report that can be made available by contacting the Authority.

At January 1, 2026, participants in the Plan consisted of the following:

Active employees	499
Inactive plan members (retirees) receiving benefits	163
Beneficiaries	9
Total Participants	671

Effective January 1, 2006, eligible retirees must be at least 55 years of age with 15 years of service (or at least 55 years of age with 10 years of service if employed by the Authority prior to such date). Plan participants receive an annual benefit based on age and years of service at retirement and based on a matrix, updated annually for cost of living plus 2.0% not to exceed 150.0% of the annual premium for the preferred provider organization medical plan offered that year by the Authority if the participant is under age 65 or not to exceed 75.0% of the annual premium if the participant is age 65 or over. The annual benefit may be used to pay for health insurance purchased through the Authority's group plan or elsewhere and for other eligible medical, dental, and vision expenses. The Authority pays benefits as incurred throughout the year, and the Plan reimburses the Authority for the benefits paid annually.

(b) Contributions

Plan documents note that all benefits under the Plan shall be funded by the Authority. No contributions may be made to the Plan by participants in the Plan. The Authority establishes contribution rates based on the actuarially determined contribution rate. The Authority supplements the actuarially determined rate by ensuring the Plan is additionally funded based on a percentage of budgeted payroll plus administrative fees incurred by the Plan. The Authority pays benefits and administrative fees on behalf of the Plan on an annual basis. The Authority's annual contribution rate ranged between 1.0% to 6.0% of covered payroll. For the years ended December 31, 2025, and December 31, 2024, the Authority's contributions to the Plan were $659,682 and $1,686,116, respectively. At June 30, 2026, and June 30, 2025, the Authority reported no outstanding amount of contributions to the Plan required for the years ended December 31, 2025, and December 31, 2024.

(c) OPEB Liability, Expense, and Deferred Outflows and Deferred Inflows of Resources Related to the Retiree Healthcare Plan

For the years ended June 30, 2026 and June 30, 2025, the Authority recognized OPEB expense of $112,646 and $829,491, respectively. At June 30, 2026, the Authority reported deferred outflows and inflows of resources related to OPEB from the following sources:

Year ending June 30, 2026		Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$	6,824,535	8,898,974
Net difference between projected and actual earnings on OPEB Plan investments		-	6,938,959
Change in assumptions		1,035,375	1,331,481
Total	$	7,859,910	17,169,414

At June 30, 2025, the Authority reported deferred outflows and inflows of resources related to OPEB from the following sources:

Year ending June 30, 2025		Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$	4,655,454	9,812,467
Net difference between projected and actual earnings on OPEB Plan investments		-	2,873,277
Change in assumptions		1,374,522	430,519
Total	$	6,029,976	13,116,263

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2026, will be recognized in OPEB expense as follows:

Year ended June 30, 2026		
2027	$	(644,585)
2028		(2,498,378)
2029		(2,017,850)
2030		(1,293,306)
2031		(168,834)
Thereafter		(2,686,551)
	$	(9,309,504)

As of June 30, 2025, the amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30, 2025		
2026	$	(572,671)
2027		343,535
2028		(1,510,258)
2029		(1,029,730)
2030		(305,188)
Thereafter		(4,011,975)
	$	(7,086,287)

(d) Actuarial Assumptions

The Authority’s net OPEB liability (asset) was measured as of December 31, 2025, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of January 1, 2026.

The total OPEB liability in the January 1, 2026, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement unless otherwise specified:

Valuation Date	January 1, 2026
Actuarial Cost Method	Entry-Age Normal percentage of Salary
Amortization Method	Level Percentage of Pay, Open
Amortization Period	20 years
Asset Valuation Method	Market Value
Actuarial Assumptions	
Inflation Rate	2.6 percent, per annum
Investment rate of return	5.5 percent, per annum
Projected Salary Increases	3.5 percent, per annum
Healthcare cost trend rates	8.0 percent in 2026, grading down to 5.75 percent over 3 years following the Getzen model thereafter to an ultimate rate of 4.04 percent in the year 2075. The Retiree Credit Matrix will increase at 5.00 percent per annum.
Participation rate	95 percent of fully eligible pre-65 active employees are assumed to elect medical coverage upon retirement; 95 percent of fully eligible post-65 active employees are assumed to elect coverage upon retirement.
Marital Status	Actual spouse participation and dates of birth were used for retirees; 65 percent of active employees are assumed to cover a spouse at retirement; active males are assumed to be 3 years older than their spouses.
Medical Claims Cost	The claims cost is determined by disaggregating the premium based on plan, coverage tier, and age.

	Age 65 Cost Male	Age 65 Cost Female
Retiree/Spouse:	$25,665	$23,381

Age Variance	Claims were age adjusted each year based on the Dale Yamamoto study released by the Society of Actuaries in June 2013.

(Continued)

The total OPEB liability in the January 1, 2025, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	January 1, 2025
Actuarial Cost Method	Entry-Age Normal percentage of Salary
Amortization Method	Level Percentage of Pay, Open
Amortization Period	20 years
Asset Valuation Method	Market Value
Actuarial Assumptions	
Inflation Rate	2.6 percent, per annum
Investment rate of return	5.5 percent, per annum
Projected Salary Increases	3.5 percent, per annum
Healthcare cost trend rates	7.5 percent in 2025, grading down to 6.60 percent over 3 years following the Getzen model thereafter to an ultimate rate of 4.04 percent in the year 2075. The Retiree Credit Matrix will increase at 5.00 percent per annum.
Participation rate	95 percent of fully eligible pre-65 active employees are assumed to elect medical coverage upon retirement; 95 percent of fully eligible post-65 active employees are assumed to elect coverage upon retirement.
Marital Status	Actual spouse participation and dates of birth were used for retirees; 65 percent of active employees are assumed to cover a spouse at retirement; active males are assumed to be 3 years older than their spouses.
Medical Claims Cost	The claims cost is determined by disaggregating the premium based on plan, coverage tier, and age.

