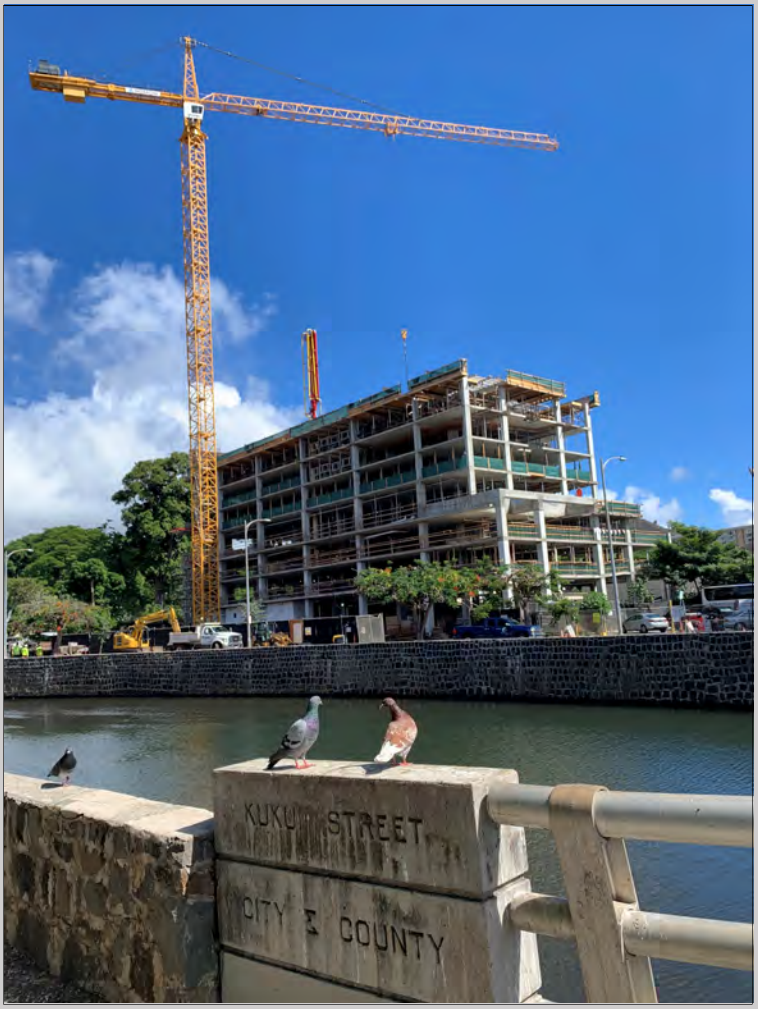
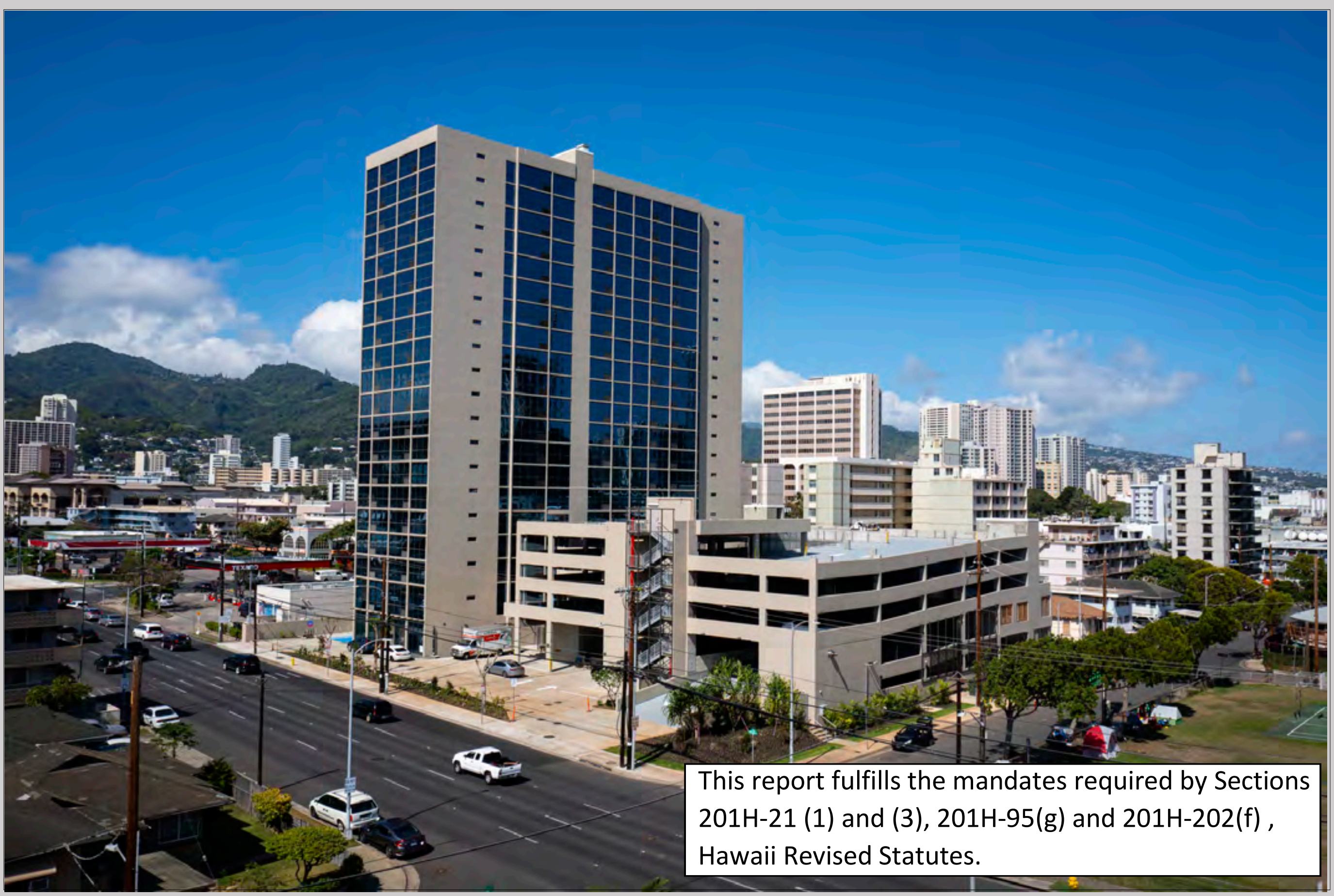


HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

2022 ANNUAL REPORT



This report fulfills the mandates required by Sections 201H-21 (1) and (3), 201H-95(g) and 201H-202(f) , Hawaii Revised Statutes.

The mission of the Hawaii Housing Finance and Development Corporation is to increase and preserve the supply of affordable housing statewide by providing financing and development resources.

TABLE OF CONTENTS

The Hawaii Housing Finance and Development Corporation (HHFDC) is administratively attached to the Department of Business, Economic Development and Tourism and is the primary agency charged with overseeing affordable housing finance and development in Hawaii by working with the State’s residents, housing developers and financiers.

EXECUTIVE DIRECTOR'S MESSAGE

Aloha,

In Fiscal Year 2022, HHFDC assisted in the delivery of 1,531 units while managing assets totaling approximately $1.7 billion. Since its inception in 2006, HHFDC facilitated the development of 13,741 affordable and workforce units statewide. HHFDC projects that it will be able to assist an additional 7,000 units come online over the next five years.

We want to recognize and thank all our developer partners as we, collectively, delivered approximately 15,000 units over the past eight years during the Ige Administration. We're proud to report that more than half of these units were financed or developed through HHFDC programs and are within the affordable range.

This successful outcome would not have been possible without the strong support of the Hawaii State Legislature, the Governor and our sister state and county housing agencies.

The 2022 legislative session was a banner year for HHFDC and for affordable housing. The record level of funding that state legislators appropriated to HHFDC demonstrated that housing was a top priority for them. Act 236 (Session Laws of Hawaii 2022) provided for infusion of $300 million into our Rental Housing Revolving Fund (RHRF) program which will have a great impact in producing more affordable rental housing.

During our 2022 financing cycle, we awarded approximately $320 million in RHRFs which will assist in the construction of an estimated 2,100 units. About $140 million was from the RHRF Tier 2 funds in Act 236 which is aimed at financing the construction of about 760 rental units for moderate-income households earning between 60-100% AMI. This target market constitutes the so-called middle-income or gap-income group -- our kamaaina workforce -- whom we need to provide affordable housing for to keep them from leaving Hawaii.

Looking ahead, despite the challenges of inflation, rising interest rates and supply chain issues, HHFDC -- as part of the new administration -- looks forward to continued collaboration with its developer partners and the Legislature to work through these challenges to continue the pipeline of affordable housing in Hawaii.

Mahalo and aloha,

D E N I S E   I S E R I - M A T S U B A R A

Executive Director, HHFDC

Legislative History

The Hawaii Housing Finance and Development Corporation (HHFDC) was created to focus on the financing and development of affordable housing.

In 1997, the Legislature established the Housing and Community Development Corporation of Hawaii (HCDCH) by consolidating the Hawaii Housing Authority, the Housing Finance and Development Corporation and the Rental Housing Trust Fund Commission. The HCDCH administered the state's public housing, homeless assistance, housing finance and housing development programs.

In 2005, the Legislature found that "the burden of administering the public housing projects in the State has overshadowed the ability of the HCDCH to pay sufficient attention to the financing and development of affordable housing." Therefore, Act 196, SLH 2005 as amended by Act 180, SLH 2006 separated the housing financing and development functions from the HCDCH to create the HHFDC.

Organizational Structure

HHFDC is administratively attached to the Department of Business, Economic Development and Tourism. It is governed by a nine-member Board of Directors which establishes policies and executive direction for the Corporation.

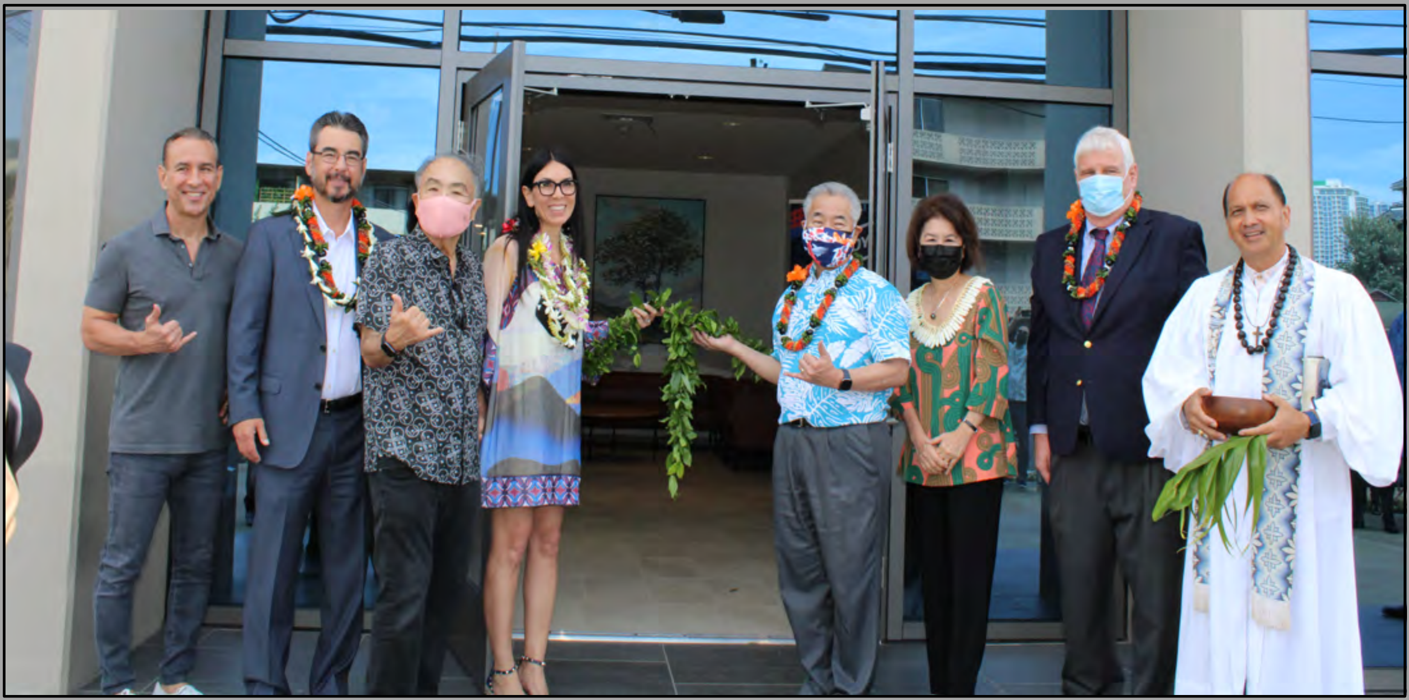
Six members are appointed by the Governor from each of the counties of Honolulu, Hawaii, Maui and Kauai. At least four members must have knowledge and expertise in public or private financing and development of affordable housing, and one member must represent community advocates for low-income housing. The three ex-officio members are the Director of Business, Economic Development and Tourism, the Director of Finance, and a representative of the Governor's office.

Five-Year Production Plan

HHFDC has a production plan in place to assist in the finance and development of more than 7,000 workforce/ affordable units over the next five years.

Five-Year Projection (FY23-FY27)

Fiscal Year	Rental	For Sale	Total
2023	893	3	896
2024	1,119	366	1,485
2025	1,260	0	1,260
2026	550	1,355	1,905
2027	1,281	400	1,681
Total	**5,103**	**2,124**	**7,227**

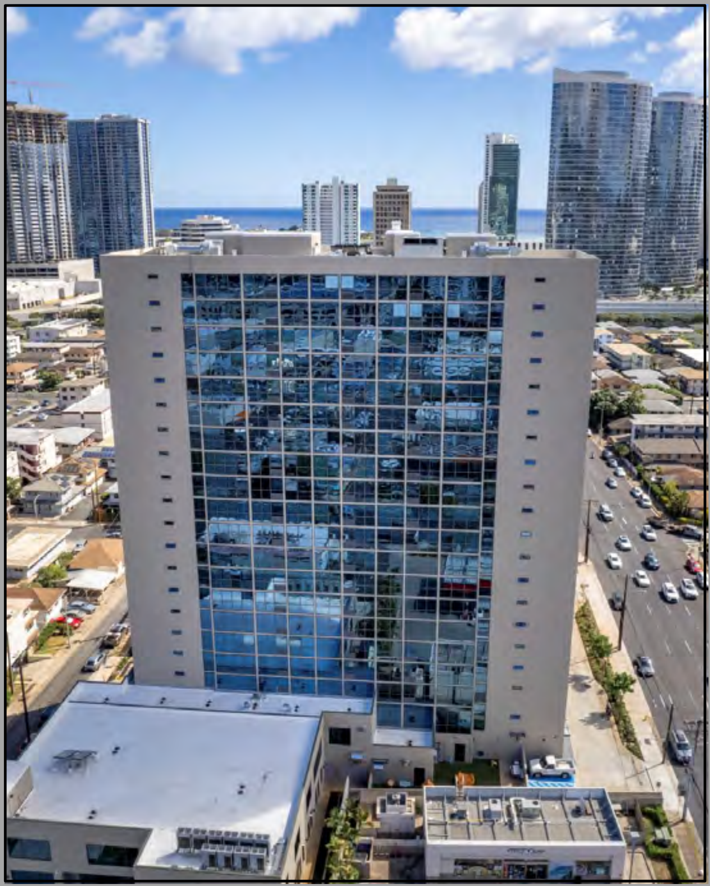


Hale Kalele, the state's first inter-agency partnership between HHFDC and the Judiciary, opened its doors to tenants in May 2022.

The Alder Street project provides 201 affordable rental units as well as a Juvenile Services Center. Householders may earn no more than 60% AMI to qualify.

The project was honored by the American Planning Association Hawaii Chapter with its Best Practice Award in 2021.

LIHTC/RHRF/HMMF/DURF



LIHTC: Low Income Housing Tax Credit | **HMMF:** Hula Mae Multi Family Bonds | **RHRF:** Rental Housing Revolving Fund | **DURF**: Dwelling Unit Revolving Fund | **201H:** Expedited Processing

DEVELOPMENT RESOURCES

HHFDC has a toolbox of resources to facilitate the development of affordable rental or for-sale housing including financing, expedited land use approvals under Chapter 201H, Hawaii Revised Statutes, exemptions from general excise taxes, and real property.

FINANCING TOOLS

Rental Housing Revolving Fund (RHRF)

The Rental Housing Revolving Fund provides equity gap low-interest loans or grants to qualified owners and developers for the development, pre-development, construction, acquisition or preservation of affordable rental housing. Preference is given to projects that meet certain statutory criteria. Included is a preference for projects that provide at least 5% of the total number of units for persons and families with incomes at or below 30% area median income (AMI). Preference is also given to projects that provide the maximum number of units for persons or families with incomes at or below 80% AMI.

The 2022 Legislature appropriated HHFDC with an additional $300 million for the RHRF. From those funds, up to $150 million is available for eligible HRF loans pursuant to Act 236 (SLH 2022) and Section 201H-202 of Hawaii Revised Statutes. These funds are available only for mixed-income rental projects for individuals and families with incomes above 60% AMI and at or below 100% AMI for the State of Hawaii.

As of June 30, 2022, the RHRF had a cash balance of approximately $367,000,000, commitments of $257,000,000, and reservation of legacy tax-exempt general obligation bonds of $45,000,000, leaving $65,000,000 in net available cash.

Low-Income Housing Tax Credits (LIHTC)

The LIHTC program is a major financing tool for non-profit and for-profit developers to construct or rehabilitate affordable rental housing. Under the program, HHFDC is the designated state housing credit agency that may allocate LIHTC under the Tax Reform Act of 1986. The State has a matching LIHTC program equal to 50% of the Federal LIHTC amount. Eligible taxpayers may claim LIHTC on their federal tax returns as a dollar-for-dollar offset on their tax liability for 10 years. Act 129, SLH 2016 shortened the State LIHTC period from 10 years to 5 years.

There are two types of LIHTC:

Volume Cap (or 9%) LIHTC: Tax credits that the IRS allows the State to issue for affordable housing purposes based on an annual per capita factor and the State's population. The annual per capita limit for 2022 is $2.60 which translates to approximately $3.748 million in LIHTC that the State could allocate in 2022.

Non-Volume Cap (or 4%) LIHTC: LIHTC exempt from the volume cap limitation. These credits must be accompanied by tax-exempt financing under the State's bond volume cap. The limit under the non-volume cap LIHTC is based on the amount of State bond volume cap used for affordable multi-family housing.

Hula Mae Multi-Family Revenue Bond (HMMF) Program

The Hula Mae Multi-Family Revenue Fund Program provides low interest rate bond financing through the issuance of tax-exempt revenue bonds for the construction and/or acquisition and rehabilitation of rental housing projects. Developers can secure 4% non-competitive low-income housing tax credits in conjunction with HMMF financing. HHFDC, with the approval of the Governor, is authorized to issue up to $3 billion* in revenue bonds. As of June 30, 2022, the program has issued 54 series of bonds, including one refunding series, totaling $1,310,857,343 A total of $284 million has been committed to 9 projects pending bond issuance. The remaining uncommitted bond issuance authority is $1,405,059,697.

*Note: On September 15, 2020, HMMF Bond Authority increased from $1,500,000,000 to $3,000,000,000 pursuant to Act 42, SLH 2020.

Dwelling Unit Revolving Fund (DURF)

DURF was established pursuant to Act 105, SLH 1970, which authorized the issuance of $125,000,000 of general obligation bonds to carry out the purposes of the Housing Development Program. Funds may be used for the acquisition of real property; development and construction of residential, commercial and industrial properties; interim and permanent loans to developers; and all things necessary to carry out the purposes of the Housing Development Program, including administrative expenses. The 2022 Legislature appropriated HHFDC with an additional $20 million for the DURF. Additionally, Act 236 (SLH 2022) authorized the transfer of up to $45 million in legacy tax-exempt general obligation bonds from the Rental Housing Revolving Fund into DURF. As of June 30, 2022, the DURF had a cash balance of approximately $197,000,000 and commitments and restrictions of $160,000,000, leaving $37 million in net available cash.

Rental Assistance Revolving Fund (RARF)

The RARF Interim Construction Loan Program provides below market interest rate interim construction loans for affordable rental housing projects (currently 4%-5%), as well as a limited amount of project-based rental assistance subsidies to qualified owners of rental projects. As of June 30, 2022, there are 10 projects comprised of 1,468 rental units with Rental Assistance Program commitments totaling approximately $25,000,000. The Rental Assistance Revolving Fund for construction and new projects is no longer active or funded. The Rental Assistance Program is also no longer funded but we continue to service our outstanding commitments to existing tenants and projects.

Affordable Homeownership Revolving Fund (AHRF)

Act 227, SLH 2021 established a new Affordable Homeownership Revolving Fund that facilitates home ownership and can expand self-help housing projects throughout the state. AHRF will offer loans to nonprofit community development financial institutions and nonprofit housing development organizations who develop affordable homeownership housing projects, including self-help projects.

Act 248 SLH 2022 appropriated $5,000,000 in non-recurring general funds for AHRF. HHFDC worked with nonprofit organizations to establish rules for the program. That process was ongoing at the end of FY 2022.

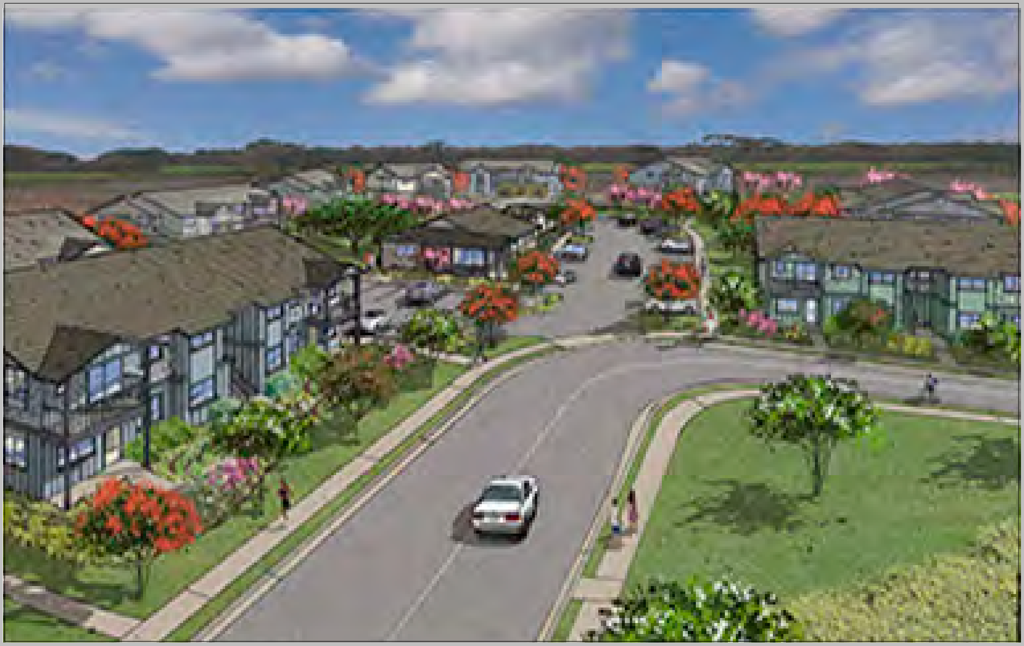
KAIAULU O KUKUIA (Lahaina)

A groundbreaking was held in July 2021 for the Kaialu O Kukuia affordable rental complex in Lahaina.

Part of the state's Villages of Lei'alii master-planned community, the project will provide rentals for 200 workforce families and households earning no more than 60% AMI.

The project consists of two-, three- and four-bedroom units to accommodate larger households.

LIHTC/RHRF/HMMF



LIHTC: Low Income Housing Tax Credit | **HMMF:** Hula Mae Multi Family Bonds | **RHRF:** Rental Housing Revolving Fund **|** **DURF**: Dwelling Unit Revolving Fund | **201H:** Expedited Processing

FEDERAL FUNDS

HOME Investment Partnerships Program (HOME)

The HOME Investment Partnerships Program (HOME) is a federally funded program created by the National Affordable Housing Act of 1990. HHFDC administers the HOME program which is intended to expand the supply of decent, safe, affordable and sanitary housing for households earning up to 80% AMI. HOME funds may be used for a variety of activities including tenant-based rental assistance, down payment loans for first-time homebuyers, rehabilitation loans for existing homeowners, property acquisition, new construction, reconstruction, moderate or substantial rehabilitation, site improvements, demolition, relocation expenses, loan guarantees, and other reasonable and necessary expenses related to the development of affordable housing. HHFDC receives approximately $3 million in HOME funds from the U.S. Department of Housing and Urban Development (HUD) each year. Funds are allocated on an annual rotating basis to the Counties of Hawaii, Kauai and Maui. For Program Year (PY) 2022-2023, the County of Kauai will receive the HOME allocation.

Housing Trust Fund (HTF)

The National Housing Trust Fund Program (HTF) is a relatively new affordable housing program created by Section 1131 of Title 1 of the Housing and Economic Recovery Act of 2008. The purpose of the HTF is to increase and preserve the supply of decent, safe and sanitary affordable housing for primarily extremely low-income (30% AMI) households, including homeless families. The funds may be used for the production or preservation of affordable housing through the acquisition, new construction, reconstruction, and/or rehabilitation of non-luxury housing with suitable amenities. All HTF–assisted units will be required to have a minimum affordability period of 30 years. HHFDC is the designated HTF Grantee for the State of Hawaii. HHFDC anticipates receiving $3 million in HTF each year. At the onset of the program, 50% of the funds was allocated to the City and County of Honolulu while the other 50% was allocated on an annual rotating basis between the Counties of Hawaii, Kauai, and Maui. For Program Year 2022-2023, HHFDC received $3.7 million. The City and County of Honolulu was not included in the allocation to allow time for the municipality to increase its capacity to administer the HTF program. The County of Kauai was designated to receive the entire HTF allocation.

