

**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**

DEPT. COMM. NO. 338

DAVID Y. IGE
GOVERNOR

MIKE MCCARTNEY
DIRECTOR

CHUNG I. CHANG
DEPUTY DIRECTOR

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January 19, 2022

The Honorable Ronald D. Kouchi,
President and Members
of the Senate
Thirty-First State Legislature
State Capitol, Room 409
Honolulu, Hawaii 96813

The Honorable Scott K. Saiki,
Speaker and Members of the
House of Representatives
Thirty-First State Legislature
State Capitol, Room 431
Honolulu, Hawaii 96813

Dear President Kouchi, Speaker Saiki, and Members of the Legislature:

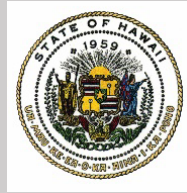
For your information and consideration, I am transmitting a copy of the Hawaii Housing Finance and Development Corporation 2021 Annual Report, as required by Section 201H-21, Hawaii Revised Statutes. In accordance with Section 93-16, Hawaii Revised Statutes, I am also informing you that the report may be viewed electronically at:
<http://dbedt.hawaii.gov/overview/annual-reports-reports-to-the-legislature/>.

With aloha,

Mike McCartney

Enclosure

c: Legislative Reference Bureau



HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

2021 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 workforce and affordable housing statewide by providing leadership, tools and resources to facilitate housing development.

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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.

THE HONORABLE
DAVID Y. IGE, GOVERNOR, STATE OF HAWAII



Dear Governor Ige,

In Fiscal Year 2021, HHFDC assisted in the delivery of 1,513 affordable units while managing assets totaling approximately \$1.6 billion. This represents 741 more units than last fiscal year. Since its inception in 2006, HHFDC has facilitated the development of 12,209 affordable and workforce units statewide and has a production plan in place to add about 7,500 more units over the next five years.

While working to increase and preserve Hawaii's affordable housing, HHFDC continued to be involved with the federal coronavirus relief programs that were necessitated by the COVID-19 pandemic.

In 2021, HHFDC supported the Department of Budget and Finance and the counties with administering the federal Emergency Rental Assistance (ERA) Program to help renters avoid eviction. In 2022, HHFDC will administer federal Homeowner Assistance Funds for Oahu homeowners who need mortgage relief to avoid foreclosure.

Next year will also be the first time in three years that HHFDC will be issuing Mortgage Credit Certificates (MCC) to help first-time homebuyers.

Act 227, Session Laws of Hawaii (SLH) 2021, established a new Affordable Homeownership Revolving Fund to facilitate home ownership and expand self-help housing projects throughout the state. HHFDC is currently working with stakeholders to establish administrative rules to stand up this new program that will help families attain homeownership.

We approach 2022 knowing that while we've made inroads, the development of affordable housing remains a top priority for the Ige administration. We at HHFDC reaffirm our commitment to use our existing resources in the most efficient manner that will enable our partners in the development community to build as many workforce and affordable units as possible.

Sincerely,



DENISE ISERI-MATSUBARA

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, Session Laws of Hawaii (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 7,563 workforce/affordable units over the next five years.

Five-Year Projection (FY22-FY26)

Fiscal Year	Rental	For Sale	Total
2022	992	667	1,659
2023	748	0	748
2024	1,424	708	2,132
2025	874	200	1,074
2026	1,600	350	1,950
Total	5,638	1,925	7,563

KOKUA SENIOR LIVING (Honolulu)

HIGHRIDGE COSTA, COASTAL RIM PROPERTIES

A groundbreaking was held in September 2021 for the Kokua Senior Living project that will bring 224 studio rental units for seniors earning between 30%-60% area median income (AMI).

Located on a parcel at South Beretania and Alakea streets, the project is the first affordable complex built in the heart of downtown Honolulu in years.

Expected to be completed in August 2023, the 20-story tower is being developed by Highridge Costa and Coastal Rim Properties.

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

DEVELOPMENT RESOURCES

HHFDC has a toolbox of resources to facilitate the development of affordable rental and 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 2021 Legislature appropriated \$25 million to HHFDC for the RHRF. Additionally, Act 88, SLH 2021 appropriated capital improvement project funds for FY 2022 of \$40 million of RHRF for use with the Hawaii Public Housing Authority's School Street Redevelopment project.

As of June 30, 2021, the RHRF had outstanding commitments totaling \$283,505,515, leaving \$125,992,224 net available.

Low Income Housing Tax Credits (LIHTC)

The LIHTC program is the primary financing program for the development of affordable housing. Under the program, HHFDC is the state housing credit agency designated to allocate LIHTC under the Tax Reform Act of 1986. The State offers 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 ten years. Act 129, SLH 2016, raised the value of the State LIHTC by shortening the equity period from 10 years to 5 years.

There are two types of LIHTC:

Volume Cap (or 9%) LIHTC: Tax credits that the Internal Revenue Service 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 2021 is \$2.8125, which translates to approximately \$3.957 million in LIHTC that the State could allocate in 2021.

Non-Volume Cap (or 4%) LIHTC: LIHTC exempt from the volume cap limitation. These credits can only be triggered by the use of tax-exempt private multi-family activity bonds.

Hula Mae Multi-Family Revenue Bond (HMMF) Program

The Hula Mae Multi-Family Revenue Bond Program provides low interest rate financing through the issuance of tax-exempt revenue bonds for the development of rental housing projects. Multi-family revenue bonds are used to provide below-market-rate loans to developers who promise to set aside a specified percentage of their units for low-income families. The bonds are leveraged with 4% Low-Income Housing Tax Credits (LIHTC). HHFDC, with the approval of the Governor, is authorized to issue up to \$3 billion* in revenue bonds.

As of June 30, 2021, the program has issued 50 series of bonds, including one refunding series, totaling \$1,144,937,081. A total of \$219 million has been committed to 8 projects pending bond issuance. The remaining uncommitted bond issuance authority is \$1,636,162,530.

*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 in general obligation bonds to carry out the purposes of the Housing Development Program. The proceeds are used for housing development and to fund regional state infrastructure essential to the development of affordable housing, including water and wastewater systems, roads, sidewalks and drainage. The 2021 Legislature appropriated \$20 million for DURF. As of June 30, 2021, DURF has outstanding commitments of \$183,679,457 and \$12 million in uncommitted funds.

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, 2021, there are 10 projects comprised of 1,468 rental units with Rental Assistance Program commitments totaling \$56,215,096. The program has not received funding for new projects.

Affordable Homeownership Revolving Fund (AHRF)

Act 227, SLH 2021, establishes a new Affordable Homeownership Revolving Fund to facilitate the development of home ownership and can expand self-help housing projects throughout the state. This is achieved by offering loans to nonprofit community development financial institutions and nonprofit housing development organizations that develop affordable housing, including self-help projects.

HHFDC is working with nonprofit organizations to establish rules for this program. Implementation will require a sustainable funding source.

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% area median income (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) 2021-2022, the County of Hawaii 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 2021-2022, 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 Hawaii was designated to receive the entire HTF allocation.

Emergency Rental Assistance Program (ERA)

The Emergency Rental Assistance (ERA) Program is assisting thousands of households that are unable to pay rent and/or utilities due to the COVID-19 pandemic. The State of Hawaii received a total of \$200 million under the federal Consolidated Appropriations Act of 2021 enacted on December 27, 2020. HHFDC has been assisting the Department of Budget and Finance (B&F) and the counties with planning and administration.

Homeowner Assistance Fund (HAF)

Pursuant to Section 3206 of the federal American Rescue Plan Act (ARPA) of 2021, the State of Hawaii will receive a total of \$50 million for the Homeowner Assistance Fund (HAF). The purpose of the fund is to provide financial help to homeowners who are behind on their mortgages or are already in foreclosure due to the COVID-19 pandemic. Funds can be used to cover mortgage payments, property taxes, utility bills, homeowner association fees or other resources to help them stay in their homes. Priority will be given to households earning at or below 100% AMI. This fund is the first federally funded, COVID-related program devoted to mortgage relief.

The Department of Budget and Finance (B&F) is Hawaii's primary recipient of the funds from the U.S. Department of the Treasury. HHFDC designed and prepared a plan for a HAF program that is being implemented in 2022. HHFDC consulted with nonprofit housing counseling agencies and nonprofit community lenders, as well as members of the Mortgage Bankers Association.

The counties of Hawaii, Maui and Kauai will administer the HAF program in their jurisdictions. The City and County of Honolulu declined HAF funds. HHFDC will administer the program for Oahu homeowners.

An initial allocation of \$5 million from Treasury was used to launch a pilot program on Hawaii and Kauai counties in mid-November.

In December 2021, Treasury approved the full funding for the state's HAF plan.

HALE KALELE/ALDER STREET (Honolulu)

KOBAYASHI GROUP, MACNAUGHTON HOLDINGS

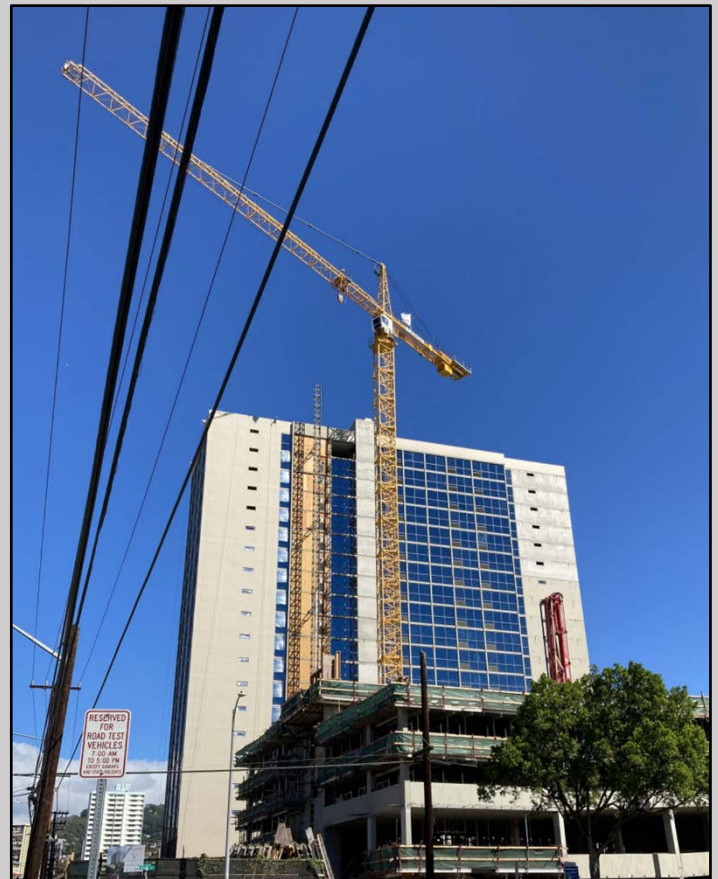


Hale Kalele is the state's first inter-agency partnership between HHFDC and the Judiciary. It also marks the first LIHTC project by the Kobayashi Group and MacNaughton Holdings.

The Alder Street project will provide 201 affordable rental units as well as a Juvenile Services Center.

Applications are projected to be available in January 2022 and the first residents are expected to move in by June 2022.

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 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.
- 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. An Environmental Assessment (EA) is projected to be completed in 2022, paving the way for issuance of an RFP for the mixed-use affordable housing component of the plan. Other planned uses include state offices and a civic center to be developed by the Department of Accounting and General Services. A County of Maui bus hub has begun construction and is expected to be completed in early 2022.
- Villages of Kapolei Northwest Corner: A state-owned 19.5-acre parcel, a mixed-use affordable housing project will be developed there, along with a commercial component. A RFP is scheduled for issuance in 2022, after the City and County of Honolulu gives confirmation of available sewer capacity for the site.

Chapter 201H Expedited Processing

Pursuant to Chapter 201H, Hawaii Revised Statutes, HHFDC may develop 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, the development and improvement of land, and the construction of units.

HHFDC may also accomplish this by partnering with an eligible developer. These Chapter 201H exemptions provide for greater flexibility in the design and density of housing projects. A county council must approve, approve with modifications, or disapprove 201H applications within 45 days. The projects must comply with county permit building requirements, HRS Chapter 104 (Wages and Hours of Employees on Public Works) and HRS Chapter 343 (Environmental Impact Statements).

Developers begin 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 developers to conduct at least one public meeting 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.

HALEWAI'OLU SENIOR RESIDENCES (Honolulu)

THE MICHAELS ORGANIZATION

A groundbreaking was held in June 2021 for the 156-unit Halewai'olu Senior Residences rental project on Chinatown's River Street.

The 17-story building will be available to those 62 and older who are earning between 30%-80% area median income (AMI), with a majority of the units at 60% AMI.

The Michaels Organization project will sit on land owned by the city. Units are expected to be ready in 2023.

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

FINANCING RESOURCES FOR FIRST-TIME HOMEBUYERS

HHFDC's single-family programs are consumer-oriented, providing below-market rate mortgage financing, tax credits, and down payment loans to assist eligible first-time homebuyers.

Mortgage Credit Certificate (MCC) Program

The MCC program provides eligible first-time homebuyers with 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, 2021, HHFDC has assisted 7,351 families in purchasing their first homes with the MCC program. During FY 2021, due to vacant staff positions and hiring freezes related to the COVID-19 pandemic, no new MCC were issued. However, HHFDC continued to process reissuances related to mortgage refinances and the MCC program assisted 609 families who have refinanced their existing loans in FY 2021. In January 2022, HHFDC will begin issuing \$7.5 million in new MCC.

