

**KNOXVILLE'S COMMUNITY
DEVELOPMENT CORPORATION**

FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2023

And Report of Independent Auditor

KNOXVILLE’S COMMUNITY DEVELOPMENT CORPORATION
TABLE OF CONTENTS

REPORT OF INDEPENDENT AUDITOR..... 1-3

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)..... 4-10

FINANCIAL STATEMENTS

 Statement of Net Position 11-12

 Statement of Revenues, Expenses, and Changes in Net Position 13

 Statement of Cash Flows..... 14-15

 Notes to Financial Statements..... 16-49

SUPPLEMENTARY INFORMATION

 Financial Data Schedule (“FDS”) Electronic Submission Schedule 50-58

 Schedule of Expenditures of Federal Awards 59

 Notes to Schedule of Expenditures of Federal Awards 60

SINGLE AUDIT SECTION

 Report of Independent Auditor 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* 61-62

 Report of Independent Auditor on Compliance for Each Major Federal Program and Report
 on Internal Control over Compliance in Accordance with the Uniform Guidance 63-64

 Schedule of Findings and Questioned Costs 65-66

 Corrective Action Plan 67

 Summary Schedule of Prior Audit Findings 68

Report of Independent Auditor

To the Board of Commissioners
Knoxville's Community Development Corporation
Lexington, Kentucky

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Knoxville's Community Development Corporation ("KCDC") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise KCDC's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of KCDC as of June 30, 2023, 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.

We did not audit the financial statements of Five Points 1, LP; Five Points 2, LP; Five Points 3, LP; Five Points 4, LP; Eastport Development, LP; Bell Street, LP; Bell Street 3, LP; Lonsdale, LP; North Ridge Crossings, LP; and Vista at Summit Hill, LP, which represent 84%, 99%, and 98%, respectively, of the assets, net position, and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon has been furnished to us, and our opinions, insofar as they relate to the amounts included for Five Points 1, LP; Five Points 2, LP; Five Points 3, LP; Five Points 4, LP; Eastport Development, LP; Bell Street, LP; Bell Street 3, LP; Lonsdale, LP; North Ridge Crossings, LP; and Vista at Summit Hill, LP; is based solely on the reports of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

The financial statements of Five Points 1, LP; Five Points 2, LP; Five Points 3, LP; Eastport Development, LP; Bell Street, LP; and Bell Street 3, LP; were not audited in accordance with *Government Auditing Standards*. We are required to be independent of KCDC, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe the 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.

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 KCDC'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 auditing standards generally accepted in the United States of America 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America 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 KCDC'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 KCDC'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 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise KCDC's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and the Financial Data Schedule Electronic Submission Schedule, as listed in the table of contents 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 statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information referred to above is 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 *Governmental Auditing Standards*, we have also issued our report dated December 12, 2023 on our consideration of KCDC'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 KCDC'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 KCDC's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Lexington, Kentucky
December 12, 2023

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION MANAGEMENT'S DISCUSSION AND ANALYSIS

Knoxville's Community Development Corporation's ("KCDC") Management's Discussion and Analysis ("MD&A") is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of KCDC's financial activity, (c) identify changes in KCDC's financial position (its ability to address the next and subsequent year challenges), and (d) identify individual program issues or concerns.

Since the MD&A is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with KCDC's basic financial statements (see table of contents).

KCDC reports its basic financial statements as a special purpose government engaged solely in business-type activities, which is similar to the governmental proprietary fund type (enterprise fund), which uses the accrual basis of accounting and the flow of economic resources measurement focus. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred.

Financial Highlights – 2023

- KCDC's total Net Position increased by \$15.8 million (or 11.8%) during fiscal year 2023. Net Position was \$150.0 million and \$134.2 million for 2023 and 2022, respectively. This increase in net position is primarily due to the increase in construction and rehabilitation of fixed assets.
- Revenue increased by \$1.2 million (2%) during fiscal year 2023. Revenues were \$59.9 million and \$58.7 million for 2023 and 2022, respectively. The increase in total revenue is primarily due to an increase in tenant and other revenue offset by a decrease in grant funding. The decrease in grant revenue is due to RAD conversions. Converted properties are now part of discretely presented component units. The increase in revenues is due to an increase in construction and rehabilitation activities, gain on disposition of property, and tenant charges from lease activity.
- Expenses increased by \$4.5 million (8.4%). Total expenses were \$58.3 million and \$53.8 million for 2023 and 2022, respectively. The increase in expenses is primarily due to cyber events, software transition, strategic staffing, maintenance and utility costs. KCDC experienced two cyber events that resulted in a casualty loss and prompted a major information technology overhaul. The software transition, which started prior to the fiscal year, was fully integrated and significant training was implemented. Supplies, utilities, and staffing costs as a result of inflation further contributed to the overall increase.

Using this Annual Report

The Report includes three major sections as follows:

MD&A

Management's Discussion and Analysis

Basic Financial Statements

Authority-wide Basic Financial Statements

Notes to Basic Financial Statements

Supplemental Information

Supplemental Information

The primary focus of KCDC's basic financial statements is KCDC as a whole (Authority-wide). This perspective allows the user to address relevant questions, broaden a basis for comparison (year to year or Authority to Authority) and enhance KCDC's accountability.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION MANAGEMENT'S DISCUSSION AND ANALYSIS

Authority-wide Basic Financial Statements

The Authority-wide basic financial statements are designed to be corporate-like in that all business-type activities are consolidated into columns which add to a total for KCDC.

These Statements include a Statement of Net Position, which is similar to a Balance Sheet. The Statement of Net Position reports all financial and capital resources for KCDC. The statement is presented in the format where assets and deferred outflow of resources minus liabilities and deferred inflow of resources, equals "Net Position". Assets and liabilities are presented in order of liquidity and are classified as "Current" (convertible into cash within one year), and "Noncurrent".

Net Position is reported in three broad categories:

- *Net Investment in Capital Assets* – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
- *Restricted Net Position* – This component of Net Position consists of restricted assets, when external constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.
- *Unrestricted Net Position* – This component consists of Net Position that do not meet the definition of "Net Investment in Capital Assets", or "Restricted Net Position".

The Authority-wide basic financial statements also include a Statement of Revenues, Expenses, and Changes in Net Position (similar to an Income Statement). This Statement includes Operating Revenues, such as Rental Income, Operating Expenses, such as administrative, utilities, maintenance, and depreciation, and Nonoperating Revenue and Expenses, such as grant revenue, investment income, and interest expense.

The focus of the Statement of Revenues, Expenses, and Changes in Net Position is the "Change in Net Position", which is similar to Net Income or Loss.

Finally, a Statement of Cash Flows is included, which discloses net cash provided by, or used for, operating activities, non-capital financing activities, and from capital and related financing activities.

**KNOXVILLE’S COMMUNITY DEVELOPMENT CORPORATION
MANAGEMENT’S DISCUSSION AND ANALYSIS**

Statement of Net Position

The following table reflects the condensed Statement of Net Position compared to prior year.

Statement of Net Position (in millions)

	<u>2023</u>	<u>2022</u>	<u>Net change</u>
ASSETS			
Current and restricted assets	\$ 59.6	\$ 58.4	\$ 1.2
Capital assets, net	86.5	84.7	1.8
Other assets	<u>72.0</u>	<u>50.0</u>	<u>22.0</u>
Total Assets	<u>218.1</u>	<u>193.1</u>	<u>25.0</u>
LIABILITIES			
Current liabilities	6.9	11.0	(4.1)
Noncurrent liabilities	<u>56.6</u>	<u>46.8</u>	<u>9.8</u>
Total Liabilities	<u>63.5</u>	<u>57.8</u>	<u>5.7</u>
Deferred inflows of resources	<u>4.6</u>	<u>1.1</u>	<u>3.5</u>
Net Position :			
Net investment in capital assets	45.3	58.2	(12.9)
Restricted net position	9.7	11.6	(1.9)
Unrestricted net position	<u>95.0</u>	<u>64.4</u>	<u>30.6</u>
Total Net Position	<u>\$ 150.0</u>	<u>\$ 134.2</u>	<u>\$ 15.8</u>

For more detailed information see the Statement of Net Position.

Major Factors Affecting the Statement of Net Position

Total Assets increased by \$25.0 million primarily due to increases in construction and rehabilitation of capital assets and notes receivable related to development activities.

Total Liabilities increased by \$5.7 million primarily as a result of new notes and bonds payable, incurred through rehabilitation and development activities transforming public housing through HUD’s RAD initiative and the City’s development activities.

Total Net Position increased by \$15.8 million. This increase is the result of excess revenues over operating expenses for 2023, as shown in Change in Unrestricted Net Position schedule below.

While the result of operations is a significant measure of KCDC’s activities, the analysis of the changes in Unrestricted Net Position in the Statement of Net Position schedule provides a clearer representation of change in financial well-being.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

Change in Unrestricted Net Position (in millions)

Unrestricted net position at June 30, 2022	\$	64.4
Results of operations - year ended June 30, 2023		15.8
Changes in net position restrictions :		
Restricted net position		1.9
Net investment in capital assets		12.9
Unrestricted net position at June 30, 2023	<u>\$</u>	<u>95.0</u>

Statement of Revenues, Expenses, and Changes in Net Position (in millions)

The following schedule compares the revenues and expenses for the current and previous fiscal year.

	<u>2023</u>	<u>2022</u>	<u>Net change</u>
Revenues:			
Tenant rents/other	\$ 5.4	\$ 4.3	\$ 1.1
Grants	42.7	48.0	(5.3)
Interest income	1.3	1.3	-
Other revenues	10.5	5.1	5.4
Total Revenues	<u>59.9</u>	<u>58.7</u>	<u>1.2</u>
Expenses:			
Administrative	11.5	10.6	0.9
Tenant services	0.6	1.0	(0.4)
Utilities	3.7	3.1	0.6
Maintenance	6.2	5.0	1.2
Protective services	0.4	0.3	0.1
General and insurance	1.8	2.0	(0.2)
Interest and amortization	1.3	0.9	0.4
Extraordinary maintenance and casualty	2.0	0.5	1.5
Housing assistance payments	25.2	25.5	(0.3)
Depreciation and amortization	5.6	4.9	0.7
Total Expenses	<u>58.3</u>	<u>53.8</u>	<u>4.5</u>
Other Revenues (Expenses):			
Gain on disposition, other	14.2	(2.8)	17.0
Change in net position	<u>\$ 15.8</u>	<u>\$ 2.1</u>	<u>\$ 13.7</u>

**KNOXVILLE’S COMMUNITY DEVELOPMENT CORPORATION
MANAGEMENT’S DISCUSSION AND ANALYSIS**

Major Factors Affecting the Statement of Revenues, Expenses, and Changes in Net Position

- As reflected in the “Financial Highlights” section above, the increase in total revenue is primarily due to an increase in tenant and other revenue offset by a decrease in grant funding. The decrease in grant revenue is due to RAD conversions. Converted properties are now part of discrete component units. The increase in revenues is due to an increase in construction and rehabilitation activities, gain on disposition of property, and tenant charges due from leasing activity.
- The increase in expenses is primarily due to software implementation, strategic staffing, unanticipated casualty losses, information technology overhaul, maintenance, and utility costs. Two cyber events primarily contributed to casualty loss and unanticipated information technology expense.

Budgetary Highlights

For the year ended June 30, 2023, budgets were prepared by KCDC and were approved by the Board of Commissioners. The budgets were primarily used as a management tool and have no legal stature. The budgets were prepared in accordance with the accounting procedures prescribed by the applicable funding agencies.

As indicated by the excess of total revenues over total expenses shown above, KCDC’s net position increased during the fiscal year primarily as a result of operational activities.

Capital Assets

For the year ended June 30, 2023, KCDC had \$86.5 million invested in a variety of capital assets as reflected in the following schedule, which represents an increase of \$1.8 million from the end of the prior year. This net increase is attributable to RAD activities which include decreases resulting from asset disposition offset by increases resulting from asset rehabilitation, City funded infrastructure, and new construction of KCDC-owned dwelling units.

Capital Assets at Year-End (Net of Depreciation) (in millions)

The following reconciliation summarizes the change in Capital Assets, which is presented in detail in the notes to the financial statements.

	<u>2023</u>	<u>2022</u>	<u>Net change</u>
Land	\$ 12.5	\$ 11.8	\$ 0.7
Buildings	174.1	172.4	1.7
Furniture/equipment	2.7	2.4	0.3
Infrastructure	8.7	8.7	(0.0)
Construction in process	12.5	20.9	(8.4)
Accumulated depreciation	(125.1)	(132.8)	7.7
Right-to-use subscription asset	1.9	1.8	0.1
Accumulated amortization	(0.8)	(0.5)	(0.3)
Total capital assets	<u>\$ 86.5</u>	<u>\$ 84.7</u>	<u>\$ 1.8</u>

**KNOXVILLE’S COMMUNITY DEVELOPMENT CORPORATION
MANAGEMENT’S DISCUSSION AND ANALYSIS**

Change in Capital Assets (in millions)

	<u>Historical cost</u>	<u>Accumulated depreciation and amortization</u>	<u>Net</u>
Balance at June 30, 2022	\$ 218.0	\$ 133.3	\$ 84.7
Additions	12.7	5.6	7.1
Dispositions	(18.3)	(13.0)	(5.3)
Balance at June 30, 2023	<u>\$ 212.4</u>	<u>\$ 125.9</u>	<u>\$ 86.5</u>

Debt Outstanding

For the year ended June 30, 2023, KCDC had \$53.3 million in debt (bonds, notes, etc.) outstanding compared to \$45.3 million last year, showing a \$8.0 million increase, which is the net of approximately \$9 million increase in notes payable related to construction activities, and approximately \$1 million decrease from extinguishment of capital debt.

Outstanding Debt, at Year-End (in millions)

	<u>2023</u>	<u>2022</u>	<u>Net change</u>
Debt:			
Current portion	\$ 1.2	\$ 1.5	\$ (0.3)
Long term portion	52.1	43.8	8.3
Total Debt	<u>\$ 53.3</u>	<u>\$ 45.3</u>	<u>\$ 8.0</u>

Economic Factors

Significant economic factors affecting KCDC are as follows:

- Federal funding of the Department of Housing and Urban Development.
- Local labor supply and demand, which can affect salary and wage rate.
- Local inflationary, recessionary and employment trends, which can affect resident incomes and, therefore, the amount of rental income.
- Inflationary pressure on fuel costs, utility rates, supplies, and other costs.