HOME-American Rescue Plan (HOME-ARP)

The American Rescue Plan Act of 2021 appropriated $5 billion to the States and territories to help communities provide housing, shelter, and services for people experiencing homelessness and other qualifying populations. HHFDC received approximately $6.4 million in HOME-ARP funds. These funds will be used primarily to address homeless needs through the creation of affordable housing or non-congregate shelter units and by providing tenant-based rental assistance. HHFDC’s funds will be used to serve qualifying populations within the neighbor island counties of Hawaii, Kauai, and Maui. The City and County of Honolulu is an entitlement jurisdiction and will receive its own allocation.

The qualifying populations are broadly defined as:

a. Homeless

b. At-risk of homelessness

c. Fleeing or attempting to flee domestic violence, dating violence, assault, stalking, or human trafficking

d. In other populations where (1) requiring services or housing assistance to prevent the family’s homelessness and (2) those at greatest risk of housing instability.

Homeowner Assistance Fund (HAF)

The Homeowner Assistance Fund (HAF) was established by Section 3206 of the American Rescue Plan Act of 2021 to help families who are behind on their mortgages or are facing foreclosure as a result of the COVID-19 pandemic. The Hawaii Department of Budget and Finance (B&F) received a total award of $50 million.

The award was allocated to the counties of Maui, Kauai and Hawaii, as well as for the Island of Oahu. HHFDC received approximately $29.6 million to administer the Oahu program.

For those who qualify, the program may provide mortgage counseling or legal services and may cover up to $30,000 in delinquent mortgage and other delinquent eligible household expenses going back to January 21, 2020. Besides mortgage payments, HAF can be used to be pay for poperty taxes, utility bills, homeowner association fees or other expenses needed for applicants

Priority is given to homeowners with incomes at or below 100% AMI as well as those considered socially disadvantaged and are delinquent on their mortgage or other eligible household expenses.
The U.S. Department of Treasury approved the full funding for the state's HAF plan at the end of 2021, and HAF programs got underway in each of the counties shortly thereafter. The program is ongoing in FY 2023.

DEVELOPMENT TOOLS

Land

A portfolio of real property acquired by negotiation, exchange, or purchase, is made available to developers through the Request for Proposals (RFP) process.

Plans are progressing on several properties under HHFDC's purview. They include:

- 690 Pohukaina Street: A 2-acre parcel next to Mother Waldron Park in the heart of the rapidly developing Kakaako neighborhood, the land was put under HHFDC jurisdiction via executive order from the governor. A RFP was issued in November 2021 for a plan to develop affordable housing and educational components. In September 2022, the HHFDC Board approved California-based Highridge Costa Development Co. as the developer. The proposal calls for all 631 units to be aimed at those earning 30% to 140% AMI. Phase 1 is projected to completed in 2026 and Phase 2 the following year. The master plan sets aside 26,000 square feet to the Hawaii Department of Education for an educational component.

- Kahului Civic Center Mixed-Use Complex: A 5.6-acre, state-owned property in Kahului, Maui, the site is across from the Kaahumanu Shopping Center and in the vicinity of government offices. A new Environmental Assessment (EA) was completed in 2022, paving the way for issuance of a RFP for a 300-unit, mixed-use affordable housing component of the plan in 2023. Other planned uses include state offices and a civic center to be developed by the Department of Accounting and General Services.

- Villages of Kapolei Northwest Corner: The state is seeking proposals for a 19.5-acre parcel that's centrally located at the corner of Fort Barrette Road and Kapolei Parkway. The plan calls for a mixed-use affordable housing project along with a commercial component. A RFP is scheduled to be issued in 2023. The adjacent, 120-bed Daniel K. Akaka Veterans Home is under construction and set to be completed in 2023.

Chapter 201H Expedited Processing

Pursuant to Chapter 201H, Hawaii Revised Statutes, HHFDC may develop or assist in the development of housing projects that are exempt from all statutes, ordinances, charter provisions, and rules of any governmental agency relating to planning, zoning, construction standards for subdivisions, development and improvement of land, and the construction of units.

HHFDC may accomplish this by partnering with an eligible developer. These Chapter 201H exemptions provide for greater flexibility in the design of housing projects. The appropriate county councils must approve, approve with modifications, or disapprove 201H applications within 45 days. All 201H projects must comply with county building permit requirements and HRS Chapter 104 (Wages and Hours of Employees on Public Works).

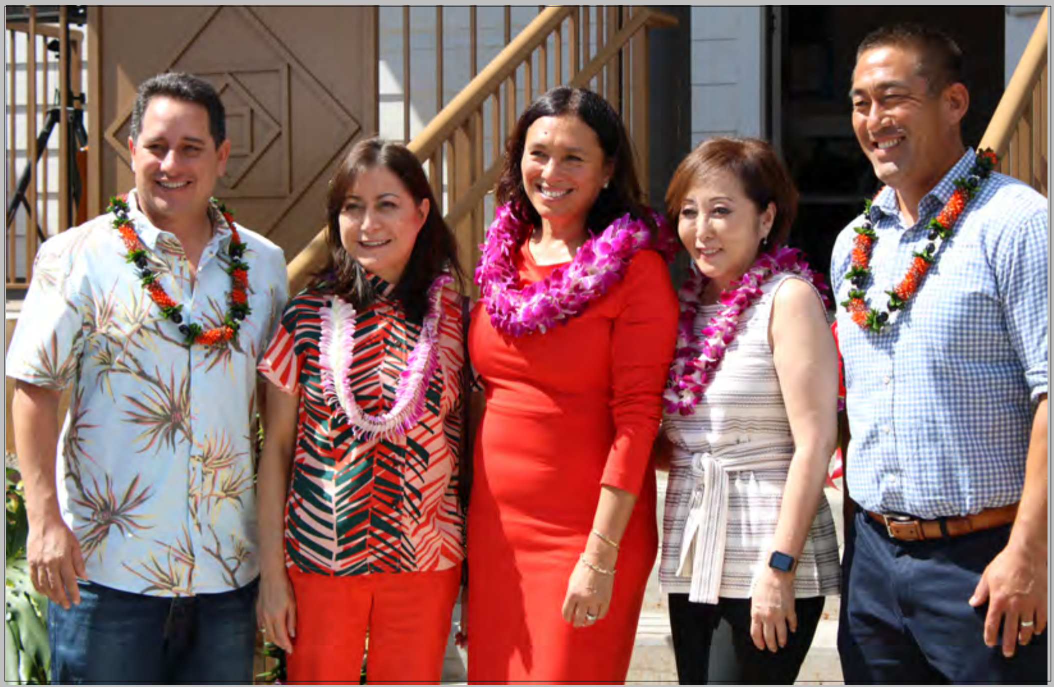
A developer begins the 201H process by first contacting the appropriate county. Should the county decide to reject the developer's 201H application, HHFDC may consider the developer's application. HHFDC requires the developer to conduct at least one public hearing to solicit community input on the proposed project.

Exemptions from General Excise Taxes (GET)

HHFDC may approve and certify for exemption from GET any qualified person or firm involved with a newly constructed or moderately or substantially rehabilitated project meeting specific income and eligibility criteria.

HAUPU VIEW (Lihue)

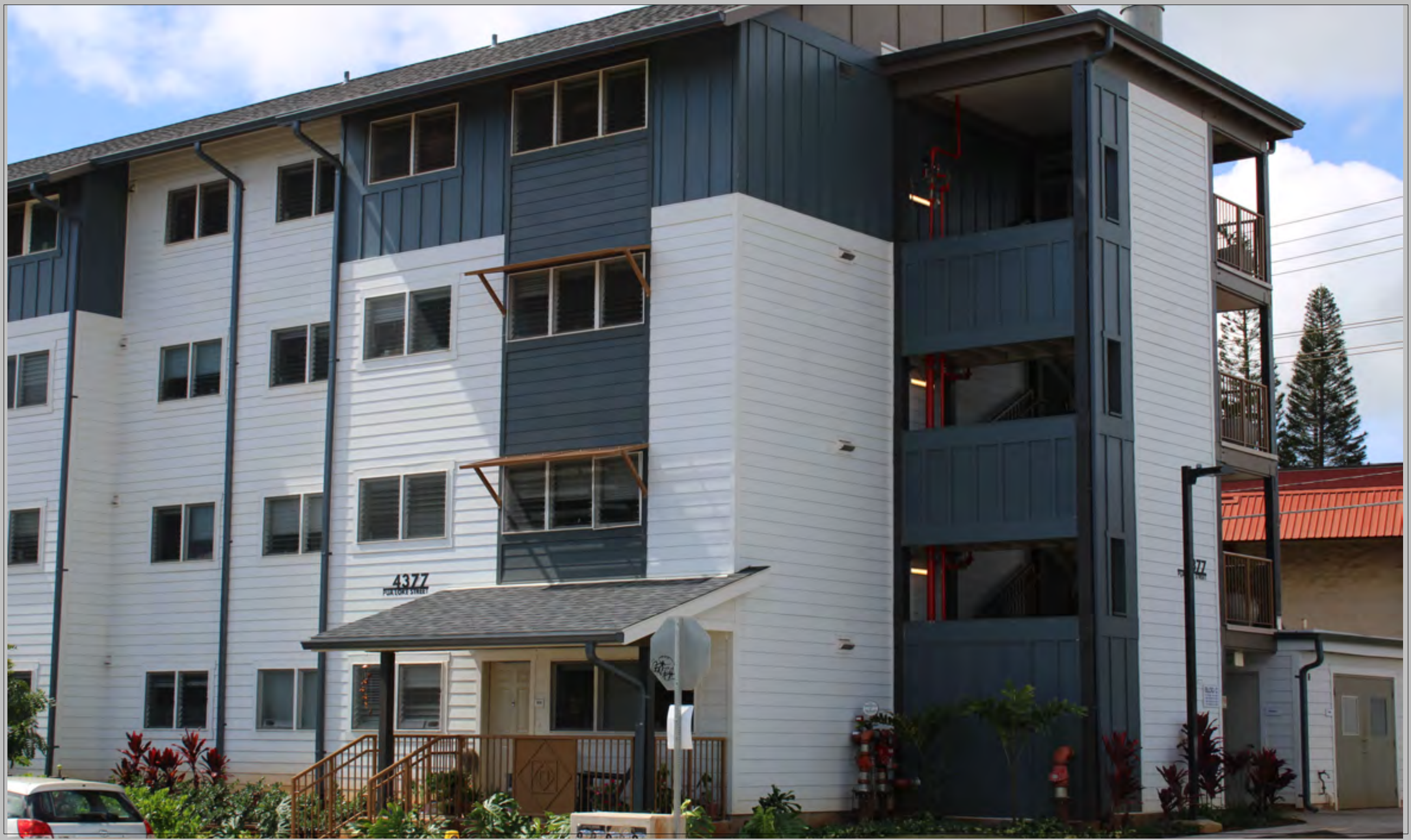
THE AHE GROUP



A blessing ceremony was held in September for the recently opened Haupu View complex in Lihue. Formerly known as Pua Loke Apartments, 50 of the 54 units are rented to households earning no more than 60% AMI. Four are rented to those households earning no more than 100%.

Five of the units are set aside for those who have faced or are facing homelessness. The Kauai Community Alliance and other nonprofits provide wrap-around services for those in transition.

HMMF/RHRF



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FINANCING RESOURCES FOR FIRST-TIME HOMEBUYERS

Mortgage Credit Certificate (MCC) Program

The MCC program provides eligible first-time homebuyers a direct tax credit against their federal income tax liability to make more income available to qualify for a mortgage loan and make monthly payments. The amount of credit is equivalent to 20% of the annual interest paid on a mortgage loan. MCC are offered through participating lenders. As of June 30, 2022, HHFDC has assisted 7,408 families in purchasing their first homes with the MCC program. During FY 2022, $6 million was allocated for non-targeted areas and $1.5 million was allocated for targeted areas designated by the IRS within a qualified census tract. As of June 30, 2022, 57 MCCs were issued and a total of 71 commitments were made for non-targeted areas, however, HHFDC did not see any applications which qualify for the non-targeted area funds due to the low inventory of available homes for sale in these areas. HHFDC continued to process reissuances related to mortgage refinances and the MCC program assisted 235 families who have refinanced their existing loans in FY 2022. In January 2023, HHFDC will begin issuing $17.75 million in new MCCs which are estimated to assist approximately 230 first-time homebuyers.

MAJOR COST CENTERS - STATE INFRASTRUCTURE OBLIGATIONS

Maintaining Waiahole Valley Subdivision

HHFDC owns approximately 750 acres in Waiahole Valley and a 1-million-gallon water system that services valley residents and Waiahole Elementary School. There are 159 total lots for residential, agricultural and commercial use, open space, water lots, stream lots, and roadways. Approximately $24 million has been spent to acquire the property and for capital improvements. The existing water system is beyond its service life and a contract for the design of a new water system was executed with a notice to proceed date of February 15, 2018. An Environmental Assessment is being prepared; permitting and construction of a replacement water system will follow. In addition, a total of $11.4 million was charged to the project for General Obligation Bond interest through June 30, 2003, when the bonds were retired. It currently costs HHFDC approximately $1.1 million per year to maintain Waiahole Valley. Less than half of this expense is covered by lease rental income and the remainder is subsidized by DURF.

Maintaining Infrastructure in the Villages of Kapolei

The City and County of Honolulu has not yet accepted dedication of infrastructure in the Villages of Kapolei. Therefore, HHFDC is obligated to maintain the infrastructure. In 2022, HHFDC executed a Memorandum of Agreement (MOA) with the City that establishes a process to transfer maintenance of infrastructure to the City. The MOA requires that roads be rehabilitated and this undertaking will be a significant cost for HHFDC in the coming years.

The current infrastructure budget is approximately $217 million. There has been no interest charged to the project because it was initially funded by the Homes Revolving Fund, which was repealed in 2003.

The Villages of Kapolei was developed pursuant to Act 15, SLH 1988. The Act provided the Housing Finance and Development Corporation (HFDC) (predecessor to the HCDCH and HHFDC) with temporary powers to expedite the development of affordable housing. It authorized the HFDC to develop housing projects that were exempt from all statutes, ordinances, charter provisions, and rules of any governmental agency relating to planning, zoning, construction standards for subdivisions, development and improvement of land, and the construction of units thereon; provided that the project met minimum requirements of health and safety; did not contravene any safety standards or tariffs approved by the Public Utilities Commission for public utilities; and the HFDC first conducted a public hearing after reasonable notice in the county in which project was situated.

Land Programs – Chapters 516 and 519, HRS

The purpose of the Land Reform Act of 1967 was to encourage widespread ownership of fee simple lands among Hawaii's people. Pursuant to Chapter 516, HRS, HHFDC assists lessees of single-family homes to purchase the lease fee interest in their houselots by petitioning the state to facilitate a lease-to-fee conversion through its use of eminent domain powers. Since inception of the Land Reform Program, over 14,600 lessees have been assisted. HHFDC continues to provide assistance and information on the lease-to-fee conversion process, as well as promote negotiated settlements to reduce conversion costs.

Chapter 519, HRS, provides the framework for the fair arbitration of renegotiated ground lease rents for one- or two-family residential leasehold lots and cooperative housing corporations. The Lease Rent Renegotiation Program is used when lessees and lessors are unable to agree on the amount of the new lease rent upon expiration of the fixed term of the lease.

Assistance to Displaced Persons - Chapter 111, HRS

Chapter 111, HRS, establishes a uniform policy for the fair and equitable treatment of owners, tenants, other persons, and business concerns lawfully residing on or lawfully occupying real property and displaced by the acquisition of real property for public or other purposes in the public interest and by building, zoning, and housing code enforcement activities. HHFDC must assure that relocation payments are fair, reasonable, and promptly paid.

690 POHUKAINA COMMONS PHASE 1 (Kakaako)

HIGHRIDGE COSTA DEVELOPMENT, AHED, FORM PARTNERS

Highridge Costa Development and its partners were chosen in 2022 to develop the master plan for the long-dormant 690 Pohukaina site in Kakaako.

The plan calls for a total of 632 affordable and workforce rental units available for households earning 30%-100% AMI.

The first phase will consist of a 30-story tower with 434 apartments above a nine-level parking structure. The tower is expected to open in 2026.

The project sits on the former site of Pohukaina School and land has been set aside on the Mother Waldron side of the property for what is expected to be the state's first vertically configured school.

RHRF2/DURF

LIHTC: Low Income Housing Tax Credit | **HMMF:** Hula Mae Multi Family Bonds | **RHRF:** Rental Housing Revolving Fund | **DURF**: Dwelling Unit Revolving Fund | **201H:** Expedited Processing

REPORTS TO THE LEGISLATURE

Pursuant to Section 201H-95(g), Hawaii Revised Statutes, Relating to Hula Mae Multifamily Revenue Bonds for Fiscal Year 2022:

Section 201H-95(g), Hawaii Revised Statutes, requires the Hawaii Housing Finance and Development Corporation (HHFDC) to submit an annual report to the Legislature describing the multifamily revenue bond activity under the Housing Loan and Mortgage Program, popularly known as the Hula Mae Multifamily Program (HMMF). Specifically, it requires annual reporting of the following information:

1. The amount of multifamily revenue bond authority utilized and remaining balance;
2. A description of multifamily project activity including dates, project names and descriptions, and bond amounts for the following activities:
    a. Application;
    b. Approval of inducement resolution;
    c. Approval to issue bonds; and
    d. Issuance of bonds; and
3. A summary of the activity of the fund by quarter.

The required information, as of June 30, 2022, is provided below.

Multifamily Revenue Bond Authority For Fiscal Year 2022

Total number of HMMF Bonds issued	54
Total amount of HMMF Bonds issued	$1,310,857,343
HMMF Bonds approved by HHFDC Board and pending issuance	9
Total amount of HMMF Bonds pending issuance	$284,082,960
Total Bond Authority	$3,000,000,000
Net Bond Authority available	$1,405,059,697

Multifamily Project Activity During Fiscal Year

2022 Project Applications Submitted (18):

Project Name	Location	Project Type	Unit Count	HMMF Request
Hale Makana O Uluwehi	Oahu	Family	40	$8,800,00
Hale Moiliili	Oahu	Elderly	104	$80,000,000
Hale O Hauoli Apartments	Oahu	Elderly	100	$26,314,312
Hale O Piikea II	Maui	Family	97	$23,500,000
Hale O Piikea III	Maui	Family	36	$13,100,000
Honuaula Living Community	Hawaii	Family	100	$25,900,000
Kaiaulu O Kalaeloa I	Oahu	Family	133	$68,867,000
Koa Vista I	Oahu	Elderly	96	$21,548,935
Liloa Hale Senior Affordable	Maui	Elderly	117	$32,727,103
Maunakea Tower Apartments	Oahu	Family	379	$103,972,000

Na Hale Makoa	Hawaii	Family	140	$38,000,000
Parkway Village at Kapolei (Lot 6)	Oahu	Family	236	$58,239,230
Parkway Village at Kapolei (Lot 7)	Oahu	Family	169	$39,865,882
Rice Street Apartments	Kauai	Family	66	$16,200,000
Smith-Beretania	Oahu	Family	164	$53,000,000
Uahi Ridge	Kauai	Family	96	$34,080,000
Wailani Senior Apartments	Hawaii	Elderly	130	$30,000,000
Waimanalo Apartments	Oahu	Family	80	$19,260,926
TOTAL			**2,283**	**$693,375,488**

Approval of Inducement Resolutions in Fiscal Year 2022 (5):

Project Name	Location	Project Type	Unit Count	HMMF Approved
Hale Na Koa O Hanakahi*	Hawai	Elderly	92	$30,500,000
Kaiaulu O Kukuia	Maui	Family	200	$83,625,000
Hale O Piikea I	Maui	Family	90	$28,800,000
Halewiliko Highlands	Oahu	Elderly	140	$26,750,000
HPHA School Street	Oahu	Elderly	250	$71,500,000
TOTAL			**772**	**$234,675,000**

Approval to Issue Bonds in Fiscal Year 2022 (4):

Project Name	Location	Project Type	Unit Count	HMMF Approved
DE Thompson	Oahu	Family	84	$8,000,000
Hale Na Koa O Hanakahi*	Hawaii	Elderly	92	$30,500,000
Kaiaulu O Kukuía	Maui	Family	200	$83,625,000
Pauahi Kupuna Hale **T**	Oahu	Elderly	47	$12,412,322
TOTAL			**423**	**$134,537,322**

Bonds Issued in Fiscal Year 2022 (6):

Project Name	Location	Project Type	Unit Count	HMMF Approved
DE Thompson	Oahu	Family	84	$8,000,000
Hale Na Koa O Hanakahi*	Hawaii	Elderly	92	$30,500,000
Kaiaulu O Kukuia	Maui	Family	200	$83,625,000
Hale Makana O Moiliili	Oahu	Elderly	105	$22,000,000
Kokua	Oahu	Family	224	$53,378,465
Pauahi Kupuna Hale	Oahu	Elderly	47	$12,412,322
TOTAL			**752**	**$209,915,787**

**Formerly known as West Kawili Senior/Veteran*

Quarterly Summary of Fund Activity for Fiscal Year 2022 (as of end of each quarter)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Total Bond Authority	**$3,000,000,000**	**$3,000,000,000**	**$3,000,000,000**	**$3,000,000,000**
Total Bonds Issued	$1,214,857,081	$1,214,857,081	$1,227,232,943	$1,310,857,343
Total Bonds Pending	$223,071,924	$378,196,924	$367,707,960	$284,082,960
Issuance Total Uncommitted Bond Authority	$1,562,070,995	$1,406,945,995	$1,405,059,697	$1,405,059,697
Total Bond Applications Under Review	**$555,983,644**	**$402,218,301**	**$741,300,713**	**$693,375,488**

Pursuant to Section 201H-202(f), Hawaii Revised Statutes, Relating to Rental Housing Revolving Fund Awards for Fiscal Year 2022:

Section 201H-202, Hawaii Revised Statutes (HRS), requires the Hawaii Housing Finance and Development Corporation (HHFDC) to "describ[e] the projects funded and, with respect to rental housing projects targeted for persons and families with incomes at or below thirty per cent of the median family income, its efforts to develop those rental housing projects, a description of proposals submitted for this target group and action taken on the proposals, and any barriers to developing housing for this target group" (Section 201H-202(f)). All projects receiving RHRF awards must set aside a minimum of 5% of total units for households at or below 30% median family income (MFI), and the remaining units must have income restrictions that do not exceed 60% MFI.

During Fiscal Year 2022, HHFDC made seven new Rental Housing Revolving Fund awards to rental projects totaling 901 units on Hawaii, Maui and Oahu.

PROJECT	LOCATION	RHRF REQUEST	RHRF AWARD	UNIT COUNT	30% MFI UNITS
Hale Na Koa O Hanakahi	Kona, Hawaii	$16,563,385	$16,563,385	92	9
Kaiaulu O Kukuia	Lahaina, Maui	$37,000,000	$37,000,000	200	10
Hale O Piikea	Kihei, Maui	$12,735,000	$12,735,000	90	8
Halewiliko Highlands	Aiea, Oahu	$23,792,353	$23,792,353	140	13
HPHA School St. Ph.	Honolulu, Oahu	$40,000,000	$40,000,000	250	26
1 Hocking Hale	Honolulu, Oahu	$12,350,000	$12,735,000	40	4
Hale Pilina Family 1	Kahului, Maui	$17,000,000	$17,000,000	89	9
TOTAL		**$159,440,738**	**$159,440,738**	**901**	**79**

During Fiscal Year 2022, HHFDC also received 20 applications for Rental Housing Revolving Fund financing of 16 projects. Developers for four of the projects submitted dual LIHTC applications (4% and 9%) although they may only receive one award. Some of the following projects may receive RHRF awards in Fiscal Year 2023, subject to the availability of financing.