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 the 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. A contract for the design of a new reservoir tank was executed with a notice to proceed date of February 15, 2018. But community consultation has been delayed and the pandemic has severely limited our ability to conduct community meetings. 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 \$350,000 to \$450,000 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 and has engaged a consultant to assist with the dedication. The time frame for the transfer is uncertain as the dedication process involves many different agencies, entities, consultants and contractors. HHFDC has spent the past decade working to transfer sidewalks and streets over to the City.

The current infrastructure budget is approximately \$217 million.

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 on the project.

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 house lots 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.

THE BLOCK 803 WAIMANU

MJF DEVELOPMENT CORP.



The Block 803 Waimanu project by MJF Development offers 153 for-sale units, roughly 50% of which will be for those making up to 110% area median income (AMI). The project was funded in part with a \$9.9 million DURF loan.

Currently under construction, the 7-story Kakaako condominium will welcome its first dwellers in January 2022.

DURF

THE CENTRAL AT ALA MOANA

SAMKOO PACIFIC LLC



The Central at Ala Moana project by Samkoo Pacific LLC welcomed its first residents in October 2021. The developer received approvals for 201H exemptions allowing for greater height and more density for the project.

Of 513 total units, 310 (60%) units are designated as affordable and available to first-time homebuyers earning between 80%-140% AMI. **201H**

REPORTS TO THE LEGISLATURE

Pursuant to Section 201H-95(g), Hawaii Revised Statutes, Relating to Hula Mae Multifamily Revenue Bonds for Fiscal Year 2021:

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, 2021, is provided below.

Multifamily Revenue Bond Authority For Fiscal Year 2021

Total number of HMMF Bonds issued	50
Total amount of HMMF Bonds issued	\$1,144,937,081
HMMF Bonds approved by HHFDC Board and pending issuance	8
Total amount of HMMF Bonds pending issuance	\$218,900,389
Total Bond Authority	\$3,000,000,000
Net Bond Authority available	\$1,636,162,530

Multifamily Project Activity During Fiscal Year 2021

Project Applications Received (20):

Project Name	Location	Project Type	Unit Count	HMMF Request
Big Island Portfolio	Hawai'i	Family/Elderly	93	\$12,920,664
Front Street Apartments	Maui	Family	142	\$22,500,000
Hale O Pi'ikea I	Maui	Family	90	\$28,880,000
Hale O Pi'ikea II	Maui	Family	97	\$25,950,000
Hale O Uluwehi	Oahu	Family	40	\$8,250,000
Hale Ola O Mohouli	Hawai'i	Family/Elderly	90	\$21,760,000
Hale Pilina Family I	Maui	Family	89	\$21,929,982
Halewiliko Highlands	Oahu	Elderly	140	\$26,750,000

Hocking Hale	Oahu	Family	40	\$13,300,000
HPHA School St. Redevelopment Project	Oahu	Elderly	250	\$70,140,343
Kaiaulu O Halelea 1B	Oahu	Family	56	\$22,658,000
Kekaulike Senior Housing	Oahu	Elderly	203	\$50,681,598
Lihua Hale	Maui	Elderly	117	\$26,423,658
Meheula Vista IV	Oahu	Elderly	75	\$12,864,814
Parkway Village at Kapolei – Lot 6	Oahu	Family	236	\$62,781,048
Parkway Village at Kapolei—Lot 7	Oahu	Family	169	\$44,144,248
Rice Street Apartments	Kauai	Family	66	\$20,000,000
Waiehu Apartments	Maui	Family	120	\$22,862,289
Wailuku Apartments – Ph. 1	Maui	Family	108	\$26,000,000
West Kawili	Hawai'i	Elderly	92	\$24,000,000
TOTAL			2,313	\$564,796,644

Approval of Inducement Resolutions (0): None in Fiscal Year 2021

Approval to Issue Bonds in Fiscal Year 2021 (6):

Project Name	Location	Project Type	Unit Count	HMMF Approved
Hale Kalele	Oahu	Family	201	\$44,661,970
Kapuna One	Oahu	Elderly	162	\$41,000,000
Kaiaulu O Kupuohi	Maui	Family	60	\$35,876,000
Waikoloa Family	Hawai'i	Family	111	\$23,988,000
Kaiaulu O Waikoloa	Hawai'i	Family	60	\$19,180,880
Halewai'olu Senior Residences	Oahu	Elderly	156	\$48,000,000
TOTAL			750	\$212,706,850

Bonds Issued in Fiscal Year 2021 (6):

Project Name	Location	Project Type	Unit Count	HMMF Issued
Hale Kalele	Oahu	Family	201	\$44,661,970
Kapuna One	Oahu	Elderly	162	\$41,000,000
Kaiaulu O Kupuohi	Maui	Family	60	\$35,876,000
Waikoloa Family	Hawai'i	Family	111	\$23,988,000
Kaiaulu O Waikoloa	Hawai'i	Family	60	\$19,180,880
Halewai'olu Senior Residences	Oahu	Elderly	156	\$48,000,000
TOTAL			750	\$212,706,850

Quarterly Summary of Fund Activity for Fiscal Year 2021 (as of end of each quarter)

	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter
Total Bond Authority	\$3,000,000,000	\$3,000,000,000	\$3,000,000,000	\$3,000,000,000
Total Bonds Issued	\$932,231,111	\$1,053,769,081	\$1,077,757,081	\$1,144,937,081
Total Bonds Pending	\$418,581,721	\$302,619,507	\$278,631,507	\$218,900,389
Issuance Total Uncommitted Bond Authority	\$1,649,187,168	\$1,643,611,412	\$1,643,611,412	\$1,636,162,530
Total Bond Applications Under Review	\$84,533,940	\$74,110,000	\$638,906,644*	\$638,906,644

*Applications were received in February (3rd Quarter)

Pursuant to Section 201H-202(f), Hawaii Revised Statutes, Relating to Rental Housing Revolving Fund Awards for Fiscal Year 2021:

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 2021, HHFDC made three new RHRF awards to rental projects totaling 155 units in Oahu, Hawaii, and Maui.

PROJECT	LOCATION	RHRF REQUEST	RHRF AWARD	UNIT COUNT	30% MFI UNITS
Villages of La'i'opua Kaiāulu O Halele'a	Kona, Hawai'i	\$2,628,000	\$2,628,000	24	3
Apartments Phase IB	Kihei, Maui	\$9,240,000	\$9,240,000	56	7
Meheula Vista IV	Mililani, Oahu	\$5,660,000	\$5,660,000	75	8
TOTAL		\$17,528,000	\$17,528,000	155	18

During Fiscal Year 2021, HHFDC also received 22 applications for the financing of 19 projects. Developers for three 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 2022, subject to the availability of financing.

	PROJECT	LOCATION	RHRF REQUEST	UNIT COUNT
1	Front Street Apartments	Lahaina, Maui	\$21,800,000	142
2	Hale O Pi'ikea I (4% LIHTC)	Kihei, Maui	\$12,735,000	90
	Hale O Pi'ikea I (9% LIHTC)	Kihei, Maui	\$21,660,000	----
3	Hale O Pi'ikea II (4% LIHTC)	Kihei, Maui	\$13,300,000	97
	Hale O Pi'ikea II (9% LIHTC)	Kihei, Maui	\$18,900,000	----
4	Hale Makana O Uluwehi	Waianae, Oahu	\$3,495,000	40
5	Hale Ola O Mohouli	Hilo, Hawaii	\$18,218,488	90
6	Hale Pilina Family I	Kahului, Maui	\$19,250,000	89
7	Halewiliko Highlands	Aiea, Oahu	\$23,792,353	140
8	Hocking Hale (4%)	Honolulu, Oahu	\$9,200,000	40
	Hocking Hale (9%)	Honolulu, Oahu	\$12,350,000	----
9	HPHA School Street Redevelopment Project	Honolulu, Oahu	\$40,000,000	250
10	Kaiaulu O Halelea 1B	Kihei, Maui	\$6,580,000	56
11	Kekaulike Senior Housing	Honolulu, Oahu	\$22,988,291	203
12	Liloa Hale	Kihei, Maui	\$14,500,000	117
13	Meheula Vista IV	Mililani, Oahu	\$7,000,000	75
14	Parkway Village at Kapolei – Lot 6	Kapolei, Oahu	\$7,800,000	236
15	Parkway Village at Kapolei – Lot 7	Kapolei, Oahu	\$4,900,000	169
16	Rice Street Apartments	Lihue, Kauai	\$11,145,157	77
17	Waiehu Apartments	Waiehu, Maui	\$11,000,000	120
18	Wailuku Apartments Phase I	Wailuku, Maui	\$16,977,367	108
19	West Kawili	Hilo, Hawaii	\$16,563,385	92
	TOTAL*		\$334,155,041	2,231

***All 22 applications are part of total requests**

Planned/In Construction Projects



Hale Makana O Moiliili — Hawaiian Community Development Board

Alder Street/Hale Kalele: 201-unit mixed-use, inter-agency affordable rental tower and juvenile services/shelter facility located near the HART Ala Moana Station. Redevelopment of underutilized state-owned site. **LIHTC/HMMF/RHRF/DURF**
Developers: Kobayashi Group/MacNaughton Holdings | Scheduled completion: 2022

DE Thompson: 84-unit elderly rental project in Ewa Beach, Oahu for seniors earning 60% AMI. **LIHTC/RHRF** Developer: DET Renton Partners LP | Scheduled completion: 2022

Halawa View Apartments II and III: 302-unit family rental project near the HART Aloha Stadium Station on Oahu. The one-, two- and three-bedroom units are targeted to families 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 seniors earning 30%-60% AMI. **LIHTC/HMMF/RHRF**
Developer: Hawaii Community Development Board | Scheduled completion: 2023

Hale O Piʻikea I: 90-unit family rental project within two 4-story buildings in Kihei, Maui for those earning 30%-60% AMI. **LIHTC/HMMF/RHRF** Developer: 'Ikenakea Piʻikea LP | Scheduled completion: 2024

Hale Uhiwai Nalu Phase II: 50-unit rental project in Kapolei, Oahu for families 30%-60% AMI. **RHRF** Developer: Cloudbreak Communities Hawaii | Scheduled completion: 2023

Halewaiʻolu 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 site of the former Aiea Sugar Mill on Oahu for seniors earning 30%-60% AMI.

LIHTC/HMMF/RHRF Developer: EAH Inc. | Scheduled completion: 2024

Hocking Hale: 40-unit rental project converting an historic 3-story building in Chinatown, Oahu for individuals, couples and families earning 30%-50% AMI. **LIHTC/RHRF** Developer: Hocking Hale LLP | Scheduled completion: 2024

HPHA School Street Redevelopment Phase 1A: A 250-unit senior rental project in Kalihi, Oahu on the existing, underutilized site of HPHA's offices, 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. **201H** Developer: KAM Development LLC | Scheduled completion: 2024

Kahului Lani Phase II: 83-unit senior rental project in Kahului, Maui for seniors earning 30%-60% AMI. **LIHTC/HMMF/RHRF**
Developer: Catholic Charities Hawaii | Scheduled completion: 2022

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 between 30%-60% AMI. **LIHTC/RHRC Developer:** A0721 Kihei LP | *Scheduled completion: 2023*

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

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

Kaiaulu O Kupuohi: 89-unit rental project for families earning 30%-60% AMI in Lahaina, Maui. **LIHTC/HMMF/RHRC Developer:** Ikaika Ohana | *Scheduled completion: 2022*

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

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

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

Lima Ola Workforce Development Phase 1: Proposed affordable multi-family housing project located on approximately 75 acres of land owned by the County of Kauai. Located in 'Ele'ele, the project will include approximately 550 residential units, a

community park, community center and bike and pedestrian paths. All units to be affordable and offered for sale or rent to households earning no more than 140% AMI. Phase 1 will contain 111 units. **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 located in Mililani, Oahu. Meheula Vista will provide low-income seniors an affordable permanent living option where residents can age in place. **LIHTC/HMMF/RHRC Developer:** Catholic Charities Hawaii | *Scheduled completion: 2024*

The Central: 513-unit mixed use residential project in Ala Moana near the HART Ala Moana Station. The Central is a 43-story residential and commercial project with approximately 10,500 sq. ft. of retail space. 60% of the units (310) will be affordable with the remaining 40% at market rates. **201H Developer:** SamKoo Pacific, LLC | *Scheduled completion: 2022*

Villages of La'i`opua (Bigley/UHC): 60-unit family rental project in Kailua-Kona, Hawaii for families earning 30%-60% AMI. **LIHTC/RHRC Developer:** A0714 Kona | *Scheduled completion: 2022*

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

Waikoloa Family: 111-unit rental project for families earning 30%-60% AMI in Waikoloa, Hawaii. **LIHTC/HMMF/RHRC Developer:** Waikoloa Family Affordable | *Scheduled completion: 2022*

West Kawili Street Senior/Veteran Housing -- 92-unit senior rental project in Hilo, Hawaii for those earning 30%-80% AMI. **LIHTC/HMMF/RHRC Developer:** EAH Inc. | *Scheduled completion: 2024*



Halewiliko Highlands – EAH Inc.

HOUSING-RELATED LEGISLATION PASSED IN 2021

Act 64, Session Laws of Hawaii (SLH) 2021 (HB77 HD1 SD1) Relating to Lands Controlled by the State

This Act exempts remaining leasehold single-family lots and condominium units from legacy leasehold for-sale developments from legislative approval requirements under §171-64.7, Hawaii Revised Statutes (HRS). It also requires HHFDC to submit the same information currently required under §171-64.7, HRS, (i.e. title information, development plans, appraisal) to the Office of Hawaiian Affairs instead. The information must be submitted to OHA three months prior to the closing of any sale of the leased fee interest in homes meeting the exemption criteria under the bill. HHFDC concurred with this amendment.