Request for Information

The financial report is designed to provide a general overview of KCDC’s finances. Questions concerning any of the information provided in this report or request for additional information should be addressed in writing to the Chief Financial Officer, KCDC, P.O. Box 3550, Knoxville, TN 37927-3550 or by email to nwhite@kcdc.org or to rbrown@kcdc.org.

Roster of Board Members

Chairman: Kimberly Henry
Vice Chairman: Scott Broyles
Secretary: Benjamin M. Bentley
Treasurer: Felix Harris

Commissioner: Robyn McAdoo
Commissioner: Bob Whetsel
Commissioner: John Winemiller
Commissioner: Kathy Hill

Roster of Management Officials

Benjamin M. Bentley, Executive Director/CEO
Nancy White, Chief Financial Officer
Sabrina Draplin, Vice President of Housing
Jim Hatfield, Vice President of Redevelopment/Legal Services
Marisa A. Moazen, Vice President of Policy/Strategic Partnerships
Jim Barker, Vice President of Administration

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
STATEMENT OF NET POSITION

JUNE 30, 2023

	Business Type Activities	Discretely Presented Component Units
Assets		
Current Assets:		
Cash and cash equivalents, unrestricted	\$ 13,170,141	\$ 3,140,516
Cash and cash equivalents, restricted	24,091,537	44,326,671
Investments, unrestricted	10,888,955	-
Investments, restricted	-	22,517,217
Accrued interest receivable	14,123	-
Accounts receivable, net of allowance	8,528,912	621,900
Due from other governments	1,717,937	26,133
Inventories	165,759	20,914
Prepaid expense	395,586	458,904
Lease receivable	345,434	-
Assets held for conveyance	253,149	-
Total Current Assets	59,571,533	71,112,255
Noncurrent assets:		
Lease receivable	4,219,655	-
Notes and mortgages receivable	58,750,642	-
Total Other Noncurrent Assets	62,970,297	-
Capital Assets:		
Nondepreciable	33,742,883	30,684,862
Depreciable, net	52,736,508	143,194,384
Total Capital Assets, Net	86,479,391	173,879,246
Other noncurrent assets:		
Interest receivable	4,090,884	-
Assets held for conveyance	1,368,033	-
Other noncurrent assets	3,610,143	4,371,451
Total Other Noncurrent Assets	9,069,060	4,371,451
Total Noncurrent Assets	158,518,748	178,250,697
Total Assets	218,090,281	249,362,952
Total Assets And Deferred Outflows Of Resources	\$ 218,090,281	\$ 249,362,952

The accompanying notes to the financial statements are in integral part of these statements.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
STATEMENT OF NET POSITION (CONTINUED)

JUNE 30, 2023

	<u>Business Type Activities</u>	<u>Discretely Presented Component Units</u>
Liabilities		
Current Liabilities:		
Vendors and contractors payable	\$ 2,648,633	\$ 5,436,172
Accrued wages/taxes payable	292,991	208,223
Accrued compensated absences	616,169	-
Accrued interest payable	145,176	3,601,212
Due to other governments	89,538	89,355
Unearned revenue	393,948	114,021
Notes and bonds payable	1,158,169	1,880,950
Loan liability	205,425	-
Other current liabilities	618,633	7,498,516
Subscription liability	379,152	-
Resident security deposits	327,277	225,427
Total Current Liabilities	<u>6,875,111</u>	<u>19,053,876</u>
Noncurrent Liabilities:		
Notes and bonds payable	52,151,120	114,742,632
Related party notes payable	-	58,800,643
Accrued compensated absences	1,666,175	-
Subscription liability	415,361	-
Other accrued liabilities	2,381,844	-
Total Noncurrent Liabilities	<u>56,614,500</u>	<u>173,543,275</u>
Total Liabilities	<u>63,489,611</u>	<u>192,597,151</u>
Deferred inflows of resources	4,565,089	-
Total Liabilities And Deferred Inflows Of Resources	<u>68,054,700</u>	<u>192,597,151</u>
Net Position:		
Net investment in capital assets	45,336,469	51,457,773
Restricted	9,724,158	5,708,146
Unrestricted	94,974,954	(400,118)
Total Net Position	<u>150,035,581</u>	<u>56,765,801</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 218,090,281</u>	<u>\$ 249,362,952</u>

The accompanying notes to the financial statements are in integral part of these statements.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2023

	Business Type Activities	Discretely Presented Component Units
Operating Revenues:		
Rental revenue	\$ 4,659,741	\$ 3,281,322
Fee revenue	693,798	-
HUD grants	39,613,668	-
Other governmental grants	3,074,292	6,100,808
Other revenue	10,482,904	137,898
Total Operating Revenues	<u>58,524,403</u>	<u>9,520,028</u>
Operating Expenses:		
Administrative	11,487,475	2,343,050
Tenant services	588,315	87,786
Utilities	3,690,650	1,414,535
Ordinary maintenance & operation	6,270,800	2,333,918
Protective services	398,852	188,305
Insurance	534,859	715,990
General expenses	1,262,435	332,535
Housing assistance payments	25,173,833	-
Depreciation and amortization	5,633,675	4,070,077
Total Operating Expenses	<u>55,040,894</u>	<u>11,486,196</u>
Net Operating Income (Loss)	3,483,509	(1,966,168)
Nonoperating Revenues (Expenses):		
Interest revenue, unrestricted	1,267,059	11,155
Interest revenue, restricted	57,509	3,132
Interest expense	(1,301,421)	(2,458,217)
Fraud recovery	63,237	54,767
Extraordinary maintenance and casualty	(2,005,585)	-
Other nonoperating expenses	-	(149,921)
Gain on disposition of capital assets and land held for conveyance	14,154,760	-
Total Nonoperating Revenues (Expenses), Net	<u>12,235,559</u>	<u>(2,539,084)</u>
Income (loss) before contributions	15,719,068	(4,505,252)
Capital contributions	79,383	6,773,942
Increase in net position	<u>15,798,451</u>	<u>2,268,690</u>
Net position, beginning of year	<u>134,237,130</u>	<u>54,497,111</u>
Net position, end of year	<u>\$ 150,035,581</u>	<u>\$ 56,765,801</u>

The accompanying notes to the financial statements are in integral part of these statements.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2023

Cash flows from operating activities:

Receipts from dwelling rentals	\$ 1,422,209
Operating grants	45,415,409
Receipts from fees	693,798
Other receipts	10,481,550
Payments to employees and suppliers	(29,552,565)
Payments to landlords and residents	<u>(25,173,833)</u>
Net cash flows from operating activities	<u>3,286,568</u>

Cash flows from capital and related financing activities:

Capital fund grant	79,383
Insurance proceeds related to damaged assets	500,000
Purchase of capital assets	(12,601,785)
Acquisition of assets held for conveyance	(291,000)
Proceeds from sale of assets	794,257
Proceeds from capital debt	9,238,720
Proceeds from leases receivable	246,849
Interest received from leases receivable	91,077
Principal paid on capital debt	(1,287,154)
Interest paid on capital debt	(1,080,046)
Principal paid on subscription asset	(343,888)
Interest paid on subscription asset	(77,419)
Extraordinary maintenance and other	<u>(1,942,348)</u>
Net cash flows from capital and related financing activities	<u>(6,673,354)</u>

Cash flows from investing activities:

Interest received	175,129
Proceeds from sales of investments	<u>(673,460)</u>
Net cash flows from investing activities	<u>(498,331)</u>

Change in cash and cash equivalents	(3,885,117)
Cash - beginning of the year	<u>41,146,795</u>
Cash - end of the year	<u>\$ 37,261,678</u>

Reconciliation of cash to the statement of net position:

Cash and cash equivalents, unrestricted	\$ 13,170,141
Cash and cash equivalents, restricted	<u>24,091,537</u>
	<u>\$ 37,261,678</u>

The accompanying notes to the financial statements are in integral part of these statements.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
STATEMENT OF CASH FLOWS (CONTINUED)

YEAR ENDED JUNE 30, 2023

Operating income:	\$ 3,483,509
Adjustments to reconcile net operating income to net cash provided by operating activities:	
Depreciation and amortization	5,633,675
Bad debt expense	159,000
Changes in assets and liabilities	
Accounts receivable	(6,751,410)
Inventory	(29,872)
Other governments	2,750,556
Prepaid expenses	(117,852)
Other assets	(1,354)
Accounts payable	(1,361,391)
Accrued wages	23,441
Accrued compensated absences	(81,998)
Due to other governments	(23,107)
Unearned revenue	(3,032,835)
Other accrued liabilities	2,589,222
Security deposits	46,984
Net cash provided by operating activities	<u>\$ 3,286,568</u>
 Noncash reconciling items:	
Infrastructure returned to the City of Knoxville	\$ (3,081,265)
Net book value of assets transferred to tax credit properties	(4,755,741)
Note receivable issued to tax credit property	17,805,000
Noncash acquisition of subscription asset	103,456
Noncash subscription liability	(98,573)
Noncash lease receivable	3,708,112

The accompanying notes to the financial statements are in integral part of these statements.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

Note 1—Nature of the organization and operations

Organization – Knoxville's Community Development Corporation, Inc. ("KCDC") is a public body corporate and politic pursuant to the Laws of the State of Tennessee which was organized to provide low rent housing for qualified individuals in accordance with the rules and regulations prescribed by the U.S. Department of Housing and Urban Development ("HUD") and other Federal Agencies. The primary purpose of KCDC is to provide safe, decent, sanitary, and affordable housing to low-income, elderly, and handicapped families in Knoxville, Tennessee.

Reporting Entity – The governing body of KCDC is its Board of Commissioners, which is composed of seven members appointed by the Mayor of the City of Knoxville. The Board appoints a Chief Executive Officer to administer the business of KCDC. KCDC is not considered a component unit of the City of Knoxville.

In determining how to define the reporting entity, management has considered all potential component units. The decision to include a component unit in the reporting entity was made by applying the criteria set forth in Sections 2100 and 2600 of the Codification of Governmental Accounting and Financial Reporting Standards of the Governmental Accounting Standards Board: The Financial Reporting Entity. These criteria include manifestation of oversight responsibility including financial accountability, appointment of a voting majority, imposition of will, financial benefit to or burden on a primary organization, financial accountability as a result of fiscal dependency, potential for dual inclusion, and organizations included in the reporting entity although the primary organization is not financially accountable. Based upon the application of these criteria, the reporting entity has both blended component units and discretely presented component units.

Blended component units:

- Passport Development Corporation ("PDC") is a Section 115 Corporation which has served as KCDC's general partner ("GP") to limited partnerships formed in conjunction with low-income tax credits. Currently PDC is the GP for Eastport Development LP., owner of The Residences at Eastport Phase 2.
- Knoxville's Housing Development Corporation ("KHDC") is a Section 115 Corporation established to acquire, rehab, or develop affordable housing projects in the Knoxville area for KCDC. KHDC is the owner of Passport Homes and Clifton Road Apartments.
- Family Investment Foundation, Inc. is a 501(c) (3) Corporation established for charitable, social, vocational, recreational and health purposes, and related business ventures.
- Greater Tennessee Housing Assistance Corporation is a Section 115 Corporation established for the purpose of funding the construction of six Section 8 New Construction housing projects. All debts have been paid and all projects have been sold. The corporation is now dormant.
- Five Points 1 Corporation is a Section 115 Corporation that is an instrumentality of KCDC. The purpose of the corporation is to be the general partner in a limited partnership formed in conjunction with low-income housing tax credits for the development of the Five Points Senior Building.
- Five Points 2 Corporation is a Section 115 Corporation that is an instrumentality of KCDC. The purpose of the corporation is to be the general partner in a limited partnership formed in conjunction with low-income housing tax credits for the development of Five Points Phase 2 Apartments which will consist of 84 family units.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

Note 1—Nature of the organization and operations (continued)

- Five Points 3 Corporation is a Section 115 Corporation that is an instrumentality of KCDC. The purpose of the corporation is to be the general partner in a limited partnership formed in conjunction with low-income housing tax credits for the development of the Five Points Phase 3 Apartments which consist of 80 family units.
- Five Points 4 Corporation is a Section 115 Corporation that is an instrumentality of KCDC. The purpose of the corporation is to be the general partner in a limited partnership formed in conjunction with low-income housing tax credits for the development of the Five Points Phase 4 Apartments which will consist of 82 units.
- Passport Housing Corporation is a Section 115 Corporation that is an instrumentality of KCDC. The purpose of the corporation is to be the general partner in a limited partnership formed in conjunction with low-income housing tax credits for the rehabilitation and operation of apartment units at Residences at Lonsdale, North Ridge Crossing, and The Vista at Summit Hill.
- Montgomery Village Housing Corporation is a Section 115 Corporation that is a wholly-owned instrumentality of KCDC. The purpose of the corporation is to own and facilitate the renovation of Montgomery Village Apartments.
- Hollywood GP Corporation is a Section 115 Corporation created for ownership and financing activities related to 817 Hollywood Road, Knoxville, Tennessee.
- Young High GP Corporation is a Section 115 Corporation created for Low Income Housing Tax Credit financing activities related to 121 E. Young High Pike, Knoxville, Tennessee.
- Moss Grove GP Corporation is a Section 115 Corporation created for Low Income Housing Tax Credit financing activities related to 265 & 266 Moss Grove Boulevard, Knoxville, Tennessee.
- Cagle Terrace Corporation is a Section 115 Corporation that is a wholly-owned instrumentality of KCDC. The purpose of the corporation is to own and facilitate the renovation of Cagle Terrace Apartments.
- Bell Street Corporation is a Section 115 Corporation created for ownership and financing activities related to KCDC's Austin Homes Phase 1B redevelopment.
- Bell Street 2 Corporation is a Section 115 Corporation created for ownership and financing activities related to KCDC's Austin Homes Phase 2A redevelopment. Pre-development activity has begun but has not begun leasing as of June 30, 2023.
- Bell Street 3 Corporation is a Section 115 Corporation created for ownership and financing activities related to KCDC's Austin Homes Phase 1B redevelopment.
- Western Heights Corporation is a Section 115 Corporation created for ownership and financing activities related to KCDC's Western Heights redevelopment.
- Western Heights I Corporation is a Section 115 Corporation created for ownership and financing activities related to KCDC's Western Heights Phase I redevelopment. Predevelopment activities have begun as of June 30, 2023.
- Liberty Place Knoxville Corporation is a Section 115 Corporation created for ownership and financing activities related to Liberty Place Knoxville LP redevelopment.
- Holston GP Corporation is a Section 115 Corporation created for Low Income Housing Tax Credit financing activities related to Holston Hills Road, Knoxville, Tennessee.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

Note 1—Nature of the organization and operations (continued)

- Grosvenor Square GP Corporation is a Section 115 Corporation created for Low Income Housing Tax Credit financing activities related to 2400 and 2600 Merchant Drive, Knoxville, Tennessee and 5291 Oakhill Drive, Knoxville, Tennessee.
- Sutherland 1 GP Corporation is a Section 115 Corporation created for Low Income Housing Tax Credit financing activities related to 1036 Dunhill Way, Knoxville, Tennessee and 3200 Sutherland View Way, Knoxville, Tennessee.
- Sutherland 2 GP Corporation is a Section 115 Corporation created for Low Income Housing Tax Credit financial activities related to 510 Vista Glen Way, Knoxville, Tennessee.

