

KENTUCKY HOUSING CORPORATION

FINANCIAL STATEMENTS

June 30, 2024

KENTUCKY HOUSING CORPORATION

FINANCIAL STATEMENTS

June 30, 2024

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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, 2024, 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, 2024, 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.

(Continued)

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, 2024 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

Lexington, Kentucky
September 30, 2024

KENTUCKY HOUSING CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2024

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, 2024. It should be read in conjunction with the Corporation's financial statements.

Financial Highlights

- Corporation-wide net position increased \$18.2 million, resulting from an increase in net position attributable to the Corporation's business-type activities of \$19.5 million and a decrease of \$1.3 million attributable to the Corporation's governmental activities.
- Single-family loan originations for the year totaled \$616.3 million, an increase of over \$129.8 million from the prior year level. The increased loan volume is attributed to the Corporation issuing Mortgage Revenue Bonds ("MRB") to finance first time homebuyer activity, in addition to financing loan activity with the Secondary Market Mortgage Purchase Program ("SMMP"). Due to the higher interest rate environment and market volatility, the Corporation realized a decrease in net secondary market cash trading gains of \$2.1 million, from \$8.4 million in fiscal 2023 to \$6.3 million in the current year. Fee income associated with loan production totaled \$1 million, an increase of \$0.2 million from the prior year.
- The Corporation's single-family loan servicing portfolio increased by \$354 million, benefitting from increased originations and a significant slowdown in payoffs. Servicing fee revenues increased from \$11.2 million to \$12.4 million, due primarily to the collection of fees on loans recovering from COVID related forbearance and the growing portfolio. Single-family loans within the Housing Revenue Bond (HRB) indenture decreased by \$25 million to \$184.6 million, while mortgage-backed securities within the newly created Single Family Mortgage Revenue Bond Indenture ("SFMRB") totaled \$258 million at June 30, 2024.
- Fiscal 2024 continues to reflect the financial impact with respect to governmental activities of 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 COVID pandemic. Many of these programs continued to sunset during the fiscal year as the national emergency declaration expired. Total expenditures decreased by \$7.6 million, primarily for temporary and contract employees, all of which was offset by a similar decrease in reimbursable administrative fees. Many of these programs contain sunset provisions extending into 2025 unless funding is exhausted before then.
- Overall, operating income decreased by \$9.6 million (when measured before changes in fair value of marketable securities), which in addition to the impacts of the above discussions, resulted primarily from a reduction in trading gains of \$6.5 million, a \$1.7 million decrease in fees, charges, and other income, an increase of \$2.7 million in other expenses including debt issuance costs, an increase in loan origination costs and estimated loan losses of \$1.0 million, and a nominal increase of \$0.2 million net interest income, offset by a \$2.1 million decrease in general and administrative expenses. The \$1.7 million decrease in fees, charges and other income is attributed to \$2 million reduction in multifamily fee income and a \$1 million repayment of Tax Credit Assistance Program ("TCAP") funds in fiscal 2023 that did not occur in fiscal 2024, offset by a \$1.2 million increase in loan servicing revenue. The \$2.1 million decrease in General and Administrative Expenses primarily is attributed to a \$1 million decrease in liquidation shortfall expense as the Corporation saw a reduction in the number of delinquent loans after COVID forbearance and a \$0.5 million reduction in expenses related to the Business Service area as support needed for COVID related programs declined and some contractors were converted to full time staff. A Negotiated Indirect Cost Rate was also implemented in fiscal 2024 which allowed the Corporation to recover indirect costs more efficiently from grants, thereby reducing proprietary general and administrative expenses.

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KENTUCKY HOUSING CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2024

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. The Rural Housing Trust Fund, which was established in 2023 for disaster relief and recovery, is funded by appropriations from the state legislature. Other government 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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KENTUCKY HOUSING CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2024

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 not expended 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 9-12 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 yet 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 \$18.2 million for the year ended June 30, 2024. 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	
	2024	2023	2024	2023	2024	2023
Current assets	\$ 132.3	\$ 142.5	\$ 325.4	\$ 155.8	\$ 457.7	\$ 298.3
Non-current assets	-	-	722.6	495.6	722.6	495.6
Total Assets	<u>132.3</u>	<u>142.5</u>	<u>1,048.0</u>	<u>651.4</u>	<u>1,180.3</u>	<u>793.9</u>
Current liabilities	115.5	124.4	40.6	43.6	156.1	168.0
Non-current liabilities	-	-	537.9	157.8	537.9	157.8
Total Liabilities	<u>115.5</u>	<u>124.4</u>	<u>578.5</u>	<u>201.4</u>	<u>694.0</u>	<u>325.8</u>
Net Position:						
Invested in capital assets	-	-	4.3	3.6	4.3	3.6
Restricted	16.8	18.1	268.5	261.3	285.3	279.4
Unrestricted	-	-	196.7	185.1	196.7	185.1
Net Position	<u>\$ 16.8</u>	<u>\$ 18.1</u>	<u>\$ 469.5</u>	<u>\$ 450.0</u>	<u>\$ 486.3</u>	<u>\$ 468.1</u>

The net position of the governmental activities decreased from \$18.1 million to \$16.8 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 were less than program grants, operating expenditures, and transfers.

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KENTUCKY HOUSING CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2024

The net position of the Corporation's business-type activities increased from \$450.0 million to \$469.5 million as a result of total revenues of \$66.6 million, total program expenses of \$51.5 million, and transfers in from government operations of \$4.4 million, for a net increase in net position of business-type activities of \$19.5 million. Comparisons in the changes in net position between fiscal years 2024 and 2023 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	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Revenues						
Operating revenues	\$ 19.3	\$ 23.7	\$ 66.3	\$ 56.0	\$ 85.6	\$ 79.7
Operating grants	<u>258.1</u>	<u>351.0</u>	<u>0.3</u>	<u>1.3</u>	<u>258.4</u>	<u>352.3</u>
Total Revenues	<u>277.4</u>	<u>374.7</u>	<u>66.6</u>	<u>57.3</u>	<u>344.0</u>	<u>432.0</u>
Program Expenses						
HOME program	12.4	10.7	-	-	12.4	10.7
Weatherization assistance	8.9	5.3	-	-	8.9	5.3
Rental assistance	197.9	184.0	-	-	197.9	184.0
Eviction Relief Funds	11.9	112.3	-	-	11.9	112.3
Other federal and state programs	43.2	59.0	-	-	43.2	59.0
Administrative	-	-	10.3	12.0	10.3	12.0
Bond financed loan programs	-	-	24.1	10.3	24.1	10.3
Loan servicing	-	-	5.3	5.2	5.3	5.2
Other loan and housing credit programs	<u>-</u>	<u>-</u>	<u>11.8</u>	<u>14.1</u>	<u>11.8</u>	<u>14.1</u>
Total Program Expenses	<u>274.3</u>	<u>371.3</u>	<u>51.5</u>	<u>41.6</u>	<u>325.8</u>	<u>412.9</u>
Excess before transfers	3.1	3.4	15.1	15.7	18.2	19.1
Interfund transfers in (out)	<u>(4.4)</u>	<u>(3.7)</u>	<u>4.4</u>	<u>3.7</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Net Position	<u>\$ (1.3)</u>	<u>\$ (0.3)</u>	<u>\$ 19.5</u>	<u>\$ 19.4</u>	<u>\$ 18.2</u>	<u>\$ 19.1</u>

Total revenues for governmental activities were \$277.4 million during fiscal year 2024, a \$97.3 million decrease from the \$374.7 million in revenues in fiscal year 2023. The decrease was due to a \$92.9 million decrease in operating grants and an \$4.4 million decrease in charges for services. Fiscal year 2024 operating grants include federal funding for Rental Assistance of \$197.9 million, HOME of \$12.4 million, Healthy at Home Eviction Relief Funds of \$11.9 million, and Weatherization of \$8.9 million, which represent 90% of total operating grant revenues.