	PROJECT	**LOCATION**	**RHRF REQUEST**	**UNIT COUNT**
1	Front Street Apartments	Lahaina, Maui	$12,500,000	142
2	Hale Makana O Uluwehi	Waianae, Oahu	$3,060,000	40
3	Hale Moiliili	Honolulu, Oahu	$41,550,000	278
4	Hale O Kekaulike	Honolulu, Oahu	$13,750,000	50
5	Hale O Piikea II (4% LIHTC)	Kihei, Maui	$14,065,000	97
	Hale O Piikea (9% LIHTC)	Kihei, Maui	$19,720,100	----
6	Hale O Piikea III (4% LIHTC)	Kihei, Maui	$10,620,000	36
	Hale O Piikea III (9% LIHTC)	Kihei, Maui	$6,876,000	----
7	Hale Pilina Family I (4% LIHTC)	Kahului, Maui	$22,400,000	89
	Hale Pilina Family I (9% LIHTC)	Kahului, Maui	$17,000,000	----
8	Kaiaulu O Kalaeloa I	Kapolei, Oahu	$35,775,000	135
9	Koa Vista I (4% LIHTC)	Waipahu, Oahu	$17,500,000	96
	Koa Vista I (9% LIHTC)	Waipahu, Oahu	$13,000,000	----
10	Liloa Hale	Kihei, Maui	$16,250,000	117
11	Na Hale Makoa	Waikoloa, Hawaii	$30,783,540	140
12	Parkway Village at Kapolei (Lot 6)	Kapolei, Oahu	$22,100,000	236
13	Parkway Village at Kapolei (Lot 7)	Kapolei, Oahu	$14,100,000	169
14	Rice Street Apartments	Lihue, Kauai	$11,081,793	66
15	Uahi Ridge	Lihue, Kauai	$25,000,000	96
16	Villages of Lai Opua III	Kailua-Kona, HI	$8,848,000	32
	TOTAL		**$355,979,433**	**1,819**

***All 16 applications are part of total requests**

Planned/In Construction Projects

Halewiliko Highlands, Aiea, Oahu

DE Thompson: 84-unit elderly rental project in Ewa Beach, Oahu for seniors earning 60% AMI. **LIHTC/HMMF/RHRF** *Developer: DET Renton Partners LP | Scheduled completion: 2023*

Halawa View Apartments II and III: 302-unit family rental project near the HART Aloha Stadium Station on Oahu for households earning 30%-60% AMI. **LIHTC/HMMF/RHRF** *Developer: Hawaii Community Development Board | Scheduled completion: 2024*

Hale Makana O Moiliili: 105-unit elderly rental project in Moiliili, Oahu for those earning 30%-60% AMI. **LIHTC/HMMF/RHRF** *Developer: Hawaii Community Development Board | Scheduled completion: 2023*

Hale Na Koa O Hanakahi: 92-unit senior rental project in Hilo, Hawaii for those earning 30%-80% AMI. **LIHTC/HMMF/RHRF** *Developer: EAH Inc. | Scheduled completion: 2024*

Hale Moiliili: 278-unit family rental project next to Old Stadium Park for households earning 30%-1100% AMI. **RHRF2/LIHTC/HMMF** *Developer: Stanford Carr Development | Scheduled completion: 2024*

Hale O Piikea I: 90-unit family rental project in Kihei, Maui for those earning 30%-60% AMI. **LIHTC/HMMF/RHRF** *Developer: ʻIkenakea Piʻikea LP | Scheduled completion: 2024*

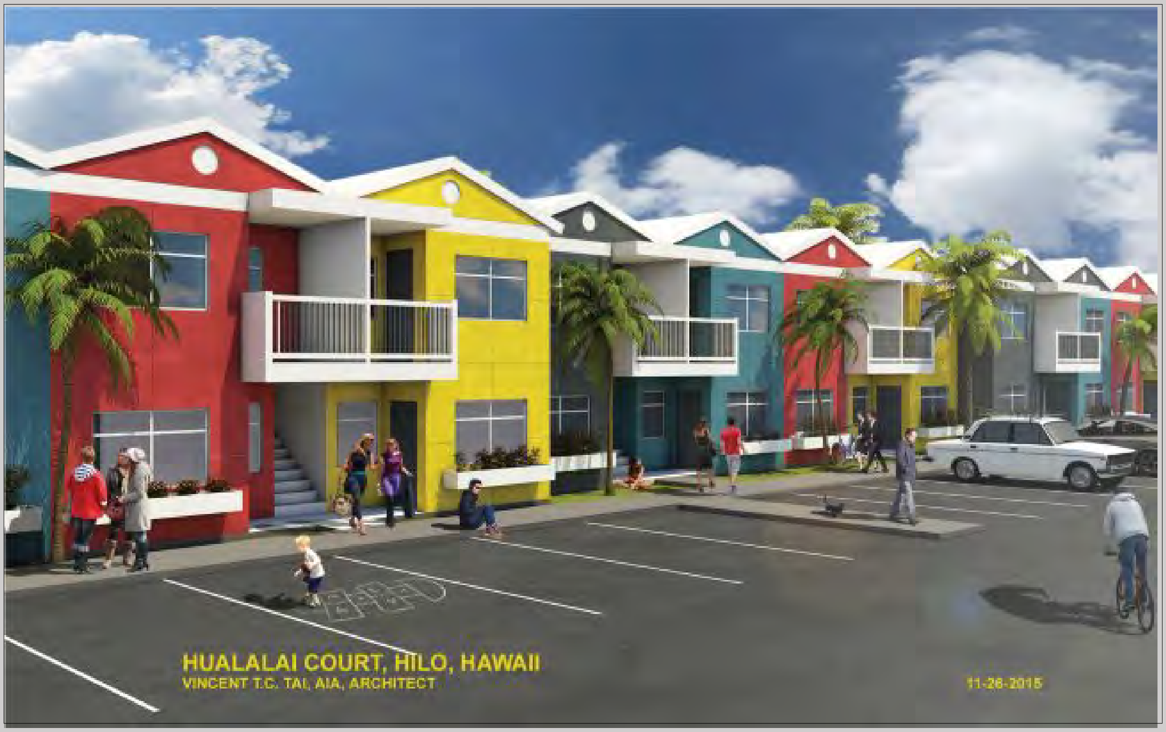
Hale O Piikea II: 97-unit elderly rental project in Kihei, Maui for those earning 30%-60% AMI. **LIHTC/HMMF/RHRF** *Developer: ʻIkenakea Piʻikea LP | Scheduled completion: 2024*

Hale Pilina Family I: 89-unit family rental project in Kahului, Maui for those earning 30%-60% AMI. **LIHTC/RHRF** *Developer: Catholic Charities Housing Development Corp | Scheduled completion: 2024*

Halewaiolu Senior Residences: 156-unit rental project in Chinatown, Oahu for seniors earning 30%-60% AMI. **LIHTC/HMMF/RHRF** *Developer: Michaels Development | Scheduled completion: 2023*

Halewiliko Highlands: 140-unit rental project at the former Aiea Sugar Mill on Oahu for seniors earning 30%-60% AMI. **LIHTC/HMMF/RHRF** *Developer: EAH Inc. | Scheduled completion: 2024*

Planned/In Construction Projects



Hocking Hale: 40-unit rental project converting an historic building in Chinatown, Oahu for those earning 30%-50% AMI. **LIHTC/RHRF** *Developer: Hocking Hale LLP | Scheduled completion: 2024*

Honuaula Living Community: 105-unit family rental project in Kailua-Kona, Hawaii, for those earning 40%-60% AMI. **LIHTC/HMMF** *Developer: Honuaʻula Living Community LP |Scheduled completion: 2024*

Hualalai Court Apartments: 104-unit family rental project in Hilo, Hawaii for households earning 80%-100% AMI. ***RHRF2*** *Developer: Hualalai Court LLC | Scheduled completion: 2024*

HPHA School Street Redevelopment Phase 1A: *250-unit senior rental project in Kalihi, Oahu for those earning 30%-60% AMI.* **LIHTC/HMMF/RHRF** *Developer: RHF Foundation | Scheduled completion 2024*

Ililani: 328-unit for-sale project in Kakaako, Oahu, 165 of which are affordable to those earning no more than 140% AMI. **201H** *Developer: KAM Development LLC | Scheduled completion: 2024*

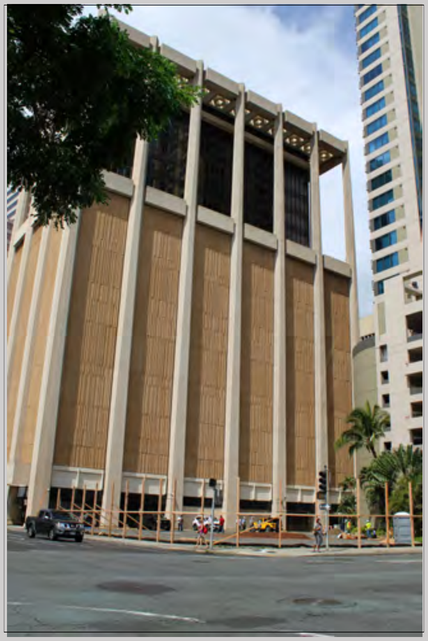
Kahuina (Block C): 124-unit family rental project in Kakaako, Oahu for households earning 80%-100% AMI. **RHRF2** *Developer: Kakaako Block C (Stanford Carr) | Scheduled completion: 2026*

Kai Olino: 48-unit family rental project in Eleele, Kauai for households earning 30%-50% AMI. **LIHTC** *Developer: Okapu Land LLC | Scheduled completion: 2024*

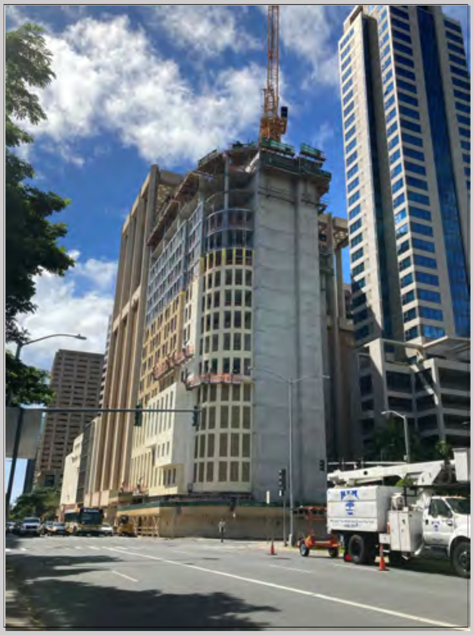
Kaiaulu O Halelea Phase 1: 64-unit rental project in Kihei, Maui for families earning 30%-60% AMI. **LIHTC/HMMF/RHRF** *Developer: Ikaika Ohana | Scheduled completion: 2023*

Kaiaulu O Halelea Phase 1B: 56-unit family rental project with 2-, 3- and 4-bedroom units in Kihei, Maui for those earning 30%-60% AMI. **LIHTC/RHRF** *Developer: A0721 Kihei LP | Scheduled completion: 2023*

Planned/In Construction Projects



Kokua groundbreaking, September 2021



Kokua under construction, September 2022

Kokua rendering, estimated completion 2024

Kaiaulu O Kapiolani: 64-unit rental project for families earning 30%-60% AMI in Hilo, Hawaii. **LIHTC/ HMMF/RHRF** *Developer: Ikaika Ohana | Scheduled completion: 2023*

Kaiaulu O Kukuia: 200-unit rental project for families earning 30%-60% AMI in Lahaina, Maui. **LIHTC/HMMF/RHRF** *Developer: Ikaika Ohana | Scheduled completion: 2024*

Kaiaulu O Waikoloa: 60-unit rental project for families earning 30%-60% AMI in Waikoloa, Hawaii. **LIHTC/HMMF/RHRF** *Developer: Ikaika Ohana | Scheduled completion: 2023*

Kaloko Heights: 100-unit family rental project in Kailua-Kona, Hawaii for households earning 30%-60% AMI. **LIHTC/HMMF/RHRF** *Developer: Hawaii Island Community Development Corporation | Scheduled completion: 2023*

Koa Vista I: 96-unit elderly rental project near Koa Ridge, Oahu for households earning 30%-60% AMI. **LIHTC/HMMF/RHRF** *Developer: Koa Vista I LP (Gary Furuta) | Scheduled completion: 2024*

Koa Vista II: 97-unit family rental project near Koa Ridge, Oahu for households earning 80% AMI. **RHRF** *Developer: Koa Vista II LP (Gary Furuta) | Scheduled completion: 2025*

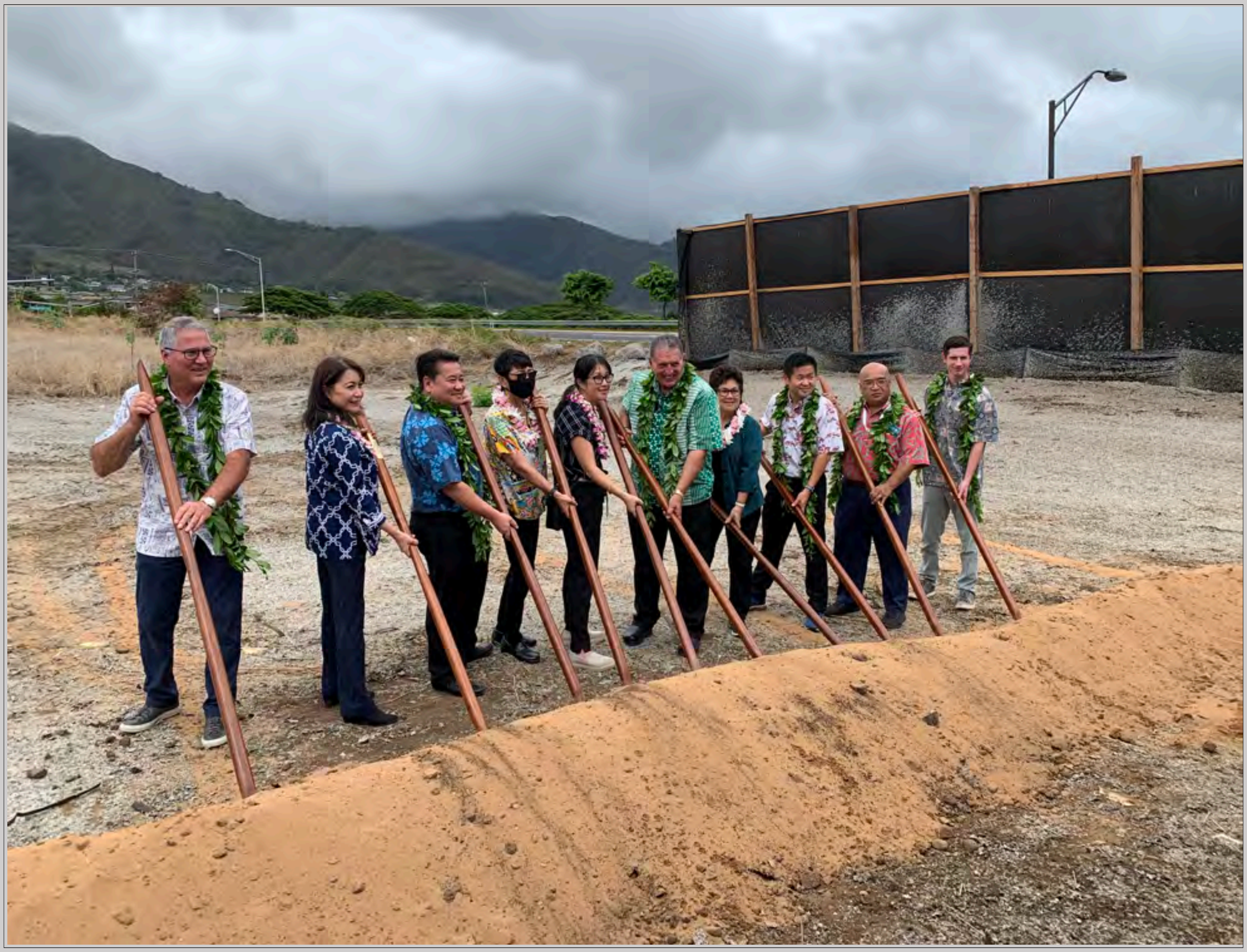
Kokua Project: 224-unit rental project in Downtown Honolulu for seniors earning 30%-60% AMI. **LIHTC/ HMMF/RHRF** *Developer: Alakea Senior LP (Highridge Costa) | Scheduled completion: 2024*

Liloa Hale: 117-unit elderly rental project in Kihei, Maui for households earning 30%-60% AMI. **LIHTC/ HMMF/RHRF** *Developer: Liloa Senior Housing LP | Scheduled completion: 2024*

Lima Ola Workforce Development Phase 1: 111 for-sale and rental units in Eleele, Kauai for households earning no more than 140% AMI. **DURF** *Developer: County of Kauai | Scheduled completion: 2024*

Meheula Vista Senior IV: 75-unit rental project in the 301-unit master planned community for seniors. **LIHTC/HMMF/RHRF** *Developer: Catholic Charities Hawaii | Scheduled completion: 2024*

Planned/In Construction Projects



Wailuku Apartments, Wailuku, Maui

Papaaloa Elderly Housing Project: 21-unit elderly rental project along the Hamakua Coast of Hawaii Island for elderly earning up to 50%AMI. **LIHTC /** *Developer: Papaʻaloa Elderly Housing Ltd. Partnership | Scheduled completion: 2023*

Parkway Village at Kapolei (Lot 6): 236-unit family rental project in Kapolei, Oahu for households earning 30%-60% AMI. **LIHTC/HMMF/ RHRF** *Developer: KP6 Partners LLLC | Scheduled completion: 2024*

Parkway Village at Kapolei (Lot 7): 169-unit family rental project in Kapolei, Oahu for households earning 30%-60% AMI. **LIHTC/HMMF/ RHRF** *Developer: KP7 Partners LLLC | Scheduled completion: 2024*

Pohukaina Commons Phase 1: 434-unit family rental project in Kakaako, Oahu for households earning 80%-100% AMI. **RHRF2** *Developer: Highridge Costa Development Co. | Scheduled completion: 2026*

Rice Street Apartments: 66-unit family rental project in Lihue, Kauai for households earning 30%-60% AMI. **LIHTC/HMMF/RHRF** *Developer: Rice Street Hale LLC | Scheduled completion: 2025*

Uahi Ridge: 96-unit family rental project in Lihue, Kauai for households earning 30%-60% AMI. **LIHTC/HMMF/RHRF** *Developer: Uahi Ridge Hui LP | Scheduled completion: 2024*

Villages of Laiopua (DHHL): 24-unit rental project in Kailua-Kona, Hawaii for families earning between 30%-60% AMI. **LIHTC/RHRF** *Developer: DHHL | Scheduled completion: 2023*

Wailuku Apartments: 324-unit workforce rental project in Central Maui, with 60% of the units for families earning up to 140%% AMI. **201H** *Developer: BIT Wailuku LLC | Scheduled completion: 2025*

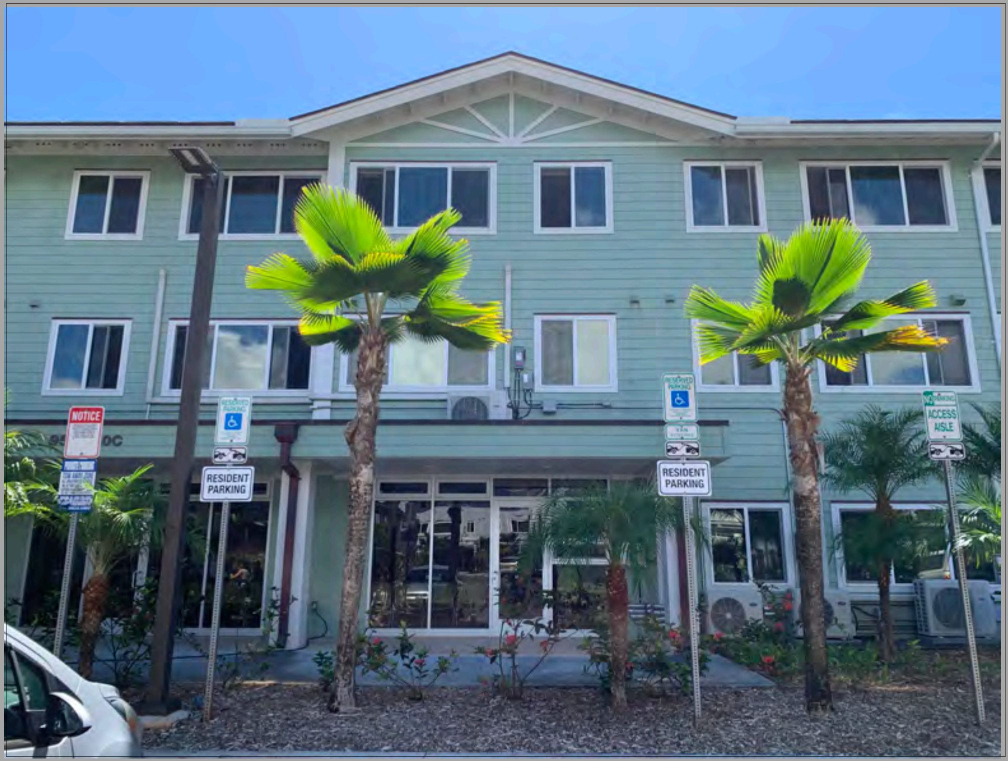
MEHEULA VISTA III AND IV (Mililani)

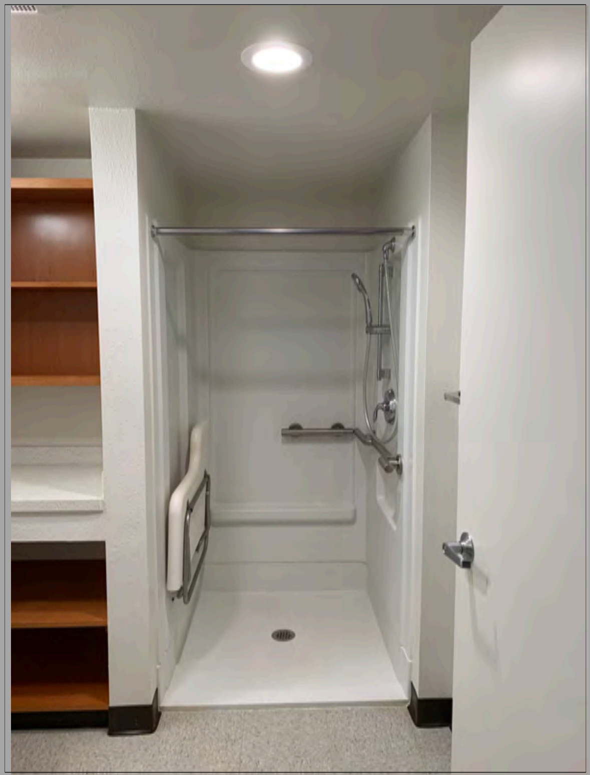
In September 2022, a blessing was held in Mililani to commemorate the opening of the Meheula VIsta III project in conjunction with a groundbreaking for Meheula Vista IV.

When the fourth phase is finished, Meheula Vista will consist of 300 affordable rental studio units for seniors 55 and older (earning 60% AMI or less) that will allow them to "age in place."

The project includes all-accessible amenities in units and a stand-alone multi-purpose building designed for community activities.

HMMF/LIHTC





LIHTC: Low Income Housing Tax Credit | **HMMF:** Hula Mae Multi Family Bonds | **RHRF:** Rental Housing Revolving Fund | **DURF**: Dwelling Unit Revolving Fund | **201H:** Expedited Processing

HOUSING-RELATED LEGISLATION PASSED IN 2022

Act 182, SLH 2022 (House Bill 1829 HD2 SD2) Relating to Bonds

This Act facilitates the development of affordable housing projects by: requiring each county or issuer of private activity bonds (PAB) to submit annual and semi-annual reports to the Department of Budget and Finance (B&F) and HHFDC on the status or use of its allocation of private activity bonds; and during the period after June 30, 2022, and before December 31, 2028, requires Honolulu county to use its allocation of the annual state ceiling only for rental housing projects that are eligible for the low-income housing tax credit (LIHTC). These actions increase coordination between the state and the counties on the timing of PAB issuances, which helps provide developers with more certainty on the level of bond cap available for housing projects.

Act 305, SLH 2022 (House Bill 1837 HD1 SD2 CD1) Relating to Housing

This Act establishes a statewide working group on affordable housing to foster increased inter-agency coordination on housing and zoning issues, raise public awareness of ongoing state and county efforts to reduce barriers to affordable housing development, and propose legislation. A report to the Legislature is due by the 2023 session. Appropriates $100,000 of General Funds to HHFDC to support the statewide working group for fiscal year 2022-2023, including 1.0 FTE position.

Act 314, SLH 2022 (House Bill 2020 HD1 SD2 CD1) Relating to Housing

This Act establishes a lapse date for any unencumbered moneys appropriated for the Affordable Home Ownership Revolving Fund (AHRF), pursuant to Act 227, Session Laws of Hawaii 2021. Effective 6/29/2022. Act 248, SLH 2022 (Relating to the State Budget) contains $5 million in funding for AHRF.

Act 191, SLH 2022 (Senate Bill 2583 SD2 HD1) Relating to Public Lands

This Act exempts lands set aside by the Governor to HHFDC from classification as public land subject to Department of Land and Natural Resources management, provided that the lands are not ceded lands. This would allow HHFDC to treat all non-ceded lands under its control in a consistent manner, which would streamline the approval process and facilitate the delivery of affordable housing on state-owned lands.

Act 236, SLH 2022 (Senate Bill 3048 SD2 HD1 CD2) Relating to State Funds (“HHFDC Omnibus”)

This Act, which was enrolled to the Governor on May 6, 2022:

- Authorizes the transfer of up to $45 million in tax-exempt GO bond proceeds and interest from RHRF to DURF in FY2023 for uses such as public infrastructure projects;
- Appropriates $300 million of General Funds into RHRF, of which $150 million is earmarked for Tier 2 rental projects subject to 60-100% AMI. Funds not awarded by 6/30/23 may be used for projects at lower AMI;
- Clarifies that RHRF funds may be used for administrative expenses incurred for administering any of HHFDC's housing finance programs;
- Establishes two full-time equivalent (2.0 FTE) housing finance specialist positions; and
- Appropriates $1,594,000 of General Funds to HHFDC for computer software and hardware; information technology improvements; video-conferencing improvements; and scanning and digitization equipment, services, and warranties.

These actions would allow HHFDC to keep up with developer demand for affordable housing project financing, efficiently and expeditiously.

Act 248, SLH 2022 (House Bill 1600 HD1 SD2 CD1) Relating to State Budget

HHFDC had no Supplemental Budget requests for FY2023. However, it should be noted that the Legislature increased the ceiling by $458,947, comprised of $100,831 for the Development Branch personnel and $358,116 for two additional temporary FTEs for the Finance Branch.

Operating Budget Items:

Total expenditure ceiling (MOF: W (revolving funds)):
FY 2022-2023: $12,748,818

Authorized Position Count
Permanent count: 25.00 Full Time Equivalent positions (FTE) (a reduction of 4.00 FTE)
Temporary count: 40.00 FTE (increase of 2.0 FTEs for Housing Finance Specialist I positions)

HHFDC's authorized expenditure ceiling also includes the following:
FY 2021-2022: $3,100,000 (MOF: N (Federal funds))
FY 2021-2022: $3,100,000 (MOF: N)

FY 2021-2022: $3,000,000 (MOF: P (Other Federal Funds))
FY 2022-2023: $3,000,000 (MOF: P)

Budget Proviso:
There is one budget proviso providing $5 million in non-recurring General Funds, which replaced Federal funding from Act 227, SLH 2021 for AHRF.