These blended component units are reported in the aggregate, in the primary government column, on the Combining Schedule of Net Position and Combining Schedule of Revenues, Expenses and Changes in Net Position.

Discretely presented component units

As of June 30, 2023, KCDC recognized cumulatively eleven limited partnerships (“LPs”) as discretely presented component units as follows:

- Eastport Development LP was formed under the laws of the State of Tennessee on November 10, 2009 to acquire, own, develop, lease, and operate The Residences at Eastport, Phase II (the “Property”) located in Knoxville, Tennessee. The Property consists of a 60-unit multifamily apartment complex developed and operated under the federal low-income housing tax credit program as provided for in Section 42 of the Internal Revenue Code (“Section 42”).
- Five Points 1, LP was formed under the laws of the State of Tennessee on January 23, 2014 to acquire, own, develop, lease, and operate Five Points Senior Building (the “Property”) located in Knoxville, Tennessee. The Property consists of 90 units, developed and operated under the low-income housing tax credit program. Additionally, the Partnership entered into a Housing Assistance Payments Program (“HAP”) and Rental Assistance Demonstration Use Agreement (“RAD”) with HUD. The effective date of these agreements is July 1, 2017, and the agreements expire on April 30, 2037.
- Five Points 2, LP was formed under the laws of the State of Tennessee on January 1, 2016 to acquire, own, develop, lease, and operate Five Points 2 Apartments (the “Property”) located in Knoxville, Tennessee. The Property consists of 84 units, developed and operated under the low-income housing tax credit program. Additionally, the operating methods of the Project are subject to the provisions of a regulatory agreement executed between the Partnership and HUD.
- Five Points 3, LP was formed under the laws of the State of Tennessee on August 30, 2016 to acquire, own, develop, lease, and operate Five Points Phase 3 located in Knoxville, Tennessee. The Property consists of 80 units, developed and operated under the low-income housing tax credit program. Additionally, the operating methods of the Project are subject to the provisions of a regulatory agreement executed between the Partnership and HUD.
- Five Points 4, LP was formed under the laws of the State of Tennessee on November 13, 2017 to acquire, own, develop, lease, and operate Five Points Phase 4 Apartments (the “Property”) located in Knoxville, Tennessee. The Property consists of 82 units, developed and operated under the low-income housing tax credit program. Additionally, the operating methods of the Property are subject to the provisions of a regulatory agreement with HUD.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

Note 1—Nature of the organization and operations (continued)

- Lonsdale, LP was formed under the laws of the State of Tennessee on March 23, 2016 to acquire, own, develop, lease, and operate The Lonsdale (the "Property") located in Knoxville, Tennessee. The Property consists of 260 units, developed and operated under the low-income housing tax credit program. Additionally, the operating methods of the Project are subject to the provisions of a regulatory agreement executed between the Partnership and HUD.
- North Ridge Crossing, LP was formed under the laws of the State of Tennessee on March 23, 2016 to acquire, own, develop, lease, and operate North Ridge Crossing Apartments (the "Property") located in Knoxville, Tennessee. The Property consists of 268 units, developed and operated under the low-income housing tax credit program. Additionally, the operating methods of the Project are subject to the provisions of a regulatory agreement executed between the Partnership and HUD.
- Vista at Summit Hill, LP (the "Partnership") was formed under the laws of the State of Tennessee on March 23, 2016 to acquire, own, develop, lease, and operate The Vista at Summit Hill (the "Property") located in Knoxville, Tennessee. The Property consists of 175 units, developed and operated under the low-income housing tax credit program. Additionally, the operating methods of the Project are subject to the provisions of a regulatory agreement executed between the Partnership and HUD.
- Bell Street, LP was formed under the laws of the State of Tennessee on February 1, 2019 to acquire, own, develop, lease, and operate Bell Street Flats (the "Property") located in Knoxville, Tennessee. The Property consists of 105 units, developed and operated under the low-income housing tax credit program. Additionally, the operating methods of the Project are subject to the provisions of a regulatory agreement executed between the Partnership and HUD.
- Bell Street 3, LP was formed under the laws of the State of Tennessee on February 18, 2020 to acquire, own, develop, lease, and operate Austin Homes Phase 1B (the "Property") located in Knoxville, Tennessee. The Property consists of 180 units, developed and operated under low-income housing tax credit program. Additionally, the operating methods of the Property are subject to the provisions of a regulatory agreement executed between the Partnership and HUD.
- Western Heights LP was formed under the laws of the State of Tennessee on July 30, 2021 to acquire, own, develop, lease, and operate Western Heights (the "Property") located in Knoxville, Tennessee. The Property consists of 232 units, developed and operated under the low-income housing tax credit program. Additionally, the operating methods of the Project are subject to the provisions of a regulatory agreement executed between the Partnership and HUD.

Main programs of KCDC are as follows:

- Low Rent Public Housing under Annual Contributions Contract A-2571: This type of housing consists of apartments and single-family dwellings owned and operated by KCDC. Funding is provided by tenant rent payments and subsidies provided by HUD. As of June 30, 2023, one low-income housing property remains in this portfolio.
- Section 8 Housing Choice Voucher Cluster (Housing Choice Vouchers, Mainstream Voucher, and Emergency Housing Voucher Programs): These are housing programs wherein low rent tenants lease housing units directly from private landlords rather than through KCDC. KCDC contracts with these private landlords to make assistance payments for the difference between the approved contract rent and the actual rent paid by the low rent tenants.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

Note 1—Nature of the organization and operations (continued)

- Section 8 Project-based Cluster (Moderate Rehabilitation Properties and Section 8 Special Allocations): Section 8 project-based rental assistance programs aid low- and very low-income families in obtaining decent, safe, and sanitary rental housing through the provision of housing assistance payments to participating owners on behalf of eligible tenants. The Mod Rehab property owners are independent parties. The Special Allocations fund KCDC-owned Multi-family Housing developments which were converted from public housing to local ownership through HUD's RAD program.
- Development/Redevelopment Programs administer internal projects, CDBG, and other projects for the City of Knoxville, Knox County, and the Metropolitan Knoxville Airport Authority.
- Public Housing Capital Fund Programs are programs for the modernization, demolition, and redevelopment of public housing funded by HUD.
- The Manor is a program whereby KCDC provides meals, laundry service, and has a twenty-four-hour staff available for the special needs of the more dependent elderly tenants. This service is provided to those tenants for a fee.
- Entrepreneurial Activities is a program which provides technical assistance to other PHA's and local governments.
- Central Office Cost Center is a business unit within KCDC that earns income from internal fees by overseeing other KCDC programs.
- Other Programs/Activities include KCDC's Family Self-Sufficiency program and programs related to the management of Covid-19 related grants from FEMA and HUD.

Note 2—Summary of significant accounting policies

Basis of Presentation and Accounting – In accordance with uniform financial reporting standards for HUD housing programs, the basic financial statements are prepared in accordance with U.S. generally accepted accounting principles ("GAAP").

KCDC reports its basic financial statements as a special purpose government engaged solely in business-type activities, which is similar to the governmental proprietary fund type (enterprise fund), which uses the accrual basis of accounting and the flow of economic resources measurement focus. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred.

Generally accepted accounting principles for state and local governments requires that resources be classified for accounting and reporting purposes into the following three net asset categories:

Net investment in capital assets – Capital assets, net of accumulated depreciation, and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Restricted – Net position whose use by KCDC is subject to externally imposed stipulations that can be fulfilled by actions of KCDC pursuant to those stipulations or that expire by the passage of time. Such assets include assets restricted for capital acquisitions and debt service.

Unrestricted – Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or KCDC Board or may otherwise be limited by contractual agreements with outside parties.

KNOXVILLE’S COMMUNITY DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

Note 2—Summary of significant accounting policies (continued)

Budgets – Budgets are prepared on an annual basis for each major operating program and are used as a management tool throughout the accounting cycle. The Capital Fund budgets are adopted on a “project length” basis. Budgets are not, however, legally adopted nor legally required for basic financial statement presentation.

Cash and Cash Equivalents – For purposes of the Statement of Cash Flows, KCDC considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased and non-negotiable certificates of deposit to be cash equivalents.

Inter-program Receivables and Payables – Inter-program receivables/payables, when present, are all current, and are the result of the use of a common paymaster for shared costs of KCDC. Cash settlements are made periodically, and all inter-program balances net to zero. Offsetting due to/due from balances are eliminated for the basic financial statement presentation.

Investments – Investments are recorded at fair value. Investment instruments consist only of items specifically approved for public housing agencies by HUD and consist mainly of certificates of deposit and U.S. treasury securities.

Inventories – *Inventories* consisting of materials and supplies are valued at cost using the moving average method. If inventory falls below cost due to damage, deterioration, or obsolescence, KCDC establishes an allowance for obsolete inventory. KCDC relies upon its periodic (annual) inventory for financial reporting purposes. In accordance with the consumption method, inventory is expensed when items are placed in service.

Prepaid Items – Payments made to vendors for goods or services that will benefit periods beyond the fiscal year end are recorded as prepaid items.

Capital Assets

Book Value – All purchased fixed assets are valued at cost when historical records are available.

Land values were derived from development closeout documentation.

Donated fixed assets are recorded at acquisition value at the time they are received.

All normal expenditures of preparing an asset for use are capitalized when they meet or exceed the capitalization threshold.

Depreciation – The cost of capital assets is depreciated over the estimated useful lives of the related assets on a composite basis using the straight-line method.

KNOXVILLE’S COMMUNITY DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

Note 2—Summary of significant accounting policies (continued)

Capital Assets (continued)

Depreciation commences on modernization and development additions in the year following completion.

Buildings	27 years
Building modernization	10 years
Appliances	7 years
Office equipment	7 years
Maintenance equipment	5 years
Automobiles	5 years
Community space equipment	5 years
Right-to-use subscription asset	5 years
Computer equipment	3 years

Maintenance and Repairs Expenditures – Maintenance and repairs expenditures are charged to operations when incurred. Betterments in excess of \$5,000 are capitalized. When buildings and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

Impairment of Capital Assets – KCDC has been and is currently involved in various demolition activities in conjunction with its modernization and development programs. KCDC has at June 30, 2023, recognized in the accompanying basic financial statements the impact of the demolition activities. Under the provisions of the statement, long-lived assets are to be reviewed for impairment. Application for measurement of long-lived assets should be at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or discontinued operations. KCDC has not recognized any asset impairment for the year ended June 30, 2023.

Lease Receivable and Deferred Inflows of Resources – KCDC recognizes a lease receivable and a deferred inflow of resources on leases at the commencement of the lease term, with certain exceptions for short-term leases. The lease receivable is measured at the present value of the lease payments expected to be received during the lease period. The deferred inflow of resources on leases is measured as the value of the lease receivable in addition to any payments received at or before the commencement of the lease term that relate to future periods. Revenue from the included leases is recognized by using the effective interest method.

Right-of-use Subscription Asset – The right-of-use subscription asset represents KCDC’s right to use certain subscription-based information technology during a defined subscription term. The right-of-use subscription asset is valued at the present value of the related subscription payments plus any other identified capitalizable costs associated with software implementation less related accumulated amortization. Accumulated amortization is calculated using the straight-line method over the shorter of the subscription term or the estimated useful life of the underlying information technology asset.

Compensated Absences – Compensated absences are those absences for which employees will be paid, such as vacation and sick leave. A liability for compensated absences that is attributable to services already rendered and that are not contingent on a specific event that is outside the control of KCDC and its employees, is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of KCDC and its employees are accounted for in the period in which such services are rendered or in which such events take place.

Litigation Losses – KCDC recognizes estimated losses related to litigation in the period in which the occasion giving rise to the loss occurred, the loss is probable, and the loss is reasonably estimable.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

Note 2—Summary of significant accounting policies (continued)

Risk Management – KCDC 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. KCDC carries commercial insurance for all identified risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. Additionally, there have been no significant reductions in insurance coverage from the prior year.

Use of Restricted Assets – It is KCDC's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

Operating Revenues and Expenses – The principal operating revenues of KCDC's enterprise fund are HUD operating grants and charges to customers for rents and services. Operating expenses for KCDC's enterprise fund include the cost of providing housing and services, administrative expenses, and depreciation on capital assets. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Note 3—Deposits and investments

For purposes of the Statement of Cash Flows, KCDC considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased and non-negotiable certificates of deposit to be cash equivalents.

HUD Deposit and Investment Restrictions – HUD requires authorities to invest excess HUD program funds in obligations of the United States, certificates of deposit, or any other federally insured instruments.

HUD also requires that deposits of HUD program funds be fully insured or collateralized at all times. Acceptable security includes FDIC/FSLIC insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security for deposits. Obligations furnished as security must be held by KCDC or with an unaffiliated bank or trust company for the account of KCDC.