	Age 65 Cost Male	Age 65 Cost Female
Retiree/Spouse:	$22,567	$20,558

Age Variance	Claims were age adjusted each year based on the Dale Yamamoto study released by the Society of Actuaries in June 2013.

The assumptions were updated in the January 1, 2026, valuation to reflect the following changes:

The medical trend was updated to 8.00% in 2026, grading down to 5.75% over 3 years and following the Getzen model thereafter to an ultimate trend of 4.04% in 2075. Additionally, the mortality tables were updated to the 2016 Pub. G Headcount weighted mortality tables with mortality improvement MP2021.

(e) Net OPEB Liability (Asset) at June 30, 2026, and June 30, 2025

The net OPEB asset (NOA) represents the total OPEB liability determined in accordance with GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, less the associated fiduciary net position. The NOA is reported on the Authority's statements of net position as an other non-current asset.

As of June 30, 2026, the NOA amounts are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Asset
Balances at December 31, 2024	$ 45,861,413	65,541,824	(19,680,411)
Changes for the year:			
Service cost	2,308,902	-	2,308,902
Interest	2,585,585	-	2,585,585
Differences between expected and actual experience	3,197,467	-	3,197,467
Change of assumptions	(1,077,052)	-	(1,077,052)
Contributions - employer	-	659,682	(659,682)
Net investment income	-	9,550,447	(9,550,447)
Benefit (payments)/refunds	(1,159,672)	(1,159,672)	-
Administrative expenses	-	(199,682)	199,682
Net Changes	5,855,230	8,850,775	(2,995,545)
Balances at December 31, 2025	$ 51,716,643	74,392,599	(22,675,956)

As of June 30, 2025, the NOA amounts are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Asset
Balances at December 31, 2023	$ 44,852,580	57,453,877	(12,601,297)
Changes for the year:			
Service cost	2,188,533	-	2,188,533
Interest	2,530,534	-	2,530,534
Differences between expected and actual experience	(2,764,644)	-	(2,764,644)
Change of assumptions	85,817	-	85,817
Contributions - employer	-	1,686,116	(1,686,116)
Net investment income	-	7,619,354	(7,619,354)
Benefit (payments)/refunds	(1,031,407)	(1,031,407)	-
Administrative expenses	-	(186,116)	186,116
Net Changes	1,008,833	8,087,947	(7,079,114)
Balances at December 31, 2024	$ 45,861,413	65,541,824	(19,680,411)

(f) Trust Investments

The Trust has its own investments, which are reported at fair value and are based on published prices and quotations. At the end of the calendar year, December 31, 2025, the Trust's total assets were $75.6 million, consisting of money market funds and mutual funds.

Interest rate risk is the risk that changes in market rates of interest will adversely affect the fair value of an investment. Investments with interest rates that are fixed for longer periods are likely to be subject to more variability in their fair values as a result of future changes in interest rates.

As of December 31, 2025, the Plan had the following investments (including cash equivalents) and maturities:

Investment Type		Less than one year
Money Market Funds	$	5,089
Mutual Funds		75,547,182
Total	$	75,552,271

Credit risk is the risk that an issuer or other counterparties to an investment will not fulfill its obligations. The Authority emphasizes securities of high credit quality and marketability. The following table presents investments (including cash equivalents) exposure to credit risk by investment type as of December 31, 2025:

Investment Type		Amount	Moody's Rating	Percentage of Total Investments
Money Market Funds	$	5,089	NR	0.0%
Mutual Funds		75,547,182	NR	100.0%
Total	$	75,552,271		100.0%

(g) Long-Term Expected Rate of Return

The long-term expected returns were determined using the arithmetic mean after investment expenses on best-estimate ranges of expected future rates of returns from various investment firms, historical market returns, and internal estimates. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Allocation Target Range	Long-Term Expected Rate of Return
U.S. Fixed Income (includes cash and cash equivalents)	25% to 60%	4.00%
U.S. Equity	30% to 75%	6.70%
Foreign Equity	0% to 25%	4.80%

(h) Discount Rate

The discount rate used to measure the total OPEB liability was 5.5% as of December 31, 2025 and 2024. The projections of cash flows used to determine the discount rate assumed that the Authority contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active retirees. Therefore, the long-term expected rate of return on the Plan's investments was applied to all future periods of projected benefit payments to determine the total OPEB liability.

(i) Sensitivity of the Authority's Net OPEB Liability (Asset) to Changes in the Discount Rate

The following represents the net OPEB liability (asset) of the Authority as of June 30, 2026, calculated using the stated discount rate assumption, as well as what the Authority's net OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.5%) or 1 percentage point higher (6.5%) than the current discount rate:

Year ending December 31, 2025		1% Decrease	Current	1% Increase
		4.50%	5.50%	6.50%
Net OPEB liability (asset)	$	(14,410,737)	(22,675,956)	(29,363,617)

As of June 30, 2025, the net OPEB liability (asset) of the Authority is as follows:

Year ending December 31, 2024		1% Decrease	Current	1% Increase
		4.50%	5.50%	6.50%
Net OPEB liability (asset)	$	(12,209,922)	(19,680,411)	(25,711,207)

(j) Sensitivity of the Authority's Net OPEB Liability (Asset) to Changes in the Health Care Trend Rate