Capital Improvement Project Items:
HHFDC received the following CIPs:

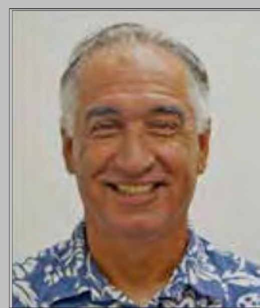
Dwelling Unit Revolving Fund Infusion, Statewide
FY2023: $20,000,000 (MOF: C)

Rental Housing Revolving Fund (RHRF) for DHHL Affordable Housing Project, Oahu
FY2023: $41,500,000 (MOF: C/ GO Bonds)

Removed RHRF Infusion for FY2023 of $25 million, which was replaced and augmented as explained above, under Act 236, SLH 2022.

BOARD OF DIRECTORS

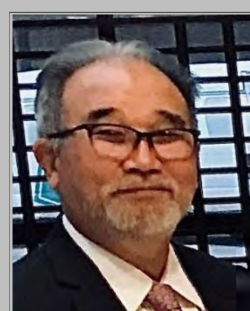
Donn Mende
Chairman (Hawaii)



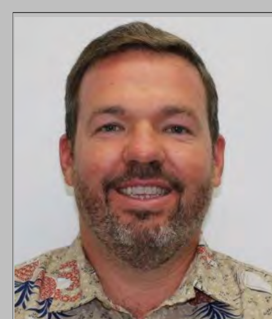
Gary Mackler
Vice-Chair (Kauai)

Sean Sasaki
Secretary (Oahu)

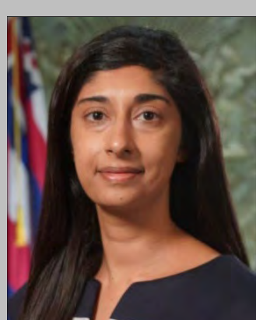
Carol Reimann
Director (Maui)



Jay Kimura
Director (Nonprofit)

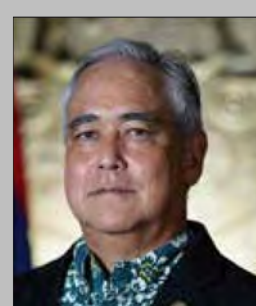


Jason Bradshaw
Director (At Large)



Sabrina Nasir
Director (Ex Officio)

Craig Hirai
Director (Ex Officio)



Mike McCartney
Director (Ex Officio)

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
677 QUEEN STREET, SUITE 300
HONOLULU, HAWAII 96813

Phone: (808) 587-0620
Website: www.dbedt.hawaii.gov/hhfdc/

State of Hawaiʻi
Hawaii Housing Finance and Development Corporation

(A Component Unit of the State of Hawaiʻi)

Financial and Compliance Audit

June 30, 2022

Submitted by
The Auditor
State of Hawaiʻi

Index

June 30, 2022

Page(s)

PART I
Financial Statements

ACCUITY

Independent Auditors' Report

The Auditor
State of Hawaiʻi

The Board of Directors
Hawaii Housing Finance and Development Corporation

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Hawaiʻi, Hawaii Housing Finance and Development Corporation (the "Corporation") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the index.

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

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 1, the financial statements of the Corporation are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Corporation that is attributable to the transactions of the Corporation. They do not purport to, and do not, present fairly the financial position of the State of Hawaiʻi, as of June 30, 2022, the changes in its financial position or,

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where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

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

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

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

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

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13 and budgetary comparison schedules for the General Fund, HOME Investment Partnership Program, Housing Trust Fund Program, and Homeowner Assistance Fund Program on pages 66 through 71 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Corporation's basic financial statements. The combining non-major fund financial statements and reconciliation of cash and short-term investments are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* is presented for purposes of additional analysis and is not a required part of the basic financial statements. As described in Note 1 to the schedule of expenditures of federal awards, the accompanying schedule of expenditures of federal awards was prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The combining non-major fund financial statements, reconciliation of cash and short-term investments, and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining non-major fund financial statements, reconciliation of cash and short-term investments, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2023 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Accuity LLP

Honolulu, Hawaiʻi
January 11, 2023

ACCUITY

The management of the State of Hawaiʻi, Hawaii Housing Finance and Development Corporation (the "Corporation") offers readers of the Corporation's financial statements this narrative overview and analysis of its financial activities for the year ended June 30, 2022. This document should be read in conjunction with the audited financial statements. All amounts presented in tables, unless otherwise indicated, are expressed in thousands of dollars.

Introduction

The Corporation was established by the State Legislature effective July 1, 2006 in accordance with Act 196, SLH 2005, as amended by Act 180, SLH 2006.

The Corporation's mission is to increase the supply of workforce and affordable homes by providing tools and resources to facilitate housing development. Tools and resources include housing tax credits, low interest construction loans, equity gap loans, developable land, below-market leasehold interest, general excise tax exemptions, and expedited land use approvals.

The Corporation is administratively attached to the State Department of Business, Economic Development and Tourism. The Corporation's Board of Directors consists of nine members, six of whom are public members appointed by the Governor and confirmed by the State Senate. Public members are appointed from each of the counties of Honolulu, Hawaiʻi, Maui and Kauaʻi. At least four of the public members must have knowledge and expertise in public or private financing and development of affordable housing. At least one public member represents community advocates for low-income housing affiliated with private nonprofit organizations that serve the residents of low-income housing. The Director of Business, Economic Development and Tourism; the Director of Finance; and a representative of the Governor's Office are ex-officio voting members. All Corporation action is taken by the affirmative vote of at least five members.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the financial statements of the Corporation for the year ended June 30, 2022. The financial statements consist of the basic financial statements, related notes to the financial statements, and other required supplementary information. These components are described below:

Basic Financial Statements

The basic financial statements include two kinds of statements that present different views of the Corporation:

- The first two statements are government-wide financial statements that provide information about the Corporation's overall financial position and results of operations. These statements are presented on an accrual basis of accounting and consist of the Statement of Net Position and the Statement of Activities.

- The remaining statements are the fund financial statements of the Corporation's governmental funds, for which activities are funded primarily from appropriations from the State and Federal government, and the Corporation's major and non-major proprietary funds, which operate similarly to business-type activities. The governmental funds are presented on a modified accrual basis of accounting while the proprietary funds are presented on an accrual basis of accounting.

Government-wide Financial Statements
The government-wide financial statements report information about the Corporation as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Position provides both short-term and long-term information about the Corporation's financial position, which assists in assessing the Corporation's economic condition at the end of the fiscal year. All of the current year revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid. Most of the Corporation's activities are business-type activities and are reported in its proprietary funds. The government-wide financial statements include two statements:

- The *Statement of Net Position* presents all of the Corporation's assets and deferred outflows of resources less liabilities and deferred inflows of resources, with the difference reported as "net position." Over time, increases and decreases in the Corporation's net position may serve as a useful indicator of the health of the financial position of the Corporation.

- The *Statement of Activities* presents information indicating how the Corporation's net position changed during the most recent fiscal year.

The government-wide financial statements of the Corporation are divided into two categories:

- *Governmental activities* – The activities in this section are primarily supported by State or Federal appropriations or by Federal contributions.

- *Business-type activities* – These functions normally are intended to recover all or a significant portion of their costs through user fees and charges to external users.

Fund Financial Statements
The fund financial statements provide more detailed information about the Corporation's most significant funds and not the Corporation as a whole. The financial activities of the Corporation are recorded in individual funds, each of which is deemed to be a separate accounting entity. Funds are either reported as a major fund or a non-major fund. The Governmental Accounting Standards Board ("GASB") issued Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments*, which sets forth the minimum criteria for the determination of major funds. The non-major funds are combined in a single column in the fund financial statements and are detailed in the supplementary information.

The Corporation has two types of funds:

- *Governmental Funds*

  - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements.

  - Governmental funds financial statements help determine whether there are more or fewer financial resources that can be spent in the near future to finance the Corporation's programs.

  - The focus of the governmental funds is narrower than that of the government-wide financial statements; therefore, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decision.

  - Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and change in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

- *Proprietary Funds* – The Corporation's only type of proprietary funds are its enterprise funds, which are used to account for those activities for which the intent of management is to recover, primarily through user charges, the cost of providing services to customers.

Notes to Financial Statements
The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow the basic financial statements.

Required Supplementary Information Other Than Management's Discussion and Analysis
In addition to the basic financial statements and accompanying notes, this report presents a section of required supplementary information ("RSI") other than management's discussion and analysis, which contains budget-to-actual schedules for the Corporation's General Fund, HOME Investment Partnership Program, Housing Trust Fund Program, and Homeowner Assistance Fund Program as well as accompanying notes, which are required for major governmental funds with legally adopted budgets.

Supplementary Information
Following the RSI other than management's discussion and analysis section, supplementary information presents details on combining information and reconciliation of cash and short-term investments of the non-major Governmental and Proprietary funds, which are not required to be presented.

Supplementary information also includes the Schedule of Expenditures of Federal Awards ("SEFA"). The SEFA reports federal awards expended by the Corporation on the cash basis of accounting for the year ended June 30, 2022.

COVID-19 Pandemic

On March 4, 2020, the Governor of the State of Hawaiʻi issued an emergency proclamation to control the spread of the COVID-19 pandemic and had subsequently issued numerous supplemental proclamations. These proclamations included an eviction moratorium, social gathering, and travel restrictions and as a result have caused a reduction in the tourism sector and sectors that promote personal close contact and large social gatherings.

Prior to expiring on March 24, 2022, these orders had placed public safety as a priority, however, have consequently caused an adverse impact on the local economy. The Corporation continues to evaluate both the short-term and long-term impacts of the COVID-19 pandemic on its operations. The Corporation is largely funded by activities under its proprietary funds, General Obligation Bond Fund, and conveyance taxes, and therefore the Corporation is able to continue its mission to increase and preserve the supply of workforce and affordable housing statewide by providing leadership, tools and resources to facilitate housing development. The Corporation funds affordable housing projects which are an integral component in the economic recovery of the State of Hawaiʻi.

Government-wide Financial Analysis

As noted earlier, the Statement of Net Position presents all of the Corporation's assets and deferred outflows of resources less liabilities and deferred inflows of resources, with the difference reported as net position. Over time, changes in net position may serve as a useful indicator of the Corporation's financial statements. As indicated below, as of June 30, 2022, the Corporation's total net position was approximately $1,609,549,000, an increase of $105,262,000 (or 7.0%) from the previous year.

Government-Wide Condensed Statements of Net Position
June 30, 2022 and 2021
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total		Percent
	2022	2021	2022	2021	2022	2021	Change
Current assets	$ 65,923	$ 4,854	$ 662,057	$ 687,437	$ 727,980	$ 692,291	5.2 %
Restricted assets held by trustee	-	-	41,201	46,624	41,201	46,624	(11.6)%
Capital assets	-	-	94,305	93,403	94,305	93,403	1.0 %
Other assets	9,862	9,862	843,250	755,751	853,112	765,613	11.4 %
Total assets	75,785	14,716	1,640,813	1,583,215	1,716,598	1,597,931	7.4 %
Deferred outflows of resources	-	-	2,007	2,580	2,007	2,580	(22.2)%
Total assets and deferred outflows of resources	$ 75,785	$ 14,716	$ 1,642,820	$ 1,585,795	$ 1,718,605	$ 1,600,511	7.4 %
Current liabilities	$ 22,758	$ 435	$ 8,423	$ 8,219	$ 31,181	$ 8,654	260.3 %
Noncurrent liabilities	-	-	74,497	86,418	74,497	86,418	(13.8)%
Total liabilities	22,758	435	82,920	94,637	105,678	95,072	11.2 %
Deferred inflows of resources	-	-	3,378	1,152	3,378	1,152	193.2 %
Net position							
Net investment in capital assets	-	-	94,233	93,317	94,233	93,317	1.0 %
Restricted	10,404	10,343	74,693	82,878	85,097	93,221	(8.7)%
Unrestricted	42,623	3,938	1,387,596	1,313,811	1,430,219	1,317,749	8.5 %
Total net position	53,027	14,281	1,556,522	1,490,006	1,609,549	1,504,287	7.0 %
Total liabilities, deferred inflows of resources and net position	$ 75,785	$ 14,716	$ 1,642,820	$ 1,585,795	$ 1,718,605	$ 1,600,511	7.4 %

Total assets and deferred outflows of resources increased by approximately $118,094,000 (7.4%) during fiscal year 2022 primarily related to the increase in current assets of $35,689,000 (5.2%), increase in capital assets by approximately $902,000 (1.0%), and increase in other assets by approximately $87,499,000 (11.4%), offset by the decrease in restricted assets held by trustee by approximately $5,423,000 (11.6%).

- Current assets are comprised of cash and cash equivalents, current receivables and accrued interest. Current assets increased by $35,689,000 due to net increases of $38,233,000 receivables due from State for allotted but not yet expended appropriations and $8,879,000 of accrued interest on receivables, offset by the decrease of $11,119,000 in cash and cash equivalents. Cash and cash equivalents increased in the Homeowner Assistance Fund offset by the Rental Housing Revolving Fund. Increase in the Homeowner Assistance Fund cash balance resulted from the federal subaward remaining balance of $22,753,000. Decrease in the Rental Housing Revolving Fund cash balance resulted from $38,000,000 of conveyance taxes and $3,096,000 of interest income received, offset by $77,336,000 of net loan activity.

- Restricted assets held by trustee are comprised of cash and cash equivalents and investments held by the bond trustee. Restricted assets held by trustee decreased by approximately $5,423,000 primarily due to payment of scheduled and early redemptions under the Single Family Mortgage Purchase Revenue Bond Fund.

- Capital assets are comprised of property and equipment reported net of depreciation. Net capital assets increased by approximately $902,000 primarily due to the leasehold improvements, furniture, fixtures, and equipment acquired under the terms of the lease agreement for the renovation of the Corporation's office space.

- Other assets are comprised of long-term portion of mortgage and construction loans receivable and inventories of development in progress and dwelling units. Other assets increased by approximately $87,499,000 primarily due to net increase in mortgages, notes and loans of $76,273,000, and an increase in inventories of development in progress and dwelling units of $12,797,000, offset by a decrease in restricted deposits held in escrow of $1,569,000.

Total liabilities and deferred inflows of resources increased by $12,832,000 (13.3%) during fiscal year 2022 primarily related to the Homeowner Assistance Fund unspent balance of approximately $22,753,000, offset by the redemption of $4,138,000 of Single Family Mortgage Purchase revenue bonds and the $5,607,000 decrease in estimated future costs of development in Kapolei, Hawaiʻi.

Restricted net position represents resources that are subject to external restrictions on how funds may be used, primarily including the assets held by trustee.

Unrestricted net position consists of net position that does not meet the definition of "restricted" or "net investment" in capital assets.

The Statement of Activities below presents information indicating how the Corporation's net position changed during the most recent fiscal year:

Government-Wide Statements of Activities
Years Ended June 30, 2022 and 2021
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total		Percent
	2022	2021	2022	2021	2022	2021	Change
Revenues							
Program revenues							
Charges for services	$ -	$ -	$ 11,956	$ 13,594	$ 11,956	$ 13,594	(12.0)%
Operating grants and contributions	9,039	78,940	51,359	38,648	60,398	117,588	(48.6)%
General revenues							
State allotted appropriations, net of lapses	65,000	300,668	-	-	65,000	300,668	(78.4)%
(Loss) gain on (disposal) sale of capital assets	-	-	(6,421)	31,667	(6,421)	31,667	N/A
Total revenues	74,039	379,608	56,894	83,909	130,933	463,517	(71.8)%
Expenses							
Governmental activities							
Expenditures	8,979	78,985	-	-	8,979	78,985	(88.6)%
Business-type activities							
Rental assistance program	-	-	1,524	1,784	1,524	1,784	(14.6)%
Housing development program	-	-	9,158	17,507	9,158	17,507	(47.7)%
Multi-family mortgage loan programs	-	-	1,667	1,558	1,667	1,558	7.0 %
Single-family mortgage loan program	-	-	2,039	1,620	2,039	1,620	25.9 %
Others	-	-	2,304	2,274	2,304	2,274	1.3 %
Total expenses	8,979	78,985	16,692	24,743	25,671	103,728	(75.3)%
Net change before transfers and lapses	65,060	300,623	40,202	59,166	105,262	359,789	(70.7)%
Transfers	(26,314)	(301,344)	26,314	301,344	-	-	100.0 %
Change in net position	38,746	(721)	66,516	360,510	105,262	359,789	(70.7)%
Net position							
Beginning of year	14,281	15,002	1,490,006	1,129,496	1,504,287	1,144,498	31.4 %
End of year	$ 53,027	$ 14,281	$ 1,556,522	$ 1,490,006	$ 1,609,549	$ 1,504,287	7.0 %

Governmental Activities

For the year ended June 30, 2022, the Corporation's governmental activities increased its net position by approximately $38,746,000 (271.3%), primarily as the result of the State-allotted appropriations net of lapses, totaling $65,000,000, offset by transfers-out to the Proprietary Funds of $26,314,000.

Business-type Activities

Revenues of the Corporation's business-type activities were primarily from charges for services, program investment income, and operating grants and contributions. Charges for services consist primarily of interest income of loans related to the Corporation's lending programs. Operating grants and contributions consist primarily of conveyance taxes.

For the year ended June 30, 2022, the Corporation's business -type activities increased its net position by approximately $66,516,000 (4.5%). Revenues primarily consisted of approximately $38,000,000 in conveyance taxes, $8,939,000 in interest income on loans, $6,827,000 in interest income, $3,012,000 in fees received for various program administration, $2,891,000 in rental income, and transfers-in from the

General Obligation Bond Fund of $26,267,000, offset by approximately $6,421,000 loss on dedication of a roadway to the County of Hawaiʻi and $16,692,000 in expenses for the Corporation's various business-type functions.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Corporation, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

As of June 30, 2022, the Corporation's governmental funds reported a total fund balance of approximately $53,027,000.

The governmental funds consist of five major funds. The major funds are the (1) General Fund, (2) General Obligation Bond Fund, (3) HOME Investment Partnership Program, (4) Housing Trust Fund Program, and (5) Homeowner Assistance Fund Program.

- The General Fund accounts for the State's general fund revenues appropriated by the State Legislature to the Corporation and transfers for subsequent use by the Corporation's other funds. The fund did not have a fund balance as of June 30, 2022.

- The General Obligation Bond Fund is used to transfer proceeds from the State's issuance of general obligation bonds to the Corporation for subsequent use by the Corporation's other funds. The fund had a fund balance of approximately $42,623,000 as of June 30, 2022.

- The HOME Investment Partnership Program was established for the purpose of enhancing the State and local government's ability to provide affordable housing for low- and very low-income families through funding strategies designed to increase the supply of decent affordable housing by offering financial and technical assistance to participating jurisdictions. The fund had a fund balance of approximately $542,000 as of June 30, 2022.

- The Housing Trust Fund Program was established for the purpose of enhancing the State and local government's ability to provide affordable housing for extremely low-income families through funding strategies designed to increase the supply of decent affordable housing by offering financial and technical assistance to participating jurisdictions. The fund did not have a fund balance as of June 30, 2022.

- The Homeowner Assistance Fund Program was established to mitigate financial hardships associated with the COVID-19 pandemic by providing funds to eligible entities for the purpose of preventing homeowner mortgage delinquencies, defaults, foreclosures, loss of utilities or home energy services, and displacements of homeowners experiencing financial hardships after January 21, 2020, through qualified expenses related to mortgages and housing. The fund did not have a fund balance as of June 30, 2022.

Proprietary Funds
As of June 30, 2022, the Corporation's proprietary funds reported total net position of approximately $1,556,522,000.

The proprietary funds consist of four major and four non-major funds. The major funds are the (1) Rental Housing Revolving Fund, (2) Dwelling Unit Revolving Fund, (3) Single Family Mortgage Purchase Revenue Bond Fund, and (4) the Housing Finance Revolving Fund.

- The Rental Housing Revolving Fund provides developers of qualified rental housing projects with loans and/or grants for the development, predevelopment, construction, acquisition, preservation and rehabilitation of rental housing units. The fund recognized an increase in net position of approximately $45,748,000 to $1,031,377,000 as of June 30, 2022. The increase in net position was primarily due to the statutory maximum collection of conveyance taxes of $38,000,000 and interest income earned on mortgages, notes, loans and investments of $8,573,000, offset by operating expenses of $1,143,000.

- The Dwelling Unit Revolving Fund accounts for State funds used for acquiring, developing, selling, leasing and renting residential, commercial and industrial properties; providing mortgage and interim financing; rental income; sales proceeds; and interest earnings from the financing and investment of such funds. The fund recognized an increase in net position of approximately $21,402,000 to $445,997,000 as of June 30, 2022. The increase in net position was primarily due to transfers-in of $25,098,000, interest income earned on mortgages, notes, loans and investments of $5,818,000, and rental income of $2,891,000, offset by a loss on dedication of roadway asset of $6,421,000 and operating expenses of $9,158,000.

- The Single Family Mortgage Purchase Revenue Bond Fund accounts for the proceeds from the issuance of bonds used to make below-market interest rate mortgage loans and the repayment, interest and earnings from such loans and investment of such funds. The fund recognized a decrease in net position of approximately $1,158,000 to $35,842,000 as of June 30, 2022. The decrease in net position is primarily due to the change in the fair value of mortgage-backed securities during fiscal year 2022 of $1,658,000.

- The Housing Finance Revolving Fund was created to be used for long-term and other special financing provided by the Corporation. The fund also accounts for monies received and collected by the Corporation, not otherwise pledged or obligated nor required by law to be placed in another proprietary fund. The fund recognized an increase in net position of approximately $1,208,000 to $8,327,000 as of June 30, 2022. The increase in net position is primarily due to various fees received during fiscal year 2022 of $2,140,000, offset by operating expenses of $1,069,000.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2022, the Corporation's capital assets amounted to approximately $94,305,000 (net of accumulated depreciation of approximately $4,029,000), an increase of approximately $902,000 (1.0%) primarily due to the renovation of the Corporation's office space in fiscal year 2022.

Corporation's Capital Assets
June 30, 2022 and 2021
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total		Percent
	2022	2021	2022	2021	2022	2021	Change
Land	$ -	$ -	$ 82,705	$ 82,724	$ 82,705	$ 82,724	0.0 %
Buildings and improvements	-	-	14,736	14,139	14,736	14,139	4.2 %
Equipment	109	129	783	216	892	345	158.6 %
Total	109	129	98,224	97,079	98,333	97,208	1.2 %
Accumulated depreciation	(109)	(129)	(3,920)	(3,676)	(4,029)	(3,805)	5.9 %
Total capital assets, net	$ -	$ -	$ 94,304	$ 93,403	$ 94,304	$ 93,403	1.0 %

Debt Administration

Through June 30, 2022, approximately $3.53 billion of revenue bonds have been issued under various revolving bond funds of the Corporation and its predecessor entities, of which approximately $1,310,857,000 represents conduit debt. The revenue bonds are payable solely from the revenues and other monies and assets of the revenue bond funds and other assets of the Corporation pledged under the various bond indentures.

Under the Single Family Mortgage Purchase Revenue Bond Fund, revenue bonds payable decreased by approximately $4,138,000, net of premiums, to approximately $4,328,000 as of June 30, 2022 due to scheduled and early redemptions.

As of June 30, 2022, the bond ratings of the Single Family Mortgage Purchase revenue bonds were AA+, Aaa, and AAA for Standard & Poor's Rating Services, Moody's Investors Service, and Fitch Ratings.

During the year ended June 30, 2019, the Corporation adopted GASB Statement No. 91, *Conduit Debt Obligations*, and therefore derecognized all conduit bonds payable under the Multi-family Housing Revenue Bond Fund. As of June 30, 2022, conduit debt obligations outstanding amounted to approximately $463,700,000.

Requests for Information

This report is designed to provide an overview of the Corporation's finances. Questions concerning any of the information found in this report or requests for additional information should be directed to the Chief Financial Officer, Hawaii Housing Finance and Development Corporation, 677 Queen Street, Suite 300, Honolulu, Hawaiʻi 96813.