Deposit and Investment Risks – KCDC held the following deposit and investments at June 30, 2023:

Deposits

Unrestricted	\$ 13,170,141
Restricted other	23,732,482
Restricted for tenant security deposits	331,922
Restricted for payment of current liabilities	<u>27,133</u>
Total Cash Demand Deposits	<u>\$ 37,261,678</u>

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

Note 3—Deposits and investments (continued)

Investments

Investment	Maturity Date	Value Principal Paid	Fair Market Value	Moody's Rating	S & P Rating	Callable
		6/30/2023	6/30/2023			
CD	10/23/2023	250,000	246,208	NR	NR	NO
CD	11/29/2023	250,000	245,092	NR	NR	NO
CD	12/29/2023	250,000	244,307	NR	NR	NO
CD	12/29/2023	250,000	243,877	NR	NR	NO
CD	1/16/2024	250,000	243,430	NR	NR	NO
CD	4/9/2024	250,000	240,307	NR	NR	NO
CD	7/5/2024	250,000	237,867	NR	NR	NO
US TREAS NTS	6/15/2024	498,442	476,075	AAA	NR	NO
US TREAS NTS	8/15/2024	495,118	473,045	AAA	NR	NO
US TREAS NTS	9/15/2024	498,700	471,270	AAA	NR	NO
US TREAS NTS	10/15/2024	499,195	471,075	AAA	NR	NO
US TREAS NTS	11/15/2024	1,000,383	940,550	AAA	NR	NO
US TREAS NTS	12/15/2024	999,421	941,130	AAA	NR	NO
US TREAS NTS	1/15/2025	646,425	611,254	AAA	NR	NO
US TREAS NTS	2/15/2025	248,257	235,958	AAA	NR	NO
US TREAS NTS	3/31/2025	247,720	239,970	AAA	NR	NO
US TREAS NTS	4/30/2025	248,998	240,743	AAA	NR	NO
US TREAS NTS	5/31/2025	248,880	240,625	AAA	NR	NO
US TREAS NTS	6/15/2025	248,823	240,478	AAA	NR	NO
TOTAL		7,630,362	7,283,261			
Cash & Cash Equivalents	N/A	3,605,694	3,605,694	NR	NR	NO
TOTAL SECURITIES		\$11,236,056	\$10,888,955			

KNOXVILLE’S COMMUNITY DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

Note 3—Deposits and investments (continued)

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

- Level 1 – Quoted prices (unadjusted) of identical assets or liabilities in active markets that an entity has ability to access as of the measurement date, or observable inputs.
- Level 2 – Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.
- Level 3 – Significant unobservable inputs that reflect an entity’s own assumptions above the assumptions that market participants would use in pricing an asset or liability.

KCDC has the following recurring fair value measurements as of June 30, 2023:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificate of deposits	\$ 1,701,088	\$ 1,701,088	\$ -	\$ -
Cash equivalents	198,694	198,694	-	-
Money markets	3,407,000	3,407,000	-	-
U.S. treasury securities	5,582,173	-	5,582,173	-
	<u>\$ 10,888,955</u>	<u>\$ 5,306,782</u>	<u>\$ 5,582,173</u>	<u>\$ -</u>

KNOXVILLE’S COMMUNITY DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

Note 3—Deposits and investments (continued)

Restricted and Unrestricted Cash and Investments

Mainstream voucher	
Low income public housing	
Restricted for payment of debt	\$ 673,735
Restricted for tenant security deposits	14,183
Housing choice voucher	
Restricted for housing assistance payments equity & non-current liabilities	176,780
Restricted for payment of current liabilities	27,133
Mainstream voucher	
Restricted for housing assistance payments equity	19,519
Blended component unit	
Restricted for modernization and development	7,886,113
Restricted for replacement reserve	2,432,124
Restricted for tenant security deposits	121,876
Section 8 special allocation	
Restricted for replacement and rehabilitation reserve	5,458,434
Restricted for operating reserve	100,006
Restricted for rehab escrow	4,716,367
Restricted for tenant security deposits	195,863
State/Local	
Restricted for modernization and development	2,269,404
Total Restricted Demand Deposits	<u>24,091,537</u>
Unrestricted cash	13,170,141
Unrestricted investments	<u>10,888,955</u>
Total Unrestricted Cash and Investments	<u>24,059,096</u>
Total Restricted and Unrestricted Cash and Investments	<u>\$ 48,150,633</u>

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

Note 3—Deposits and investments (continued)

Custodial Credit Risk – Exposure to custodial credit related to deposits exists when KCDC holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department, or agent but not in KCDC's name; or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when KCDC holds investment that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in KCDC's name.

KCDC's policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100% of the uninsured deposits and accrued interest thereon. The investment policy also limits acceptable collateral to U.S. Treasury securities obligation of federal agencies, securities of government-sponsored agencies, and other instruments which may be approved by the U.S. Department of HUD. As required by Federal 12 U.S. C.A., Section 1823(e), all financial institutions pledging collateral to KCDC must have a written collateral agreement approved by the Board of Directors or loan committee.

The investments held in the various trust accounts for bond covenant purposes are invested in open-ended mutual funds which are not subject to custodial credit risk because they do not represent specific individual securities.

At June 30, 2023, KCDC was not exposed to custodial credit as defined above.

Investment Credit Risk – KCDC's investment policy limits unrestricted investments to those allowed by the U.S. Department of HUD. These investment limitations are described in Note 1. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. KCDC has no formal policy limiting investments based on credit rating, but discloses any such credit risk associated with their investments by reporting the credit quality ratings of investments in debt securities as determined by nationally recognized statistical rating organizations – rating agencies – as of the year-end. Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

As noted in the schedule of deposits and investment above, at June 30, 2023, the investments held by KCDC mature October 23, 2023 through June 15, 2025. KCDC may sell these investments at fair value at any time.

Concentration of Investment Credit Risk – Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of KCDC. Investments issued or explicitly guaranteed by HUD-approved instruments are excluded from this consideration.

Note 4—Accounts receivable

Due from managed entities	\$ 1,922,771
Tenant accounts receivable, net of allowance of \$17,963	452,644
Due from affiliates	4,575,009
Other	1,578,488
	<hr/>
Total accounts receivable	<u>\$ 8,528,912</u>

KNOXVILLE’S COMMUNITY DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

Note 5—Due from other governments

HUD	\$ 1,302,243
Local governments	<u>415,694</u>
Total due from other governments	<u>\$ 1,717,937</u>

Note 6—Assets held for sale or conveyance

In its capacity as a local redevelopment agency, KCDC contracts with other local governmental agencies for various types of redevelopment projects. These projects may range from relatively minor projects such as rehabilitation of family dwellings up to much larger commercial redevelopment endeavors.

In the course of this activity, KCDC often assumes ownership of selected properties during the rehabilitation period, only to transfer or sell these properties in accordance with the contract with the respective local governments. The noncurrent portion is \$1,368,033. The current portion is \$253,149.

Note 7—Notes and mortgages receivable

Eastport Development, LP	\$ 5,036,924
Lonsdale, LP	6,640,841
North Ridge Crossing, LP	5,240,580
Vista at Summit Hill, LP	5,007,768
Five Points I, LP	538,736
Five Points II, LP	2,327,136
Five Points III, LP	1,407,879
Five Points IV, LP	2,602,749
Bell Street, LP	5,368,119
Bell Street 3, LP	6,774,910
Western Heights, LP	<u>17,805,000</u>
Total notes and mortgages receivable	<u>\$ 58,750,642</u>

Eastport Development Limited Partnership – KCDC entered into a mixed financing arrangement with Eastport Development, L.P. (“EDLP”) for the addition of 60 public housing units as part of The Residences at Eastport II in the Five Points Community in Knoxville, Tennessee. The notes receivable consists of a loan for \$100,000 from KCDC’s Capital Fund Program now held by Passport Development Corporation (“PDC”), a wholly-owned subsidiary of KCDC; a loan for \$4,058,273 from KCDC’s ARRA Grant, held by PDC; a loan for \$128,651 from Knoxville’s Housing Development Corporation (“KHDC”) funds, now held by KHDC; a loan for \$750,000 from PDC and held by PDC. The principal balance of all outstanding loans as of June 30, 2023 was \$5,036,924.

The Capital Funds and ARRA funds were provided through HUD as grants to KCDC. In cooperation with HUD, the Capital and ARRA Funds are being loaned to EDLP and are due 40 years after completion of the project. The capital improvements purchased with these funds are reflected on the financial statements of EDLP.

	<u>Interest accrual rate</u>	<u>Maturity date</u>
Capital Funds Loan	0% annually	October 1, 2051
ARRA Funds Loan	0% annually	October 1, 2051
KHDC Loan	0% annually	October 1, 2051
Passport Development Corporation Loan	0% annually	October 1, 2051

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

Note 7—Notes and mortgages receivable (continued)

Lonsdale, LP – In accordance with the ground lease dated August 25, 2017, KCDC obtained a \$3,530,000 note payable from Lonsdale, LP (“Seller Loan”). The notes accrue interest at 2.82% per annum on the face amount. Payments of principal and interest are required annually on the anniversary of the funding date, as defined, in an amount sufficient to fully amortize the outstanding principal balance of the note payable, at a fixed rate, over a period of 40 years. The entire principal shall be due and payable in full on January 31, 2059. Notwithstanding the foregoing, the Partnership shall make payments of accrued interest and principal from time to time solely from net cash flow, as defined, and if there is insufficient net cash flow to make any payments, such amounts shall accrue and be paid from future net cash flow. The note is secured by the Property. As of June 30, 2023, the principal balance outstanding was \$3,380,948.

In accordance with the ground lease dated August 25, 2017, KCDC obtained a \$3,070,000 note payable from Lonsdale, LP (“KCDC Purchase Loan”). The notes accrue interest at 2.82% per annum on the face amount. Payments of principal and interest are required annually on the anniversary of the funding date, as defined, in an amount sufficient to fully amortize the outstanding principal balance of the notes payable, at a fixed rate, over a period of 40 years. The entire principal shall be due and payable in full on January 31, 2059. Notwithstanding the foregoing, the Partnership shall make payments of accrued interest and principal from time to time solely from net cash flow, as defined, and if there is insufficient net cash flow to make any payments, such amounts shall accrue and be paid from future net cash flow. The notes are secured by the Property. As of June 30, 2023, the principal balance outstanding was \$2,940,372.

KCDC obtained a \$319,521 note payable from Lonsdale, LP (“KCDC Reserves Loan”) pursuant to the loan agreement, dated August 25, 2017. The note bore no interest through January 31, 2019. Beginning February 1, 2019, the note bears interest at 2.82% per annum. Payments of principal and interest are required annually on the anniversary of the funding date, as defined, in an amount sufficient to fully amortize the outstanding principal balance of the note payable, at a fixed rate, over a period of 40 years. The entire principal shall be due and payable in full on January 31, 2059. Notwithstanding the foregoing, the Partnership shall make payments of accrued interest and principal from time to time solely from net cash flow, as defined, and if there is insufficient net cash flow to make any payments, such amounts shall accrue and be paid from future net cash flow. The note is secured by the Property. As of June 30, 2023, the principal balance outstanding was \$319,521.

North Ridge Crossing, LP – In accordance with the ground lease dated August 25, 2017, KCDC obtained a \$6,500,000 note payable from North Ridge Crossing, LP (“Seller Loan”). The note accrues interest at 2.82% per annum on the face amount of the loan. Payments of principal and interest are required annually on the anniversary of the funding date, as defined, in an amount sufficient to fully amortize the outstanding principal balance of the notes payable, at a fixed rate, over a period of 40 years. The entire principal shall be due and payable in full on August 31, 2057. Notwithstanding the foregoing, the Partnership shall make payments of accrued interest and principal from time to time solely from net cash flow, as defined, and if there is insufficient net cash flow to make any payments, such amounts shall accrue and be paid from future net cash flow. The note is secured by the Property. As of June 30, 2023, the principal balance outstanding was \$3,183,530.

In accordance with the ground lease dated August 25, 2017, KCDC obtained a \$4,200,000 note payable from North Ridge Crossing, LP (“KCDC Purchase Loan”). The note accrues interest at 2.82% per annum on the face amount of the loan. Payments of principal and interest are required annually on the anniversary of the funding date, as defined, in an amount sufficient to fully amortize the outstanding principal balance of the notes payable, at a fixed rate, over a period of 40 years. The entire principal shall be due and payable in full on August 31, 2057. Notwithstanding the foregoing, the Partnership shall make payments of accrued interest and principal from time to time solely from net cash flow, as defined, and if there is insufficient net cash flow to make any payments, such amounts shall accrue and be paid from future net cash flow. The note is secured by the Property. As of June 30, 2023, the principal balance outstanding was \$2,057,050.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

Note 7—Notes and mortgages receivable (continued)

Vista at Summit Hill, LP – In accordance with the ground lease dated August 25, 2017, KCDC obtained a \$2,310,000 note payable from Vista at Summit Hill, LP (“Seller Loan”). The note accrues interest at 2.82% per annum on the face amount of the loan. Payments of principal and interest are required annually on the anniversary of the funding date, as defined, in an amount sufficient to fully amortize the outstanding principal balance of the note payable, at a fixed rate, over a period of 40 years. The entire principal shall be due and payable in full on January 31, 2059. Notwithstanding the foregoing, the Partnership shall make payments of accrued interest and principal from time to time solely from net cash flow, as defined, and if there is insufficient net cash flow to make any payments, such amounts shall accrue and be paid from future net cash flow. The note is secured by the Property. As of June 30, 2023, the principal balance outstanding was \$2,128,789.

In accordance with the ground lease dated August 25, 2017, KCDC obtained a \$2,690,000 note payable from Vista at Summit Hill, LP (“KCDC Purchase Loan”). The note accrues interest at 2.82% per annum on the face amount of the loan. Payments of principal and interest are required annually on the anniversary of the funding date, as defined, in an amount sufficient to fully amortize the outstanding principal balance of the note payable, at a fixed rate, over a period of 40 years. The entire principal shall be due and payable in full on January 31, 2059. Notwithstanding the foregoing, the Partnership shall make payments of accrued interest and principal from time to time solely from net cash flow, as defined, and if there is insufficient net cash flow to make any payments, such amounts shall accrue and be paid from future net cash flow. The note is secured by the Property. As of June 30, 2023, the principal balance outstanding was \$2,478,979.