The following represents the June 30, 2026, net OPEB liability (asset) of the Authority, calculated using the stated health care cost trend assumption, as well as what the Authority's net OPEB liability (asset) would be if it were calculated using a health care cost trend that is 1 percentage-point lower or 1 percentage-point higher than the current health care cost trend rates:

Year ending December 31, 2025		1% Decrease	Current	1% Increase
		7.00% decreasing to 4.75% over 3 years	8.00% decreasing to 5.75% over 3 years	9.00% decreasing to 6.75% over 3 years
Net OPEB liability (asset)	$	(29,893,446)	(22,675,956)	(13,613,759)

As of June 30, 2025, the sensitivity of the Authority's Net OPEB liability (asset) to changes in healthcare trends is as follows:

Year ending December 31, 2024		1% Decrease	Current	1% Increase
		6.50% decreasing to 5.60% over 3 years	7.50% decreasing to 6.60% over 3 years	8.50% decreasing to 7.60% over 3 years
Net OPEB liability (asset)	$	(26,208,727)	(19,680,411)	(11,459,155)

(17) Other Long-Term Liabilities

Activity in the Authority's noncurrent liability accounts, other than bonds payable, for the year ended June 30, 2026 was as follows:

	Balance at June 30, 2025	Additions	Decreases	Balance at June 30, 2026
Project reserves	$ 127,712,700	41,894,018	45,151,719	124,454,999
Other liabilities	15,682,450	2,057,599	6,182,044	11,558,005
Compensated absences payable	7,180,128	6,215,940	6,148,999	7,247,069
	$ 150,575,278	50,167,557	57,482,762	143,260,073

Activity in the Authority's noncurrent liability accounts, other than bonds payable, for the year ended June 30, 2025 was as follows:

	Balance at June 30, 2024	Additions	Decreases	Balance at June 30, 2025
Project reserves	$ 131,865,677	47,204,094	51,357,071	127,712,700
Other liabilities	10,195,610	8,396,109	2,909,269	15,682,450
Compensated absences payable	6,900,155	6,111,989	5,832,016	7,180,128
	$ 148,961,442	61,712,192	60,098,356	150,575,278

(18) Troubled Debt Restructuring

Restructuring a debt constitutes a troubled debt restructuring if the creditor, for economic or legal reasons related to the debtor's financial difficulties, grants a concession to the debtor that it would not otherwise consider. The Authority makes every effort to work with borrowers and grants concessions to debtors if the probability of payment from the debtor increases. As of June 30, 2026 and 2025, the Authority has granted the following concessions to debtors, which are considered troubled debt restructurings. There are no commitments to lend additional resources to debtors who have had a troubled debt restructuring.

Homeownership loans		Year ended June 30, 2026	Year ended June 30, 2025
Aggregated recorded balance	$	407,436,656	358,615,088
Number of loans		2,738	2,491
Gross interest revenue if loans had been current		15,401,953	13,287,253
Interest revenue included in changes in net position		14,530,169	12,351,521

Rental housing loans		Year ended June 30, 2026	Year ended June 30, 2025
Aggregated recorded balance	$	9,080,451	9,249,957
Number of loans		9	8
Gross interest revenue if loans had been current		792,987	819,059
Interest revenue included in changes in net position		51,940	77,239

(19) Contingencies and Other Matters

Certain claims, suits, and complaints arising in the ordinary course of business have been filed and are pending against the Authority. In the opinion of management, all such matters are adequately covered by insurance or, if not so covered, are without merit or are of such kind or involve such amounts as would not have a material adverse effect on the basic financial statements of the Authority.

The Authority participates in several Federal financial assistance programs, the principal of which are the HUD loan guarantee programs. Although the Authority’s administration of Federal grant programs has been audited in accordance with the provisions of the United States Office of Management and Budget Uniform Guidance, these programs are still subject to financial and compliance audits. The amount, if any, of expenses which may be disallowed by the granting agencies cannot be determined at this time, although the Authority does not expect such amounts, if any, to be material in relation to its basic financial statements.

The Authority is exposed to various risks of loss, such as theft of, damage to, and destruction of assets, injuries to employees, and natural disasters. The Authority carries commercial insurance for these risks. There have been no significant reductions in insurance coverage from coverage in the prior year, and settled claims have not exceeded the amount of insurance coverage in any of the past three fiscal years.

(20) Subsequent Events

Bond Issues and Redemptions:

In addition to scheduled issuances and redemptions, the Authority made issuances of notes and bonds payable after June 30, 2026, as follows:

	Settlement date		Amount
Issues:			
Commonwealth Mortgage Bond 2026 Series H Non-AMT	7/8/2026	$	150,000,000
Commonwealth Mortgage Bond 2026 Series I Taxable	7/8/2026	$	225,000,000
Commonwealth Mortgage Bond 2026 Series J Non-AMT	7/8/2026	$	206,340,000
Rental Housing Bond 2026 Series D Non-AMT	8/25/2026	$	32,935,000
Commonwealth Mortgage Bond 2026 Series K Taxable	8/27/2026	$	150,000,000
Redemptions:			
Rental Housing Bond 2023 Series E Non-AMT	8/6/2026	$	10,190,000
Remarkings:			
Commonwealth Mortgage Bond 2026 Series J Non-AMT Subseries J-1	8/27/2026	$	100,000,000

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

Required Supplementary Information

Retiree Healthcare Plan

Schedule of Changes in Net OPEB (Asset) Liability and Related Ratios

(unaudited)