State of Hawaiʻi
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawaiʻi)
Statement of Net Position
June 30, 2022

	Governmental Activities	Business-Type Activities	Total
Assets and Deferred Outflows of Resources			
Current assets			
Equity in cash and cash equivalents and investments in State Treasury	$ 22,753,439	$ 607,445,455	$ 630,198,894
Cash in banks	16,248	479,602	495,850
Receivables			
Mortgage loans	-	535,339	535,339
Notes and loans	-	2,084	2,084
Accrued interest	-	50,360,949	50,360,949
Tenant receivables, less allowance for doubtful accounts of $3,579,434	-	107,378	107,378
Other receivables, less allowance for doubtful accounts of $135,591	110,639	2,282,725	2,393,364
Total receivables	110,639	53,288,475	53,399,114
Cash held by third parties	542,385	-	542,385
Due from State	42,795,798	-	42,795,798
Internal balances	(295,126)	295,126	-
Prepaid expenses and other assets	-	96,167	96,167
Deposits held in trust	-	452,209	452,209
Total current assets	65,923,383	662,057,034	727,980,417
Restricted assets held by trustee under revenue bond program			
Cash and cash equivalents	-	18,989,657	18,989,657
Investments	-	22,210,862	22,210,862
	-	41,200,519	41,200,519
Inventories – development in progress and dwelling units	-	52,224,535	52,224,535
Restricted deposits held in escrow	-	1,013,459	1,013,459
Mortgage loans, net of allowance for loan losses of $421,966	-	680,277,732	680,277,732
Notes and loans	9,861,610	109,736,143	119,597,753
Capital assets, net	-	94,304,506	94,304,506
Total assets	75,784,993	1,640,813,928	1,716,598,921
Deferred outflows of resources			
Deferred outflows on net pension liability	-	1,421,884	1,421,884
Deferred outflows on net OPEB liability	-	584,857	584,857
Total deferred outflows of resources	-	2,006,741	2,006,741
Total assets and deferred outflows of resources	$ 75,784,993	$ 1,642,820,669	$ 1,718,605,662

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

State of Hawai'i
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawai'i)
Statement of Net Position
June 30, 2022

	Governmental Activities	Business-Type Activities	Total
Liabilities, Deferred Inflows of Resources, and Net Position			
Current liabilities			
Accounts payable	$ 4,450	$ 2,368,043	$ 2,372,493
Accrued expenses			
Interest	-	9,376	9,376
Other	-	1,298,412	1,298,412
Due to other State departments	22,753,250	38,879	22,792,129
Security deposits	-	3,308,045	3,308,045
Note payable	-	14,724	14,724
Unearned income	-	384,615	384,615
Revenue bonds payable	-	1,001,000	1,001,000
Total current liabilities	22,757,700	8,423,094	31,180,794
Noncurrent liabilities			
Note payable	-	56,622	56,622
Revenue bonds payable	-	3,326,527	3,326,527
Estimated future costs of development	-	29,572,903	29,572,903
Unearned income	-	20,485,918	20,485,918
Lease incentive liability	-	974,910	974,910
Unrealized gain on sale of units and land	-	1,743,437	1,743,437
Net OPEB liability	-	9,120,311	9,120,311
Net pension liability	-	9,216,568	9,216,568
Total liabilities	22,757,700	82,920,290	105,677,990
Deferred inflows of resources			
Deferred inflows on net pension liability	-	2,394,654	2,394,654
Deferred inflows on net OPEB liability	-	983,515	983,515
Total deferred inflows of resources	-	3,378,169	3,378,169
Commitments and contingencies			
Net position			
Net investment in capital assets	-	94,233,160	94,233,160
Restricted by legislation and contractual agreements	10,403,995	74,692,647	85,096,642
Unrestricted	42,623,298	1,387,596,403	1,430,219,701
Total net position	53,027,293	1,556,522,210	1,609,549,503
Total liabilities, deferred inflows of resources, and net position	$ 75,784,993	$ 1,642,820,669	$ 1,718,605,662

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

State of Hawai'i
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawai'i)
Statement of Activities
Year Ended June 30, 2022

		Program Revenues		Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs						
Governmental activities						
Low-income housing service and assistance programs	$ 8,978,782	$ -	$ 9,039,793	$ 61,011	$ -	$ 61,011
Total governmental activities	8,978,782	-	9,039,793	61,011	-	61,011
Business-type activities						
Rental assistance program	1,524,255	5,206	356,187	-	(1,162,862)	(1,162,862)
Housing development program	9,158,266	3,255,607	8,628,477	-	2,725,818	2,725,818
Multifamily mortgage loan program	1,667,102	5,657,205	42,257,404	-	46,247,507	46,247,507
Single family mortgage loan program	2,039,274	880,214	-	-	(1,159,060)	(1,159,060)
Others	2,302,679	2,157,368	116,608	-	(28,703)	(28,703)
Total business-type activities	16,691,576	11,955,600	51,358,676	-	46,622,700	46,622,700
Total	$ 25,670,358	$ 11,955,600	$ 60,398,469	61,011	46,622,700	46,683,711
General revenues and transfers						
State allotted appropriations, net of lapses of $50,000,000				65,000,000	-	65,000,000
Net transfers				(26,314,291)	26,314,291	-
Loss on disposal of capital assets				-	(6,421,246)	(6,421,246)
Total general revenues and transfers				38,685,709	19,893,045	58,578,754
Change in net position				38,746,720	66,515,745	105,262,465
Net position						
Beginning of year				14,280,573	1,490,006,465	1,504,287,038
End of year				$ 53,027,293	$ 1,556,522,210	$ 1,609,549,503

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

State of Hawaiʻi
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawaiʻi)
Governmental Funds
Balance Sheet
June 30, 2022

	General Fund	General Obligation Bond Fund	HOME Investment Partnership Program	Housing Trust Fund Program	Homeowner Assistance Fund Program	Other Governmental Funds	Total Governmental Funds
Assets							
Equity in cash and cash equivalents and investments in State Treasury	$ -	$ -	$ -	$ -	$ 22,753,439	$ -	$ 22,753,439
Cash in banks	-	-	7,987	8,261	-	-	16,248
Receivables							
Other receivables	-	-	96,258	14,381	-	-	110,639
Total receivables	-	-	96,258	14,381	-	-	110,639
Cash held by third parties	-	-	542,385	-	-	-	542,385
Notes and loans receivable	-	-	-	-	-	9,861,610	9,861,610
Due from State	-	42,795,798	-	-	-	-	42,795,798
Total assets	$ -	$ 42,795,798	$ 646,630	$ 22,642	$ 22,753,439	$ 9,861,610	$ 76,080,119
Liabilities and Fund Balances							
Liabilities							
Accounts payable	$ -	$ -	$ -	$ 4,261	$ 189	$ -	$ 4,450
Due to other funds	-	172,500	104,245	18,381	-	-	295,126
Due to State	-	-	-	-	22,753,250	-	22,753,250
Total liabilities	-	172,500	104,245	22,642	22,753,439	-	23,052,826
Fund balances							
Restricted	-	-	542,385	-	-	9,861,610	10,403,995
Committed	-	42,623,298	-	-	-	-	42,623,298
Total fund balances	-	42,623,298	542,385	-	-	9,861,610	53,027,293
Total liabilities and fund balances	$ -	$ 42,795,798	$ 646,630	$ 22,642	$ 22,753,439	$ 9,861,610	$ 76,080,119

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

State of Hawai‘i
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawai‘i)
Governmental Funds
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2022

Total fund balances – governmental funds		$ 53,027,293
Amounts reported for governmental activities in the statement of net position are different because		
Capital assets used in governmental activities are not current financial resources and therefore not reported in the funds. These assets consist of the following		
Equipment	$ 108,693	
Accumulated depreciation	(108,693)	
Capital assets, net		-
Net position of governmental activities		$ 53,027,293

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

State of Hawai'i
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawai'i)
Governmental Funds
Statement of Revenues, Expenditures, and Change in Fund Balances
Year Ended June 30, 2022

	General Fund	General Obligation Bond Fund	HOME Investment Partnership Program	Housing Trust Fund Program	Homeowner Assistance Fund Program	Other Governmental Funds	Total Governmental Funds
Revenues							
State allotted appropriations	$ -	$ 115,000,000	$ -	$ -	$ -	$ -	$ 115,000,000
Intergovernmental revenue	-	-	1,295,562	581,859	6,871,750	290,622	9,039,793
Total revenues	-	115,000,000	1,295,562	581,859	6,871,750	290,622	124,039,793
Expenditures							
Programs	-	-	1,006,654	445,903	6,800,000	177,000	8,429,557
Personnel services	-	-	188,942	108,654	63,710	72,904	434,210
Administration	-	-	24,280	19,094	-	14,473	57,847
Professional services	-	-	14,675	8,208	8,040	26,245	57,168
Total expenditures	-	-	1,234,551	581,859	6,871,750	290,622	8,978,782
Excess of revenues over expenditures	-	115,000,000	61,011	-	-	-	115,061,011
Other financing uses							
Net transfers	(46,840)	(26,267,451)	-	-	-	-	(26,314,291)
Excess (deficiency) of revenues over (under) expenditures and other financing uses	(46,840)	88,732,549	61,011	-	-	-	88,746,720
Lapsed appropriations	-	(50,000,000)	-	-	-	-	(50,000,000)
Net change in fund balances	(46,840)	38,732,549	61,011	-	-	-	38,746,720
Fund balances							
Beginning of year	46,840	3,890,749	481,374	-	-	9,861,610	14,280,573
End of year	$ -	$ 42,623,298	$ 542,385	$ -	$ -	$ 9,861,610	$ 53,027,293

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

State of Hawaiʻi
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawaiʻi)
Governmental Funds
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Change in Fund Balances to the Statement of Activities
Year Ended June 30, 2022

Net change in fund balances – total governmental funds		$ 38,746,720
Amounts reported for governmental activities in the statement of activities are different because		
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays during the year.		
Depreciation expense	$ -	
Total depreciation expense		-
Change in net position – governmental activities		$ 38,746,720

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

State of Hawai'i
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawai'i)
Proprietary Funds
Statement of Net Position
June 30, 2022

	Rental Housing Revolving Fund	Dwelling Unit Revolving Fund	Single Family Mortgage Purchase Revenue Bond Fund	Housing Finance Revolving Fund	Other Enterprise Funds	Total Enterprise Funds
Assets and Deferred Outflows of Resources						
Current assets						
Equity in cash and cash equivalents and investments in State Treasury	$ 366,736,614	$ 197,318,114	$ -	$ 11,990,402	$ 31,400,325	$ 607,445,455
Cash in banks	-	469,602	-	-	10,000	479,602
Receivables						
Mortgage loans	514,132	15,978	5,229	-	-	535,339
Notes and loans	-	2,084	-	-	-	2,084
Accrued interest	22,803,483	26,928,937	65,179	137,801	425,549	50,360,949
Tenant receivables, less allowance for doubtful accounts of $3,579,434	-	107,378	-	-	-	107,378
Other receivables, less allowance for doubtful accounts of $135,591	-	1,792,233	-	-	490,492	2,282,725
Total receivables	23,317,615	28,846,610	70,408	137,801	916,041	53,288,475
Due from other funds	-	900,000	7,111	1,495,665	3,414,243	5,817,019
Prepaid expenses and other assets	-	14	2,685	-	93,468	96,167
Deposits held in trust	-	452,209	-	-	-	452,209
Total current assets	390,054,229	227,986,549	80,204	13,623,868	35,834,077	667,578,927
Restricted assets held by trustee under revenue bond program						
Cash and cash equivalents	-	-	18,989,657	-	-	18,989,657
Investments	-	-	22,210,862	-	-	22,210,862
	-	-	41,200,519	-	-	41,200,519
Inventories – development in progress and dwelling units	-	52,224,535	-	-	-	52,224,535
Restricted deposits held in escrow	-	1,013,459	-	-	-	1,013,459
Mortgage loans, net of allowance for loan losses of $421,966	642,635,129	30,825,818	-	4,813,564	2,003,221	680,277,732
Notes and loans	-	109,736,143	-	-	-	109,736,143
Capital assets, net	144,893	93,839,030	47,286	163,872	109,425	94,304,506
Total assets	1,032,834,251	515,625,534	41,328,009	18,601,304	37,946,723	1,646,335,821
Deferred outflows of resources						
Deferred outflows on net pension liability	120,721	909,053	77,899	239,234	74,977	1,421,884
Deferred outflows on net OPEB liability	61,979	363,688	21,982	83,783	53,425	584,857
Total deferred outflows of resources	182,700	1,272,741	99,881	323,017	128,402	2,006,741
Total assets and deferred outflows of resources	$ 1,033,016,951	$ 516,898,275	$ 41,427,890	$ 18,924,321	$ 38,075,125	$ 1,648,342,562

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

State of Hawai'i
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawai'i)
Proprietary Funds
Statement of Net Position
June 30, 2022

	Rental Housing Revolving Fund	Dwelling Unit Revolving Fund	Single Family Mortgage Purchase Revenue Bond Fund	Housing Finance Revolving Fund	Other Enterprise Funds	Total Enterprise Funds
Liabilities, Deferred Inflows of Resources, and Net Position						
Current liabilities						
Accounts payable	$ -	$ 2,176,360	$ 6,640	$ 11,454	$ 173,589	$ 2,368,043
Accrued expenses						
Interest	-	-	9,376	-	-	9,376
Other	158,098	771,795	68,548	168,423	131,548	1,298,412
Due to other funds	10,263	632,177	-	3,879,453	1,000,000	5,521,893
Due to other State departments	-	8,438	-	-	30,441	38,879
Security deposits	-	387,765	-	2,920,280	-	3,308,045
Note payable	-	14,724	-	-	-	14,724
Unearned income	-	384,615	-	-	-	384,615
Revenue bonds payable	-	-	1,001,000	-	-	1,001,000
Total current liabilities	168,361	4,375,874	1,085,564	6,979,610	1,335,578	13,944,987
Noncurrent liabilities						
Note payable	-	56,622	-	-	-	56,622
Revenue bonds payable	-	-	3,326,527	-	-	3,326,527
Estimated future costs of development	-	29,572,903	-	-	-	29,572,903
Unearned income	-	20,485,918	-	-	-	20,485,918
Lease incentive liability	141,362	521,577	45,821	159,885	106,265	974,910
Unrealized gain on sale of units and land	-	1,743,437	-	-	-	1,743,437
Net OPEB liability	523,534	5,959,034	474,225	1,499,520	663,998	9,120,311
Net pension liability	455,725	6,066,444	501,431	1,487,787	705,181	9,216,568
Total liabilities	1,288,982	68,781,809	5,433,568	10,126,802	2,811,022	88,442,183
Deferred inflows of resources						
Deferred inflows on net pension liability	275,092	1,485,967	103,397	342,053	188,145	2,394,654
Deferred inflows on net OPEB liability	76,072	633,908	49,226	128,493	95,816	983,515
Total deferred inflows of resources	351,164	2,119,875	152,623	470,546	283,961	3,378,169
Net position						
Net investment in capital assets	144,893	93,767,684	47,286	163,872	109,425	94,233,160
Restricted by legislation and contractual agreements	-	1,013,459	41,200,519	-	32,478,669	74,692,647
Unrestricted	1,031,231,912	351,215,448	(5,406,106)	8,163,101	2,392,048	1,387,596,403
Total net position	1,031,376,805	445,996,591	35,841,699	8,326,973	34,980,142	1,556,522,210
Total liabilities, deferred inflows of resources, and net position	$ 1,033,016,951	$ 516,898,275	$ 41,427,890	$ 18,924,321	$ 38,075,125	$ 1,648,342,562

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

State of Hawai'i
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawai'i)
Proprietary Funds
Statement of Revenues, Expenses, and Change in Net Position
Year Ended June 30, 2022

	Rental Housing Revolving Fund	Dwelling Unit Revolving Fund	Single Family Mortgage Purchase Revenue Bond Fund	Housing Finance Revolving Fund	Other Enterprise Funds	Total Enterprise Funds
Operating revenues						
Conveyance tax	$ 38,000,000	$ -	$ -	$ -	$ -	$ 38,000,000
Rental	-	2,891,021	-	-	-	2,891,021
Interest on mortgages, notes, loans and mortgage-backed securities	4,315,333	3,720,599	880,214	17,758	5,206	8,939,110
Sale of land and units, net	-	415,562	-	-	-	415,562
Other	315,462	2,759,880	-	2,139,610	1,026,410	6,241,362
Total operating revenues	42,630,795	9,787,062	880,214	2,157,368	1,031,616	56,487,055
Operating expenses						
Personnel services	945,317	3,823,574	169,575	813,177	595,959	6,347,602
Programs	-	4,378,682	-	-	1,233,098	5,611,780
Housing assistance payments	-	-	-	-	1,292,862	1,292,862
Administration	122,115	289,588	35,217	187,061	68,198	702,179
Professional services	50,896	216,759	46,407	41,970	73,069	429,101
Depreciation	21,934	174,319	7,274	24,806	16,633	244,966
Provision for (recovery of) losses	-	194,141	-	(1,160)	-	192,981
Interest expense	-	-	119,707	-	-	119,707
Insurance	559	55,301	564	684	1,092	58,200
Capital expenses	2,503	23,668	71	199	45	26,486
Other	48	2,234	2,909	2,728	127	8,046
Total operating expenses	1,143,372	9,158,266	381,724	1,069,465	3,281,083	15,033,910
Operating income (loss) carried forward	41,487,423	628,796	498,490	1,087,903	(2,249,467)	41,453,145

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

State of Hawai'i
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawai'i)
Proprietary Funds
Statement of Revenues, Expenses, and Change in Net Position
Year Ended June 30, 2022

	Rental Housing Revolving Fund	Dwelling Unit Revolving Fund	Single Family Mortgage Purchase Revenue Bond Fund	Housing Finance Revolving Fund	Other Enterprise Funds	Total Enterprise Funds
Operating income (loss) brought forward	41,487,423	628,796	498,490	1,087,903	(2,249,467)	41,453,145
Nonoperating revenues (expenses)						
Interest income	4,257,404	2,097,022	-	116,608	356,187	6,827,221
Loss on disposal of capital assets		(6,421,246)	-	-	-	(6,421,246)
Net decrease in fair value of mortgage-backed securities	-	-	(1,657,550)	-	-	(1,657,550)
Other expenses	-	-	-	(116)	-	(116)
Total nonoperating revenues (expenses)	4,257,404	(4,324,224)	(1,657,550)	116,492	356,187	(1,251,691)
Income (loss) before transfers	45,744,827	(3,695,428)	(1,159,060)	1,204,395	(1,893,280)	40,201,454
Net transfers	3,531	25,097,681	1,465	3,987	1,207,627	26,314,291
Change in net position	45,748,358	21,402,253	(1,157,595)	1,208,382	(685,653)	66,515,745
Net position						
Beginning of year	985,628,447	424,594,338	36,999,294	7,118,591	35,665,795	1,490,006,465
End of year	$ 1,031,376,805	$ 445,996,591	$ 35,841,699	$ 8,326,973	$ 34,980,142	$ 1,556,522,210

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

State of Hawai'i
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawai'i)
Proprietary Funds
Statement of Cash Flows
Year Ended June 30, 2022

	Rental Housing Revolving Fund	Dwelling Unit Revolving Fund	Single Family Mortgage Purchase Revenue Bond Fund	Housing Finance Revolving Fund	Other Enterprise Funds	Total Enterprise Funds
Cash flows from operating activities						
Cash received from tenants	$ -	$ 2,502,717	$ -	$ -	$ -	$ 2,502,717
Cash received from borrowers						
Principal repayments	9,890,269	-	10,108	45,430	110,115	10,055,922
Interest income	1,527,620	5,624,882	896,847	8,277	5,229	8,062,855
Cash received from sale of land	-	2,938,663	-	-	-	2,938,663
Cash received from conveyance taxes	38,000,000	-	-	-	-	38,000,000
Cash received for payments on mortgage-backed securities, net	-	-	5,561,009	-	-	5,561,009
Cash payments for issuance of loans receivable	(87,226,793)	(9,226,691)	-	-	-	(96,453,484)
Interest payments	-	-	(173,038)	-	-	(173,038)
Payments to employees	(944,220)	(4,054,820)	(205,496)	(807,842)	(633,372)	(6,645,750)
Payments to suppliers	(206,036)	(25,256,645)	(92,699)	(251,239)	(3,196,739)	(29,003,358)
Cash receipts from (payments to) other funds	-	(18,223)	(63,572)	250,715	217,308	386,228
Other cash receipts	315,462	2,810,527	-	2,496,105	828,971	6,451,065
Net cash provided by (used in) operating activities	(38,643,698)	(24,679,590)	5,933,159	1,741,446	(2,668,488)	(58,317,171)
Cash flows from noncapital financing activities						
Principal paid on revenue bond maturities and redemptions	-	-	(4,138,013)	-	-	(4,138,013)
Transfers in	-	25,081,192	-	-	1,233,098	26,314,290
Net cash provided by (used in) noncapital financing activities	-	25,081,192	(4,138,013)	-	1,233,098	22,176,277
Cash flows from capital and related financing activities						
Purchases of capital assets	-	(12,408)	-	-	(33,614)	(46,022)
Net cash used in capital and related financing activities	-	(12,408)	-	-	(33,614)	(46,022)
Subtotal carried forward	(38,643,698)	389,194	1,795,146	1,741,446	(1,469,004)	(36,186,916)

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

State of Hawai'i
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawai'i)
Proprietary Funds
Statement of Cash Flows
Year Ended June 30, 2022

	Rental Housing Revolving Fund	Dwelling Unit Revolving Fund	Single Family Mortgage Purchase Revenue Bond Fund	Housing Finance Revolving Fund	Other Enterprise Funds	Total Enterprise Funds
Subtotal brought forward	(38,643,698)	389,194	1,795,146	1,741,446	(1,469,004)	(36,186,916)
Cash flows from investing activities						
Interest received	1,568,078	798,286	-	39,284	127,952	2,533,600
Net cash provided by investing activities	1,568,078	798,286	-	39,284	127,952	2,533,600
Net increase (decrease) in cash and cash equivalents	(37,075,620)	1,187,480	1,795,146	1,780,730	(1,341,052)	(33,653,316)
Cash and cash equivalents						
Beginning of year	403,812,234	198,065,904	17,194,511	10,209,672	32,751,377	662,033,698
End of year	$ 366,736,614	$ 199,253,384	$ 18,989,657	$ 11,990,402	$ 31,410,325	$ 628,380,382
Components of cash and cash equivalents						
Equity in cash and cash equivalents and investments in State Treasury	$ 366,736,614	$ 197,318,114	$ -	$ 11,990,402	$ 31,400,325	$ 607,445,455
Cash in banks	-	469,602	-	-	10,000	479,602
Restricted cash and cash equivalents held by trustee	-	-	18,989,657	-	-	18,989,657
Deposits held in trust	-	452,209	-	-	-	452,209
Restricted deposits held in escrow	-	1,013,459	-	-	-	1,013,459
Cash and cash equivalents	$ 366,736,614	$ 199,253,384	$ 18,989,657	$ 11,990,402	$ 31,410,325	$ 628,380,382

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

State of Hawai‘i
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawai‘i)
Proprietary Funds
Statement of Cash Flows
Year Ended June 30, 2022

	Rental Housing Revolving Fund	Dwelling Unit Revolving Fund	Single Family Mortgage Purchase Revenue Bond Fund	Housing Finance Revolving Fund	Other Enterprise Funds	Total Enterprise Funds
Cash flows from operating activities						
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities						
Operating income (loss)	$ 41,487,423	$ 628,796	$ 498,490	$ 1,087,903	$ (2,249,467)	$ 41,453,145
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities						
Depreciation	21,934	174,319	7,274	24,806	16,633	244,966
Amortization	(20,894)	(77,089)	(6,772)	(23,631)	(15,706)	(144,092)
Provision for (recovery of) losses	-	194,141	-	(1,160)	-	192,981
Rent subsidies applied to note payable	-	(15,358)	-	-	-	(15,358)
Interest expense settled through reduction of rental subsidies	-	781	-	-	-	781
Net pension expense	4,795	22,062	1,090	5,217	3,264	36,428
Net OPEB benefit	(33,615)	(154,712)	(7,638)	(36,576)	(22,885)	(255,426)
Changes in assets and liabilities						
Mortgage loans receivable	(77,336,524)	40,082	10,108	45,430	110,115	(77,130,789)
Notes and loans receivable	-	(5,544,823)	-	-	-	(5,544,823)
Accrued interest receivable	(2,787,713)	(1,815,372)	16,633	(9,481)	23	(4,595,910)
Tenant receivables	-	130,020	-	-	-	130,020
Other receivables	-	52,881	-	21,217	(197,439)	(123,341)
Due to (from) other funds	(9,021)	(24,137)	(63,572)	250,715	217,308	371,293
Due to other State departments	-	5,914	-	-	-	5,914
Inventories – development in progress and dwelling units	-	(12,796,515)	-	-	-	(12,796,515)
Prepaid expenses and other assets	-	1	-	-	14,719	14,720
Investments	-	-	5,561,009	-	-	5,561,009
Accounts payable	-	747,931	(758)	5,034	(527,261)	224,946
Accrued interest payable	-	-	(53,332)	-	-	(53,332)
Other accrued expenses	29,917	(98,596)	(29,373)	36,694	(17,792)	(79,150)
Security deposits	-	(77)	-	335,278	-	335,201
Unearned income	-	(367,444)	-	-	-	(367,444)
Proceeds from sale of land	-	18,900	-	-	-	18,900
Estimated future costs of development	-	(5,801,295)	-	-	-	(5,801,295)
Net cash provided by (used in) operating activities	$ (38,643,698)	$ (24,679,590)	$ 5,933,159	$ 1,741,446	$ (2,668,488)	$ (58,317,171)
Supplemental information						
Noncash capital and related financing activities						
Principal payments on note payable settled through reduction of rental subsidies	$ -	$ 14,577	$ -	$ -	$ -	$ 14,577
Interest payments on mortgage note payable settled through reduction of rental subsidies	-	781	-	-	-	781

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

1. Organization and Summary of Significant Accounting Policies

Financial Reporting Entity

Chapter 201E, Hawaii Revised Statutes and Act 337, Session Laws of Hawaii ("SLH") 1987, created the Housing Finance and Development Corporation ("HFDC"). The HFDC was created to perform housing finance, housing development, and residential leasehold functions. The Hawaii Housing Authority, State of Hawaiʻi ("Authority") was organized pursuant to the provisions of Chapter 356, Hawaii Revised Statutes. The Authority was created to provide safe and sanitary dwelling accommodations for low and moderate-income residents of Hawaiʻi.

In accordance with Act 350, SLH 1997, effective July 1, 1998, the functions and employees of HFDC, as well as those of the Authority and the Rental Housing Trust Fund Commission, were transferred to the newly created Housing and Community Development Corporation of Hawaii ("HCDCH"). The purpose of Act 350, SLH 1997 was to consolidate all state housing functions previously administered by the Authority, HFDC and the Rental Housing Trust Fund Commission. HCDCH was a public body, both corporate and politic, and was for administrative purposes considered to be a part of the State Department of Business, Economic Development and Tourism. In accordance with Act 92, SLH 2003, effective July 1, 2003, the functions and employees of HCDCH were transferred to the State Department of Human Services for administrative purposes.

In accordance with Act 196, SLH 2005, as amended by Act 180, SLH 2006, HCDCH was split into two organizations to concentrate more effectively on the development of affordable housing. Effective July 1, 2006, HCDCH was bifurcated into (1) the Hawaii Public Housing Authority and (2) the Hawaii Housing Finance and Development Corporation (the "Corporation").