KCDC obtained a \$400,000 note payable from Vista at Summit Hill, LP (“KCDC Reserves Loan”) pursuant to the loan agreement, dated August 25, 2017. The note bears no interest until January 31, 2019. Beginning February 1, 2019, the note bears interest at 2.82% per annum. Payments of principal and interest are required annually on the anniversary of the funding date, as defined, in an amount sufficient to fully amortize the outstanding principal balance of the note payable, at a fixed rate, over a period of 40 years. The entire principal shall be due and payable in full on January 31, 2059. Notwithstanding the foregoing, the Partnership shall make payments of accrued interest and principal from time to time solely from net cash flow, as defined, and if there is insufficient net cash flow to make any payments, such amounts shall accrue and be paid from future net cash flow. The note is secured by the Property. As of June 30, 2023, the principal balance outstanding was \$400,000.

Five Points 1, LP – KCDC obtained a \$734,640 promissory note from Five Points 1, LP. The loan, which is secured by the Property, bears interest at 8% per year, as defined in the promissory note. The entire principal balance and accrued interest is due on the maturity date of May 1, 2033. The loan shall be payable from available cash flow. As of June 30, 2023, the principal balance outstanding was \$538,736.

Five Points 2, LP – KCDC obtained a \$1,291,177 note payable from Five Points 2, LP pursuant to the loan agreement, dated May 23, 2017 (“KCDC RHF Loan”). The note bore no interest until September 30, 2018 and 7.75%, thereafter. Payments of principal and interest are required annually on the anniversary of the funding date, as defined, in an amount sufficient to fully amortize the outstanding principal balance of the note payable, at a fixed rate, over a period of 30 years. The entire principal shall be due and payable in full on October 31, 2048. Notwithstanding the foregoing, the Partnership shall make payments of accrued interest and principal from time to time solely from net cash flow, as defined, and if there is insufficient net cash flow to make any payments, such amounts shall accrue and be paid from future net cash flow. As of June 30, 2023, the principal balance outstanding was \$1,291,177.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

Note 7—Notes and mortgages receivable (continued)

KCDC obtained a \$1,660,763 note payable from Five Points 2, LP pursuant to the loan agreement, dated May 23, 2017 ("KCDC Reserves Loan"). The note bears no interest until February 1, 2019 and 7.75%, thereafter. Payments of principal and interest are required annually on the anniversary of the funding date, as defined, in an amount sufficient to fully amortize the outstanding principal balance of the note payable, at a fixed rate, over a period of 30 years. The entire principal shall be due and payable on January 31, 2049. As of June 30, 2023, the principal balance outstanding was \$1,035,959.

Five Points 3, LP – KCDC obtained a \$661,556 promissory note from Five Points 3, LP dated April 12, 2018. The principal balance of this Note, which is secured by the property, shall bear interest from the date of this Note until January 31, 2020 at the rate of 0% per annum. From and after February 1, 2020, the principal balance of this Note shall bear interest at a rate of 3.04% per annum. On the Maturity Date, January 31, 2050, the entire outstanding principal balance advanced under this Promissory Note, together with accrued but unpaid interest thereon, will be due and payable in full. Notwithstanding the foregoing, Five Points 3, LP shall make payments of accrued interest and principal from time to time solely from Cash Flow. As of June 30, 2023, the principal balance outstanding was \$124,825.

KCDC obtained a \$1,000,000 promissory note from Five Points 3, LP dated April 12, 2018. The principal balance of this Note, which is secured by the property, shall bear interest from the date of this Note until January 31, 2020 at the rate of 0% per annum. From and after February 1, 2020, the principal balance of this Note shall bear interest at a rate of 3.04% per annum. On the Maturity Date, January 31, 2050, the entire outstanding principal balance advanced under this Promissory Note, together with accrued but unpaid interest thereon, will be due and payable in full. Notwithstanding the foregoing, Five Points 3, LP shall make payments of accrued interest and principal from time to time solely from cash flow. As of June 30, 2023, the principal balance outstanding was \$1,000,000.

KCDC obtained a \$1,186,419 promissory note from Five Points 3, LP dated April 12, 2018. Proceeds are drawn incrementally in accordance with terms of the Promissory Note. The principal balance of this Note, which is secured by the property, shall bear interest from the funding date until the principal balance and all accrued interest is paid in full at the rate of 3.08% per annum. Five Points 3, LP shall make payments of accrued interest and principal from time to time solely from cash flow. As of June 30, 2023, the principal balance outstanding is equal to the amount of draws to date, totaling \$283,054.

Five Points 4, LP – KCDC obtained a \$1,911,592 promissory note from Five Points 4, LP dated May 14, 2019. The principal balance of this Note, which is secured by the property, shall bear interest from the date of this Note until September 1, 2020 at the rate of 0% per annum. From and after September 2, 2020, the principal balance of this Note shall bear interest at a rate of 7.50% per annum, compounding monthly. On the Maturity Date, September 1, 2050, the entire outstanding principal balance advanced under this Promissory Note, together with accrued but unpaid interest thereon, will be due and payable in full. Notwithstanding the foregoing, Five Points 4 LP shall make payments of accrued interest and principal from time to time solely from Cash Flow. As of June 30, 2023, the principal balance outstanding was \$2,602,749.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

Note 7—Notes and mortgages receivable (continued)

Bell Street, LP – KCDC obtained a \$5,368,119 promissory note from Bell Street, LP, dated July 15, 2020. The principal balance of this note, which is secured by the property, shall bear interest at a fixed rate of 0% until December 31, 2021. From and after January 1, 2022, the principal balance of this note shall bear interest at the rate equal to the Applied Federal Rate as of the date of the note per annum. Equal installments of principal plus interest are due annually on the anniversary of the funding date over a period of thirty years with a maturity date of July 15, 2060. Notwithstanding the foregoing, Bell Street, LP shall make payments of accrued interest and principal from time to time solely from net cash flow. If there is insufficient net cash flow to make any payment under the note, such amounts shall accrue and be paid from future years net cash flow. On the maturity date, the entire outstanding principal balance advanced under this note, together with all accrued and unpaid interest will be due and payable in full. As of June 30, 2023, the principal balance outstanding was \$5,368,119.

Bell Street 3, LP – KCDC obtained a \$6,324,910 promissory note from Bell Street 3, LP, dated June 22, 2021. The principal balance of this note, which is secured by the property, shall bear interest at a fixed rate of 1%. Equal installments of principal plus interest are due annually on the anniversary of the funding date over a period of forty years with a maturity date of June 22, 2061. Notwithstanding the foregoing, Bell Street 3, LP shall make payments of accrued interest and principal from time to time solely from net cash flow. If there is insufficient net cash flow to make any payment under the note, such amounts shall accrue and be paid from future years net cash flow. On the maturity date, the entire outstanding principal balance advanced under this note, together with all accrued and unpaid interest will be due and payable in full. As of June 30, 2023, the principal balance outstanding was \$6,324,910.

KCDC obtained a \$500,000 promissory note from Bell Street 3 LP, dated June 22, 2021. The principal balance of this note, which is secured by the property, shall bear interest at a fixed rate of 1%. Equal installments of principal plus interest are due annually on the anniversary of the funding date over a period of forty years with a maturity date of June 22, 2061. If there is insufficient net cash flow to make any payment under the note, such amounts shall accrue and be paid from future years net cash flow. On the maturity date, the entire outstanding principal balance advanced under this note, together with all accrued and unpaid interest will be due and payable in full. As of June 30, 2023, the principal balance outstanding was \$450,000.

Western Heights, LP – KCDC obtained a \$11,500,000 promissory note from Western Heights, LP dated October 18, 2022. The principal balance of this note, which is secured by the property, shall bear interest at a fixed rate of 0% until September 30, 2024. From and after October 1, 2024, the principal balance of this note shall bear interest at a fixed rate of 0.75%. Equal installments of principal plus interest are due annually on the anniversary of the funding date over a period of forty years with a maturity date of October 18, 2062. If there is insufficient net cash to make any payment under the note, such amounts shall accrue and be paid from future years net cash flow. On the maturity date, the entire outstanding principal balance advanced under this note, together with all accrued and unpaid interest will be due and payable in full. As of June 30, 2023, the principal balance outstanding was \$11,500,000.

KCDC obtained a \$6,305,000 promissory note from Western Heights, LP dated October 18, 2022. The principal balance of this note, which is secured by the property, shall bear interest at a fixed rate of 0% until September 30, 2024. From and after October 1, 2024, the principal balance of this note shall bear interest at a fixed rate of 0.75%. Equal installments of principal plus interest are due annually on the anniversary of the funding date over a period of forty years with a maturity date of October 18, 2062. If there is insufficient net cash to make any payment under the note, such amounts shall accrue and be paid from future years net cash flow. On the maturity date, the entire outstanding principal balance advanced under this note, together with all accrued and unpaid interest will be due and payable in full. As of June 30, 2023, the principal balance outstanding was \$6,305,000.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

Note 8—Land, buildings, and equipment

	<u>Balance 7/1/2022</u>	<u>Additions</u>	<u>Adjustments/ Disposals</u>	<u>Transfers</u>	<u>Balance 06/30/23</u>
Nondepreciable					
Land	\$ 11,795,313	\$ 756,100	\$ -	\$ -	\$ 12,551,413
Infrastructure	8,684,879	-	-	-	8,684,879
Construction in progress	<u>20,880,038</u>	<u>11,638,255</u>	<u>(546,258)</u>	<u>(19,465,444)</u>	<u>12,506,591</u>
Total Nondepreciable	41,360,230	12,394,355	(546,258)	(19,465,444)	33,742,883
Depreciable					
Buildings & improvements	172,387,456	-	(17,720,510)	19,450,794	174,117,740
Accumulated depreciation	<u>(131,530,335)</u>	<u>(4,971,405)</u>	<u>12,964,769</u>	<u>-</u>	<u>(123,536,971)</u>
Net buildings & improvements	40,857,121	(4,971,405)	(4,755,741)	19,450,794	50,580,769
Equipment	2,448,962	194,936	-	14,650	2,658,548
Accumulated depreciation	<u>(1,235,358)</u>	<u>(293,651)</u>	<u>-</u>	<u>-</u>	<u>(1,529,009)</u>
Net equipment	<u>1,213,604</u>	<u>(98,715)</u>	<u>-</u>	<u>14,650</u>	<u>1,129,539</u>
Net depreciable assets	42,070,725	(5,070,120)	(4,755,741)	19,465,444	51,710,308
Right-to-use					
Right-to-use subscription asset	1,760,950	103,456	-	-	1,864,406
Accumulated amortization	<u>(469,587)</u>	<u>(368,619)</u>	<u>-</u>	<u>-</u>	<u>(838,206)</u>
Net right-to-use assets	<u>1,291,363</u>	<u>(265,163)</u>	<u>-</u>	<u>-</u>	<u>1,026,200</u>
Other noncurrent assets:					
Total	<u>\$ 84,722,318</u>	<u>\$ 7,059,072</u>	<u>\$ (5,301,999)</u>	<u>\$ -</u>	<u>\$ 86,479,391</u>

Note 9—Due to other governments

Payments in lieu of taxes (local governments)	\$ 77,834
Due to HUD	<u>11,704</u>
Total due to other governments	<u>\$ 89,538</u>

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

Note 10—Unearned revenue

Unearned Revenue:

HCV administration fees	\$ 47,337
Tenant prepaid rents	182,268
Resident association funds	102,376
Other	61,967
Total unearned revenue	<u>\$ 393,948</u>

Note 11—Notes payable

KCDC is indebted to various lenders as follows:

Reference	Interest Expense	Current Debt	Noncurrent Debt	Total Debt	Accrued Interest
1	\$ 21,922	\$ 123,158	\$ 567,655	\$ 690,813	\$ 884
2	5,039	-	-	-	-
3	168,639	-	6,500,000	6,500,000	9,389
4	-	-	248,699	248,699	-
5	10,742	60,457	145,686	206,143	782
6	49,172	44,576	1,641,515	1,686,091	5,972
7	95,419	179,293	4,071,900	4,251,193	10,451
8	79,088	147,051	3,146,704	3,293,755	8,097
9	430,912	175,418	10,256,874	10,432,292	35,644
10	-	60,000	1,020,000	1,080,000	-
11	276,286	235,147	11,219,230	11,454,377	22,814
12	86,783	133,069	5,882,857	6,015,926	14,061
13	-	-	450,000	450,000	-
14	-	-	7,000,000	7,000,000	-
Total	<u>\$ 1,224,002</u>	<u>\$ 1,158,169</u>	<u>\$ 52,151,120</u>	<u>\$ 53,309,289</u>	<u>\$ 108,094</u>

1. *Truist* – On April 15, 2004, KCDC issued a promissory note to SunTrust Bank (now Truist) in the amount of \$2,470,155. The proceeds were utilized to reimburse KCDC for construction of a Head Start building to provide preschool education for qualified low-income eligible children. The note was paid in full in May 2015 and again refinanced through Truist in the amount of \$1,567,500 bearing interest at 2.88% annum. On March 10, 2020, the note was amended and restated under the same terms as the prior note, except that the end date was extended to exclude a balloon payment. The note is to be paid in monthly increments of \$11,869 through October 2028. The outstanding balance as of June 30, 2023 is \$690,813.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

Note 11—Notes payable (continued)

2. *Capital One* – On December 18, 2015, KCDC entered into a loan agreement with Capital One Public Funding, LLC for payment of the remaining debt from Public Housing Capital Fund obligations. The note, with a face amount of \$10,131,395, bears interest at 3.10% annum for an 8.5-year term. Payments have been accelerated in order to pay off individual property shares of the note as these properties transition from low-rent public housing to multi-family housing through the Rental Assistance Demonstration Project (“RAD”). The note was paid in full as of June 30, 2023.
3. *Pinnacle Bank* – On March 31, 2022, KCDC entered into a Construction and Term Loan Agreement with Pinnacle Bank for mortgage financing of a Head Start facility. The face amount of the loan agreement is \$6,500,000 and interest shall be calculated at the prime rate less 4%, (but not less than 0% and not higher than 3.25%) as detailed in the loan documents. The outstanding balance as of June 30, 2023 is \$6,500,000. This loan is classified as noncurrent as it will be converted to permanent financing in 2024.
4. *HUD Forgivable Loan* – On March 31, 2008, KCDC purchased Valley Oaks Apartments, a Section 8 project-based property from Knox Housing Partnership in the amount of \$63,977. As a condition of the sale, KCDC assumed a forgivable note as detailed below:

On August 29, 1994, Knox Housing Partnership purchased Valley Oaks Apartments from HUD for a cost of \$1. In exchange for this bargain purchase price, the Partnership agreed to maintain the property as rental or cooperative housing for a period of thirty years. Because of stipulations in the purchase contract, the project recorded the apartment buildings and land at their fair market value of \$497,400 less the cost of \$1 actually paid. As the HUD requirements are met for the purchase of this property at the bargain price, the Forgivable HUD Advance in the amount of \$497,399 will be reduced and a HUD contribution recognized as follows:

25% of the \$497,399 or \$124,350 on August 30, 2004

25% of the \$497,399 or \$124,350 on August 30, 2014

50% of the \$497,399 or \$248,699 on August 30, 2024

The outstanding balance as of June 30, 2023 is \$248,699.

