KENTUCKY HOUSING CORPORATION

FINANCIAL STATEMENTS

June 30, 2022

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Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Kentucky Housing Corporation
Frankfort, Kentucky

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Kentucky Housing Corporation (the "Corporation"), a component unit of the Commonwealth of Kentucky, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Corporation's basic financial statements. The combining financial statements of the Housing Revenue Bond funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements of the Housing Revenue Bond funds 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 September 30, 2022 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Crowe LLP

Crowe LLP

Indianapolis, Indiana
September 30, 2022

Management's discussion and analysis of Kentucky Housing Corporation's ("Corporation") financial performance provides an overview of the Corporation's financial activities for the fiscal year ended June 30, 2022. It should be read in conjunction with the Corporation's financial statements.

Financial Highlights

- Corporation-wide net position increased $23.7 million, resulting from an increase in net position attributable to the Corporation's business-type activities of $25.9 million and a decrease of $2.2 million attributable to the Corporation's governmental activities.

- Single family loan originations for the year totaled $560.2 million, an increase of over $39 million from the prior year level. Despite the increase in overall origination volume, due to increased market volatility and rapid increases in interest rates, the Corporation realized a decrease in net secondary market cash trading gains of $19.0 million, from $33.7 million in fiscal 2021 to $14.7 million in the current year. Fee income associated with loan production totaled $1.1 million, a decrease of $.5 million from the prior year.

- The Corporation's single-family loan servicing portfolio increased by $27.4 million, benefitting from the high originations and a moderate slowdown in payoffs. Servicing fee revenues declined slightly from $10.7 million to $10.6 million, due primarily to a reduction in net servicing fee rate, again reflecting the impact of rate volatility on secondary marketing execution, offset by collection of fees on loans recovering from COVID related forbearance. Consistent with prior year strategies, with nearly all the Corporation's loan originations being delivered into the secondary market, total single-family loans within the indenture decreased by $38.8 million to $234.8 million at June 30, 2022.

- Fiscal 2022 reflects the financial impact with respect to governmental activities of full year administration of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, Coronavirus Response and Relief Supplemental Appropriations$,CRRSA) Act and American Rescue Plan Act (ARPA) initiatives to assist renters, landlords, homeowners and the homeless maintain or obtain suitable housing opportunities in the face of the ongoing COVID pandemic. Total expenditures increased by in excess of $12 million, primarily for temporary and contract employees, all of which was offset by a similar increase in reimbursable admin fees. Most of these programs contain sunset provisions extending into 2025 unless funding is exhausted before then.

- During fiscal year 2022, the Corporation received and paid the final bill for ceasing participation in the Kentucky Employees Retirement System as of June 30, 2021. The final charge totaled $85.9 million, which was $4.1 million less than the amount accrued as of the prior year end, plus interest of $1.5 million on the amount owed. Accordingly, current year financial statements reflect both a reduction in general and administrative expenses attributable to the $4.1 million decrease in the final amount owed as well as interest expense of $1.5 million. In addition, as a result of termination the pension contribution rate paid by the Corporation for fiscal 2022 was 4% of covered payroll, compared to 49% in fiscal 2021, producing a savings of over $7 million.

- Overall, operating income decreased by $40.8 million (when measured before changes in fair value of marketable securities), which in addition to the impacts of the above discussions (primarily the reduction in trading gains and net increase in recorded pension adjustments), resulted primarily from an increase in net interest margin of $3.2 million due to bond transactions and increased grant income of $2.0 million, offset by an approximate $1.0 increase in non-reimbursable compensation expense.

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Overview of the Financial Statements

The financial statements consist of four parts – this management's discussion and analysis, the basic financial statements, the notes to the financial statements, and supplementary combining information. The basic financial statements include two different series of statements that present the Corporation's financial position and performance.

- Corporation-wide financial statements consist of a Statement of Net Position and a Statement of Activities. These statements display information about the Corporation as a whole and are presented using the economic resources measurement focus and the accrual basis of accounting as used by private-sector businesses. Activities of the Corporation are distinguished as being either "governmental" or "business-type" activities.

- Fund financial statements report additional and detailed information about the Corporation. Governmental activities are reported under Governmental Funds financial statements. These statements consist of a Statement of Revenues, Expenditures and Changes in Fund Net Position. Governmental Funds statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting used predominately in the public-sector.

- Business-type activities are reported under Proprietary Funds financial statements. These statements consist of a Statement of Fund Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows. Proprietary Funds statements are also presented using the economic resources measurement focus and the accrual basis of accounting.

- Fiduciary funds are funds that the Corporation holds as a trustee or agent on behalf of an outside party that cannot be used to support the Corporation's own programs. The Corporation holds borrowers escrow funds and replacement reserve accounts.

Corporation-Wide Financial Statements – Pages 15 and 16

The Corporation was created by state statute in 1972 as a de jure municipal corporation and political subdivision of the Commonwealth of Kentucky. The Corporation was created to serve a public purpose by increasing the supply of safe, decent, and affordable residential housing.

The Corporation operates a number of programs consistent with the mandate to promote affordable residential housing. Several programs are identified within the financial statements as governmental type activities because they are financed with intergovernmental revenues. Significant governmental activities financed by the federal government include the Department of Housing and Urban Development's ("HUD") Home Investment Partnerships Program ("HOME"), HUD's Section 8 Rental Assistance programs ("Rental Assistance"), the Department of Energy's Weatherization Assistance ("Weatherization") program, U.S. Treasury's Healthy at Home Eviction Relief program ("Eviction Relief Funds") and the U.S. Treasury's Homeownership Assistance Fund ("Homeowner Assistance"). The Affordable Housing Trust Fund, which provides assistance to very low-income persons in meeting their basic housing needs, is funded by a portion of the fees received by County Clerks for recording and indexing various documents. Other governmental activities are funded by the Commonwealth of Kentucky.

The Corporation also operates a number of programs that are identified as business-type activities. These activities include providing financing with favorable terms to qualified homebuyers and developers of affordable rental housing; servicing single-family and multifamily loan portfolios; and administering the Federal Low Income Housing Tax Credit program.

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The Corporation-wide financial statements separately present the governmental and business-type activities of the Corporation. The nature of the Corporation's governmental activities is such that substantially all funds flow through the Corporation to ultimate program recipients. As a result, the Balance Sheet related to governmental activities shows a relatively small amount of assets, representing monies received by the Corporation but unexpended for each respective program's purpose. Conversely, the business-type activities of the Corporation create the vast majority of the Corporation's assets, liabilities and net position as reflected in the Statement of Net Position. The overall financial condition of the Corporation can thus be best evaluated through the analysis in the Proprietary Funds section in pages 10-11 of the MD&A and under the Proprietary Funds' financial statements on pages 19-23.

The Statement of Activities shows the financial performance of each significant governmental and business-type activity operated by the Corporation over the past year. The revenues and expenses associated with each activity are shown as well as a net amount showing whether revenues exceeded expenses. The net revenue of all governmental activities (after transfers) results in an increase (decrease) in the fund net position that is to be expended for program purposes. The net revenue of all business-type activities results in an increase in the Fund Net Position of the Corporation. The Corporation's overall net position increased by $23.7 million for the year ended June 30, 2022. Table 1 shows condensed financial information from the Statement of Net Position:

Table 1
Statement of Net Position
(in millions)

	Governmental Activities		Business-Type Activities		Total Corporation	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
Current assets	$ 209.0	$ 88.8	$ 133.5	$ 233.4	$ 342.5	$ 322.2
Non-current assets	-	-	526.5	566.6	526.5	566.6
Total Assets	209.0	88.8	660.0	800.0	869.0	888.8
Current liabilities	190.6	68.2	40.3	155.3	230.9	223.5
Non-current liabilities	-	-	189.1	240.0	189.1	240.0
Total Liabilities	190.6	68.2	229.4	395.3	420.0	463.5
Net Position:						
Invested in capital assets	-	-	3.3	3.4	3.3	3.4
Restricted	18.4	20.6	261.3	268.6	279.7	289.2
Unrestricted	-	-	166.0	132.7	166.0	132.7
Net Position	$ 18.4	$ 20.6	$ 430.6	$ 404.7	$ 449.0	$ 425.3

The net position of the governmental activities decreased from $20.6 million to $18.4 million. All assets of the Corporation's governmental activities are externally restricted for program purposes. Total assets subject to immediate disbursement are reflected as current liabilities and remaining assets are reflected as restricted net position. The decrease in net position indicates that revenues received from governmental activities was less than program grants, operating expenditures, and transfers.

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The net position of the Corporation's business-type activities increased from $404.7 million to $430.6 million as a result of total revenues of $60.3 million, total program expenses of $39.2 million, and transfers out from government operations of $4.8 million, for a net increase in net position of business-type activities of $25.9 million. Comparisons in the changes in net position between fiscal years 2022 and 2021 provide additional insight on the Corporation's operating performance. Table 2 shows condensed Statement of Activities financial information.

Table 2
Statement of Activities
(in millions)

	Governmental Activities		Business-Type Activities		Total Corporation	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
Revenues						
Operating revenues	$ 27.0	$ 15.0	$ 57.8	$ 86.9	$ 84.8	$ 101.9
Operating grants	401.0	251.9	2.5	.7	403.5	252.6
Total Revenues	428.0	266.9	60.3	87.6	488.3	354.5
Program Expenses						
HOME program	12.0	12.1	-	-	12.0	12.1
Weatherization assistance	4.7	5.3	-	-	4.7	5.3
Rental assistance	177.8	171.3	-	-	177.8	171.3
Eviction Relief Funds	180.6	42.1	-	-	180.6	42.1
Other federal and state programs	50.3	30.3	-	-	50.3	30.3
Administrative	-	-	8.8	(19.2)	8.8	(19.2)
Bond financed loan programs	-	-	9.2	12.3	9.2	12.3
Loan servicing	-	-	4.7	6.2	4.7	6.2
Other loan and housing credit programs	-	-	16.5	15.3	16.5	15.3
Total Program Expenses	425.4	261.1	39.2	14.6	464.6	275.7
Excess before transfers	2.6	5.8	21.1	73.0	23.7	78.8
Interfund transfers in (out)	(4.8)	30.0	4.8	(30.0)	-	-
Increase (Decrease) in Net Position	$ (2.2)	$ 35.8	$ 25.9	$ 43.0	$ 23.7	$ 78.8

Total revenues for governmental activities were $428.0 million during fiscal year 2022, a $161.1 million increase from the $266.9 million in revenues in fiscal year 2021. The increase was due to a $149.1 million increase in operating grants and an $12.0 million increase in charges for services. Fiscal year 2022 operating grants include federal funding for Rental Assistance of $173.5 million, HOME of $11.2 million, Healthy at Home Eviction Relief Funds of $166.7 million, and Weatherization of $4.2 million, which represent 89% of total operating grant revenues.