Act 95, SLH 2021 (SB225 SD1 HD1 CD1) Relating to Infrastructure Improvement Districts

This Act amends §201H-191.5, HRS, to authorize HHFDC to assess beneficiaries the costs of regional infrastructure improvements made using the Dwelling Unit Revolving Fund (DURF) subaccounts, with the exception of any improvements within the Stadium Development District established pursuant to §206E-223, HRS. It also amends §201H-191.5, HRS, to state that the Hawaii Interagency Council for Transit-Oriented Development (TOD) shall review applications for DURF subaccount funds for TOD infrastructure projects. Finally, it authorizes HHFDC to promulgate administrative rules to implement the assessments program.

Act 140, SLH 2021 (HB1311 HD2 SD1 CD1) Relating to Affordable Housing

This Act removes the 2022 construction completion deadline set in Act 189, SLH 2019, for the Keawe St. Apartments rental housing project now known as Kaiaulu O Kuku'ia. It also provides that the Archeological Inventory Survey for the Villages of Leiali'i master planned community may be conducted in phases as the project is financed, and that the developer of Kaiaulu O Kuku'ia is only responsible for the Survey with respect to the project footprint.

Act 226, SLH 2021 (HB80 HD1 SD1 CD1) Relating to the Low-Income Housing Tax Credit

This Act amends the State Low-Income Housing Tax Credit by increasing the value of the State Credit to investors and by increasing the amount of equity generated for affordable rental housing development. Increasing the value of the State LIHTC makes affordable rental housing developments more feasible.

The Act also extends the sunset date of Act 129, SLH 2016, by 6 years, to December 31, 2027. Act 129 shortened the State Low-Income Housing Tax Credit from 50% of the Federal Low-Income Housing Tax Credit for 10 years to 100% of the Federal Low-Income Housing Tax Credit for 5 years. This provision is similar to the bills submitted in the Governor's legislative package (HB908 and SB1062, Relating to the Low-Income Housing Tax Credit).

Act 227, SLH 2021 (HB79 HD1 SD2 CD1) Relating to Housing

This Act creates the Affordable Homeownership Revolving Fund and Program which will provide a new source of financing for nonprofit housing development organizations providing affordable for-sale housing and for matching funds for Community Development Financial Institutions (CDFIs).

Act 88, SLH 2021 (HB200 HD1 SD1 CD1) Relating to State Budget

Operating Budget Items:

The Act reduced HHFDC's operating budget request as follows:

Total expenditure ceiling (MOF: W (revolving funds)):

FY 2021-2022: \$12,289,871 (a reduction of \$160,476 from HHFDC's budget request)

FY 2022-2023: \$12,289,871

Authorized Position Count

Permanent count: 25.00 Full Time Equivalent positions (FTE) (a reduction of 4.00 FTE)

Temporary count: 40.00 FTE (a reduction of 1.00 FTE)

HHFDC's authorized expenditure ceiling also includes the following:

FY 2021-2022: \$3,100,000 (MOF: N (Federal funds))

FY 2022-2023: \$3,100,000 (MOF: N)

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

FY 2022-2023: \$3,000,000 (MOF: P)

Capital Improvement Project Items:

HHFDC received the following CIP requests:

Dwelling Unit Revolving Fund Infusion, Statewide

FY2023: \$20,000,000 (MOF: C (Capital Improvements))

Cash Infusion for Rental Housing Revolving Fund, Statewide

FY2023: \$25,000,000 (MOF: C)

Cash Infusion for Rental Housing Revolving Fund for HPHA Senior Affordable Housing,
Oahu (School Street)

FY2022: \$40,000,000 (MOF: C)

This appropriation came with a budget proviso stating that these funds may be used for the purposes of the RHRF if the School Street project does not commence construction by August 31, 2022 and the date is not extended by the HHFDC Board and the Governor.

KOA'E MAKANA (Koloa, Kauai)

MARK DEVELOPMENT



The 134-unit Koa'e Makana in Koloa was the first project in Hawaii to be completed with Housing Trust Fund (HTF) dollars, HOME funds and 9% LIHTC.

Developed to provide workforce housing for employees of the nearby Poipu resort area, the project provides units for those earning up to 30%-60% AMI.

Koa'e Makana won the Building Industry Association of Hawaii's most recent Grand Award for Best Affordable Multi-Family Development in Hawaii.

LIHTC

Families began moving into the 143-unit Hale Moena Ohana in 2021. The 13-story tower by Highridge Costa and Coastal Rim Properties features 72 affordable and 71 market-rate condominiums. The affordable units are being rented to those earning between 30%-60% AMI.

The adjoining, 154-unit Hale Moena Kupuna tower, the first condo tower in the region geared toward seniors, was completed in 2020 and provides 154 rentals.

LIHTC/RHRF/HMMF

HALE MOENA OHANA AT KAPOLEI

HIGHRIDGE COSTA/COASTAL RIM PROPERTIES



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

BOARD OF DIRECTORS



Donn Mende
Chairman (Hawaii)



Gary Mackler
Vice-Chair (Kauai)



Robert Van Tassell
Secretary (Nonprofit)



Carol Reimann
Director (Maui)



Sean Sasaki
Director (Oahu)



Melvin Kahele
Director (At Large)



Kymberly Sparlin
Director (Ex Officio)



Craig Hirai
Director (Ex Officio)



Mike McCartney
Director (Ex Officio)



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State of Hawai'i Hawaii Housing Finance and Development Corporation

(A Component Unit of the State of Hawai'i)

Financial and Compliance Audit

June 30, 2021

**Submitted by
The Auditor
State of Hawai'i**

State of Hawai‘i
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawai‘i)
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Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawai‘i)
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PART I
Financial Statements



Report of Independent Auditors

The Auditor
State of Hawai'i

The Board of Directors
Hawaii Housing Finance and Development Corporation

Report on the Financial Statements

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 State of Hawai'i, Hawaii Housing Finance and Development Corporation (the "Corporation"), a component unit of the of the State of Hawai'i, as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the index.

Management's Responsibility 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; this includes 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.


Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, 2021, 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.

Emphasis of Matter

As discussed in Note 1, 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 Hawai'i as of June 30, 2021, 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. Our opinion is not modified with respect to this matter.


Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 14 and budgetary comparison schedules for the General Fund, HOME Investment Partnership Program, Housing Trust Fund Program, and Coronavirus Relief Fund Program on pages 67 through 72 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming 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 is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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. Such 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 December 17, 2021 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 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, Hawai'i
December 17, 2021

State of Hawai‘i
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawai‘i)
Management’s Discussion and Analysis (Unaudited)
June 30, 2021

The management of the State of Hawai‘i, 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, 2021. 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, 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, Hawai‘i, Maui and Kaua‘i. 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, 2021. 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.

State of Hawai‘i

Hawaii Housing Finance and Development Corporation

(A Component Unit of the State of Hawai‘i)

Management’s Discussion and Analysis (Unaudited)

June 30, 2021

- 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 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.

State of Hawai‘i
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawai‘i)
Management’s Discussion and Analysis (Unaudited)
June 30, 2021

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 Coronavirus Relief 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 accrual basis of accounting for the year ended June 30, 2021.

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Currently Known Facts, Decisions or Conditions

The Corporation continues to evaluate the restructuring of the ownership of its affordable rental housing projects through the conveyance of leasehold interests to experienced, private-sector operations. Such private-sector partnerships are intended to preserve the long-term affordability of the projects while relieving the Corporation of the burden of active management and maintenance. The Corporation believes that the private sector is able to more efficiently operate such projects and undertake capital-intensive improvements. The Nani ‘O Puna Project (“Project”) has been contemplated and thereby the Corporation has entered into a purchase and sale agreement dated October 28, 2021. The closing date shall be on or before January 31, 2022 unless the parties mutually agree upon another date.

COVID-19

On March 4, 2020, the Governor of the State of Hawai‘i issued an emergency proclamation to control the spread of the COVID-19 pandemic and has 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.

These orders have 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 Hawai‘i.

On November 23, 2021, Governor David Ige authorized the subaward of \$29,625,000 of the Homeowner Assistance Fund (“HAF”) federal award the State of Hawai‘i received on May 3, 2021 from the U.S. Department of the Treasury as appropriated in the American Rescue Plan Act of 2021 (“ARPA”), P.L. 117-2. The HAF 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 period of performance for this award ends on September 30, 2026.

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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, 2021, the Corporation's total net position was approximately \$1,504,287,000, an increase of \$359,789,000 (or 31.4%) from the previous year.

Government-Wide Condensed Statements of Net Position
June 30, 2021 and 2020
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total		Percent Change
	2021	2020	2021	2020	2021	2020	
Current assets	\$ 4,854	\$ 5,140	\$ 687,437	\$ 676,604	\$ 692,291	\$ 681,744	1.5 %
Restricted assets held by trustee	-	-	46,624	54,913	46,624	54,913	-15.1 %
Capital assets	-	-	93,403	96,355	93,403	96,355	-3.1 %
Other assets	9,862	9,862	755,751	650,553	765,613	660,415	15.9 %
Total assets	14,716	15,002	1,583,215	1,478,425	1,597,931	1,493,427	7.0 %
Deferred outflows of resources	-	-	2,580	3,009	2,580	3,009	-14.3 %
Total assets and deferred outflows of resources	\$ 14,716	\$ 15,002	\$ 1,585,795	\$ 1,481,434	\$ 1,600,511	\$ 1,496,436	7.0 %
Current liabilities	\$ 435	\$ -	\$ 8,219	\$ 255,771	\$ 8,654	\$ 255,771	-96.6 %
Noncurrent liabilities	-	-	86,418	95,567	86,418	95,567	-9.6 %
Total liabilities	435	-	94,637	351,338	95,072	351,338	-72.9 %
Deferred inflows of resources	-	-	1,152	600	1,152	600	92.0 %
Net position							
Net investment in capital assets	-	-	93,317	96,255	93,317	96,255	-3.1 %
Restricted	10,343	10,408	82,878	87,192	93,221	97,600	-4.5 %
Unrestricted	3,938	4,594	1,313,811	946,049	1,317,749	950,643	38.6 %
Total net position	14,281	15,002	1,490,006	1,129,496	1,504,287	1,144,498	31.4 %
Total liabilities, deferred inflows of resources and net position	\$ 14,716	\$ 15,002	\$ 1,585,795	\$ 1,481,434	\$ 1,600,511	\$ 1,496,436	7.0 %

Total assets and deferred outflows of resources increased by approximately \$104,075,000 (7.0%) during fiscal year 2021 primarily related to the increase in current assets of \$10,547,000 (1.5%), decrease in restricted assets held by trustee by approximately \$8,289,000 (15.1%), decrease in capital assets by approximately \$2,952,000 (3.1%), and increase in other assets by approximately \$105,198,000 (15.9%).

- Current assets are comprised of cash and cash equivalents, current receivables and accrued interest. Current assets increased by \$10,547,000 due to net increases of \$7,424,000 in cash and cash equivalents and \$4,043,000 of accrued interest. Cash and cash equivalents increased in the Rental Housing Revolving Fund and Other Enterprise Funds offset by the Dwelling Unit Revolving Fund. Increase in the Rental Housing Revolving Fund balance of \$8,697,000 resulted from a net \$50,000,000 cash infusion from General Obligation Bond Fund, \$31,366,000 of conveyance taxes, and \$3,244,000 of interest income received offset by \$75,475,000 of net loan activity. Increase in the cash and cash equivalents balance of the Rental Assistance Revolving Fund under Other Enterprise Funds of \$3,221,000 resulted from proceeds from the sale of the leasehold interest

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of the Kamake‘e Vista multi-family affordable housing project to fund rental assistance subsidies of \$3,925,000. Decrease in the Dwelling Unit Revolving Fund resulted from the operating and non-capital financing activities having outpaced the capital and related financing activities.

- Restricted assets held by trustee are comprised of cash and cash equivalents and investments held by the bond trustee. Decrease in restricted assets held by trustee decreased by approximately \$8,289,000 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 decreased by approximately \$2,952,000 primarily due to the disposition of the building and equipment through the sale of the leasehold interest of Kamake‘e Vista multi-family affordable housing project in November 2020 under the Dwelling Unit Revolving Fund.
- 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 \$105,198,000 primarily due to funding of mortgage and construction loans of \$123,247,000 and an increase in inventories of development in progress and dwelling units of \$3,472,000 offset by mortgage and construction loan repayments of \$20,066,000.

Total liabilities and deferred inflows of resources decreased by \$255,714,000 (72.7%) during fiscal year 2021 primarily related to the decrease in Due to other State Departments of \$250,000,000. In September 2020, the Corporation transferred \$250,000,000 from the Rental Housing Revolving Fund to the State Emergency and Budget Reserve Fund and, in October 2020, received \$250,000,000 in General Obligation bond funds pursuant to Act 4, Session Laws of Hawaii 2020.

Restricted net position represents resources that are subject to external restrictions on how funds may be used primarily include 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.