5. *First Horizon* – On June 30, 2001, Passport Homes LP entered into a loan for mortgage financing with First Tennessee Bank (now First Horizon Bank) for the University Avenue Affordable Housing Project, “Passport Homes” in the Mechanicsville Community. The original amount of the loan was \$1,000,000 bearing interest at 4.55% per annum with a maturity date of December 1, 2015. Pursuant to the dissolution of Passport Homes LP, KCDC assumed this note in accordance with a Modification and Assumption Agreement dated January 31, 2017. All terms of the loan remain intact. The outstanding balance as of June 30, 2023 is \$206,143.
6. *Home Federal* – On December 27, 2018, KCDC entered into a Construction and Term Loan Agreement with Home Federal Bank of Tennessee for mortgage financing of a 53-unit senior housing complex. The face amount of the loan agreement is \$4,900,000. The note is to be amortized over 25 years, commencing on the first day of the term period. Interest only shall be due through October 31, 2019. Thereafter, monthly principal and interest payments are required. Interest shall be calculated at the adjusted interest rate (WSJ Prime less 4%, but not less than 0% and not higher than 9%) as detailed in the loan documents. The outstanding balance as of June 30, 2023 is \$1,686,091.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

Note 11—Notes payable (continued)

7. *Home Federal* – On October 1, 2020, KCDC entered into a Construction and Term Loan Agreement with Home Federal Bank of Tennessee for mortgage financing of a 249-unit senior housing complex. The face amount of the loan agreement is \$4,300,000 and is to be amortized over 16 years, commencing on the first day of the term period. Interest shall be calculated at the prime rate, (but not less than 0% and not higher than 2.95%) as detailed in the loan documents. The outstanding balance as of June 30, 2023 is \$4,251,193.
8. *Bank of Tennessee* – On October 1, 2020, KCDC entered into a Construction and Term Loan Agreement with Home Federal Bank of Tennessee for mortgage financing of a 236-unit senior housing complex. The face amount of the loan agreement is \$2,850,000 and is to be amortized over 16 years, commencing on the first day of the term period. Effective August 2022, the loan was modified to have a maximum borrowing amount of \$3,321,000. Interest shall be calculated at the adjusted interest rate (Prime less 4%, but not less than 0% and not higher than 2.95%) as detailed in the loan documents. The outstanding balance as of June 30, 2023 is \$3,293,755.
9. *Walker & Dunlop, LLC* – On November 1, 2018, Montgomery Village Corporation (an instrumentality of KCDC) issued a note payable to Walker & Dunlop, LLC in the amount of \$11,128,000 for the purchase and rehabilitation of a 384 unit affordable housing complex under HUD's RAD program. Interest only payments were required through December 1, 2018. Beginning January 1, 2019, monthly payments of \$51,976.98, consisting of 4.4% interest per annum and remaining amounts against principal, shall be made. Any remaining principal and interest shall be due and payable on December 1, 2053. The outstanding balance as of June 30, 2023 is \$10,432,292.
10. *City of Knoxville* – On December 26, 2018, KCDC entered into a deferred payment loan with the City of Knoxville in the amount of \$1,200,000 for the development of 53 units of affordable housing on Clifton Road and Chillicothe Street in Knoxville. This loan will be forgiven over a twenty-year period beginning in fiscal year 2022 (\$60,000 per year) provided that KCDC complies with all terms of the agreement. The outstanding balance as of June 30, 2023 is \$1,080,000.
11. *Walker & Dunlop, LLC* – On December 1, 2020, Cagle Terrace Corporation issued a note payable to Walker & Dunlop, LLC in the amount of \$12,000,000 for the rehabilitation of a 212 unit rental assisted affordable housing complex under HUD's RAD program. The note is payable in monthly installments of \$42,195, which include principal and interest of 2.39% per annum. The outstanding balance as of June 30, 2023 is \$11,454,377.
12. *Home Federal* – On September 2, 2021, KCDC entered into a Construction and Term Loan Agreement with Home Federal Bank of Tennessee for mortgage financing for construction of a Head Start building to provide preschool education for qualified low-income eligible children in the Western Heights neighborhood. The face amount of the loan agreement is \$6,200,000 and \$6,015,926 has been drawn as of June 30, 2023. Interest shall be calculated at the prime rate, (but not less than 4% and not higher than 2.80%) as detailed in the loan documents. The outstanding balance as of June 30, 2023 is \$6,015,926.
13. *Tennessee Housing Trust* – On December 1, 2021, KCDC entered into a deferred payment loan with Tennessee Housing Development Agency in the amount of \$450,000. This loan is forgiven over a five-year period upon the availability of occupancy of Bell Street provided that KCDC complies with all terms of the agreement. The outstanding balance as of June 30, 2023 is \$450,000.
14. *City of Knoxville* – On June 7, 2023, KCDC entered into a loan agreement with the City of Knoxville for TIF eligible public infrastructure improvement project expenses related to the stadium redevelopment area. The \$14,000,000 loan bears no interest and matures June 1, 2066 unless extended or paid in full prior to the maturity date. Loan payments will begin no later than June 1, 2026. The loan is securitized by tax increment revenues. The outstanding balance as of June 30, 2023 is \$7,000,000.

KNOXVILLE’S COMMUNITY DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

Note 11—Notes payable (continued)

Debt amortization is as follows:

	<u>Truist</u>	<u>City of Knoxville</u>	<u>Pinnacle</u>	<u>HUD</u>	<u>First Horizon</u>	<u>Home Federal</u>	<u>Tennessee Housing Trust</u>
2024	\$ 123,158	\$ -	\$ -	\$ -	\$ 60,457	\$ 44,576	\$ -
2025	126,802	-	454,810	248,699	63,065	49,381	100,000
2026	130,555	-	396,218	-	66,036	51,422	100,000
2027	134,419	700,000	402,203	-	16,585	53,377	100,000
2028	138,397	700,000	408,277	-	-	55,752	100,000
2029-2033	37,482	3,500,000	2,135,767	-	-	1,431,583	50,000
2034-2038	-	2,100,000	2,302,002	-	-	-	-
2039-2043	-	-	400,723	-	-	-	-
Total	<u>\$ 690,813</u>	<u>\$ 7,000,000</u>	<u>\$ 6,500,000</u>	<u>\$ 248,699</u>	<u>\$ 206,143</u>	<u>\$ 1,686,091</u>	<u>\$ 450,000</u>

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

Note 11—Notes payable (continued)

	<u>Home Federal</u>	<u>Home Federal</u>	<u>Walker Dunlop</u>	<u>City of Knoxville</u>	<u>Walker Dunlop</u>	<u>Home Federal</u>	<u>Total</u>
2024	\$ 179,293	\$ 147,051	\$ 175,418	\$ 60,000	\$ 235,147	\$ 133,069	\$ 1,158,169
2025	220,312	170,097	182,747	60,000	240,829	136,843	2,053,585
2026	226,900	175,183	190,382	60,000	246,649	140,724	1,784,069
2027	233,685	180,421	198,336	60,000	252,609	144,715	2,476,350
2028	240,672	185,816	206,623	60,000	258,713	148,820	2,503,070
2029-2033	1,315,713	1,015,824	1,170,044	300,000	1,390,410	809,857	13,156,680
2034-2038	1,834,618	1,419,363	1,435,757	300,000	1,566,713	4,501,898	15,460,351
2039-2043	-	-	1,761,812	180,000	1,765,372	-	4,107,907
2044-2048	-	-	2,161,913	-	1,989,219	-	4,151,132
2049-2053	-	-	2,652,875	-	2,241,451	-	4,894,326
2054-2058	-	-	296,385	-	1,267,265	-	1,563,650
Total	<u>\$ 4,251,193</u>	<u>\$ 3,293,755</u>	<u>\$ 10,432,292</u>	<u>\$ 1,080,000</u>	<u>\$ 11,454,377</u>	<u>\$ 6,015,926</u>	<u>\$ 53,309,289</u>

KNOXVILLE’S COMMUNITY DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

Note 11—Notes payable (continued)

Tax Increment Financing – The Housing Authority as the Redevelopment agency for the City of Knoxville has entered into tax increment financing agreements between various developers and various financial institutions to help developers secure financing within the redevelopment area. The debt is non-recourse debt to KCDC. These agreements are designed to give developers an incentive to redevelop vacant downtown property. The tax increment financing agreement is between KCDC, the developer, and the financial institution. The property tax payments as well as the equity in the property are used as collateral as well as the developer’s personal guarantee on the loan. The following table reflects tax increment financing agreements in existence as of June 30, 2023 which have been issued by KCDC:

TIF Project	Redevelopment Plan Area	Location	TIF Note	June 30 2023	
			Approval Date	TIF Amount	Balance
1 Commerce Bldg	Jackson/Depot	122-126 Gay Street	1/20/2006	735,000	79,343
2 Holston Bldg	Gay Street	123 S. Gay Street	9/30/2010	1,600,000	-
3 City View	Old Knoxville Glove Factory	445 W. Blount Ave	9/21/2006	2,800,000	183,320
4 Mast General	Gay Street	402 Gay Street	8/3/2007	1,441,802	453,350
5 N Central Village	Corridor	912 N. Central Ave	6/26/2007	200,000	18,389
6 Brownlow School	Brownlow School	1305 Luttrell Street	9/12/2008	542,284	15,819
7 JFG Bldg	Jackson/Depot	200-202 W. Jackson Ave	4/14/2008	810,000	-
8 SE Glass Bldg	Jackson/Depot	100 N. Broadway	5/27/2009	460,123	63,471
9 500 Block	Gay Street	516-524 Gay St	9/12/2008	812,500	68,599
10 5th Ave	Corridor	605,607 King Street	11/13/2009	356,000	59,564
11 Daylight Bldg	West	501 Union Ave	10/1/2009	959,000	273,121
12 Landings Ph1	Northside Waterfront	710 East Hill Ave	2/17/2010	1,500,000	471,225
13 Harold's Bldg	Jackson/Depot	131 S. Gay Street	4/15/2010	129,000	-
14 Arnstein Bldg	Historic Market Square	501 Market Street	12/20/2011	1,145,000	283,885
15 University Commons	University Commons	Kingston Pike	12/21/2012	10,000,000	7,201,818
16 Landings Ph2	Northside Waterfront	Way	12/31/2012	715,000	326,701
17 JC Penney Bldg	Gay Street	Street	11/14/2013	1,150,000	575,814
18 Magnolia Urban Village	Jackson/Depot	Central St	8/4/2014	225,000	102,102
19 Next Step Development	District	Street	12/1/2015	539,000	341,755
20 MEWS2	West	Ogden	6/23/2016	350,000	292,805
21 DRT Tombras	Gay Street	Street	6/30/2016	1,650,000	1,299,729
22 Riverwalk	South Waterfront	East Blount Avenue	12/29/2016	22,000,000	12,627,949
23 Regas Bldg	Jackson/Depot	333 West Depot Ave	1/27/2017	4,950,000	3,907,895

Debt related to the original acquisition and early modernization of the public housing developments is funded, guaranteed and serviced by HUD. There is no debt or pledge of faith and credit on part of KCDC. Accordingly, this debt has not been recorded in the basic financial statements of KCDC. Additionally, HUD no longer provides debt service information to KCDC.

KNOXVILLE’S COMMUNITY DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

Note 12—Other liabilities

	<u>Current</u>	<u>Long-term</u>
FSS participant escrows	\$ 27,133	\$ 112,440
Contract retainage	38,600	-
Utilities	384,341	-
Other liabilities	168,559	-
Funds held for development	-	2,269,404
Total other liabilities	<u>\$ 618,633</u>	<u>\$ 2,381,844</u>

Note 13—Schedule of changes in noncurrent liabilities

	<u>Balance at 06/30/22</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance at 06/30/23</u>
Notes payable	\$ 43,813,922	\$ 9,238,720	\$ (901,522)	\$ 52,151,120
Compensated absences	1,887,638	385,891	(607,354)	1,666,175
Other long term liabilities	58,732	2,323,112	-	2,381,844
Total	<u>\$ 45,760,292</u>	<u>\$ 11,947,723</u>	<u>\$ (1,508,876)</u>	<u>\$ 56,199,139</u>

Note 14—Annual contributions by federal agencies

Low Rent Public Housing (ACC A-2571) – Pursuant to the Annual Contributions Contract, HUD contributes an operating subsidy for low-rent public housing. The operating subsidy contributions for the year ended June 30, 2023 were \$2,709,737. HUD also contributed additional funds through the Capital fund for modernization and operations in the amount of \$159,815.

Section 8 Rental Assistance – Section 8 programs provide for housing assistance payments to private owners of residential units on behalf of eligible low or very low-income families. The program provides for such payments with respect to existing and moderately rehabilitated housing covering the difference between the maximum rental on a dwelling unit, and the amount of rent contribution by a participating family and related administrative expense. KCDC is also eligible to receive reimbursement for preliminary expenses prior to lease up.

HUD Section 8 contributions for the year ended June 30, 2023 were as follows:

Housing choice vouchers cluster	\$ 26,670,023
Section 8 project-based special allocations (multi-family)	9,808,124
Other section 8 programs	62,483
Total	<u>\$ 36,540,630</u>

Other Federal Revenue – Other federal revenues for the year ended June 30, 2023 are reported on the Schedule of expenditures of Federal Awards schedule contained in this report.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

Note 15—Defined contribution plan

KCDC provides retirement benefits for all its full-time employees through a defined contribution plan entitled Housing Authority Retirement Trust ("HART"). The plan is administered by Automatic Data Processing, a third party administrator. In this plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The HART Trustees are authorized to establish and amend plan benefits. Employees are eligible to participate six months after the date of employment. KCDC contributes approximately 12.8% of the employee's base salary each month for employees hired prior to November 1, 2006. For employees hired after October 31, 2006, the employer contribution is 8.8%, while the employee has no required contribution. KCDC's contributions for each employee (and interest allocated to the employee's account) are fully vested after 5 years of continuous service. KCDC contributions for, and interest forfeited by, employees who leave employment before vesting are used to reduce KCDC's current period contribution requirement.

