

**Massachusetts Housing Partnership
(A Component Unit of the
Commonwealth of Massachusetts)**

**Financial Statements and
Required Supplementary Information
Years Ended June 30, 2024 and 2023**

**Massachusetts Housing Partnership
(A Component Unit of the Commonwealth of Massachusetts)**

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Independent Auditor's Report

To the Board of Directors
Massachusetts Housing Partnership

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Massachusetts Housing Partnership, a component unit of the Commonwealth of Massachusetts, as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise Massachusetts Housing Partnership's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Massachusetts Housing Partnership as of June 30, 2024 and 2023, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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* (GAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Massachusetts Housing Partnership and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS 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 GAS, 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 Massachusetts Housing Partnership'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 Massachusetts Housing Partnership'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 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our

inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Net Position by Restriction and the Schedule of Revenues, Expenses and Changes in Net Position by Restriction, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2024 on our consideration of Massachusetts Housing Partnership'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 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 Massachusetts Housing Partnership's internal control over financial reporting and compliance.



Charlotte, North Carolina
October 21, 2024

Massachusetts Housing Partnership

(A Component Unit of the Commonwealth of Massachusetts)
Management's Discussion and Analysis (Unaudited)
June 30, 2024

In conformity with Governmental Accounting Standards Board (GASB) Statement 34, "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*" the management of the Massachusetts Housing Partnership Fund Board (MHP) presents Management's Discussion and Analysis (MD&A) of its financial performance and significant changes in financial position for the fiscal year ended June 30, 2024. This MD&A provides a narrative overview of the financial activities for the fiscal years ended June 30, 2024, and June 30, 2023, with selected comparative information for the fiscal year ended June 30, 2022.

MHP OVERVIEW

MHP is a statewide public non-profit organization that works in concert with the Governor and the state Executive Office of Housing and Livable Communities (EOHLC) to help increase the supply of affordable housing in Massachusetts.

MHP was established in 1985 to increase the state's overall rate of housing production and works with cities and towns to demonstrate new and better ways of meeting our need for affordable housing. In 1990, the Legislature enacted a state law that requires banking institutions that acquire Massachusetts banks to make credit available to MHP to finance affordable housing – the only law of its kind in the nation.

MHP focuses its efforts in four principal areas:

- Community Assistance - MHP helps communities build affordable housing and has provided technical assistance in over 330 Massachusetts cities and towns.
- Rental Financing - MHP provides long-term financing for affordable rental housing and has closed or committed \$2.2 billion in permanent mortgage financing for multi-family rental housing.
- Homeownership - MHP's first-time homebuyer programs, ONE Mortgage and ONE+ Boston, have helped low- and moderate-income families purchase their first home with over \$4.9 billion in below market private financing.
- Policy and Leadership – MHP's Center for Housing Data provides support and leadership in finding solutions to the housing problem statewide.

MISSION AND MARKET ENVIRONMENT

It is management's opinion that MHP's market position and underlying financial performance are sound and demand for MHP's financial products and technical services is likely to remain strong.

Housing prices and apartment rents in Massachusetts remain among the highest in the United States and the state's per capita housing production rate is among the lowest. MHP seeks to address this supply/demand imbalance by advocating for effective state and federal housing policies, delivering technical assistance to local communities, providing credit on favorable terms to support development and preservation of multifamily housing, and administering its first-time homebuyer program with low mortgage interest rates and no required mortgage insurance.

MHP has financed more than 31,400 apartments over its lending history and has firmly established itself as a lender of choice for affordable rental properties in Massachusetts and for developments utilizing federal low-income housing tax credits. During FY24, MHP's multi-family lending provided \$96 million in new financing commitments for 1,611 rental units.

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June 30, 2024

Multi-Family Rental Financing

MHP has three primary sources of funding for its multifamily lending:

- (1) Loans funded by advances from banks pursuant to the Massachusetts Nationwide Interstate Banking and Community Reinvestment Act (Chapter 102 of the Acts of 1990, as amended) and through similar voluntary bank agreements. These non-recourse bank advances are secured by a conditional pledge of the mortgaged assets and a 4% top loss collateral account provided by MHP.
- (2) Federal National Mortgage Association (Fannie Mae) loans that are originated and serviced by MHP and sold to investors as mortgage-backed securities, with MHP retaining up to 33% of the credit risk on a *pari passu* basis.
- (3) Federal Housing Administration (FHA)-insured loans, which are either Risk Sharing loans originated and serviced by MHP, with MHP typically retaining 50% of the credit risk on a *pari passu* basis, or traditional FHA multifamily loans in which MHP has no credit risk.

Of the \$76 million in multifamily loans closed by MHP in FY24, \$44 million was funded by bank advances and \$32 million was originated as Fannie Mae loans.

MHP has a strong pipeline and anticipates growth in its servicing portfolio over the next several years with a mix of bank funded loans and off-balance sheet loans through its Fannie Mae and FHA programs.

MHP has a current credit rating of A+ from Standard and Poor's.

Homeownership

MHP has administered the ONE Mortgage Program since 2014, which provides a single fixed-rate first mortgage loan with a subsidized interest rate for qualified low to moderate income first-time homebuyers. Previously, MHP administered the SoftSecond Loan Program beginning in 1991. The SoftSecond Loan Program was phased out with the transition to the ONE Mortgage Program. As of June 30, 2024, forty-five lenders are committed to offering the ONE Mortgage Program.

Together, SoftSecond and ONE Mortgage have served more than 25,200 low- and moderate-income homebuyers during 33 years of operations. No other mortgage product in Massachusetts serves as many low- and moderate-income homebuyers with as low a delinquency and foreclosure rate. The portfolio continues to outperform the broader market in terms of both delinquencies and foreclosures. MHP administers loss claims from participating lenders and payments are made from the state-funded loan loss reserve account. MHP has no exposure to credit losses on SoftSecond and ONE Mortgage loans.

Launched in June of 2020, MHP's ONE+Boston mortgage program represents a partnership between MHP, the City of Boston, and local lenders. ONE+Boston is an enhanced version of the ONE Mortgage program and maximizes the purchasing power of Boston residents who seek to continue living in Boston. The City of Boston allocated Community Preservation Act (CPA) and federal American Rescue Plan Act (ARPA) funds to permanently buy down 30-year fixed interest rates thereby lowering monthly payments and allowing homebuyers to purchase higher cost homes. As of June 30, 2024, 529 homebuyers have purchased their homes with ONE+ Boston.

MassDREAMS

MassDREAMS (Delivering Real Equity and Mortgage Stability) is a federally funded grant program designed to provide eligible first-time homebuyers who currently reside in a disproportionately impacted community with up to \$50,000 in down payment and closing cost assistance for the purchase of a primary residence anywhere in the Commonwealth of Massachusetts. The MassDREAMS grant must be paired with an MHP ONE Mortgage or MassHousing first mortgage product.

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Management's Discussion and Analysis (Unaudited)
June 30, 2024

MassDREAMS provides grant structured down payment assistance to households earning less than 100% of area median income (AMI) and can be paired with other forms of assistance.

Homeowner Assistance Fund (HAF)

In November 2021, MHP entered a contract with the Commonwealth of Massachusetts to administer the federal Homeowner Assistance Fund (HAF). The Homeowner Assistance Fund was created by the federal American Rescue Plan Act (ARPA). The purpose of the HAF program is to prevent foreclosures and displacement of homeowners experiencing financial hardship due to the COVID-19 pandemic. HAF provided assistance to eligible homeowners with mortgage payments and other housing-related costs. The HAF contract with MHP is \$153.7 million as of June 30, 2024. MHP engaged third-party vendors to manage claims processing and counseling. To date \$152 million has been disbursed in direct assistance to homeowners and program administration expenses.

Capital Magnet Fund

In fiscal year 2024, MHP was awarded a federal grant of \$10.3 million from the Capital Magnet Fund (CMF) which is administered by the U.S. Department of the Treasury. CMF commitments of \$3.1 million were made in fiscal year 2024 and will be used to fund loan loss reserves on 16 loans.

OVERVIEW OF THE FINANCIAL STATEMENTS

MHP's financial statements consist of three parts – Management's Discussion and Analysis, the basic financial statements, and the notes to the financial statements. The basic financial statements include the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows.

The Statement of Net Position provides information about MHP's financial condition at the end of the fiscal year by indicating the nature and amounts of its assets, liabilities, deferred settled swaps, and net position as of the end of the fiscal year. The organization of the statement of net position separates assets and liabilities into their current and non-current components. Net position is reported as restricted when constraints are imposed by third parties. In accordance with GASB 87 for Leases, net investment in capital assets reflects the net balance of the right of use assets less the lease liability.

The Statement of Revenues, Expenses, and Changes in Net Position provides information about the MHP's operating and nonoperating revenues and expenses for the fiscal year.

The Statement of Cash Flows provides information about the net change in cash and cash equivalents for the fiscal year resulting from three principal types of activities: operating activities, noncapital financing activities, and investing activities.

MHP also provides two supplemental schedules. A Schedule of Net Position by Restriction, and a Schedule of Revenues, Expenses, and Changes in Net Position by Restriction, which report the restricted and unrestricted net position, operating, and nonoperating performance of MHP programs. These schedules are presented for the purpose of providing additional information about MHP's operations and are unaudited.

Massachusetts Housing Partnership

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Management's Discussion and Analysis (Unaudited)

June 30, 2024

FINANCIAL HIGHLIGHTS

The following table summarizes MHP's Net Position as of June 30, 2024, with comparative data for prior fiscal years.