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The Corporation receives fees or charges for services for federal program administration. These revenues increased from $15 million in 2021 to $27 million during fiscal year 2022. A substantial amount of the fees earned in excess of operating costs are transferred from the governmental funds to the proprietary funds of the Corporation. During 2022, $27 million in fee revenue was received and $22.3 million in operating expenses were incurred thereby enabling a $4.8 million transfer out, a $1.1 million increase from the $3.7 million transferred in 2021. Business-Type activities administrative expenses were a negative amount in 2021 due to a credit to pension expense resulting from the pension cessation process. Also in 2021, a $33.7 transfer-in was attributed to the exit of the KERS defined benefit plan. The net transfers in 2021 totaled $30 million.

Program expenses for governmental activities increased during 2022 by $164.3 million. Program expenses for governmental activities during 2022 were $425.4 million, comprised of grants of $403.1 million and operating expenses of $22.3 million. In fiscal 2021, total program expenses were $261.1 million with grants of $249.8 million and operating expenses of $11.3 million.

Total revenues for business-type activities were $60.3 million during fiscal year 2022, a $27.3 million decrease from the $87.6 million of revenues in fiscal year 2021. For fiscal 2022, gross gains on the sale of loans held for sale decreased $18.6 million, interest earnings from loans, mortgage-backed securities and other investments increased $.4 million, fees, charges and other income increased $2 million and the change in fair value of securities decreased $11.1 million.

Program expenses for business-type activities increased $24.6 million from $14.6 million in 2021 to $39.2 million in 2022. Bond financed loan program expenses decreased by $3.1 million, administrative expenses, or expenses not directly attributable to programs increased by $28 million, loan servicing expenses decreased by $1.5 million and other loan program expenses increased by $1.2 million. The line items related to these expenses are presented in detail in Table 2.

The excess of revenues over expenses for business-type activities was $21.1 million in 2022 compared to $73 million in 2021, a decrease of $51.9 million. As described above and in additional detail under "Proprietary Funds," the decrease is due to a $27.3 million decrease in revenues and a $24.6 million increase in expenses. Transfers-in were $4.8 million in 2021, a $34.8 million increase from 2021. Such changes in revenues, expenses and transfers resulted in an increase in business-type activities change in net position of $25.9 million.

Fund Financial Statements

The following section provides information on the Corporation's fund financial statements.

Governmental Funds – Pages 17 and 18

Each of the columns presented in the governmental funds financial statements represents an independent program operated by the Corporation. A description of each program can be found under Note A of the "Notes to Financial Statements." Other Housing Funds include several independent programs, each of which does not meet the criteria for separate financial reporting.

The current assets of each governmental fund are held pending disbursement for program purposes. Most program disbursements are in the form of a grant or subsidy to program recipients. However, certain disbursements under the Affordable Housing Trust Fund and the HOME Program are in the form of loans. Because of the extended loan terms, minimal interest rates and the credit risks associated with these loans, loan loss provisions have been established at 100%. As of June 30, 2022, the Corporation retained $209.0 million of total assets for program purposes and had $190.6 million reflected as program liabilities resulting in a total of $18.4 million reflected as restricted fund balances for program purposes.

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During fiscal year 2022, the Affordable Housing Trust Fund had revenues greater than expended funds of $.3 million, thereby increasing the program's fund net position. Rental Assistance revenues of $177.8 million were expended for programs and $4.8 million was transferred to the proprietary funds. Similarly, all HOME program revenues, $11.9 million, were expensed in an equal amount in 2022, as were Weatherization revenues of $4.6 million. Revenues of the Healthy at Home Eviction Relief program of $180.6 million were expensed in 2022. Finally, Other Housing Funds expenses exceeded revenues by $2.5 million, thereby decreasing the fund net position of Other Housing Funds.

Proprietary Funds – Pages 19 through 23

A significant portion of the Corporation's financial resources and activities is reported in the proprietary fund financial statements. Proprietary funds account for approximately 76% of corporate assets, 68% of non-grant revenues, 63% of operating expenses and 100% of the Corporation's unrestricted net position.

Proprietary funds are organized in accordance with the restrictions described under Note B of the "Notes to Financial Statements." The discussion and analysis of proprietary funds will focus on the combined totals of the three separate funds. Primary attention, however, will be given to the financial condition and performance of the Housing Revenue Bond Funds which comprise 67% of the total assets, 3% of total revenues, and 59% of the fund net position of proprietary fund combined totals.

The Corporation's primary business-type activity involves the production and/or sale of single-family mortgage loans. This objective is achieved through the Corporation's Housing Revenue Bond program or the Secondary Market Mortgage Purchase program.

Historically, the Corporation has issued mortgage revenue bonds to fund qualifying residential single-family and multi-family mortgage loans. The federal tax code, with certain exceptions, limits the allowable spread between the Corporation's cost of funds and the interest rate charged to borrowers to 1.125%. This spread allows the Corporation to cover operating costs, including servicing costs, of the Housing Finance Program.

Since 2012, most of the Corporation's single-family mortgage loan production has been through the Secondary Market Mortgage Purchase program. This program allows the Corporation to fund mortgage loans outside the bond indenture at more competitive market rates with the intent of selling the mortgages to secondary market investors. Through this program, the Corporation agrees to purchase various mortgage loans from its lender partners. In the case of agency insured/guaranteed loans, the mortgages are pooled into mortgage-backed securities issued by the Government National Mortgage Association ("GNMA") which are then sold on the secondary market. Beginning in fiscal year 2013, the Corporation also began funding uninsured and, to a much smaller extent, insured conventional loans for sale on a whole loan basis to Fannie Mae. These loans are subject to a brief period during which they are sold with recourse back to the Corporation, after which they revert to full recourse to Fannie Mae. Loans sold pursuant to the Secondary Market Mortgage Purchase program are sold with servicing retained by the Corporation.

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Condensed financial information from the Statement of Net Position follows in Table 3.

Table 3
Proprietary Funds
Statement of Net Position
(in millions)

	2022	2021	Change
Program-Purpose Assets:			
Mortgage loans and real estate owned	$ 366.5	$ 414.0	$ (47.5)
Mortgage-backed securities	21.8	32.0	(10.2)
Housing construction loans	1.2	1.5	(0.3)
Other loans	3.0	3.6	(0.6)
Total Program-Purpose Assets	392.5	451.1	(58.6)
Cash and Investments	216.0	295.7	(79.7)
Loans held for sale	34.1	38.8	(4.7)
Other assets	17.4	14.4	3.0
Total Assets	660.0	800.0	(140.0)
Bonds payable	188.0	246.7	(58.7)
Net pension and OPEB payable	-	90.0	(90.0)
Other liabilities	41.4	58.6	(17.2)
Total Liabilities	229.4	395.3	(165.9)
Fund Net Position	$ 430.6	$ 404.7	$ 25.9

Total program-purpose assets at June 30, 2022 were $392.5 million. Mortgage loans, mortgage-backed securities, housing construction loans and other loans decreased by $58.6 million or 13% during 2022. The decrease was the result of program loan fundings of $38.4 million, program loan repayments of $86.4 million, changes in accrued loan and interest and loan loss provision of $.4 million, plus a net decrease in mortgage-backed securities of $10.2 million, resulting from purchases of $3.1 million, normal amortization and prepayments totaling $11.1 million, and changes in fair value and premium amortization netting to $2.2 million. This decrease in program assets reflects the Corporation's continued delivery of single-family loan originations into the secondary market.

The Debt Service Reserve Fund maintains deposits to provide additional security and a source of liquidity to bond investors. Deposits must be maintained at the level required under the Corporation's bond indenture. At June 30, 2022, the Debt Service Reserve requirement was $41.0 million and the amount on deposit was $166.7 million. (The Housing Revenue Bond Resolution ("Resolution") requires that the amounts on deposit be valued at the lesser of par or fair value and inclusive of any interest or gain realized to the valuation date.) The Corporation has designated approximately $95.0 million of the remaining $126.0 million in excess reserves for purposes of providing self-liquidity for certain of the Corporation's variable rate bonds, thereby saving the cost of paying outside liquidity providers.

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During 2022, the Corporation incurred line of credit borrowings in the amount of $305.1 million. Total bond and line-of-credit principal repayments were $425.7 million and the change in net unamortized bond premium was $.3 million. As a result of this activity, bonds outstanding decreased $58.7 million and short-term debt decreased by $2.7 million. The Corporation's Housing Revenue Bond Indenture is rated AAA by Standard & Poor's with a stable outlook and is rated AAA by Moody's with a stable outlook.

The following Table 4 provides condensed financial information from the Statement of Revenues, Expenses and Changes in Fund Net Position.

Table 4
Proprietary Funds
Revenues, Expenses, and Changes in Fund Net Position
(in millions)

	2022	2021	Change
Interest income on loans	$ 21.0	$ 21.5	$ (0.5)
Interest income on mortgage-backed securities	0.4	0.2	0.2
Interest income on marketable securities	1.4	0.7	0.7
Increase (decrease) in fair value of securities	(12.8)	(1.7)	(11.1)
Gains on sales of loans held for sale	29.7	48.3	(18.6)
Fees, charges and other income	20.6	18.6	2.0
Total operating revenues	60.3	87.6	(27.3)
Interest expense on revenue bonds and lines of credit	5.0	7.8	(2.8)
Interest expense on pension liability	1.5	-	1.5
Provision for loan losses	0.6	0.3	0.3
General and administrative	15.4	(8.6)	24.0
Loan origination costs	13.9	12.8	1.1
Other expenses	2.8	2.3	0.5
Total operating expenses	39.2	14.6	24.6
Operating income (loss)	21.1	73.0	(51.9)
Interfund transfers in (out)	4.8	(30.0)	34.8
Changes in Fund Net Position	$ 25.9	$ 43.0	$ (17.1)

The change in fund net position decreased by $17.1 million in 2022, compared to a $4 million increase for 2021. The $17.1 million decrease is attributable to several factors. Interest income on loans, mortgage-backed securities and marketable securities increased $.4 million, from $22.4 million in 2021 to $22.8 million in 2022. Gains on sales of loans held for sale decreased $18.6 million, from $48.3 million in 2021 to $29.7 million in 2022. The change in fair value of investment securities decreased by $11.1 million, from ($1.7) million in 2021 to ($12.8) million in 2022. Fees, charges and other income increased $2 million, from $18.6 million in 2021 to $20.6 million in 2021.

Interest expense on revenue bonds, lines of credit and pension liability decreased $1.3 million, from $7.8 million in 2021 to $6.5 million in 2022. The provision for loan losses increased $.3 million, from $.3 million in 2021 to $.6 million in 2022. General and administrative expenses increased $24.0 million, from ($8.6) million in 2021 to $15.4 million in 2022 driven by the cessation of participation in the KERS plans in 2021. Loan origination costs increased $1.1 million, from $12.8 million in 2021 to $13.9 million in 2022. Also, other expenses, including grants, loan servicing expenses and the expensing of debt issuance costs, increased $.5 million, from $2.3 million in 2021 to $2.8 million in 2022.

