KENTUCKY HOUSING CORPORATION

FINANCIAL STATEMENTS

June 30, 2026

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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, 2026, 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, 2026, 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*, issued by the Comptroller General of the United States *(Government Auditing Standards)*. 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.

(Continued)

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 28, 2026 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Crowe LLP

Crowe LLP

Lexington, Kentucky
September 28, 2026

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, 2026. It should be read in conjunction with the Corporation's financial statements.

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 Balance Sheet and 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. These statements consist of a Statement of Fiduciary Funds Net Position and a Statement of Changes in Fiduciary Net Position.

Corporation-Wide Financial Statements – Pages 17 and 18

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 for disaster relief and recovery, is funded by appropriations from the state legislature. Other government activities are funded by federal grants.

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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.

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 page 13 of the MD&A and under the Proprietary Funds' financial statements on pages 21-25.

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.

Fund Financial Statements

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

Governmental Funds – Pages 19 and 20

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 B 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 Housing Trust Funds 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%.

Proprietary Funds – Pages 21 through 25

A significant portion of the Corporation's financial resources and activities is reported in the proprietary fund financial statements. Proprietary funds account for approximately 96% of corporate assets, 86% of non-grant revenues, 86% 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.

(Continued)

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 ("HRB") Fund and the Single-Family Mortgage Revenue Bond ("SFMRB") 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 competitive market rates with the intent of selling 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.

In addition to GNMA-eligible products, the Corporation offers conventional mortgage loans purchased under the Fannie Mae and Freddie Mac programs, providing lenders and borrowers with broader product options suited to varying credit profiles and market conditions. These conventional executions complement the Corporation's bond-financed and secondary-market strategies by expanding access to affordable mortgage credit and supporting loan production in different rate environments.

The Corporation also provides down payment assistance to qualified borrowers, which remains a critical component of the Corporation's single-family programs. Down payment assistance increases borrower purchasing power and continues to be a major driver of loan demand across both MRB-financed and secondary-market executions. This support enables the Corporation to serve households facing affordability barriers and strengthens overall program performance.

(Continued)

Financial Summary

Table 1
Statement of Net Position
(in millions)

	Governmental Activities		Business-Type Activities		Total Corporation	
	2026	2025	2026	2025	2026	2025
Current assets	$ 59.6	$ 86.9	$ 559.3	$ 459.9	$ 618.9	$ 546.8
Non-current assets						
Capital Assets	-	-	4.1	4.5	4.1	4.5
Other Assets	-	-	1,057.2	883.2	1,057.2	883.2
Total Assets	59.6	86.9	1,620.6	1,347.6	1,680.2	1,434.5
Current liabilities	44.7	71.4	91.8	70.3	136.5	141.7
Non-current liabilities	-	-	990.8	773.4	990.8	773.4
Total Liabilities	44.7	71.4	1,082.6	843.7	1,127.3	915.1
Net Position:						
Net investment in capital assets	-	-	4.1	4.5	4.1	4.5
Restricted	14.9	15.5	301.2	284.6	316.1	300.1
Unrestricted	-	-	232.7	214.8	232.7	214.8
Net Position	$ 14.9	$ 15.5	$ 538.0	$ 503.9	$ 552.9	$ 519.4

(Continued)

Table 2
Statement of Activities
(in millions)

	Governmental Activities		Business-Type Activities		Total Corporation	
	2026	2025	2026	2025	2026	2025
Revenues						
Charges for services	$ 18.4	$ 19.7	$ 111.3	$ 94.2	$ 129.7	$ 113.9
Operating grants	319.1	303.1	-	0.9	319.1	304.0
Total Revenues	337.5	322.8	111.3	95.1	448.8	417.9
Program Expenses						
HOME program	39.7	18.1	-	-	39.7	18.1
Weatherization assistance	7.3	8.8	-	-	7.3	8.8
Rental assistance	219.8	213.1	-	-	219.8	213.1
Eviction Relief Funds	21.3	16.8	-	-	21.3	16.8
Other federal and state programs	45.4	63.2	-	-	45.4	63.2
Administrative	-	-	11.0	11.3	11.0	11.3
Bond financed loan programs	-	-	52.1	40.1	52.1	40.1
Loan servicing	-	-	8.8	5.6	8.8	5.6
Other loan and housing credit programs	-	-	9.9	7.8	9.9	7.8
Total Program Expenses	333.5	320.0	81.8	64.8	415.3	384.8
Excess before transfers	4.0	2.8	29.5	30.3	33.5	33.1
Interfund transfers in (out)	(4.6)	(4.1)	4.6	4.1	-	-
Increase (Decrease) in Net Position	$ (0.6)	$ (1.3)	$ 34.1	$ 34.4	$ 33.5	$ 33.1

(Continued)

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

	2026	2025	Change
Program-Purpose Assets:			
Mortgage loans and real estate owned	$ 286.6	$ 286.9	$ (0.3)
Mortgage-backed securities	831.2	585.2	246.0
Housing construction loans	1.0	0.8	0.2
Other loans	1.2	1.5	(0.3)
Total Program-Purpose Assets	1,120.0	874.4	245.6
Cash and Investments	442.0	417.5	24.5
Loans held for sale	44.1	40.3	3.8
Capital assets	4.1	4.5	(0.4)
Other assets	10.4	10.9	(0.5)
Total Assets	1,620.6	1,347.6	273.0
Bonds payable	1,026.2	794.8	231.4
Other liabilities	56.4	48.9	7.5
Total Liabilities	1,082.6	843.7	238.9
Net Position:			
Net investment in capital assets	4.1	4.5	(0.4)
Restricted	301.2	284.6	16.6
Unrestricted	232.7	214.8	17.9
Fund Net Position	$ 538.0	$ 503.9	$ 34.1

(Continued)

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

	2026	2025	Change
Interest income on loans	$ 15.8	$ 16.7	$ (0.9)
Gains on sales of loans held for sale	10.5	8.4	2.1
Fees, charges and other income	22.7	22.0	0.7
Total operating revenues	49.0	47.1	1.9
Provision for loan losses	2.4	1.0	1.4
General and administrative	24.1	20.5	3.6
Loan origination costs	9.2	8.9	0.3
Other expenses	1.3	1.7	(0.4)
Total operating expenses	37.0	32.1	4.9
Operating income	12.0	15.0	(3.0)
Interfund transfers	4.6	4.1	0.5
Total noncapital subsidies	4.6	4.1	0.5
Operating income and noncapital subsidies	16.6	19.1	(2.5)
Interest income on mortgage-backed securities	39.2	23.8	15.4
Interest income on marketable securities	9.8	9.4	0.4
Increase in fair value of securities	13.1	14.8	(1.7)
Interest expense on revenue bonds and lines of credit	(42.2)	(30.2)	(12.0)
Debt issuance costs	(2.4)	(2.5)	0.1
Total other nonoperating revenues and (expenses)	17.5	15.3	2.2
Changes in fund net position	$ 34.1	$ 34.4	$ (0.3)

(Continued)

Detailed Analyses

- Corporation-wide net position increased by $33.5 million in fiscal year 2026. This change reflects a $34.1 million increase in business-type activities, driven by continued mortgage loan production, expanded mortgage-backed securities holdings, and related investment earnings, partially offset by a $0.6 million decrease in governmental activities. Governmental activities remain restricted to program purposes and subject to annual federal and state appropriations, and the decrease reflects higher program expenditures relative to revenues.

- Single-family loan originations totaled $606 million, an increase of $27 million over the prior year. In July 2023, the Corporation reinstated its Mortgage Revenue Bond (MRB) program to support first-time homebuyer activity and to complement the Secondary Market Mortgage Purchase Program (SMMP) in a higher interest-rate environment. In fiscal year 2026, 46% of loan originations were financed through MRBs, while 54% were financed through SMMP, a 5% increase in SMMP utilization compared to fiscal year 2025.