	2024		2023		2022	
Assets		increase (decrease)		increase (decrease)		
Cash and cash equivalents	\$125,350,600	(4%)	\$130,586,976	(12%)	\$149,047,641	
Investments	61,046,900	44%	42,396,454	71%	24,751,594	
Grants, interest, and other amounts receivable	18,066,300	(35)%	27,683,534	997%	2,523,054	
Project loans, net of allowance of \$12,354,589, \$12,245,396, and \$12,024,606	530,826,704	4%	510,911,959	4%	493,302,201	
Right of use assets	4,398,936	(14%)	5,112,278	(12%)	5,825,619	
Other assets	3,253,620	(1%)	3,293,647	(4%)	3,432,456	
Deferred outflows of resources	<u>12,866,984</u>	(8%)	<u>14,007,445</u>	(6%)	<u>14,918,704</u>	
Total assets and deferred outflows of resources	755,810,044	3%	733,992,293	6%	693,801,269	
Liabilities						
Accounts payable, accrued interest and expenses	5,719,068	(11%)	6,470,930	(10%)	7,225,924	
Unearned revenue and other liabilities	124,909,329	1%	123,515,314	25%	98,455,533	
Notes payable	502,771,157	3%	488,701,638	2%	478,205,111	
Lease liability	6,689,022	(7%)	7,209,576	(6%)	7,706,385	
Homeownership program reserve	<u>26,235,890</u>	7%	<u>24,568,870</u>	2%	<u>24,052,597</u>	
Total liabilities	666,324,466	2%	650,466,328	6%	615,645,550	
Total net position	\$89,485,578	7%	\$83,525,965	7%	\$78,155,719	

Massachusetts Housing Partnership

(A Component Unit of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)

June 30, 2024

Cash, Cash Equivalents, and Investments

(in thousands)

	2024	increase (decrease)		2023	increase (decrease)		2022
Cash and cash equivalents (restricted and unrestricted)	\$125,351	(\$5,236)	(4%)	\$130,587	(\$18,461)	(12%)	\$149,048
Investments (restricted and unrestricted)	\$61,047	\$18,651	44%	\$42,396	\$17,644	71%	\$24,752

Cash and investments increased in total primarily due to receipts of Capital Magnet and Climate Ready Housing Program funds during FY24. Cash and cash equivalents has decreased and investments have increased in FY24 due to a transfer of \$26 million from cash to investments during the year. More detail is provided in the supplemental Schedule of Net Position by Restriction.

Project Loans

Loans receivable represent 70% of total assets as of June 30, 2024. Gross Chapter 102 loans receivable increased \$20.0 million (4%) in FY24 and increased \$17.8 million (4%) in FY23. The net increase in FY24 reflects new loan closings of \$44 million, maturities, and prepayments. In FY23 there were \$66 million new multifamily loans closed. The servicing portfolio includes off balance sheet FHA and Fannie Mae loans which increased \$30.9 million to \$315.2 million in FY24 from \$284.3 million in FY23. (see Note 5)

	2024	increase (decrease)		2023	increase (decrease)		2022
Chapter 102 project loans	\$543,181,293	4%		\$523,157,355	4%		\$505,326,807
Fannie Mae (off balance sheet)	91,477,456	51%		60,671,697	(5%)		63,537,505
FHA (off balance sheet)	215,600,284	(4%)		223,614,740	1%		221,099,407
FHLB and MHP servicing loans	<u>8,163,478</u>	100%		=	-		=
Total portfolio	\$858,422,511	6%		\$807,443,792	2%		\$789,963,719

The FHA and Fannie Mae off balance sheet loans are serviced by MHP and the risk exposure is reflected in the allowance for loan losses. MHP typically assumes 50% of the credit risk on FHA loans and 33% on Fannie Mae loans. The allowance for loan losses for FHA and Fannie Mae loans is \$2.5 million as of June 30, 2024, and \$2.7 million as of June 30, 2023. (see Note 5)

Massachusetts Housing Partnership

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Management's Discussion and Analysis (Unaudited)
June 30, 2024

Allowance for Loan Losses

The allowance has two components: a credit risk-rated reserve and a general reserve. As of June 30, 2024, 2023 and 2022, the allowance for loan losses is \$12.4 million, \$12.2 million, and \$12.0 million, respectively. The general reserve is \$250,000, \$500,000, and \$750,000 as of June 30, 2024, 2023, and 2022, respectively. Adjustments to the allowance are made monthly based on changes in credit risk ratings, payoffs, and new loans closed. MHP uses a nine-grade letter-based credit rating system (see Note 6). As of June 30, 2024 and 2023, there were no delinquencies or troubled debt restructurings. On June 30, 2022, there was one restructured loan and no delinquencies. The portfolio is monitored closely, and quarterly portfolio reviews are held with senior management to discuss upgrades/downgrades and loans rated B- or lower. MHP has never incurred a loan loss on its multi-family rental housing loan portfolio. (Note 5)

Summary by Product and Credit Rating										
(in thousands)		2024			2023			2022		
Product	Rating	% of Portfolio by rating	Borrower Balance	Loan Loss Reserve	% of Portfolio by rating	Borrower Balance	Loan Loss Reserve	% of Portfolio by rating	Borrower Balance	Loan Loss Reserve
Chapter 102	A	0.5%	\$ 4,245	\$ 21.2	1.0%	\$ 8,348	\$ 41.7	1.7%	\$ 13,224	\$ 66.1
Chapter 102	A-	7.9%	68,213	511.6	8.0%	64,205	481.5	6.9%	54,684	410.1
Chapter 102	B	30.9%	265,115	5,302.3	32.7%	263,703	5,274.1	31.2%	246,699	4,934.0
FHA	B	25.1%	215,600	1,921.0	27.7%	223,615	2,384.2	28.0%	221,099	2,240.2
FNMA	B	10.7%	91,477	511.6	7.5%	60,672	331.6	8.0%	63,538	381.1
Chapter 102	B-	5.0%	43,161	1,294.8	4.6%	37,051	1,111.5	5.4%	42,959	1,288.8
Chapter 102	B+	12.5%	107,515	1,075.2	12.1%	98,077	980.8	13.3%	105,342	1,053.4
Chapter 102	C	0.1%	781	117.1	0.2%	1,255	188.2	0.2%	1,297	194.6
Chapter 102	C+	1.7%	14,622	731.1	1.0%	7,813	390.7	0.9%	6,956	347.8
Participations	n/r	5.6%	47,693	618.6	5.3%	42,705	561.1	4.3%	34,164	358.5
TOTAL			\$ 858,422	12,105		\$ 807,444	\$ 11,745		\$ 789,962	\$ 11,275
Total portfolio balance increase			50,978	6%		17,482	2%			

Grants and other amounts receivable (in thousands)

In FY24, MHP grant receivable balances include amounts due for the Housing Stabilization Fund and Work Force Housing Program of \$12.1 million and \$2.5 million, respectively. More detail is provided in the supplemental Schedule of Net Position by Restriction.

	2024	increase (decrease)		2023	increase (decrease)		2022
Grants, interest, and other amounts receivable	\$18,066	\$(9,618)	(35)%	\$27,684	\$25,161	997%	\$2,523

Right of use assets

MHP adopted GASB 87 for leases in FY22, with retroactive adoption for FY21. Under the pronouncement, the right of use asset was recorded on the books at the present value of future lease payments adjusted for deferred rent and tenant allowances. (see Note 10)

Massachusetts Housing Partnership

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Management's Discussion and Analysis (Unaudited)

June 30, 2024

Liabilities

(in thousands)

	2024	increase (decrease)		2023	increase (decrease)		2022
Accounts payable, accrued interest and expenses	\$5,719	(\$752)	(12%)	\$6,471	(\$755)	(10%)	\$7,226
Unearned revenue and other liabilities	124,909	1,600	1%	123,515	25,059	25%	98,456
Notes payable	502,771	14,070	3%	488,702	10,497	2%	478,205
Lease liability	6,689	(521)	(7%)	7,209	(497)	(6%)	7,706
Homeownership program reserve	26,236	1,667	7%	24,569	516	2%	24,053
Total liabilities	<u>\$666,324</u>	<u>\$15,858</u>	<u>7%</u>	<u>\$650,466</u>	<u>\$34,820</u>	<u>6%</u>	<u>\$615,646</u>

The increase in total liabilities is driven primarily by an increase of \$14 million for multi-family lending programs.

Notes Payable

An increase in notes payable represents draws on Chapter 102 bank funded and voluntary lines of credit used to finance new multi-family loans and participation arrangements serviced by MHP.

Unearned Revenue and Other Liabilities

Unearned revenue and other liabilities represent 19%, 19%, and 16% of total liabilities as of June 30, 2024, 2023, and 2022, respectively. More detail is provided in the supplemental Schedule of Net Position by Restriction.

Reserves – Homeownership

Reserves for homeownership are held to fund losses incurred by participating lenders in the SoftSecond and ONE Mortgage Programs. Over the program's 33-year history, participating lenders have closed more than \$4 billion in SoftSecond and ONE Mortgage loans; 107 loss claims totaling \$5.8 million have been paid to participating lenders.

Net Position

(in thousands)

	2024	increase (decrease)		2023	increase (decrease)		2022
Restricted net position	\$ 21,061	\$1,148	6%	\$19,913	\$4,425	29%	\$15,488
Net investment in capital assets	(2,290)	(193)	9%	(2,097)	(216)	11%	(1,881)
Unrestricted net position	<u>70,715</u>	<u>5,005</u>	8%	<u>65,710</u>	<u>946</u>	2%	<u>64,548</u>
Total net position	<u>\$ 89,486</u>	<u>\$5,960</u>	7%	<u>83,526</u>	<u>\$5,371</u>	7%	<u>\$78,155</u>

Restricted net position increased due to the receipt of state and federal funds for Homeownership and multi-family rental programs described in this MD&A. More detail is shown on the supplemental Schedule of Net Position by Restriction.

Massachusetts Housing Partnership

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Management's Discussion and Analysis (Unaudited)
June 30, 2024

Net investment in capital assets represents the net amount invested in capital assets. Under GASB 87, Accounting for Leases, MHP must recognize the lease as a right of use asset and an operating lease liability on the balance sheet. (See Note 10)

Unrestricted net position increased 8% to \$70.7 million in fiscal year 2024 compared with an increase of 2% to \$65.7 million in fiscal year 2023 which reflects the difference in the net surplus of \$0.7 million from fiscal year 2023 to fiscal year 2024, \$5.3 million and \$6.0 million, respectively.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Operating Results

To evaluate operating results, management analyzes operating income and expenses excluding grants and subsidies. The following chart compares MHP's operating performance in fiscal years 2024, 2023 and 2022 on that basis.