Finally, changes in fund net position were impacted by interfund transfers of $4.8 million, a $34.8 million increase from transfers of ($30.0) million in 2021. The significant change in transfers is due to the $33.7 million transfer of pension and OPEB unrestricted fund balance in 2021 from business-unit to governmental fund balance. The cessation of participation in the KERS plans is the reason for this transfer. (See "Governmental Funds" for additional information on interfund transfers.)

Financial Outlook

The world today is dramatically different than it was just one year ago. While COVID remains in the forefront, war in eastern Europe, global inflationary pressures not seen in decades, increased political unrest in many parts of the globe and rapidly rising interest rates present the Corporation with perhaps unprecedented challenges. Adding two significant weather-related disasters at the Commonwealth level has the Corporation stretched in all areas.

COVID continues to present challenges to many of Kentucky's citizens. As has been the case from the outset, the Corporation has been tasked as point in administering the numerous federal and state initiatives providing and distributing financial assistance. While much has been accomplished, there remain many citizens still in need of rental housing/home ownership relief and solutions. The Corporation continues to provide relief to those impacted ranging from increased rental assistance including utility assistance, eviction prevention and increased homelessness prevention to assisting tenants locate available rentable units. Homeowners are likewise in need of relief now that most mortgage forbearance programs have ended. As such, beginning this past year and continuing in the future, the Corporation administers homeowner relief in the form of catching up and maintaining current mortgage payments, loan modifications, and utility payments. The funding at the state and federal levels provides for both the direct relief to those impacted and for the administrative costs of managing the process. The impact of this significant increase in activity will be a continued high level of expenditures with corresponding increases in administrative fees in the Governmental Functions/Activities portion areas of the Corporation. Years of prudent resource management and preservation has assisted the Corporation in its response to the pandemic. Management believes the Corporation has sufficient expertise and resources to deliver the assistance necessary to weather this emergency, though clearly many uncertainties and considerable challenges remain.

Complicating the efforts in response to the pandemic are the impacts of the war in Ukraine on essentially all economies, citizenry humanitarian issues, energy issues and food issues. Not only are the physical realities and hardships impacting the globe, but the economic implications are as well. Scarcity of basic needs and resultant price escalation, causing dramatic upward interest rate movement subject the world, national and Commonwealth economies and quality of life to unforeseen and rarely before experienced, at least in our lifetimes, challenges.

(Continued)

Management is particularly watchful of the impact of the aforementioned issues and initiatives on interest rates. Prevailing low interest rates, largely an impact of the pandemic and financial stimulus provided by the Federal Reserve, have given way to stark increases as central banks around the globe, including the Fed, have moved aggressively to tame inflation. Although rising rates cause investment returns to rise, for the Corporation rising rates serve to increase variable rate debt costs and raise mortgage lending rates, potentially dampening demand for the Corporation's primary revenue generator, single family home mortgage originations. At the same time, higher rates typically reduce loan payoff activity, helping to preserve the Corporation's income producing servicing portfolio. For the immediate future, rates on the Corporation's variable rate bonds will increase whereas the fixed rates of the loans financed by the bonds will not. The current higher rate environment and the possibility of changes in borrower behavior reminds management to monitor conditions continuously and react quickly and appropriately to protect Corporate resources. Management, in concert with the Corporation's financial partners, continually considers strategies to take maximum advantage of market conditions.

As a result of the rapid rate increases and the effect on security pricing the Corporation must explore alternative loan funding sources, many of which may or may not be easily accessed nor as profitable in execution. At present, management continues to believe that utilizing the Secondary Market Mortgage Purchase program will be the primary funding source for single-family loans for the immediate future, though at anticipated reduced profitability. As such, the bond indenture portfolio is anticipated to continue shrinking resulting in decreasing net interest income. Corporation staff, as it has in the past, will continue to take advantage of bond refunding and other interest rate management techniques to maximize net interest income from the indenture portfolio as those opportunities arise.

The Corporation has maintained its dedicated effort to increase its presence in the multi-family housing market with the aim to more effectively deploy available resources, including low-income housing tax credits and conduit bond techniques, to maximize the number of families impacted, both with new construction and preservation of existing properties. Participation in these efforts continues to increase, benefitting both the families served and generating income opportunities, as these initiatives have been favorably received by our housing partners throughout the Commonwealth. As many of these efforts utilize Private Activity Bond Cap, availability of which is limited, management is proactively monitoring potential competing uses of this vital resource. Increasing the number of affordable multi-family housing units is a natural complement to the Corporation's history of providing single-family financing and helps stretch our mission dollar to reach the maximum number of the Commonwealth's population in need.

The Corporation's presence at both the single family and multifamily levels throughout the Commonwealth will prove instrumental in our efforts to house those thousands of our citizens displaced by tornado and flood disasters of the last year. Management, in concert with state and federal agencies, has realigned selected resources and staff to provide temporary and permanent solutions to help our fellow Kentuckians.

With almost all the Corporation's single-family loan originations now dependent on using Corporation-supplied down payment assistance, changes in the competitive environment regarding such assistance, or availability of sufficient funding sources, may impact future loan volumes and pricing. Finding available sources of funding and developing effective designs of down-payment assistance that are both financially advantageous to the Corporation and beneficial to the borrower remains a top priority.

In the current environment, finding, retaining and compensating the talent necessary to perform the Corporate mission requires increased effort by management. Finding people to work has become increasingly difficult. Working from home has become a part of the new work paradigm. Increased cost of childcare and eldercare and cost of commuting has made working from home oftentimes necessary. Salary/wage inflation is putting increasing pressure on Corporate financial performance. The Corporation's exit from the Kentucky Employees Retirement System in 2021 and its excessive funding rate has allowed the Corporation some flexibility in balancing staffing costs, but like many service-oriented agencies the Corporation cannot simply pass increased costs on to those we serve.

(Continued)

Corporation management remains watchful for developments accompanying the change in Administration in Washington that could foreshadow fundamental shifts in national housing policies and finance initiatives, or substantive changes in the roles of Fannie Mae and Freddie Mac, which could necessitate significant adjustments in the Corporation's delivery of safe affordable housing and financing. Similarly, management is monitoring possible legislative or regulatory changes that may impact the Corporation's ability to fulfill its mission to the citizens of the Commonwealth and will be working with its national trade group and others to both mitigate negative impacts and support positive impacts of such changes.

After several years of essential inaction, HUD is again expressing interest in revamping the operations of what has historically been known as the Performance-Based Contract Administrator Program, and now to be referred to as Housing Assistance Payments Contract Support Services. This appears to be a new beginning of how these services are to be provided in the future. While in the early stages of being researched and reviewed, failure by the Corporation to retain significant components of this contract with HUD could result in negative impact to future operating results, though expanded opportunities in this activity could result positively on future operating results.

The Corporation's historic concentration on U.S. Government insured/guaranteed and conventional insured mortgage loan production, coupled with conservative investment requirements, limit the Corporation's exposure to default risk. Most of the Corporation's investment in Fannie Mae servicing is with recourse to Fannie Mae and there is minimal underlying default risk associated with loans backing the Corporation's GNMA mortgage-backed securities investments and servicing. As pandemic implemented loan forbearance programs end and more permanent mortgage payment assistance solutions are implemented there may be an increase in loans going into serious default or foreclosure resulting in potential loss to the Corporation. Management is mindful that other unexpected economic disruptions could subject the Corporation to increased losses, as well, and believes allowances for such losses are adequate. Additional information on the Corporation's single-family portfolio, mortgage-backed securities investments, allowance for loan losses and loan servicing can be found in Notes C, D, E and F in the "Notes to Financial Statements."

Management is mindful of the many obstacles to maintaining the level of service which both the Commonwealth and Corporation have been accustomed to delivering and will respond with the level of service commensurate with the needs of those to be served. Consistent with its mission, the Corporation continues to serve Kentuckians seeking safe affordable housing options, whether those options are single-family home financing opportunities, rental assistance, multi-family housing initiatives, finding safe shelter/housing for Kentucky's special needs citizens or especially in today's troubled times being ready to assist in delivering much needed aid to those adversely impacted by world events. The Corporation is celebrating its 50th birthday this year having excelled through numerous economic cycles and other challenges by balancing fulfillment of our mission with prudent resource management thereby ensuring the Corporation will be here for years to come; this long-term commitment is how Kentucky Housing Corporation maintains its position as Kentucky's affordable housing leader.

Contacting the Corporation's Financial Management

This report is designed to provide our stakeholders with the information needed to understand the Corporation's financial condition and results of operations for the fiscal year ended June 30, 2022. Inquiries may be directed to James F. Statler, Chief Financial Officer at Kentucky Housing Corporation, 1231 Louisville Road, Frankfort, Kentucky 40601. Telephone: (502) 564-7630, x286, fax: (502) 564-7322, e-mail: jstatler@kyhousing.org.

KENTUCKY HOUSING CORPORATION
CORPORATION-WIDE STATEMENT OF NET POSITION
June 30, 2022
(Dollars in thousands)

	Governmental Activities	Business-Type Activities	Combined Totals
ASSETS			
Current Assets			
Cash and cash equivalents	$ 193,646	$ 33,672	$ 227,318
Investment securities	13,913	30,518	44,431
Mortgage-backed securities	-	1,235	1,235
Housing mortgage loans held for sale	-	34,105	34,105
Housing mortgage loans	-	24,821	24,821
Housing construction loans	-	1,152	1,152
Other loans	-	316	316
Accounts receivable and other assets	2,146	6,997	9,143
Interfund accounts	(682)	682	-
Total Current Assets	209,023	133,498	342,521
Noncurrent Assets			
Investment securities	-	151,791	151,791
Mortgage-backed securities	-	20,640	20,640
Housing mortgage loans	-	341,604	341,604
Other loans	-	2,664	2,664
Real estate owned-net and related receivables	-	91	91
Capital assets	-	3,288	3,288
Other noncurrent assets	-	6,462	6,462
Total Noncurrent Assets	-	526,540	526,540
Total Assets	209,023	660,038	869,061
LIABILITIES			
Current Liabilities			
Lines of credit	-	3,600	3,600
Accounts payable and other liabilities	27,936	3,662	31,598
Unearned pass-through grant revenues	162,657	-	162,657
Accrued interest payable	-	1,808	1,808
Escrows and project reserves	-	19,624	19,624
Revenue bonds, due within one year	-	11,590	11,590
Total Current Liabilities	190,593	40,284	230,877
Noncurrent Liabilities			
Revenue bonds, due after one year	-	176,465	176,465
Other noncurrent liabilities	-	12,687	12,687
Total Noncurrent Liabilities	-	189,152	189,152
Total Liabilities	190,593	229,436	420,029
NET POSITION			
Net investment in capital assets	-	3,288	3,288
Restricted by			
Revenue bond indenture	-	252,541	252,541
Enabling legislation	-	8,741	8,741
Program requirements	18,430	-	18,430
Unrestricted	-	166,032	166,032
Net Position	$ 18,430	$ 430,602	$ 449,032

See Notes to Financial Statements.