For financial reporting purposes, the Corporation includes all funds that are controlled by or dependent on the Corporation's Board of Directors. Control by or dependence on the Corporation was determined on the basis of statutory authority and monies flowing through the Corporation to each fund.

The financial statements of the Corporation include only the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Corporation, and are not intended to present fairly the financial position of the State of Hawaiʻi (the "State") as of June 30, 2022, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The State Comptroller maintains the central accounts for all State funds and publishes financial statements for the State annually, which include the Corporation's financial activities.

Government-Wide and Fund Financial Statements

The government-wide financial statements, the statement of net position, and the statement of activities report information on the activities of the Corporation. Governmental activities, which normally are supported by State allotments and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to customers who purchase, use or directly benefit from goods or services provided by a given function. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. State allotments and other items not included among program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenues rather than program revenues. The Corporation employs an indirect cost allocation system. The Corporation provides certain administrative services to its various funds. The cost of these services is allocated to the funds based on estimates of benefits provided to the funds.

Net position is restricted when constraints placed on it are either externally imposed or imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restrictions of net position. When both restricted and unrestricted resources are available for use, generally it is the Corporation's policy to use restricted resources first, then unrestricted resources as they are needed. Additionally, the Corporation would first use restricted, committed, then assigned, and lastly, unassigned amounts of unrestricted fund balance when expenditures are made.

The fund financial statements are provided for governmental and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are summarized into a single column.

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities for the current period. For this purpose, the Corporation considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. In applying the susceptible to accrual concept to intergovernmental revenues, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when applicable requirements, including timing requirements, are met.

Principal revenue sources considered susceptible to accrual include federal grants and interest on investments. Some revenue items that are considered measurable and available to finance operations during the year from an accounting perspective are not available for expenditure due to the State's present appropriation system. These revenues have been accrued in accordance with GAAP since they have been earned and are expected to be collected within 60 days of the end of the period. Other revenues are considered to be measurable and available only when cash is received by the Corporation.

Expenditures generally are recorded when a liability is incurred.

Proprietary Funds Financial Statements

The financial statements of proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide financial statements described above.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services or goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal operating revenues of the Corporation's enterprise funds are conveyance tax revenues, rental income, and interest income earned on mortgages, notes, loans and mortgage-backed securities. Interest income from investments in State Treasury is reported as nonoperating income.

Fund Accounting

The financial activities of the Corporation are recorded in individual funds, each of which is deemed to be a separate accounting entity. The Corporation uses fund accounting to report on its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

GAAP as established by the Governmental Accounting Standards Board (“GASB”) sets forth minimum criteria for the determination of major funds. The non-major funds are combined in a single column in the fund financial statements and detailed in the combining section.

Governmental Funds

- **Governmental Funds** – These funds account for those activities that are primarily supported by State or Federal appropriations or by Federal contributions. Governmental Funds include the General Fund, General Obligation Bond Fund, HOME Investment Partnership Program, Housing Trust Fund Program, Homeowner Assistance Fund Program, and other funds. The other funds include the Tax Credit Assistance Program (“TCAP”), Coronavirus Relief Fund Program, and Rental Assistance and Mediation Program.

  The Corporation reports the following as major governmental funds:

  - General Fund accounts for all financial resources of the State’s general fund revenues appropriated by the State Legislature to the Corporation, except those required to be accounted for in another fund.

  - General Obligation Bond Fund accounts for the transfers of the proceeds of the State’s general obligation bonds allotted to the Corporation for subsequent use by the Corporation’s other funds.

  - HOME Investment Partnership Program accounts for all financial activities that are funded by the related federal grants. Substantially all of the fund’s activity relates to providing affordable housing to residents of the State.

  - Housing Trust Fund Program accounts for all financial activities funded by the related federal grant. Substantially all of the fund’s activity is related to providing affordable housing, with primary attention to rental housing for extremely low-income households.

  - Homeowner Assistance Fund Program accounts for all financial activities funded by the related federal grant. Substantially all of the fund’s activity is related to providing mortgage or other eligible homeowner expense assistance to residents impacted by the coronavirus pandemic.

Proprietary Funds

- **Enterprise Funds** – These funds account for those activities for which the intent of management is to recover, primarily through user charges, the cost of providing goods or services to customers, or where sound financial management dictates that periodic determinations of results of operations are appropriate. Enterprise Funds include the Rental Housing Revolving Fund, Dwelling Unit Revolving Fund, Single Family Mortgage Purchase Revenue Bond Fund, Housing Finance Revolving Fund, and other funds. The other funds include the Rental Assistance Revolving Fund, Multi-family Housing Revenue Bond Fund, Disbursing Fund, and Grants in Aid Fund.

  Under the revenue bond funds, proceeds from bond issues are used to make below-market interest rate mortgage loans to persons and families of low to moderate income for the purchase of owner-occupied single-family and condominium dwellings, provide interim construction loans, and permanent financing of affordable multi-family rental housing projects.

  The Corporation reports the following as major proprietary funds:

  - Rental Housing Revolving Fund provides developers of qualified rental housing projects with loans and/or grants for the development, predevelopment, construction, acquisition, preservation and rehabilitation of rental housing units.

  - Dwelling Unit Revolving Fund accounts for State funds used for acquiring, developing, selling, leasing and renting residential, commercial and industrial properties, providing mortgage and interim financing, rental income, sales proceeds, and interest earnings from the financing and investment of such funds.

  - Single Family Mortgage Purchase Revenue Bond Fund accounts for the proceeds from the issuance of bonds used to make below-market interest rate mortgage loans and the repayment of such loans, and investment income earned.

  - Housing Finance Revolving Fund provides for long-term and other special financing provided by the Corporation. The fund also accounts for monies received and collected by the Corporation, not otherwise pledged or obligated nor required by law to be placed in another proprietary fund.

Equity in Cash and Cash Equivalents and Investments in State Treasury
The State Director of Finance is responsible for the safekeeping of cash and investments in the State Treasury in accordance with State laws. The Director of Finance may invest any monies of the State, which in the Director's judgment, are in excess of the amounts necessary for meeting the immediate requirements of the State. Cash is pooled with funds from other State agencies and departments and deposited into approved financial institutions or in the State Treasury Investment Pool. Funds in the investment pool accrue interest based on the average weighted cash balances of each account.

The State requires that depository banks pledge, as collateral, government securities held in the name of the State for deposits not covered by federal deposit insurance.

GAAP requires disclosures over common deposit and investment risks related to credit risk, interest rate risk, and foreign currency risk. Investments can be categorized by type, maturity and custodian to determine the level of interest rate, credit and custodial risk assumed by the Corporation. However, as these funds are held in the State investment pool, the Corporation does not manage these investments and the types of investments, and related interest rate, credit and custodial risks are not determinable at the Corporation's level. The risk disclosures and fair value leveling table of the State's investment pool are included in the State's Annual Comprehensive Financial Report ("ACFR") which may be obtained from the Department of Accounting and General Services' ("DAGS") website: https://ags.hawaii.gov/reports/financial-reports.

Cash and short-term investments held outside of the State Treasury are primarily held in a financial institution outside of the State. The Corporation considers all cash and investments with original maturities of three months or less to be cash equivalents.

Cash and cash equivalents for the purpose of the statement of cash flows include all cash and highly liquid investments with original purchased maturities of three months or less. Cash and cash equivalents also include the Corporation's equity in cash and cash equivalents and investments held in the State Treasury.

The State's investments are reported at fair value within the fair value hierarchy established by GAAP. Investments in mutual funds are reported at fair value based on quoted market prices. Investments in U.S. government obligations are reported at fair value based on quoted prices or other observable inputs, including pricing matrices.

Investments
Investments in U.S. government securities with maturities of one year or less when purchased are stated at cost, which approximate fair value. Certificates of deposits are stated at amortized cost. All other investments are reported at fair value as described below.

Fair Value Measurements

For financial assets reported at fair value, the Corporation defines fair value as the price that would be received to sell an asset in the principal or most advantageous market in an orderly transaction between market participants. The Corporation measures fair value using assumptions developed based on market data obtained from independent external sources and the reporting entity's own assumptions. The hierarchy is broken down into levels based on the reliability of the inputs as follows:

- **Level 1** – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2** – Inputs other than quoted market prices included in Level 1 that are observable for an asset or liability, either directly or indirectly.
- **Level 3** – Unobservable inputs for an asset or liability reflecting the reporting entity's own assumptions. Level 3 inputs are used to measure fair value to the extent that observable Level 1 or Level 2 inputs are not available.

Inventories

Inventories consist of developments in progress and units available for sale. Developments in progress include construction in progress and land held for future development related to planned community projects – Kapolei (Oʻahu), Hale Kalele (O'ahu), Kamakana Villages of Keahuolu (West Hawaiʻi), and Leialiʻi (Maui). Costs included in developments in progress relate to the infrastructure construction for these planned community projects. Units available for sale include constructed units, developed lots, and repurchased units available for sale.

Inventories are stated at the lower of cost or estimated net realizable value. All estimated development, holding and disposition costs to the anticipated date of disposition are considered in the determination of estimated net realizable value. Estimated net realizable value represents management's estimates, based on management's plans and intentions, of sales price less development, holding and disposition costs, assuming that the development and disposition occurs in the normal course of business. Write-downs for estimated losses on inventories are recorded to the extent total estimated costs exceed total estimated revenues for a project.

The recognition of gain from the sale of units is dependent on a number of factors relating to the nature of the property sold, the terms of the sale, and the future involvement of the Corporation in the property sold. If a real estate transaction does not meet established financial criteria, profit recognition is deferred and recognized under the installment or cost recovery method until such time as the criteria are met.

Receivables

Receivable balances are composed of mortgage loans receivable and tenant receivables from the various projects and funds within the Corporation. Mortgage loans receivable are primarily second mortgages from nonprofit organizations and for-profit developers for the development, pre-development, construction, acquisition, preservation and substantial rehabilitation of rental housing units. Receivable amounts from tenants are related to rental arrangements. Allowance for doubtful accounts on receivables are typically established for any accounts over 90 days outstanding. For the year ended June 30, 2022, there were allowances for mortgage loan receivables, tenant receivables, and other receivables of approximately $422,000, $3,579,000, and $136,000, respectively.

Interfund Receivables and Payables

During the course of operations, transactions occur between funds that may result in amounts owed between funds. Those related to transactions for goods and services are classified as "due to and from other funds." See Note 16 for details of interfund transactions, including receivables and payables at fiscal year-end.

Capital Assets

Capital assets, which include property and equipment, are reported in the applicable governmental or business-type activities in the government-wide financial statements and proprietary funds financial statements. The capitalization thresholds are $5,000 for equipment, and $100,000 for land improvements, building, and building improvements.

Purchased and constructed capital assets are valued at cost. Donated assets are recorded at their fair value at the date of donation.

Depreciation expense is recorded in the government-wide and proprietary funds financial statements utilizing the straight-line method over the assets' estimated useful lives. No depreciation is recorded for land and land improvements. Generally, the useful lives are as follows:

	Governmental Activities	Proprietary Funds and Business-Type Activities
Building and building improvements	25 years	10 – 40 years
Equipment	7 years	5 – 10 years

Leases

Lessee
The Corporation has a policy to recognize a lease liability and a right-to-use lease asset ("lease asset") in the government-wide financial statements. The Corporation recognizes lease liabilities with an initial, individual value of $25,000 or more with a lease term greater than one year. Variable payments based on future performance of the lessee or usage of the underlying asset are not included in the measurement of the lease liability.

At the commencement of a lease, the Corporation initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made.

Lease assets are recorded at the amount of the initial measurement of the lease liabilities and modified by any lease payments made to the lessor at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term along with any initial direct costs that are ancillary charges necessary to place the lease assets into service. Lease assets are amortized using the straight-line method over the shorter of the lease term or the useful life of the underlying asset, unless the lease contains a purchase option that the Corporation has determined is reasonably certain of being exercised. In this case, the lease asset is amortized over the useful life of the underlying asset.

Key estimates and judgments related to leases include how the Corporation determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Corporation uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Corporation generally uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the State is reasonably certain to exercise.

The Corporation monitors changes in circumstances that would require a remeasurement of its lease and will remeasure any lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported as right to use along with other capital assets and lease liabilities are reported with long-term liabilities on the statement of net position.

Lessor

The Corporation is a lessor for leases of office and commercial space and land. The Corporation recognizes leases receivable and deferred inflows of resources in the financial statements. Variable payments based on future performance of the lessee or usage of the underlying asset should not be included in the measurement of the lease receivable.

At the commencement of a lease, the Corporation initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflows of resources are initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflows of resources are recognized as revenue over the life of the lease term in a systematic and rational method.

Key estimates and judgments include how the Corporation determines (1) the lease represents an exchange or exchange-like transaction in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, (2) the discount rate it uses to discount the expected lease receipts to present value, (3) lease term, and (4) lease receipts.

- As the Corporation's mission is to provide affordable housing to Hawaiʻi residents, an exchange or exchange-like transaction represents lease rents greater than 50% of current fair market rents.

- The Corporation uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The Corporation monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows (inflows) of resources represent a consumption (acquisition) of net assets that apply to a future period. Except for the Corporation's contributions to the pension and other postemployment benefits ("OPEB") plans subsequent to the measurement date of the actuarial valuations for the pension and OPEB plans which will be recognized as a reduction of the net pension and OPEB liability in the subsequent fiscal year and the deferred outflows or inflows of resources for the net difference between projected actual earnings on plan investments which are amortized over five years, the deferred outflow and inflow of resources related to pension and OPEB resulted from differences between expected and actual experiences which will be amortized over the average remaining service lives of plan members.

Unearned Revenues

Unearned revenues at the fund level and government-wide level arise when the Corporation receives resources before it has a legal claim to them. In subsequent periods, when the revenue recognition criteria are met or when the Corporation has a legal claim to the resources, the liability for unearned revenue is removed from the statement of net position and revenue is recognized.

Accrued Vacation

Vacation leave accumulates at a rate of one and three-quarters working days for each month of service. Accumulation of such vacation credits is limited to 720 hours at calendar year-end and is convertible to pay upon termination of employment. Liabilities for accumulated unpaid vacation are accrued at the end of each accounting period utilizing current salary rates. Such vacation credits are recorded as other accrued expenses in the government-wide and the proprietary funds financial statements at the balance sheet date. Accumulated unpaid vacation estimated to be used or paid during the next year is approximately $220,000. Accrued vacation, which is included in other accrued expenses in the statement of net position, changed during fiscal year 2022 as follows:

Balance at July 1, 2021	$	885,000
Additions		464,000
Reductions		(591,000)
Balance at June 30, 2022	$	758,000

Accumulated Sick Leave Pay

Sick leave accumulates at the rate of one and three-quarters working days for each month of service without limitation. Generally, sick leave may be taken only in the event of illness and is not convertible to pay upon termination of employment. However, a State employee who retires or leaves government service in good standing with 60 days or more of unused sick leave is entitled to additional service credit in the Employees' Retirement System of the State of Hawaiʻi ("ERS"). Accumulated unpaid sick leave at June 30, 2022 amounted to approximately $2,071,000.

Postemployment Benefits Other than Pensions

The actuarial valuation of the Hawaii Employer-Union Health Benefits Trust Fund ("EUTF") does not provide OPEB information by department or agency. Accordingly, the State's policy on the accounting and reporting for OPEB is to allocate a portion of the State's net OPEB liability, and any adjustment to the net OPEB liability, to component units and proprietary funds that are reported separately in stand-alone financial statements or in the State's ACFR. The State allocates annual OPEB expense to component units and proprietary funds based on their proportionate percentage of the State's total contribution to the EUTF plan.

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the EUTF, and additions to/deductions from the EUTF's fiduciary net position have been determined on the same basis as they are reported by the EUTF. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at their fair value.

Pension Benefits

The actuarial valuation of the ERS does not provide pension benefits information by department or agency. Accordingly, the State's policy on the accounting and reporting for pension benefits is to allocate a portion of the State's net pension liability, and any adjustment to the net pension liability, to component units and proprietary funds that are reported separately in stand-alone financial statements or in the State's ACFR. The State allocates annual pension expense to component units and proprietary funds based on their proportionate percentage of the State's total covered payroll.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the ERS, and additions to/deductions from the ERS's fiduciary net position have been determined on the same basis as they are reported by the ERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at their fair value.

Risk Management

Liabilities related to certain types of losses (including torts, theft of, damage to, or destruction of assets, errors or omissions, natural disasters, and injuries to employees) are reported when it is probable that the losses have occurred and the amount of those losses can be reasonably estimated.

Governmental Fund Balances

The Corporation accounts for governmental fund balances through a hierarchical fund balance classification structure based primarily on the extent to which a government is bound to follow constraints on how resources can be spent. Classifications include:

- **Restricted** – Balances that are restricted for specific purposes by external parties such as creditors, grantors or other governments.

- **Committed** – Balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the State legislature and the Corporation's Board of Directors.

- **Assigned** – Balances that are constrained by management to be used for specific purposes, but are neither restricted nor committed.

- **Unassigned** – Residual balances that are not contained in the other classifications.

The fund balance of the TCAP was restricted for use in the construction of qualified low-income buildings for which a housing credit agency has made an allocation of low-income housing credits under Section 42 of the Internal Revenue Code.

The fund balance of the General Obligation Bond Fund was committed to finance the development or rehabilitation of affordable housing.

The fund balance of the HOME Investment Partnership Program was restricted to provide affordable housing to residents of the State.

Use of Estimates
In preparing financial statements in conformity with GAAP, management is required to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results may differ from those estimates.

New Accounting Pronouncements

GASB Statement No. 87
In June 2017, GASB issued Statement No. 87, *Leases*, to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It also establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The Corporation adopted GASB Statement No. 87 effective July 1, 2021. Adoption of this statement did not have a material impact on the Corporation's financial statements.

GASB Statement No. 92
During fiscal year 2022, the Corporation implemented GASB Statement No. 92, *Omnibus 2020*. The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement did not have a material effect on Corporation's financial statements.

GASB Statement No. 94
The GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement is to establish the definitions of public-private and public-public partnerships ("PPP") and availability payment arrangements ("APA") and provide uniform guidance on accounting and financial reporting for transactions that meet those definitions. The requirements of this Statement are effective for periods beginning after June 15, 2022. The Corporation has not yet determined the effect this Statement will have on its financial statements.

GASB Statement No. 96
The GASB issued Statement No. 96, *Subscription Based Information Technology*. The objective of this Statement is to establish standards of accounting and financial reporting for recognizing a right-to-use asset and subscription liability for subscription-based information technology arrangements. The requirements of this Statement are effective for periods beginning after June 15, 2022. The Corporation has not yet determined the effect this Statement will have on its financial statements.

GASB Statement No. 99
The GASB issued Statement No. 99, *Omnibus*. The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Certain requirements of this Statement are effective immediately, while other requirements are effective for fiscal years beginning after June 15, 2022 and June 15, 2023, respectively. The Corporation has not determined the effect this Statement will have on its financial statements.

GASB Statement No. 100
The GASB issued Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for reporting periods beginning after June 15, 2023. The Corporation has not determined the effect this Statement will have on its financial statements.

GASB Statement No. 101
The GASB issued Statement No. 101, *Compensated Absences*. The primary objective of the Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023. The Corporation has not determined the effect this Statement will have on its financial statements.

2. Deposits

At June 30, 2022, total cash and cash equivalents reported in the statement of net position consisted of the following:

	Governmental Activities	Business-Type Activities	Total
Equity in cash and cash equivalents and investments in State Treasury	$ 22,753,439	$ 607,445,455	$ 630,198,894
Cash in banks (book balance)	16,248	479,602	495,850
Cash held by third parties	542,385	-	542,385
Restricted cash and cash equivalents held by trustee	-	18,989,657	18,989,657
Deposits held in trust	-	452,209	452,209
Restricted deposits held in escrow	-	1,013,459	1,013,459
Total cash and cash equivalents	$ 23,312,072	$ 628,380,382	$ 651,692,454

The bank balance of cash in bank was approximately $472,000, of which $387,000 was covered by federal deposit insurance and $85,000 was not covered and is uncollateralized. As of June 30, 2022, Level 1 inputs were used to determine the fair value of the money market funds that are included in cash and cash equivalents. The fair value of equity in investments in State Treasury is described in Note 1.

3. Investments

Investments at June 30, 2022 are summarized by maturity (in years) as follows:

	Less than 1	Greater than 1 and up to 5	Greater than 5 and up to 10	Greater than 10 and up to 20	Greater than 20	Reported Value
Mortgage-backed securities	$ 4,851	$ 1,034,463	$ 3,108,285	$ 4,728,725	$ 13,334,538	$ 22,210,862

Investments summarized in the table above are reflected in the statement of net position as investments held by trustee under revenue bond program.

As of June 30, 2022, Level 2 inputs were used to determine the fair value of mortgage-backed securities.

The risks related to the Corporation's investments are as follows:

- **Interest Rate Risk** – The Corporation does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

- **Credit Risk** – The revenue bond funds' trust indentures authorize the trustee to invest in certificates of deposit, money market funds, U.S. government or agency obligations, and repurchase agreements. The Corporation has no investment policy that would further limit its investment decisions. As of June 30, 2022, Federal National Mortgage Association ("FNMA") mortgage-backed securities were rated Aaa, AAA, and AA+ by Moody's Investors Service, Fitch, and Standard & Poor's Rating Services, respectively. Money market funds are not rated. Certificates of deposit and securities of the Government National Mortgage Association are not considered to have credit risk exposure.

- **Concentration of Credit Risk** – The Corporation has no limit on the amount the Corporation may invest in any one issuer. As of June 30, 2022, the Corporation's investments were primarily with the FNMA and represent 98% of the Corporation's total investments.

- **Custodial Risk** – For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the Corporation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Corporation's investments that are uninsured and unregistered are held by the Corporation's trust agent in the Corporation's name. The Corporation monitors the fair value of these securities and obtains additional collateral when appropriate.

4. Mortgage Loans and Notes and Loans Receivable

Mortgage loans and notes and loans receivable at June 30, 2022 comprised the following:

	Mortgage Loans	Notes and Loans
Mortgage loans bearing interest up to 8.625%, maturing at various dates through 2081	$ 681,235,037	$ -
Promissory notes bearing interest up to 5.50%, maturing at various dates through 2071	-	109,738,227
Non-interest bearing promissory notes, maturing at various dates through 2066	-	9,861,610
Allowance for loan losses	(421,966)	-
	680,813,071	119,599,837
Less: Current portion	(535,339)	(2,084)
Noncurrent portion	$ 680,277,732	$ 119,597,753

The Kamakana Villages at Keahuolu note receivable of approximately $6,421,000 was contingent upon the completion of certain construction and conditional terms as set forth in the amended development agreement. The corresponding construction and conditional terms were met in December 2021 and the corresponding loan was released.

Mortgage and development loans are collateralized by real property. The mortgage loans of the revenue bond funds are also subject to primary mortgage and mortgage pool insurance coverage that, subject to aggregate loss limitations, reimburses the Corporation for all losses incurred, if any, from the disposition of real property acquired through foreclosure.

The promissory notes are collateralized by a second mortgage on the improvements of Kukui Gardens (see Note 12). The non-interest bearing notes are collateralized by real property.

5. Capital Assets

Capital asset activity for the year ended June 30, 2022 was as follows:

	Balance at July 1, 2021	Additions	Disposals	Balance at June 30, 2022
Governmental activities				
Depreciable assets				
Equipment	$ 128,500	$ -	$ (19,807)	$ 108,693
Accumulated depreciation				
Equipment	(128,500)	-	19,807	(108,693)
Governmental activities capital assets, net	$ -	$ -	$ -	$ -
Business-type activities				
Depreciable assets				
Building and improvements	$ 14,138,665	$ 597,812	$ -	$ 14,736,477
Equipment	215,958	567,217	-	783,175
	14,354,623	1,165,029	-	15,519,652
Accumulated depreciation				
Building and improvements	(3,503,525)	(118,358)	-	(3,621,883)
Equipment	(172,075)	(126,608)	-	(298,683)
	(3,675,600)	(244,966)	-	(3,920,566)
	10,679,023	920,063	-	11,599,086
Land	82,724,320	-	(18,900)	82,705,420
Business-type activities capital assets, net	$ 93,403,343	$ 920,063	$ (18,900)	$ 94,304,506

For the year ended June 30, 2022, approximately $245,000 of depreciation expense was charged to the business-type activities for housing development.

At June 30, 2022, capital assets for the proprietary funds consisted of the following:

	Rental Housing Revolving Fund	Dwelling Unit Revolving Fund	Single Family Mortgage Purchase Revenue Bond Fund	Housing Finance Revolving Fund	Other Enterprise Funds	Total
Buildings and improvements	$ 86,683	$ 14,458,495	$ 28,097	$ 98,041	$ 65,161	$ 14,736,477
Equipment	87,849	467,288	45,680	106,213	76,145	783,175
	174,532	14,925,783	73,777	204,254	141,306	15,519,652
Less: Accumulated depreciation	(29,639)	(3,792,173)	(26,491)	(40,382)	(31,881)	(3,920,566)
	144,893	11,133,610	47,286	163,872	109,425	11,599,086
Land	-	82,705,420	-	-	-	82,705,420
Net capital assets	$ 144,893	$ 93,839,030	$ 47,286	$ 163,872	$ 109,425	$ 94,304,506

6. Revenue Bond Fund – Reserve Requirements

Under the trust indentures between the Corporation and the trustee for the Single Family Mortgage Purchase revenue bonds, investment assets and cash are required to be held by the trustee in various accounts and funds, including debt service reserve accounts, loan funds, and mortgage loan reserve funds. The uses of these assets are restricted by the terms of the trust indentures.

At June 30, 2022, the following debt service reserves and mortgage loan reserves were required by the trust indentures in the Single Family Mortgage Purchase Revenue Bond Fund:

Debt service reserve requirements	$ 433,000
Mortgage loan reserve requirements	291,000
	$ 724,000

At June 30, 2022, approximately $499,000 and $6,123,000 of investment securities were being held in the debt service reserve and mortgage loan reserve funds, respectively, and are included in assets held by trustee in the statement of net position.