  As a result of this shift in financing mix, the Corporation realized an increase in net secondary-market cash trading gains of $1.7 million, increasing from $3.9 million in fiscal 2025 to $5.6 million in fiscal year 2026. Fee income associated with loan production totaled $0.6 million, a decrease of $0.1 million from the prior year. This reduction reflects lower fee income from third-party originator (TPO) lenders, which represented a smaller portion of the Corporation's lender network compared to previous years.

- The Corporation's single-family servicing portfolio increased by $249 million to $3.8 billion, reflecting higher originations combined with slower prepayment activity amid elevated interest rate environment. Servicing fee revenue increased from $13.7 million to $14.3 million due to portfolio growth. Loans within the Housing Revenue Bond Fund decreased by $23 million to $144 million, while mortgage-backed securities within the Single-Family Mortgage Revenue Bond Fund increased by $234 million, bringing MBS holdings to $763 million at year-end.

- The Corporation continued to administer federal and state funded programs, with expenditures increasing $13.5 million compared to fiscal year 2025. Expenditures increased in the HOME program by $21.6 million driven by multifamily project investments, Other Housing Funds increased by $3.2 million due to expanded federal allocations, and Rental Assistance expenditures increased by $6.7 million as higher Fair Market Rents increased Housing Assistance Payments. Eviction Relief Fund expenditures also increased by $4.5 million as remaining pandemic-related funds were fully exhausted. These increases were offset by a $20.9 million decrease in the Homeownership Assistance Program as available COVID-related program funding concluded in fiscal year 2026.

- Overall financial position increased by $1.4 million before fair-value adjustments, reflecting stronger net interest income, higher trading gains, increased fee and other income, and slightly higher transfers from governmental activities. These increases were partly offset by higher general and administrative costs primarily related to mortgage servicing requirements, along with higher loan loss provisions and origination-related expenses. Additional details on revenues, expenses, and changes in net position are presented in Tables 2–4**.**

(Continued)

Table 1 – Statement of Net Position

Prior-year (fiscal year 2025) comparative amounts presented in Table 1 have been updated to reflect the implementation of GASB Statement No. 103, Financial Reporting Model Improvements. These updates align prior-year totals with the revised reporting model and presentation requirements adopted for fiscal year 2026. The restatement does not represent a change in underlying financial performance; rather, it ensures comparability between fiscal years in accordance with the new GASB standard.

The net position of the governmental activities decreased from $15.5 million to $14.9 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.

The net position of the Corporation's business-type activities increased from $503.9 million to $538.0 million as a result of total revenues of $111.3 million, total program expenses of $81.8 million, and transfers in from government operations of $4.6 million, for a net increase in net position of business-type activities of $34.1 million. Comparisons of the changes in net position between fiscal years 2026 and 2025, as shown in Table 4, provide additional insight into the Corporation's operating performance.

Table 2 – Statement of Activities

Total revenues for governmental activities were $337.5 million during fiscal year 2026, a $14.7 million increase from the $322.8 million in revenues in fiscal year 2025. The increase was due to a $16.0 million increase in operating grants and a $1.3 million decrease in charges for services. Fiscal year 2026 operating grants include federal funding for Rental Assistance of $213.5 million, HOME of $37.9 million, Healthy at Home Eviction Relief Funds of $20.8 million, Homeowner Assistance of $8.5 million and Weatherization of $5.8 million, which collectively represent 90% of total operating grant revenues.

The Corporation receives fees or charges for services for federal program administration. These revenues decreased from $19.7 million in 2025 to $18.4 million during fiscal year 2026. 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 2026, $18.4 million in fee revenue was received and $13.8 million in operating expenses were incurred thereby enabling a $4.6 million transfer out, a $0.5 million increase from the $4.1 million transferred in 2025.

Program expenses for governmental activities increased during 2026 by $13.5 million. Program expenses for governmental activities during 2026 were $333.5 million, comprised of grants of $319.7 million and operating expenses of $13.8 million. In fiscal 2025, total program expenses were $320.0 million with grants of $304.4 million and operating expenses of $15.6 million.

Total revenues for business-type activities were $111.3 million during fiscal year 2026, a $16.2 million increase from the $95.1 million of revenues in fiscal year 2025. For fiscal 2026, gross gains on the sale of loans held for sale increased $2.1 million, interest earnings from loans decreased $0.8 million, interest earnings on mortgage-backed securities and other investments increased $15.8 million, fees, charges and other income increased $0.7 million and the change in fair value of securities decreased $1.6 million.

Program expenses for business-type activities increased $17.0 million from $64.8 million in 2025 to $81.8 million in 2026. Bond financed loan program expenses increased by $12.0 million, administrative expenses, or expenses not directly attributable to programs decreased by $0.3 million, loan servicing expenses increased by $3.2 million and other loan program expenses increased by $2.1 million. The line items related to these expenses are presented in detail in Table 2.

(Continued)

The excess of revenues over expenses for business-type activities was $29.5 million in 2026 compared to $30.3 million in 2025, a decrease of $0.8 million. As described above and in additional detail under "Proprietary Funds," the decrease is due to a $16.2 million increase in revenues and a $17.0 million increase in expenses. Transfers-in were $4.6 million in 2026, a $0.5 million increase from 2025. Such changes in revenues, expenses and transfers resulted in an increase in business-type activities change in net position of $34.1 million.

Table 3 – Proprietary Funds Net Position

Total program-purpose assets at June 30, 2026 were $1,120.0 million. Mortgage loans, mortgage-backed securities, housing construction loans and other loans increased by $245.6 million or 28% during 2026, driven by expanded mortgage-backed securities holdings. The increase was the result of program loan fundings of $70.5 million, program loan repayments of $69.6 million, decrease in accrued loan interest of $0.1 million and increase in loan loss provision of $1.2 million, plus a net increase in mortgage-backed securities of $246.0 million, resulting from purchases of $283.0 million, normal amortization and prepayments totaling $48.0 million, and changes in fair value and premium amortization netting to $11.0 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, 2026, the Debt Service Reserve requirement was $15.7 million and the amount on deposit was $189.2 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 $59.5 million of the remaining $173.5 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 Single-Family Mortgage Revenue Bond Indenture does not have a debt service reserve requirement.

During 2026, the Corporation incurred line of credit borrowings and principal repayments in the amount of $153.2 million. The Corporation also issued $275.0 million of bonds payable. Total bond principal repayments were $52.1 million and the change in net unamortized bond premium was $8.5 million. As a result of this activity, bonds outstanding increased $231.4 million and the lines of credit balance remained at zero. Ratings for the Housing Revenue Bond Indenture (AAA by S&P; Aaa by Moody's) and the General Indenture (Aa1 by Moody's) continue to support stable access to capital markets.

Table 4 - Proprietary Funds Revenues, Expenses, and Changes in Net Position

Prior-year (fiscal year 2025) comparative amounts presented in Table 4 have been updated to reflect the implementation of GASB Statement No. 103, Financial Reporting Model Improvements. These updates align prior-year totals with the revised reporting model and presentation requirements adopted for fiscal year 2026. The restatement does not represent a change in underlying financial performance; rather, it ensures comparability between fiscal years in accordance with the new GASB standard.

The change in fund net position increased by $34.1 million in 2026, compared to a $34.4 million increase for 2025. The $34.1 million increase is attributable to several factors. Total operating revenues, comprised of interest income on loans, gains on sales of loans held for sale and fees, charges and other income, increased $1.9 million, from $47.1 million in 2025 to $49.0 million in 2026.