KENTUCKY HOUSING CORPORATION
CORPORATION-WIDE STATEMENT OF ACTIVITIES
Year Ended June 30, 2022
(Dollars in thousands)

	Direct Expenses		Program Revenues		Net (Expense) Revenues and Changes in Net Position		
Functions/Activities	**Grants**	**Operating**	**Charges for Services**	**Operating Grants**	**Governmental Activities**	**Business-Type Activities**	**Total**
Governmental Activities							
HOME program	$ 11,170	$ 823	$ 823	$ 11,170	$ -	$ -	$ -
Eviction relief funds	166,708	13,927	13,927	166,708	-	-	-
Weatherization assistance	4,164	482	482	4,163	(1)	-	(1)
Rental assistance	173,466	4,306	9,118	173,466	4,812	-	4,812
Other federal and state housing programs	47,448	2,801	2,622	45,452	(2,175)	-	(2,175)
Total Governmental Activities	402,956	22,339	26,972	400,959	2,636	-	2,636
Business-Type Activities							
Administrative	1,176	7,665	3,769	71	-	(5,001)	(5,001)
Bond financed loan programs	-	9,229	1,924	-	-	(7,305)	(7,305)
Loan servicing	-	4,660	7,771	-	-	3,111	3,111
Other loan and housing credit programs	-	16,484	44,323	2,430	-	30,269	30,269
Total Business-Type Activities	1,176	38,038	57,787	2,501	-	21,074	21,074
Total Activities	$ 404,132	$ 60,377	$ 84,759	$ 403,460	2,636	21,074	23,710
Transfers					(4,812)	4,812	-
Change in Net Position					(2,176)	25,886	23,710
Net Position, Beginning of Year					20,606	404,716	425,322
Net Position, End of Year					$ 18,430	$ 430,602	$ 449,032

See Notes to Financial Statements.

KENTUCKY HOUSING CORPORATION
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2022
(Dollars in thousands)

	Affordable Housing Trust Fund	HOME Program	Healthy at Home Eviction Relief Fund	Healthy at Home Eviction Relief Fund 2.0	Weatherization Assistance	Rental Assistance	Homeowner Assistance	Other Housing Funds	Combined Totals
ASSETS									
Current Assets									
Cash and cash equivalents	$ 3,077	$ 9,915	$ 33,053	$ 65,499	$ 77	$ 1,673	$ 78,795	$ 1,557	$ 193,646
Investment securities	11,892	-	-	-	-	-	-	2,021	13,913
Accounts receivable and other assets	-	574	-	-	953	-	-	619	2,146
Interfund accounts	-	(123)	-	-	(84)	(290)	-	(185)	(682)
Total Current Assets	14,969	10,366	33,053	65,499	946	1,383	78,795	4,012	209,023
Noncurrent Assets									
Program loans	26,138	111,315	-	-	-	-	-	33,135	170,588
Less loan loss provision	(26,138)	(111,315)	-	-	-	-	-	(33,135)	(170,588)
Total Noncurrent Assets	-	-	-	-	-	-	-	-	-
Total Assets	$ 14,969	$ 10,366	$ 33,053	$ 65,499	$ 946	$ 1,383	$ 78,795	$ 4,012	$ 209,023
LIABILITIES									
Current Liabilities									
Accounts payable and program advances	$ 71	$ 10,356	$ 7,933	$ 6,756	$ 946	$ 1,383	$ -	$ 491	$ 27,936
Unearned revenue	-	-	25,119	58,743	-	-	78,795	-	162,657
Total Current Liabilities	71	10,356	33,052	65,499	946	1,383	78,795	491	190,593
FUND BALANCE									
Restricted by program requirements	14,898	10	1	-	-	-	-	3,521	18,430
Total Liabilities and Fund Balance	$ 14,969	$ 10,366	$ 33,053	$ 65,499	$ 946	$ 1,383	$ 78,795	$ 4,012	$ 209,023

See Notes to Financial Statements.

KENTUCKY HOUSING CORPORATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION – GOVERNMENTAL FUNDS
Year Ended June 30, 2022
(Dollars in thousands)

	Affordable Housing Trust Fund	HOME Program	Healthy at Home Eviction Relief Fund	Healthy at Home Eviction Relief Fund 2.0	Weatherization Assistance	Rental Assistance	Homeowner Assistance	Other Housing Funds	Combined Totals
Revenues									
Federal and state administrative fees	$ -	$ 823	$ 12,932	$ 995	$ 482	$ 9,118	$ 1,617	$ 1,005	$ 26,972
Pass-through grant revenues	6,138	11,170	150,395	16,313	4,163	173,466	5,339	33,975	400,959
Total Revenues	6,138	11,993	163,327	17,308	4,645	182,584	6,956	34,980	427,931
Expenditures									
General and administrative	-	823	12,932	995	482	4,306	1,617	1,184	22,339
Pass-through grant expenditures	5,864	11,170	150,395	16,313	4,164	173,466	5,339	36,245	402,956
Total Expenditures	5,864	11,993	163,327	17,308	4,646	177,772	6,956	37,429	425,295
Revenues in Excess of Expenditures	274	-	-	-	(1)	4,812	-	(2,449)	2,636
Other Financing Sources (Uses)									
Interfund Transfers	-	-	-	-	-	(4,812)	-	-	(4,812)
Change in Fund Balance	274	-	-	-	(1)	-	-	(2,449)	(2,176)
Fund Balance, Beginning of Year	14,624	10	1	-	1	-	-	5,970	20,606
Fund Balance, End of Year	$ 14,898	$ 10	$ 1	$ -	$ -	$ -	$ -	$ 3,521	$ 18,430

See Notes to Financial Statements.

KENTUCKY HOUSING CORPORATION
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
June 30, 2022
(Dollars in thousands)

	General Funds	Housing Revenue Bond Funds	Housing Development Fund	Combined Totals
ASSETS				
Current Assets				
Cash and cash equivalents	$ 31,125	$ 430	$ 2,117	$ 33,672
Investment securities	8,573	21,473	472	30,518
Mortgage-backed securities	174	1,061	-	1,235
Housing mortgage loans held for sale	34,105	-	-	34,105
Housing mortgage loans	9,793	15,028	-	24,821
Housing construction loans	-	-	1,152	1,152
Other loans	316	-	-	316
Accounts receivable and other assets	6,997	-	-	6,997
Interfund accounts	(4,303)	(15)	5,000	682
Total Current Assets	86,780	37,977	8,741	133,498
Noncurrent Assets				
Investment securities	-	151,791	-	151,791
Mortgage-backed securities	2,908	17,732	-	20,640
Housing mortgage loans	106,610	234,994	-	341,604
Other loans	2,664	-	-	2,664
Real estate owned-net and related receivables	91	-	-	91
Capital assets	3,288	-	-	3,288
Other noncurrent assets	6,462	-	-	6,462
Total Noncurrent Assets	122,023	404,517	-	526,540
Total Assets	$ 208,803	$ 442,494	$ 8,741	$ 660,038

(Continued)

KENTUCKY HOUSING CORPORATION
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
June 30, 2022
(Dollars in thousands)

	General Funds	Housing Revenue Bond Funds	Housing Development Fund	Combined Totals
LIABILITIES				
Current Liabilities				
Lines of credit	$ 3,600	$ -	$ -	$ 3,600
Accounts payable and other liabilities	3,557	105	-	3,662
Accrued interest payable	-	1,808	-	1,808
Escrows and project reserves	19,624	-	-	19,624
Revenue bonds	-	11,590	-	11,590
Total Current Liabilities	26,781	13,503	-	40,284
Noncurrent Liabilities				
Revenue bonds	-	176,465	-	176,465
Other noncurrent liabilities	12,687	-	-	12,687
Total Noncurrent Liabilities	12,687	176,465	-	189,152
Total Liabilities	39,468	189,968	-	229,436
NET POSITION				
Invested in capital assets	3,288	-	-	3,288
Restricted by				
Revenue bond indenture	-	252,526	-	252,526
Enabling legislation	-	-	8,741	8,741
Unrestricted	166,047	-	-	166,047
Net Position	$ 169,335	$ 252,526	$ 8,741	$ 430,602

See Notes to Financial Statements.

KENTUCKY HOUSING CORPORATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION – PROPRIETARY FUNDS
Year Ended June 30, 2022
(Dollars in thousands)

	General Funds	Housing Revenue Bond Funds	Housing Development Fund	Combined Totals
Operating Revenues				
Interest and fee income				
Housing mortgage and construction loans	$ 8,194	$ 12,668	$ 117	$ 20,979
Mortgage-backed securities	7	374	-	381
Marketable securities	17	1,416	-	1,433
Net decrease in fair value of securities	(3)	(12,813)	-	(12,816)
Gains on sales of loans held for sale	29,724	-	-	29,724
Fees, charges and other income	20,341	246	-	20,587
Total Operating Revenues	58,280	1,891	117	60,288
Operating Expenses				
Interest on revenue bonds and lines of credit	243	4,722	-	4,965
Interest on pension liability	1,519			1,519
Provision for losses on loans	677	-	(31)	646
General and administrative	15,289	96	-	15,385
Housing assistance grants	1,176	-	-	1,176
Mortgage loan servicers' fees	66	972	-	1,038
Loan origination costs	13,920	-	-	13,920
Debt issuance costs	-	565	-	565
Total Operating Expenses	32,890	6,355	(31)	39,214
Operating Income (Loss)	25,390	(4,464)	148	21,074
Nonoperating revenues (expenses)				
Interfund Transfers	7,812	(3,000)	-	4,812
Change in Net Position	33,202	(7,464)	148	25,886
Net Position, Beginning of Year	136,133	259,990	8,593	404,716
Net Position, End of Year	$ 169,335	$ 252,526	$ 8,741	$ 430,602

See Notes to Financial Statements.