KCDC's total payroll in fiscal year 2023 was \$8,281,928. Payroll covered by the pension plan was \$7,107,604. KCDC made the required contributions amounting to \$759,319, and employees made elective contributions of \$31,862.

Note 16—Post-employment health plan benefits

KCDC provides for the accumulation of tax-free monies to be used for health-related costs in a benefit plan known as the "Post Employment Health Plan" ("PEHP") administered by Nationwide.

KCDC contributes a fixed amount of \$20 per month to each participating employee's universal PEHP account. All regular, full-time employees are enrolled in the plan on the first day of the month following completion of three years of service. Benefits and options are outlined in literature made public by Nationwide or may be accessed on-line at www.nrsforu.com. Contributions to the PEHP are determined by the Board of Commissioners of KCDC. PEHP benefits available to KCDC employees are established and amended by the PEHP trustees.

KCDC funds the PEHP program in a fixed amount per month per participant and has met all financial obligations of the PEHP. Additionally, KCDC has accrued a liability for PEHP which relate to sick leave conversions which may become available in the future. The employees do not contribute to this plan.

Note 17—Economic dependency

KCDC receives approximately 67% of its revenue from HUD. If the amount of revenues received from HUD falls below critical levels, KCDC's reserves could be adversely affected.

Note 18—Contingencies

KCDC is subject to possible examinations made by Federal and State authorities who determine compliance with terms, conditions, laws, and regulations governing other grants given to KCDC in the current and prior years. Three of KCDC's multi-family housing projects received management and occupancy reviews by HUD. Corrective actions have been undertaken for issues raised by these reviews. Under the terms of Guaranty Agreements with its discretely presented component unit limited partnerships, KCDC is guarantor for liabilities arising from nonperformance by the general partners regarding development, unfunded debt obligations, and liquidity. These Agreements require KCDC to maintain minimum liquidity amounts ranging from \$250,000 to \$1,500,000.

KCDC is a defendant in various lawsuits and has retained outside counsel to vigorously defend such litigation. The outcome of these cases is currently indeterminable and, therefore, management believes that it is unlikely that resolution of these matters will have a material, adverse effect on the financial condition of KCDC.

KNOXVILLE’S COMMUNITY DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

Note 19—Commitments

KCDC is engaged in modernization programs funded by HUD and other sources. In this regard, KCDC has entered into construction-type contracts with approximately \$4,335,720 remaining until completion.

Annual Contribution Contracts provide that HUD shall have authority to audit and examine the records of public housing authorities. Accordingly, final determination of KCDC’s financing and contribution status for the Annual Contribution Contracts is the responsibility of HUD based upon financial reports submitted by KCDC.

Note 20—Leasing activities to tenants

KCDC is the lessor of dwelling units mainly to low-income residents. These leases are generally considered to be short-term and do not derive from exchange or exchange-like transactions. The rents under the leases are determined generally by the resident’s income as adjusted for eligible deductions regulated by HUD, although the resident may opt for a flat rent. Leases may be cancelled by the lessee at any time. KCDC may cancel the lease only for cause.

Revenues associated with these leases are recorded in the financial statements and schedules as “Rental Revenue”. Rental Revenue per dwelling unit generally remains consistent from year to year but is affected by general economic conditions which impact personal income and local job availability.

Note 21—Lease receivable

In 2005, KCDC began leasing certain property to a third party. The initial lease term is for a period of 25 years, with payments due monthly to KCDC in the amount of \$13,577; the assumed interest rate is 3%. At the end of this 25-year period, the lessee may continue to lease the building under the same terms, except the payment is adjusted to \$1,000 per year. This additional period has not been included in the measurement of the lease because KCDC is not reasonably certain that the extension will be executed.

In 2022, KCDC began leasing certain property to a third party. The initial lease term is for a period of 15 years, with payments in year 1-2 due monthly to KCDC in the amount of \$25,300; in years 3-15 the monthly amount of \$25,300; the assumed interest rate is 2.8%.

As of June 30, 2023, the KCDC’s lease receivable and related deferred inflow balance were both \$4,565,089. No variable payments were received.

Future minimum lease payments are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 345,434	\$ 125,337	\$ 470,771
2025	349,561	115,465	465,026
2026	361,294	105,232	466,526
2027	371,837	94,689	466,526
2028	382,688	83,838	466,526
2029-2033	1,502,236	273,764	1,776,000
2034-2038	1,252,039	80,975	1,333,014
Total	<u>\$ 4,565,089</u>	<u>\$ 879,300</u>	<u>\$ 5,444,389</u>

KNOXVILLE’S COMMUNITY DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

Note 22—Interprogram transfers

KCDC will make cash transfers to and between its various programs as outlined in the Federal Regulations and authorized and approved by KCDC’s Board of Commissioners. All these programs are part of the Enterprise Fund, therefore there are no interfund transfers.

Note 23—Subscription liability (“SBITA”)

During the year ended June 30, 2021, KCDC entered into an agreement with a vendor to allow KCDC to use their cloud-based accounting, compliance, and agency management technology solution. The agreement is for a term of 5 years beginning March 2021, with payments made on a yearly basis after implementation. The agreement has an assumed interest rate of 3.0%. As of June 30, 2023, the value of the subscription liability was \$794,513.

During the year ended June 30, 2023, KCDC entered into an agreement with a vendor to allow KCDC to use their anti-virus software. The agreement is for a term of 3 years beginning September 2022, with payments made on a monthly basis after implementation. The agreement has an assumed interest rate of 7.0% as of June 30, 2023, the value of the subscription liability as \$70,570.

The future principal and interest payments required under the SBITA are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 379,152	\$ 25,668	\$ 404,820
2025	409,545	12,972	422,517
2026	5,816	51	5,867
Total	<u>\$ 794,513</u>	<u>\$ 38,691</u>	<u>\$ 833,204</u>

Note 24—Subsequent events

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of KCDC through the date of the Independent Auditors Report and concluded that no subsequent events have occurred that would require recognition in the Financial Statements or disclosure in the Notes to the Financial Statements.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

Note 25—Blended component units

	Primary Government Excluding Blended Component Unit	Knoxville Housing Development Corporation	Passport Development Corporation	Five Points Corporation	Five Points 2 Corporation	Five Points 3 Corporation	Five Points 4 Corporation	Young High GP Corp	Hollywood GP Corp
ASSETS									
Current assets	\$ 33,578,112	\$ 18,423,247	\$ (411)	\$ 18,667	\$ 4,002	\$ 3,524	\$ 4,977	\$ 2,007	\$ 80
Capital assets, net	51,456,882	17,880,708	-	-	-	-	-	-	-
Noncurrent assets	1,122,005	16,516,395	4,921,099	597,664	3,305,720	1,491,841	3,133,353	-	50
Total Assets	86,156,999	52,820,350	4,920,688	616,331	3,309,722	1,495,365	3,138,330	2,007	130
Deferred outflows of resources	-	-	-	-	-	-	-	-	-
Total Assets And Deferred									
Outflows Of Resources	\$ 86,156,999	\$ 52,820,350	\$ 4,920,688	\$ 616,331	\$ 3,309,722	\$ 1,495,365	\$ 3,138,330	\$ 2,007	\$ 130
LIABILITIES									
Current liabilities	\$ 4,849,792	\$ 794,077	\$ -	\$ -	\$ -	\$ 32,168	\$ -	\$ -	\$ -
Noncurrent liabilities	13,856,857	20,831,539	-	-	-	-	-	-	-
Total Liabilities	18,706,649	21,625,616	-	-	-	32,168	-	-	-
Deferred inflows of resources	4,565,089	-	-	-	-	-	-	-	-
Total Liabilities And Deferred									
Inflows Of Resources	\$ 23,271,738	\$ 21,625,616	\$ -	\$ -	\$ -	\$ 32,168	\$ -	\$ -	\$ -
Net position									
Net investment in capital assets	\$ 41,384,067	\$ 8,192,300	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other noncurrent assets	7,009,194	160,434	-	-	-	-	-	-	-
Unrestricted net position (deficit)	14,492,000	22,842,000	4,920,688	616,331	3,309,722	1,463,197	3,138,330	2,007	130
Total Net Position	\$ 62,885,261	\$ 31,194,734	\$ 4,920,688	\$ 616,331	\$ 3,309,722	\$ 1,463,197	\$ 3,138,330	\$ 2,007	\$ 130
Total Liabilities, Deferred Inflows of Resources And Net Position	\$ 86,156,999	\$ 52,820,350	\$ 4,920,688	\$ 616,331	\$ 3,309,722	\$ 1,495,365	\$ 3,138,330	\$ 2,007	\$ 130

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

Note 25—Blended component units (continued)

	<u>Moss Grove GP Corp</u>	<u>Passport Homes Corporation</u>	<u>Western Corporation</u>	<u>Family Investment Foundation</u>	<u>Bell Street Corp</u>	<u>Cagle Corporation</u>	<u>Montgomery Village Corporation</u>	<u>Liberty Place Knoxville Corporation</u>	<u>Combined Blended Component Unit and Primary Government</u>
ASSETS									
Current assets	\$ 1,791	\$ 156,532	\$ 1,680,796	\$ 164,473	\$ 1,135,673	\$ 2,149,247	\$ 2,625,075	\$ (376,259)	\$ 59,571,533
Capital assets, net	-	-	625,549	-	1,882,458	6,735,801	7,486,334	411,659	86,479,391
Noncurrent assets	(590)	19,025,223	17,805,000	-	4,121,597	-	-	-	72,039,357
Total Assets	<u>1,201</u>	<u>19,181,755</u>	<u>20,111,345</u>	<u>164,473</u>	<u>7,139,728</u>	<u>8,885,048</u>	<u>10,111,409</u>	<u>35,400</u>	<u>218,090,281</u>
Deferred outflows of resources	-	-	-	-	-	-	-	-	-
Total Assets And Deferred Outflows Of Resources	<u>\$ 1,201</u>	<u>\$ 19,181,755</u>	<u>\$ 20,111,345</u>	<u>\$ 164,473</u>	<u>\$ 7,139,728</u>	<u>\$ 8,885,048</u>	<u>\$ 10,111,409</u>	<u>\$ 35,400</u>	<u>\$ 218,090,281</u>
LIABILITIES									
Current liabilities	\$ -	\$ -	\$ 102,712	\$ -	\$ 9,900	\$ 454,840	\$ 575,979	\$ 55,643	\$ 6,875,111
Noncurrent liabilities	-	-	-	-	450,000	11,219,230	10,256,874	-	56,614,500
Total Liabilities	-	-	102,712	-	459,900	11,674,070	10,832,853	55,643	63,489,611
Deferred inflows of resources	-	-	-	-	-	-	-	-	4,565,089
Total Liabilities And Deferred Inflows Of Resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 102,712</u>	<u>\$ -</u>	<u>\$ 459,900</u>	<u>\$ 11,674,070</u>	<u>\$ 10,832,853</u>	<u>\$ 55,643</u>	<u>\$ 68,054,700</u>
Net position									
Net investment in capital assets	\$ -	\$ -	\$ 409,105	\$ -	\$ 1,882,458	\$ (3,673,844)	\$ (2,445,958)	\$ (411,659)	\$ 45,336,469
Restricted by program requirements	-	-	-	-	-	988,759	1,565,771	-	9,724,158
Unrestricted net position (deficit)	1,201	19,181,755	19,599,528	164,473	4,797,370	(103,937)	158,743	391,416	94,974,954
Total net position	<u>\$ 1,201</u>	<u>\$ 19,181,755</u>	<u>\$ 20,008,633</u>	<u>\$ 164,473</u>	<u>\$ 6,679,828</u>	<u>\$ (2,789,022)</u>	<u>\$ (721,444)</u>	<u>\$ (20,243)</u>	<u>\$ 150,035,581</u>
Total Liabilities, Deferred Inflows of Resources And Net Position	<u>\$ 1,201</u>	<u>\$ 19,181,755</u>	<u>\$ 20,111,345</u>	<u>\$ 164,473</u>	<u>\$ 7,139,728</u>	<u>\$ 8,885,048</u>	<u>\$ 10,111,409</u>	<u>\$ 35,400</u>	<u>\$ 218,090,281</u>

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

Note 25—Blended component units (continued)

	Primary Government Excluding Blended Component Unit	Knoxville Housing Development Corporation	Passport Development Corporation	Five Points Corporation	Five Points 2 Corporation	Five Points 3 Corporation	Five Points 4 Corporation	Young High GP Corp	Hollywood GP Corp
Operating Revenues:									
Operating revenues	\$ 41,623,588	\$ 3,137,981	\$ -	\$ 51,357	\$ 244,802	\$ 14,382	\$ 225,755	\$ 86,402	\$ 124,800
Operating expenses	46,326,281	1,622,677	449	455	82	32,651	460	-	20
Operating Income (loss)	(4,702,693)	1,515,304	(449)	50,902	244,720	(18,269)	225,295	86,402	124,780
Non-operating revenues (expenses)	(484,561)	(136,390)	-	-	-	-	-	-	-
Capital contributions	79,383	-	-	-	-	-	-	-	-
Transfers from (to)	1,556,535	4,724,645	-	-	-	-	-	(83,642)	(124,650)
Special items	(3,535,901)	(1,087,409)	-	-	-	-	-	-	-
Increase (decrease) in net position	(7,087,237)	5,016,150	(449)	50,902	244,720	(18,269)	225,295	2,760	130
Net position, beginning of year	69,972,498	26,178,584	4,921,137	565,429	3,065,002	1,481,466	2,913,035	(753)	-
Net position, end of year	\$ 62,885,261	\$ 31,194,734	\$ 4,920,688	\$ 616,331	\$ 3,309,722	\$ 1,463,197	\$ 3,138,330	\$ 2,007	\$ 130

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

Note 25—Blended component units (continued)