Total operating expenses increased $4.9 million, from $32.1 million in 2025 to $37.0 million in 2026. This increase reflects higher loan loss provisioning due to portfolio trends, increased administrative costs, and higher loan origination and servicing expenses associated with expanded lending and servicing activity.

(Continued)

Total noncapital subsidies, consisting of interfund transfers, increased $0.5 million, from $4.1 million in 2025 to $4.6 million in 2026, reflecting higher fee revenue available for transfer from governmental activities.

Total other nonoperating revenues and expenses, comprised of interest income on mortgage-backed securities, interest income on marketable securities, change in fair value of securities, interest expense on revenue bonds and lines of credit and debt issuance costs, increase by $2.2 million, from a net $15.3 million of revenues in 2025 to a net of $17.5 million of revenues in 2026. This increase is primarily due to higher interest earnings on MBS and marketable securities, offset slightly by lower fair value changes and higher interest expense associated with new bond issuances.

Together, these factors resulted in a $34.1 million increase in fund net position in 2026, compared to $34.4 million in 2025. The slight decrease reflects higher program costs and market conditions affecting fair value and interest expense, partially offset by stronger investment earnings and loan sale gains.

Significant Capital Asset and Long-Term Financing Activity

There was no significant capital asset activity during the year.

During the fiscal year, the Corporation issued $275.0 million in mortgage revenue bonds under a parity indenture. Proceeds from the issuance were used to finance ongoing loan origination activities within the Housing Finance Program, sustaining liquidity and supporting affordable housing lending. The issuance aligned with existing debt capacity, and no changes occurred to statutory debt limitations during the year.

During the same period, Moody's Investors Service downgraded the Corporation's Single Family Mortgage Revenue Bond Indenture rating from Aaa to Aa1. This action did not reflect a change in the Corporation's financial condition; rather, it resulted from Moody's recent downgrade of the United States Government, which affected securities backed by federal obligations, particularly GNMA mortgage-backed securities, which serve as collateral within the Indenture. While the downgrade may influence future borrowing costs, the Corporation continues to maintain strong program performance and reserves that support overall credit stability.

Currently Known Facts, Decisions, or Conditions

The Corporation's future financial position and performance continue to depend on a range of economic, regulatory, and financial conditions, along with management's ongoing evaluation of and response to those conditions. The Corporation's governmental activities rely on intergovernmental revenues provided by the federal government and the Commonwealth of Kentucky, and the ability to expand or sustain these programs remains subject to statutory authority and governmental budget appropriations. Proprietary activities are influenced by broader market conditions, including elevated interest rates, persistent housing supply shortages, inflationary pressures, and geopolitical uncertainty, all of which continue to affect the Corporation's financial outlook. Additionally, national and global developments, including mid-term election outcomes, shifts in federal trade policy such as tariffs, and geopolitical conflicts that influence supply chains and financial markets could affect borrowing costs, construction pricing, investor sentiment, and the availability of federal resources. These evolving conditions may indirectly shape demand for the Corporation's programs and the cost of delivering them.

(Continued)

Management remains attentive to interest rate movements and their impact on the Corporation's operations. While rising interest rates increase investment returns, they also raise variable rate debt costs and mortgage lending rates. Higher rates continue to suppress loan payoff activity, which helps maintain the Corporation's income-producing servicing portfolio. To support single-family mortgage originations in an elevated interest rate environment, the Corporation has relied on bond financing for the past three fiscal years and will continue to do so in fiscal year 2027. The Corporation also continues to utilize the Secondary Market Mortgage Purchase Program; however, demand from secondary market participants for securities with higher coupons has weakened due to expectations of increased prepayments once interest rates decline. Flexibility in choosing between bond execution and secondary market financing remains essential to meeting the Corporation's mission and ensuring the lowest cost of funds.

As part of its financing strategy, and for the first time in nearly a decade, the Corporation established a contemporary Single Family Mortgage Revenue Bond Indenture in 2023 under which to issue mortgage revenue bonds. The Housing Revenue Bond indenture is expected to continue shrinking, resulting in declining net interest income. As opportunities arise, Corporation staff will continue to employ bond refunding and interest rate management strategies to maximize net interest income generated from the Housing Revenue Bond Fund portfolio.

With nearly all single-family loan originations dependent on Corporation-provided down payment assistance, changes in the competitive landscape or limitations in funding sources may influence future loan volume and pricing. Management remains focused on sourcing sustainable funding and designing down payment assistance programs that are beneficial to both the Corporation and borrowers. Demand for these resources continues to increase as higher interest rates and rising home prices place greater pressure on borrowers.

The Corporation continues to expand its presence in the multifamily housing market to deploy resources more effectively, including low-income housing tax credits and conduit bonds, to support both new construction and preservation activities. Participation in these activities continues to grow, benefiting families throughout the Commonwealth and generating revenue opportunities for the Corporation. Because many of these efforts rely on Private Activity Bond Cap, which remains limited, management is closely monitoring competing priorities for this critical resource.

Management is monitoring potential changes to federal housing policies and any shifts in the roles of Fannie Mae and Freddie Mac that may require adjustments to the Corporation's programs. Legislative or regulatory actions may affect the Corporation's ability to fulfill its mission, and management will continue working with national partners to mitigate adverse impacts and support beneficial changes.

The Corporation's longstanding focus on U.S. Government insured/guaranteed and conventional insured mortgage lending, combined with conservative investment practices, continues to limit exposure to default risk. Most servicing related to Fannie Mae and Freddie Mac loans remains subject to agency recourse, and GNMA mortgage-backed securities present minimal underlying default risk. As pandemic-era forbearance programs conclude and longer-term mortgage assistance programs take hold, management anticipates some continued increase in default or foreclosure activity. Unexpected economic disruptions could exacerbate losses; however, management believes current allowance levels are adequate. Additional information regarding the Corporation's single-family portfolio, mortgage-backed securities, loan loss allowances, and servicing activities is included in Notes C, D, E, and F of the financial statements.

(Continued)

The Corporation recognizes the significant challenges involved in creating and preserving affordable housing across the Commonwealth. In 2024, the Corporation retained a national research firm to conduct a statewide Housing Supply Gap Analysis for both rental and for-sale housing. The analysis confirms that housing shortages persist across all income levels, including those served by the Corporation. Addressing this challenge will require extensive resources and collaboration across the Commonwealth. Corporation staff will continue sharing the results of the analysis with all stakeholders and gathering feedback on strategies to support long-term housing availability and affordability.

As part of its strategy to address Kentucky's housing supply shortages, the Corporation launched the Shared Appreciation Mortgage (SAM) program in July 2026, focusing on supporting new construction. The SAM program provides eligible homebuyers with a 0% interest second mortgage of up to 25% of the purchase price in exchange for a share of future appreciation, reducing upfront costs and lowering the first-mortgage payment amount. This structure is designed to stimulate new housing production while expanding access to affordable homeownership.

The most recent legislative session reflected a substantial increase in attention to housing policy. Lawmakers introduced more housing-related bills than in any session in recent history, signaling growing recognition of the Commonwealth's significant housing challenges. Although many of these proposals did not ultimately advance, the elevated level of legislative engagement underscores the urgency of addressing Kentucky's housing needs. Importantly, lawmakers approved an additional $5.0 million allocation to the Affordable Housing Trust Fund, $2.5 million for fiscal year 2027 and $2.5 million for fiscal year 2028. This reinforces the state's commitment to expanding housing opportunities. This investment will support targeted initiatives aimed at increasing affordable housing supply and addressing persistent gaps affecting communities across Kentucky.