KENTUCKY HOUSING CORPORATION
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
Year Ended June 30, 2022
(Dollars in thousands)

	General Funds	Housing Revenue Bond Funds	Housing Development Fund	Combined Totals
Cash Flows From Operating Activities				
Interest income on loans	$ 8,194	$ 12,668	$ 117	$ 20,979
Gain on sales of loans held for sale	28,609	-	-	28,609
Fees, charges and other income	24,606	-	-	24,606
Personnel costs	(13,580)	-	-	(13,580)
Operating expenses	(18,853)	(1,633)	-	(20,486)
Housing assistance grants	(1,176)	-	-	(1,176)
Fundings of housing mortgage loans	(594,174)	(187)	-	(594,361)
Repayments on housing mortgage loans	43,885	41,122	-	85,007
Conversion of mortgage loans to mortgage-backed securities and loans sold on secondary market	560,768	-	-	560,768
Net changes in housing construction loans	-	-	336	336
Other, net	(8,932)	781	-	(8,151)
Net Cash Provided By Operating Activities	29,347	52,751	453	82,551
Cash Flows From Noncapital Financing Activities				
Proceeds from lines of credit and issuance of revenue bonds	305,100	59,560	-	364,660
Payments for debt issuance costs	-	(565)	-	(565)
Principal payments on revenue bonds and line of credit	(307,800)	(117,900)	-	(425,700)
Principal and interest payments on pension & OPEB payable	(80,433)	(7,000)	-	(87,433)
Interest payments on lines of credit and revenue bonds	(243)	(6,520)	-	(6,763)
Changes in escrows and project reserves	(10,283)	-	-	(10,283)
Interfund transfers	7,812	(3,000)	-	4,812
Net Cash Provided By (Used In) Noncapital Financing Activities	(85,847)	(75,425)	-	(161,272)
Cash Flows From Capital and Related Financing Activities				
Acquisition of capital assets	(192)	-	-	(192)
Cash Flows From Investing Activities				
Purchases of investments and mortgage-backed securities	(760,789)	(207,066)	-	(967,855)
Sales of investments and mortgage-backed securities	789,180	226,744	-	1,015,924
Interest received on investments and mortgage-backed securities	9	2,840	-	2,849
Net Cash Provided By (Used In) Investing Activities	28,400	22,518	-	50,918
Net Increase (Decrease) in Cash and Cash Equivalents	(28,292)	(156)	453	(27,995)
Cash and Cash Equivalents, Beginning of Year	59,417	586	1,664	61,667
Cash and Cash Equivalents, End of Year	$ 31,125	$ 430	$ 2,117	$ 33,672

(Continued)

KENTUCKY HOUSING CORPORATION
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
Year Ended June 30, 2022
(Dollars in thousands)

	General Funds	Housing Revenue Bond Funds	Housing Development Fund	Combined Totals
Reconciliation of Operating Income to Net Cash Provided By (Used In) Operating Activities				
Operating income (loss)	$ 25,390	$ (4,464)	$ 148	$ 21,074
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Gain related to servicing intangible asset	(1,115)	-	-	(1,115)
Provision for losses on loans	677		(31)	646
Debt issuance costs	-	565	-	565
Pension expense	(2,567)	-	-	(2,567)
Amortization of intangible asset	1,285	-	-	1,285
Depreciation expense	298	-	-	298
Interest expense on lines of credit and revenue bonds	243	4,722	-	4,965
Interest income on mortgage-backed securities	(7)	(374)	-	(381)
Interest income on marketable securities	(17)	(1,416)	-	(1,433)
Net decrease in fair value of marketable securities	3	12,813	-	12,816
Other income	-	(246)	-	(246)
Changes in operating assets and liabilities:				
Fundings of housing mortgage loans	(594,174)	(187)	-	(594,361)
Repayments on housing mortgage loans	43,885	41,122	-	85,007
Conversion of mortgage loans to mortgage backed securities and loans sold on secondary market	560,768	-	-	560,768
Housing construction loans		-	336	336
Other, net	(5,322)	216	-	(5,106)
Net Cash Provided By Operating Activities	$ 29,347	$ 52,751	$ 453	$ 82,551

See Notes to Financial Statements.

KENTUCKY HOUSING CORPORATION
STATEMENT OF FIDUCIARY FUNDS NET POSITION
Year Ended June 30, 2022
(Dollars in thousands)

	Custodial Funds
ASSETS	
Current Assets	
Cash and cash equivalents	$ 61,725
Total Assets	61,725
LIABILITIES	
Current Liabilities	
Accounts payable and other liabilities	-
Escrows and project reserves	1,977
Total Liabilities	1,977
NET POSITION	
Restricted by	
Individuals and organizations	59,748
Unrestricted	-
Net Position	$ 59,748

See Notes to Financial Statements.

KENTUCKY HOUSING CORPORATION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended June 30, 2022
(Dollars in thousands)

	Custodial Funds
ADDITIONS	
Escrows and project reserves	$ 138,146
Total Additions	138,146
DEDUCTIONS	
Payments of property tax to other governments, insurance premiums, and replacement reserve disbursements	139,087
Total Deductions	139,087
Change in Net Position	(941)
Net Position, Beginning of Year	60,689
Net Position, End of Year	$ 59,748

See Notes to Financial Statements.

Note A--Compliance with Enabling Legislation and Bond Resolutions

The Kentucky Housing Corporation (the "Corporation") was established in 1972 by the Kentucky General Assembly under the provisions of the Kentucky Housing Corporation Act (the "Act"). The Act, as amended, authorizes the Corporation to issue bonds and notes, the cumulative outstanding indebtedness of which does not exceed $5,000,000. The Act and the Bond Resolutions adopted by the Corporation contain provisions establishing funds and accounts for the segregation and restriction of assets and also restrict the use of the proceeds of bonds as well as other funds received. Further, the Act and the Bond Resolutions authorize the Corporation to invest in obligations of the United States, the Commonwealth of Kentucky (the "Commonwealth"), or their agencies or instrumentalities. The Corporation is a component unit of the Commonwealth and, as such, its financial statements are included in the Commonwealth's Comprehensive Annual Financial Report.

The Corporation primarily makes first mortgage loans to finance single-family and multi-family housing units within Kentucky. Single-family loans are made primarily to first-time home buyers meeting certain low-to-moderate income guidelines. Substantially all assets are held by banks as trustees and are pledged as collateral for the Corporation's bonds. The Corporation also administers various programs for federal and state agencies. Funds held for these programs are restricted as to use by statutes, contracts, or other agreements.

Note B--Summary of Significant Accounting Policies

<u>Basis of Presentation</u>: The Corporation's financial statements are prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments* and related statements and are comprised of three components: 1) Corporation-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The Corporation-wide financial statements are comprised of a statement of net position and a statement of activities. Prepared using the economic resources measurement focus and the accrual basis of accounting, these statements reflect all of the assets, liabilities, revenues, expenses, deferred inflows, deferred outflows, gains and losses of governmental and business-type activities. The governmental activities reflect the administration of the various programs for the Commonwealth and the federal government. The business-type activities include single and multi-family loan programs and other lender services. The Corporation follows GASB pronouncements as codified under GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

The Corporation's fund financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to governmental entities, which provide that accounting systems be organized by funds to account for specific activities consistent with legal and operating requirements.

Governmental Funds: The governmental funds financial statements are prepared utilizing the current financial economic resources measurement focus and the modified accrual basis of accounting and include the activities of administering rental subsidy and other federal and state housing programs for the Commonwealth and HUD. Revenues considered susceptible to accrual are those revenues that are both measurable and available, usually grant revenue. In substance, "available" means that the item is a resource that can be used to finance the governmental operations within a 60-day period. Each governmental fund is considered a major fund.

(Continued)

Note B--Summary of Significant Accounting Policies (Continued)

The Corporation's governmental funds (special revenue funds) are:

Affordable Housing Trust Fund: This fund accounts for resources made available in the form of grants or loans to local governments, nonprofits and regional or statewide housing assistance organizations to provide housing to very low-income Kentucky residents with critical housing needs. The fund's resources are primarily provided by a portion of the fees received by county clerks for recording and indexing various documents. Such allocation of resources was approved by the Kentucky General Assembly in 2006.

HOME Program: This fund accounts for resources made available from the federal government through its Home Investment Partnerships Program ("HOME") to help local governments, nonprofits, private developers, community housing development organizations and individuals to provide safe, decent, and affordable housing. Resources are made available to these entities and individuals through both grants and loans.

Eviction Relief Funds: This fund accounts for resources made available through the United States Department of Treasury ("Treasury") via Division A Title V of the Consolidated Appropriations act of 2021. Under Section 501, the Treasury issued cash assistance to states and other local governments for payments of rent, utilities and home energy costs, and other expenses related to housing.

Weatherization Assistance: This fund accounts for resources made available from the federal government to assist eligible individuals in reducing their utility costs by improving the energy efficiency of their homes.

Rental Assistance: This fund accounts for resources made available from the federal government to assist eligible individuals to rent decent, safe, and affordable housing and to assure that property owners provide safe, affordable housing to recipients according to guidelines established by HUD.

Homeowner Assistance: This fund accounts for resources made available through the United States Department of Treasury ("Treasury") via Section 3206 of the American Rescue Plan Act of 2021. The program assists Kentucky homeowners who have lost their jobs or suffered a reduction in income to keep their homes. The program funds are available to all lenders and all borrowers who meet the program criteria. The fund balance of this program is restricted for use only by this program and if any fund balance exists at the end of the programs' duration such balance will be returned to the U.S. Treasury.

Other Housing Funds: These funds account for other minor housing assistance program funds made available through various federal and state resources.

Proprietary Funds: Financial activities operated similarly to private business enterprises and financed through fees and charges assessed primarily to users of the loan and other lender services are presented as proprietary funds. Each proprietary fund is considered a major fund. The Corporation's proprietary funds are:

General Funds: These funds account for proprietary fund (1) activities related to the development and administration of corporate financial programs, (2) corporate-owned assets and (3) any business-type activities of the Corporation not included in the Housing Revenue Bond indenture or construction loans, including the Secondary Market Mortgage Purchase program. Fund net position is generally unrestricted.

Note B--Summary of Significant Accounting Policies (Continued)

Housing Revenue Bond Funds: These funds account for the proceeds from the sale of Housing Revenue Bonds, the debt service requirements of the bond indebtedness, and mortgage loans and mortgage-backed securities acquired with bond proceeds to finance the purchase of single-family residential housing as well as the construction and long-term financing of multi-family residential housing. Fund net position is restricted as to use by the terms of the Housing Revenue Bond Indenture.

Housing Development Fund: This fund accounts for construction loan proceeds for the production of both single-family and multi-family residential loans, as well as any investments made with proceeds currently not loaned. Fund net position is restricted to use within the fund by the enabling legislation that created the fund. This fund was created by the same enabling legislation as the Corporation as previously disclosed in Note A.

Fiduciary Funds: These are funds that the Corporation holds as a trustee or agent on behalf of an outside party that cannot be used to support the Corporation's own programs. The Corporation holds borrowers escrow funds and replacement reserve accounts. These activities are presented on pages 24-25 in accordance with GASB Statement No. 84.

Cash and Cash Equivalents: Cash consists of cash held by depository institutions and a trustee in the Corporation's name. The Corporation's cash and cash equivalents include money market funds utilized for operations, not for investment policy purposes.

Investment and Mortgage-Backed Securities: Investment and mortgage-backed securities are stated at fair value, while money market funds are carried at amortized cost. Unrealized gains (losses) due to changes in the fair value of investment and mortgage-backed securities are included under the caption operating revenues in the Corporation's statement of revenues, expenses, and changes in fund net position.