Last 9 Calendar Years

		2025	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability										
Service Cost	$	2,308,902	2,188,533	2,074,439	1,868,469	1,617,167	1,554,370	1,045,841	984,232	675,928
Interest		2,585,585	2,530,534	2,737,476	2,567,248	2,324,671	2,160,751	1,753,636	1,608,746	1,419,341
Differences between expected and actual experience		3,197,467	(2,764,644)	(7,702,913)	(907,474)	974,668	5,059,834	1,262,503	1,320,653	(228,449)
Changes of assumptions		(1,077,052)	85,817	45,721	331,586	142,726	(237,815)	(641,942)	370,909	2,830,950
Benefit payments		(1,159,672)	(1,031,407)	(970,733)	(900,052)	(797,549)	(727,928)	(640,795)	(630,078)	(519,345)
Net change in Total OPEB Liability		5,855,230	1,008,833	(3,816,010)	2,959,777	4,261,683	7,809,212	2,779,243	3,654,462	4,178,425
Total OPEB Liability - beginning		45,861,413	44,852,580	48,668,590	45,708,813	41,447,130	33,637,918	30,858,675	27,204,213	23,025,788
Total OPEB Liability - ending	$	51,716,643	45,861,413	44,852,580	48,668,590	45,708,813	41,447,130	33,637,918	30,858,675	27,204,213
Plan Fiduciary Net Position										
Contributions - employer	$	659,682	1,686,116	3,041,195	2,958,503	2,279,584	2,168,014	2,111,960	1,952,210	1,758,037
Net investment income		9,550,447	7,619,354	6,392,717	(6,208,512)	7,153,202	3,649,755	6,362,793	(865,732)	3,717,204
Benefit payments		(1,159,672)	(1,031,407)	(970,733)	(900,052)	(797,549)	(727,928)	(640,795)	(630,078)	(519,345)
Administrative expenses		(199,682)	(186,116)	(181,195)	(178,198)	(97,663)	(127,067)	(172,177)	(186,925)	(117,278)
Net change in Plan Fiduciary Net Position		8,850,775	8,087,947	8,281,984	(4,328,259)	8,537,574	4,962,774	7,661,781	269,475	4,838,618
Plan Fiduciary Net Position - beginning		65,541,824	57,453,877	49,171,893	53,500,152	44,962,578	39,999,804	32,338,023	32,068,548	27,229,930
Plan Fiduciary Net Position - ending	$	74,392,599	65,541,824	57,453,877	49,171,893	53,500,152	44,962,578	39,999,804	32,338,023	32,068,548
Net OPEB Liability (Asset) - ending		(22,675,956)	(19,680,411)	(12,601,297)	(503,303)	(7,791,339)	(3,515,448)	(6,361,886)	(1,479,348)	(4,864,335)
Plan Fiduciary Net Position as a % of the Total OPEB Liability		143.8%	142.9%	128.1%	101.0%	117.0%	108.5%	118.9%	104.8%	117.9%
Covered-employee payroll	$	62,379,338	60,673,455	58,646,317	52,161,378	46,693,627	42,735,350	41,987,414	37,467,939	33,966,194
Net OPEB Liability as a % of covered-employee payroll		-36.4%	-32.4%	-21.5%	-1.0%	-16.7%	-8.2%	-15.2%	-3.9%	-14.3%

See accompanying independent auditors' report.

(1) This schedule should present 10 years of data; however, the information prior to 2017 is not readily available.

(2) There were no changes in benefit terms for years ended 2025 through 2017.

(3) Assumptions for year ended 2025 through 2017 were updated to reflect changes in the mortality rates, medical trends, and aging assumptions.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

Required Supplementary Information

Retiree Healthcare Plan

Schedule of Changes in Net OPEB (Asset) Liability and Related Ratios

(unaudited)

Last 9 Calendar Years

		2025	2024	2023	2022	2021	2020	2019	2018	2017
Actuarially determined contribution	$	-	-	-	1,415,861	-	1,310,144	555,921	890,416	297,975
Contributions in relation to the actuarially determined contribution		659,682	1,686,116	3,041,195	2,958,503	2,279,584	2,168,014	2,111,960	1,952,210	1,758,037
Contribution deficiency (excess)	$	(659,682)	(1,686,116)	(3,041,195)	(1,542,642)	(2,279,584)	(857,870)	(1,556,039)	(1,061,794)	(1,460,062)
Covered-employee payroll	$	62,379,338	60,673,455	58,646,317	52,161,378	46,693,627	42,735,350	41,987,414	37,467,939	33,966,194
Contributions as a % of covered-employee payroll		1.1%	2.8%	5.2%	5.7%	4.9%	5.1%	5.0%	5.2%	5.2%

See accompanying independent auditors' report.

(1) This schedule should present 10 years of data; however, the information prior to 2017 is not readily available.

(2) Contributions made to the Plan in 2025 to 2017 were in excess of the actuarial annual required contributions.

(3) The actuarial contribution rate is determined based on the same assumptions as the actuarial lability with a valuation date as of January 1, 2026 using the following actuarial assumptions as discussed in Note 15:

Valuation Date	January 1, 2026
Actuarial Cost Method	Entry-Age Normal percentage of Salary
Amortization Method	Level Percentage of Pay, Open
Amortization Period	20 years
Asset Valuation Method	Market Value
Actuarial Assumptions	
Inflation Rate	2.6 percent, per annum
Investment rate of return	5.5 percent, per annum
Projected Salary Increases	3.5 percent, per annum
Healthcare cost trend rates	8.0 percent in 2026, grading down to 5.75 percent over 3 years following the Getzen model thereafter to an ultimate rate of 4.04 percent in the year 2075. The Retiree Credit Matrix will increase at 5.00 percent per annum.
Participation rate	95 percent of fully eligible pre-65 active employees are assumed to elect medical coverage upon retirement; 95 percent of fully eligible post-65 active employees are assumed to elect coverage upon retirement.
Marital Status	Actual spouse participation and dates of birth were used for retirees; 65 percent of active employees are assumed to cover a spouse at retirement; active males are assumed to be 3 years older than their spouses.
Medical Claims Cost	The claims cost is determined by disaggregating the premium based on plan, coverage tier, and age.