(in thousands)	2024			2023			2022
	increase (decrease)			increase (decrease)			
<u>Revenues</u>							
Net income from direct lending	\$11,480	\$295	3%	\$11,185	(\$507)	(4%)	\$11,692
Administrative fees and other income	8,012	(\$519)	(6%)	8,531	\$4,895	135%	3,636
Interest and investment income	<u>3,902</u>	<u>\$1,074</u>	38%	<u>2,828</u>	<u>\$2,248</u>	387%	<u>580</u>
Operating revenue	23,394	\$850	4%	22,544	\$6,636	42%	15,908
<u>Expenses</u>							
Salaries, wages, and fringe benefits	11,999	\$1,424	13%	10,575	\$1,671	19%	8,904
Professional fees and contracted services	2,510	\$840	50%	1,670	\$939	128%	731
Occupancy, equipment, and other operating	<u>2,633</u>	<u>\$7</u>	3%	<u>2,626</u>	<u>\$235</u>	10%	<u>2,391</u>
Operating expenses	<u>17,142</u>	<u>\$2,271</u>	15%	<u>14,871</u>	<u>\$2,845</u>	24%	<u>12,026</u>
Net operating surplus before grants and subsidies	<u>\$6,252</u>	<u>(\$1,421)</u>	(19%)	<u>\$7,673</u>	<u>\$3,791</u>	98%	<u>\$3,882</u>

- MHP engaged in several new housing initiatives and software upgrades requiring additional staff and assistance from consultants in 2024 and 2023. These expenses are the primary driver for increase in operating expenses shown in the table above. More detail is provided in the supplemental Schedule of Revenues, Expenses, and Changes in Net Position by Restriction

Massachusetts Housing Partnership

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Management's Discussion and Analysis (Unaudited)

June 30, 2024

- MHP earned administrative fee income to manage the HAF, MassDREAMS and other state and federal programs. These fees have been steady in 2024 and 2023. More detail is provided in the supplemental Schedule of Revenues, Expenses, and Changes in Net Position by Restriction.
- Net income from lending activity has been steady over the last three years ranging from \$11.5, \$11.2, and \$11.7, in fiscal years 2024, 2023, and 2022, respectively. This reflects the maturing loan portfolio and payoffs as well as new lending activity.
- MHP has benefited from the increase in interest rates in fiscal year 2024 and 2023. An outside investment firm was hired in 2024 to assist in managing the portfolio which includes a ten-year fixed income ladder. The result is a pickup of \$1.0 million in fiscal year 2024. In fiscal year 2023 there was an increase of \$2.2 million over 2022 due primarily to the rapid rise in interest rates.
- Salaries and fringe benefit costs increased \$1.4 million in fiscal year 2024 to \$12 million compared with \$10.6 and \$9 million in fiscal years 2023 and 2022, respectively. The increase in fiscal year 2024 salary and fringe benefit costs reflect the addition of six new staff and increased fringe benefit costs. MHP employed 71, 65, and 57 people as of June 30, 2024, 2023, and 2022, respectively. The growth in staffing in fiscal year 2024 and 2023 is attributable to the new programs administered by MHP and the need for increased capacity to provide direct services and administrative support.

Nonoperating Revenue

(in thousands)

	2024			2023			2022
		increase (decrease)			increase (decrease)		
Net decrease in fair value of investments	\$611	\$3,068	(125%)	\$(2,457)	\$(2,457)	-	-
Federal Support	24,444	(76,749)	(76%)	101,193	76,487	(310%)	\$24,706
State and Local Government Support	23,233	8,910	85%	14,323	5,507	62%	8,816
Private Support	1,796	784	77%	1,012	(394)	(28%)	1,406
Mortgage subsidies, reserves, and grants	<u>(50,377)</u>	<u>65,997</u>	<u>271%</u>	<u>(116,374)</u>	<u>(85,010)</u>	<u>271%</u>	<u>(31,364)</u>
Total nonoperating revenue (expense)	\$(293)	\$2,010	(87%)	\$(2,303)	\$(5,867)	(165%)	\$3,564

In fiscal year 2024, MHP recognized \$611,000 in unrealized gains on fixed income treasury, corporate bonds and agency bonds. During fiscal year 2023, an unrealized loss of \$2.5 million was recognized on MHP's fixed income portfolio. The intent is to hold these investments to maturity and the weighted average maturity as of June 30, 2024, is 4.7 years. In fiscal year 2022, investments were primarily in money market funds and CD's.

Governmental support reflects the gross receipts from the HAF, CMF, MassDREAMS, ONE Mortgage, ONE+ Boston and other federal and state programs. Mortgage subsidies, reserves and grants reflects the gross expense for these programs.

Massachusetts Housing Partnership

(A Component Unit of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)

June 30, 2024

REQUESTS FOR INFORMATION

This report is intended to provide an overview of MHP's financial condition. Questions concerning any of the information in this report or requests for additional information should be addressed to MHP's Chief Financial & Administrative Officer, 160 Federal Street, Boston, MA 02110.

Massachusetts Housing Partnership
(A Component Unit of the Commonwealth of Massachusetts)
Statements of Net Position
June 30, 2024 and 2023

	2024	2023
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 10,573,151	\$ 14,648,472
Cash and cash equivalents - restricted	114,777,449	115,938,504
Total cash and cash equivalents	125,350,600	130,586,976
Investments - unrestricted	18,446,950	13,330,092
Investments - restricted	42,599,950	29,066,362
Grants and other amounts receivable	16,074,472	25,280,073
Project loans, net of allowance	51,085,017	29,093,970
Interest receivable on project loans	1,991,828	2,403,461
Total current assets	255,548,817	229,760,934
Non-current assets:		
Project loans, net of allowance	479,741,687	481,817,989
Right to use assets, net of accumulated amortization	4,398,936	5,112,278
Other assets	3,253,620	3,293,647
Total assets	742,943,060	719,984,848
Deferred outflows of resources		
Deferred settled SWAP	12,866,984	14,007,445
	12,866,984	14,007,445
Total assets and deferred outflows of resources	755,810,044	733,992,293
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable and accrued expenses	4,090,987	4,458,934
Notes payable	40,275,518	24,357,176
Accrued interest	1,628,081	2,011,996
Lease liability	864,297	520,556
Total current liabilities	46,858,883	31,348,662
Non-current liabilities:		
Unearned revenue and other liabilities	124,909,329	123,515,314
Notes payable - less current portion	462,495,639	464,344,462
Homeownership program reserve	26,235,890	24,568,870
Lease liability	5,824,725	6,689,020
Total liabilities	666,324,466	650,466,328
<u>NET POSITION</u>		
Net Investment (deficit) in capital assets	(2,290,086)	(2,097,298)
Restricted net position		
Rental Housing, Homeownership, and Homeowner Assistance Fund (HAF)	17,788,006	12,075,391
Grant funds	2,906,496	7,386,823
Other restricted	366,375	451,009
	21,060,877	19,913,223
Unrestricted net position	70,714,787	65,710,040
Total net position	\$ 89,485,578	\$ 83,525,965

The accompanying notes are an integral part of these financial statements.

Massachusetts Housing Partnership
(A Component Unit of the Commonwealth of Massachusetts)
Statements of Revenues, Expenses and Changes in Net Position
For the years ended June 30, 2024 and 2023

	2024	2023
OPERATING REVENUES:		
Direct Lending:		
Interest income on project loans	\$ 26,407,707	\$ 25,877,928
Interest expense on project loans	(15,724,671)	(15,630,417)
Other income from lending activities	906,136	1,158,440
Gross income from direct lending	11,589,172	11,405,951
Recovery (provision) for loan losses	(109,193)	(220,790)
Net income from direct lending	11,479,979	11,185,161
Other Revenue and Support:		
Administrative fees	7,489,483	8,010,902
Interest on bank deposits and investments	3,902,227	2,827,973
Other income	522,597	520,406
Other Revenue and Support	11,914,307	11,359,281
Total operating revenue	23,394,286	22,544,442
OPERATING EXPENSES:		
Salaries, wages and fringe benefits	11,999,343	10,574,763
Professional fees and contracted services	2,372,318	1,454,131
Community outreach, training and publications	137,417	215,671
Occupancy and equipment	1,483,337	1,473,066
Other operating costs	1,149,397	1,153,094
Total operating expenses	17,141,812	14,870,725
Operating surplus (deficit)	6,252,474	7,673,717
Nonoperating revenue (expense)		
Net increase (decrease) in fair value of investments	610,912	(2,457,833)
Program Income		
Federal Support	24,444,232	101,192,935
State and Local Government Support	23,233,652	14,323,528
Private Support	1,795,729	1,012,095
	49,473,613	116,528,558
Program Expenses		
Federal Support	(24,444,232)	(101,192,602)
State and Local Government Support	(25,128,947)	(14,798,362)
Private Support	(804,207)	(383,232)
	(50,377,386)	(116,374,196)
Total nonoperating revenue (expense)	(292,861)	(2,303,471)
Change in net position	5,959,613	5,370,246
NET POSITION, beginning of year	83,525,965	78,155,719
NET POSITION, end of year	\$ 89,485,578	\$ 83,525,965

The accompanying notes are an integral part of these financial statements.

