Urban Redevelopment Authority of Pittsburgh

Mortgage Revenue Bond Program

Program Financial Statements

Year Ended December 31, 2022 with
Independent Auditor's Report

URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

MORTGAGE REVENUE BOND PROGRAM

YEAR ENDED DECEMBER 31, 2022

TABLE OF CONTENTS

MaherDuessel

Independent Auditor's Report

Board of Directors
Urban Redevelopment Authority of Pittsburgh

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Urban Redevelopment Authority of Pittsburgh (Authority), Mortgage Revenue Bond Program (Program), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Program's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Program, as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Program and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Program and do not purport to, and do not, present fairly the net position of the Authority as of December 31, 2022, and the changes in its net position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Program's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Program's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Maher Duessel

Pittsburgh, Pennsylvania
April 28, 2023

URBAN REDEVELOPMENT AUTHORITY
OF PITTSBURGH

MORTGAGE REVENUE BOND PROGRAM

STATEMENT OF NET POSITION

DECEMBER 31, 2022

Assets		
Cash and cash equivalents	$	7,071,277
Mortgage-backed securities		839,747
Mortgages receivable, net of allowance for loan losses		2,732,521
Interest receivable		3,290
Total Assets	$	10,646,835
Liabilities and Net Position		
Liabilities:		
Bonds payable:		
Due within one year	$	420,000
Due in more than one year		1,075,000
Interest payable		16,530
Due to other funds		318,674
Total Liabilities		1,830,204
Net Position		8,816,631
Total Liabilities and Net Position	$	10,646,835

See accompanying notes to program financial statements.

URBAN REDEVELOPMENT AUTHORITY
OF PITTSBURGH

MORTGAGE REVENUE BOND PROGRAM

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEAR ENDED DECEMBER 31, 2022

Operating Revenues:	
Income on mortgages	$ 115,526
Interest - mortgage-backed securities	46,126
Total operating revenues	161,652
Operating Expenses:	
Originating lender service fees	13,616
Administrative expenses	500,000
Provision for uncollectible receivables	(1,621)
Other operating expenses	6,736
Total operating expenses	518,731
Operating Income (Loss)	(357,079)
Non-Operating Revenues (Expenses):	
Earnings on investments	82,989
Interest	(94,950)
Net non-operating revenues (expenses)	(11,961)
Change in Net Position	(369,040)
Net Position:	
Beginning of year	9,185,671
End of year	$ 8,816,631

See accompanying notes to program financial statements.

URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

MORTGAGE REVENUE BOND PROGRAM

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2022

Cash Flows From Operating Activities:	
Receipts from borrowers	$ 384,868
Receipts from mortgage-backed securities	448,524
Payments for services	(517,110)
Net cash provided by (used in) operating activities	316,282
Cash Flows From Investing Activities:	
Earnings on investments	82,989
Purchase of investments	(2,620,082)
Sale of investments	3,892,505
Net cash provided by (used in) investing activities	1,355,412
Cash Flows From Non-Capital Financing Activities:	
Interest paid	(106,560)
Principal payments on bonds payable	(965,000)
Net cash provided by (used in) non-capital financing activities	(1,071,560)
Net Increase (Decrease) in Cash and Cash Equivalents	600,134
Cash and Cash Equivalents:	
Beginning of year	6,471,143
End of year	$ 7,071,277
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Operating income (loss)	$ (357,079)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Allowance for loan losses	(1,621)
Change in operating assets and liabilities:	
Mortgage repayments	248,699
Mortgage-backed securities	368,029
Interest receivable	34,369
Due from participating lenders	23,885
Net adjustments	673,361
Net cash provided by (used in) operating activities	$ 316,282

See accompanying notes to program financial statements.

1. Reporting Entity

The Authority

The Urban Redevelopment Authority of Pittsburgh (Authority) was established in 1946 pursuant to the Pennsylvania Urban Redevelopment Law. In order to carry out its corporate purposes, the Authority has been granted the power to undertake programs to redevelop and improve blighted areas within the City of Pittsburgh. The Authority operates numerous programs in the conduct of its purpose, including the Mortgage Revenue Bond Program (Program).

Cash Equivalents

Cash equivalents are comprised of money market accounts with a maturity date within three months of the date acquired by the Authority.