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KENTUCKY HOUSING CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2024

The Corporation receives fees or charges for services for federal program administration. These revenues decreased from \$23.7 million in 2023 to \$19.3 million during fiscal year 2024. 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 2024, \$19.3 million in fee revenue was received and \$15.1 million in operating expenses were incurred thereby enabling a \$4.4 million transfer out, a \$.7 million increase from the \$3.7 million transferred in 2023.

Program expenses for governmental activities decreased during 2024 by \$97.0 million. Program expenses for governmental activities during 2024 were \$274.3 million, comprised of grants of \$259.2 million and operating expenses of \$15.1 million. In fiscal 2023, total program expenses were \$371.3 million with grants of \$351.3 million and operating expenses of \$20.0 million.

Total revenues for business-type activities were \$66.6 million during fiscal year 2024, a \$9.3 million increase from the \$57.3 million of revenues in fiscal year 2023. For fiscal 2024, gross gains on the sale of loans held for sale decreased \$6.5 million, interest earnings from loans, mortgage-backed securities and other investments increased \$6.5 million, fees, charges and other income decreased \$1.7 million and the change in fair value of securities increased \$9.0 million.

Program expenses for business-type activities increased \$9.9 million from \$41.6 million in 2023 to \$51.5 million in 2024. Bond financed loan program expenses increased by \$13.8 million, administrative expenses, or expenses not directly attributable to programs decreased by \$1.7 million, loan servicing expenses increased by \$.1 million and other loan program expenses decreased by \$2.3 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 \$15.1 million in 2024 compared to \$15.7 million in 2023, a decrease of \$.6 million. As described above and in additional detail under "Proprietary Funds," the decrease is due to a \$9.3 million increase in revenues and a \$9.9 million increase in expenses. Transfers-in were \$4.4 million in 2024, a \$.7 million increase from 2023. Such changes in revenues, expenses and transfers resulted in an increase in business-type activities change in net position of \$19.5 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, 2024, the Corporation retained \$132.3 million of total assets for program purposes and had \$115.5 million reflected as program liabilities resulting in a total of \$16.8 million reflected as restricted fund balances for program purposes.

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KENTUCKY HOUSING CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2024

During fiscal year 2024, the Affordable Housing Trust Fund had expended funds greater than revenues of \$1.0 million, thereby decreasing the program's fund net position. Rural Housing Trust Fund revenues exceeded expended funds by \$.3 million, thereby increasing the funds' net position. Rental Assistance revenues of \$197.4 million were expended for programs and \$4.2 million was transferred to the proprietary funds. Similarly, all HOME program revenues, \$12.4 million, were expensed in an equal amount in 2024, as were Weatherization revenues of \$8.9 million. Revenues of the Healthy at Home Eviction Relief program of \$11.9 million were expensed in 2024, as were Homeowner Assistance revenues of \$17.1 million. Finally, Other Housing Funds expenses exceeded revenues by \$.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 89% of corporate assets, 77% of non-grant revenues, 77% 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 four separate funds: General Funds, Housing Revenue Bond Funds, Single Family Mortgage Revenue Bond Funds and Housing Development Fund.

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. Both the Housing Revenue Bond Fund and the Single-Family Mortgage Revenue Bond Fund account for the proceeds from the sale of Housing Revenue Bonds and mortgage loans and mortgage-backed securities acquired with bond proceeds.

The Corporation also utilizes the Secondary Market Mortgage Purchase program to fund single-family mortgage loan production. This program allows the Corporation to fund mortgage loans outside the bond indentures 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. Loans sold pursuant to the Secondary Market Mortgage Purchase program are sold with servicing retained by the Corporation.

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KENTUCKY HOUSING CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2024

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

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

	<u>2024</u>	<u>2023</u>	<u>Change</u>
Program-Purpose Assets:			
Mortgage loans and real estate owned	\$ 309.6	\$ 335.5	\$ (25.9)
Mortgage-backed securities	298.4	27.0	271.4
Housing construction loans	2.8	1.0	1.8
Other loans	1.9	2.3	(0.4)
Total Program-Purpose Assets	<u>612.7</u>	<u>365.8</u>	<u>246.9</u>
Cash and Investments	387.8	230.5	157.3
Loans held for sale	30.8	38.0	(7.2)
Other assets	16.7	17.1	(0.4)
Total Assets	<u>1,048.0</u>	<u>651.4</u>	<u>396.6</u>
Bonds payable	545.5	167.4	378.1
Other liabilities	33.0	34.0	(1.0)
Total Liabilities	<u>578.5</u>	<u>201.4</u>	<u>377.1</u>
Fund Net Position	<u>\$ 469.5</u>	<u>\$ 450.0</u>	<u>\$ 19.5</u>

Total program-purpose assets at June 30, 2024 were \$612.7 million. Mortgage loans, mortgage-backed securities, housing construction loans and other loans increased by \$246.9 million or 67% during 2024. The increase was the result of program loan fundings of \$49.6 million, program loan repayments of \$73.3 million, changes in accrued loan and interest and loan loss provision of \$.8 million, plus a net increase in mortgage-backed securities of \$271.4 million, resulting from purchases of \$274.0 million, normal amortization and prepayments totaling \$2.5 million, and changes in fair value and premium amortization netting to \$.1 million. This increase in program assets reflects the Corporation's use of mortgage revenue bonds to finance single family loan originations.

The Housing Revenue Bond 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, 2024, the Debt Service Reserve requirement was \$31.5 million and the amount on deposit was \$171.9 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 \$78.6 million of the remaining \$140.4 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. The General Indenture of Trust does not have a debt service reserve requirement.

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KENTUCKY HOUSING CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2024

During 2024, the Corporation incurred line of credit borrowings in the amount of \$397.7 million. Total bond and line-of-credit principal repayments were \$429.5 million and the change in net unamortized bond premium was \$9.7 million. As a result of this activity, bonds outstanding increased \$378.1 million and short-term debt decreased by \$3.5 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 Corporation's General Indenture 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)

	<u>2024</u>	<u>2023</u>	<u>Change</u>
Interest income on loans	\$ 18.0	\$ 19.5	\$ (1.5)
Interest income on mortgage-backed securities	7.7	0.7	7.0
Interest income on marketable securities	6.7	3.7	3.0
Increase (decrease) in fair value of securities	3.3	(5.7)	9.0
Gains on sales of loans held for sale	11.8	18.3	(6.5)
Fees, charges and other income	19.1	20.8	(1.7)
Total operating revenues	<u>66.6</u>	<u>57.3</u>	<u>9.3</u>
Interest expense on revenue bonds and lines of credit	14.5	6.2	8.3
Provision for loan losses	2.2	2.0	0.2
General and administrative	18.7	20.8	(2.1)
Loan origination costs	10.8	10.0	0.8
Other expenses	5.3	2.6	2.7
Total operating expenses	<u>51.5</u>	<u>41.6</u>	<u>9.9</u>
Operating income (loss)	15.1	15.7	(0.6)
Interfund transfers in	4.4	3.7	0.7
Changes in Fund Net Position	<u>\$ 19.5</u>	<u>\$ 19.4</u>	<u>\$ 0.1</u>

The change in fund net position increased by \$.1 million in 2024, compared to a \$6.5 million decrease for 2023. The \$.1 million increase is attributable to several factors. Interest income on loans, mortgage-backed securities and marketable securities increased \$8.5 million, from \$23.9 million in 2023 to \$32.4 million in 2024. Gains on sales of loans held for sale decreased \$6.5 million, from \$18.3 million in 2023 to \$11.8 million in 2024. The change in fair value of investment securities increased by \$9.0 million, from \$(5.7) million in 2023 to \$3.3 million in 2024. Fees, charges and other income decreased \$1.7 million, from \$20.8 million in 2023 to \$19.1 million in 2024.

(Continued)

KENTUCKY HOUSING CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2024

Interest expense on revenue bonds, lines of credit and pension liability increased \$8.3 million, from \$6.2 million in 2023 to \$14.5 million in 2024. The provision for loan losses increased \$.2 million, from \$2.0 million in 2023 to \$2.2 million in 2024. General and administrative expenses decreased \$2.1 million, from \$20.8 million in 2023 to \$18.7 million in 2024. Loan origination costs increased \$.8 million, from \$10.0 million in 2023 to \$10.8 million in 2024.