	Age 65 Cost Male	Age 65 Cost Female
Retiree/Spouse:	$25,665	$23,381

Age Variance	Claims were age adjusted each year based on the Dale Yamamoto study released by the Society of Actuaries in June 2013.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

Combining Schedule of Net Position

June 30, 2026

Assets	General Operating Accounts	Rental Housing Bond Group	Commonwealth Mortgage Bond Group	Home-ownership Bond Group	Total
Current assets:					
Cash and cash equivalents	$ 213,417,743	913,351,693	412,031,193	15,525,238	1,554,325,867
Investments	35,487,005	229,530,884	97,070,179	3,852,431	365,940,499
Interest receivable – investments	2,840,920	10,290,075	5,806,819	148,715	19,086,529
Mortgage loans held for sale	-	-	42,629,113	-	42,629,113
Mortgage and other loans receivable, net	13,138,459	110,339,753	97,268,191	3,838,253	224,584,656
Interest receivable – mortgage and other loans	1,119,141	22,285,783	14,767,017	212,899	38,384,840
Other real estate owned	7,451,106	33,947,554	3,656,595	122,399	45,177,654
Other assets	18,305,445	390,948	-	-	18,696,393
Total current assets	291,759,819	1,320,136,690	673,229,107	23,699,935	2,308,825,551
Noncurrent assets:					
Investments	466,532,218	-	112,963,939	-	579,496,157
Mortgage and other loans receivable, net	522,171,669	5,663,591,411	4,258,569,135	75,478,614	10,519,810,829
Capital assets, net	34,431,547	4,833,286	-	-	39,264,833
Mortgage servicing rights, net	12,445,885	-	-	-	12,445,885
Other assets	40,491,626	-	-	-	40,491,626
Total noncurrent assets	1,076,072,945	5,668,424,697	4,371,533,074	75,478,614	11,191,509,330
Total assets	1,367,832,764	6,988,561,387	5,044,762,181	99,178,549	13,500,334,881
Deferred outflows of resources					
Other postemployment benefits - change in assumptions	1,035,375	-	-	-	1,035,375
Other postemployment benefits - difference between expected and actual experience	6,824,535	-	-	-	6,824,535
Total Deferred outflows of resources	7,859,910	-	-	-	7,859,910

(Continued)

Schedule 3

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

Combining Schedule of Net Position

June 30, 2026

Liabilities	General Operating Accounts	Rental Housing Bond Group	Commonwealth Mortgage Bond Group	Home-ownership Bond Group	Total
Current liabilities:					
Notes and bonds payable	370,000,000	100,420,000	91,850,104	1,455,323	563,725,427
Accrued interest payable on notes and bonds	742,034	46,114,136	58,019,635	74,781	104,950,586
Escrows	61,326,696	-	-	-	61,326,696
Derivative instruments	-	-	130,508	-	130,508
Accounts payable and other liabilities	50,319,376	852,963	458	-	51,172,797
Total current liabilities	482,388,106	147,387,099	150,000,705	1,530,104	781,306,014
Noncurrent liabilities:					
Bonds payable, net	-	5,071,716,341	3,355,998,550	26,156,185	8,453,871,076
Project reserves	124,454,999	-	-	-	124,454,999
Loan participation payable to Federal Financing Bank	31,411,376	-	-	-	31,411,376
Other liabilities	16,641,047	1,724,795	439,232	-	18,805,074
Total noncurrent liabilities	172,507,422	5,073,441,136	3,356,437,782	26,156,185	8,628,542,525
Total liabilities	654,895,528	5,220,828,235	3,506,438,487	27,686,289	9,409,848,539
Deferred inflows of resources					
Deferred fees and points on multifamily loans	536,101	67,700,607	-	-	68,236,708
Other postemployment benefits - change in assumptions	1,331,481	-	-	-	1,331,481
Other postemployment benefits - difference between expected and actual experience	8,898,974	-	-	-	8,898,974
Other postemployment benefits - difference between projected and actual earning	6,938,959	-	-	-	6,938,959
Total deferred inflows of resources	17,705,515	67,700,607	-	-	85,406,122
Net position:					
Net investment in capital assets	18,560,452	(200,006)	-	-	18,360,446
Restricted OPEB asset	22,675,956	-	-	-	22,675,956
Restricted by bond indentures	-	1,700,232,551	1,538,323,694	71,492,260	3,310,048,505
Unrestricted	661,855,223	-	-	-	661,855,223
Total net position	$ 703,091,631	1,700,032,545	1,538,323,694	71,492,260	4,012,940,130

See accompanying independent auditors' report.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position