Consistent with its mission, the Corporation remains committed to providing Kentuckians with safe, affordable housing opportunities through single-family financing, rental assistance, multifamily housing initiatives, and supportive housing for special-needs populations. The Corporation has weathered numerous economic cycles by balancing mission delivery with prudent resource management, ensuring long-term organizational stability. This enduring commitment is central to the Corporation's role 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, 2026. 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, Email: tmthurston@kyhousing.org.

KENTUCKY HOUSING CORPORATION
CORPORATION-WIDE STATEMENT OF NET POSITION
June 30, 2026
(Dollars in thousands)

	Governmental Activities	Business-Type Activities	Combined Totals
ASSETS			
Current Assets			
Cash and cash equivalents	$ 45,063	$ 31,716	$ 76,779
Investment securities	12,896	365,858	378,754
Mortgage-backed securities	-	82,773	82,773
Housing mortgage loans held for sale	-	44,127	44,127
Housing mortgage loans	-	26,901	26,901
Housing construction loans	-	973	973
Other loans	-	104	104
Accounts receivable and other assets	2,843	5,655	8,498
Interfund accounts	(1,151)	1,151	-
Total Current Assets	59,651	559,258	618,909
Noncurrent Assets			
Investment securities	-	44,417	44,417
Mortgage-backed securities	-	748,416	748,416
Housing mortgage loans	-	258,731	258,731
Other loans	-	1,128	1,128
Real estate owned-net and related receivables	-	926	926
Capital assets	-	4,115	4,115
Other noncurrent assets	-	3,604	3,604
Total Noncurrent Assets	-	1,061,337	1,061,337
Total Assets	59,651	1,620,595	1,680,246
LIABILITIES			
Current Liabilities			
Accounts payable and program advances	18,668	1,250	19,918
Unearned pass-through grant revenues	26,080	-	26,080
Accrued interest payable	-	22,456	22,456
Escrows and project reserves	-	21,928	21,928
Revenue bonds, due within one year	-	46,120	46,120
Total Current Liabilities	44,748	91,754	136,502
Noncurrent Liabilities			
Revenue bonds, due after one year	-	980,048	980,048
Other noncurrent liabilities	-	10,764	10,764
Total Noncurrent Liabilities	-	990,812	990,812
Total Liabilities	44,748	1,082,566	1,127,314
NET POSITION			
Net investment in capital assets	-	4,115	4,115
Restricted by			
Revenue bond indenture	-	289,668	289,668
Enabling legislation	-	11,530	11,530
Program requirements	14,903	-	14,903
Unrestricted	-	232,716	232,716
Net Position	$ 14,903	$ 538,029	$ 552,932

See Notes to Financial Statements.

KENTUCKY HOUSING CORPORATION
CORPORATION-WIDE STATEMENT OF ACTIVITIES
Year ended June 30, 2026
(Dollars in thousands)

Functions/Activities	Direct Expenses: Grants	Direct Expenses: Operating	Program Revenues: Charges for Services	Program Revenues: Operating Grants	Net (Expense) Revenues and Changes in Net Position: Governmental Activities	Net (Expense) Revenues and Changes in Net Position: Business-Type Activities	Net (Expense) Revenues and Changes in Net Position: Total
Governmental Activities							
HOME program	$ 37,928	$ 1,759	$ 1,759	$ 37,928	$ -	$ -	$ -
Eviction relief funds	20,826	472	472	20,826	-	-	-
Weatherization assistance	5,846	1,446	1,446	5,846	-	-	-
Rental assistance	213,544	6,206	10,857	213,544	4,651	-	4,651
Other federal and state housing programs	41,599	3,837	3,837	41,025	(574)	-	(574)
Total Governmental Activities	319,743	13,720	18,371	319,169	4,077	-	4,077
Business-Type Activities							
Administrative	678	10,376	2,584	-	-	(8,470)	(8,470)
Bond financed loan programs	-	52,134	67,240	-	-	15,106	15,106
Loan servicing	-	8,746	13,099	-	-	4,353	4,353
Other loan and housing credit programs	-	9,885	28,374	-	-	18,489	18,489
Total Business-Type Activities	678	81,141	111,297	-	-	29,478	29,478
Total Activities	$ 320,421	$ 94,861	$ 129,668	$ 319,169	4,077	29,478	33,555
Transfers					(4,651)	4,651	-
Change in Net Position					(574)	34,129	33,555
Net Position, Beginning of Year					15,477	503,900	519,377
Net Position, End of Year					$ 14,903	$ 538,029	$ 552,932

See Notes to Financial Statements.

KENTUCKY HOUSING CORPORATION
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2026
(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	$ 269	$ 24,150	$ 14,823	$ -	$ 43	$ 1,964	$ 3,121	$ 693	$ 45,063
Investment securities	12,805	-	-	-	-	-	-	91	12,896
Accounts receivable and other assets	-	321	1,084	-	486	-	-	952	2,843
Interfund accounts	(27)	(30)	(212)	-	(228)	(365)	(12)	(277)	(1,151)
Total Current Assets	13,047	24,441	15,695	-	301	1,599	3,109	1,459	59,651
Noncurrent Assets									
Program loans	31,032	446	147,858	16,430	-	-	-	31,155	226,921
Less loan loss provision	(31,032)	(446)	(147,858)	(16,430)	-	-	-	(31,155)	(226,921)
Total Noncurrent Assets	-	-	-	-	-	-	-	-	-
Total Assets	$ 13,047	$ 24,441	$ 15,695	$ -	$ 301	$ 1,599	$ 3,109	$ 1,459	$ 59,651
LIABILITIES									
Current Liabilities									
Accounts payable and program advances	$ 81	$ -	$ 15,676	$ -	$ 301	$ 1,599	$ -	$ 1,011	$ 18,668
Unearned revenue	-	22,971	-	-	-	-	3,109	-	26,080
Total Current Liabilities	81	22,971	15,676	-	301	1,599	3,109	1,011	44,748
FUND BALANCE									
Restricted by program requirements	12,966	1,470	19	-	-	-	-	448	14,903
Total Liabilities and Fund Balance	$ 13,047	$ 24,441	$ 15,695	$ -	$ 301	$ 1,599	$ 3,109	$ 1,459	$ 59,651

See Notes to Financial Statements.

KENTUCKY HOUSING CORPORATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS
Year Ended June 30, 2026
(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	$ 273	$ 211	$ 1,759	$ 472	$ 1,446	$ 10,857	$ 647	$ 2,706	$ 18,371
Pass-through grant revenues	4,756	4,055	37,928	20,826	5,846	213,544	8,476	23,738	319,169
Total Revenues	5,029	4,266	39,687	21,298	7,292	224,401	9,123	26,444	337,540
Expenditures									
General and administrative	273	211	1,759	472	1,446	6,206	647	2,706	13,720
Pass-through grant expenditures	4,912	3,502	37,928	20,826	5,846	213,544	8,476	24,709	319,743
Total Expenditures	5,185	3,713	39,687	21,298	7,292	219,750	9,123	27,415	333,463
Revenues in Excess of Expenditures	(156)	553	-	-	-	4,651	-	(971)	4,077
Other Financing Sources (Uses)									
Interfund Transfers	-	-	-	-	-	(4,651)	-	-	(4,651)
Change in Fund Balance	(156)	553	-	-	-	-	-	(971)	(574)
Fund Balance, Beginning of Year	13,122	917	19	-	-	-	-	1,419	15,477
Fund Balance, End of Year	$ 12,966	$ 1,470	$ 19	$ -	$ -	$ -	$ -	$ 448	$ 14,903

See Notes to Financial Statements.