Massachusetts Housing Partnership
(A Component Unit of the Commonwealth of Massachusetts)
Statements of Cash Flows
For the years ended June 30, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and borrowers	\$ 25,121,108	\$ 32,857,037
Receipts from the Commonwealth of Massachusetts	29,166,513	19,037,768
Receipts for homeownership mortgage subsidies and loan loss reserves	1,667,019	505,081
Receipts for the Housing Stabilization Fund	62,660,730	54,827,215
Payments for the Housing Stabilization Fund	(68,301,438)	(48,206,144)
Payments for the Homeowner Assistance Fund Program	(12,220,068)	(23,889,312)
Receipts for the Capital Magnet Fund	9,801,714	-
Interest received from banks	3,757,755	2,720,207
Payments to suppliers	(4,264,257)	(2,685,380)
Payments to employees including employee benefits	(11,823,484)	(10,286,541)
Payments to lenders for project loan interest	(16,108,585)	(15,825,712)
Other cash receipts and payments, net	604,788	151,101
Net cash provided by operating activities	<u>20,061,795</u>	<u>9,205,320</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from bank loans	42,453,179	67,061,701
Principal payments on bank loans	(28,383,660)	(56,565,170)
Net (decrease) increase in grants, mortgage subsidies and support	(903,773)	154,362
Payments on lease liability	(520,556)	(496,809)
Net cash provided by noncapital financing activities	<u>12,645,190</u>	<u>10,154,084</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Project loans made	(48,327,680)	(80,285,015)
Receipt of principal payments on project loans	28,303,743	62,454,465
Proceeds from the maturity of investments	16,964,607	2,000,000
Purchase of investments	(34,859,670)	(21,994,928)
(Purchase) proceeds from disposal of other assets	(24,361)	5,409
Net cash used by investing activities	<u>(37,943,361)</u>	<u>(37,820,069)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,236,376)	(18,460,665)
CASH AND CASH EQUIVALENTS, beginning of year	<u>130,586,976</u>	<u>149,047,641</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 125,350,600</u>	<u>\$ 130,586,976</u>
CASH PROVIDED BY OPERATING ACTIVITIES		
Operating surplus (deficit)	\$ 6,252,474	\$ 7,673,717
Adjustments to reconcile operating surplus (deficit) to net cash provided by operating activities:		
Lease amortization	713,341	713,341
Loan losses, homeownership and loan loss provision on project loans	1,776,213	737,063
Changes in operating assets and liabilities and deferred inflows and outflows -		
Grants and other amounts receivable	9,205,602	(25,210,575)
Interest receivable on project loans	411,632	50,095
Other assets	(80,085)	25,634
Accounts payable and accrued expenses	(367,947)	(559,700)
Accrued interest	(383,914)	(195,294)
Unearned revenue and other liabilities	1,632,507	25,059,780
Deferred outflows of resources - derivative instruments	901,972	911,259
Net cash provided by operating activities	<u>\$ 20,061,795</u>	<u>\$ 9,205,320</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES		
Purchase of other assets	\$ 24,361	\$ 42,189
Write off of other assets	-	(47,598)
Net purchase of other assets	<u>\$ 24,361</u>	<u>\$ (5,409)</u>

The accompanying notes are an integral part of these financial statements.

Massachusetts Housing Partnership

(A Component Unit of the Commonwealth of Massachusetts)

Notes to Financial Statements

Years Ended June 30, 2024 and 2023

1. Organization

The Massachusetts Housing Partnership Fund Board, doing business as the Massachusetts Housing Partnership ("MHP"), is a public instrumentality and body politic and corporate of the Commonwealth of Massachusetts established by Chapter 405 of the Acts of 1985 as amended by Chapter 102 of the Acts of 1990 and Section 47 of Chapter 204 of the acts of 1996. MHP is governed by a seven-member Board of Directors (the "Board") appointed by the Governor.

MHP is a component unit of the Commonwealth of Massachusetts (the "Commonwealth") and, as such, its financial results are included with the Commonwealth's annual financial report. MHP develops an internal budget which is reviewed by senior management and approved by MHP's Board. The budget is used for the purposes of management accountability and is not considered a legally adopted budget and, therefore, is not presented as required supplemental information to the financial statements.

2. Summary of Significant Accounting Policies

Accounting and reporting standards:

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), as prescribed by GASB Codification Section 2100, which establishes standards for defining and reporting on the financial reporting entity.

The GASB defines the basic financial statements of a business-type activity as the: statement of net position, statement of revenues, expenses and changes in net position and the statement of cash flows. The statement of net position is presented to illustrate both the current and noncurrent balances of each asset and liability. All revenues and expenses are classified as either operating or non-operating activities in the statement of revenues, expenses, and changes in net position. Operating activities are those that support the mission and purpose of MHP. Nonoperating activities represent transactions that are capital, investing, legislative or regulated in nature. When both restricted and unrestricted resources are available for use, it is MHP's policy to use restricted resources first, then unrestricted resources as they are needed.

The GASB requires that resources be classified into three categories of net position. Net position represents the residual interest in MHP assets plus deferred outflows (as applicable) of resources after liabilities plus deferred inflows (as applicable) of resources are deducted and consist of net investment in capital assets, restricted, and unrestricted.

Net Position

To ensure compliance with limitations and restrictions placed on available resources, the accounts of MHP are maintained on the basis of program restrictions and reflected in the restricted or unrestricted net position. Resources for various purposes are classified according to their nature and purpose as follows:

Net investment in capital assets - The net investment in capital assets component of net position consists of right-to-use leased asset, net of accumulated amortization, reduced by the outstanding balances of bonds, mortgages, notes, lease liabilities, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt are included in this component of net position. For fiscal years 2024 and 2023, there were no deferred outflows or inflows of resources related to capital assets.

Unrestricted - Accounts for unrestricted operating resources, obligations, and related activity over which the Board and management have discretionary control and which are used to conduct the operations of

Massachusetts Housing Partnership

(A Component Unit of the Commonwealth of Massachusetts)

Notes to Financial Statements

Years Ended June 30, 2024 and 2023

MHP in accordance with its statutes. Funds designated by a Board vote or policy are identified as board designated. Such designated funds include cash set aside for the Capital Impact Fund and a community assistance fund. The community assistance fund supports communities and nonprofit organizations in the initial stages of affordable housing development by providing staff, third-party consultants, and in-depth technical assistance to city and town officials to facilitate the development of affordable housing.

Restricted - Accounts for resources, obligations and related activities that have been restricted by outside sources. These programs include:

- Rental Financing Programs: relates to all activity under MHP's bank and voluntary loan agreements and other loan financing activities for the development of affordable housing.
- Homeownership: provides affordable mortgage loans to low- and moderate-income first-time homebuyers.
- Joint program initiatives with the Massachusetts Executive Office of Housing and Livable Communities (EOHLC) including 40B site approval fees and expenditures.
- Homeowner Assistance Fund (HAF), program provides assistance to eligible homeowners to correct mortgage delinquencies and avoid foreclosure.
- Grant funds: affordable housing program funds restricted by a third party.
- Capital Magnet Funds

Basis of Accounting

The financial statements were prepared using the accrual basis of accounting in conformity with U.S. GAAP. Under the accrual basis, revenue is recognized when earned and expenses are recognized when obligations are incurred or when benefits are received.

Cash and Cash Equivalents

MHP classifies highly liquid securities with maturities of three months or less at the time of purchase as cash equivalents.

Investments

Investments are reported at fair value in the Statements of Net Position. Fair value is defined by GASB Statement No 72, *Fair Value Measurement and Application*, as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. MHP categorizes its fair value measurements within the fair value hierarchy defined in accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All MHP's investments in 2024 and 2023 are Level 1 investments.

As of June 30, 2024, there was one non-participating certificates of deposit, sixteen Agency Bonds, fifteen U.S. Treasury Notes, fifteen Corporate Bonds and fifteen Asset Backed Securities carried at fair market value. The terms for the certificate of deposit is for 30 months, with an interest rate of .75%. The Agency bonds are with the Federal Home Loan Bank, Federal Farm Credit Bank or Freddie Mac, with terms between 3 to 10 years and interest rates between 1.37% and 4.50%. The U.S. Treasury Notes have terms between 2 to 10 years and interest rates between 1.375% and 4.375%, Corporate Bonds have terms between 2 to 7 years and interest rates between 1.65% and 5.80% and Assets Backed Securities have terms between 3 to 5 years and interest rates between 3.06% and 5.40%. As of June 30, 2023, there were three non-participating certificates of deposit and twenty-one Agency Bonds, carried at amortized cost, which approximates fair value. The terms for the certificates of deposit are all for

Massachusetts Housing Partnership

(A Component Unit of the Commonwealth of Massachusetts)

Notes to Financial Statements

Years Ended June 30, 2024 and 2023

30 months, with interest rates of .75%. The twenty-one Agency bonds are with the Federal Home Loan Bank, Federal Farm Credit Bank or Freddie Mac, with terms between 2 to 10 years and interest rates between 1.37% and 4.50%. The certificate of deposit is fully insured by the Federal Deposit Insurance Corporation (FDIC) and/or the Depositors Insurance Fund.

Custodial Credit Risk

The custodial credit risk is the risk that in the event of a bank failure, MHP's deposits may not be recovered. MHP's cash, cash equivalents and investments are held by reputable financial institutions, whose credit has been reviewed by management.

Interest Rate Risk

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

Credit Risk

Credit risk is the risk that MHP's investments will be negatively impacted due to default of MHP's investments. Accordingly, MHP's investment policy restricts MHP's investments to low-risk investments.

Project Loans

Project loans are stated at the amount of unpaid principal and are secured primarily by real property. Interest is accrued monthly. MHP's policy for loans that are deemed to be impaired is to discontinue the accrual of interest when, after considering collection efforts and other factors, management believes that the borrower's financial condition is such that collection of interest is doubtful. A loan is considered delinquent when payments have not been made according to contractual terms typically evidenced by nonpayment of a monthly installment by the due date. A loan is classified as nonaccrual and the accrual of interest on such loan is discontinued when the contractual payment of principal or interest has become 90 days past due and management has serious doubts about further collectability of principal or interest. A loan may remain on accrual status if it is in the process of collection and in the judgement of management the interest and principal is collectible, guaranteed, or well secured. All interest accrued but not collected for loans that are placed on nonaccrual status or charged off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method until qualifying for return to accrual.