The Program

The purpose of the Program is to provide below-market rate mortgages for the purchase and rehabilitation of residential property within the City of Pittsburgh. Funds to finance the mortgages have been provided principally through the issuance of tax-exempt bonds. The mortgages are originated by participating lending institutions, acquired by the Program and serviced by a master servicer. The mortgage servicer issues Federal National Mortgage Association (FNMA) securities that are backed by pools of the home mortgages. The Program purchases the securities with funds that have been provided through the issuance of tax-exempt bonds. The current portfolio includes FNMA, Freddie Mac, and Government National Mortgage Association (GNMA) securities.

These program financial statements include only the financial position and results of operations for the Program. These Program financial statements are not intended to present the financial position and results of operations for the Authority.

2. Summary of Significant Accounting Principles

Basis of Accounting

The Program financial statements are reported using the accrual basis of accounting. Expenses are recognized in the period incurred. Revenues are recognized in the period in which they are earned.

Investments

Investments are recorded at fair value.

Investments are limited to certain obligations as specified in the Program's Indenture of Trust (Indenture) and are stated at fair value. These obligations consist principally of obligations of U.S. government agencies and other qualifying obligations, including bank investment agreements. Earnings on investments include interest income and all gains or losses, realized and unrealized, on the investments. In accordance with the Indenture, all interest income and net realized gains on investments are transferred to the Revenue Fund.

The Program categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Net Position

The Program’s net position is restricted by the terms of the outstanding bond indentures and can be used for making additional loans or bond redemptions during the life of the Program.

Allowance for Possible Loan Losses

It is the Authority's policy to provide for estimated losses on Program mortgage loans based on an evaluation of the current mortgage portfolio, economic conditions, and such other factors, which in the Authority's judgment, require consideration in estimating loan losses for the Program.

Administrative Expenses

Administrative expenses consist of certain Authority expenses allocated to the Program. The Authority may also withdraw other available funds from the Program as specified within the Indenture.

Federal Income Taxes

The Authority qualifies under the Internal Revenue Code as a tax-exempt organization and, therefore, any income earned by the Authority is exempt from federal income taxes. Accordingly, no federal income taxes have been provided for in the accompanying Program financial statements.

The Authority is subject to federal arbitrage regulations pursuant to the Internal Revenue Code. Management believes there was no significant arbitrage liability as of December 31, 2022.

3. Description of Funds Required under the Indenture

As required by the Indenture, the cash and investments of the Program are restricted to various funds.

First Mortgage Loan Fund

These funds are used to purchase First Mortgage Loans from participating lending institutions.

Revenue Fund

This fund is used to pay principal and interest on the bonds when due. The sources of funds are loan repayments and earnings on investments, including interest income and gains or losses realized on the sale of investments.

Bond Reserve Fund

This fund is required to be maintained at a minimum of 10% of the outstanding principal balance of bonds, excluding escrowed bonds.

Mortgage Reserve Fund

This fund is used to provide funds, if any, needed to increase the balance in the Revenue Fund to an amount sufficient to pay debt service on the bonds to the extent that such amount is not first available in the First Mortgage Loan Funds or the Bond Redemption Fund.

Special Hazard and Loss Reserve Fund

This fund is used to provide for the payment of expenses or losses that are incurred as a result of risks not covered by a standard hazard insurance policy and miscellaneous costs related to a defaulted first mortgage loan. It may also be used to increase the balance in the Revenue Fund to meet debt service requirements.

Bond Redemption Fund

This fund is principally used to redeem bonds.

4. Cash, Cash Equivalents, and Investments

Cash, cash equivalents, and investments are restricted to various funds of the Program. The total cash, cash equivalents, and investment balances of each fund as of December 31, 2022 are as follows:

Revenue Fund	$	4,450,180
Bond Reserve Fund		2,362,401
Mortgage Reserve Fund		744,023
Special Hazard and Loss Reserve Fund		354,420
	$	7,911,024

Governmental Accounting Standards Board (GASB) guidance requires disclosures related to the following deposit and investment risks: credit risk (including custodial credit risk and concentrations of credit risk), interest rate risk, and foreign currency risk. The following is a description of the Program's deposit and investment risks:

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Program's deposits may not be returned to it. The Program does not have a formal policy for custodial credit risk. As of December 31, 2022, $45 of the Program's bank balance of $250,045 was exposed to custodial credit risk. As of December 31, 2022, the carrying amounts of the Program's deposits were $250,045.