Also, other expenses, including grants, loan servicing expenses and the expensing of debt issuance costs, increased \$2.7 million, from \$2.6 million in 2023 to \$5.3 million in 2024.

Finally, changes in fund net position were impacted by interfund transfers of \$4.4 million, a \$.7 million increase from transfers of \$3.7 million in 2023.

Financial Outlook

The Corporation's future financial position and performance is dependent on a number of economic, regulatory and financial conditions along with management's consideration of, and response to, those conditions. The Corporation's governmental activities are made possible through intergovernmental revenues made available from the federal government and the Commonwealth of Kentucky. The Corporation's ability to expand or continue these programs is subject to the statutory authority and the budget appropriations of those governments. The Corporation's proprietary activities are impacted by overall market conditions. Current market conditions include higher interest rates, an overall housing supply shortage, inflationary pressures, and political unrest in many parts of the globe. All of these factors impact the financial outlook of the Corporation.

Management is particularly watchful of the impact of the aforementioned issues and initiatives on interest rates. 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. At the same time, higher rates typically reduce loan payoff activity, helping to preserve the Corporation's income producing servicing portfolio. To support the Corporation's primary revenue generator, single-family home mortgage originations, bond financing has been utilized this past fiscal year to fund mortgage activity in the current higher interest rate environment. The Corporation also continues to use the Secondary Market Mortgage Purchase Program, however there is a significant decrease in demand from secondary market participants to purchase securities with higher coupons fearing prepayments when rate reductions take place. A central component of the lending success of the Corporation and its ability to serve first time homebuyers in Kentucky is its ability to be nimble in changing market conditions. With the Federal Reserve leaning toward interest rate cuts over the next several months and an upcoming presidential election, having the flexibility to achieve the lowest cost of funds through the sale of bonds or utilizing the secondary market to finance mortgage production is key to the mission the Corporation serves.

In part with utilizing bonds to finance mortgage production for the first time in almost a decade, the Corporation also established a new contemporary General Indenture under which to issue its housing revenue bonds. The existing General Resolution bond indenture 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 Housing Revenue Bond indenture portfolio as those opportunities arise.

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. There continues to be significant demand on these resources as the higher interest rates and increased housing costs result in more borrowers requiring additional down payment assistance.

(Continued)

KENTUCKY HOUSING CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2024

The Corporation has maintained its dedicated effort to increase its presence in the multi-family housing market with the aim to deploy available resources more effectively, including low-income housing tax credits and conduit bonds, to maximize the number of families served, 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 for the Corporation, 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 address the current disaster housing needs and the response to the tornado and flood disasters of the last few years. In 2024, the state legislature provided an additional \$10 million (\$5 million each for fiscal years 2025 and 2026) to the newly created the Rural Housing Trust Fund which is administered by the Corporation. The funds are used to rebuild or rehabilitate units in areas impacted by the natural disasters. Management, in concert with state and federal agencies, continues to discuss how other disaster recovery sources in Kentucky can be used to address long-term recovery in communities affected by natural disasters.

Corporation management remains watchful for developments accompanying the change in administrative policy 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.

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 and Freddie Mac servicing is with recourse to respective agencies. 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 a continued 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 would like to respond with the level of service commensurate with the needs of those to be served. Recently, the Corporation retained a national research firm to conduct a state-wide Housing Supply Gap Analysis for rental and for-sale housing. The Corporation recognizes there is a severe shortage of housing across all income levels, including the first-time homebuyers and renters we serve. The supply shortage is a problem that the Corporation cannot solve without an abundance of resources and partnerships across the state. This next year Corporation staff will continue to share the results of the analysis with all stakeholders and solicit feedback on how the Commonwealth can combat this problem and provide long-term solutions to housing availability and housing affordability within the state.

(Continued)

KENTUCKY HOUSING CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2024

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, and finding safe shelter/housing for Kentucky's special needs. The Corporation has 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, 2024. Inquiries may be directed to Tracy Thurston, Chief Financial Officer at Kentucky Housing Corporation, 1231 Louisville Road, Frankfort, Kentucky 40601. Telephone: (502) 564-7630, x218, fax: (502) 564-7322, e-mail: tmthurston@kyhousing.org.

KENTUCKY HOUSING CORPORATION
CORPORATION-WIDE STATEMENT OF NET POSITION

June 30, 2024
(Dollars in thousands)

	<u>Governmental</u> <u>Activities</u>	<u>Business-</u> <u>Type</u> <u>Activities</u>	<u>Combined</u> <u>Totals</u>
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 116,117	\$ 21,811	\$ 137,928
Investment securities	15,415	214,376	229,791
Mortgage-backed securities	-	22,888	22,888
Housing mortgage loans held for sale	-	30,804	30,804
Housing mortgage loans	-	25,864	25,864
Housing construction loans	-	2,763	2,763
Other loans	-	228	228
Accounts receivable and other assets	2,714	4,687	7,401
Interfund accounts	<u>(1,984)</u>	<u>1,984</u>	<u>-</u>
Total Current Assets	132,262	325,405	457,667
Noncurrent Assets			
Investment securities	-	151,672	151,672
Mortgage-backed securities	-	275,476	275,476
Housing mortgage loans	-	283,385	283,385
Other loans	-	1,649	1,649
Real estate owned-net and related receivables	-	324	324
Capital assets	-	4,275	4,275
Other noncurrent assets	-	5,810	5,810
Total Noncurrent Assets	-	722,591	722,591
Total Assets	<u>132,262</u>	<u>1,047,996</u>	<u>1,180,258</u>
LIABILITIES			
Current Liabilities			
Accounts payable and program advances	18,953	1,320	20,273
Unearned pass-through grant revenues	96,512	-	96,512
Accrued interest payable	-	9,266	9,266
Escrows and project reserves	-	10,189	10,189
Revenue bonds, due within one year	-	19,805	19,805
Total Current Liabilities	115,465	40,580	156,045
Noncurrent Liabilities			
Revenue bonds, due after one year	-	525,679	525,679
Other noncurrent liabilities	-	12,260	12,260
Total Noncurrent Liabilities	-	537,939	537,939
Total Liabilities	<u>115,465</u>	<u>578,519</u>	<u>693,984</u>
NET POSITION			
Net investment in capital assets	-	4,275	4,275
Restricted by			
Revenue bond indenture	-	258,446	258,446
Enabling legislation	-	10,035	10,035
Program requirements	16,797	-	16,797
Unrestricted	-	196,721	196,721
Net Position	<u>\$ 16,797</u>	<u>\$ 469,477</u>	<u>\$ 486,274</u>

See Notes to Financial Statements.

KENTUCKY HOUSING CORPORATION
CORPORATION-WIDE STATEMENT OF ACTIVITIES
Year ended June 30, 2024
(Dollars in thousands)

<u>Functions/Activities</u>	<u>Direct Expenses</u>		<u>Program Revenues</u>		<u>Net Revenues (Expense) and Changes in Net Position</u>		
	<u>Grants</u>	<u>Operating</u>	<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities							
HOME program	\$ 10,857	\$ 1,531	\$ 1,531	\$ 10,857	\$ -	\$ -	\$ -
Eviction relief funds	10,071	1,847	1,847	10,071	-	-	-
Weatherization assistance	7,782	1,114	1,114	7,782	-	-	-
Rental assistance	191,201	6,736	10,894	191,201	4,158	-	4,158
Other federal and state housing programs	39,210	3,945	3,945	38,130	(1,080)	-	(1,080)
Total Governmental Activities	<u>259,121</u>	<u>15,173</u>	<u>19,331</u>	<u>258,041</u>	<u>3,078</u>	<u>-</u>	<u>3,078</u>
Business-Type Activities							
Administrative	1,491	8,753	2,240	-	-	(8,004)	(8,004)
Bond financed loan programs	-	24,119	27,185	-	-	3,066	3,066
Loan servicing	-	5,274	11,263	-	-	5,989	5,989
Other loan and housing credit programs	-	11,860	25,554	318	-	14,012	14,012
Total Business-Type Activities	<u>1,491</u>	<u>50,006</u>	<u>66,242</u>	<u>318</u>	<u>-</u>	<u>15,063</u>	<u>15,063</u>
Total Activities	<u>\$ 260,612</u>	<u>\$ 65,179</u>	<u>\$ 85,573</u>	<u>\$ 258,359</u>	<u>3,078</u>	<u>15,063</u>	<u>18,141</u>
Transfers					<u>(4,362)</u>	<u>4,362</u>	<u>-</u>
Change in Net Position					<u>(1,284)</u>	<u>19,425</u>	<u>18,141</u>
Net Position, Beginning of Year					<u>18,081</u>	<u>450,052</u>	<u>468,133</u>
Net Position, End of Year					<u>\$ 16,797</u>	<u>\$ 469,477</u>	<u>\$ 486,274</u>

See Notes to Financial Statements.