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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, 2021 and 2020
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total		Percent Change
	2021	2020	2021	2020	2021	2020	
Revenues							
Program revenues							
Charges for services	\$ -	\$ -	\$ 44,960	\$ 48,430	\$ 44,960	\$ 48,430	-7.2 %
Operating grants and contributions	78,940	4,680	7,282	16,040	86,222	20,720	316.1 %
General revenues							
State allotted appropriations, net of lapses	300,668	117,125	-	2,000	300,668	119,125	152.4 %
Gain on sale of capital assets	-	-	31,667	-	31,667	-	N/A
Total revenues	<u>379,608</u>	<u>121,805</u>	<u>83,909</u>	<u>66,470</u>	<u>463,517</u>	<u>188,275</u>	146.2 %
Expenses							
Governmental activities							
Expenditures	78,985	5,645	-	-	78,985	5,645	1299.2 %
Business-type activities							
Rental assistance program	-	-	1,784	1,888	1,784	1,888	-5.5 %
Housing development program	-	-	17,507	10,646	17,507	10,646	64.4 %
Multi-family mortgage loan programs	-	-	1,558	1,589	1,558	1,589	-2.0 %
Single-family mortgage loan program	-	-	1,620	937	1,620	937	72.9 %
Intergovernmental expense	-	-	-	250,000	-	250,000	N/A
Others	-	-	2,274	2,311	2,274	2,311	-1.6 %
Total expenses	<u>78,985</u>	<u>5,645</u>	<u>24,743</u>	<u>267,371</u>	<u>103,728</u>	<u>273,016</u>	-62.0 %
Net change before transfers and lapses	300,623	116,160	59,166	(200,901)	359,789	(84,741)	-524.6 %
Transfers	(301,344)	(143,998)	301,344	143,998	-	-	100.0 %
Change in net position	(721)	(27,838)	360,510	(56,903)	359,789	(84,741)	-524.6 %
Net position							
Beginning of year	15,002	42,840	1,129,496	1,186,399	1,144,498	1,229,239	-6.9 %
End of year	<u>\$ 14,281</u>	<u>\$ 15,002</u>	<u>\$ 1,490,006</u>	<u>\$ 1,129,496</u>	<u>\$ 1,504,287</u>	<u>\$ 1,144,498</u>	31.4 %

Governmental Activities

For the year ended June 30, 2021, governmental activities decreased the Corporation’s net position by approximately \$721,000 (4.8%), primarily as the result of the State-allotted appropriations net of lapses, totaling \$300,668,000, offset by transfers-out to the Proprietary Funds of \$301,344,000.

Business-type Activities

Revenues of the Corporation’s business-type activities were primarily from charges for services, program investment income, and federal assistance program funds. Charges for services consist primarily of rental income and interest income of loans related to the Corporation’s lending programs.

For the year ended June 30, 2021, business-type activities increased the Corporation’s net position by approximately \$360,510,000 (31.9%). Revenues primarily consisted of approximately \$31,366,000 in conveyance taxes, \$4,417,000 in rental income, \$7,915,000 in interest income on loans, \$4,283,000 in interest income, \$31,667,000 gain on sale of capital assets, and transfers-in from the General Obligation

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Bond Fund of \$300,000,000 while approximately \$24,743,000 in expenses primarily consisted of operating 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, 2021, the Corporation’s governmental funds reported a total fund balance of approximately \$14,281,000.

The governmental funds consist of seven 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, (5) Coronavirus Relief Fund, (6) Rental Assistance and Mediation Program, and (7) Tax Credit Assistance 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 had a fund balance of approximately \$47,000 as of June 30, 2021.
- 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 \$3,891,000 as of June 30, 2021.
- 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 \$481,000 as of June 30, 2021.
- 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, 2021.
- The Coronavirus Relief Fund was established to assist households impacted by the COVID-19 pandemic at risk of eviction or foreclosure with rental assistance payments, mortgage payments, mediation services, homeowners’ association dues, counseling and loan modification assistance. The fund did not have a fund balance as of June 30, 2021.
- The Rental Assistance and Mediation Program was established to assist renters and landlords impacted by the COVID-19 pandemic with rental assistance and mediation services to avoid eviction. The fund did not have a fund balance as of June 30, 2021.

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- The Tax Credit Assistance Program (“TCAP”) is used to account for all financial activities funded by the related federal grant. Substantially all of the fund’s activities relate to providing funds directly to designated state housing credit agencies for award to affordable rental housing developments that have been allocated low income housing tax credits and are in need of additional gap equity funding. TCAP had a fund balance of approximately \$9,862,000 as of June 30, 2021.

Proprietary Funds

As of June 30, 2021, the Corporation’s proprietary funds reported total net position of approximately \$1,490,006,000.

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 \$337,136,000 to \$985,628,000 as of June 30, 2021. The increase in net position was primarily the result of conveyance tax collections of \$31,366,000 and transfers-in of \$300,000,000.
- 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 \$21,186,000 to \$424,594,000 as of June 30, 2021. The increase in net position was primarily the result of gain on sale of capital assets of \$31,667,000 offset by an increase of \$5,627,000 in program expenses and transfers-out of \$3,726,000.
- 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 \$447,000 to \$36,999,000 as of June 30, 2021. The decrease in net position is primarily due to the change in the fair value of mortgage-backed securities during fiscal year 2021 of \$756,000.
- 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 \$40,000 to \$7,119,000 as of June 30, 2021.

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Capital Assets and Debt Administration

Capital Assets

As of June 30, 2021, the Corporation’s capital assets amounted to approximately \$93,403,000 (net of accumulated depreciation of approximately \$3,805,000), a decrease of approximately \$2,952,000 primarily due to the sale of the Kamake‘e Vista affordable multi-family housing project in fiscal year 2021.

Corporation’s Capital Assets
June 30, 2021 and 2020
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total		Percent Change
	2021	2020	2021	2020	2021	2020	
Land	\$ -	\$ -	\$ 82,724	\$ 82,564	\$ 82,724	\$ 82,564	0.2 %
Buildings and improvements	-	-	14,139	51,900	14,139	51,900	-72.8 %
Equipment	129	148	216	635	345	783	-55.9 %
Total	129	148	97,079	135,099	97,208	135,247	-28.1 %
Accumulated depreciation	(129)	(148)	(3,676)	(38,744)	(3,805)	(38,892)	-90.2 %
Total capital assets, net	\$ -	\$ -	\$ 93,403	\$ 96,355	\$ 93,403	\$ 96,355	-3.1 %

Debt Administration

Through June 30, 2021, approximately \$3.37 billion of revenue bonds have been issued under various revolving bond funds of the Corporation and its predecessor entities, of which approximately \$1,144,937,000 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 \$7,915,000, net of premiums, to approximately \$8,466,000 as of June 30, 2021 due to scheduled and early redemptions.

As of June 30, 2021, 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, 2021, conduit debt obligations outstanding amounted to approximately \$464,000,000.

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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, Hawai‘i 96813.

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Statement of Net Position
June 30, 2021

	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	\$ -	\$ 635,954,503	\$ 635,954,503
Cash in banks	579	5,858,829	5,859,408
Receivables			
Mortgage loans	-	506,663	506,663
Notes and loans	-	38,471	38,471
Accrued interest	-	41,481,551	41,481,551
Tenant receivables, less allowance for doubtful accounts of \$3,395,351	-	237,398	237,398
Other receivables, less allowance for doubtful accounts of \$135,591	20,677	2,159,384	2,180,061
Total receivables	20,677	44,423,467	44,444,144
Cash held by third parties	916,865	-	916,865
Due from State	4,562,315	-	4,562,315
Internal balances	(645,982)	645,982	-
Prepaid expenses and other assets	-	110,887	110,887
Deposits held in trust	-	443,771	443,771
Total current assets	4,854,454	687,437,439	692,291,893
Restricted assets held by trustee under revenue bond program			
Cash and cash equivalents	-	17,194,511	17,194,511
Investments	-	29,429,421	29,429,421
	-	46,623,932	46,623,932
Inventories – development in progress and dwelling units	-	39,428,020	39,428,020
Restricted deposits held in escrow	-	2,582,084	2,582,084
Mortgage loans, net of allowance for loan losses of \$425,454	-	603,164,442	603,164,442
Notes and loans	9,861,610	110,576,179	120,437,789
Capital assets, net	-	93,403,343	93,403,343
Total assets	14,716,064	1,583,215,439	1,597,931,503
Deferred outflows of resources			
Deferred outflows on net pension liability	-	1,848,676	1,848,676
Deferred outflows on net OPEB liability	-	731,138	731,138
Total deferred outflows of resources	-	2,579,814	2,579,814
Total assets and deferred outflows of resources	\$ 14,716,064	\$ 1,585,795,253	\$ 1,600,511,317

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

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Statement of Net Position
June 30, 2021

	Governmental Activities	Business-Type Activities	Total
Liabilities, Deferred Inflows of Resources, and Net Position			
Current liabilities			
Accounts payable	\$ -	\$ 2,142,862	\$ 2,142,862
Accrued expenses			
Interest	-	62,779	62,779
Other	-	1,377,562	1,377,562
Due to other State departments	435,491	12,524	448,015
Security deposits	-	2,972,844	2,972,844
Note payable	-	14,578	14,578
Unearned income	-	384,615	384,615
Revenue bonds payable	-	1,251,000	1,251,000
Total current liabilities	<u>435,491</u>	<u>8,218,764</u>	<u>8,654,255</u>
Noncurrent liabilities			
Note payable	-	71,345	71,345
Revenue bonds payable	-	7,214,540	7,214,540
Estimated future costs of development	-	35,180,057	35,180,057
Unearned income	-	20,853,526	20,853,526
Unrealized gain on sale of units and land	-	1,743,437	1,743,437
Net OPEB liability	-	9,590,435	9,590,435
Net pension liability	-	11,764,448	11,764,448
Total liabilities	<u>435,491</u>	<u>94,636,552</u>	<u>95,072,043</u>
Deferred inflows of resources			
Deferred inflows on net pension liability	-	237,138	237,138
Deferred inflows on net OPEB liability	-	915,098	915,098
Total deferred inflows of resources	<u>-</u>	<u>1,152,236</u>	<u>1,152,236</u>
Commitments and contingencies			
Net position			
Net investment in capital assets	-	93,317,420	93,317,420
Restricted by legislation and contractual agreements	10,342,984	82,877,769	93,220,753
Unrestricted	3,937,589	1,313,811,276	1,317,748,865
Total net position	<u>14,280,573</u>	<u>1,490,006,465</u>	<u>1,504,287,038</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 14,716,064</u>	<u>\$ 1,585,795,253</u>	<u>\$ 1,600,511,317</u>

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

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Statement of Activities
Year Ended June 30, 2021

		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	\$ 78,984,996	\$ -	\$ 78,939,710	\$ (45,286)	\$ -	\$ (45,286)
Total governmental activities	78,984,996	-	78,939,710	(45,286)	-	(45,286)
Business-type activities						
Rental assistance program	1,783,589	48,434	212,736	-	(1,522,419)	(1,522,419)
Housing development program	17,507,484	6,378,808	4,373,054	-	(6,755,622)	(6,755,622)
Multifamily mortgage loan program	1,557,622	36,256,243	2,630,678	-	37,329,299	37,329,299
Single family mortgage loan program	1,620,163	1,173,130	-	-	(447,033)	(447,033)
Others	2,274,163	1,103,142	65,685	-	(1,105,336)	(1,105,336)
Total business-type activities	24,743,021	44,959,757	7,282,153	-	27,498,889	27,498,889
Total	\$ 103,728,017	\$ 44,959,757	\$ 86,221,863	(45,286)	27,498,889	27,453,603
General revenues and transfers						
State allotted appropriations, net of lapses of \$82,048				300,667,952	-	300,667,952
Net transfers				(301,343,537)	301,343,537	-
Gain on sale of capital assets				-	31,667,462	31,667,462
Total general revenues and transfers				(675,585)	333,010,999	332,335,414
Change in net position				(720,871)	360,509,888	359,789,017
Net position						
Beginning of year				15,001,444	1,129,496,577	1,144,498,021
End of year				\$ 14,280,573	\$ 1,490,006,465	\$ 1,504,287,038

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

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Governmental Funds
Balance Sheet
June 30, 2021

	General Fund	General Obligation Bond Fund	HOME Investment Partnership Program	Housing Trust Fund Program	Coronavirus Relief Fund Program	Rental Assistance and Mediation Program	Tax Credit Assistance Program	Total Governmental Funds
Assets								
Cash in banks	\$ -	\$ -	\$ 79	\$ 500	\$ -	\$ -	\$ -	\$ 579
Receivables								
Other receivables	-	-	10,026	10,651	-	-	-	20,677
Total receivables	-	-	10,026	10,651	-	-	-	20,677
Cash held by third parties	-	-	481,374	-	256,676	178,815	-	916,865
Notes and loans receivable	-	-	-	-	-	-	9,861,610	9,861,610
Due from State	46,840	4,515,475	-	-	-	-	-	4,562,315
Total assets	<u>\$ 46,840</u>	<u>\$ 4,515,475</u>	<u>\$ 491,479</u>	<u>\$ 11,151</u>	<u>\$ 256,676</u>	<u>\$ 178,815</u>	<u>\$ 9,861,610</u>	<u>\$ 15,362,046</u>
Liabilities and Fund Balances								
Liabilities								
Due to other funds	\$ -	\$ 624,726	\$ 10,105	\$ 11,151	\$ -	\$ -	\$ -	\$ 645,982
Due to State	-	-	-	-	256,676	178,815	-	435,491
Total liabilities	-	624,726	10,105	11,151	256,676	178,815	-	1,081,473
Fund balances								
Restricted	-	-	481,374	-	-	-	9,861,610	10,342,984
Committed	46,840	3,890,749	-	-	-	-	-	3,937,589
Total fund balances	46,840	3,890,749	481,374	-	-	-	9,861,610	14,280,573
Total liabilities and fund balances	<u>\$ 46,840</u>	<u>\$ 4,515,475</u>	<u>\$ 491,479</u>	<u>\$ 11,151</u>	<u>\$ 256,676</u>	<u>\$ 178,815</u>	<u>\$ 9,861,610</u>	<u>\$ 15,362,046</u>