KENTUCKY HOUSING CORPORATION
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
June 30, 2026
(Dollars in thousands)

	General Funds	Housing Revenue Bond Funds	Single Family Mortgage Revenue Bond Funds	Housing Development Fund	Combined Totals
ASSETS					
Current Assets					
Cash and cash equivalents	$ 31,050	$ 194	$ 314	$ 158	$ 31,716
Investment securities	8,685	162,201	184,573	10,399	365,858
Mortgage-backed securities	1,452	1,673	79,648	-	82,773
Housing mortgage loans held for sale	44,127	-	-	-	44,127
Housing mortgage loans	14,195	12,706	-	-	26,901
Housing construction loans	-	-	-	973	973
Other loans	104	-	-	-	104
Accounts receivable and other assets	5,655	-	-	-	5,655
Interfund accounts	13,185	-	(12,034)	-	1,151
Total Current Assets	118,453	176,774	252,501	11,530	559,258
Noncurrent Assets					
Investment securities	-	44,417	-	-	44,417
Mortgage-backed securities	16,039	18,482	713,895	-	748,416
Housing mortgage loans	126,359	132,372	-	-	258,731
Other loans	1,128	-	-	-	1,128
Real estate owned-net and related receivables	926	-	-	-	926
Capital assets	4,115	-	-	-	4,115
Other noncurrent assets	3,604	-	-	-	3,604
Total Noncurrent Assets	152,171	195,271	713,895	-	1,061,337
Total Assets	$ 270,624	$ 372,045	$ 966,396	$ 11,530	$ 1,620,595

(Continued)

KENTUCKY HOUSING CORPORATION
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
June 30, 2026
(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	$ 1,101	$ -	$ 149	$ -	$ 1,250
Accrued interest payable	-	1,599	20,857	-	22,456
Funds pending investor remittance	21,928	-	-	-	21,928
Revenue bonds	-	16,500	29,620	-	46,120
Total Current Liabilities	23,029	18,099	50,626	-	91,754
Noncurrent Liabilities					
Revenue bonds	-	68,413	911,635	-	980,048
Other noncurrent liabilities	10,764	-	-	-	10,764
Total Noncurrent Liabilities	10,764	68,413	911,635	-	990,812
Total Liabilities	33,793	86,512	962,261	-	1,082,566
NET POSITION					
Net investment in capital assets	4,115	-	-	-	4,115
Restricted by					
Revenue bond indenture	-	285,533	4,135	-	289,668
Enabling legislation	-	-	-	11,530	11,530
Unrestricted	232,716	-	-	-	232,716
Net Position	$ 236,831	$ 285,533	$ 4,135	$ 11,530	$ 538,029

See Notes to Financial Statements.

KENTUCKY HOUSING CORPORATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION – PROPRIETARY FUNDS
Year ended June 30, 2026
(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	$ 8,822	$ 7,005	$ -	$ 34	$ 15,861
Gains on sales of loans held for sale	10,529	-	-	-	10,529
Fees, charges and other income	21,878	106	787	-	22,771
Total Operating Revenues	41,229	7,111	787	34	49,161
Operating Expenses					
Provision for losses on loans	2,511	(58)	-	(8)	2,445
General and administrative	24,142	-	-	-	24,142
Housing assistance grants	678	-	-	-	678
Mortgage loan servicers' fees	82	575	-	-	657
Loan origination costs	5,104	-	4,139	-	9,243
Total Operating Expenses	32,517	517	4,139	(8)	37,165
Operating Income (Loss)	8,712	6,594	(3,352)	42	11,996
Noncapital Subsidies					
Interfund Transfers	6,651	(1,000)	(1,000)	-	4,651
Total Noncapital Subsidies	6,651	(1,000)	(1,000)	-	4,651
Operating Income (Loss) and Noncapital Subsidies	15,363	5,594	(4,352)	42	16,647
Other Nonoperating Revenues and Expenses					
Interest and fee income					
Mortgage-backed securities	993	827	37,388	-	39,208
Marketable securities	1,041	4,621	3,725	387	9,774
Net increase (decrease) in fair value of securities	373	3,098	9,683	-	13,154
Interest on revenue bonds and lines of credit	(246)	(3,601)	(38,434)	-	(42,281)
Debt issuance costs	-	-	(2,373)	-	(2,373)
Total Other Nonoperating Revenues and Expenses	2,161	4,945	9,989	387	17,482
Change in Net Position	17,524	10,539	5,637	429	34,129
Net Position, Beginning of Year	219,307	274,994	(1,502)	11,101	503,900
Net Position, End of Year	$ 236,831	$ 285,533	$ 4,135	$ 11,530	$ 538,029

See Notes to Financial Statements.

KENTUCKY HOUSING CORPORATION
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
Year Ended June 30, 2026
(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	$ 8,822	$ 7,005	$ -	$ 34	$ 15,861
Gain on sales of loans held for sale	10,529	-	-	-	10,529
Fees, charges and other income	22,543	-	-	-	22,543
Personnel costs	(17,584)	-	-	-	(17,584)
Operating expenses	(11,319)	(575)	(4,139)	-	(16,033)
Housing assistance grants	(678)	-	-	-	(678)
Fundings of housing mortgage loans	(676,306)	-	-	-	(676,306)
Repayments on housing mortgage loans	43,599	24,070	-	-	67,669
Conversion of mortgage loans to mortgage-backed securities and loans sold on secondary market	602,513	-	-	-	602,513
Net changes in housing construction loans	-	-	-	(152)	(152)
Other, net	(1,574)	96	1,103	-	(375)
Net Cash Provided By (Used In) Operating Activities	(19,455)	30,596	(3,036)	(118)	7,987
Cash Flows From Noncapital Financing Activities					
Proceeds from lines of credit and issuance of revenue bonds	153,150	-	275,000	-	428,150
Proceeds from bond premium	-	-	10,233	-	10,233
Payments for debt issuance costs	-	-	(2,373)	-	(2,373)
Principal payments on revenue bonds and line of credit	(153,150)	(30,120)	(22,025)	-	(205,295)
Interest payments on lines of credit and revenue bonds	(246)	(4,348)	(32,978)	-	(37,572)
Changes in funds pending investor remittance	2,729	-	-	-	2,729
Interfund transfers	6,651	(1,000)	(1,000)	-	4,651
Net Cash Provided By (Used In) Noncapital Financing Activities	9,134	(35,468)	226,857	-	200,523
Cash Flows From Capital and Related Financing Activities					
Acquisition of capital assets	(141)	-	-	-	(141)
Cash Flows From Investing Activities					
Purchases of investments and mortgage-backed securities	(951,227)	(124,021)	(388,416)	(2,563)	(1,466,227)
Sales of investments and mortgage-backed securities	677,268	123,492	-	715	801,475
Transfers of mortgage-backed securities	276,214	-	(276,214)	-	-
Gain on sales of investments and mortgage-backed securities	-	-	400,901	-	400,901
Interest received on investments and mortgage-backed securities	2,003	5,322	40,222	387	47,934
Net Cash Provided By (Used In) Investing Activities	4,258	4,793	(223,507)	(1,461)	(215,917)
Net Increase (Decrease) in Cash and Cash Equivalents	(6,204)	(79)	314	(1,579)	(7,548)
Cash and Cash Equivalents, Beginning of Year	37,254	273	-	1,737	39,264
Cash and Cash Equivalents, End of Year	$ 31,050	$ 194	$ 314	$ 158	$ 31,716

(Continued)

KENTUCKY HOUSING CORPORATION
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
Year Ended June 30, 2026
(Dollars in thousands)

	General Funds	Housing Revenue Bond Funds	Single Family Mortgage Revenue Bond Funds	Housing Development Fund	Combined Totals
Reconciliation of Operating Income to Net Cash Provided By (Used In) Operating Activities					
Operating income	$ 8,712	$ 6,594	$ (3,352)	$ 42	$ 11,996
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:					
Provision for losses on loans	2,511	(58)	-	(8)	2,445
Amortization of intangible asset	1,153	-	-	-	1,153
Depreciation expense	492	-	-	-	492
Other income	-	(106)	(787)	-	(893)
Changes in operating assets and liabilities:					
Fundings of housing mortgage loans	(676,306)	-	-	-	(676,306)
Repayments on housing mortgage loans	43,599	24,070	-	-	67,669
Conversion of mortgage loans to mortgage backed securities and loans sold on secondary market	602,513	-	-	-	602,513
Housing construction loans	-	-	-	(152)	(152)
Other, net	(2,129)	96	1,103	-	(930)
Net Cash Provided By (Used In) Operating Activities	$ (19,455)	$ 30,596	$ (3,036)	$ (118)	$ 7,987

See Notes to Financial Statements.