Year ended June 30, 2026

		General Operating Accounts	Rental Housing Bond Group	Commonwealth Mortgage Bond Group	Home-ownership Bond Group	Total
Operating revenues:						
Interest on mortgage and other loans receivable	$	18,806,804	257,866,311	219,022,046	3,439,966	499,135,127
Housing Choice Voucher program administrative income		15,516,553	-	-	-	15,516,553
Other real estate owned income		-	245,450	-	-	245,450
Gains and recoveries on sale of other real estate owned		570,773	-	396,655	-	967,428
Gains on sale of single family mortgage loans		-	-	11,600,898	-	11,600,898
Mortgage servicing fees net of guaranty fees		38,001,736	-	-	-	38,001,736
Tax credit program fees earned		12,883,245	-	-	-	12,883,245
Other		656,622	13,591,028	30,388	-	14,278,038
Total operating revenues		86,435,733	271,702,789	231,049,987	3,439,966	592,628,475
Operating expenses:						
Salaries and related employee benefits		86,347,198	-	-	-	86,347,198
General operating expenses		41,970,760	-	4,188	-	41,974,948
Housing Choice Voucher program expenses		10,684,070	-	-	-	10,684,070
Mortgage servicing rights amortization and other servicing costs		13,706,469	-	24,101,031	-	37,807,500
Losses on other real estate owned		1,939,525	-	321,815	5,714	2,267,054
Provision for loan losses		(7,237,514)	20,287,173	11,841,462	(164,454)	24,726,667
Total operating expenses		147,410,508	20,287,173	36,268,496	(158,740)	203,807,437
Operating income (loss)		(60,974,775)	251,415,616	194,781,491	3,598,706	388,821,038
Noncapital subsidies:						
Grant expenses		(90,807,421)	-	-	-	(90,807,421)
Transfers in		265,262,869	519,755	-	28,808	265,811,432
Transfers out		(13,698,962)	(129,101,889)	(123,010,581)	-	(265,811,432)
Total noncapital subsidies		160,756,486	(128,582,134)	(123,010,581)	28,808	(90,807,421)
Operating income and noncapital subsidies		99,781,711	122,833,482	71,770,910	3,627,514	298,013,617
Other nonoperating revenues and expenses:						
Investment earnings:						
Investment income		21,260,886	49,515,366	34,976,671	597,220	106,350,143
Realized loss on investments		(2,602)	-	-	-	(2,602)
Unrealized loss on investments		2,454,228	548,800	5,832,217	25,501	8,860,746
Interest on notes and bonds payable		(16,337,259)	(188,543,543)	(146,227,300)	(938,410)	(352,046,512)
Bond issuance and financing expenses		(1,890,338)	(2,704,462)	(6,746,180)	-	(11,340,980)
Pass-through grant awards		113,380,151	-	-	-	113,380,151
Pass-through grants expenses		(113,380,151)	-	-	-	(113,380,151)
Total other nonoperating revenues and expenses		5,484,915	(141,183,839)	(112,164,592)	(315,689)	(248,179,205)
Increase (decrease) in fund net position		105,266,626	(18,350,357)	(40,393,682)	3,311,825	49,834,412
Total fund net position, beginning of year		597,825,005	1,718,382,902	1,578,717,376	68,180,435	3,963,105,718
Total fund net position, end of year	$	703,091,631	1,700,032,545	1,538,323,694	71,492,260	4,012,940,130

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

Combining Schedule of Fiduciary Net Position
Fiduciary Funds – Custodial Funds
June 30, 2026

		Escrow Funds (GNMA, FNMA, FHLMC, Habitat)	Commonwealth Priority Housing Fund	Virginia Housing Trust Fund	National Housing Trust Fund	Total Custodial Funds
ASSETS						
Current assets:						
Cash and cash equivalents	$	89,301,420	6,066,163	13,328,611	2,431,239	111,127,433
Interest receivable - investments		-	43,932	97,222	11,627	152,781
Interest receivable - mortgage and other loans		-	71,115	141,016	30,863	242,994
Other assets		-	212	-	-	212
Total current assets		89,301,420	6,181,422	13,566,849	2,473,729	111,523,420
Noncurrent assets:						
Mortgage and other loans receivable		-	1,631,558	-	-	1,631,558
Total noncurrent assets		-	1,631,558	-	-	1,631,558
Total assets		89,301,420	7,812,980	13,566,849	2,473,729	113,154,978
LIABILITIES						
Other liabilities		-	2,642,596	12,545,461	2,159,456	17,347,513
Total liabilities		-	2,642,596	12,545,461	2,159,456	17,347,513
NET POSITION						
Restricted for:						
Funds held in escrow		89,301,420	-	-	-	89,301,420
Other governmental agency		-	5,170,384	1,021,388	314,273	6,506,045
Total Net Position	$	89,301,420	5,170,384	1,021,388	314,273	95,807,465

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
Combining Schedule of Changes in Fiduciary Net Position
Fiduciary Funds – Custodial Funds
Year Ended June 30, 2026

		Escrow Funds (GNMA, FNMA, FHLMC, Habitat)	Commonwealth Priority Housing Fund	Virgina Housing Trust Fund	National Housing Trust Fund	Total Custodial Funds
ADDITIONS						
Contribution:						
Borrower payments	$	1,790,087,128	-	-	-	1,790,087,128
Total Contributions		1,790,087,128	-	-	-	1,790,087,128
Investment earnings:						
Interest, dividends, and other		-	1,204,340	1,423,703	430,814	3,058,857
Total investment earnings		-	1,204,340	1,423,703	430,814	3,058,857
Total additions		1,790,087,128	1,204,340	1,423,703	430,814	1,793,145,985
DEDUCTIONS						
Other governmental agency		-	1,053,605	1,098,860	399,187	2,551,652
Disbursement of escrow funds		1,778,791,618	-	-	-	1,778,791,618
Total deductions		1,778,791,618	1,053,605	1,098,860	399,187	1,781,343,270
Net increase in fiduciary net position		11,295,510	150,735	324,843	31,627	11,802,715
Net position - beginning of year		78,005,910	5,019,649	696,545	282,646	84,004,750
Net position - end of year	$	89,301,420	5,170,384	1,021,388	314,273	95,807,465