KENTUCKY HOUSING CORPORATION
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2024
(Dollars in thousands)

	Affordable Housing Trust Fund	Rural Housing Trust Fund	HOME Program	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	\$ 395	\$ 19,756	\$ 13,141	\$ 37,783	\$ 1	\$ 366	\$ 43,999	\$ 676	\$ 116,117
Investment securities	13,897	-	-	-	-	-	-	1,518	15,415
Accounts receivable and other assets	-	-	985	-	723	-	-	1,006	2,714
Interfund accounts	(54)	(7)	(332)	(200)	(134)	(728)	(196)	(333)	(1,984)
Total Current Assets	<u>14,238</u>	<u>19,749</u>	<u>13,794</u>	<u>37,583</u>	<u>590</u>	<u>(362)</u>	<u>43,803</u>	<u>2,867</u>	<u>132,262</u>
Noncurrent Assets									
Program loans	28,659	-	112,121	-	-	-	-	30,259	171,039
Less loan loss provision	(28,659)	-	(112,121)	-	-	-	-	(30,259)	(171,039)
Total Noncurrent Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 14,238</u>	<u>\$ 19,749</u>	<u>\$ 13,794</u>	<u>\$ 37,583</u>	<u>\$ 590</u>	<u>\$ (362)</u>	<u>\$ 43,803</u>	<u>\$ 2,867</u>	<u>\$ 132,262</u>
LIABILITIES									
Current Liabilities									
Accounts payable and program advances	\$ -	\$ 306	\$ 13,774	\$ 3,972	\$ 590	\$ (362)	\$ -	\$ 673	\$ 18,953
Unearned revenue	-	19,098	-	33,611	-	-	43,803	-	96,512
Total Current Liabilities	<u>-</u>	<u>19,404</u>	<u>13,774</u>	<u>37,583</u>	<u>590</u>	<u>(362)</u>	<u>43,803</u>	<u>673</u>	<u>115,465</u>
FUND BALANCE									
Restricted by program requirements	14,238	345	20	-	-	-	-	2,194	16,797
Total Liabilities and Fund Balance	<u>\$ 14,238</u>	<u>\$ 19,749</u>	<u>\$ 13,794</u>	<u>\$ 37,583</u>	<u>\$ 590</u>	<u>\$ (362)</u>	<u>\$ 43,803</u>	<u>\$ 2,867</u>	<u>\$ 132,262</u>

See Notes to Financial Statements.

KENTUCKY HOUSING CORPORATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION – GOVERNMENTAL FUNDS
Year Ended June 30, 2024
(Dollars in thousands)

	Affordable Housing Trust Fund	Rural Housing Trust Fund	HOME Program	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	\$ 94	\$ 98	\$ 1,531	\$ 1,847	\$ 1,114	\$ 10,894	\$ 2,050	\$ 1,703	\$ 19,331
Pass-through grant revenues	<u>5,132</u>	<u>1,149</u>	<u>10,857</u>	<u>10,071</u>	<u>7,782</u>	<u>191,201</u>	<u>15,044</u>	<u>16,805</u>	<u>258,041</u>
Total Revenues	<u>5,226</u>	<u>1,247</u>	<u>12,388</u>	<u>11,918</u>	<u>8,896</u>	<u>202,095</u>	<u>17,094</u>	<u>18,508</u>	<u>277,372</u>
Expenditures									
General and administrative	94	98	1,531	1,847	1,114	6,736	2,050	1,703	15,173
Pass-through grant expenditures	<u>6,106</u>	<u>804</u>	<u>10,857</u>	<u>10,071</u>	<u>7,782</u>	<u>191,201</u>	<u>15,044</u>	<u>17,256</u>	<u>259,121</u>
Total Expenditures	<u>6,200</u>	<u>902</u>	<u>12,388</u>	<u>11,918</u>	<u>8,896</u>	<u>197,937</u>	<u>17,094</u>	<u>18,959</u>	<u>274,294</u>
Revenues in Excess of Expenditures	(974)	345	-	-	-	4,158	-	(451)	3,078
Other Financing Sources (Uses)									
Interfund Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,158)</u>	<u>-</u>	<u>(204)</u>	<u>(4,362)</u>
Change in Fund Balance	(974)	345	-	-	-	-	-	(655)	(1,284)
Fund Balance, Beginning of Year	<u>15,212</u>	<u>-</u>	<u>20</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,849</u>	<u>18,081</u>
Fund Balance, End of Year	<u>\$ 14,238</u>	<u>\$ 345</u>	<u>\$ 20</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,194</u>	<u>\$ 16,797</u>

See Notes to Financial Statements.

KENTUCKY HOUSING CORPORATION
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
June 30, 2024
(Dollars in thousands)

	<u>General Funds</u>	<u>Housing Revenue Bond Funds</u>	<u>Single Family Mortgage Revenue Bond Funds</u>	<u>Housing Development Fund</u>	<u>Combined Totals</u>
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 20,919	\$ 442	\$ -	\$ 450	\$ 21,811
Investment securities	9,307	44,101	154,146	6,822	214,376
Mortgage-backed securities	1,278	935	20,675	-	22,888
Housing mortgage loans held for sale	30,804	-	-	-	30,804
Housing mortgage loans	12,007	13,857	-	-	25,864
Housing construction loans	-	-	-	2,763	2,763
Other loans	228	-	-	-	228
Accounts receivable and other assets	4,687	-	-	-	4,687
Interfund accounts	12,018	-	(10,034)	-	1,984
Total Current Assets	<u>91,248</u>	<u>59,335</u>	<u>164,787</u>	<u>10,035</u>	<u>325,405</u>
Noncurrent Assets					
Investment securities	-	151,672	-	-	151,672
Mortgage-backed securities	17,804	12,992	244,680	-	275,476
Housing mortgage loans	103,563	179,822	-	-	283,385
Other loans	1,649	-	-	-	1,649
Real estate owned-net and related receivables	324	-	-	-	324
Capital assets	4,275	-	-	-	4,275
Other noncurrent assets	5,810	-	-	-	5,810
Total Noncurrent Assets	<u>133,425</u>	<u>344,486</u>	<u>244,680</u>	<u>-</u>	<u>722,591</u>
Total Assets	<u>\$ 224,673</u>	<u>\$ 403,821</u>	<u>\$ 409,467</u>	<u>\$ 10,035</u>	<u>\$ 1,047,996</u>

(Continued)

KENTUCKY HOUSING CORPORATION
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
June 30, 2024
(Dollars in thousands)

	General Funds	Housing Revenue Bond Funds	Single Family Mortgage Revenue Bond Funds	Housing Development Fund	Combined Totals
LIABILITIES					
Current Liabilities					
Accounts payable and other liabilities	\$ 1,228	\$ -	\$ 92	\$ -	\$ 1,320
Accrued interest payable	-	3,108	6,158	-	9,266
Escrows and project reserves	10,189	-	-	-	10,189
Revenue bonds	-	18,120	1,685	-	19,805
Total Current Liabilities	<u>11,417</u>	<u>21,228</u>	<u>7,935</u>	-	<u>40,580</u>
Noncurrent Liabilities					
Revenue bonds	-	120,947	404,732	-	525,679
Other noncurrent liabilities	12,260	-	-	-	12,260
Total Noncurrent Liabilities	<u>12,260</u>	<u>120,947</u>	<u>404,732</u>	-	<u>537,939</u>
Total Liabilities	<u>23,677</u>	<u>142,175</u>	<u>412,667</u>	-	<u>578,519</u>
NET POSITION					
Invested in capital assets	4,275	-	-	-	4,275
Restricted by					
Revenue bond indenture	-	261,646	(3,200)	-	258,446
Enabling legislation	-	-	-	10,035	10,035
Unrestricted	196,721	-	-	-	196,721
Net Position	<u>\$ 200,996</u>	<u>\$ 261,646</u>	<u>\$ (3,200)</u>	<u>\$ 10,035</u>	<u>\$ 469,477</u>

See Notes to Financial Statements.