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, 2021

Total fund balances – governmental funds		\$ 14,280,573
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	\$ 128,500	
Accumulated depreciation	<u>(128,500)</u>	
Capital assets, net		<u>-</u>
Net position of governmental activities		<u>\$ 14,280,573</u>

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, 2021

	General Fund	General Obligation Bond Fund	HOME Investment Partnership Program	Housing Trust Fund Program	Coronavirus Relief Fund Program	Rental Assistance and Mediation Program	Tax Credit Assistance Program	Total Governmental Funds
Revenues								
State allotted appropriations	\$ -	\$ 300,750,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 300,750,000
Intergovernmental revenue	-	-	3,103,865	4,183,493	64,831,167	6,821,185	-	78,939,710
Total revenues	-	300,750,000	3,103,865	4,183,493	64,831,167	6,821,185	-	379,689,710
Expenditures								
Programs	-	-	3,022,830	4,006,609	64,352,249	6,815,000	-	78,196,688
Personnel services	-	-	108,665	128,931	315,126	5,310	-	558,032
Administration	-	-	17,066	14,915	163,792	875	-	196,648
Professional services	-	-	20,004	13,624	-	-	-	33,628
Total expenditures	-	-	3,168,565	4,164,079	64,831,167	6,821,185	-	78,984,996
Excess (deficiency) of revenues over (under) expenditures	-	-	(64,700)	19,414	-	-	-	300,704,714
Other financing uses								
Net transfers	(272,160)	(301,071,377)	-	-	-	-	-	(301,343,537)
Excess (deficiency) of revenues over (under) expenditures and other financing uses	(272,160)	(321,377)	(64,700)	19,414	-	-	-	(638,823)
Reversion of (lapsed) appropriations	10,000	(92,048)	-	-	-	-	-	(82,048)
Net change in fund balances	(262,160)	(413,425)	(64,700)	19,414	-	-	-	(720,871)
Fund balances								
Beginning of year	309,000	4,304,174	546,074	(19,414)	-	-	9,861,610	15,001,444
End of year	\$ 46,840	\$ 3,890,749	\$ 481,374	\$ -	\$ -	\$ -	\$ 9,861,610	\$ 14,280,573

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 Statement of Revenues,
Expenditures, and Change in Fund Balances to the Statement of Activities
Year Ended June 30, 2021

Net change in fund balances – total governmental funds		\$	(720,871)
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		\$	<u>(720,871)</u>

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, 2021

	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	\$ 403,812,234	\$ 189,191,220	\$ -	\$ 10,209,672	\$ 32,741,377	\$ 635,954,503
Cash in banks	-	5,848,829	-	-	10,000	5,858,829
Receivables						
Mortgage loans	481,870	15,048	9,745	-	-	506,663
Notes and loans	-	38,471	-	-	-	38,471
Accrued interest	17,326,444	23,814,829	81,812	61,129	197,337	41,481,551
Tenant receivables, less allowance for doubtful accounts of \$3,395,351	-	237,398	-	-	-	237,398
Other receivables, less allowance for doubtful accounts of \$135,591	-	1,845,114	-	21,217	293,053	2,159,384
Total receivables	17,808,314	25,950,860	91,557	82,346	490,390	44,423,467
Due from other funds	-	1,019,833	-	1,282,711	3,607,007	5,909,551
Prepaid expenses and other assets	-	15	2,685	-	108,187	110,887
Deposits held in trust	-	443,771	-	-	-	443,771
Total current assets	421,620,548	222,454,528	94,242	11,574,729	36,956,961	692,701,008
Restricted assets held by trustee under revenue bond program						
Cash and cash equivalents	-	-	17,194,511	-	-	17,194,511
Investments	-	-	29,429,421	-	-	29,429,421
	-	-	46,623,932	-	-	46,623,932
Inventories – development in progress and dwelling units	-	39,428,020	-	-	-	39,428,020
Restricted deposits held in escrow	-	2,582,084	-	-	-	2,582,084
Mortgage loans, net of allowance for loan losses of \$425,454	565,330,867	30,866,830	5,592	4,847,817	2,113,336	603,164,442
Notes and loans	-	110,576,179	-	-	-	110,576,179
Capital assets, net	-	93,399,003	-	-	4,340	93,403,343
Total assets	986,951,415	499,306,644	46,723,766	16,422,546	39,074,637	1,588,479,008
Deferred outflows of resources						
Deferred outflows on net pension liability	129,758	1,195,186	113,091	275,282	135,359	1,848,676
Deferred outflows on net OPEB liability	55,281	470,400	37,016	94,363	74,078	731,138
Total deferred outflows of resources	185,039	1,665,586	150,107	369,645	209,437	2,579,814
Total assets and deferred outflows of resources	\$ 987,136,454	\$ 500,972,230	\$ 46,873,873	\$ 16,792,191	\$ 39,284,074	\$ 1,591,058,822

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, 2021

	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	\$ -	\$ 1,428,194	\$ 7,398	\$ 6,420	\$ 700,850	\$ 2,142,862
Accrued expenses						
Interest	-	71	62,708	-	-	62,779
Other	128,181	870,391	97,921	131,729	149,340	1,377,562
Due to other funds	18,244	770,464	55,959	3,414,609	1,004,293	5,263,569
Due to other State departments	-	2,524	-	-	10,000	12,524
Security deposits	-	387,842	-	2,585,002	-	2,972,844
Note payable	-	14,578	-	-	-	14,578
Unearned income	-	384,615	-	-	-	384,615
Revenue bonds payable	-	-	1,251,000	-	-	1,251,000
Total current liabilities	146,425	3,858,679	1,474,986	6,137,760	1,864,483	13,482,333
Noncurrent liabilities						
Note payable	-	71,345	-	-	-	71,345
Revenue bonds payable	-	-	7,214,540	-	-	7,214,540
Estimated future costs of development	-	35,180,057	-	-	-	35,180,057
Unearned income	-	20,853,526	-	-	-	20,853,526
Unrealized gain on sale of units and land	-	1,743,437	-	-	-	1,743,437
Net OPEB liability	559,454	6,261,900	498,942	1,556,472	713,667	9,590,435
Net pension liability	735,059	7,648,758	600,607	1,830,278	949,746	11,764,448
Total liabilities	1,440,938	75,617,702	9,789,075	9,524,510	3,527,896	99,900,121
Deferred inflows of resources						
Deferred inflows on net pension liability	-	167,724	38,323	30,393	698	237,138
Deferred inflows on net OPEB liability	67,069	592,466	47,181	118,697	89,685	915,098
Total deferred inflows of resources	67,069	760,190	85,504	149,090	90,383	1,152,236
Net position						
Net investment in capital assets	-	93,313,080	-	-	4,340	93,317,420
Restricted by legislation and contractual agreements	-	2,582,084	46,623,932	-	33,671,753	82,877,769
Unrestricted	985,628,447	328,699,174	(9,624,638)	7,118,591	1,989,702	1,313,811,276
Total net position	985,628,447	424,594,338	36,999,294	7,118,591	35,665,795	1,490,006,465
Total liabilities, deferred inflows of resources, and net position	\$ 987,136,454	\$ 500,972,230	\$ 46,873,873	\$ 16,792,191	\$ 39,284,074	\$ 1,591,058,822

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, 2021

	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	\$ 31,365,813	\$ -	\$ -	\$ -	\$ -	\$ 31,365,813
Rental	-	4,417,040	-	-	-	4,417,040
Interest on mortgages, notes, loans and mortgage-backed securities	3,683,832	2,999,539	1,173,130	11,383	47,434	7,915,318
Sale of land and units, net	-	162,097	-	-	-	162,097
Other	241,208	1,799,671	-	1,091,759	966,390	4,099,028
Total operating revenues	<u>35,290,853</u>	<u>9,378,347</u>	<u>1,173,130</u>	<u>1,103,142</u>	<u>1,013,824</u>	<u>47,959,296</u>
Operating expenses						
Programs	-	11,329,072	-	-	1,144,845	12,473,917
Interest expense	-	926	315,205	-	-	316,131
Personnel services	624,999	4,765,666	416,753	888,377	844,086	7,539,881
Depreciation	-	170,534	-	-	-	170,534
Administration	116,293	381,138	81,113	209,988	97,208	885,740
Housing assistance payments	-	-	-	-	1,509,569	1,509,569
Professional services	41,044	265,381	41,142	36,805	102,940	487,312
Capital expenses	3,081	45,365	553	1,001	191	50,191
Insurance	166	69,541	59	135	243	70,144
Provision for (recovery of) losses	-	483,581	-	(11,833)	-	471,748
Other	-	(3,720)	8,859	4,673	1,391	11,203
Total operating expenses	<u>785,583</u>	<u>17,507,484</u>	<u>863,684</u>	<u>1,129,146</u>	<u>3,700,473</u>	<u>23,986,370</u>
Operating income (loss) carried forward	<u>34,505,270</u>	<u>(8,129,137)</u>	<u>309,446</u>	<u>(26,004)</u>	<u>(2,686,649)</u>	<u>23,972,926</u>

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, 2021

	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	34,505,270	(8,129,137)	309,446	(26,004)	(2,686,649)	23,972,926
Nonoperating revenues (expenses)						
Interest income	2,630,678	1,373,515	-	65,685	212,736	4,282,614
Gain on sale of capital assets		31,667,462	-	-	-	31,667,462
Net decrease in fair value of mortgage-backed securities	-	-	(756,479)	-	-	(756,479)
Other expenses	-	-	-	(172)	-	(172)
Total nonoperating revenues (expenses)	2,630,678	33,040,977	(756,479)	65,513	212,736	35,193,425
Income (loss) before transfers	37,135,948	24,911,840	(447,033)	39,509	(2,473,913)	59,166,351
Net transfers	300,000,000	(3,726,308)	-	-	5,069,845	301,343,537
Change in net position	337,135,948	21,185,532	(447,033)	39,509	2,595,932	360,509,888
Net position						
Beginning of year	648,492,499	403,408,806	37,446,327	7,079,082	33,069,863	1,129,496,577
End of year	<u>\$ 985,628,447</u>	<u>\$ 424,594,338</u>	<u>\$ 36,999,294</u>	<u>\$ 7,118,591</u>	<u>\$ 35,665,795</u>	<u>\$ 1,490,006,465</u>

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, 2021

	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 (paid to) tenants	\$ -	\$ 3,293,540	\$ -	\$ (10,847)	\$ -	\$ 3,282,693
Cash received from borrowers						
Principal repayments	16,721,733	3,135,401	25,274	46,681	136,649	20,065,738
Interest income	935,041	3,864,190	1,201,722	11,772	720,552	6,733,277
Cash received from sale of land	-	1,463,652	-	-	-	1,463,652
Cash received from conveyance taxes	31,365,813	-	-	-	-	31,365,813
Cash received for payments on mortgage-backed securities, net	-	-	9,838,892	-	-	9,838,892
Cash payments for issuance of loans receivable	(93,131,761)	(30,115,032)	-	-	-	(123,246,793)
Interest payments	-	(855)	(414,570)	-	-	(415,425)
Payments to employees	(526,647)	(3,837,321)	(353,285)	(733,663)	(708,390)	(6,159,306)
Payments to suppliers	(152,603)	(15,506,959)	(128,862)	(255,029)	(2,793,971)	(18,837,424)
Cash receipts from (payments to) other funds	-	1,314,084	52,028	133,798	(217,364)	1,282,546
Other cash receipts	241,208	597,434	-	1,102,939	835,342	2,776,923
Net cash provided by (used in) operating activities	<u>(44,547,216)</u>	<u>(35,791,866)</u>	<u>10,221,199</u>	<u>295,651</u>	<u>(2,027,182)</u>	<u>(71,849,414)</u>
Cash flows from noncapital financing activities						
Principal paid on revenue bond maturities and redemptions	-	-	(7,915,366)	-	-	(7,915,366)
Intergovernmental financing	(250,000,000)	-	-	-	-	(250,000,000)
Transfers in	300,000,000	-	-	-	5,069,845	305,069,845
Transfers out	-	(3,726,308)	-	-	-	(3,726,308)
Net cash provided by (used in) noncapital financing activities	<u>50,000,000</u>	<u>(3,726,308)</u>	<u>(7,915,366)</u>	<u>-</u>	<u>5,069,845</u>	<u>43,428,171</u>
Cash flows from capital and related financing activities						
Purchases of capital assets	-	(169,390)	-	-	-	(169,390)
Sales of capital assets	-	34,614,318	-	-	3,720	34,618,038
Net cash provided by capital and related financing activities	<u>-</u>	<u>34,444,928</u>	<u>-</u>	<u>-</u>	<u>3,720</u>	<u>34,448,648</u>
Subtotal carried forward	<u>5,452,784</u>	<u>(5,073,246)</u>	<u>2,305,833</u>	<u>295,651</u>	<u>3,046,383</u>	<u>6,027,405</u>