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
Combining Schedule of Net Position
June 30, 2025

Assets	General Operating Accounts	Rental Housing Bond Group	Commonwealth Mortgage Bond Group	Home-ownership Bond Group	Total
Current assets:					
Cash and cash equivalents	$ 173,685,570	901,405,982	628,475,419	8,297,088	1,711,864,059
Investments	46,336,549	339,918,285	230,020,732	3,097,434	619,373,000
Interest receivable – investments	3,413,277	13,470,936	9,625,067	161,949	26,671,229
Mortgage loans held for sale	-	-	79,589,598	-	79,589,598
Mortgage and other loans receivable, net	11,658,664	105,598,660	80,506,216	3,923,262	201,686,802
Interest receivable – mortgage and other loans	1,122,797	22,005,768	10,921,732	246,647	34,296,944
Other real estate owned	5,426,940	-	864,716	-	6,291,656
Other assets	16,285,002	-	-	-	16,285,002
Total current assets	257,928,799	1,382,399,631	1,040,003,480	15,726,380	2,696,058,290
Noncurrent assets:					
Investments	494,303,350	-	145,729,759	-	640,033,109
Mortgage and other loans receivable, net	453,545,913	5,376,927,213	3,012,477,400	83,514,824	8,926,465,350
Capital assets, net	27,422,531	5,529,720	-	-	32,952,251
Mortgage servicing rights, net	17,466,412	-	-	-	17,466,412
Other assets	37,155,327	-	-	-	37,155,327
Total noncurrent assets	1,029,893,533	5,382,456,933	3,158,207,159	83,514,824	9,654,072,449
Total assets	1,287,822,332	6,764,856,564	4,198,210,639	99,241,204	12,350,130,739
Deferred outflows of resources					
Other postemployment benefits - change in assumptions	1,374,522	-	-	-	1,374,522
Other postemployment benefits - difference between expected and actual experience	4,655,454	-	-	-	4,655,454
Total Deferred outflows of resources	6,029,976	-	-	-	6,029,976

(Continued)

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

Combining Schedule of Net Position
June 30, 2025

Liabilities	General Operating Accounts	Rental Housing Bond Group	Commonwealth Mortgage Bond Group	Home-ownership Bond Group	Total
Current liabilities:					
Notes and bonds payable	400,000,000	95,900,000	207,345,572	1,484,368	704,729,940
Accrued interest payable on notes and bonds	996,361	42,548,986	33,560,798	83,896	77,190,041
Escrows	50,997,689	-	-	-	50,997,689
Federal grand awards held	1,334,590	-	-	-	1,334,590
Derivative instruments	-	-	575,152	-	575,152
Accounts payable and other liabilities	49,242,256	-	3,485	-	49,245,741
Total current liabilities	502,570,896	138,448,986	241,485,007	1,568,264	884,073,153
Noncurrent liabilities:					
Bonds payable, net	-	4,838,927,750	2,377,941,957	29,492,505	7,246,362,212
Project reserves	127,712,700	-	-	-	127,712,700
Loan participation payable to Federal Financing Bank	32,316,895	-	-	-	32,316,895
Other liabilities	19,748,979	3,047,300	66,299	-	22,862,578
Total noncurrent liabilities	179,778,574	4,841,975,050	2,378,008,256	29,492,505	7,429,254,385
Total liabilities	682,349,470	4,980,424,036	2,619,493,263	31,060,769	8,313,327,538
Deferred inflows of resources					
Deferred fees and points on multifamily loans	561,570	66,049,626	-	-	66,611,196
Other postemployment benefits - change in assumptions	430,519	-	-	-	430,519
Other postemployment benefits - difference between expected and actual experience	9,812,467	-	-	-	9,812,467
Other postemployment benefits - difference between projected and actual earning	2,873,277	-	-	-	2,873,277
Total deferred inflows of resources	13,677,833	66,049,626	-	-	79,727,459
Net position:					
Net investment in capital assets	8,605,152	(719,760)	-	-	7,885,392
Restricted OPEB asset	19,680,411	-	-	-	19,680,411
Restricted by bond indentures	-	1,719,102,662	1,578,717,376	68,180,435	3,366,000,473
Unrestricted	569,539,442	-	-	-	569,539,442
Total net position	$ 597,825,005	1,718,382,902	1,578,717,376	68,180,435	3,963,105,718