Cash collections on impaired loans are credited to the loan receivable balance, and no interest income is recognized on those loans until the past due principal balance has been collected. Loans are restored to accrual status when the obligation is brought current, has performed in accordance with the contractual terms for a reasonable period of time and ultimate collectability of the total contractual principal and interest is no longer in doubt.

Project loans involve credit risks and are made in accordance with loan policies adopted by MHP's Board of Directors. Reserves for expected loan losses are established in accordance with these policies and are reflected in the accompanying financial statements.

MHP's project loans are targeted to serve persons of low and moderate income in Massachusetts. This potential concentration of risk is mitigated in part by diversity of project location, project type, sources of project subsidies (where applicable), and project sponsor.

Massachusetts Housing Partnership

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Notes to Financial Statements

Years Ended June 30, 2024 and 2023

Right to Use Assets

A lessee is required to recognize an intangible right to use asset at the present value of future lease payments adjusted for deferred rent and tenant allowances. An offsetting lease liability is recognized at the same time on the statements of net position in the amount of the present value of future lease payments.

Derivative Instruments

MHP provides forward rate commitments on permanent financings under the Federal Housing Administration (FHA) Risk Sharing Program. To hedge against rate risk during the construction and lease up period, MHP has entered several forward-starting, cash-settled interest rate swap agreements that are considered to be hedging derivative instruments under GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The interest rate swaps are effective hedges and therefore are reported at fair value as assets or liabilities and the related unrealized change in fair value is recorded as a deferred inflow or outflow of resources, respectively, on the statement of net position. The fair values were calculated by a third-party advisor. See Note 12 for further details of these derivatives.

Transfers and Servicing of Financial Assets

Loans held for sale, if any, are carried at the lower of cost or estimated fair value as determined on a loan-by-loan basis. Net unrealized losses, if any, are recognized through a valuation allowance by charges to income. Realized gains and losses are recognized when legal title to the loans has been transferred to the purchaser and payments have been received and are reflected in the statement of revenues, expenses, and changes in net position.

MHP generally retains the right to service loans sold in whole or in part to others. Servicing costs and servicing fee revenues are recorded in the year they are paid. There were no sales of loans or transfers of assets for fiscal years 2023 and 2024.

Revenue Recognition

Revenue is recognized when MHP performs or provides services in accordance with contractual agreements. Interest on project loans is accrued monthly. Loan origination fees are generally recognized as revenue when loans are executed. These fees approximate direct loan origination costs. Grant revenue is recognized when the conditions of the grant have been satisfied. Grants earned but not received are recorded as receivables. State funds received for the ONE Mortgage loan program and Federal funds received for HAF program are reported as unearned revenue; income and expense are recognized when the ONE Mortgage loans are funded or HAF assistance is disbursed. Federal funds for CMF income and expense are recognized according to award guidance. The Housing Stabilization Fund (HSF) is recorded as an asset on the statement of net position with an offsetting liability.

Income Taxes

As a public instrumentality of the Commonwealth of Massachusetts, the income of MHP is exempt from federal taxation pursuant to Section 115(1) of the Internal Revenue Code. The income of MHP is also exempt from federal taxation pursuant to Section 501(c)(3) of the Internal Revenue Code.

Massachusetts Housing Partnership
(A Component Unit of the Commonwealth of Massachusetts)
Notes to Financial Statements
Years Ended June 30, 2024 and 2023

Income and Expense Allocations

Costs that can be identified with a specific program are allocated directly. Other costs are allocated in proportion to the direct program salary costs incurred by each program. Revenues restricted to the programs are allocated directly.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the related notes to financial statements. Actual results could differ from those estimates.

Recent Accounting Pronouncements

For the years ended June 30, 2024 and 2023, MHP implemented the following pronouncements issued by the GASB:

GASB Statement No. 100, *Accounting Changes and Error Corrections, an amendment of GASB Statement No. 62*: This Statement provides guidance to enhance accounting and financial reporting requirements for accounting changes and error corrections. The Statement is effective for fiscal years beginning after June 15, 2023.

Unearned revenue

MHP recognizes revenues as earned. Amounts received in advance of the period in which it is earned or before MHP has a legal claim to the resources are recorded as a liability as unearned revenue. In subsequent periods, when revenue recognition criteria are met or when MHP has a legal claim, the liability for unearned revenues is removed from the statement of net position and revenue is recognized.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year's presentation.

Massachusetts Housing Partnership
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Notes to Financial Statements
Years Ended June 30, 2024 and 2023

GASB has issued the following pronouncements that may affect future financial presentation or fiscal practices of MHP upon implementation:

GASB Statement No.	GASB Statement	Adoption Required in Fiscal Year
101	Compensated Absences	2025
102	Certain Risk Disclosures	2025
103	Financial Reporting Model Improvements	2026

3. Cash and Cash Equivalents

Cash and cash equivalents balances as of June 30, 2024, totaled \$125,350,600 of which \$5,163,497 was held in federally or state insured bank accounts and \$120,187,103 was uninsured. Cash and cash equivalents balances as of June 30, 2023, totaled \$130,586,976 of which \$8,294,759 was held in federally or state insured bank accounts and \$122,292,217 was uninsured. As of June 30, 2024 and 2023, the amount of uninsured and uncollateralized bank balances was \$120,187,103 and \$122,292,217, respectively.

	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Massachusetts Municipal Depository Trust (MMDT)	\$ 114,891,638	\$ 120,403,047
Money market funds	5,295,465	1,305,726
Bank of America certificate of deposit	-	583,444
Total	<u>\$ 120,187,103</u>	<u>\$ 122,292,217</u>
Uninsured and uncollateralized funds	\$ 120,187,103	\$ 122,292,217
Federally or state insured bank accounts	5,163,497	8,294,759
Total cash and cash equivalents	<u>\$ 125,350,600</u>	<u>\$ 130,586,976</u>

A portion of uninsured funds were held at the MMDT, an investment pool of the Commonwealth and its political subdivisions. MHP participates in the Cash Portfolio, a diversified portfolio of high-quality money market instruments that seek the highest possible level of current income consistent with preservation of capital and liquidity. The funds held within this trust are uninsured and uncollateralized. Other deposits in excess of the Federal Deposit Insurance Corporation (FDIC) limit consist of money market funds with the highest available rating from a national rating agency and a Bank of America certificate of deposit. Funds held at Citizens Bank in excess of FDIC limits are collateralized by an account held at the Bank of New York Mellon. Citizens Bank has represented to MHP that these assets are identified as being pledged to MHP and are monitored monthly. As of June 30, 2024 and 2023, respectively, there was \$1,790,741 and \$801,475 held at Citizens bank, with \$1,540,741 and \$551,475 being collateralized by the bank. All of the Citizens Bank funds were included as insured in the totals above.

The cash and cash equivalents balances held by MHP include funds maintained for specific purposes as required by outside funding sources and lenders and funds designated for specific purposes by the Board of Directors. The allowed uses of these funds as of June 30, 2024, and 2023, are as follows:

Operating Fund – (\$10,572,643 - 2024) (\$14,579,621 - 2023)

This amount is unrestricted and available for operations and cash collateral pledged for bank lines of credit.

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Notes to Financial Statements

Years Ended June 30, 2024 and 2023

Board Designated Funds – (\$508 - 2024) (\$68,851 - 2023)

Pursuant to designations by the Board of Directors, \$508 and \$68,851 is held for community assistance initiatives, as of June 30, 2024 and 2023, respectively.

Included in board designated funds as of June 30, 2024 and 2023, is an additional \$1,070,000 and \$1,500,000, respectively, for community assistance initiatives classified as investments.

Other Restricted Funds – (\$114,777,449 - 2024) (\$115,938,504 - 2023)

Pursuant to loan agreements with banks, MHP maintains pledged cash collateral accounts totaling \$6,086,160 and accounts restricted for lending activities totaling \$64,450,676, including \$13,849,817 for administration of state ARPA rental funds, \$19,829,574 for Climate Ready funds, \$12,286,531 for Transit Oriented Development Funds and \$9,954,767 for Capital Magnet Funds (CMF). Restricted cash funds for Homeownership programs include \$11,161,067 for mortgage loan subsidies, loan loss reserves and other uses (see Note 11). An additional \$35,580,000 designated for SoftSecond and ONE Mortgage loan losses and recaptures is numerous securities, which are classified as investments. Other funds are externally restricted for the following programs: \$906,312 for the 40B Site Approval Fee Program, \$2,170,158 in remaining funds from the Homeownership Opportunity Program (HOP), and \$30,003,075 for the Housing Stabilization Fund (HSF) and other state capital programs as of June 30, 2024. As of June 30, 2024, restricted funds included \$4,500,000 for one loan advance under the Berkshire Bank line of credit for loans escrowed in advance of closing.

As of June 30, 2023, MHP maintains pledged cash collateral accounts totaling \$3,454,092 and accounts restricted for lending activities totaling \$37,890,447, including \$13,172,293 for administration of state ARPA rental funds. Restricted cash funds for Homeownership programs include \$24,140,822 for mortgage loan subsidies, loan loss reserves and other uses (see Note 11). An additional \$27,080,000 designated for SoftSecond and ONE Mortgage loan losses and recaptures is held in certificates of deposit and agency bonds, which are classified as investments. Other funds are externally restricted for the following programs: \$463,512 for the 40B Site Approval Fee Program, \$2,163,967 in remaining funds from the Homeownership Opportunity Program (HOP), and \$47,825,664 for the Housing Stabilization Fund (HSF) and other state capital programs as of June 30, 2023. As of June 30, 2023, restricted funds included \$5,889,800 for three loan advances under the Peoples Bank, North Shore Bank and Rockland Bank line of credit for loans escrowed in advance of closing.

MHP serves as fiscal agent for the HOP and HSF and other state capital programs as directed by EOHLIC. The SoftSecond/ONE, HOP/HSF/state capital program account balances are offset with liabilities and are reflected in unearned revenue and other liabilities in the statements of net position.