The Corporation securitized most of its government insured housing mortgage loan originations into mortgage-backed securities through the Government National Mortgage Association ("GNMA"). The Corporation retains ownership of $8,371 of the securities and retains the servicing rights to the underlying housing mortgage loans.

Loans and Allowance for Loan Losses: Housing mortgage loans, housing construction loans and other loans are stated at remaining principal balances, plus accrued interest, less allowance for loan losses. Housing mortgage loans held for sale are at fair value. The allowance for loan losses is established through a provision for loan losses charged to expense. Loans are charged against the allowance when management believes that the collectability of principal is unlikely. The allowance is an amount that management believes will be adequate to absorb losses on existing loans that may become uncollectible, based on evaluations of the collectability of loans and prior loan loss experience.

The evaluations take into consideration such factors as changes in the nature and volume of the loan portfolio, overall portfolio quality, loan guarantees, review of specific problem loans, and current economic conditions that may affect a borrower's ability to pay. Accrual of interest is discontinued on a loan when management believes, after considering the economic climate, business conditions and collection efforts, that a borrower's financial condition is such that collection of interest is doubtful.

Mortgage Banking Revenue: Mortgage banking revenue includes revenue derived from mortgages originated and subsequently sold, with servicing retained. The primary components are gains and losses on mortgage sales and servicing revenue.

(Continued)

Note B--Summary of Significant Accounting Policies (Continued)

Mortgage Servicing Rights: Mortgage Servicing Rights ("MSRs") are initially capitalized at fair value as separate assets when loans are sold and servicing is retained. The corporation determines the fair value by estimating the present value of the assets' future cash flows. For purposes of evaluating and measuring impairment of capitalized mortgage servicing rights, the Corporation stratifies such rights based upon the predominant risk characteristics of the underlying loans. The Corporation determined those risk characteristics to be loan type, portfolio seasoning and interest rate.

Real Estate Owned and Related Receivables: Real estate owned arises from foreclosures or other mortgage default-related actions on properties pledged as collateral on mortgage loans. Real estate owned is recorded at the lesser of unpaid principal balance plus accrued interest on the loans as of the date the loans became real estate owned, plus subsequent expenses incurred less any insurance or other loan related payments received or fair value less costs to sell. Because a substantial majority of all such loans are guaranteed, based on the Corporation's past experience, it is anticipated that the Corporation will recover a majority of the unpaid principal balances of the loans through proceeds arising from the sale of such property or receipt of applicable guarantee proceeds.

Capital Assets: Capital assets are stated at cost less accumulated depreciation and are reported in the business-type activities column in the Corporation-wide statement of net position. Maintenance, repairs, and minor replacements are charged to expense as incurred; major improvements are capitalized. The cost of assets sold or retired and the related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is included in income. Depreciation is computed on the straight-line method over the estimated useful lives of the assets:

Buildings	30 to 40 years
Equipment	3 to 10 years

Net Position: Net Position is displayed in three components as follows:

- *Invested in Capital Assets, Net of Related Debt* - This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- *Restricted* - This consists of balances associated with activities that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. For the government-wide financial statements, net position is reported as restricted when constraints placed on net asset use are either: (1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted* - This consists of balances that do not meet the definition of "restricted" or "invested in capital assets."

Governmental Funds Fund Balance Classification Policies and Procedures: Due to the fact that the Corporation's governmental funds account for intragovernmental revenues received under the terms of grant agreements and the related grant expenditures, all governmental fund activities are reflected as restricted; therefore, the Corporation has not adopted a written policy regarding the classification of governmental fund balance categories.

Interfund Eliminations: Interfund receivables and payables arising primarily from allocations of administrative charges among the appropriate funds are eliminated in the governmental and business-type activities columns of the Corporation-wide statement of net position.

(Continued)

Note B--Summary of Significant Accounting Policies (Continued)

Debt Issuance Costs and Bond Premiums and Discounts: Debt issuance costs are expensed in the year the debt is incurred. There were $565 of debt issuance costs incurred in 2022. Bond premiums and discounts on revenue bonds are amortized by the effective interest method over the term of the related debt. Revenue bonds payable are reported net of the applicable bond premium or discount.

Debt Refundings: The Corporation accounts for debt refundings in accordance with GASB Statement No.63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities.*

Program Revenues: Program revenues in the Corporation-wide statement of activities are reported in two categories including (1) charges for services and (2) program-specific operating grants and contributions. Charges for services include all revenues from loans, investments, servicing, financing, and program administration fees received in connection with administering the Corporation's various loan programs. Program-specific operating grants and contributions include revenues from mandatory and voluntary nonexchange transactions with other governments and organizations that are restricted for use in a particular program and interest earned on unspent grant proceeds. The Corporation's policy is to apply restricted resources first when an expense is incurred for which both restricted and unrestricted net position are available.

Revenue and Expense Recognition of Proprietary Funds: The Corporation records all revenues derived from and related expenses incurred for loans, investments, servicing, financing and program administration as operating revenues and expenses since they are generated from the Corporation's daily operations needed to carry out its statutory purpose.

Origination and Commitment Fees: Origination fees relating to permanently financed multi-family loans are recognized in the year of origination. Commitment fees charged to mortgage originators to reserve funds for permanently financed single-family loans are recognized in the period of exercise.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting periods. Estimates used in the preparation of the financial statements are based on various factors including the current interest rate environment and the general strength of Kentucky's economy. Changes in the overall interest rate environment can significantly affect the carrying value of the Corporation's investments and mortgage-backed securities. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses and the fair value of investment and mortgage-backed securities. Actual results could differ from those estimates.

Reclassifications: Some items in the prior year financial statements were reclassified to conform to the current presentation. Reclassifications had no effect on the prior year change in net position or net position.

Implementation of Accounting Standards: The Corporation adopted GASB Statement No. 87, *Leases*, GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, GASB Statement No. 92, *Omnibus 2020*, GASB Statement 93, *Replacement of Interbank Offered Rates*, GASB Statement No. 97, *Certain Component Unit Criteria*, *and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, and GASB Statement No. 98, *Annual Comprehensive Report*, for the fiscal year ending June 30,2022. The implementation of the GASB's had no effect on the Corporation.

(Continued)

(Dollars in thousands)

Note B--Summary of Significant Accounting Policies (Continued)

GASB standards that are under evaluation include:

GASB Statement No. 91, *Conduit Debt Obligations*, is effective for the fiscal year ending June 30, 2023, GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, is effective for the fiscal year ending June 30, 2023, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, is effective for the fiscal year ending June 30, 2023, GASB Statement No. 99, *Omnibus 2022*, is effective for the fiscal year ending June 30, 2023, GASB Statement No. 100, *Accounting Changes and Error Corrections*, is effective for the fiscal year ending June 30, 2024, GASB 101, *Compensated Absences*, is effective for the fiscal year ending June 30, 2025. The Corporation has not yet adopted these standards and is evaluating the impact they may have on its financial statements."

Note C--Cash, Cash Equivalents, and Investments

Kentucky Revised Statutes authorize the Corporation to invest in obligations guaranteed by the Commonwealth of Kentucky, the United States, or their agencies, provided however, that the return on such investments shall not violate any rulings of the Internal Revenue Service regarding the investment of the proceeds of any federally tax-exempt bond issue.

Cash and Cash Equivalents: At June 30, 2022, the carrying amount of the Corporation's cash and cash equivalents was $227,318 and the bank balance was $225,657. The difference between the carrying amount and the bank balance is a result of transactions in transit. Of the $225,657 bank balance, $15,686 was covered by federal depository insurance and $209,971 was collateralized. For the funds collateralized by the financial institutions, the collateral equals or exceeds at least 102% of the value of the uninsured funds on deposit as required by the Corporation's investment policies, and the collateral is held by the financial institutions or a third party in the name of the Corporation.

Cash and cash equivalents of approximately $216,161 are restricted for government programs, payment of bond principal and interest and payment of principal and interest on mortgage-backed securities. Of the above amount, $193,646 is restricted in governmental activities and $22,515 is restricted in business-type activities. Within the business-type activities, the restricted amounts are almost entirely in the general fund. For payment of taxes, insurance, and other escrowed items on the Corporation's serviced loans, considered fiduciary activities, the book balance is $61,725.

Investment and Mortgage-Backed Securities: At June 30, 2022 the Corporation has the following:

Investment Type	Fair Value	Effective Duration (in Years)
U.S. government-sponsored enterprises	$ 151,006	2.28
Mortgage-backed securities	21,875	0.44
Money market funds	45,216	0.00
Total Investment and Mortgage-Backed Securities	218,097	2.72
Less amounts shown as current assets	45,666	
Noncurrent Investment and Mortgage-Backed Securities	$ 172,431	

(Continued)

(Dollars in thousands)

Note C--Cash, Cash Equivalents, and Investments (Continued)

Interest Rate Risk: In general, the Corporation's investment strategy is designed to match the life of the asset with the date of its related liability. With this strategy, investments would be expected to reach maturity with limited realized gains or losses. The Corporation's investment policy does allow trades of existing securities in circumstances where extension or contraction of maturity date or conversion from one allowable investment to another produces additional value through increased yield or capital gains. The fair value of the Corporation's investments in mortgage-backed securities is highly sensitive to volatility in interest rates.

Credit Risk: The Corporation's investment policy defines the types of investments available to the Corporation. Investments, including the underlying securities for money market funds, are held by the Corporation's trustee in the Corporation's name. The Corporation's investments are rated as follows by Moody's Investors Service at June 30, 2022:

Investment Type	Moody's Rating
Mortgage-backed securities	Aaa
U.S. government-sponsored enterprises	Aaa
Money market funds	Not rated

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Corporation would not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Substantially all of the Corporation's investments are held in the name of the Corporation by a trustee.

Concentration of Credit Risk: The Corporation's investment policy places no limit on the amount the Corporation may invest in any one issuer. Investments in issuers exceeding 5% of the Corporation's portfolio at June 30, 2022 consist of the following:

Issuer	Fair Value	Percentage of Portfolio
U.S. government-sponsored enterprises	$ 151,006	69%
Dreyfus	45,216	21%
GNMA	21,875	10%

The GNMA investments consist of mortgage-backed securities, the performance of which is guaranteed by GNMA. As servicer of GNMA securities with a book value of $8,371 as of June 30, 2022, included in the above amount, the Corporation is exposed to minimal residual risk on the underlying loans in the event, that upon default of a loan, the insurance or guarantee received is insufficient to fully reimburse the Corporation.

(Continued)

(Dollars in thousands)

Note C--Cash, Cash Equivalents, and Investments (Continued)

The Corporation categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Corporation has the following recurring fair value measurements as of June 30, 2022:

		Fair Value Measurements Using:		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
U.S. government-sponsored enterprises	$ 151,006	$ -	$ 151,006	$ -
Mortgage-backed securities	21,875	-	21,875	-
Total investments by fair value	172,881	$ -	$ 172,881	$ -
Investments by amortized cost	45,216			
Total investments	$ 218,097			

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Total investments by amortized cost consist of amounts invested in overnight money market funds.