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position

Year ended June 30, 2025

	General Operating Accounts	Rental Housing Bond Group	Commonwealth Mortgage Bond Group	Home-ownership Bond Group	Total
Operating revenues:					
Interest on mortgage and other loans receivable	$ 18,500,642	244,287,847	155,568,190	3,834,492	422,191,171
Housing Choice Voucher program administrative income	10,254,976	-	-	-	10,254,976
Gains and recoveries on sale of other real estate owned	595,248	-	187,164	-	782,412
Gains on sale of single family mortgage loans	-	-	9,542,314	-	9,542,314
Mortgage servicing fees net of guaranty fees	41,263,706	-	-	-	41,263,706
Tax credit program fees earned	12,034,028	-	-	-	12,034,028
Other	1,754,132	10,025,619	30,507	-	11,810,258
Total operating revenues	84,402,732	254,313,466	165,328,175	3,834,492	507,878,865
Operating expenses:					
Salaries and related employee benefits	86,088,065	-	-	-	86,088,065
General operating expenses	38,047,842	-	2,192	-	38,050,034
Housing Choice Voucher program expenses	7,287,445	-	-	-	7,287,445
Mortgage servicing rights amortization and other servicing costs	16,962,482	-	16,838,135	-	33,800,617
Losses on other real estate owned	1,178,386	-	274,661	12,790	1,465,837
Provision for loan losses	(7,410,441)	3,598,985	13,455,487	(11,044)	9,632,987
Total operating expenses	142,153,779	3,598,985	30,570,475	1,746	176,324,985
Operating income (loss)	(57,751,047)	250,714,481	134,757,700	3,832,746	331,553,880
Noncapital subsidies:					
Grant expenses	(64,661,005)	-	-	-	(64,661,005)
Transfers in	204,934,087	382,288	-	-	205,316,375
Transfers out	(20,371,641)	(83,707,197)	(60,269,334)	(40,968,203)	(205,316,375)
Total noncapital subsidies	119,901,441	(83,324,909)	(60,269,334)	(40,968,203)	(64,661,005)
Operating income (loss) and noncapital subsidies	62,150,394	167,389,572	74,488,366	(37,135,457)	266,892,875
Other nonoperating revenues and expenses:					
Investment earnings:					
Investment income	21,920,947	50,595,698	46,612,143	1,257,934	120,386,722
Realized loss on investments	(3,003)	-	-	-	(3,003)
Unrealized gain (loss) on investments	2,705,841	899,633	9,453,793	(37,584)	13,021,683
Interest on notes and bonds payable	(19,888,291)	(167,516,876)	(96,913,660)	(1,060,416)	(285,379,243)
Bond issuance and financing expenses	(1,450,886)	(4,235,432)	(5,598,716)	-	(11,285,034)
Pass-through grant awards	112,112,431	-	-	-	112,112,431
Pass-through grants expenses	(112,112,431)	-	-	-	(112,112,431)
Total other nonoperating revenues and expenses	3,284,608	(120,256,977)	(46,446,440)	159,934.00	(163,258,875)
Increase (decrease) in fund net position	65,435,002	47,132,595	28,041,926	(36,975,523)	103,634,000
Total fund net position, beginning of year	532,390,003	1,671,250,307	1,550,675,450	105,155,958	3,859,471,718
Total fund net position, end of year	$ 597,825,005	1,718,382,902	1,578,717,376	68,180,435	3,963,105,718

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
Combining Schedule of Fiduciary Net Position
Fiduciary Funds – Custodial Funds
June 30, 2025

	Escrow Funds (GNMA, FNMA, FHLMC, Habitat)	Commonwealth Priority Housing Fund	Virginia Housing Trust Fund	National Housing Trust Fund	Total Custodial Funds
ASSETS					
Current assets:					
Cash and cash equivalents	$ 78,005,910	3,998,996	8,139,960	1,578,747	91,723,613
Interest receivable - investments	-	51,958	76,724	23,003	151,685
Interest receivable - mortgage and other loans	-	68,280	106,812	20,058	195,150
Other assets	-	213	-	-	213
Total current assets	78,005,910	4,119,447	8,323,496	1,621,808	92,070,661
Noncurrent assets:					
Mortgage and other loans receivable	-	1,654,120	-	-	1,654,120
Total noncurrent assets	-	1,654,120	-	-	1,654,120
Total assets	78,005,910	5,773,567	8,323,496	1,621,808	93,724,781
LIABILITIES					
Other liabilities	-	753,918	7,626,951	1,339,162	9,720,031
Total liabilities	-	753,918	7,626,951	1,339,162	9,720,031
NET POSITION					
Restricted for:					
Funds held in escrow	78,005,910	-	-	-	78,005,910
Other governmental agency	-	5,019,649	696,545	282,646	5,998,840
Total Net Position	$ 78,005,910	5,019,649	696,545	282,646	84,004,750

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
Combining Schedule of Changes in Fiduciary Net Position
Fiduciary Funds – Custodial Funds
Year Ended June 30, 2025

		Escrow Funds (GNMA, FNMA, FHLMC, Habitat)	Commonwealth Priority Housing Fund	Virginia Housing Trust Fund	National Housing Trust Fund	Total Custodial Funds
ADDITIONS						
Contribution:						
Borrower payments	$	1,754,587,838	-	-	-	1,754,587,838
Total Contributions		1,754,587,838	-	-	-	1,754,587,838
Investment earnings:						
Interest, dividends, and other		-	1,109,950	1,251,605	371,636	2,733,191
Total investment earnings		-	1,109,950	1,251,605	371,636	2,733,191
Total additions		1,754,587,838	1,109,950	1,251,605	371,636	1,757,321,029
DEDUCTIONS						
Other governmental agency		-	838,456	857,694	265,173	1,961,323
Disbursement of escrow funds		1,734,773,615	-	-	-	1,734,773,615
Distributions to DHCD		-	500,000	-	-	500,000
Administrative expense		-	23,750	-	-	23,750
Total deductions		1,734,773,615	1,362,206	857,694	265,173	1,737,258,688
Net increase/(decrease) in fiduciary net position		19,814,223	(252,256)	393,911	106,463	20,062,341
Net position - beginning of year		58,191,687	5,271,905	302,634	176,183	63,942,409
Net position - end of year	$	78,005,910	5,019,649	696,545	282,646	84,004,750

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Commissioners
Virginia Housing Development Authority
Richmond, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and fiduciary activities of Virginia Housing Development Authority (the Authority), a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2026 (except for the Retiree Health Care Plan fiduciary fund, which is as of and for the year ended December 31, 2025), and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 10, 2026.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Board of Commissioners
Virginia Housing Development Authority

Report on Compliance and Other Matters

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

Purpose of This Report

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Arlington, Virginia
September 10, 2026