The trust indenture agreement also requires that the mortgage loan reserves for the Single Family Mortgage Purchase Revenue Bond Fund be funded from other than bond proceeds and, accordingly, the reserves have been funded by commitment fees at June 30, 2022.

7. Note Payable

The Dwelling Unit Revolving Fund has a mortgage note payable to the U.S. Department of Agriculture Office of Rural Development. The note was originated in October 1994, and is payable in monthly installments of approximately $1,300, including annual interest at 1.0%, due in April 2027. The note is collateralized by property and rental receipts. In the event of default, the lender may declare the remaining loan balance to be immediately due and payable, take possession of the property, foreclose the mortgage, or exercise other options stated in the loan agreement. At June 30, 2022, the balance outstanding on the mortgage note was approximately $71,000.

Note payable activity during the year was as follows:

	Balance at July 1, 2021	Additions	Reductions	Balance at June 30, 2022	Current Portion
Note payable	$ 85,923	$ -	$ (14,577)	$ 71,346	$ 14,724

The approximate debt service requirement of the mortgage and note payable is as follows:

	Principal	Interest	Total
Years ending June 30,			
2023	$ 15,000	$ 1,000	$ 16,000
2024	15,000	1,000	16,000
2025	15,000	-	15,000
2026	15,000	-	15,000
2027	11,000	-	11,000
	$ 71,000	$ 2,000	$ 73,000

8. Single Family Mortgage Purchase Revenue Bonds Payable

Through June 30, 2022, approximately $1.9 billion of revenue bonds have been issued. The revenue bonds are payable from and collateralized by the revenues and other monies and assets of the revenue bond funds and other assets of the Corporation pledged under the indentures.

Single Family Mortgage Purchase revenue bonds payable at June 30, 2022 consisted of the following issuances:

2013 Series A	
Term bonds maturing in 2023 through 2027 (2.60%)	$ 4,327,527

Interest on the Single Family Mortgage Purchase revenue bonds is payable in monthly payments.

The Single Family Mortgage Purchase revenue bonds with designated maturity dates may be redeemed at the option of the Corporation. The revenue bonds may also be redeemed without premium prior to maturity, at the option of the Corporation, as funds become available from undisbursed bond proceeds, principal payments, and prepayments of mortgages, excess amounts in the debt service reserve account, or excess revenues (as defined in the bond indentures).

During the year ended June 30, 2022, early redemptions totaled $3,435,000.

Revenue bonds activity during the year was as follows:

	Balance at July 1, 2021	Additions	Reductions	Balance at June 30, 2022
Single Family Mortgage Purchase	$ 8,465,540	$ -	$ (4,138,013)	$ 4,327,527
Less: Current portion				(1,001,000)
				$ 3,326,527

The approximate annual debt service requirements through June 30, 2027 for revenue bonds are as follows:

	Principal	Interest	Total
Years ending June 30,			
2023	$ 1,001,000	$ 98,000	$ 1,099,000
2024	1,028,000	72,000	1,100,000
2025	1,055,000	45,000	1,100,000
2026	1,082,000	17,000	1,099,000
2027	162,000	-	162,000
	$ 4,328,000	$ 232,000	$ 4,560,000

Interest on the Corporation's Single Family Mortgage Purchase revenue bonds is considered gross income for federal income tax purposes and is not subject to rebates due to the U.S. Treasury.

Interest expense of approximately $120,000 was included as direct function expenses in the government-wide financial statement of activities during the year ended June 30, 2022.

In the event of default, as defined in the bond indenture, the bond trustee may, by giving 30 days written notice to the Corporation, declare the principal and interest on all bonds outstanding to be due and payable immediately, subject to remedies provided in the indenture.

9. Conduit Debt Obligations

From time to time, the Corporation has issued revenue bonds to provide financial assistance to private sector entities for the acquisition and rehabilitation of affordable multi-family rental housing developments. These bonds are special limited obligations of the Corporation, payable solely from and collateralized by a pledge of payments on the mortgage-backed securities. Neither the Corporation, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds.

As of June 30, 2022, conduit debt obligations outstanding amounted to approximately $464,000,000.

10. Leases

Lessee

The Corporation leases office building space under a noncancelable operating lease expiring in 2049. The lease has fixed rent payments through August 2022 with no minimum rent due through lease expiration. The related right-to-use lease asset, lease liability, rent expense and future minimum lease payments were not material for the year ended June 30, 2022.

Lessor

The Corporation leases land with a carrying value to various developers and home buyers. The leases expire at various dates through 2055. The related lease receivable, deferred inflow of resources, rent income and future minimum rents were not material for the year ended June 30, 2022.

11. Commitments and Contingencies

Construction Contracts

At June 30, 2022, the Dwelling Unit Revolving Fund ("DURF") had outstanding commitments to expend approximately $40,994,000 for land development and the construction and renovation of housing projects.

Loan Commitments

At June 30, 2022, the Rental Housing Revolving Fund had aggregate outstanding loan commitments of approximately $55,977,000.

Rental Subsidy Commitments

At June 30, 2022, the Rental Assistance Revolving Fund had aggregate outstanding rental subsidy commitments of approximately $24,852,000.

Development Costs

The Kapolei development project primarily consists of eight residential villages, a golf course, and certain commercial parcels spread over approximately 888 acres of land. As of June 30, 2022, all but 28 acres of remnant residential and business mixed-use parcels have been developed and sold. The estimated future cost of development is recorded as a liability in the accompanying statement of net position and relates primarily to the completion of certain infrastructure improvements at this project. This liability represents estimated amounts charged to the cost of land sold in excess of costs incurred. Management believes that the future revenues from this project will meet or exceed the net amount of this liability and the remaining costs to be incurred on the project.

Additionally, the Corporation has been in the process of developing two master planned communities on the neighbor islands. The Villages of Leialiʻi is in West Maui and is located on public trust (ceded) land owned by the State. As of June 30, 2022, the Corporation still has development rights for most of the Leialiʻi project and development costs related to Leialiʻi were approximately $9,129,000 at June 30, 2022.

In 2008, the Corporation embarked on the development of another master planned community on non-ceded land in West Hawaiʻi, named the Kamakana Villages at Keahuolu. On March 31, 2009, the Corporation entered into a development agreement and a related loan agreement to finance necessary predevelopment, planning and infrastructure costs with a master plan developer. Over the past several years, the master plan developer has worked on the project and was successful in obtaining numerous development entitlements and rights under related agreements (collectively, the “entitlements”). In fiscal year 2018, the Corporation and the master plan developer agreed to terminate all of their rights, duties and obligations to each other under the development agreement with certain entitlements assigned and assumed by the Corporation with consideration of certain outstanding loan balances deemed repaid in full, which amounted to approximately $21,918,000. Additionally, a portion of the development agreement and outstanding loan balance was transferred to another plan developer for completion. As of June 30, 2022, development costs related to Kamakana Villages of Keahuolu were approximately $22,524,000.

In 2020, the Corporation began the process of developing the mixed-use project Hale Kalele, which adds 200 affordable rental housing units in lower Makiki. As of June 30, 2022, development costs related to Hale Kalele project were approximately $16,813,000.

Also, the Corporation has other development costs and dwelling units of approximately $3,758,000 at June 30, 2022.

Torts and Litigation

The Corporation is involved in various actions, the outcome of which, in the opinion of management, will not have a material adverse effect on the Corporation's financial position. Losses, if any, are either covered by insurance or will be paid from legislative appropriations of the State's general fund.

Insurance

The State maintains certain insurance coverage to satisfy the bond indenture agreements as well as for other purposes, but is substantially self-insured for all other perils including workers' compensation. The State records a liability for risk financing and insurance related losses, including incurred but not reported, if it is determined that a loss has been incurred and the amount can be reasonably estimated. The State retains various risks and insures certain excess layers with commercial insurance companies. Relevant disclosures are included in the State ACFR. At June 30, 2022, the State recorded an estimated loss for workers' compensation, automobile, and general liability claims as long-term liabilities as the losses will not be liquidated with currently expendable available financial resources. The estimated losses will be paid from legislative appropriations of the State's general fund. The Corporation's portion of the State's workers' compensation liability was not material at June 30, 2022.

12. Kukui Gardens

On December 18, 2007, the Corporation purchased a portion of Kukui Gardens (the "Project"), an affordable housing project in Honolulu, Hawaiʻi, for approximately $59,569,000. Concurrent with DURF's purchase of the Project, DURF sold the Project's improvements (including apartment units) and operating cash of approximately $38,527,000 to Kukui EAH/DGI Associates, L.P. ("EAH"), an unrelated third party, for no gain or loss, and leased the underlying land of approximately $21,042,000 to EAH pursuant to the terms of a 65-year land lease that expires on December 18, 2072.

To assist in financing the acquisition and redevelopment of the Project, the State contributed $25,000,000 to DURF during December 2007. Additionally, the Multi-family Housing Revenue Bond Fund issued $45,000,000 of revenue bonds to provide conduit financing to EAH for their acquisition of the Project's improvements and operating cash, as well as to provide capital for rental operations and the planned renovation of the apartment units. Upon completion of the renovations, $34,605,000 of the bonds was scheduled to be redeemed, leaving $10,395,000 of bonds outstanding to their stated maturity. In 2010, due to unfavorable global economic conditions, EAH requested and Citicorp Municipal Mortgage Inc., bondholder, agreed to increase the unredeemed bond balance by $3,270,000 to $13,665,000, which decreased the redemption at conversion to $31,335,000 from $34,605,000. In May 2012, the Project was completed and a payment of $31,335,000 was received. As of June 30, 2022, the conduit debt obligations of and notes receivable from EAH related to the project amounted to approximately $12,022,000 and $11,934,000, respectively. Currently, $2,925,000 of the conduit debt obligation bears interest at a fixed rate of 6.25% and matures through January 2042, while the remaining $9,247,000 bears interest at a rate of 1.73% and matures annually through January 2042. The conduit debt obligation includes monthly payments of principal and interest with principal payments that range from approximately $13,000 to $14,000. Any unpaid principal and accrued interest, together with any other expenses, are due upon maturity.

Additionally, EAH executed three promissory notes to DURF in an aggregate amount of $29,055,000, including approximately $4,055,000 related to cash advanced from DURF to EAH and $25,000,000 related to the terms of the land lease. Additionally, DURF recorded $25,000,000 of unearned income on the accompanying statement of net position related to this transaction. The unearned income will be amortized to rental income on a straight-line basis and the notes receivable will be reduced as cash is collected. Unearned income at June 30, 2022 related to the Project was approximately $19,405,000. The notes bear interest at 4.72% and are for a term of 58 years, with a final maturity date of December 17, 2065. Repayment of the notes is distributed into three periods as follows: (1) December 18, 2007 to December 31, 2012, no payments due; (2) January 1, 2013 to December 31, 2042, beginning April 1, 2013, 85% of the residual cash flow generated by the rental operations of the Project after expenses, as defined; and (3) January 1, 2043 to December 17, 2065, beginning April 1, 2043, 90% of the residual cash flow generated by the rental operations of the Project after expenses, as defined, with any unpaid principal sum and accrued interest together with any other costs, expenses, and other charges due to be paid at maturity.

EAH also executed a promissory note to DURF for $26,000,000 in September 2009 to assist EAH in rehabilitating the property. The note bears no interest and is for a term of 56 years, with a final maturity date of December 17, 2065. Repayment of the note is distributed into three periods as follows: (1) September 1, 2009 to December 31, 2012, no payments due; (2) January 1, 2013 to December 31, 2042, beginning April 1, 2013, 85% of the residual cash flow generated by the rental operations of the Project after expenses, as defined; and (3) January 1, 2043 to December 17, 2065, beginning April 1, 2043, 90% of the residual cash flow generated by the rental operations of the Project after expenses, as defined, with any unpaid principal sum and accrued interest together with any other costs, expenses, and other charges due to be paid at maturity.

During the year ended June 30, 2022, DURF recognized approximately $2,395,000 of interest income related to the outstanding promissory notes. As of June 30, 2022, DURF has recorded approximately $22,402,000 of interest income receivable related to the outstanding promissory notes.

13. Pension Plan

Plan Description

Generally, all full-time employees of the State and counties are required to be members of the ERS, a cost-sharing multiple-employer defined benefit pension plan that administers the State's pension benefits program. Benefits, eligibility and contribution requirements are governed by HRS Chapter 88 and can be amended through legislation. The ERS issues publicly available annual financial reports that can be obtained at the ERS website: http://ers.ehawaii.gov/resources/financials.

Benefits Provided

The ERS Pension Trust is comprised of three pension classes for membership purposes and considered to be a single plan for accounting purposes since all assets of the ERS may legally be used to pay the benefits of any of the ERS members or beneficiaries. The ERS provides retirement, disability and death benefits with three membership classes known as the noncontributory, contributory and hybrid retirement plans. The three classes provide a monthly retirement allowance equal to the benefit multiplier (generally 1.25% to 2.25%) multiplied by the average final compensation multiplied by years of credited service. Average final compensation for members hired prior to July 1, 2012 is an average of the highest salaries during any three years of credited service, excluding any salary paid in lieu of vacation for members hired January 1, 1971 or later and the average of the highest salaries during any five years of credited service including any salary paid in lieu of vacation for members hired prior to January 1, 1971. For members hired after June 30, 2012, average final compensation is an average of the highest salaries during any five years of credited service excluding any salary paid in lieu of vacation.

Each retiree's original retirement allowance is increased on each July 1 beginning the calendar year after retirement. Retirees first hired as members prior to July 1, 2012 receive a 2.5% increase each year of their original retirement allowance without a ceiling. Retirees first hired as members after June 30, 2012 receive a 1.5% increase each year of their original retirement allowance without a ceiling. The annual increase is not compounded.

The following summarizes the provisions relevant to the largest employee groups of the respective membership class. Retirement benefits for certain groups, such as police officers, firefighters, some investigators, sewer workers, judges, and elected officials, vary from general employees.

Noncontributory Class

- *Retirement Benefits* – General employees' retirement benefits are determined as 1.25% of average final compensation multiplied by the years of credited service. Employees with ten years of credited service are eligible to retire at age 62. Employees with 30 years of credited service are eligible to retire at age 55.

- *Disability Benefits* – Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 35% of their average final compensation. Ten years of credited service are required for ordinary disability. Ordinary disability benefits are determined in the same manner as retirement benefits but are payable immediately, without an actuarial reduction, and at a minimum of 12.5% of average final compensation.

- *Death Benefits* – For service-connected deaths, the surviving spouse/reciprocal beneficiary receives a monthly benefit of 30% of the average final compensation until remarriage or re-entry into a new reciprocal beneficiary relationship. Additional benefits are payable to surviving dependent children up to age 18. If there is no spouse/reciprocal beneficiary or surviving dependent children, no benefit is payable.

  Ordinary death benefits are available to employees who were active at time of death with at least ten years of credited service. The surviving spouse/reciprocal beneficiary (until remarriage/re-entry into a new reciprocal beneficiary relationship) and surviving dependent children (up to age 18) receive a benefit equal to a percentage of the member's accrued maximum allowance unreduced for age or, if the member was eligible for retirement at the time of death, the surviving spouse/reciprocal beneficiary receives 100% joint and survivor lifetime pension and the surviving dependent children receive a percentage of the member's accrued maximum allowance unreduced for age.

Contributory Class for Members Hired Prior to July 1, 2012

- *Retirement Benefits* – General employees' retirement benefits are determined as 2% of average final compensation multiplied by the years of credited service. General employees with five years of credited service are eligible to retire at age 55.

- *Disability Benefits* – Members are eligible for service-related disability benefits regardless of length of service and receive a one-time payment of the member's contributions and accrued interest plus a lifetime pension of 50% of their average final compensation. Ten years of credited service are required for ordinary disability. Ordinary disability benefits are determined as 1.75% of average final compensation multiplied by the years of credited service but are payable immediately, without an actuarial reduction, and at a minimum of 30% of average final compensation.

- *Death Benefits* – For service-connected deaths, the surviving spouse/reciprocal beneficiary receives a lump sum payment of the member's contributions and accrued interest plus a monthly benefit of 50% of the average final compensation until remarriage or re-entry into a new reciprocal beneficiary relationship. If there is no surviving spouse/reciprocal beneficiary, surviving dependent children (up to age 18) or dependent parents are eligible for the monthly benefit. If there is no spouse/reciprocal beneficiary or surviving dependent children/parents, the ordinary death benefit is payable to the designated beneficiary.

Ordinary death benefits are available to employees who were active at time of death with at least one year of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest plus a percentage of the salary earned in the 12 months preceding death, or 50% joint and survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least ten years of service and designated one beneficiary, or 100% joint and survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

Contributory Class for Members Hired After June 30, 2012

- *Retirement Benefits* – General employees' retirement benefits are determined as 1.75% of average final compensation multiplied by the years of credited service. General employees with ten years of credited service are eligible to retire at age 60.

- *Disability and Death Benefits* – Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 50% of their average final compensation plus refund of contributions and accrued interest. Ten years of credited service are required for ordinary disability.

  Death benefits for contributory members hired after June 30, 2012 are generally the same as those for contributory members hired June 30, 2012 and prior.

Hybrid Class for Members Hired Prior to July 1, 2012

- *Retirement Benefits* – General employees' retirement benefits are determined as 2% of average final compensation multiplied by the years of credited service. General employees with five years of credited service are eligible to retire at age 62. General employees with 30 years of credited service are eligible to retire at age 55.

- *Disability Benefits* – Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 35% of their average final compensation plus refund of their contributions and accrued interest. Ten years of credited service are required for ordinary disability. Ordinary disability benefits are determined in the same manner as retirement benefits but are payable immediately, without an actuarial reduction, and at a minimum of 25% of average final compensation.

- *Death Benefits* – For service-connected deaths, the designated surviving spouse/reciprocal beneficiary receives a lump sum payment of the member's contributions and accrued interest plus a monthly benefit of 50% of the average final compensation until remarriage or re-entry into a new reciprocal beneficiary relationship. If there is no surviving spouse/reciprocal beneficiary, surviving dependent children (up to age 18) or dependent parents are eligible for the monthly benefit. If there is no spouse/reciprocal beneficiary or surviving dependent children/parents, the ordinary death benefit is payable to the designated beneficiary.

Ordinary death benefits are available to employees who were active at time of death with at least five years of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest plus a percentage multiplied by 150%, or 50% joint and survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least ten years of service and designated one beneficiary, or 100% joint and survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

Hybrid Class for Members Hired After June 30, 2012

- *Retirement Benefits* – General employees' retirement benefits are determined as 1.75% of average final compensation multiplied by the years of credited service. General employees with ten years of credited service are eligible to retire at age 65. Employees with 30 years of credited service are eligible to retire at age 60.

- *Disability and Death Benefits* – Provisions for disability and death benefits generally remain the same except for ordinary death benefits. Ordinary death benefits are available to employees who were active at time of death with at least ten years of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest, or 50% joint and survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least ten years of service and designated one beneficiary, or 100% joint and survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

Contributions
Contributions are governed by HRS Chapter 88 and may be amended through legislation. The employer rate is set by statute based on the recommendations of the ERS actuary resulting from an experience study conducted every five years. Since July 1, 2005, the employer contribution rate is a fixed percentage of compensation, including the normal cost plus amounts required to pay for the unfunded actuarial accrued liabilities. The contribution rates for fiscal year 2022 were 41% for police officers and firefighters and 24% for all other employees. Contributions to the pension plan from the Corporation were approximately $1,080,000 for the year ended June 30, 2022.

The employer is required to make all contributions for noncontributory members. Contributory members hired prior to July 1, 2012 are required to contribute 7.8% of their salary. Contributory members hired after June 30, 2012 are required to contribute 9.8% of their salary. Hybrid members hired prior to July 1, 2012 are required to contribute 6.0% of their salary. Hybrid members hired after June 30, 2012 are required to contribute 8.0% of their salary.

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

At June 30, 2022, the Corporation reported a net pension liability of approximately $9,217,000 for its proportionate share of the State's net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Corporation's proportion of the net pension liability was based on a projection of the Corporation's long-term share of contributions to the pension plan relative to projected contributions of all participants, actuarially determined. At June 30, 2021, the Corporation's proportion was 0.16%, which was an increase of 0.01% from its proportion measured as of June 30, 2020.

There were no changes between the measurement date, June 30, 2021, and the reporting date, June 30, 2022, that are expected to have a significant effect on the proportionate share of the net pension liability.

For the year ended June 30, 2022, the Corporation recognized pension expense of approximately $1,117,000.

At June 30, 2022, the Corporation reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 297,563	$ -
Changes in assumptions	-	(278,768)
Net difference between projected and actual earnings on pension plan investments	-	(2,065,189)
Changes in proportion and differences between Corporation contributions and proportional share of contributions	44,209	(50,697)
Corporation contributions subsequent to the measurement date	1,080,112	-
	$ 1,421,884	$ (2,394,654)

At June 30, 2022, approximately $1,080,000 reported as deferred outflows of resources related to pensions resulting from Corporation contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending June 30,	
2023	$ (436,000)
2024	(412,000)
2025	(495,000)
2026	(719,000)
2027	9,000
	$ (2,053,000)

Actuarial Assumptions

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions adopted by the ERS Board of Trustees on August 12, 2019, based on the 2018 Experience Study for the five-year period from July 1, 2013 through June 30, 2018:

Inflation	2.50%
Payroll growth rate	3.50%
Investment rate of return	7.00% per year, compounded annual including inflation

There were no changes to ad hoc postemployment benefits including cost of living allowances.

Post-retirement mortality rates are based on the 2019 Public Retirees of Hawaii mortality table with adjustments based on generational projections of the BB projection table for 2019 and full generational projections in future years. Pre-retirement mortality rates are based on multiples of the Pub-2010 mortality table based on the occupation of the member.

The long-term expected rate of return on pension plan investments was determined using a “top down approach” of the Client-constrained Simulation-based Optimization Model (a statistical technique known as “re-sampling with a replacement” that directly keys in on specific plan-level risk factors as stipulated by the ERS Board of Trustees) in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future nominal rates of return (real returns and inflation) by the target asset allocation percentage.

The target allocation and best estimates of long-term geometric average strategic range of return for each major asset class are summarized in the following table:

	Target Allocation	Expected Long-Term Geometric Average Strategic Range
Strategic Allocation (risk-based classes)		
Broad growth	63.0 %	8.00 %
Diversifying strategies	37.0 %	5.10 %
Total investments	100.0 %	

Discount Rate

The discount rate used to measure the net pension liability was 7.00%, consistent with the rate used at the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from the State will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Corporation's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Corporation's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the Corporation's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Corporation's proportionate share of the net pension liability	$ 12,579,911	$ 9,216,568	$ 6,443,680

Pension Plan Fiduciary Net Position

The pension plan's fiduciary net position is determined on the same basis used by the pension plan. The ERS financial statements are prepared using the accrual basis of accounting under which expenses are recorded when the liability is incurred, and revenues are recorded in the accounting period in which they are earned and become measurable. Employer and member contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Investment purchases and sales are recorded as of their trade date. Administrative expenses are financed exclusively with investment income.

There were no significant changes after the report measurement date. Detailed information about the pension plan's fiduciary net position is available in the separately issued ERS financial report. The ERS complete financial statements are available at http://ers.ehawaii.gov/resources/financials.

Payables to the Pension Plan
The Corporation's contribution payable to the ERS was paid by June 30, 2022. Excess payments of $41,000 are being applied to amounts due in fiscal year 2023.

Required Supplementary Information and Disclosures
The State's ACFR includes the required disclosures and required supplementary information on the State's pension plan.

14. Post-Retirement Health Care and Life Insurance Benefits

Plan Description
The State provides certain health care and life insurance benefits to all qualified employees. Pursuant to Act 88, SLH 2001, the State contributes to the EUTF, an agent multiple-employer defined benefit plan that replaced the Hawaii Public Employees Health Fund effective July 1, 2003. The EUTF was established to provide a single delivery system of health benefits for state and county workers, retirees, and their dependents. The EUTF issues an annual financial report that is available to the public at https://eutf.hawaii.gov/reports. The report may also be obtained by writing to the EUTF at P.O. Box 2121, Honolulu, Hawaii 96805-2121.

For employees hired before July 1, 1996, the State pays the entire base monthly contribution for employees retiring with ten years or more of credited service, and 50% of the base monthly contribution for employees retiring with fewer than ten years of credited service. A retiree can elect a family plan to cover dependents.

For employees hired after June 30, 1996 but before July 1, 2001, and who retire with less than ten years of service, the State makes no contributions. For those retiring with at least ten years but fewer than 15 years of service, the State pays 50% of the base monthly contribution. For employees retiring with at least 15 years but fewer than 25 years of service, the State pays 75% of the base monthly contribution. For employees retiring with at least 25 years of service, the State pays 100% of the base monthly contribution. Retirees in this category can elect a family plan to cover dependents.

For employees hired on or after July 1, 2001, and who retire with less than ten years of service, the State makes no contributions. For those retiring with at least ten years but fewer than 15 years of service, the State pays 50% of the base monthly contribution. For those retiring with at least 15 years but fewer than 25 years of service, the State pays 75% of the base monthly contribution. For employees retiring with at least 25 years of service, the State pays 100% of the base monthly contribution. Only single plan coverage is provided for retirees in this category. Retirees can elect family coverage but must pay the difference.

Employees Covered by Benefit Terms
At July 1, 2021, the State had the following number of plan members covered:

Inactive plan members or beneficiaries currently receiving benefits	38,534
Inactive plan members entitled to but not yet receiving benefits	7,539
Active plan members	49,700
Total plan members	95,773

Contributions
Contributions are governed by HRS Chapter 87A and may be amended through legislation. Contributions to the OPEB plan from the Corporation was approximately $478,000 for the year ended June 30, 2022. The employer is required to make all contributions for members.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
At June 30, 2022, the Corporation reported a net OPEB liability of approximately $9,120,000. The net OPEB liability was measured as of July 1, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

There were no changes between the measurement date, July 1, 2021, and the reporting date, June 30, 2022, that are expected to have a significant effect on the net OPEB liability.