Note D--Housing Mortgage Loans

Housing mortgage loans at June 30, 2022 consist of the following:

Housing Revenue Bond Funds:	
Single-family (A)	$ 234,789
Multifamily (B)	15,854
Total Housing Revenue Bond Funds	250,643
General Funds (C)	128,622
Total Principal	379,265
Add accrued interest receivable on loans	913
Total Principal and Accrued Interest	380,178
Less allowance for loan losses	13,753
Net Housing Mortgage Loans	366,425
Less amount shown as current assets	24,821
Noncurrent Housing Mortgage Loans	$ 341,604

(Continued)

(Dollars in thousands)

Note D--Housing Mortgage Loans (Continued)

Additional information related to loans includes:

Note (A) Single-family includes $227,059 in federally insured or guaranteed loans, $7,178 of non-insured loans with initial loan-to-value ratios less than 90%, and $552 of loans backed by private mortgage insurance.

Note (B) Multifamily includes $13,960 in federally insured or guaranteed loans and $1,894 in non-insured loans.

Note (C) General Funds include $43,051 in federally insured or guaranteed loans and $85,571 in non-insured loans.

Note E--Other Loan Related Activities

Housing Mortgage Loans Held for Sale: These loans are first mortgage loans pending sale into the secondary market and are secured by single-family residences. The fair value of these loans is determined using quoted secondary market prices. This is considered Level 2 in the fair value hierarchy.

Housing Construction Loans: These loans are primarily secured by first mortgages and are repayable at maturity or at the date of the sale of the property, whichever occurs first. Such loans are net of an allowance for loan losses of $919.

Other Loans: These loans are primarily non-secured loans made to agencies, organizations, and individuals to construct or preserve affordable housing in Kentucky. Such loans are net of an allowance for loan losses of $1,822.

Real Estate Owned and Related Receivables: This asset arises from foreclosures or other mortgage default-related actions on properties pledged as collateral on mortgage loans.

Loan Commitments: At June 30, 2022, the Corporation is committed to make single-family mortgage loans totaling $108,809. The Corporation had $108,860 in outstanding commitments to sell single-family loans at June 30, 2022.

Note F-- Loan Servicing

In addition to the GNMA mortgage-backed securities portfolios that the Corporation services for its own account (See Note C), the Corporation was servicing the following for other investors at June 30, 2022:

Servicing Type	Number of Loans	Amounts
GNMA mortgage-backed securities	16,320	$ 1,903,870
Fannie Mae mortgage-backed securities	585	30,453
Fannie Mae whole loans	4,092	493,432
	20,997	$ 2,427,755

(Continued)

(Dollars in thousands)

Note F-- Loan Servicing (Continued)

Included in Fannie Mae mortgage-backed securities totals are loans totaling $4,034 on which the Corporation has retained full default risk on the underlying loans and additional loans totaling $5,624 on which the Corporation has retained default risk subject to a stop loss agreement with Fannie Mae. Included in Fannie Mae whole loan amounts are loans totaling approximately $567 for which the Corporation has retained default risk for the twelve months following the origination date.

Servicing rights totaling $6,462 are amortized in proportion to, and over the period of, estimated servicing income and are included in other noncurrent assets.

Note G--Capital Assets

Major classes of capital assets at June 30, 2022 and activity during the year follows:

All depreciation expense was incurred for business-type activities and was included in the administrative function category in the Corporation-wide statement of activities.

Business-Type Activities	Balance July 1, 2021	Additions	Retirements and Dispositions	Balance June 30, 2022
Land	$ 1,089	$ -	$ -	$ 1,089
Buildings	6,051	192	-	6,243
Equipment	3,523	-	-	3,523
Less accumulated depreciation	(7,269)	(298)	-	(7,567)
Net Capital Assets	$ 3,394	$ (106)	$ -	$ 3,288

Note H--Lines of Credit

The Corporation's lines of credit at June 30, 2022 and activity during the year follows:

Business-Type Activities	Balance July 1, 2021	Borrowings	Repayments and Dispositions	Balance June 30, 2022
Loan Warehousing Line of Credit 1	$ 3,600	$ 2,500	$ 3,600	$ 2,500
Loan Warehousing Line of Credit 2	2,700	302,600	304,200	1,100
	$ 6,300	$ 305,100	$ 307,800	$ 3,600

Both lines of credit are unsecured and are used for the purchase of mortgage loans pending issuance of new Housing Revenue Bonds or sale to the secondary market or to other investors, and to purchase certain Federal Housing Administration ("FHA") and Rural Housing Service ("RHS") loans pending receipt of insurance/guarantee payments from the respective agencies. Line of Credit 2 may also be used for advances for principal and interest account shortages and tax and insurance account shortages associated with the Corporation's single-family loan servicing.

(Continued)

(Dollars in thousands)

Note H--Lines of Credit (Continued)

Loan Warehousing Line of Credit 1 provides for borrowings up to $25,000, bears interest based on the greater of one-month Term Secured Overnight Financing Rate (“Term SOFR”) rounded up to the nearest 1/16% or 0%, plus 95 basis points (2.575% at June 30, 2022), matures on June 30, 2023, had $22,500 of unused credit at June 30, 2022, and contains a non-usage fee of .25% of the unused amount. Loan Warehousing Line of Credit 2 provides for borrowings up to $65,000, bears interest based on the greater of one-month Bloomberg Short-Term Bank (“BSBY”) or 0%, plus 40 basis points (2.013%% at June 30, 2022), matures on June 30, 2023, had $63,900 unused credit at June 30, 2022, and contains a non-usage fee of .15% of the unused amount.

In addition to requiring timely payment of all interest and principal amounts when due, the agreements between the Corporation and its line of credit lenders have provisions requiring periodic reporting of financial information and maintenance of a minimum public debt rating, the failure to comply with which, if not timely remedied, could result in the lender calling the debt immediately due and payable.

Note I--Revenue Bonds and Other Noncurrent Liabilities

Revenue Bonds: Revenue bonds at June 30, 2022 and the activity for the year then ended consist of the following:

	Original Face Amount	Balance July 1, 2021	Issued	Repaid/ Retired	Balance June 30, 2022	Amount Due Within One Year
Housing Revenue Bonds:						
2006 Series O:						
2023-2036, variable	$ 29,035	$ 13,375	$ -	$ 855	$ 12,520	$ 305
2006 Series T:						
2023-2038, variable	23,300	7,430	-	405	7,025	145
2006 Series W:						
2023-2038, variable	38,380	10,545	-	570	9,975	200
2007 Series J:						
2023-2038, variable	17,130	11,485	-	605	10,880	215
2007 Series O:						
2023, variable	10,000	5,310	-	265	5,045	90
2009 Series C, Sub series C-4						
2028-2042, 2.52%	30,000	13,440	-	13,440	-	-
2011 Series A:						
2022-2028, 4.00% to 5.00%	20,000	230	-	230	-	-
2011 Series B:						
2022, 3.10%	20,000	935	-	935	-	-
2012 Series A:						
2021-2034, 3.468% to 4.268%	187,755	52,780	-	52,780	-	-
2013 Series C:						
2023-2024, 3.422% to 3.522	36,470	7,390	-	4,055	3,335	2,080
2013 Series D:						
2024-2033, 3.20% to 3.75%	49,410	10,755	-	3,175	7,580	-
2013 Series E:						
2022-2023, 3.05%	7,590	550	-	550	-	-
2014 Series A:						
2023-2030, 3.018% to 3.948%	61,445	24,660	-	6,915	17,745	2,605
2014 Series B:						
2023-2037, 2.928% to 4.00%	30,000	16,315	-	6,210	10,105	600

(Continued)

(Dollars in thousands)

Note I--Revenue Bonds and Other Noncurrent Liabilities (Continued)

	Original Face Amount	Balance July 1, 2021	Issued	Repaid/ Retired	Balance June 30, 2022	Amount Due Within One Year
Housing Revenue Bonds:						
2016 Series A:						
2023-2040, 2.502% to 3.86%	$ 72,465	$ 45,490	$ -	$ 10,490	$ 35,000	$ 1,235
2016 Series B:						
2023-2038, 2.805% to 4.00%	41,110	25,265	-	11,640	13,625	845
2021 Series A:						
2023-2026, 0.45% to 1.25%	23,410	-	23,410	4,780	18,630	3,270
2021 Series B:						
2033-2042, variable	36,150	-	36,150		36,150	-
Total Housing Revenue Bonds	$ 733,650	245,955	$ 59,560	$ 117,900	187,615	$ 11,590
Unamortized premium		735			440	
Net Revenue Bonds		$ 246,690			$ 188,055	

As indicated in the above table, bond issues totaling $81,595 have variable rates of interest. These rates are determined periodically by bond remarketing agents as the minimum interest rate that would result in the sale of the variable-rate bonds at a price equal to the principal amount plus accrued interest thereon not to exceed a range of 18% to 21%. Surplus balances in the Fund Net Position of the Bond Debt Service Reserve Fund totaling $95,000 have been reserved to provide self-liquidity on these bonds, which will be utilized to retire the bonds in the event they cannot be remarketed in the capital markets.

The revenue bonds are collateralized by the underlying mortgages as well as mortgage-backed securities financed by the proceeds from the revenue bonds, and by the pledge of the principal and interest collections received from these mortgages and securities.

In addition to requiring timely payment of all interest and principal amounts when due, and the maintenance of a required minimum Bond Debt Service Reserve Fund balance, the trust documents governing the administration of the Corporation's bonds outstanding require numerous reporting and tax compliance provisions, the failure to comply with which could result in, among other things, the trustee assuming all duties with respect to bond administration from the Corporation and taking any other actions necessary to protect the interests of the bondholders.

(Dollars in thousands)

Note I--Revenue Bonds and Other Noncurrent Liabilities (Continued)

As of June 30, 2022, aggregate debt service requirements of the Corporation's debt are as shown in the table below. These amounts assume that current interest rates on variable-rate bonds will remain the same for their term; as these rates vary, interest payments on variable-rate bonds will vary.

	Principal Payments	Interest Payments	Total Debt Service
Fiscal years ending June 30,			
2023	$ 11,590	$ 2,362	$ 13,952
2024	21,930	2,298	24,228
2025	18,790	1,941	20,731
2026	13,640	1,642	15,282
2027	10,500	1,403	11,903
Five years ending June 30,			
2028-2032	39,605	4,436	44,041
2033-2037	53,085	1,701	54,786
2038-2042	18,475	94	18,569
	$ 187,615	$ 15,877	$ 203,492

The Corporation has routinely exercised early redemption options and has retired various bonds prior to their scheduled maturity dates with funds available for that purpose.

Interest expense was entirely incurred in business-type activities and was included in the bond financed loan programs function and administrative function in the Corporation-wide statement of activities.