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, 2021

	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	5,452,784	(5,073,246)	2,305,833	295,651	3,046,383	6,027,405
Cash flows from investing activities						
Interest received	3,243,769	955,365	-	53,916	166,191	4,419,241
Net cash provided by investing activities	3,243,769	955,365	-	53,916	166,191	4,419,241
Net increase (decrease) in cash and cash equivalents	8,696,553	(4,117,881)	2,305,833	349,567	3,212,574	10,446,646
Cash and cash equivalents						
Beginning of year	395,115,681	202,183,785	14,888,678	9,860,105	29,538,803	651,587,052
End of year	<u>\$ 403,812,234</u>	<u>\$ 198,065,904</u>	<u>\$ 17,194,511</u>	<u>\$ 10,209,672</u>	<u>\$ 32,751,377</u>	<u>\$ 662,033,698</u>
Components of cash and cash equivalents						
Equity in cash and cash equivalents and investments in State Treasury	\$ 403,812,234	\$ 189,191,220	\$ -	\$ 10,209,672	\$ 32,741,377	\$ 635,954,503
Cash in banks	-	5,848,829	-	-	10,000	5,858,829
Restricted cash and cash equivalents held by trustee	-	-	17,194,511	-	-	17,194,511
Deposits held in trust	-	443,771	-	-	-	443,771
Restricted deposits held in escrow	-	2,582,084	-	-	-	2,582,084
Cash and cash equivalents	<u>\$ 403,812,234</u>	<u>\$ 198,065,904</u>	<u>\$ 17,194,511</u>	<u>\$ 10,209,672</u>	<u>\$ 32,751,377</u>	<u>\$ 662,033,698</u>

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, 2021

	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)	\$ 34,505,270	\$ (8,129,137)	\$ 309,446	\$ (26,004)	\$ (2,686,649)	\$ 23,972,926
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities						
Depreciation	-	170,534	-	-	-	170,534
Provision for (recovery of) losses	-	483,581	-	(11,833)	-	471,748
Rent subsidies applied to note payable	-	(15,359)	-	-	-	(15,359)
Interest expense settled through reduction of rental subsidies	-	926	-	-	-	926
Net pension expense	59,811	491,095	39,569	93,117	80,282	763,874
Net OPEB benefit	36,124	296,599	23,899	56,239	48,488	461,349
Changes in assets and liabilities						
Mortgage loans receivable	(76,410,028)	(9,970,539)	25,274	46,681	136,649	(86,171,963)
Notes and loans receivable	-	(14,009,176)	-	-	-	(14,009,176)
Accrued interest receivable	(2,748,791)	(2,132,946)	28,592	389	673,118	(4,179,638)
Tenant receivables	-	21,832	-	-	-	21,832
Other receivables	-	513,661	-	12,296	(131,048)	394,909
Due to (from) other funds	7,981	30,833	52,028	133,798	(217,364)	7,276
Due to other State departments	-	1,283,251	-	-	-	1,283,251
Inventories – development in progress and dwelling units	-	(3,471,900)	-	-	-	(3,471,900)
Prepaid expenses and other assets	-	(15)	-	-	17,354	17,339
Investments	-	-	9,838,892	-	-	9,838,892
Accounts payable	-	1,206,429	(852)	(3,543)	45,062	1,247,096
Accrued interest payable	-	71	(99,365)	-	-	(99,294)
Other accrued expenses	2,417	140,651	3,716	5,358	6,926	159,068
Security deposits	-	(361,911)	-	(10,847)	-	(372,758)
Unearned income	-	(286,800)	-	-	-	(286,800)
Unrealized gain on sale of units and land	-	(12,445)	-	-	-	(12,445)
Estimated future costs of development	-	(2,041,101)	-	-	-	(2,041,101)
Net cash provided by (used in) operating activities	<u>\$ (44,547,216)</u>	<u>\$ (35,791,866)</u>	<u>\$ 10,221,199</u>	<u>\$ 295,651</u>	<u>\$ (2,027,182)</u>	<u>\$ (71,849,414)</u>
Supplemental information						
Noncash capital and related financing activities						
Principal payments on note payable settled through reduction of rental subsidies	\$ -	\$ 14,443	\$ -	\$ -	\$ -	\$ 14,443

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)
Notes to Financial Statements
June 30, 2021

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 Hawai‘i (“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 Hawai‘i.

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 Hawai‘i (the “State”) as of June 30, 2021, 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. 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.

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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.

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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 generally accepted accounting principles (“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

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.

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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

- **General Fund** – The 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** – The General Obligation Bond Fund is used to account 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** – The HOME Investment Partnership Program is used to account 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 of Hawai‘i.
- **Housing Trust Fund Program** – The Housing Trust Fund Program is used to account 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.
- **Coronavirus Relief Fund Program** – The Coronavirus Relief Fund Program is used to account for all financial activities funded by the related federal grant. Substantially all of the fund’s activity is related to providing rental and mortgage assistance to residents impacted by the coronavirus pandemic.
- **Rental Assistance and Mediation Program** – The Rental Assistance and Mediation Program is used to account for the proceeds from the State to provide rental assistance to residents impacted by the coronavirus pandemic.
- **Tax Credit Assistance Program** – The Tax Credit Assistance Program (“TCAP”) is used to account for all financial activities funded by the related federal grant. Substantially all of the fund’s activities relate to providing funds directly to designated state housing credit agencies for award to affordable rental housing developments that have been allocated low-income housing tax credits and are in need of additional gap equity funding.

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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

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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 of Hawai‘i. 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.

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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 the remaining portions of three master planned community projects – Kapolei (O‘ahu), Kamakana Villages of Keahuolu (West Hawai‘i), and Leialī (Maui). Costs included in developments in progress relate to the infrastructure construction for these master planned communities. 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.

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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, 2021, there were allowances for mortgage loan receivables, tenant receivables, and other receivables of \$425,000, \$3,452,000, 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 17 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

Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows (inflows) of resources represent a consumption of (benefit to) net position 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

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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 \$250,000. Accrued vacation, which is included in other accrued expenses in the statement of net position, changed during fiscal year 2021 as follows:

Balance at July 1, 2020	\$ 735,000
Additions	475,000
Reductions	(325,000)
Balance at June 30, 2021	<u>\$ 885,000</u>

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 Hawai‘i (“ERS”). Accumulated unpaid sick leave at June 30, 2021 amounted to approximately \$2,875,000.

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

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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.

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- **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 of Hawai‘i.

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

The GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The Statement requires 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. Upon the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the provisions of Statement No. 87 were deferred to the period beginning after June 15, 2021. The Corporation has not yet determined the effect this Statement will have on its financial statements.

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.

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

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June 15, 2022. The Corporation has not yet determined the effect this Statement will have on its financial statements.

2. Deposits

At June 30, 2021, 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	\$ -	\$ 635,954,503	\$ 635,954,503
Cash in banks (book balance)	579	5,858,829	5,859,408
Cash held by third parties	916,865	-	916,865
Restricted cash and cash equivalents held by trustee	-	17,194,511	17,194,511
Deposits held in trust	-	443,771	443,771
Restricted deposits held in escrow	-	2,582,084	2,582,084
Total cash and cash equivalents	<u>\$ 917,444</u>	<u>\$ 662,033,698</u>	<u>\$ 662,951,142</u>

The bank balance of cash in bank was approximately \$5,800,000, of which \$333,000 was covered by federal deposit insurance and \$5,467,000 was not covered and is uncollateralized. As of June 30, 2021, 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 are described in Note 1.

3. Investments

Investments at June 30, 2021 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	<u>\$ -</u>	<u>\$ 1,180,609</u>	<u>\$ 4,250,793</u>	<u>\$ 5,838,388</u>	<u>\$ 18,159,631</u>	<u>\$ 29,429,421</u>

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, 2021, Level 2 inputs were used to determine the fair value of mortgage-backed securities.

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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, 2021, 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, 2021, the Corporation’s investments were primarily with the FNMA and represent 96% 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, 2021 comprised the following:

	Mortgage Loans	Notes and Loans
Mortgage loans bearing interest up to 8.63%, maturing at various dates through 2081	\$ 604,096,559	\$ -
Promissory notes bearing interest up to 5.00%, maturing at various dates through 2071	-	110,614,650
Non-interest bearing promissory notes, maturing at various dates through 2066	-	9,861,610
Allowance for loan losses	(425,454)	-
	<u>603,671,105</u>	<u>120,476,260</u>
Less: Current portion	(506,663)	(38,471)
Noncurrent portion	<u>\$ 603,164,442</u>	<u>\$ 120,437,789</u>

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The collection of the Kamakana Villages at Keahuolu note receivable of approximately \$6,460,000 is contingent upon the completion of certain construction and conditional terms as set forth in the amended development agreement.

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, 2021 was as follows:

	Balance at July 1, 2020	Additions	Disposals	Balance at June 30, 2021
Governmental activities				
Depreciable assets				
Equipment	\$ 148,330	\$ -	\$ (19,830)	\$ 128,500
Accumulated depreciation				
Equipment	(148,330)	-	19,830	(128,500)
Governmental activities capital assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Business-type activities				
Depreciable assets				
Building and improvements	\$ 51,900,352	\$ 9,040	\$ (37,770,727)	\$ 14,138,665
Equipment	634,966	-	(419,008)	215,958
	<u>52,535,318</u>	<u>9,040</u>	<u>(38,189,735)</u>	<u>14,354,623</u>
Accumulated depreciation				
Building and improvements	(38,172,163)	(153,346)	34,821,984	(3,503,525)
Equipment	(572,062)	(17,188)	417,175	(172,075)
	<u>(38,744,225)</u>	<u>(170,534)</u>	<u>35,239,159</u>	<u>(3,675,600)</u>
	<u>13,791,093</u>	<u>(161,494)</u>	<u>(2,950,576)</u>	<u>10,679,023</u>
Land	82,563,970	160,350	-	82,724,320
Business-type activities capital assets, net	<u>\$ 96,355,063</u>	<u>\$ (1,144)</u>	<u>\$ (2,950,576)</u>	<u>\$ 93,403,343</u>

For the year ended June 30, 2021, approximately \$171,000 of depreciation expense was charged to the business-type activities for housing development.

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At June 30, 2021, capital assets for the proprietary funds consisted of the following:

	Single Family Mortgage Purchase Revenue Bond Fund	Dwelling Unit Revolving Fund	Other Enterprise Funds	Total
Buildings and improvements	\$ -	\$ 14,138,665	\$ -	\$ 14,138,665
Equipment	5,635	71,387	138,936	215,958
	<u>5,635</u>	<u>14,210,052</u>	<u>138,936</u>	<u>14,354,623</u>
Less: Accumulated depreciation	(5,635)	(3,535,369)	(134,596)	(3,675,600)
	<u>-</u>	<u>10,674,683</u>	<u>4,340</u>	<u>10,679,023</u>
Land	-	82,724,320	-	82,724,320
Net capital assets	<u>\$ -</u>	<u>\$ 93,399,003</u>	<u>\$ 4,340</u>	<u>\$ 93,403,343</u>

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, 2021, 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	\$ 847,000
Mortgage loan reserve requirements	356,000
	<u>\$ 1,203,000</u>

At June 30, 2021, approximately \$4,064,000 and \$7,045,000 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, 2021.

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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, 2021, the balance outstanding on the mortgage note was approximately \$86,000.

Note payable activity during the year was as follows:

	Balance at July 1, 2020	Addition	Reductions	Balance at June 30, 2021	Current Portion
Note payable	<u>\$ 100,356</u>	<u>\$ -</u>	<u>\$ (14,433)</u>	<u>\$ 85,923</u>	<u>\$ 14,578</u>

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

Year ending June 30,	Principal	Interest	Total
2022	\$ 14,000	\$ 1,000	\$ 15,000
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	12,000	-	12,000
	<u>\$ 86,000</u>	<u>\$ 3,000</u>	<u>\$ 89,000</u>

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8. Single Family Mortgage Purchase Revenue Bonds Payable

Through June 30, 2021, 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, 2021 consisted of the following issuances:

2009 Series A-1

Term bonds maturing in 2026 through 2042 (2.40%)	\$ 2,220,000
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2011 Series B

Serial bonds maturing in 2022 through 2023 (3.30% to 3.45%)	390,000
Term bonds maturing in 2023 through 2026 (3.875%)	855,000
Planned Amortization Class bonds maturing in 2022 through 2026 (4.50%)	<u>100,000</u>
	1,345,000

2013 Series A

Term bonds maturing in 2022 through 2026 (2.60%)	<u>4,900,540</u>
Total Single Family Mortgage Purchase revenue bonds payable	<u>\$ 8,465,540</u>

Interest on the Single Family Mortgage Purchase revenue bonds is payable in monthly or semi-annual 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, 2021, early redemptions totaled \$5,950,000.

Revenue bonds activity during the year was as follows:

	Balance at July 1, 2020	Additions	Reductions	Balance at June 30, 2021
Single Family Mortgage Purchase	<u>\$ 16,380,906</u>	<u>\$ -</u>	<u>\$ (7,915,366)</u>	\$ 8,465,540
Less: Current portion				<u>(1,251,000)</u>
				<u>\$ 7,214,540</u>

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The approximate annual debt service requirements through June 30, 2026 and in five-year increments thereafter to maturity for revenue bonds are as follows:

Year ending June 30,	Principal	Interest	Total
2022	\$ 1,251,000	\$ 211,000	\$ 1,462,000
2023	1,281,000	175,000	1,456,000
2024	1,313,000	138,000	1,451,000
2025	1,370,000	98,000	1,468,000
2026	1,051,000	61,000	1,112,000
2027 – 2031	690,000	219,000	909,000
2032 – 2036	705,000	135,000	840,000
2037 – 2041	730,000	49,000	779,000
2042	75,000	-	75,000
	<u>\$ 8,466,000</u>	<u>\$ 1,086,000</u>	<u>\$ 9,552,000</u>

On July 1, 2021, the Single Family Mortgage Purchase revenue bond 2009 Series A-1 and 2011 Series B principal amounts of \$2,220,000 and \$1,345,000, respectively, were redeemed in full. After redemption, future interest payments were reduced to approximately \$358,000.