KENTUCKY HOUSING CORPORATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION – PROPRIETARY FUNDS
Year ended June 30, 2024
(Dollars in thousands)

	General Funds	Housing Revenue Bond Funds	Single Family Mortgage Revenue Bond Funds	Housing Development Fund	Combined Totals
Operating Revenues					
Interest and fee income					
Housing mortgage and construction loans	\$ 8,287	\$ 9,429	\$ -	\$ 239	\$ 17,955
Mortgage-backed securities	655	621	6,426	-	7,702
Marketable securities	696	3,561	2,107	379	6,743
Net increase (decrease) in fair value of securities	(1,758)	4,593	441	-	3,276
Gains on sales of loans held for sale	11,839	-	-	-	11,839
Fees, charges and other income	19,038	7	-	-	19,045
Total Operating Revenues	<u>38,757</u>	<u>18,211</u>	<u>8,974</u>	<u>618</u>	<u>66,560</u>
Operating Expenses					
Interest on revenue bonds and lines of credit	946	6,355	7,183	-	14,484
Provision for losses on loans	2,868	(335)	-	(339)	2,194
General and administrative	18,656	59	-	-	18,715
Housing assistance grants	1,491	-	-	-	1,491
Mortgage loan servicers' fees	80	747	-	-	827
Loan origination costs	6,677	-	4,085	-	10,762
Debt issuance costs	-	-	3,024	-	3,024
Total Operating Expenses	<u>30,718</u>	<u>6,826</u>	<u>14,292</u>	<u>(339)</u>	<u>51,497</u>
Operating Income (Loss)	8,039	11,385	(5,318)	957	15,063
Nonoperating revenues (expenses)					
Interfund Transfers	4,244	(2,000)	2,118	-	4,362
Change in Net Position	12,283	9,385	(3,200)	957	19,425
Net Position, Beginning of Year	<u>188,713</u>	<u>252,261</u>	<u>-</u>	<u>9,078</u>	<u>450,052</u>
Net Position, End of Year	<u>\$ 200,996</u>	<u>\$ 261,646</u>	<u>\$ (3,200)</u>	<u>\$ 10,035</u>	<u>\$ 469,477</u>

See Notes to Financial Statements.

KENTUCKY HOUSING CORPORATION
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
Year Ended June 30, 2024
(Dollars in thousands)

	General Funds	Housing Revenue Bond Funds	Single Family Mortgage Revenue Bond Funds	Housing Development Fund	Combined Totals
Cash Flows From Operating Activities					
Interest income on loans	\$ 8,288	\$ 9,429	\$ -	\$ 239	\$ 17,956
Gain on sales of loans held for sale	11,519	-	-	-	11,519
Fees, charges and other income	20,205	-	-	-	20,205
Personnel costs	(16,196)	-	-	-	(16,196)
Operating expenses	(9,150)	(806)	(4,085)	-	(14,041)
Housing assistance grants	(1,491)	-	-	-	(1,491)
Fundings of housing mortgage loans	(655,058)	(6,095)	-	-	(661,153)
Repayments on housing mortgage loans	38,668	33,208	-	-	71,876
Conversion of mortgage loans to mortgage-backed securities and loans sold on secondary market	620,594	-	-	-	620,594
Net changes in housing construction loans	-	-	-	(1,436)	(1,436)
Other, net	(15,821)	(38)	10,984	5,000	125
Net Cash Provided By (Used In) Operating Activities	<u>1,558</u>	<u>35,698</u>	<u>6,899</u>	<u>3,803</u>	<u>47,958</u>
Cash Flows From Noncapital Financing Activities					
Proceeds from lines of credit and issuance of revenue bonds	397,700	-	406,605	-	804,305
Payments for debt issuance costs	-	-	(3,024)	-	(3,024)
Principal payments on revenue bonds and line of credit	(401,200)	(28,285)	-	-	(429,485)
Interest payments on lines of credit and revenue bonds	(946)	(6,562)	(1,212)	-	(8,720)
Changes in escrows and project reserves	(3,343)	-	-	-	(3,343)
Interfund transfers	4,244	(2,000)	2,118	-	4,362
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>(3,545)</u>	<u>(36,847)</u>	<u>404,487</u>	<u>-</u>	<u>364,095</u>
Cash Flows From Capital and Related Financing Activities					
Acquisition of capital assets	(1,017)	-	-	-	(1,017)
Cash Flows From Investing Activities					
Purchases of investments and mortgage-backed securities	(913,425)	(110,940)	(340,142)	(8,402)	(1,372,909)
Sales of investments and mortgage-backed securities	643,787	107,983	188,663	2,097	942,530
Transfers of mortgage-backed securities	266,712	-	(266,712)	-	-
Gain on sales of investments and mortgage-backed securities	-	-	-	-	-
Interest received on investments and mortgage-backed securities	1,335	4,169	6,805	352	12,661
Net Cash Provided By (Used In) Investing Activities	<u>(1,591)</u>	<u>1,212</u>	<u>(411,386)</u>	<u>(5,953)</u>	<u>(417,718)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(4,595)	63	-	(2,150)	(6,682)
Cash and Cash Equivalents, Beginning of Year	<u>25,514</u>	<u>379</u>	<u>-</u>	<u>2,600</u>	<u>28,493</u>
Cash and Cash Equivalents, End of Year	<u>\$ 20,919</u>	<u>\$ 442</u>	<u>\$ -</u>	<u>\$ 450</u>	<u>\$ 21,811</u>

(Continued)

KENTUCKY HOUSING CORPORATION
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
Year Ended June 30, 2024
(Dollars in thousands)

	<u>General Funds</u>	<u>Housing Revenue Bond Funds</u>	<u>Single Family Mortgage Revenue Bonds Funds</u>	<u>Housing Development Fund</u>	<u>Combined Totals</u>
Reconciliation of Operating Income to Net Cash					
Provided By (Used In) Operating Activities					
Operating income (loss)	\$ 8,039	\$ 11,385	\$ (5,318)	\$ 957	\$ 15,063
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:					
Gain related to servicing intangible asset	(320)	-	-	-	(320)
Provision for losses on loans	2,868	(335)	-	(339)	2,194
Debt issuance costs	-	-	3,024	-	3,024
Amortization of intangible asset	1,427	-	-	-	1,427
Depreciation expense	331	-	-	-	331
Interest expense on lines of credit and revenue bonds	946	6,355	7,183	-	14,484
Interest income on mortgage-backed securities	(655)	(621)	(6,426)	-	(7,702)
Interest income on marketable securities	(696)	(3,561)	(2,107)	(379)	(6,743)
Net decrease in fair value of marketable securities	1,758	(4,593)	(441)	-	(3,276)
Other income	-	(7)	-	-	(7)
Changes in operating assets and liabilities:					
Fundings of housing mortgage loans	(655,058)	(6,095)	-	-	(661,153)
Repayments on housing mortgage loans	38,668	33,208	-	-	71,876
Conversion of mortgage loans to mortgage backed securities and loans sold on secondary market	620,594	-	-	-	620,594
Housing construction loans	-	-	-	(1,436)	(1,436)
Other, net	(16,344)	(38)	10,984	5,000	(398)
Net Cash Provided By Operating Activities	<u>\$ 1,558</u>	<u>\$ 35,698</u>	<u>\$ 6,899</u>	<u>\$ 3,803</u>	<u>\$ 47,958</u>

See Notes to Financial Statements.