4. Grants and Other Amounts Receivable

As of June 30, 2024 and 2023, the short-term balance of grants and other amounts receivable were \$16,074,472 and \$25,280,073, respectively, related to community housing initiatives and other reimbursements, including \$12,082,381 in funds due for HSF program and \$2,499,286 due for the Workforce Housing Program as of June 30, 2024 and community housing initiatives and other reimbursements, including \$14,900,000 in funds due for ARPA rental programs and \$9,387,371 due for the Homeowner Assistance Fund as of June 30, 2023. Based on historical collectability, management believes that these amounts are fully collectible, as such no allowance has been established.

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5. Project Loans, Net

Project loan balances as of June 30 were as follows:

	2024	2023
Project loan balances	\$543,181,293	\$523,157,355
Less: allowance for loan losses	(12,354,589)	(12,245,396)
	530,826,704	510,911,959
Less: current portion	(51,085,017)	(29,093,970)
	<u>\$479,741,687</u>	<u>\$481,817,989</u>

Bank Financed	MHP, through its bank loan programs, provides up to twenty-year, first mortgage loans with amortizations up to 40 years to support the acquisition, new construction, and rehabilitation of multifamily properties.
Massachusetts Tax-Exempt for Credit Financing (MATCH) Program Loans	Under the MATCH program, tax-exempt bonds are issued and the proceeds from those bonds are provided to borrowers. Credit enhancement is provided to facilitate the sale or direct purchase of the bonds.
Home Funders Program Loans	Provides below-market permanent rental financing for properties serving extremely low-income households.
FNMA	Fannie Mae mortgage loans provide flexible options for the acquisition or refinance of multi-family properties for terms of up to 30 years.

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These and several other programs are used to finance project loans. Loans closed under the FNMA & FHA risk share programs are recorded off-balance sheets and are not included in balance sheet notes receivable. These loans are not included on the balance sheets since they are under servicing only contracts. MHP's risk exposure on these off-balance sheets loans is included in the allowance for loan losses on the balance sheets. The following schedule summarizes all project loan receivables and the allowance for loan losses for the years ended June 30:

	2024		2023	
	Project loan balances	Allowance for loan losses	Project loan balances	Allowance for loan losses
Bank financed loans	\$ 432,075,336	\$ 7,990,525	\$399,760,064	\$ 7,286,692
MATCH loans	91,342,288	1,062,781	103,588,434	1,181,846
Home funders loans	9,447,469	367,567	9,460,583	361,113
Other loan programs	<u>10,316,200</u>	<u>200,000</u>	<u>10,348,274</u>	<u>200,000</u>
Project loans, on balance sheet	543,181,293	9,620,873	523,157,355	9,029,651
FNMA	91,477,456	511,648	60,671,697	331,576
FHLB	5,105,972	51,059	-	-
FHA Risk Share	215,600,284	1,921,009	223,614,740	2,384,169
MHP Servicing Only Loans	<u>3,057,506</u>	<u>-</u>	<u>-</u>	<u>-</u>
Project loans, off balance sheet	315,241,218	2,483,716	284,286,437	2,715,745
General reserve	-	250,000	-	500,000
Total	<u>\$ 858,422,511</u>	<u>\$ 12,354,589</u>	<u>\$807,443,792</u>	<u>\$ 12,245,396</u>

The Board of Directors has established an Audit and Risk Management Committee to periodically review MHP's credit risks and risk mitigation and the adequacy of its loan loss reserves.

6. Credit Quality Indicators

MHP uses a nine-grade letter-based credit rating system, with "A" representing the highest quality/lowest risk credits and "F" representing the lowest quality/highest risk credits. A "C" rated credit is equivalent to the substandard category under bank regulatory policy; as of June 30, 2024 and 2023, there were one and two substandard credits, respectively. As of June 30, 2024 and 2023, there were no restructured loans and no delinquencies for both years.

7. Borrower Funds Held in Reserves and Escrows

MHP administers certain funds on behalf of borrowers consisting of cash and money market funds as collateral for project loans receivable and as a source of payment for borrowers' obligations in separate reserve sub-accounts. These funds are located at Bank of America, N.A., Fidelity Investments, Citizens Bank and Salem Five in separate accounts under the borrowers' tax identification numbers. Escrows for tax, insurance and water and sewer payments are also held. As of June 30, 2024 and 2023, these funds totaled \$126,058,901 and \$123,541,194, respectively. These assets and corresponding liabilities are presented on a net basis and are included in cash and cash equivalents.

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8. Notes Payable

The Massachusetts Nationwide Interstate Banking and Community Reinvestment Act (Chapter 102 of the Acts of 1990, as amended) requires that certain banks and bank holding companies acquiring Massachusetts banking institutions agree to make funds available for call by MHP over a ten-year period. MHP has executed seventy-three loan agreements with thirty-seven banks totaling \$1,668,045,196. The interest rates on these loans range from .26% to 6.72%, with maturities ranging from July 8, 2024 to August 8, 2044. The bank loan agreements are the source of funding for loans by MHP to borrowers through its bank financed loan programs. MHP may call funds within ten years of the effective date of each loan agreement for a term of up to twenty years. As of June 30, 2024, there is \$352,909,125, under 21 loan agreements, available as sources for future loan funding.

Changes in long-term obligations for the years ended June 30, 2024 and 2023, are as follows:

	2024	2023
Balance as of July 1	\$ 488,701,638	\$ 478,205,111
Increases	42,453,179	67,061,701
Decreases	(28,383,660)	(56,565,174)
Balance at June 30	\$ 502,771,157	\$ 488,701,638
Due within one year	\$ 40,275,518	\$ 24,357,176

Aggregate payments of principal and interest on debt outstanding as of June 30, 2024, are as follows:

	Principal	Interest	Total Due
2025	\$ 40,275,518	\$ 15,881,588	\$ 56,157,106
2026	28,055,210	14,698,466	42,753,676
2027	30,133,020	13,700,492	43,833,512
2028	31,736,975	12,809,212	44,546,187
2029	30,053,021	11,829,991	41,883,012
2030-2034	213,568,372	42,529,672	256,098,044
2035-2039	63,513,452	15,428,623	78,942,075
2040-2044	65,435,589	5,817,372	71,252,961
Totals	\$ 502,771,157	\$ 132,695,416	\$ 635,466,243

Included in the outstanding principal balance of \$502,771,157 are funds advanced under four participation arrangements serviced by MHP which total \$5,594,125 as of June 30, 2024.

Also included in the schedule above are twenty-five loans payable to Home Funders Collaborative LLC (HFC). The interest rate on these loans is 1%, with ten- and twenty-year terms. As of June 30, 2024, the outstanding principal is \$9,427,630.

As of June 30, 2024 and 2023, the outstanding principal balance of non-recourse loans to MHP funded by the banks is \$487,749,402 and \$468,631,056, respectively. Bank loans made to MHP are not cross collateralized.

MHP's MATCH Program represents \$91,342,288 and \$103,588,434 of the outstanding balance as of June 30, 2024 and 2023, respectively, and provides low-rate loans funded by tax-exempt bonds.

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Per the terms of its bank loan agreements, MHP must deposit an amount equal to 4% of the current outstanding balances into a pledged account at each of the respective funding banks. The loan agreements allow MHP to use the cash in the pledged accounts to participate in the funding bank's advance to MHP. As of June 30, 2024 and 2023, MHP had pledged collateral cash balances of \$2,373,641 and \$2,989,073, respectively, in bank accounts and \$18,415,597 and \$17,186,407, respectively, in loan participations with its funding banks. Participation agreements are revocable at any time and are considered liquid.

9. Employee Benefits

Effective February 1, 1993, MHP established a 403(b) defined contribution retirement plan (the Plan) in accordance with the applicable provisions of the Employee Retirement Income Security Act of 1974 and the Internal Revenue Code of 1986, as amended. Employees must contribute at least 6.2% of their annual salary to the Plan. MHP makes fully vested matching contributions of up to 12% of the employees' salaries. The Plan covers all employees of MHP. Accrued 403(b) defined contribution expense during the years ended June 30, 2024 and 2023, was \$1,092,892 and \$948,183, respectively. MHP employees do not receive any pension or retirement benefits other than the 403(b) retirement plan. MHP employees are able to participate in the state's 457 deferred compensation plan on a voluntary basis. MHP employees do not pay social security taxes and receive no social security credit for their employment at MHP.

10. Right to use assets and lease liability

As of June 30, 2024, MHP has a commitment under a 126-month operating lease for office space in Boston, which expires on August 31, 2030. MHP is a lessee for a noncancellable lease of office space. During fiscal year 2022, MHP adopted GASB 87 – Accounting for Leases. Under GASB, MHP must recognize the lease as a right of use asset and an operating lease liability on the balance sheet. The adoption required the lease liability to be measured at the present value of payments expected to be made during the lease term. The present value was calculated using an estimated incremental borrowing rate of 3.50%. Lease payments will be allocated between interest expense and a reduction to the lease liability. The lease liability was measured at \$8,595,546 as of July 1, 2020. As of June 30, 2024 and 2023, the lease liability balance was \$6,689,022 and \$7,209,576, respectively.

The Right of Use Asset is measured as the initial amount of the lease liability, adjusted for certain lease allowances or other items. The lease asset was valued at \$7,252,301 on July 1, 2020. The lease asset is amortized on a straight-line basis, over the remaining useful life of the lease. As of June 30, 2024 and 2023, the lease assets, net of amortization was \$4,398,936 and \$5,112,278, respectively. Amortization expenses for both years ended June 30, 2024 and 2023 were \$713,341. The reduction to Lease Liability was \$520,554 and \$496,809 for June 30, 2024 and 2023, respectively. Lease interest expense was \$244,873 and \$261,647 for 2024 and 2023, respectively.

The minimum annual lease payments for subsequent fiscal years ending on June 30 are as follows, the amounts are allocated between lease interest expense and the reduction of the operating lease liability.