Other Noncurrent Liabilities: Other noncurrent liabilities had the following activity during the year:

Account	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022
Other noncurrent liabilities	$ 15,788	$ 611	$ (3,712)	$ 12,687

Note J--Conduit Debt Obligations

The Corporation uses its tax-exempt debt issuing authority to provide financial assistance to private-sector developers for the acquisition and rehabilitation, or the construction of multi-family housing projects serving low-to-moderate income households. The debt is collateralized by revenues generated by the properties financed and is repayable solely from payments received on the underlying mortgage loans and any specific third-party credit enhancement associated with the individual financings. Through June 30, 2022, conduit debt obligations have been issued for 71 multi-family projects totaling approximately $1,052,474. The debt does not constitute a liability or a pledge of faith and credit of the Corporation and, accordingly, has not been reported in the Corporation-wide financial statements.

(Continued)

Note K—Defined Contribution Plan

Eligible employees may choose to participate in a retirement plan administered by the Kentucky Deferred Compensation Authority. Employee elected contributions are invested in a 401(k) plan in which the employee is 100% vested. Employer matching and discretionary contributions are invested in a 401(a) plan that must meet vesting terms. Employees will be vested 25% after two years of service, 50% after three years of service, 75% after four years of service and 100% after five years of service. For fiscal year 2023, 100% of up to 4% of employee elected deferrals into the 401(k) plan will be matched by the corporation. As of June 30, 2022, the corporation does not have any expenses, forfeitures, or liabilities related to the defined contribution plan. The Corporation recorded a contribution expense of $583, for fiscal year 2022.

Note L--Risk Management

The Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. These risks are covered by various commercial insurance policies. There have been no reductions in insurance coverage during the year ended June 30, 2022. Settlements have not exceeded insurance coverage.

Note M--Subsequent Events

The Corporation evaluated events occurring between the end of its most recent fiscal year and September 30, 2022, the date the financial statements were issued. The Corporation determined that no adjustments or disclosures to the financial statements were needed for subsequent events.

Note N--Contingencies

In the normal course of operations, the Corporation receives funding from federal and state government agencies. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantor may request a refund of monies advanced or refuse to reimburse the Corporation for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the Corporation's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

In addition, the Corporation operates in a heavily regulated environment. The operations of the Corporation are subject to the administrative directives, rules, and regulations of federal and state legislative and regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules, and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little or inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

SUPPLEMENTARY COMBINING INFORMATION
HOUSING REVENUE BOND FUNDS

KENTUCKY HOUSING CORPORATION
COMBINING STATEMENT OF NET POSITION - HOUSING REVENUE BOND FUNDS
June 30, 2022
(Dollars in thousands)

	Bond Proceeds Fund	Recoveries of Principal Fund	Bond Debt Service Fund	Bond Debt Service Reserve Fund	Trust Fund	Redemption Fund	Combined Totals
ASSETS							
Current Assets							
Cash and cash equivalents	$ 352	$ -	$ -	$ 78	$ -	$ -	$ 430
Investment securities	4,081	3,077	5,452	1,337	7,525	1	21,473
Mortgage-backed securities	276	-	-	785	-	-	1,061
Housing mortgage loans	13,252	-	-	-	1,776	-	15,028
Interfund accounts	(3,578)	1,964	1,222	-	378	(1)	(15)
Total Current Assets	14,383	5,041	6,674	2,200	9,679	-	37,977
Noncurrent Assets							
Investment securities	-	-	-	151,791	-	-	151,791
Mortgage-backed securities	4,614	-	-	13,118	-	-	17,732
Housing mortgage loans	201,443	-	-	-	33,551	-	234,994
Real estate owned and related receivables	-	-	-	-	-	-	-
Total Noncurrent Assets	206,057	-	-	164,909	33,551	-	404,517
Total Assets	220,440	5,041	6,674	167,109	43,230	-	442,494
LIABILITIES							
Current Liabilities							
Accounts payable and other liabilities	105	-	-	-	-	-	105
Accrued interest payable	-	-	1,808	-	-	-	1,808
Revenue bonds	11,590	-	-	-	-	-	11,590
Total Current Liabilities	11,695	-	1,808	-	-	-	13,503
Noncurrent Liabilities							
Revenue bonds	176,465	-	-	-	-	-	176,465
Other noncurrent liabilities	-	-	-	-	-	-	-
Total Noncurrent Liabilities	176,465	-	-	-	-	-	176,465
Total Liabilities	188,160	-	1,808	-	-	-	189,968
FUND NET POSITION							
Restricted by revenue bond indenture	$ 32,280	$ 5,041	$ 4,866	$ 167,109	$ 43,230	$ -	$ 252,526

See Independent Auditor's Report.

KENTUCKY HOUSING CORPORATION
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
HOUSING REVENUE BOND FUNDS
Year Ended June 30, 2022
(Dollars in thousands)

	Bond Proceeds Fund	Recoveries of Principal Fund	Bond Debt Service Fund	Bond Debt Service Reserve Fund	Trust Fund	General Revenue Fund	Redemption Fund	Combined Totals
Operating Revenues								
Interest and fee income								
Housing mortgage loans	$ 11,930	$ -	$ -	$ -	$ 738	$ -	$ -	$ 12,668
Mortgage-backed securities	187	-	-	187	-	-	-	374
Marketable securities	3	9	9	1,378	11	5	1	1,416
Net increase (decrease) in fair value of securities	(533)	-	-	(12,280)	-	-	-	(12,813)
Other income	246	-	-	-	-	-	-	246
Total Operating Revenues	11,833	9	9	(10,715)	749	5	1	1,891
Operating Expenses								
Interest on revenue bonds	-	-	4,722	-	-	-	-	4,722
General and administrative	96	-	-	-	-	-	-	96
Mortgage loan servicers' fees	833	-	-	-	139	-	-	972
Debt issuance costs	565	-	-	-	-	-	-	565
Total Operating Expenses	1,494	-	4,722	-	139	-	-	6,355
Operating Income (Loss)	10,339	9	(4,713)	(10,715)	610	5	1	(4,464)
Interfund Transfers	13,693	(7,539)	945	-	(2,328)	(5)	(7,766)	(3,000)
Change in Fund Net Position	24,032	(7,530)	(3,768)	(10,715)	(1,718)	-	(7,765)	(7,464)
Fund Net Position, Beginning of Year	8,248	12,571	8,634	177,824	44,948	-	7,765	259,990
Fund Net Position, End of Year	$ 32,280	$ 5,041	$ 4,866	$ 167,109	$ 43,230	$ -	$ -	$ 252,526

See Independent Auditor’s Report.

KENTUCKY HOUSING CORPORATION
COMBINING STATEMENT OF CASH FLOWS – HOUSING REVENUE BOND FUNDS
Year Ended June 30, 2022
(Dollars in thousands)

	Bond Proceeds Fund	Recoveries of Principal Fund	Bond Debt Service Fund	Bond Debt Service Reserve Fund	Trust Fund	General Revenue Fund	Redemption Fund	Combined Totals
Cash Flows From Operating Activities								
Interest income on loans	$ 11,930	$ -	$ -	$ -	$ 738	$ -	$ -	$ 12,668
Operating expenses	(1,494)	-	-	-	(139)	-	-	(1,633)
Fundings of housing mortgage loans	(181)	-	-	-	(6)	-	-	(187)
Repayments on housing mortgage loans	40,295	-	-	-	827	-	-	41,122
Other, net	(963)	1,485	299	-	(41)	-	1	781
Net Cash Provided By Operating Activities	49,587	1,485	299	-	1,379	-	1	52,751
Cash Flows From Noncapital Financing Activities								
Proceeds from issuance of revenue bonds	59,560	-	-	-	-	-	-	59,560
Payments for debt issuance costs	(565)	-	-	-	-	-	-	(565)
Principal payments on revenue bonds	(58,995)	-	(58,905)	-	-	-	-	(117,900)
Principal payments on pension & OPEB payable	(7,000)	-	-	-	-	-	-	(7,000)
Interest payments on revenue bonds	-	-	(6,520)	-	-	-	-	(6,520)
Interfund transfers - loan collections and investment income	(45,261)	27,081	17,514	-	(2,328)	(5)	(1)	(3,000)
Interfund transfers - retirement of debt	-	(34,619)	42,384	-	-	-	(7,765)	-
Net Cash Provided By (Used In) Noncapital Financing Activities	(52,261)	(7,538)	(5,527)	-	(2,328)	(5)	(7,766)	(75,425)
Cash Flows From Investing Activities								
Purchases of investments and mortgage-backed securities	(6,610)	(30,113)	(28,266)	(85,424)	(3,248)	-	(53,405)	(207,066)
Sales of investments and mortgage-backed securities	8,861	36,159	33,490	82,876	4,188	-	61,170	226,744
Interest received on investments and mortgage-backed securities	189	7	4	2,626	9	5	-	2,840
Net Cash Provided By (Used In) Investing Activities	2,440	6,053	5,228	78	949	5	7,765	22,518
Net Increase (Decrease) in Cash and Cash Equivalents	(234)	-	-	78	-	-	-	(156)
Cash and Cash Equivalents, Beginning of Year	586	-	-	-	-	-	-	586
Cash and Cash Equivalents, End of Year	$ 352	$ -	$ -	$ 78	$ -	$ -	$ -	$ 430

(Continued)

KENTUCKY HOUSING CORPORATION
COMBINING STATEMENT OF CASH FLOWS – HOUSING REVENUE BOND FUNDS
Year Ended June 30, 2022
(Dollars in thousands)

	Bond Proceeds Fund	Recoveries of Principal Fund	Bond Debt Service Fund	Bond Debt Service Reserve Fund	Trust Fund	General Revenue Fund	Redemption Fund	Combined Totals
Reconciliation of operating income (loss) to net cash provided by operating activities								
Operating income (loss)	$ 10,339	$ 9	$ (4,713)	$ (10,715)	$ 610	$ 5	$ 1	$ (4,464)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:								
Debt issuance costs	565	-	-	-	-	-	-	565
Interest expense on revenue bonds	-	-	4,722	-	-	-	-	4,722
Interest income on mortgage-backed securities	(187)	-	-	(187)	-	-	-	(374)
Interest income on marketable securities	(3)	(9)	(9)	(1,378)	(11)	(5)	(1)	(1,416)
Net decrease in fair value of securities	533	-	-	12,280	-	-	-	12,813
Other income	(246)	-	-	-	-	-	-	(246)
Changes in operating assets and liabilities:								
Fundings of housing mortgage loans	(181)	-	-	-	(6)	-	-	(187)
Repayments on housing mortgage loans	40,295	-	-	-	827	-	-	41,122
Other, net	(1,528)	1,485	299	-	(41)	-	1	216
Net Cash Provided By Operating Activities	$ 49,587	$ 1,485	$ 299	$ -	$ 1,379	$ -	$ 1	$ 52,751

See Independent Auditor's Report.