KENTUCKY HOUSING CORPORATION
STATEMENT OF FIDUCIARY FUNDS NET POSITION
June 30, 2026
(Dollars in thousands)

	Custodial Funds
ASSETS	
Current Assets	
Cash and cash equivalents	$ 76,998
Total Assets	76,998
LIABILITIES	
Current Liabilities	
Escrows and project reserves	2,028
Total Liabilities	2,028
NET POSITION	
Restricted by	
Individuals and organizations	74,970
Unrestricted	-
Net Position	$ 74,970

See Notes to Financial Statements.

KENTUCKY HOUSING CORPORATION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended June 30, 2026
(Dollars in thousands)

	Custodial Funds
ADDITIONS	
Escrows and project reserves	$ 198,697
Total Additions	198,697
DEDUCTIONS	
Payments of property tax to other governments, insurance premiums, and replacement reserve disbursements	197,522
Total Deductions	197,522
Change in Net Position	1,175
Net Position, Beginning of Year	73,795
Net Position, End of Year	$ 74,970

See Notes to Financial Statements.

Note A--Compliance with Enabling Legislation and Bond Resolutions

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

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 and 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.

Healthy at Home Eviction Relief Fund 2.0: 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)

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, Single Family Mortgage 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 26-27 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.

(Continued)

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)

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

Compensated Absences: In accordance with GASB Statement No. 101, *Compensated Absences*, a liability is recognized for leave that has not been used if the leave is attributable to services already rendered, the leave accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

Vacation leave is accrued as it is earned and is payable in full upon separation from employment. Sick and personal leave is accrued as it is earned; however, only to the extent it meets the criteria noted above. Other forms of compensated absences (bereavement, jury duty, and charitable leave) are evaluated for recognition in accordance with GASB 101 criteria, however, no liability has been accrued for these leaves as of June 30, 2026.

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 intergovernmental 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.*

(Continued)

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

Program Revenues: Program revenues in the Corporation-wide statement of activities are reported in two categories consisting of (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 interest and fee income from housing mortgage and construction loans as operating revenues and the corresponding provision for losses on loans and loan origination costs as operating expenses since they are generated from the Corporation's daily operations needed to carry out its statutory purpose. All revenues and expenses related to the investments, servicing, and financing of these programs are recorded as other nonoperating revenues and expenses.

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 the following accounting standards during the year:

- GASB Statement No. 103, *Financial Reporting Model Improvements*. For the fiscal year ending June 30, 2026. The implementation of GASB 103 resulted in presentation-related updates to the Management's Discussion and Analysis (MD&A) and the Proprietary Fund Statement of Revenues, Expenses, and Changes in Net Position. These changes did not affect the Corporation's underlying financial position or operating results; rather, they ensure comparability across fiscal years and enhance the effectiveness of the reporting framework.

- GASB Statement No. 104, *Disclosure of Certain Capital Assets.* For the fiscal year ending June 30, 2026. The implementation of the GASB had no effect on the Corporation.

(Continued)

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, 2026, the carrying amount of the Corporation's cash and cash equivalents was $76,779 and the bank balance was $74,259. The difference between the carrying amount and the bank balance is a result of transactions in transit. Of the $74,259 bank balance, $13,939 was insured by federal depository insurance, $47,967 was collateralized and $12,353 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 $65,596 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, $45,063 is restricted in governmental activities and $24,533 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 $76,998.

Investment and Mortgage-Backed Securities: At June 30, 2026 the Corporation has the following:

Investment Type	Fair Value	Effective Duration (in Years)
U.S. government-sponsored enterprises	$ 79,879	0.07
GNMA mortgage-backed securities	831,189	3.03
Money market funds	343,292	0.00
Total Investment and Mortgage-Backed Securities	1,254,360	2.01
Less amounts shown as current assets	461,527	
Noncurrent Investment and Mortgage-Backed Securities	$ 792,833	

(Continued)

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

Interest Rate Risk: In general, the Corporation's investment strategy is designed to match the life of the 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, 2026:

Investment Type	Moody's Rating
GNMA mortgage-backed securities	Aa1
U.S. government-sponsored enterprises	Aa1
Money market funds	Not rated

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

Concentration of Credit Risk: The Corporation's investment policy places no limit on the amount the Corporation may invest in any one issuer. Investments in issuers exceeding 5% of the Corporation's portfolio at June 30, 2026 consist of the following:

Issuer	Fair Value	Percentage of Portfolio
U.S. government-sponsored enterprises	$ 79,879	6%
GNMA	831,189	66%
Dreyfus	343,292	28%

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 $814,336 as of June 30, 2026, included in the above amount, the Corporation is exposed to minimal residual risk on the underlying loans in the event, that upon default of a loan, the insurance or guarantee received is insufficient to fully reimburse the Corporation.

(Continued)

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

The Corporation categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Corporation has the following recurring fair value measurements as of June 30, 2026:

		Fair Value Measurements Using:		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
U.S. government-sponsored enterprises	$ 79,879	$ -	$ 79,879	$ -
GNMA mortgage-backed securities	831,189	-	831,189	-
Total investments by fair value	911,068	$ -	$ 911,068	$ -
Investments by amortized cost	343,292			
Total investments	$ 1,254,360			

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

Note D--Housing Mortgage Loans

Housing mortgage loans at June 30, 2026 consist of the following:

Revenue Bond Funds:	
Single-family (A)	$ 140,027
Multifamily (B)	5,414
Total Revenue Bond Funds	145,441
General Funds (C)	158,386
Total Principal	303,827
Add accrued interest receivable on loans	603
Total Principal and Accrued Interest	304,430
Less allowance for loan losses	18,798
Net Housing Mortgage Loans	285,632
Less amount shown as current assets	26,901
Noncurrent Housing Mortgage Loans	$ 258,731

(Continued)

Note D--Housing Mortgage Loans (Continued)

Additional information related to loans includes:

Note (A) Single-family includes $135,288 in federally insured or guaranteed loans, $4,277 of non-insured loans with initial loan-to-value ratios less than 90%, and $462 of loans backed by private mortgage insurance.

Note (B) Multifamily includes $4,658 in federally insured or guaranteed loans and $756 in non-insured loans.

Note (C) General Funds include $37,296 in federally insured or guaranteed loans and $121,090 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 or pending transfer to the Single-Family Mortgage Revenue Bond Fund 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. Management has determined there is minimal risk on these loans and therefore has not set aside an allowance for loan losses on this group of loans.

Other Loans: These loans are primarily non-secured loans made to agencies and organizations to construct or preserve affordable housing in Kentucky. Such loans are net of an allowance for loan losses of $1,681.

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

Loan Commitments: At June 30, 2026, the Corporation had outstanding commitments to make $149,403 in single-family mortgage loans, including Ginnie Mae eligible loans to be pooled and sold through the secondary market or to the Single-Family Mortgage Revenue Bond Fund, as well as conventional loans. In addition, the Corporation had $68,001 in outstanding commitments to sell single-family mortgage loans to the secondary market.