KENTUCKY HOUSING CORPORATION
STATEMENT OF FIDUCIARY FUNDS NET POSITION
June 30, 2024
(Dollars in thousands)

	Custodial Funds
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 65,227
Total Assets	<u>65,227</u>
 LIABILITIES	
Current Liabilities	
Accounts payable and other liabilities	-
Escrows and project reserves	<u>1,630</u>
Total Liabilities	<u>1,630</u>
 NET POSITION	
Restricted by	
Individuals and organizations	63,597
Unrestricted	<u>-</u>
Net Position	<u>\$ 63,597</u>

See Notes to Financial Statements.

KENTUCKY HOUSING CORPORATION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended June 30, 2024
(Dollars in thousands)

	Custodial Funds
ADDITIONS	
Escrows and project reserves	\$ 161,685
Total Additions	<u>161,685</u>
DEDUCTIONS	
Payments of property taxes to other governments, insurance premiums, and replacement reserve disbursements	<u>159,022</u>
Total Deductions	<u>159,022</u>
Change in Net Position	2,663
Net Position, Beginning of Year	<u>60,934</u>
Net Position, End of Year	<u><u>\$ 63,597</u></u>

See Notes to Financial Statements.

KENTUCKY HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS

June 30, 2024
(Dollars in thousands)

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 Annual Comprehensive 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

Basis of Presentation: 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, HUD, and Treasury. 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)

KENTUCKY HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS

June 30, 2024
(Dollars in thousands)

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.

Rural 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. The fund was established in 2023 for disaster relief and recovery, is funded by appropriations from the state legislature.

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 the 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 the 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.

(Continued)

KENTUCKY HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS

June 30, 2024
(Dollars in thousands)

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

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.

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.

Single Family Mortgage Revenue Bond Funds: These funds account for the proceeds from the sale of Housing Revenue Bonds and mortgage loans and mortgage-backed securities acquired with bond proceeds to finance the purchase of single-family residential housing. Fund net position is restricted as to use by the terms of the General Indenture of Trust.

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 securitizes 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 \$288,114 of the securities as of June 30, 2024 and retains the servicing rights to the underlying housing mortgage loans.

(Continued)

KENTUCKY HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS

June 30, 2024
(Dollars in thousands)

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

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.

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

(Continued)

KENTUCKY HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS

June 30, 2024
(Dollars in thousands)

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

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

- *Net Investment in Capital Assets* - 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.

Debt Issuance Costs and Bond Premiums and Discounts: Debt issuance costs are expensed in the year the debt is incurred. 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.

(Continued)

KENTUCKY HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS

June 30, 2024
(Dollars in thousands)

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

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.

Implementation of Accounting Standards: The Corporation adopted GASB Statement No. 100, *Accounting Changes and Error Corrections* for the fiscal year ending June 30, 2024. The implementation of the GASB had no effect on the Corporation.

GASB standards that are under evaluation include:

GASB Statement No. 101, *Compensated Absences*, and GASB Statement No. 102, *Certain Risk Disclosures*, are effective for the fiscal year ending June 30, 2025. GASB Statement No. 103, *Financial Reporting Model Improvements*, is effective for the fiscal year ending June 30, 2026. The Corporation's financial statements 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, 2024, the carrying amount of the Corporation's cash and cash equivalents was \$137,928 and the bank balance was \$135,151. The difference between the carrying amount and the bank balance is a result of transactions in transit. Of the \$135,151 bank balance, \$6,796 was covered by federal depository insurance, \$123,494 was collateralized and \$4,861 was held in overnight sweep accounts invested in U.S. Government securities. 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 \$127,401 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, \$116,117 is restricted in governmental activities and \$11,284 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 \$65,227.

(Continued)

KENTUCKY HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS

June 30, 2024
(Dollars in thousands)

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

Investment and Mortgage-Backed Securities: At June 30, 2024 the Corporation has the following:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Effective Duration (in Years)</u>
U.S. government-sponsored enterprises	\$ 151,672	0.42
Mortgage-backed securities	298,364	0.24
Money market funds	<u>229,791</u>	0.00
Total Investment and Mortgage-Backed Securities	679,827	0.66
Less amounts shown as current assets	<u>252,679</u>	
Noncurrent Investment and Mortgage-Backed Securities	<u>\$ 427,148</u>	

Interest Rate Risk: In general, the Corporation's investment strategy is designed to match the life of the assets with dates of its related liabilities. 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, 2024:

<u>Investment Type</u>	<u>Moody's Rating</u>
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.

(Continued)

KENTUCKY HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS

June 30, 2024
(Dollars in thousands)

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

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, 2024 consist of the following:

<u>Issuer</u>	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
U.S. government-sponsored enterprises	\$ 151,672	22%
GNMA	298,364	44%
Dreyfus	229,791	34%

The GNMA investments consist of mortgage-backed securities, the performance of which is guaranteed by GNMA. As servicer of GNMA securities with a fair value of \$288,114 as of June 30, 2024, 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.

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, 2024:

	<u>Fair Value Measurements Using:</u>			
	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments by fair value level:				
U.S. government-sponsored enterprises	\$ 151,672	\$ -	\$ 151,672	\$ -
Mortgage-backed securities	<u>298,364</u>	<u>-</u>	<u>298,364</u>	<u>-</u>
Total investments by fair value	450,036	<u>\$ -</u>	<u>\$ 450,036</u>	<u>\$ -</u>
Investments by amortized cost	<u>229,791</u>			
Total investments	<u>\$ 679,827</u>			

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.

(Continued)

**KENTUCKY HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS**

June 30, 2024
(Dollars in thousands)

Note D--Housing Mortgage Loans

Housing mortgage loans at June 30, 2024 consist of the following:

Housing Revenue Bond Funds:	
Single-family (A)	\$ 184,635
Multifamily (B)	9,415
Total Housing Revenue Bond Funds	194,050
General Funds (C)	130,814
Total Principal	324,864
Add accrued interest receivable on loans	750
Total Principal and Accrued Interest	325,614
Less allowance for loan losses	16,365
Net Housing Mortgage Loans	309,249
Less amount shown as current assets	25,864
	<u>283,385</u>
Noncurrent Housing Mortgage Loans	<u>\$ 283,385</u>

Additional information related to loans includes:

- Note (A) Single-family includes \$178,273 in federally insured or guaranteed loans, \$5,853 of non-insured loans with initial loan-to-value ratios less than 90%, and \$509 of loans backed by private mortgage insurance.
- Note (B) Multifamily includes \$8,237 in federally insured or guaranteed loans and \$1,178 in non-insured loans.
- Note (C) General Funds include \$33,312 in federally insured or guaranteed loans and \$97,502 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 \$580.

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 \$1,784.

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.

(Continued)

KENTUCKY HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS

June 30, 2024
(Dollars in thousands)

Note E--Other Loan Related Activities (Continued)

Loan Commitments: At June 30, 2024, the Corporation is committed to make single-family mortgage loans totaling \$107,225. The Corporation had \$120,525 in outstanding commitments to sell single-family loans at June 30, 2024.

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, 2024:

<u>Servicing Type</u>	<u>Number of Loans</u>	<u>Amounts</u>
GNMA mortgage-backed securities	18,043	\$ 2,276,727
Fannie Mae mortgage-backed securities	510	23,570
Fannie Mae whole loans	3,945	488,248
Freddie Mac whole loans	35	7,540
	<u>22,533</u>	<u>\$ 2,796,085</u>

Servicers of GNMA securities are 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 servicer.

Included in Fannie Mae mortgage-backed securities totals are loans totaling \$3,276 on which the Corporation has retained full default risk on the underlying loans and additional loans totaling \$4,257 on which the Corporation has retained default risk subject to a stop loss agreement with Fannie Mae.