Included on the statement of net position are the following investments held by the Program at December 31, 2022:

		Maturity in years				
	Carrying Value	Less than 1 year	1-5 years	6-10 years	11-15 years	16-20 years
U.S. Government Money Market	$ 6,821,232	$ 6,821,232	$ -	$ -	$ -	$ -
Freddie Mac	242,477	-	-	-	209,352	33,125
GNMA	541,137	541,137	-	-	-	-
FNMA	56,133	-	8,376	-	47,757	-
Total	$ 7,660,979	$ 7,362,369	$ 8,376	$ -	$ 257,109	$ 33,125

Interest Rate Risk – The Indenture 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. However, the Freddie Mac, GNMA, and FNMA investments held by the Program are comprised of assets securitized in the secondary market from loans issued from the loan programs. The maturities noted in the table above reflect the final maturity of the respective security and do not take into consideration non-routine repayments on principal as it is not possible to forecast these repayments. It is management's intention to hold these securities until maturity. Interest rates on these investments are fixed and principal and interest repayments from these investments will be used to repay the related debt service.

Credit Risk – The Indenture does not have a formal investment policy that would limit its investment choices based on credit ratings by nationally recognized statistical rating organizations. As of December 31, 2022, the Program's investments in U.S. Government Money Market Funds were rated AAAm by Standard & Poor's. The Program's remaining investments were not rated as of December 31, 2022.

Concentration of Credit Risk - The Indenture places no limit on the amount the Authority may invest in any one issuer. None of the Program's investments are more than 5% with the same issuer.

Money Market Funds are valued using quoted market prices (Level 1 inputs). The fair values of Freddie Mac, GNMA, and FNMA securities are priced by third-party pricing services using observable market data and are included in the Level 2 fair value hierarchy.

5. Mortgages Receivable

Mortgages receivable as of December 31, 2022 are summarized as follows:

First Mortgage Loans	$ 2,743,536
Less allowance for possible loan losses	(11,015)
Net First Mortgage Loans	$ 2,732,521

The First Mortgage Loans are subject to various insurance provisions if the principal balance of the loan is greater than 75% of the appraised value of the property. At December 31, 2022, a majority of the First Mortgage Loans are secured by the Federal Housing Administration. Rates vary from 4.9% to 13.5% depending on year of origination.

6. Bonds Payable

Bonds outstanding at December 31, 2022 are summarized as follows:

	Original Principal Amount			Bonds
	Serial Bonds	Term Bonds	Total	Payable
2006 Series C	$ 10,070,000	$ 5,500,000	$ 15,570,000	$ 1,495,000

Bond Issue	Interest Rate	Maturity Date Range
2006 Series C	4.80%	2023 to 2028

The bond indentures provide for retirements to be accelerated in the event of prepayments of the underlying mortgages or if funds are otherwise available as provided in the respective Indenture. The bond indentures also allow for redemption of the term bonds prior to their respective stated maturity from a mandatory sinking fund account. The following maturity schedule does not contemplate any accelerated retirements.

The principal and interest maturities for bonds payable at December 31, 2022 are as follows:

Year Ending December 31,	Principal	Interest	Total
2023	$ 420,000	$ 66,120	$ 486,120
2024	370,000	47,160	417,160
2025	250,000	30,480	280,480
2026	215,000	19,320	234,320
2027	160,000	9,360	169,360
2028	80,000	1,920	81,920
	$ 1,495,000	$ 174,360	$ 1,669,360

The bonds are limited obligations of the Authority and are not a debt of the City of Pittsburgh or the Commonwealth of Pennsylvania. The Authority has no taxing power. The bonds are collateralized by a pledge of all Program revenues and monies set aside or to be held pursuant to the Indenture.

7. Authority Fee

The Authority, subject to certain limitations described in the Indenture, is entitled to a fee that annually shall not exceed one-half of one percent of the cumulative principal amount of the original Mortgage Revenue Bond Program notes purchased under the Program. During 2022, $500,000 was paid by the Program to the Authority for this administrative fee.