(Continued)

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, 2026:

Servicing Type	Number of Loans	Amounts
GNMA mortgage-backed securities	17,412	$2,265,719
Fannie Mae mortgage-backed securities	433	17,133
Fannie Mae whole loans	3,760	471,172
Freddie Mac whole loans	386	84,511
	21,991	$2,838,535

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 $2,209 on which the Corporation has retained full default risk on the underlying loans and additional loans totaling $2,598 on which the Corporation has retained default risk subject to a stop loss agreement with Fannie Mae.

Servicing rights totaling $3,604 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, 2026 and activity during the year follows:

Business-Type Activities	Balance July 1, 2025	Additions	Retirements and Dispositions	Balance June 30, 2026
Land	$ 1,089	$ -	$ -	$ 1,089
Buildings	7,193	95	-	7,288
Equipment	4,779	46	-	4,825
Less accumulated depreciation	(8,595)	(492)	-	(9,087)
Net Capital Assets	$ 4,466	$ (351)	$ -	$ 4,115

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)

Note H--Lines of Credit

The Corporation's lines of credit at June 30, 2026 and activity during the year follows:

Business-Type Activities	Balance July 1, 2025	Borrowings	Repayments and Dispositions	Balance June 30, 2026
Loan Warehousing Line of Credit 1	$ -	$ -	$ -	$ -
Loan Warehousing Line of Credit 2	-	153,150	(153,150)	-
	$ -	$ 153,150	$ (153,150)	$ -

Both lines of credit are unsecured and are used for the purchase of mortgage loans pending issuance of new 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, 2026. It had $25,000 of unused credit at June 30, 2026 with an interest rate of 4.43%. The Line of Credit was renewed through June 30, 2027. 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, 2026. It had $65,000 of unused credit at June 30, 2026 with an interest rate of 4.04%. The Line of Credit was renewed through June 30, 2027. It bears interest based on the greater of Daily Simple Secured Overnight Financing Rate ("Daily SOFR") or 0%, plus 40 basis points, 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)

Note I--Revenue Bonds and Other Noncurrent Liabilities

Revenue Bonds: Revenue bonds at June 30, 2026 and the activity for the year then ended consist of the following:

	Original Face Amount	Balance July 1, 2025	Issued	Repaid/ Retired	Balance June 30, 2026	Amount Due Within One Year
Housing Revenue Bonds:						
2006 Series O:						
2026-2036, variable	$ 29,035	$ 10,880	$ -	$ 710	$ 10,170	$ 4,005
2006 Series T:						
2026-2038, variable	23,300	6,260	-	2,290	3,970	3,970
2006 Series W:						
2026-2038, variable	38,380	8,905	-	8,905	-	-
2007 Series J:						
2026-2038, variable	17,130	9,705	-	525	9,180	565
2007 Series O:						
2026-2038, variable	10,000	4,570	-	4,570	-	-
2014 Series A:						
2026-2030, 3.248% to 3.948%	61,445	5,470	-	2,090	3,380	1,295
2014 Series B:						
2026-2037, 3.178% to 4.00%	30,000	6,335	-	1,310	5,025	1,365
2016 Series A:						
2026-2040, 2.652% to 3.500%	72,465	18,460	-	4,345	14,115	3,085
2016 Series B:						
2026-2038, 3.005% to 4.00%	41,110	5,495	-	2,635	2,860	2,215
2021 Series A:						
2026, 0.550% to 1.25%	23,410	2,740	-	2,740	-	-
2021 Series B:						
2033-2042, variable	36,150	36,150	-	-	36,150	-
Total Housing Revenue Bonds	$ 382,425	114,970	$ -	$ 30,120	84,850	16,500

(Continued)

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

	Original Face Amount	Balance July 1, 2025	Issued	Repaid/ Retired	Balance June 30, 2026	Amount Due Within One Year
Single Family Mortgage Revenue Bonds:						
2023 Series A:						
2027-2055, 3.50% to 6.00%	$ 98,115	$ 96,290	$ -	$ 6,930	$ 89,360	$ 5,020
2024 Series A:						
2027-2055, 3.15% to 6.250%	72,175	71,155	-	3,365	67,790	3,355
2024 Series B:						
2027-2055, 4.656% to 5.911%	76,125	75,645	-	4,055	71,590	5,035
2024 Series C:						
2027-2055, 3.25% to 6.25%	75,000	75,000	-	2,265	72,735	4,225
2024 Series D:						
2027-2055, 4.611% to 6.25%	75,000	75,000	-	3,635	71,365	3,100
2024 Series E:						
2027-2056, 3.05% to 6.25%	50,000	50,000	-	990	49,010	2,240
2025 Series A:						
2027-2056, 3.20% to 6.25%	40,000	40,000	-	395	39,605	1,090
2025 Series B:						
2027-2056, 4.595% to 6.75%	60,000	60,000	-	390	59,610	1,125
2025 Series C:						
2027-2056, 3.45% to 6.25%	60,000	60,000	-	-	60,000	1,380
2025 Series D:						
2027-2056, 4.376% to 6.50%	60,000	60,000	-	-	60,000	1,240
2025 Series E:						
2031-2051, 3.00% to 4.95%	50,000	-	50,000	-	50,000	345
2025 Series F:						
2028-2056, 3.748% to 6.25%	25,000	-	25,000	-	25,000	770
2026 Series A:						
2035-2058, 3.20% to 6.00%	75,000	-	75,000	-	75,000	-
2026 Series B:						
2028-2037, 3.639% to 6.25%	25,000	-	25,000	-	25,000	695
2026 Series C:						
2031-2057, 3.00% to 6.25%	87,205	-	87,205	-	87,205	-
2026 Series D:						
2028-2034, 4.219% to 5.042%	12,795	-	12,795	-	12,795	-
Total Single Family Mortgage Revenue Bonds	$ 941,415	663,090	$ 275,000	$ 22,025	916,065	29,620
Subtotal Revenue Bonds		778,060			1,000,915	$ 46,120
Unamortized premium		16,746			25,253	
Total Revenue Bonds		$ 794,806			$ 1,026,168	

As indicated in the above table, Housing Revenue bond issues totaling $59,740 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 $173,491 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.

(Continued)

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

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 from the Corporation and taking any other actions necessary to protect the interests of the bondholders.

As of June 30, 2026, aggregate debt service requirements of the Corporation's debt are as shown in the table below. These amounts assume that current interest rates on variable-rate bonds will remain the same for their term; as these rates vary, interest payments on variable-rate bonds will vary.

	Principal Payments	Interest Payments	Total Debt Service
Fiscal years ending June 30,			
2027	$ 46,120	$ 47,220	$ 93,340
2028	20,460	49,034	69,494
2029	21,330	48,228	69,558
2030	21,050	47,351	68,401
2031	20,715	46,493	67,208
Five years ending June 30,			
2032-2036	126,395	217,584	343,979
2037-2041	142,345	187,102	329,447
2042-2046	163,410	150,222	313,632
2047-2051	211,865	102,023	313,888
2052-2056	221,595	34,764	256,359
2057-2061	5,630	174	5,804
	$ 1,000,915	$ 930,195	$ 1,931,110

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.

(Continued)

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

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

Account	Balance July 1, 2025	Additions	Reductions	Balance June 30, 2026
Other noncurrent liabilities	$ 11,616	$ 837	$ 1,689	$ 10,764

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, 2026, conduit debt obligations totaling approximately $1,709,866 have been issued with an aggregate remaining outstanding principal balance of $783,701. 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 2026, 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 $698 for fiscal year 2026.