Servicing rights totaling \$5,810 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, 2024 and activity during the year follows:

<u>Business-Type Activities</u>	<u>Balance July 1, 2023</u>	<u>Additions</u>	<u>Retirements and Dispositions</u>	<u>Balance June 30, 2024</u>
Land	\$ 1,089	\$ -	\$ -	\$ 1,089
Buildings	6,517	379	-	6,896
Equipment	3,822	638	-	4,460
Less accumulated depreciation	<u>(7,839)</u>	<u>(331)</u>	<u>-</u>	<u>(8,170)</u>
Net Capital Assets	<u>\$ 3,589</u>	<u>\$ 686</u>	<u>\$ -</u>	<u>\$ 4,275</u>

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

(Continued)

KENTUCKY HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS

June 30, 2024
(Dollars in thousands)

Note H--Lines of Credit

The Corporation's lines of credit at June 30, 2024 and activity during the year follows:

<u>Business-Type Activities</u>	<u>Balance July 1, 2023</u>	<u>Borrowings</u>	<u>Repayments and Dispositions</u>	<u>Balance June 30, 2024</u>
Loan Warehousing Line of Credit 1	\$ 1,500	\$ -	\$ (1,500)	\$ -
Loan Warehousing Line of Credit 2	<u>2,000</u>	<u>397,700</u>	<u>(399,700)</u>	<u>-</u>
	<u>\$ 3,500</u>	<u>\$ 397,700</u>	<u>\$ (401,200)</u>	<u>\$ -</u>

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.

Loan Warehousing Line of Credit 1 provides for borrowings up to \$25,000 and matured on June 30, 2024. It had \$25,000 of unused credit at June 30, 2024 with an interest rate of 6.175%. The Line of Credit was renewed through June 30, 2025. It 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 80 basis points, and contains a non-usage fee of .20% of the unused amount.

Loan Warehousing Line of Credit 2 provides for borrowings up to \$65,000 and matured on June 30, 2024. It had \$65,000 of unused credit at June 30, 2024 with an interest rate of 5.710%. The Line of Credit was renewed through June 30, 2025. It bears interest based on the greater of Daily Simple Secured Overnight Financing Rate ("Daily SOFR") or 0%, plus, and contains a non-usage fee of .125% 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.

(Continued)

KENTUCKY HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS

June 30, 2024

(Dollars in thousands)

Note I--Revenue Bonds and Other Noncurrent Liabilities

Revenue Bonds: Revenue bonds at June 30, 2024 and the activity for the year then ended consist of the following:

	<u>Original Face Amount</u>	<u>Balance July 1, 2023</u>	<u>Issued</u>	<u>Repaid/ Retired</u>	<u>Balance June 30, 2024</u>	<u>Amount Due Within One Year</u>
Housing Revenue Bonds:						
2006 Series O:						
2025-2036, variable	\$ 29,035	\$ 12,215	\$ -	\$ 645	\$ 11,570	\$ 690
2006 Series T:						
2025-2038, variable	23,300	6,880	-	300	6,580	320
2006 Series W:						
2025-2038, variable	38,380	9,775	-	415	9,360	455
2007 Series J:						
2025-2038, variable	17,130	10,665	-	460	10,205	500
2007 Series O:						
2025-2038, variable	10,000	4,955	-	190	4,765	195
2013 Series C:						
2024, 3.522%	36,470	1,255	-	1,255	-	-
2013 Series D:						
2024, 3.20% to 3.75%	49,410	6,840	-	6,840	-	-
2014 Series A:						
2025-2030, 3.418% to 3.948%	61,445	15,140	-	5,375	9,765	4,295
2014 Series B:						
2025-2037, 3.278% to 4.00%	30,000	9,175	-	1,225	7,950	1,270
2016 Series A:						
2025-2040, 2.799% to 3.500%	72,465	27,515	-	2,520	24,995	2,600
2016 Series B:						
2025-2038, 3.162% to 4.00%	41,110	11,185	-	2,455	8,730	1,780
2021 Series A:						
2024-2026, 0.950% to 1.25%	23,410	15,360	-	6,605	8,755	6,015
2021 Series B:						
2033-2042, variable	<u>36,150</u>	<u>36,150</u>	<u>-</u>	<u>-</u>	<u>36,150</u>	<u>-</u>
Total Housing Revenue Bonds	<u>\$ 468,305</u>	167,110	<u>\$ -</u>	<u>\$ 28,285</u>	138,825	18,120
Unamortized premium		<u>336</u>			<u>242</u>	
Net Housing Revenue Bonds		<u>167,446</u>			<u>139,067</u>	<u>18,120</u>

(Continued)

KENTUCKY HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2024
(Dollars in thousands)

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

	<u>Original Face Amount</u>	<u>Balance July 1, 2023</u>	<u>Issued</u>	<u>Repaid/ Retired</u>	<u>Balance June 30, 2024</u>	<u>Amount Due Within One Year</u>
Single Family Mortgage Revenue Bonds:						
2023 Series A:						
2025-2055, 3.450% to 6.00%	\$ 98,115	-	\$ 98,115	-	\$ 98,115	\$ 675
2024 Series A:						
2025-2055, 3.050% to 6.250%	72,175	-	72,175	-	72,175	530
2024 Series B:						
2025-2055, 4.910% to 5.911%	76,125	-	76,125	-	76,125	480
2024 Series C:						
2026-2055, 3.25% to 6.25%	75,000	-	75,000	-	75,000	-
2024 Series D:						
2026-2055, 4.711% to 6.25%	<u>75,000</u>	<u>-</u>	<u>75,000</u>	<u>-</u>	<u>75,000</u>	<u>-</u>
Total Single Family Mortgage Revenue Bonds	<u>\$ 396,415</u>	-	<u>\$ 396,415</u>	<u>\$ -</u>	396,415	<u>1,685</u>
Unamortized premium		<u>-</u>			<u>10,002</u>	
Net Single Family Mortgage Revenue Bonds		<u>-</u>			<u>406,417</u>	
Total Revenue Bonds		<u>\$ 167,446</u>			<u>\$ 545,484</u>	<u>\$ 19,805</u>

As indicated in the above table, bond issues totaling \$78,630 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 \$140,351 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.

(Continued)

KENTUCKY HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS

June 30, 2024
(Dollars in thousands)

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

As of June 30, 2024, 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.

	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total Debt Service</u>
Fiscal years ending June 30,			
2025	\$ 19,805	\$ 22,909	\$ 42,714
2026	18,360	26,545	44,905
2027	15,305	25,928	41,233
2028	13,200	25,335	38,535
2029	13,855	24,774	38,629
Five years ending June 30,			
2030-2034	71,795	114,513	186,308
2035-2039	91,130	92,594	183,724
2040-2044	72,255	71,557	143,812
2045-2049	88,220	50,571	138,791
2050-2054	119,150	22,475	141,625
2055	<u>12,165</u>	<u>452</u>	<u>12,617</u>
	<u>\$ 535,240</u>	<u>\$ 477,653</u>	<u>\$ 1,012,893</u>

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 program's function and administrative function in the Corporation-wide statement of activities.

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

<u>Account</u>	<u>Balance July 1, 2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2024</u>
Other noncurrent liabilities	<u>\$ 12,266</u>	<u>\$ 624</u>	<u>\$ 630</u>	<u>\$ 12,260</u>

(Continued)

KENTUCKY HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS

June 30, 2024
(Dollars in thousands)

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, 2024, conduit debt obligations totaling approximately \$1,423,481 have been issued with an aggregate remaining outstanding principal balance of \$653,054. 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.

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 2024, 100% of up to 4% of employee elected deferrals into the 401(k) plan will be matched by the Corporation. The Corporation recorded a contribution expense of \$665 for fiscal year 2024.

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, 2024. 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, 2024, the date the financial statements were issued. There are no subsequent events to report.

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.