In order to ensure the exclusion of interest on the Corporation’s Single Family Mortgage Purchase revenue bonds from gross income for federal income tax purposes, the Corporation calculates rebates due to the U.S. Treasury annually. The rebates are calculated by bond series based on the amount by which the cumulative amount of investment income exceeds the amount that would have been earned had funds been invested at the bond yield. At June 30, 2021, the Corporation determined that no rebate amounts were due to the U.S. Treasury.

Interest expense of approximately \$315,000 was included as direct function expenses in the government-wide financial statement of activities during the year ended June 30, 2021.

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.

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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, 2021, 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 scheduled rent increases through 2023 with no minimum rent due through lease expiration. The Corporation also subleases the office building to another governmental agency under a noncancelable sublease expiring in 2023.

The minimum future rental, net of existing sublease, from this operating lease at June 30, 2021 is as follows:

	Lease Rental	Rent from Sublease	Net Rental
Year ending June 30,			
2022	\$ 347,000	\$ 347,000	\$ -
2023	58,000	58,000	-
	<u>\$ 405,000</u>	<u>\$ 405,000</u>	<u>\$ -</u>

Rent expense, inclusive of common area maintenance expenses, was approximately \$1,281,000 for the year ended June 30, 2021. Sublease rental income, inclusive of charges for common area maintenance, was approximately \$844,000 for the year ended June 30, 2021.

Lessor

The Corporation leases land with a carrying value of approximately \$48,671,000 to various developers and home buyers. The leases expire at various dates through 2066. Lease rental income for the year ended June 30, 2021 was approximately \$1,529,000.

As discussed in Note 12, the Corporation’s lease related to Kukui Gardens was prepaid with a promissory note. The promissory note does not have fixed repayment terms. Accordingly, the minimum amounts to be received are excluded from the following table.

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The future minimum lease rent from these operating leases at June 30, 2021 is as follows:

Year ending June 30,	
2022	\$ 1,045,000
2023	1,070,000
2024	945,000
2025	962,000
2026	1,008,000
2027 – 2031	5,297,000
2032 – 2036	3,566,000
2037 – 2041	3,809,000
2042 – 2046	3,728,000
2047 – 2051	3,956,000
2052 – 2056	3,403,000
2057 – 2061	3,150,000
2062 – 2066	3,234,000
	<u>\$ 35,173,000</u>

11. Commitments and Contingencies

Construction Contracts

At June 30, 2021, the Dwelling Unit Revolving Fund (“DURF”) had outstanding commitments to expend approximately \$66,639,000 for land development and the construction and renovation of housing projects.

Loan Commitments

At June 30, 2021, the Rental Housing Revolving Fund had aggregate outstanding loan commitments of approximately \$9,647,000.

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, 2021, 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 Leiali‘i is in West Maui and is located on public trust (ceded) land owned by the State of Hawai‘i. As of June 30, 2021, the Corporation

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still has development rights for most of the Leiali‘i project and development costs related to Leiali‘i were approximately \$10,408,000 at June 30, 2021.

In 2008, the Corporation embarked on the development of another master planned community on non-ceded land in West Hawai‘i, 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, 2021, development costs related to Kamakana Villages of Keahuolu were approximately \$22,303,000.

Also, the Corporation has other development costs and dwelling units of approximately \$6,717,000 at June 30, 2021.

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 of Hawai‘i’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, 2021, 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, 2021.

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12. Kukui Gardens

On December 18, 2007, the Corporation purchased a portion of Kukui Gardens (the "Project"), an affordable housing project in Honolulu, Hawai'i, 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, 2021, the conduit debt obligations of and notes receivable from EAH related to the project amounted to approximately \$12,172,000 and \$12,146,000, 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 0.93% and matures annually through January 2042. The conduit debt obligation includes monthly payments of principal and interest with principal payments that range from approximately \$12,000 to \$128,000. 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, 2021 related to the Project was approximately \$19,789,000. 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

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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, 2021, DURF recognized approximately \$2,300,000 of interest income related to the outstanding promissory notes. As of June 30, 2021, DURF has recorded approximately \$21,000,000 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

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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.

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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.

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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.

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- *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 2021 were 41% for police officers and firefighters and 24% for all other employees. Contributions to the pension plan from the Corporation were approximately \$897,000 for the year ended June 30, 2021.

Per Act 17, SLH 2017, employer contributions from the State and counties are expected to increase over four years beginning July 1, 2017. The rate for police and firefighters increased to 41% on July 1, 2020. The rate for all other employees increased to 24% on July 1, 2020.

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, 2021, the Corporation reported a net pension liability of approximately \$11,764,000 for its proportionate share of the State's net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2020, the Corporation's proportion was 0.15% which represents no change in the proportion measured as of June 30, 2019.

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There was no change in actuarial assumptions as of June 30, 2019 to June 30, 2020. There were no changes between the measurement date, June 30, 2020, and the reporting date, June 30, 2021, that are expected to have a significant effect on the proportionate share of the net pension liability.

For the year ended June 30, 2021, the Corporation recognized pension expense of approximately \$1,814,000.

At June 30, 2021, 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	\$ 149,473	\$ -
Changes in assumptions	75,730	(171)
Net difference between projected and actual earnings on pension plan investments	302,221	-
Changes in proportion and differences between Corporation contributions and proportional share of contributions	69,865	(35,598)
Corporation contributions subsequent to the measurement date	1,050,018	-
	<u>\$ 1,647,307</u>	<u>\$ (35,769)</u>

At June 30, 2021, approximately \$1,050,000 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, 2022.

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

Year ending June 30,	
2022	\$ 227,000
2023	116,000
2024	125,000
2025	92,000
2026	2,000
	<u>\$ 562,000</u>

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Actuarial Assumptions

The total pension liability in the June 30, 2020 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 geometric real rates of return for each major asset class are summarized in the following table:

	Target Allocation	Long-Term Expected Real Rate of Return
Strategic Allocation (risk-based classes)		
Broad growth	63.0 %	7.90 %
Diversifying strategies	37.0 %	3.70 %
Total investments	<u>100.0%</u>	

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

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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	<u>\$ 15,113,034</u>	<u>\$ 11,764,448</u>	<u>\$ 9,003,859</u>

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, 2021. Excess payments of \$15,000 are being applied to amounts due in fiscal year 2022.

Required Supplementary Information and Disclosures

The State’s ACFR includes the required disclosures and required supplementary information on the State’s pension plan.

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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, 2020, the State had the following number of plan members covered:

Inactive plan members or beneficiaries currently receiving benefits	37,767
Inactive plan members entitled to but not yet receiving benefits	7,576
Active plan members	50,831
Total plan members	<u>96,174</u>

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Contributions

Contributions are governed by HRS Chapter 87A and may be amended through legislation. Contributions to the OPEB plan from the Corporation was approximately \$997,000 for the year ended June 30, 2021. 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, 2021, the Corporation reported a net OPEB liability of approximately \$9,590,000. The net OPEB liability was measured as of July 1, 2020, 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, 2020, and the reporting date, June 30, 2021, that are expected to have a significant effect on the net OPEB liability.

For the year ended June 30, 2021, the Corporation recognized OPEB expense of approximately \$948,000. At June 30, 2021, 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	\$ -	\$ (860,769)
Changes of assumptions	119,363	(60,638)
Net difference between projected and actual earnings on OPEB plan investments	131,269	-
Corporation contributions subsequent to the measurement date	486,815	-
	<u>\$ 737,447</u>	<u>\$ (921,407)</u>

The approximate \$487,000 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, 2022.

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

Year ending June 30,	
2022	\$ (135,000)
2023	(130,000)
2024	(128,000)
2025	(121,000)
2026	(157,000)
	<u>\$ (671,000)</u>

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Actuarial Assumptions

The total OPEB liability in the July 1, 2020 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 7.50% declining to a rate of 4.70% after 13 years
HMO*	Initial rate of 7.50% declining to a rate of 4.70% after 13 years
Contribution	Initial rate of 5.00% declining to a rate of 4.70% after 10 years
Dental	Initial rate of 5.00% for the first year, followed by 4.00%
Vision	Initial rate of 0.00% for the first year, followed by 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.

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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
Non-U.S. equity	16.00 %	7.72 %
U.S. equity	14.00 %	6.23 %
Core real estate	10.00 %	5.98 %
Private equity	10.00 %	9.66 %
Trend following	8.00 %	2.12 %
U.S. microcap	6.00 %	7.85 %
Global options	6.00 %	4.65 %
Private credit	6.00 %	5.50 %
Long treasuries	6.00 %	0.86 %
Reinsurance	5.00 %	4.34 %
Alternative risk premia	5.00 %	1.56 %
TIPS	5.00 %	0.11 %
Core bonds	3.00 %	0.08 %
Total investments	<u>100.0 %</u>	

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 temporary Act 268 suspension would not derail the plan's long-term funding progress. Even if Act 268 is suspended through year ending June 30, 2025, the OPEB plan's fiduciary net position is expected to be available to make all projected future benefit payments of current plan members. Act 229, SLH 2021 suspends the contribution requirement for fiscal years 2022 and 2023. The State has made its full Annual Required Contribution in fiscal year 2021 and intends to make contributions for fiscal years 2022 and 2023. 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.

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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, 2020.

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at July 1, 2020	\$ 12,501,660	\$ 2,172,067	\$ 10,329,593
Service cost	302,210	-	302,210
Interest on total net OPEB liability	970,472	-	970,472
Difference between expected and actual experience	(888,506)	-	(888,506)
Changes of assumptions	(72,748)	-	(72,748)
Corporation contributions	-	997,377	(997,377)
Net investment income	-	53,252	(53,252)
Benefit payments	(446,332)	(446,332)	-
Administrative expenses	-	(376)	376
Other	-	333	(333)
Net change	(134,904)	604,254	(739,158)
Balance at June 30, 2021	\$ 12,366,756	\$ 2,776,321	\$ 9,590,435

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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	<u>\$ 11,507,804</u>	<u>\$ 9,590,435</u>	<u>\$ 8,079,557</u>

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	<u>\$ 8,011,210</u>	<u>\$ 9,590,435</u>	<u>\$ 11,633,146</u>

Payables to the OPEB Plan

The Corporation’s contribution payable to EUTF was paid by June 30, 2021.

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.

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16. Related Party Transactions

The Corporation received \$7,000,000 from Department of Commerce and Consumer Affairs to assist renters and landlords impacted by the COVID-19 pandemic. These amounts were recorded by the Corporation as intergovernmental revenue in the Rental Assistance and Mediation Program Fund.

17. Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2021 is as follows:

Receivable Fund	Payable Fund	Amount
Dwelling Unit Revolving Fund	Non-major Enterprise Funds	\$ 1,019,833
Housing Finance Revolving Fund	Non-major Enterprise Funds	1,282,711
Non-major Enterprise Funds	Non-major Enterprise Funds	2,908,078
Non-major Enterprise Funds	Rental Housing Revolving Fund	18,244
Non-major Enterprise Funds	Single Family Mortgage Purchase Revenue Bond Fund	55,959
Non-major Enterprise Funds	General Obligation Bond Fund	624,726
	Total Proprietary interfund balances	<u>\$ 5,909,551</u>
Non-major Enterprise Funds	HOME Investment Partnership Program Fund	\$ 10,105
Non-major Enterprise Funds	Housing Trust Fund Program	11,151
Non-major Enterprise Funds	General Obligation Bond Fund	624,726
	Total Governmental interfund balances	<u>\$ 645,982</u>

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

18. COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of the coronavirus infection known as COVID-19 to be a global pandemic. The financial impact of COVID-19 on the economy of the United States, including Hawai‘i, continues to be significant. Management is constantly evaluating the short-term and long-term impact that COVID-19 could have on the Corporation’s operations. Because of the uncertainties surrounding the duration and severity of this pandemic, management is unable to make a reasonable estimate regarding the long-term effect on its operations, cash flows, and financial condition. Management, however, believes that, in the short-term, the Corporation has sufficient resources to continue operations during 2022.

On November 23, 2021, Governor David Ige authorized the subaward of \$29,625,000 of the Homeowner Assistance Fund (“HAF”) federal award the State of Hawai‘i received on May 3, 2021 from the U.S. Department of the Treasury as appropriated in the American Rescue Plan Act of 2021 (“ARPA”), P.L. 117-2. The HAF 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

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home energy services, and displacements of homeowners experiencing financial hardships after January 21, 2020, through qualified expenses related to mortgages and housing. The period of performance for this award ends on September 30, 2026.

19. Subsequent Events

The Corporation entered into a purchase and sale agreement dated October 28, 2021 for the sale of the Nani ‘O Puna housing project in Hawai‘i. The closing date shall be on or before January 31, 2022 unless the parties mutually agree upon another date.