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	<u>Lease Interest</u>	<u>Lease Liability</u>	<u>Total</u>
2025	\$ 221,274	\$ 864,297	\$ 1,085,571
2026	188,230	985,280	1,173,510
2027	152,713	1,050,137	1,202,850
2028	114,877	1,118,044	1,232,921
2029	74,614	1,189,175	1,263,789
Thereafter to 8/1/30	<u>32,675</u>	<u>1,482,089</u>	<u>1,514,764</u>
	<u>\$ 784,383</u>	<u>\$ 6,689,022</u>	<u>\$ 7,473,405</u>

11. Loan and Funding Commitments

As of June 30, 2024 and 2023, commitments outstanding for funds not yet advanced totaled \$213,834,805 and \$238,052,504, respectively, for the following programs:

Bank Funded Programs – (\$199,647,983 – 2024) (\$187,334,981 - 2023)

Outstanding loan commitments, for the Bank Funded program, totaled \$199,647,983 and \$187,334,981, for the years ended June 30, 2024 and 2023, respectively. These amounts will be substantially funded by bank loan agreement amounts not yet advanced. A portion of these commitments extend over multiple years.

Other Loan Programs – (\$11,082,137 - 2024) (\$32,100,000 – 2023)

Outstanding loan commitments as of June 30, 2024, totaled \$11,082,137 under the FHA Risk Sharing Program. As of June 30, 2023, outstanding loan commitments totaled \$32,100,000 under the FNMA Program.

Grant Funds – (\$0 – 2024 and 2023)

MHP has accepted voluntary proposals by eight of its funding banks to provide grant funds in lieu of loan obligations. These grants were approved from 1997-2008 and total \$57,627,940. The grants are restricted to purposes set forth in MHP's authorizing statute and are specifically targeted to address unmet financing needs and to support community-based initiatives to stabilize and improve distressed neighborhoods. Any unused portion of the grants may be repayable to the respective grantor banks after ten years. The grant funds may only be used to support programs adopted by MHP's Board of Directors after review and comment by the grantor banks. MHP has also received additional grant funding from non-funding bank entities in the amount of \$16,192,311.

During fiscal year 2024, disbursements totaling \$1,868,249 were made under these programs. Since the programs' inception cumulative costs have totaled \$60,237,101. As of June 30, 2024 and 2023, the outstanding commitments related to these programs totaled \$0 for both years.

ONE Mortgage Program and ONE+Boston – (\$2,057,408 - 2024) (\$18,011,523 – 2023)

The ONE Mortgage Program is a streamlined product which provides a single fixed-rate first mortgage loan for eligible low- and moderate-income first-time homebuyers. A 0% subsidy loan pays a portion of the interest payment during the first seven years of the loan. Upon sale, some or the entire subsidy loan may be required to be repaid to MHP. MHP also holds a loan loss reserve representing funds set aside for the benefit of each participating lender. The ONE+Boston mortgage program represents a partnership between MHP, the City of Boston, and several local lenders. ONE+Boston is an enhanced version of the ONE Mortgage and is designed to maximize the purchasing power of Boston residents who are looking to remain in Boston. The MassDREAMS Program provides ARPA-funded down payment and closing cost assistance to ONE Mortgage and ONE+Boston purchases who currently reside in certain Massachusetts

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municipalities as defined by the state legislature. As of June 30, 2024, participating lenders had reserved subsidies from MHP for 280 additional homebuyers for whom funds had not yet been advanced. These reservations, if all resulted in successful loan closings, would represent approximately \$2,057,408 in additional subsidy and loan loss reserves. As of June 30, 2023, participating lenders had reserved subsidies from MHP for 1,881 additional homebuyers for whom funds had not yet been advanced. These reservations, if all resulted in successful loan closings, would represent approximately \$18,011,523 in additional subsidy and loan loss reserves. The reserved subsidies and loan loss reserves for the ONE Mortgage Program, ONE+Boston mortgage program and the MASSDREAMS program were \$9,078,664, \$3,671,221 and \$5,261,638, respectively.

Activity in the Homeownership SoftSecond and ONE Mortgage loan loss reserve account for the years ended June 30, was as follows:

	2024	2023
Beginning balance	\$24,568,870	\$24,052,597
Additions to loan loss reserve	<u>1,667,020</u>	<u>516,273</u>
Ending balance	<u>\$26,235,890</u>	<u>\$24,568,870</u>

MHP has no exposure to credit losses on SoftSecond and ONE Mortgage loans beyond administering claims from participating lenders for payments from the cash-funded loan loss reserve account

Housing Reserve Assurance Program - (\$1,047,277 - 2024) (\$606,000 – 2023)

The Housing Reserve Assurance Program (RAP) provides a funding mechanism to help community developers to meet the operating reserve requirements of projects syndicated with low-income housing tax credits. The \$6,000,000 program is funded equally as a joint venture by The Boston Foundation and MHP. Any draws made on operating reserves through the program are considered a recourse obligation of the sponsor.

As of June 30, 2024, twenty-five RAP commitments were awarded with a total program balance of \$4,632,136 and there were four RAP commitments awarded but not yet closed totaling \$1,047,277. There have been no draws on the program to date.

As of June 30, 2023, fifteen RAP commitments were awarded with a total program balance of \$3,909,136 and there were two RAP commitments awarded but not yet closed totaling \$606,000.

12. Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, MHP uses various methods including market, income, and cost approaches. MHP utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, MHP is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values.

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For the fiscal years ended June 30, 2024 and 2023, the application of valuation techniques applied to similar assets and liabilities has been consistent. All of MHP's cash, cash equivalents, and investment securities are Level 1 investments. The following is a description of the valuation methodologies used for instruments measured at fair value:

Cash and cash equivalents: The carrying amounts reported in the statement of net position for cash and cash equivalents approximate those assets' fair market values because of the highly liquid nature of these instruments.

Investment securities: The carrying amounts are reported in the statement of net position for investments at fair value using quoted prices for identical assets in active markets.

For the years ended June 30, 2024 and 2023, there were unrealized losses on investments of \$1,527,373 and \$2,457,833 respectively. As of June 30, the carrying amounts and approximate fair value of MHP's financial instruments are as follows:

	2024		2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	\$ 125,350,600	\$ 125,350,600	\$ 130,586,976	\$ 130,586,976
Investments	62,574,273	61,046,900	44,854,286	42,396,454

The following tables present the fair market value of cash and investments by type, maturity, and credit quality as of June 30, 2024. MHP's investment policy provides an approved list of investments, guidelines regarding credit quality, and percentage allocation limits regarding the type of investment.

Cash and Investments by Maturity and Credit Quality as of June 30, 2024

Cash and Investment Type	Amount (FV)				
		< 1 year	1 -5 years	6-10 years	> 10 years
Massachusetts Municipal Depository Trust (MMDT)	\$ 114,891,638	\$ 114,891,638	\$ -	\$ -	\$ -
Money Market funds/ cash	10,458,962	10,458,962	-	-	-
Investments	61,046,900	9,476,457	22,537,333	29,033,110	-
Total	\$ 186,397,500	\$ 134,827,057	\$ 22,537,333	\$29,033,110	\$ -

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<u>Cash and Investment Type</u>	<u>Amount</u>	<u>Maturity Date</u>	<u>Rating</u>	<u>Agency</u>
Massachusetts Municipal Depository Trust (MMDT)	\$ 114,891,638	N/A	N/A	N/A
Fidelity Institutional Money Market (Prime Portfolio)	220	N/A	AAA-mf	Moody's
Certificate of deposit	1,465,336	09/02/24	N/A	N/A
Agency Bond	1,961,700	04/22/25	AAA/AA+	Moody's
Consolidated Investments under Management				
Agency Bonds	30,923,110	various	AA+	S&P
Corporate Bonds	5,635,131	various	BBB+	S&P
U.S Treasury Notes	21,061,623	various	AAA	S&P
Cash and equivalents	<u>10,458,742</u>	N/A	N/A	N/A
Total	<u>\$ 186,397,500</u>			

The following tables present the carrying and fair value of cash and investments by type, maturity, and credit quality as of June 30, 2023.

Cash and Investments by Maturity and Credit Quality as of June 30, 2023

<u>Cash and Investment Type</u>	<u>Amount</u>	<u>< 1 year</u>	<u>1 -5 years</u>	<u>6-10 years</u>	<u>> 10 years</u>
Massachusetts Municipal Depository Trust (MMDT)	\$ 120,403,047	\$ 120,403,047	\$ -	\$ -	\$ -
Money Market funds/ cash	10,183,929	10,183,929	-	-	-
Certificates of deposit/ Bonds	<u>42,396,454</u>	<u>7,969,743</u>	<u>19,865,370</u>	<u>14,561,341</u>	<u>-</u>
Total	<u>\$ 172,983,430</u>	<u>\$ 138,556,719</u>	<u>\$ 19,865,370</u>	<u>\$14,561,341</u>	<u>\$ -</u>

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<u>Cash and Investment Type</u>	<u>Amount</u>	<u>Maturity Date</u>	<u>Rating</u>	<u>Agency</u>
Massachusetts Municipal Depository Trust (MMDT)	\$ 120,403,047	N/A	N/A	N/A
Fidelity Institutional Money Market (Prime Portfolio)	209	N/A	AAA-mf	Moody's
Certificate of deposit	1,015,776	11/23/23	N/A	N/A
Certificate of deposit	3,036,122	05/21/24	N/A	N/A
Certificate of deposit	1,504,425	09/02/24	N/A	N/A
Agency Bond	1,957,884	03/28/24	AAA/AA+	Moody's
Agency Bond	1,959,961	04/19/24	AAA/AA+	Moody's
Agency Bond	957,047	01/28/25	AAA/AA+	Moody's
Agency Bond	1,905,245	03/28/25	AAA/AA+	Moody's
Agency Bond	1,924,668	04/22/25	AAA/AA+	Moody's
Agency Bond	1,924,270	04/22/25	AAA/AA+	Moody's
Agency Bond	1,955,243	04/28/25	AAA/AA+	Moody's
Agency Bond	2,502,230	03/13/26	AAA/AA+	Moody's
Agency Bond	1,860,788	03/29/27	AAA/AA+	Moody's
Agency Bond	1,877,396	04/14/27	AAA/AA+	Moody's
Agency Bond	1,926,055	12/01/27	AAA/AA+	Moody's
Agency Bond	1,528,003	03/10/28	AAA/AA+	Moody's
Agency Bond	1,357,684	03/27/29	AAA/AA+	Moody's
Agency Bond	1,787,335	06/08/29	AAA/AA+	Moody's
Agency Bond	1,843,601	02/19/30	AAA/AA+	Moody's
Agency Bond	1,346,064	04/26/30	AAA/AA+	Moody's
Agency Bond	1,442,429	09/30/30	AAA/AA+	Moody's
Agency Bond	1,802,243	06/16/31	AAA/AA+	Moody's
Agency Bond	1,773,973	06/11/32	AAA/AA+	Moody's
Agency Bond	1,319,368	07/28/32	AAA/AA+	Moody's
Agency Bond	1,888,645	02/23/33	AAA/AA+	Moody's
Cash and equivalents	10,183,720	N/A	N/A	N/A
Total	<u>\$ 172,983,430</u>			