(Continued)

**SUPPLEMENTARY COMBINING INFORMATION
HOUSING REVENUE BOND FUNDS**

KENTUCKY HOUSING CORPORATION
COMBINING STATEMENT OF NET POSITION - HOUSING REVENUE BOND FUNDS
June 30, 2024
(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	\$ 442	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 442
Investment securities	2,706	788	8,424	10,325	11,866	9,992	44,101
Mortgage-backed securities	249	-	-	686	-	-	935
Housing mortgage loans	12,405	-	-	-	1,452	-	13,857
Interfund accounts	(3,131)	1,134	1,769	-	235	(7)	-
Total Current Assets	<u>12,671</u>	<u>1,922</u>	<u>10,193</u>	<u>11,011</u>	<u>13,553</u>	<u>9,985</u>	<u>59,335</u>
Noncurrent Assets							
Investment securities	-	-	-	151,672	-	-	151,672
Mortgage-backed securities	3,427	-	-	9,565	-	-	12,992
Housing mortgage loans	153,374	-	-	-	26,448	-	179,822
Real estate owned and related receivables	-	-	-	-	-	-	-
Total Noncurrent Assets	<u>156,801</u>	<u>-</u>	<u>-</u>	<u>161,237</u>	<u>26,448</u>	<u>-</u>	<u>344,486</u>
Total Assets	<u>169,472</u>	<u>1,922</u>	<u>10,193</u>	<u>172,248</u>	<u>40,001</u>	<u>9,985</u>	<u>403,821</u>
LIABILITIES							
Current Liabilities							
Accounts payable and other liabilities	-	-	-	-	-	-	-
Accrued interest payable	-	-	3,108	-	-	-	3,108
Revenue bonds	18,120	-	-	-	-	-	18,120
Total Current Liabilities	<u>18,120</u>	<u>-</u>	<u>3,108</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,228</u>
Noncurrent Liabilities							
Revenue bonds	120,947	-	-	-	-	-	120,947
Other noncurrent liabilities	-	-	-	-	-	-	-
Total Noncurrent Liabilities	<u>120,947</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>120,947</u>
Total Liabilities	<u>139,067</u>	<u>-</u>	<u>3,108</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>142,175</u>
FUND NET POSITION							
Restricted by revenue bond indenture	<u>\$ 30,405</u>	<u>\$ 1,922</u>	<u>\$ 7,085</u>	<u>\$ 172,248</u>	<u>\$ 40,001</u>	<u>\$ 9,985</u>	<u>\$ 261,646</u>

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, 2024
(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	\$ 8,819	\$ -	\$ -	\$ -	\$ 610	\$ -	\$ -	\$ 9,429
Mortgage-backed securities	164	-	-	457	-	-	-	621
Marketable securities	(1)	188	364	2,174	569	177	90	3,561
Net increase (decrease) in fair value of securities	(63)	-	-	4,656	-	-	-	4,593
Other income	7	-	-	-	-	-	-	7
Total Operating Revenues	<u>8,926</u>	<u>188</u>	<u>364</u>	<u>7,287</u>	<u>1,179</u>	<u>177</u>	<u>90</u>	<u>18,211</u>
Operating Expenses								
Interest on revenue bonds	-	-	6,355	-	-	-	-	6,355
Provision for losses on loans	(335)	-	-	-	-	-	-	(335)
General and administrative	59	-	-	-	-	-	-	59
Mortgage loan servicers' fees	638	-	-	-	109	-	-	747
Total Operating Expenses	<u>362</u>	<u>-</u>	<u>6,355</u>	<u>-</u>	<u>109</u>	<u>-</u>	<u>-</u>	<u>6,826</u>
Operating Income (Loss)	8,564	188	(5,991)	7,287	1,070	177	90	11,385
Interfund Transfers	<u>(4,329)</u>	<u>(1,442)</u>	<u>9,381</u>	<u>-</u>	<u>(2,646)</u>	<u>(177)</u>	<u>(2,787)</u>	<u>(2,000)</u>
Change in Fund Net Position	4,235	(1,254)	3,390	7,287	(1,576)	-	(2,697)	9,385
Fund Net Position, Beginning of Year	<u>26,170</u>	<u>3,176</u>	<u>3,695</u>	<u>164,961</u>	<u>41,577</u>	<u>-</u>	<u>12,682</u>	<u>252,261</u>
Fund Net Position, End of Year	<u>\$ 30,405</u>	<u>\$ 1,922</u>	<u>\$ 7,085</u>	<u>\$ 172,248</u>	<u>\$ 40,001</u>	<u>\$ -</u>	<u>\$ 9,985</u>	<u>\$ 261,646</u>

See Independent Auditor's Report.

KENTUCKY HOUSING CORPORATION
COMBINING STATEMENT OF CASH FLOWS – HOUSING REVENUE BOND FUNDS
Year Ended June 30, 2024
(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	\$ 8,819	\$ -	\$ -	\$ -	\$ 610	\$ -	\$ -	\$ 9,429
Operating expenses	(697)	-	-	-	(109)	-	-	(806)
Fundings of housing mortgage loans	(6,095)	-	-	-	-	-	-	(6,095)
Repayments on housing mortgage loans	29,621	-	-	-	3,587	-	-	33,208
Other, net	(556)	551	(114)	-	84	-	(3)	(38)
Net Cash Provided By (Used In) Operating Activities	<u>31,092</u>	<u>551</u>	<u>(114)</u>	<u>-</u>	<u>4,172</u>	<u>-</u>	<u>(3)</u>	<u>35,698</u>
Cash Flows From Noncapital Financing Activities								
Principal payments on revenue bonds	(28,285)	-	-	-	-	-	-	(28,285)
Interest payments on revenue bonds	-	-	(6,562)	-	-	-	-	(6,562)
Interfund transfers - loan collections and investment income	(32,654)	12,360	21,130	-	(2,568)	(177)	(91)	(2,000)
Interfund transfers - transfer of mortgage loans	137	-	(59)	-	(78)	-	-	-
Interfund transfers - retirement of debt	28,033	(13,802)	(11,534)	-	-	-	(2,697)	-
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>(32,769)</u>	<u>(1,442)</u>	<u>2,975</u>	<u>-</u>	<u>(2,646)</u>	<u>(177)</u>	<u>(2,788)</u>	<u>(36,847)</u>
Cash Flows From Investing Activities								
Purchases of investments and mortgage-backed securities	(843)	(13,546)	(28,318)	(35,919)	(5,790)	-	(26,524)	(110,940)
Sales of investments and mortgage-backed securities	2,494	14,243	25,104	33,215	3,706	-	29,221	107,983
Interest received on investments and mortgage-backed securities	167	194	353	2,626	558	177	94	4,169
Net Cash Provided By (Used In) Investing Activities	<u>1,818</u>	<u>891</u>	<u>(2,861)</u>	<u>(78)</u>	<u>(1,526)</u>	<u>177</u>	<u>2,791</u>	<u>1,212</u>
Net Increase (Decrease) in Cash and Cash Equivalents	141	-	-	(78)	-	-	-	63
Cash and Cash Equivalents, Beginning of Year	<u>301</u>	<u>-</u>	<u>-</u>	<u>78</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>379</u>
Cash and Cash Equivalents, End of Year	<u>\$ 442</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 442</u>

(Continued)

KENTUCKY HOUSING CORPORATION
COMBINING STATEMENT OF CASH FLOWS – HOUSING REVENUE BOND FUNDS
Year Ended June 30, 2024
(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)	\$ 8,564	\$ 188	\$ (5,991)	\$ 7,287	\$ 1,070	\$ 177	\$ 90	\$ 11,385
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:								
Provision for losses on loans	(335)	-	-	-	-	-	-	(335)
Interest expense on revenue bonds	-	-	6,355	-	-	-	-	6,355
Interest income on mortgage-backed securities	(164)	-	-	(457)	-	-	-	(621)
Interest income on marketable securities	1	(188)	(364)	(2,174)	(569)	(177)	(90)	(3,561)
Net decrease in fair value of securities	63	-	-	(4,656)	-	-	-	(4,593)
Other income	(7)	-	-	-	-	-	-	(7)
Changes in operating assets and liabilities:								
Fundings of housing mortgage loans	(6,095)	-	-	-	-	-	-	(6,095)
Repayments on housing mortgage loans	29,621	-	-	-	3,587	-	-	33,208
Other, net	(556)	551	(114)	-	84	-	(3)	(38)
Net Cash Provided By Operating Activities	\$ 31,092	\$ 551	\$ (114)	\$ -	\$ 4,172	\$ -	\$ (3)	\$ 35,698

See Independent Auditor's Report.