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, 2026. Settlements have not exceeded insurance coverage.

(Continued)

Note M--Subsequent Events

In July 2026, the Corporation launched a new Shared Appreciation Mortgage program. Under this initiative, eligible borrowers may receive up to 25 percent of the home purchase price to assist with down payment and closing costs. In return, borrowers agree to share a predetermined percentage of the home's future appreciation with the Corporation upon sale, refinance, or at a designated maturity date. The Corporation has allocated $10 million of Housing Development Funds to support and finance this program.

Note N--Contingencies

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

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

SUPPLEMENTARY INFORMATION

COMBINING STATEMENTS

OF HOUSING REVENUE BOND FUNDS

KENTUCKY HOUSING CORPORATION
COMBINING STATEMENT OF NET POSITION - HOUSING REVENUE BOND FUNDS
June 30, 2026
(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	$ 132	$ -	$ -	$ 62	$ -	$ -	$ 194
Investment securities	2,478	1,920	2,289	128,505	14,437	12,572	162,201
Mortgage-backed securities	275	-	-	1,398	-	-	1,673
Housing mortgage loans	11,270	-	-	-	1,436	-	12,706
Interfund accounts	(2,500)	974	1,424	-	104	(2)	-
Total Current Assets	11,655	2,894	3,713	129,965	15,977	12,570	176,774
Noncurrent Assets							
Investment securities	-	-	-	44,417	-	-	44,417
Mortgage-backed securities	3,027	-	-	15,455	-	-	18,482
Housing mortgage loans	111,198	-	-	-	21,174	-	132,372
Total Noncurrent Assets	114,225	-	-	59,872	21,174	-	195,271
Total Assets	125,880	2,894	3,713	189,837	37,151	12,570	372,045
LIABILITIES							
Current Liabilities							
Accrued interest payable	-	-	1,599	-	-	-	1,599
Revenue bonds	16,500	-	-	-	-	-	16,500
Total Current Liabilities	16,500	-	1,599	-	-	-	18,099
Noncurrent Liabilities							
Revenue bonds	68,413	-	-	-	-	-	68,413
Total Noncurrent Liabilities	68,413	-	-	-	-	-	68,413
Total Liabilities	84,913	-	1,599	-	-	-	86,512
FUND NET POSITION							
Restricted by revenue bond indenture	$ 40,967	$ 2,894	$ 2,114	$ 189,837	$ 37,151	$ 12,570	$ 285,533

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, 2026
(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	$ 6,528	$ -	$ -	$ -	$ 477	$ -	$ -	$ 7,005
Other income	106	-	-	-	-	-	-	106
Total Operating Revenues	6,634	-	-	-	477	-	-	7,111
Operating Expenses								
Provision for losses on loans	(58)	-	-	-	-	-	-	(58)
Mortgage loan servicers' fees	484	-	-	-	91	-	-	575
Total Operating Expenses	426	-	-	-	91	-	-	517
Operating Income (Loss)	6,208	-	-	-	386	-	-	6,594
Noncapital Subsidies								
Interfund Transfers	2,147	1,027	1,647	-	(2,293)	(120)	(3,408)	(1,000)
Total Noncapital Subsidies	2,147	1,027	1,647	-	(2,293)	(120)	(3,408)	(1,000)
Operating Income (Loss) and Noncapital Subsidies	8,355	1,027	1,647	-	(1,907)	(120)	(3,408)	5,594
Other Nonoperating Revenues and Expenses								
Interest and fee income								
Mortgage-backed securities	132	-	-	695	-	-	-	827
Marketable securities	(2)	134	214	3,629	518	120	8	4,621
Net increase (decrease) in fair value of securities	22	-	-	3,076	-	-	-	3,098
Interest on revenue bonds	-	-	(3,601)	-	-	-	-	(3,601)
Total Other Nonoperating Revenues and Expenses	152	134	(3,387)	7,400	518	120	8	4,945
Change in Fund Net Position	8,507	1,161	(1,740)	7,400	(1,389)	-	(3,400)	10,539
Fund Net Position, Beginning of Year	32,460	1,733	3,854	182,437	38,540	-	15,970	274,994
Fund Net Position, End of Year	$ 40,967	$ 2,894	$ 2,114	$ 189,837	$ 37,151	$ -	$ 12,570	$ 285,533

See Independent Auditor's Report.

KENTUCKY HOUSING CORPORATION
COMBINING STATEMENT OF CASH FLOWS – HOUSING REVENUE BOND FUNDS
Year Ended June 30, 2026
(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	$ 6,528	$ -	$ -	$ -	$ 477	$ -	$ -	$ 7,005
Operating expenses	(484)	-	-	-	(91)	-	-	(575)
Repayments on housing mortgage loans	21,502	-	-	-	2,568	-	-	24,070
Other, net	427	(383)	202	-	(144)	-	(6)	96
Net Cash Provided By (Used In) Operating Activities	27,973	(383)	202	-	2,810	-	(6)	30,596
Cash Flows From Noncapital Financing Activities								
Principal payments on revenue bonds	(30,120)	-	-	-	-	-	-	(30,120)
Interest payments on revenue bonds	-	-	(4,348)	-	-	-	-	(4,348)
Interfund transfers - loan collections and investment income	(27,895)	11,006	18,306	-	(2,293)	(120)	(4)	(1,000)
Interfund transfers - transfer of mortgage loans	(100)	-	100	-	-	-	-	-
Interfund transfers - retirement of debt	30,120	(9,979)	(16,738)	-	-	-	(3,403)	-
Net Cash Provided By (Used In) Noncapital Financing Activities	(27,995)	1,027	(2,680)	-	(2,293)	(120)	(3,407)	(35,468)
Cash Flows From Investing Activities								
Purchases of investments and mortgage-backed securities	(628)	(12,241)	(20,985)	(61,871)	(1,563)	-	(26,733)	(124,021)
Sales of investments and mortgage-backed securities	454	11,453	23,239	57,689	524	-	30,133	123,492
Interest received on investments and mortgage-backed securities	133	144	224	4,166	522	120	13	5,322
Net Cash Provided By (Used In) Investing Activities	(41)	(644)	2,478	(16)	(517)	120	3,413	4,793
Net Increase (Decrease) in Cash and Cash Equivalents	(63)	-	-	(16)	-	-	-	(79)
Cash and Cash Equivalents, Beginning of Year	195	-	-	78	-	-	-	273
Cash and Cash Equivalents, End of Year	$ 132	$ -	$ -	$ 62	$ -	$ -	$ -	$ 194

(Continued)

KENTUCKY HOUSING CORPORATION
COMBINING STATEMENT OF CASH FLOWS – HOUSING REVENUE BOND FUNDS
Year Ended June 30, 2026
(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)	$ 6,208	$ -	$ -	$ -	$ 386	$ -	$ -	$ 6,594
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:								
Provision for losses on loans	(58)	-	-	-	-	-	-	(58)
Other income	(106)	-	-	-	-	-	-	(106)
Repayments on housing mortgage loans	21,502	-	-	-	2,568	-	-	24,070
Other, net	427	(383)	202	-	(144)	-	(6)	96
Net Cash Provided By (Used In) Operating Activities	$ 27,973	$ (383)	$ 202	$ -	$ 2,810	$ -	$ (6)	$ 30,596

See Independent Auditor's Report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Kentucky Housing Corporation
Frankfort, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, 2026 and the related notes to the financial statements, which collectively compromise the Corporation's basic financial statements and have issued our report thereon dated September 28, 2026.

Report on Internal Control Over Financial Reporting

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

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

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

(Continued)

Report on Compliance and Other Matters

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

Purpose of this Report

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

Crowe LLP

Crowe LLP

Lexington, Kentucky
September 28, 2026