Derivative Instruments

MHP is using forward-starting, cash-settled interest rate swaps (swaps) to hedge against rate risk under MHP's Risk Sharing Program during the construction and lease up period when MHP has provided a rate lock to its borrower. During the fiscal years ended 2024 and 2023, MHP did not have any swap settlements. The combined notional amount of all outstanding swaps was \$0 for the fiscal years ended June 30, 2024 and 2023, respectively. All swaps are forward-starting, cash-settled swaps, and as such, are required to be terminated prior to the swaps' effective dates, on the mandatory early termination dates. The swaps had an aggregate negative fair value as of June 30, 2024 and 2023 of \$238,489 and \$0, respectively. If a derivative were determined to be an ineffective hedge, the change in the total fair value would be presented as part of investment income or losses. All MHP's interest rate swaps were Level 2 instruments.

Derivative Instrument Risks

Counterparty Risk

Counterparty risk is the risk that MHP's counterparty will not fulfill its settlement obligations.

Delivery Risk

In the event that MHP's borrower does not close a permanent financing with MHP the borrower is obligated to cover MHP's hedge settlement costs. However, MHP may not be able to quickly recover these funds from its borrower, particularly in the event of their bankruptcy or some other form of financial distress.

Basis Risk

Basis risk is the risk that arises when variable rates or prices of a hedging derivative instrument and a hedged item are based on different reference rates. The hedging derivative instrument is based on a LIBOR or SOFR swap rate, while the hedged item is based on a rate from the Federal Financing Bank (FFB).

Termination Risk

MHP or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract. If at the time of termination, a hedging derivative has a negative fair value, MHP would owe a payment to the interest rate swap provider.

13. Subsequent Events

The events that occur after the date of the Statements of Net Position, but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the date of the Statements of Net Position are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the date of the Statements of Net Position require disclosure in the accompanying notes. Management evaluated the activity of MHP through October 21, 2024 and concluded that no subsequent events have occurred that would require recognition in the Financial Statements or disclosure in the Notes to the Financial Statements.

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Schedule of Net Position by Restriction (Unaudited)
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	Restricted Net Position						Unrestricted Net Position				
	Grant Funds	Custodial Funds	Homeownership	Federal Programs	Multi-family Lending	Total Restricted Funds	Board Designated	Unrestricted Operating Funds	Total Unrestricted Funds	Net Investment in Capital Assets	Total
ASSETS											
Current assets:											
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 4,239	\$ 4,239	\$ 508	\$ 10,568,404	\$ 10,568,912	\$ -	\$ 10,573,151
Cash and cash equivalents - restricted	3,982,731	32,777,812	9,763,909	8,692,722	59,066,469	114,283,643	-	493,806	493,806	-	114,777,449
Total cash and cash equivalents	3,982,731	32,777,812	9,763,909	8,692,722	59,070,708	114,287,882	508	11,062,210	11,062,718	-	125,350,600
Investments - unrestricted	-	-	-	-	-	-	1,051,744	17,395,206	18,446,950	-	18,446,950
Investments - restricted	500,000	-	37,744,438	39,818	4,315,694	42,599,950	-	-	-	-	42,599,950
Accounts receivable - current	367,631	12,010,881	1,000,000	-	36,005	13,414,517	-	2,659,955	2,659,955	-	16,074,472
Interest receivable on project loans	-	-	-	-	2,263,263	2,263,263	-	(271,435)	(271,435)	-	1,991,828
Total current assets	867,631	12,010,881	38,744,438	39,818	6,614,962	58,277,730	1,051,744	19,783,726	20,835,470	-	79,113,200
Project loans, net of allowance	-	-	-	-	504,475,803	504,475,803	-	26,350,901	26,350,901	-	530,826,704
Right of use assets	-	-	-	-	-	-	-	-	-	4,398,936	4,398,936
Other assets	-	-	44,283	-	-	44,283	-	3,209,337	3,209,337	-	3,253,620
	-	-	44,283	-	504,475,803	504,520,086	-	29,560,238	29,560,238	4,398,936	538,479,260
Deferred outflows of resources	-	-	-	-	(313,688)	(313,688)	-	13,180,672	13,180,672	-	12,866,984
Total assets	4,850,362	44,788,693	48,552,630	8,732,540	569,847,785	676,772,010	1,052,252	73,586,846	74,639,098	4,398,936	755,810,044
LIABILITIES											
Current liabilities:											
Accounts payable and accrued expenses	114,922	578	-	-	730,897	846,397	-	3,244,590	3,244,590	-	4,090,987
Accrued interest	-	-	-	-	1,891,950	1,891,950	-	(263,869)	(263,869)	-	1,628,081
Total current liabilities	114,922	578	-	-	2,622,847	2,738,347	-	2,980,721	2,980,721	-	5,719,068
Notes payable (current and noncurrent)	-	-	-	-	502,771,157	502,771,157	-	-	-	-	502,771,157
Unearned revenue and other liabilities	1,828,944	-	22,126,041	8,692,720	46,856,474	79,504,179	-	943,590	943,590	-	80,447,769
HSF and HOP liabilities	-	44,441,036	-	20,524	-	44,461,560	-	-	-	-	44,461,560
Homeownership program reserve	-	-	26,235,890	-	-	26,235,890	-	-	-	-	26,235,890
Operating lease liabilities	-	-	-	-	-	-	-	-	-	6,689,022	6,689,022
Total liabilities	1,943,866	44,441,614	48,361,931	8,713,244	552,250,478	655,711,133	-	3,924,311	3,924,311	6,689,022	666,324,466
NET POSITION											
Total restricted net position	2,906,496	347,079	190,699	19,296	17,597,307	21,060,877	-	-	-	-	21,060,877
Total unrestricted net position	-	-	-	-	-	-	1,052,252	69,662,535	70,714,787	(2,290,086)	68,424,701
Total Net Position	\$ 2,906,496	\$ 347,079	\$ 190,699	\$ 19,296	\$ 17,597,307	\$ 21,060,877	\$ 1,052,252	\$ 69,662,535	\$ 70,714,787	\$ (2,290,086)	\$ 89,485,578

Massachusetts Housing Partnership

(A Component Unit of the Commonwealth of Massachusetts)

Schedule of Revenues, Expenses, and Changes in Net Position by Restriction (Unaudited)

June 30, 2024

	<u>Restricted Total Restricted Funds</u>	<u>Unrestricted Operating & Board Designated Funds</u>	<u>Unrestricted Net Investment in Capital Assets</u>	<u>TOTAL</u>
OPERATING REVENUES:				
Direct Lending:				
Interest income on project loans	\$ -	\$ 26,407,707	\$ -	\$ 26,407,707
Interest expense on project loans	-	(15,724,671)	-	(15,724,671)
Other income from lending activities	-	906,136	-	906,136
Gross income from direct lending	-	11,589,172	-	11,589,172
Provision for loan losses	-	(109,193)	-	(109,193)
Net income from direct lending	-	11,479,979	-	11,479,979
Other Revenue and Support:				
Administrative fees	-	7,489,483	-	7,489,483
Interest on bank deposits and investments	-	3,902,227	-	3,902,227
Other income	-	522,597	-	522,597
Other Revenue and Support	-	11,914,307	-	11,914,307
Total operating revenue	-	23,394,286	-	23,394,286
OPERATING EXPENSES:				
Salaries, wages and fringe benefits	-	11,999,343	-	11,999,343
Professional fees and contracted services	-	2,372,318	-	2,372,318
Community outreach, training and publications	-	137,417	-	137,417
Occupancy and equipment	-	1,483,337	-	1,483,337
Other operating costs, overhead allocation	-	1,149,397	-	1,149,397
Total operating expenses	-	17,141,812	-	17,141,812
Operating surplus (deficit)	-	6,252,474	-	6,252,474
Nonoperating revenue (expense)				
Net increase (decrease) in fair value of investments	-	610,912	-	610,912
Federal Support	24,444,232	-	-	24,444,232
State and Local Government Support	23,233,652	-	-	23,233,652
Private Support	1,795,729	-	-	1,795,729
Grants and other private support	49,473,613	-	-	49,473,613
Federal Support	(24,444,232)	-	-	(24,444,232)
State and Local Government Support	(25,128,947)	-	-	(25,128,947)
Private Support	(804,207)	-	-	(804,207)
Mortgage subsidies, reserves and grants	(50,377,386)	-	-	(50,377,386)
Total nonoperating revenue (expense)	(903,773)	610,912	-	(292,861)
Net revenue (expense) before transfers	(903,773)	6,863,386	-	5,959,613
NET POSITION, beginning of year	19,913,223	65,710,040	(2,097,298)	83,525,965
Interfund transfers	2,051,427	(1,858,639)	(192,788)	-
NET POSITION, end of year	<u>\$ 21,060,877</u>	<u>\$ 70,714,787</u>	<u>\$ (2,290,086)</u>	<u>\$ 89,485,578</u>



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