For the year ended June 30, 2022**,** the Corporation recognized OPEB expense of approximately $222,000.

At June 30, 2022**,** the Corporation reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ (908,576)
Changes of assumptions	107,149	(56,731)
Net difference between projected and actual earnings on OPEB plan investments	-	(18,208)
Corporation contributions subsequent to the measurement date	477,708	-
	$ 584,857	$ (983,515)

The approximate $478,000 reported as deferred outflows of resources related to OPEB resulting from State contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2023.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years ending June 30,	
2023	$ (205,000)
2024	(204,000)
2025	(199,000)
2026	(223,000)
2027	(45,000)
	$ (876,000)

Actuarial Assumptions
The total OPEB liability in the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions adopted by the EUTF's Board of Trustees on January 13, 2020, based on the experience study covering the five-year period ended June 30, 2018 as conducted for the ERS:

Inflation	2.50%
Salary increases	3.50% to 7.00% including inflation
Investment rate of return	7.00%
Healthcare cost trend rates	
PPO*	Initial rate of 7.25% declining to a rate of 4.70% after 12 years
HMO*	Initial rate of 7.25% declining to a rate of 4.70% after 12 years
Contribution	Initial rate of 5.00% declining to a rate of 4.70% after 9 years
Dental	4.00%
Vision	2.50%
Life insurance	0.00%

* Blended rates for medical and prescription drugs.

Mortality rates are based on system-specific mortality tables utilizing scale BB to project generational mortality improvement.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. equity	16.00 %	6.09 %
Private equity	12.50 %	10.19 %
Non-U.S. equity	11.50 %	7.12 %
Real assets	10.00 %	6.16 %
Trend following	10.00 %	2.01 %
Private credit	8.00 %	5.83 %
U.S. microcap	6.00 %	7.62 %
Long-term Treasuries	6.00 %	1.06 %
Global options	5.00 %	4.33 %
TIPS	5.00 %	(0.07)%
Alternative risk premia	5.00 %	1.46 %
Reinsurance	5.00 %	4.44 %
Total investments	100.0 %	

Single Discount Rate

The discount rate used to measure the net OPEB liability was 7.00%, based on the expected rate of return on OPEB plan investments of 7.00%. Beginning with the fiscal year 2019 contribution, the State's funding policy is to pay the recommended actuarially determined contribution, which is based on layered, closed amortization periods. In July 2020, the Governor's office issued the Tenth Proclamation related to the COVID-19 Emergency, allowing employers of the EUTF to suspend Act 268 contributions for the year ended June 30, 2021 and instead limit their contribution amounts to the OPEB benefits due. This relief provision related to OPEB funding was extended to fiscal years 2022 and 2023 by Act 229, SLH 2021. The OPEB plan's fiduciary net position is expected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

OPEB Plan Fiduciary Net Position

The OPEB plan's fiduciary net position has been determined on the same basis used by the OPEB plan. The EUTF's financial statements are prepared using the accrual basis of accounting under which revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the cash flows. Employer contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investment purchases and sales are recorded on a trade-date basis. Administrative expenses are financed exclusively with investment income.

There were no significant changes after the report measurement date. Detailed information about the OPEB plan's fiduciary net position is available in the separately issued EUTF financial report. The EUTF's complete financial statements are available at https://eutf.hawaii.gov/reports.

Changes in Net OPEB Liability

The following table represents a schedule of changes in the Corporation's net OPEB liability. The ending balances are as of the measurement date, July 1, 2021.

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at July 1, 2021	$ 12,366,756	$ 2,776,321	$ 9,590,435
Service cost	93,386	-	93,386
Interest on total net OPEB liability	309,999	-	309,999
Difference between expected and actual experience	(131,576)	-	(131,576)
Corporation contributions	-	486,815	(486,815)
Net investment income	-	255,197	(255,197)
Benefit payments	(141,664)	(141,664)	-
Administrative expenses	-	(130)	130
Other	-	51	(51)
Net change	130,145	600,269	(470,124)
Balance at June 30, 2022	$ 12,496,901	$ 3,376,590	$ 9,120,311

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates

The following table presents the Corporation's net OPEB liability calculated using the discount rate of 7.00%, as well as what the Corporation's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current discount rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Corporation's proportionate share of the net OPEB liability	$ 11,281,336	$ 9,120,311	$ 7,415,233

The following table presents the Corporation's net OPEB liability calculated using the assumed healthcare cost trend rate, as well as what the Corporation's net OPEB liability would be if it were calculated using the trend rate that is one percentage point lower or one percentage point higher than the current healthcare cost trend rate:

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Corporation's proportionate share of the net OPEB liability	$ 7,323,187	$ 9,120,311	$ 11,441,658

Payables to the OPEB Plan

The Corporation's contribution payable to EUTF was paid by June 30, 2022.

Required Supplementary Information and Disclosures

The State's ACFR includes the required disclosures and required supplementary information on the State's OPEB plan.

15. Deferred Compensation Plan

The State offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all State employees, permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All plan assets are held in a trust fund to protect them from claims of general creditors. The State has no responsibility for loss due to the investment or failure of investment of funds and assets in the plan but does have the duty of due care that would be required of an ordinary prudent investor.

16. Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2022 is as follows:

Receivable Fund	Payable Fund	Amount
Dwelling Unit Revolving Fund	Non-major Enterprise Funds	$ 900,000
Housing Finance Revolving Fund	Non-major Enterprise Funds	1,485,402
Non-major Enterprise Funds	Housing Finance Revolving Fund	3,199,571
Non-major Enterprise Funds	HOME Investment Partnership Program Fund	35,988
Non-major Enterprise Funds	Housing Trust Fund Program	6,184
Housing Finance Revolving Fund	Rental Housing Revolving Fund	10,263
Non-major Enterprise Funds	General Obligation Bond Fund	172,500
Single Family Mortgage Purchase Revenue Bond Fund	Housing Finance Revolving Fund	7,111
	Total proprietary interfund balances	$ 5,817,019
Housing Finance Revolving Fund	HOME Investment Partnership Program Fund	$ 68,257
Housing Finance Revolving Fund	Housing Trust Fund Program	12,197
Non-major Enterprise Funds	HOME Investment Partnership Program Fund	35,988
Non-major Enterprise Funds	Housing Trust Fund Program	6,184
Non-major Enterprise Funds	General Obligation Bond Fund	172,500
	Total governmental interfund balances	$ 295,126

These balances are due to interfund goods or services provided or reimbursable expenditures and payments between funds.

17. Subsequent Event

The Corporation entered into a transfer agreement, with the Department of Hawaiian Homelands, dated August 25, 2022, for the transfer of a vacant parcel of land in Village 8 in the Village of Kapolei, Hawaii. The purchase price was $8,250,000 and was received by the Corporation in December 2022.

Required Supplementary Information Other than Management's Discussion and Analysis (Unaudited)

State of Hawaiʻi
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawaiʻi)
Budgetary Comparison Schedule – General Fund (Unaudited)
Year Ended June 30, 2022

	Original and Final Budgets	Budgetary Actual	Variance with Final Budget
Revenues			
Intergovernmental revenue	$ 46,840	$ 46,840	$ -
Expenditures			
Programs	46,840	46,840	-
Total expenditures	46,840	46,840	-
Excess of revenues over expenditures	$ -	$ -	$ -

State of Hawai'i
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawai'i)
Budgetary Comparison Schedule – HOME Investment Partnership Program (Unaudited)
Year Ended June 30, 2022

	Original and Final Budgets	Budgetary Actual	Variance with Final Budget Positive (Negative)
Revenues			
Intergovernmental revenue	$ 4,065,531	$ 1,295,562	$ (2,769,969)
Expenditures			
Low-income housing service and assistance programs	4,065,531	1,295,562	2,769,969
Total expenditures	4,065,531	1,295,562	2,769,969
Excess of revenues over expenditures	$ -	$ -	$ -

Budgetary Comparison Schedule – Housing Trust Fund Program (Unaudited)
Year Ended June 30, 2022

	Original and Final Budgets	Budgetary Actual	Variance with Final Budget Positive (Negative)
Revenues			
Intergovernmental revenue	$ 3,983,411	$ 581,859	$ (3,401,552)
Expenditures			
Low-income housing service and assistance programs	3,983,411	581,859	3,401,552
Total expenditures	3,983,411	581,859	3,401,552
Excess of revenues over expenditures	$ -	$ -	$ -

Budgetary Comparison Schedule – Homeowner Assistance Fund Program (Unaudited)
Year Ended June 30, 2022

	Original and Final Budgets	Budgetary Actual	Variance with Final Budget Positive (Negative)
Revenues			
Intergovernmental revenue	$ 29,625,000	$ 6,871,750	$ (22,753,250)
Expenditures			
Rent relief and housing assistance programs	29,625,000	6,871,750	22,753,250
Total expenditures	29,625,000	6,871,750	22,753,250
Excess of revenues over expenditures	$ -	$ -	$ -

1. Budgeting and Budgetary Control

Revenue estimates are provided to the State Legislature at the time of budget consideration and are revised and updated periodically during the fiscal year. Amounts reflected as budgeted revenues in the budgetary comparison schedules are those estimates as compiled and reviewed by the State of Hawaiʻi, Department of Budget and Finance.

Budgeted expenditures are derived primarily from the General Appropriations Act of 2021 (Act 88, SLH 2021), and from other authorizations contained in the State Constitution, Hawaii Revised Statutes, and other specific appropriation acts in various SLH. During July 2022, Act 248 SLH 2022 retroactively amended certain budgeted expenditures from the General Appropriations Act of 2021.

All expenditures of these appropriated funds are made pursuant to the appropriations in the fiscal 2021–2023 biennial budget. The General Fund, HOME Investment Partnership Program, Housing Trust Fund Program, and Homeowner Assistance Fund Program have legally appropriated annual budgets.

The final legally adopted budget in the accompanying budgetary comparison statements represents the original appropriation, transfers, and other legally authorized legislative and executive changes.

The legal level of budgetary control is maintained at the appropriation line item level by department, program and source of funds as established in the General Appropriations Act of 2021. The Governor is authorized to transfer appropriations between programs within the same department and source of funds; however, transfers of appropriations between departments generally require legislative authorization. Records and reports reflecting the detail level of control are maintained by and are available at the Corporation. During the year ended June 30, 2022, there were no expenditures in excess of available appropriations at the legal level of budgetary control.

To the extent not expended or encumbered, general fund appropriations generally lapse at the end of the fiscal year for which the appropriations are made. The State Legislature specifies the lapse date and any other contingencies which may terminate the authorizations for other appropriations.

The Corporation's annual budget is prepared on the budgetary basis of accounting with several differences from the preparation of the statement of revenues, expenditures, and change in fund balances under GAAP, principally related to (1) encumbrance of purchase orders and contract obligations, (2) accrued revenues and expenditures, and (3) unbudgeted programs (federal award programs). Reconciliations of the budgetary to GAAP basis operating results for the year ended June 30, 2022 were as follows:

	General Fund	HOME Investment Partnership Program	Housing Trust Fund Program	Homeowner Assistance Fund Program
Excess of revenues over expenditures – actual (budgetary basis)	$ -	$ -	$ -	$ -
Revenues (expenses) for unbudgeted programs	(46,840)	61,011	-	-
Transfers	46,840	-	-	-
Excess of revenues over expenditures – GAAP basis	$ -	$ 61,011	$ -	$ -

Supplementary Information

State of Hawaiʻi
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawaiʻi)
Non-major Governmental Funds
Combining Balance Sheet
June 30, 2022

	Coronavirus Relief Fund Program	Rental Assistance and Mediation Program	Tax Credit Assistance Program	Total
Assets				
Notes and loans receivable	$ -	$ -	$ 9,861,610	$ 9,861,610
Total assets	$ -	$ -	$ 9,861,610	$ 9,861,610
Fund balances				
Restricted	$ -	$ -	$ 9,861,610	$ 9,861,610
Total fund balances	$ -	$ -	$ 9,861,610	$ 9,861,610

See accompanying independent auditors' report.

Non-major Governmental Funds
Combining Statement of Revenues, Expenses, and Change in Fund Balances
Year Ended June 30, 2022

	Coronavirus Relief Fund Program	Rental Assistance and Mediation Program	Tax Credit Assistance Program	Total
Revenues				
Intergovernmental revenue	$ 111,807	$ 178,815	$ -	$ 290,622
Total revenues	111,807	178,815	-	290,622
Expenditures				
Programs	-	177,000	-	177,000
Personnel services	72,245	659	-	72,904
Administration	14,473	-	-	14,473
Professional services	25,089	1,156	-	26,245
Total expenditures	111,807	178,815	-	290,622
Excess of revenues over expenditures	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balances				
Beginning of year	-	-	9,861,610	9,861,610
End of year	$ -	$ -	$ 9,861,610	$ 9,861,610

See accompanying independent auditors' report.

State of Hawaiʻi
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawaiʻi)
Non-major Enterprise Funds
Combining Statement of Net Position
June 30, 2022

	Rental Assistance Revolving Fund	Multifamily Housing Revenue Bond Fund	Disbursing Fund	Grants in Aid Fund	Total
Assets and Deferred Outflows of Resources					
Current assets					
Equity in cash and cash equivalents and investments in State Treasury	$ 30,449,597	$ -	$ 950,728	$ -	$ 31,400,325
Cash in banks	-	-	10,000	-	10,000
Receivables					
Accrued interest	425,549	-	-	-	425,549
Other receivables, less allowance for doubtful accounts of $135,591	-	490,492	-	-	490,492
	425,549	490,492	-	-	916,041
Due from other funds	-	3,199,572	42,171	172,500	3,414,243
Prepaid expenses and other assets	93,468	-	-	-	93,468
Total current assets	30,968,614	3,690,064	1,002,899	172,500	35,834,077
Mortgage loans	2,003,221	-	-	-	2,003,221
Capital assets, net	31,131	78,294	-	-	109,425
Total assets	33,002,966	3,768,358	1,002,899	172,500	37,946,723
Deferred outflows of resources					
Deferred outflows on net pension liability	21,282	53,695	-	-	74,977
Deferred outflows on net OPEB liability	14,402	39,023	-	-	53,425
Total deferred outflows of resources	35,684	92,718	-	-	128,402
Total assets and deferred outflows of resources	$ 33,038,650	$ 3,861,076	$ 1,002,899	$ 172,500	$ 38,075,125
Liabilities, Deferred Inflows of Resources, and Net Position					
Current liabilities					
Accounts payable	$ -	$ -	$ 1,089	$ 172,500	$ 173,589
Accrued expenses	44,478	87,070	-	-	131,548
Due to other funds	-	-	1,000,000	-	1,000,000
Due to other State departments	-	-	30,441	-	30,441
Total current liabilities	44,478	87,070	1,031,530	172,500	1,335,578
Noncurrent liabilities					
Lease inventive liability	30,222	76,043	-	-	106,265
Net OPEB liability	185,175	478,823	-	-	663,998
Net pension liability	187,852	517,329	-	-	705,181
Total liabilities	447,727	1,159,265	1,031,530	172,500	2,811,022
Deferred inflows of resources					
Deferred inflows on net pension liability	57,720	130,425	-	-	188,145
Deferred inflows on net OPEB liability	23,403	72,413	-	-	95,816
Total deferred inflows of resources	81,123	202,838	-	-	283,961
Commitments and contingencies					
Net position					
Net investment in capital assets	31,131	78,294	-	-	109,425
Restricted by legislation and contractual agreements	32,478,669	-	-	-	32,478,669
Unrestricted	-	2,420,679	(28,631)	-	2,392,048
Total net position	32,509,800	2,498,973	(28,631)	-	34,980,142
Total liabilities, deferred inflows of resources, and net position	$ 33,038,650	$ 3,861,076	$ 1,002,899	$ 172,500	$ 38,075,125

See accompanying independent auditors' report.

State of Hawaiʻi
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawaiʻi)
Non-major Enterprise Funds
Combining Statement of Revenues, Expenses, and Change in Net Position
Year Ended June 30, 2022

	Rental Assistance Revolving Fund	Multifamily Housing Revenue Bond Fund	Disbursing Fund	Grants in Aid Fund	Total
Operating revenues					
Interest on mortgages, notes, loans and mortgage-backed securities	$ 5,206	$ -	$ -	$ -	$ 5,206
Other	-	1,026,410	-	-	1,026,410
Total operating revenues	5,206	1,026,410	-	-	1,031,616
Operating expenses					
Housing assistance payments	1,292,862	-	-	-	1,292,862
Programs	-	-	-	1,233,098	1,233,098
Personnel services	174,741	421,218	-	-	595,959
Professional services	14,665	58,404	-	-	73,069
Administration	36,712	31,486	-	-	68,198
Depreciation	4,721	11,912	-	-	16,633
Insurance	382	710	-	-	1,092
Capital expenses	45	-	-	-	45
Other	127	-	-	-	127
Total operating expenses	1,524,255	523,730	-	1,233,098	3,281,083
Operating income (loss)	(1,519,049)	502,680	-	(1,233,098)	(2,249,467)
Nonoperating revenues					
Interest income	356,187	-	-	-	356,187
Total nonoperating revenues	356,187	-	-	-	356,187
Income (loss) before transfers	(1,162,862)	502,680	-	(1,233,098)	(1,893,280)
Net transfers	909	2,251	(28,631)	1,233,098	1,207,627
Change in net position	(1,161,953)	504,931	(28,631)	-	(685,653)
Net position					
Beginning of year	33,671,753	1,994,042	-	-	35,665,795
End of year	$ 32,509,800	$ 2,498,973	$ (28,631)	$ -	$ 34,980,142

See accompanying independent auditors' report.

State of Hawai‘i
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawai‘i)
Non-major Enterprise Funds
Combining Statement of Cash Flows
Year Ended June 30, 2022

	Rental Assistance Revolving Fund	Multifamily Housing Revenue Bond Fund	Disbursing Fund	Grants in Aid Fund	Total
Cash flows from operating activities					
Cash received from borrowers					
Principal repayments	$ 110,115	$ -	$ -	$ -	$ 110,115
Interest income	5,229	-	-	-	5,229
Payments to employees	(183,539)	(449,833)	-	-	(633,372)
Payments to suppliers	(1,336,247)	(101,839)	(73,329)	(1,685,324)	(3,196,739)
(Payments to) receipts from other funds	(254)	(277,299)	42,635	452,226	217,308
Other cash receipts	-	828,971	-	-	828,971
Net cash used in operating activities	(1,404,696)	-	(30,694)	(1,233,098)	(2,668,488)
Cash flows from noncapital financing activities					
Transfers in	-	-	-	1,233,098	1,233,098
Net cash provided by noncapital financing activities	-	-	-	1,233,098	1,233,098
Cash flows from capital and related financing activities					
Purchase of capital assets	-	-	(33,614)	-	(33,614)
Net used in capital and related financing activities	-	-	(33,614)	-	(33,614)
Cash flows from investing activities					
Interest received	127,952	-	-	-	127,952
Net cash provided by investing activities	127,952	-	-	-	127,952
Net decrease in cash and cash equivalents	(1,276,744)	-	(64,308)	-	(1,341,052)
Cash and cash equivalents					
Beginning of year	31,726,341	-	1,025,036	-	32,751,377
End of year	$ 30,449,597	$ -	$ 960,728	$ -	$ 31,410,325
Components of cash and cash equivalents					
Equity in cash and cash equivalents and investments in State Treasury	$ 30,449,597	$ -	$ 950,728	$ -	$ 31,400,325
Cash in banks	-	-	10,000	-	10,000
Cash and cash equivalents	$ 30,449,597	$ -	$ 960,728	$ -	$ 31,410,325
Cash flows from operating activities					
Reconciliation of operating income (loss) to net cash used in operating activities					
Operating income (loss)	$ (1,519,049)	$ 502,680	$ -	$ (1,233,098)	$ (2,249,467)
Adjustments to reconcile operating income (loss) to net cash used in operating activities					
Depreciation	4,721	11,912	-	-	16,633
Amortization	(4,467)	(11,239)	-	-	(15,706)
Net pension expense	955	2,309	-	-	3,264
Net OPEB benefit	(6,691)	(16,194)	-	-	(22,885)
Changes in assets and liabilities					
Mortgage loans receivable	110,115	-	-	-	110,115
Accrued interest receivable	23	-	-	-	23
Other receivables	-	(197,439)	-	-	(197,439)
Due (from) to other funds	(254)	(277,299)	42,635	452,226	217,308
Prepaid expenses and other assets	14,719	-	-	-	14,719
Accounts payable	(1,706)	-	(73,329)	(452,226)	(527,261)
Other accrued expenses	(3,062)	(14,730)	-	-	(17,792)
Net cash used in operating activities	$ (1,404,696)	$ -	$ (30,694)	$ (1,233,098)	$ (2,668,488)

See accompanying independent auditors’ report.

State of Hawaiʻi

Hawaii Housing Finance and Development Corporation

(A Component Unit of the State of Hawaiʻi)

Reconciliation of Cash and Short-Term Investments

June 30, 2022

The Corporation's cash and short-term investments consist of the following as of June 30, 2022:

Equity in State Treasury investment pool – Government-wide	$ 630,198,894
Cash in banks	495,850
Cash held by third parties	542,385
Restricted cash and cash equivalents held by trustee	18,989,657
Deposits held in trust	452,209
Restricted deposits held in escrow	1,013,459
	$ 651,692,454

Total cash and short-term investments are in agreement with the State Comptroller's central accounting records as of June 30, 2022, as reconciled below:

	Appropriation Symbol	Balance at June 30, 2022
Cash in State Treasury		
Special Funds	S-17-375-B	$ 59,200
	S-18-375-B	220,112
	S-19-375-B	1,043,556
	S-19-376-B	21,799
	S-20-314-B	11,023
	S-20-375-B	4,875,168
	S-20-376-B	3,080,167
	S-21-375-B	3,106,351
	S-21-376-B	3,150,303
	S-21-382-B	69,035
	T-21-906-B	8,438
	S-22-378-B	30,447,028
	S-22-380-B	89,206,324
	S-22-390-B	277,524,010
	S-22-375-B	67,530,062
	S-22-382-B	120,708,316
	S-22-376-B	5,693,207
	S-22-314-B	995,455
	S-22-544-B	22,753,440
Total cash held in State Treasury, as reported by State Comptroller's accounting records		630,502,994

See accompanying independent auditors' report.

State of Hawai‘i
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawai‘i)
Reconciliation of Cash and Short-Term Investments
June 30, 2022

	Balance at June 30, 2022
Balance carried forward	630,502,994
Reconciling items	
Journal vouchers not recorded by DAGS	139,259
Journal vouchers not recorded on books	8,850
Restricted cash held in State Treasury	(452,209)
Cash and short-term investments held outside State Treasury	
Cash in bank	495,850
Cash held by third parties	542,385
Restricted cash and cash equivalents held by trustee	18,989,657
Deposits held in trust	452,209
Restricted deposits held in escrow	1,013,459
	21,493,560
Cash and short-term investments on Statement of Net Position	$ 651,692,454

See accompanying independent auditors’ report.

State of Hawai'i
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawai'i)
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor/Program or Cluster Title	Federal AL Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. Department of Housing and Urban Development			
HOME Investment Partnership Program	14.239	$ 1,234,551	$ 1,006,654
Housing Trust Fund	14.275	581,859	445,903
U.S. Department of Treasury			
Passed through State Governor's Office –			
COVID-19 – Coronavirus Relief Fund	21.019	111,807	-
Passed through State Department of Budget and Finance –			
COVID-19 – Homeowner Assistance Fund	21.026	6,871,750	6,800,000
Total federal expenditures		$ 8,799,967	$ 8,252,557

See accompanying independent auditors' report and notes to the schedule of expenditures of federal awards.

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Corporation and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. Indirect Costs

The Corporation does not use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

PART II
Compliance and Internal Control

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

The Auditor
State of Hawai'i

The Board of Directors
Hawaii Housing Finance and Development Corporation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Hawai'i, Hawaii Housing Finance and Development Corporation (the "Corporation") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated January 11, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Accuity LLP

Honolulu, Hawai'i
January 11, 2023

ACCUITY

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**Independent Auditors' Report
on Compliance for Each Major Federal Program
and on Internal Control Over Compliance
Required by the Uniform Guidance**

The Auditor
State of Hawaiʻi

The Board of Directors
Hawaii Housing Finance and Development Corporation

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Corporation's compliance with the compliance requirements referred to above.

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

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

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

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Corporation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

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

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

Report on Internal Control over Compliance

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

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

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

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

Accuity LLP

Honolulu, Hawaiʻi
January 11, 2023

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued	Unmodified	
Internal control over financial reporting		
• Material weakness(es) identified?	__ Yes	√ No
• Significant deficiency(ies) identified?	__ Yes	√ None reported
Noncompliance material to financial statements noted?	__ Yes	√ No

Federal Awards

Internal control over major programs		
• Material weakness(es) identified?	__ Yes	√ No
• Significant deficiency(ies) identified?	__ Yes	√ None reported
Type of auditors' report issued on compliance for major programs	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance	__ Yes	√ No

Identification of major programs

AL Number	Name of Federal Program
14.239	HOME Investment Partnership Program
21.026	COVID-19 – Homeowner Assistance Fund

Dollar threshold used to distinguish between Type A and Type B programs	$750,000	
Auditee qualified as low-risk auditee?	√ Yes	__ No

Section II – Financial Statement Findings

No current year financial statement findings.

Section III – Federal Award Findings and Questioned Costs

No current year federal award findings and questioned costs.

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2022

There were no prior audit findings or questioned costs.