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

State of Hawai‘i
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Budgetary Comparison Schedule – General Fund (Unaudited)
Year Ended June 30, 2021

	Original and Final Budgets	Budgetary Actual	Variance With Final Budget
Revenues			
Intergovernmental revenue	\$ 309,000	\$ 309,000	\$ -
Expenditures			
Programs	309,000	309,000	-
Total expenditures	309,000	309,000	-
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, 2021**

	Original and Final Budgets	Budgetary Actual	Variance With Final Budget Positive (Negative)
Revenues			
Intergovernmental revenue	<u>\$ 2,607,632</u>	<u>\$ 2,921,371</u>	<u>\$ 313,739</u>
Expenditures			
Low-income housing service and assistance programs	<u>2,607,632</u>	<u>2,921,371</u>	<u>(313,739)</u>
Total expenditures	<u>2,607,632</u>	<u>2,921,371</u>	<u>(313,739)</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

State of Hawai‘i**Hawaii Housing Finance and Development Corporation****(A Component Unit of the State of Hawai‘i)****Budgetary Comparison Schedule – Housing Trust Fund Program (Unaudited)****Year Ended June 30, 2021**

	Original and Final Budgets	Budgetary Actual	Variance With Final Budget Positive (Negative)
Revenues			
Intergovernmental revenue	<u>\$ 2,752,188</u>	<u>\$ 4,183,494</u>	<u>\$ 1,431,306</u>
Expenditures			
Low-income housing service and assistance programs	<u>2,752,188</u>	<u>4,183,494</u>	<u>(1,431,306)</u>
Total expenditures	<u>2,752,188</u>	<u>4,183,494</u>	<u>(1,431,306)</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

State of Hawai‘i**Hawaii Housing Finance and Development Corporation****(A Component Unit of the State of Hawai‘i)****Budgetary Comparison Schedule – Coronavirus Relief Fund Program (Unaudited)****Year Ended June 30, 2021**

	Original and Final Budgets	Budgetary Actual	Variance With Final Budget Positive (Negative)
Revenues			
Intergovernmental revenue	<u>\$ 100,000,000</u>	<u>\$ 64,831,167</u>	<u>\$ (35,168,833)</u>
Expenditures			
Rent relief and housing assistance programs	<u>100,000,000</u>	<u>64,831,167</u>	<u>35,168,833</u>
Total expenditures	<u>100,000,000</u>	<u>64,831,167</u>	<u>35,168,833</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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Notes to Required Supplementary Information (Unaudited)
Year Ended June 30, 2021

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 Hawai‘i, Department of Budget and Finance.

Budgeted expenditures are derived primarily from the General Appropriations Act of 2019 (Act 113, SLH 2019), and from other authorizations contained in the State Constitution, Hawaii Revised Statutes, and other specific appropriation acts in various SLH. During July 2020, Act 7 SLH 2020 and Act 9 SLH 2020 retroactively amended certain budgeted expenditures from the General Appropriations Act of 2019.

All expenditures of these appropriated funds are made pursuant to the appropriations in the fiscal 2019–2021 biennial budget. The General Fund, HOME Investment Partnership Program, Housing Trust Fund Program, and Coronavirus Relief 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 2019. 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, 2021, 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.

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Notes to Required Supplementary Information (Unaudited)
Year Ended June 30, 2021

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, 2021 were as follows:

	General Fund	HOME Investment Partnership Program	Housing Trust Fund Program	Coronavirus Relief Fund Program
Excess of revenues over expenditures – actual (budgetary basis)	\$ -	\$ -	\$ -	\$ -
Revenues (expenses) for unbudgeted programs	(262,160)	(64,700)	19,414	-
Transfers	272,160	-	-	-
Reversion of prior year allotments	(10,000)	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Excess (deficiency) of revenues over expenditures – GAAP basis	<u>\$ -</u>	<u>\$ (64,700)</u>	<u>\$ 19,414</u>	<u>\$ -</u>

Supplementary Information

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Non-major Enterprise Funds
Combining Statement of Net Position
June 30, 2021

	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	\$ 31,726,341	\$ -	\$ 1,015,036	\$ -	\$ 32,741,377
Cash in banks	-	-	10,000	-	10,000
Receivables					
Accrued interest	197,337	-	-	-	197,337
Other receivables, less allowance for doubtful accounts of \$135,591	-	293,053	-	-	293,053
	197,337	293,053	-	-	490,390
Due from other funds	-	2,927,239	55,042	624,726	3,607,007
Prepaid expenses and other assets	108,187	-	-	-	108,187
Total current assets	32,031,865	3,220,292	1,080,078	624,726	36,956,961
Mortgage loans	2,113,336	-	-	-	2,113,336
Capital assets, net	-	-	4,340	-	4,340
Total assets	34,145,201	3,220,292	1,084,418	624,726	39,074,637
Deferred outflows of resources					
Deferred outflows on net pension liability	31,339	104,020	-	-	135,359
Deferred outflows on net OPEB liability	17,943	56,135	-	-	74,078
Total deferred outflows of resources	49,282	160,155	-	-	209,437
Total assets and deferred outflows of resources	\$ 34,194,483	\$ 3,380,447	\$ 1,084,418	\$ 624,726	\$ 39,284,074
Liabilities, Deferred Inflows of Resources, and Net Position					
Current liabilities					
Accounts payable	\$ 1,706	\$ -	\$ 74,418	\$ 624,726	\$ 700,850
Accrued expenses	47,540	101,800	-	-	149,340
Due to other funds	-	4,293	1,000,000	-	1,004,293
Due to other State departments	-	-	10,000	-	10,000
Total current liabilities	49,246	106,093	1,084,418	624,726	1,864,483
Noncurrent liabilities					
Net OPEB liability	197,200	516,467	-	-	713,667
Net pension liability	253,976	695,770	-	-	949,746
Total liabilities	500,422	1,318,330	1,084,418	624,726	3,527,896
Deferred inflows of resources					
Deferred inflows on net pension liability	698	-	-	-	698
Deferred inflows on net OPEB liability	21,610	68,075	-	-	89,685
Total deferred inflows of resources	22,308	68,075	-	-	90,383
Commitments and contingencies					
Net position					
Net investment in capital assets	-	-	4,340	-	4,340
Restricted by legislation and contractual agreements	33,671,753	-	-	-	33,671,753
Unrestricted	-	1,994,042	(4,340)	-	1,989,702
Total net position	33,671,753	1,994,042	-	-	35,665,795
Total liabilities, deferred inflows of resources, and net position	\$ 34,194,483	\$ 3,380,447	\$ 1,084,418	\$ 624,726	\$ 39,284,074

See accompanying independent auditors' report.

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Non-major Enterprise Funds
Combining Statement of Revenues, Expenses, and Change in Net Position
Year Ended June 30, 2021

	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	\$ 47,434	\$ -	\$ -	\$ -	\$ 47,434
Other	1,000	965,390	-	-	966,390
Total operating revenues	48,434	965,390	-	-	1,013,824
Operating expenses					
Programs	-	-	-	1,144,845	1,144,845
Personnel services	208,572	635,514	-	-	844,086
Housing assistance payments	1,509,569	-	-	-	1,509,569
Administration	44,574	52,634	-	-	97,208
Professional services	19,184	83,756	-	-	102,940
Insurance	108	135	-	-	243
Capital expenses	191	-	-	-	191
Other	1,391	-	-	-	1,391
Total operating expenses	1,783,589	772,039	-	1,144,845	3,700,473
Operating income (loss)	(1,735,155)	193,351	-	(1,144,845)	(2,686,649)
Nonoperating revenues					
Interest income	212,736	-	-	-	212,736
Total nonoperating revenues	212,736	-	-	-	212,736
Income (loss) before transfers	(1,522,419)	193,351	-	(1,144,845)	(2,473,913)
Net transfers	3,925,000	-	-	1,144,845	5,069,845
Change in net position	2,402,581	193,351	-	-	2,595,932
Net position					
Beginning of year	31,269,172	1,800,691	-	-	33,069,863
End of year	\$ 33,671,753	\$ 1,994,042	\$ -	\$ -	\$ 35,665,795

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, 2021

	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	\$ 136,649	\$ -	\$ -	\$ -	\$ 136,649
Interest income	720,552	-	-	-	720,552
Payments to employees	(172,895)	(535,495)	-	-	(708,390)
Receipts from (payments to) suppliers	(1,555,957)	(136,525)	43,356	(1,144,845)	(2,793,971)
Cash payments to other funds	-	(162,322)	(55,042)	-	(217,364)
Other cash receipts	1,000	834,342	-	-	835,342
Net cash used in operating activities	(870,651)	-	(11,686)	(1,144,845)	(2,027,182)
Cash flows from noncapital financing activities					
Transfers in	3,925,000	-	-	1,144,845	5,069,845
Net cash provided by noncapital financing activities	3,925,000	-	-	1,144,845	5,069,845
Cash flows from capital and related financing activities					
Sale of capital assets	-	-	3,720	-	3,720
Net cash provided by capital and related financing activities	-	-	3,720	-	3,720
Cash flows from investing activities					
Interest received	166,191	-	-	-	166,191
Net cash provided by investing activities	166,191	-	-	-	166,191
Net increase (decrease) in cash and cash equivalents	3,220,540	-	(7,966)	-	3,212,574
Cash and cash equivalents					
Beginning of year	28,505,801	-	1,033,002	-	29,538,803
End of year	\$ 31,726,341	\$ -	\$ 1,025,036	\$ -	\$ 32,751,377
Components of cash and cash equivalents					
Equity in cash and cash equivalents and investments in State Treasury	\$ 31,726,341	\$ -	\$ 1,015,036	\$ -	\$ 32,741,377
Cash in banks	-	-	10,000	-	10,000
Cash and cash equivalents	\$ 31,726,341	\$ -	\$ 1,025,036	\$ -	\$ 32,751,377
Cash flows from operating activities					
Reconciliation of operating income (loss)					
to net cash used in operating activities					
Operating income (loss)	\$ (1,735,155)	\$ 193,351	\$ -	\$ (1,144,845)	\$ (2,686,649)
Adjustments to reconcile operating income (loss)					
to net cash used in operating activities					
Net pension expense	19,554	60,728	-	-	80,282
Net OPEB benefit	11,810	36,678	-	-	48,488
Changes in assets and liabilities					
Mortgage loans receivable	136,649	-	-	-	136,649
Accrued interest receivable	673,118	-	-	-	673,118
Other receivables	-	(131,048)	-	-	(131,048)
Due from other funds	-	(166,615)	(55,042)	-	(221,657)
Prepaid expenses and other assets	17,354	-	-	-	17,354
Accounts payable	1,706	-	43,356	-	45,062
Other accrued expenses	4,313	2,613	-	-	6,926
Due to other funds	-	4,293	-	-	4,293
Net cash used in operating activities	(870,651)	-	(11,686)	(1,144,845)	(2,027,182)

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, 2021

The Corporation’s cash and short-term investments consist of the following as of June 30, 2021:

Equity in State Treasury investment pool – Government-wide	\$ 635,954,503
Cash in banks	5,859,408
Cash held by third parties	916,865
Restricted cash and cash equivalents held by trustee	17,194,511
Deposits held in trust	443,771
Restricted deposits held in escrow	2,582,084
	<u>\$ 662,951,142</u>

Total cash and short-term investments are in agreement with the State Comptroller’s central accounting records as of June 30, 2021, as reconciled below:

	Appropriation Symbol	Balance at June 30, 2021
Cash in State Treasury		
Special Funds	S-17-375-B	\$ 104,919
	S-18-375-B	838,394
	S-19-314-B	4,640
	S-19-375-B	2,356,718
	S-19-376-B	1,013,437
	S-20-314-B	26,870
	S-20-320-B	3,618
	S-20-321-B	124,464
	S-20-375-B	17,242,802
	S-20-376-B	5,051,585
	S-21-314-B	965,149
	S-21-320-B	14,000
	S-21-321-B	835,069
	S-21-375-B	79,801,167
	S-21-376-B	3,147,842
	S-21-378-B	31,869,283
	S-21-380-B	77,300,387
	S-21-382-B	89,282,685
	S-21-390-B	326,556,899
		<u>636,539,928</u>
Total cash held in State Treasury, as reported by State Comptroller’s accounting records		<u>636,539,928</u>

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, 2021

	Balance at June 30, 2021
Balance carried forward	<u>636,539,928</u>
Reconciling items	
Journal vouchers not recorded by DAGS	8,195
Journal vouchers not recorded on books	(149,849)
Restricted cash held in State Treasury	(443,771)
Cash and short-term investments held outside State Treasury	
Cash in bank	5,859,408
Cash held by third parties	916,865
Restricted cash and cash equivalents held by trustee	17,194,511
Deposits held in trust	443,771
Restricted deposits held in escrow	<u>2,582,084</u>
	<u>26,996,639</u>
Cash and short-term investments on Statement of Net Position	<u>\$ 662,951,142</u>

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, 2021

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	\$ 3,168,565	\$ 3,022,830
Housing Trust Fund	14.275	4,164,079	4,006,609
U.S. Department of Treasury			
COVID-19 – Coronavirus Relief Fund	21.019	64,831,167	64,352,249
Total federal expenditures		<u>\$ 72,163,811</u>	<u>\$ 71,381,688</u>

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

State of Hawai'i
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawai'i)
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

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.

See accompanying independent auditors' report.

PART II
Compliance and Internal Control



**Report of Independent Auditors 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, 2021, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated December 17, 2021.

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") to determine the 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.



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 may exist that have not been identified.

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
December 17, 2021



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

The Auditor
State of Hawai'i

The Board of Directors
Hawaii Housing Finance and Development Corporation

Report on Compliance for Each Major Federal Program

We have audited the State of Hawai'i, Hawaii Housing Finance and Development Corporation's (the "Corporation") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on the Corporation's major federal program for the year ended June 30, 2021. The Corporation's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. 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"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Corporation's compliance.

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Opinion on Each Major Federal Program

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 program for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of the Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Corporation's 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 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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, Hawai'i
December 17, 2021



State of Hawai‘i
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawai‘i)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued	Unmodified	
Internal control over financial reporting		
• Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
• Significant deficiency(ies) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Federal Awards

Internal control over major programs		
• Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
• Significant deficiency(ies) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> 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	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Identification of major programs		

AL

Number Name of Federal Program

21.019 COVID-19 — Coronavirus Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs	\$2,164,914
Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

State of Hawai‘i
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawai‘i)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

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.

State of Hawai'i
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawai'i)
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2021

There were no prior audit findings or questioned costs.