	<u>Moss Grove GP Corp</u>	<u>Passport Homes Corporation</u>	<u>Western Corporation</u>	<u>Family Investment Foundation</u>	<u>Bell Street Corp</u>	<u>Cagle Corporation</u>	<u>Montgomery Village Corporation</u>	<u>Liberty Place Knoxville Corporation</u>	<u>Combined Blended Component Unit and Primary Government</u>
Operating Revenues:									
Operating revenues	\$ 772,448	\$ 887,162	\$ 2,268,660	\$ 155,900	\$ 3,489,068	\$ 2,210,284	\$ 3,231,814	\$ -	\$ 58,524,403
Operating expenses	20	186,642	64,770	11,739	426,888	1,991,984	4,355,533	20,243	55,040,894
Operating income (loss)	772,428	700,520	2,203,890	144,161	3,062,180	218,300	(1,123,719)	(20,243)	3,483,509
Non-operating Revenues (Expenses):	-	-	13,181,690	-	-	(305,185)	(19,995)	-	12,235,559
Capital contributions	-	-	-	-	-	-	-	-	79,383
Transfers from (to)	(771,227)	(848,167)	-	-	-	(4,013,254)	(440,240)	-	-
Special items	-	-	4,623,310	-	-	-	-	-	-
Increase (decrease) in net position	1,201	(147,647)	20,008,890	144,161	3,062,180	(4,100,139)	(1,583,954)	(20,243)	15,798,451
Net position, beginning of year	-	19,329,402	(257)	20,312	3,617,648	1,311,117	862,510	-	134,237,130
Net position, end of year	\$ 1,201	\$ 19,181,755	\$ 20,008,633	\$ 164,473	\$ 6,679,828	\$ (2,789,022)	\$ (721,444)	\$ (20,243)	\$ 150,035,581

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

Note 26—Discretely presented component units

	<u>Lonsdale</u>	<u>North Ridge</u>	<u>Vista</u>	<u>Eastport</u>	<u>Five Points 1</u>	<u>Five Points 2</u>	<u>Five Points 3</u>	<u>Five Points 4</u>	<u>Bell Street</u>	<u>Bell Street 3</u>	<u>Western Heights</u>	<u>Total</u>
ASSETS												
Current assets	\$ 2,402,516	\$ 2,227,133	\$ 1,247,820	\$ 556,300	\$ 803,293	\$ 668,829	\$ 476,386	\$ 909,113	\$ 1,046,688	\$ 40,861,174	\$ 19,913,003	\$ 71,112,255
Capital assets, net	14,084,235	15,914,604	10,062,907	6,395,284	8,612,239	13,177,617	13,626,363	16,082,495	27,698,235	27,866,668	20,358,599	173,879,246
Noncurrent assets	1,469,411	928,823	1,056,729	60,441	75,813	135,684	176,585	171,234	296,731	-	-	4,371,451
Total Assets	\$ 17,956,162	\$ 19,070,560	\$ 12,367,456	\$ 7,012,025	\$ 9,491,345	\$ 13,982,130	\$ 14,279,334	\$ 17,162,842	\$ 29,041,654	\$ 68,727,842	\$ 40,271,602	\$ 249,362,952
LIABILITIES												
Current liabilities	\$ 1,057,890	\$ 2,425,474	\$ 813,992	\$ 156,989	\$ 167,608	\$ 1,111,715	\$ 315,184	\$ 1,601,871	\$ 2,298,461	\$ 8,414,570	\$ 690,122	\$ 19,053,876
Noncurrent liabilities	13,365,946	11,900,783	9,707,325	5,036,924	538,736	5,490,489	3,766,324	6,740,791	19,841,854	58,349,103	38,805,000	173,543,275
Total Liabilities	\$ 14,423,836	\$ 14,326,257	\$ 10,521,317	\$ 5,193,913	\$ 706,344	\$ 6,602,204	\$ 4,081,508	\$ 8,342,662	\$ 22,140,315	\$ 66,763,673	\$ 39,495,122	\$ 192,597,151
Net position:												
Net investment in capital assets	\$ 629,722	\$ 3,927,223	\$ 293,825	\$ 1,358,360	\$ 8,073,503	\$ 7,627,715	\$ 9,819,121	\$ 9,268,813	\$ 7,676,381	\$ 1,914,169	\$ 868,941	\$ 51,457,773
Restricted by program requirements	1,303,580	1,359,069	890,620	406,685	395,453	475,599	368,042	442,598	66,500	-	-	5,708,146
Unrestricted net position (deficit)	1,599,024	(541,989)	661,694	53,067	316,045	(723,388)	10,663	(891,231)	(841,542)	50,000	(92,461)	(400,118)
Total net position	\$ 3,532,326	\$ 4,744,303	\$ 1,846,139	\$ 1,818,112	\$ 8,785,001	\$ 7,379,926	\$ 10,197,826	\$ 8,820,180	\$ 6,901,339	\$ 1,964,169	\$ 776,480	\$ 56,765,801
Total Liabilities And Net Position	\$ 17,956,162	\$ 19,070,560	\$ 12,367,456	\$ 7,012,025	\$ 9,491,345	\$ 13,982,130	\$ 14,279,334	\$ 17,162,842	\$ 29,041,654	\$ 68,727,842	\$ 40,271,602	\$ 249,362,952

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

Note 26—Discretely presented component units (continued)

	Lonsdale	North Ridge	Vista	Eastport	Five Points 1	Five Points 2	Five Points 3	Five Points 4	Bell Street	Bell Street 3	Western Heights	Total
Operating Revenues:												
Tenant revenue, net of bad debts of \$207,412	\$ 601,332	\$ 783,327	\$ 493,066	\$ 209,382	\$ 295,113	\$ 188,594	\$ 142,933	\$ 145,752	\$ 398,200	\$ -	\$ 23,623	\$ 3,281,322
Other government grants	1,307,324	1,384,512	844,813	202,116	428,938	438,114	418,601	564,648	329,039	-	182,703	6,100,808
Other revenue	21,015	25,463	64,556	1,353	6,716	4,799	2,181	11,815	-	-	-	137,898
Total operating revenues	1,929,671	2,193,302	1,402,435	412,851	730,767	631,507	563,715	722,215	727,239	-	206,326	9,520,028
Operating Expenses:												
Administrative	488,279	495,812	331,259	96,243	171,829	143,709	120,085	121,957	348,996	-	24,881	2,343,050
Tenant service	1,662	25,848	1,792	7,049	20,932	8,800	8,338	8,022	4,214	-	1,129	87,786
Utilities	26,601	323,217	177,206	114,386	245,463	159,171	97,175	125,229	111,369	-	34,718	1,414,535
Maintenance	457,902	530,820	358,514	139,237	165,605	166,527	175,429	178,058	140,557	-	21,269	2,333,918
Protective services	43,962	45,603	29,503	9,912	14,086	13,294	12,269	11,110	7,173	-	1,393	188,305
Insurance	152,961	157,227	80,500	24,394	38,244	55,745	62,050	55,575	89,207	-	87	715,990
General expense	62,630	47,564	61,932	5,289	8,870	15,425	3,577	22,376	104,872	-	-	332,535
Depreciation and amortization	449,199	505,947	351,946	255,823	269,991	438,004	427,649	617,297	663,976	-	90,245	4,070,077
Total operating expenses	1,683,196	2,132,038	1,392,652	652,333	935,020	1,000,675	906,572	1,139,624	1,470,364	-	173,722	11,486,196
Net operating (loss) income	246,475	61,264	9,783	(239,482)	(204,253)	(369,168)	(342,857)	(417,409)	(743,125)	-	32,604	(1,966,168)
Nonoperating revenues (expenses)												
Interest income - unrestricted	4,358	-	3,006	2,277	1,021	-	210	283	-	-	-	11,155
Interest income - restricted	118	224	82	1,333	1,041	145	70	53	-	66	-	3,132
Interest expense	(566,512)	(507,318)	(407,627)	(5,634)	(52,713)	(281,126)	(81,501)	(273,256)	(292,530)	-	-	(2,458,217)
Fraud recovery	25,200	17,349	2,244	-	-	5,229	685	4,060	-	-	-	54,767
Special item	-	-	-	-	-	-	-	-	-	-	-	-
Other nonoperating revenue (expense)	-	(4,410)	(65,366)	-	-	-	(80,145)	-	-	-	-	(149,921)
Total nonoperating expense, net	(526,836)	(494,155)	(467,661)	(2,024)	(50,651)	(275,752)	(160,681)	(268,860)	(292,530)	66	-	(2,539,084)
Partner (distributions) contributions	(13,792)	1,068,391	51,667	-	(4,006)	-	-	-	2,963,703	1,964,103	743,876	6,773,942
Changes in net position	(294,153)	635,500	(406,211)	(241,506)	(258,910)	(644,920)	(503,538)	(686,269)	1,928,048	1,964,169	776,480	2,268,690
Net position, beginning of year	3,826,479	4,108,803	2,252,350	2,059,618	9,043,911	8,024,846	10,701,364	9,506,449	4,973,291	-	-	54,497,111
Prior period adjustment	-	-	-	-	-	-	-	-	-	-	-	-
Net position, end of year	\$ 3,532,326	\$ 4,744,303	\$ 1,846,139	\$ 1,818,112	\$ 8,785,001	\$ 7,379,926	\$ 10,197,826	\$ 8,820,180	\$ 6,901,339	\$ 1,964,169	\$ 776,480	\$ 56,765,801

SUPPLEMENTAL INFORMATION

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION (TN003)
FINANCIAL DATA SCHEDULE ("FDS") ELECTRONIC SUBMISSION SCHEDULE
ENTITY WIDE BALANCE SHEET SUMMARY

YEAR ENDED JUNE 30, 2023

	Project Total	14.EFA FSS Escrow Forfeiture Account	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	14.896 PIH Family Self-Sufficiency Program	1 Business Activities	2 State/Local	9 Other Federal Program 2	14.195 Section 8 Housing Assistance Payments Program Spec	14.879 Mainstream Vouchers	21.023 Emergency Rental Assistance Program	14.871 Housing Choice Vouchers	14.EHV Emergency Housing Voucher	14.889 Choice Neighborhoods Implementation Grants	14.856 Lower Income Housing Assistance Program Secti	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$2,847,218		\$3,140,516	\$5,623,497		\$19,435	\$1,363,270		\$1,346,125	\$154,956		\$1,559,730	\$79,589		\$75,574	\$100,747	\$16,310,657		\$16,310,657
112 Cash - Restricted - Modernization and Development			\$16,899,877						\$4,716,367						\$0		\$21,616,244		\$21,616,244
113 Cash - Other Restricted	\$673,735	\$9,728	\$27,196,725	\$10,314,820			\$2,269,404		\$5,558,440	\$19,519		\$170,469			\$0		\$46,212,840		\$46,212,840
114 Cash - Tenant Security Deposits	\$14,183		\$230,069	\$121,876					\$195,863						\$0		\$561,991		\$561,991
115 Cash - Restricted for Payment of Current Liabilities												\$27,133			\$0		\$27,133		\$27,133
100 Total Cash	\$3,535,136	\$9,728	\$47,467,187	\$16,060,193	\$0	\$19,435	\$3,632,674	\$0	\$11,816,795	\$174,475	\$0	\$1,757,332	\$79,589	\$0	\$75,574	\$100,747	\$84,728,865	\$0	\$84,728,865
121 Accounts Receivable - PHA Projects															\$0				
122 Accounts Receivable - HUD Other Projects	\$0		\$17,861	\$159,887	\$11,564				\$797,948				\$36,676	\$282,869	\$7,498		\$1,314,303		\$1,314,303
124 Accounts Receivable - Other Government			\$26,133	\$160,201			\$220,891	\$29,507	\$10,896						\$0		\$447,628		\$447,628
125 Accounts Receivable - Miscellaneous			\$69,504	\$5,075,516		\$1,935,316	\$255,275		\$788,727						\$0	\$21,248	\$8,145,586		\$8,145,586
126 Accounts Receivable - Tenants	\$57,380		\$580,444	\$76,752					\$328,092			\$3,707			\$4,676		\$1,051,051		\$1,051,051
126.1 Allowance for Doubtful Accounts - Tenants	-\$4,641		-\$45,909	-\$10,050					-\$3,272			\$0			\$0		-\$63,872		-\$63,872
126.2 Allowance for Doubtful Accounts - Other			\$0	\$0	\$0	\$0	\$0	\$0	\$0			\$0	\$0	\$0	\$0	\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current															\$0				
128 Fraud Recovery												\$30,351	\$1,969		\$186		\$32,506		\$32,506
128.1 Allowance for Doubtful Accounts - Fraud												-\$30,351	-\$1,969		\$0		-\$32,320		-\$32,320
129 Accrued Interest Receivable	\$4,442			\$5,484		\$54	\$1,070			\$58		\$2,279			\$115	\$621	\$14,123		\$14,123
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$57,181	\$0	\$648,033	\$5,467,790	\$11,564	\$1,935,370	\$477,236	\$29,507	\$1,922,391	\$58	\$0	\$5,986	\$36,676	\$282,869	\$12,475	\$21,869	\$10,909,005	\$0	\$10,909,005
131 Investments - Unrestricted	\$3,453,162			\$4,262,261		\$42,197	\$831,732			\$45,335		\$1,679,658			\$91,664	\$482,946	\$10,888,955		\$10,888,955
132 Investments - Restricted			\$22,517,217												\$0		\$22,517,217		\$22,517,217
135 Investments - Restricted for Payment of Current Liability															\$0				
142 Prepaid Expenses and Other Assets	\$42,373	\$1,374	\$458,904	\$438,290		\$14,011	\$819		\$109,443			\$18,011			\$0	\$116,699	\$1,199,924		\$1,199,924
143 Inventories	\$9,213		\$20,914	\$31,430					\$50,368						\$0	\$74,748	\$186,673		\$186,673
143.1 Allowance for Obsolete Inventories	\$0		\$0	\$0					\$0						\$0	\$0	\$0		\$0
144 Inter Program Due From	\$0		\$0	\$49,056		\$419,778						\$12,600			\$0	\$29,507	\$510,941	-\$510,941	\$0
145 Assets Held for Sale				\$11,731			\$241,418								\$0		\$253,149		\$253,149
150 Total Current Assets	\$7,097,065	\$11,102	\$71,112,255	\$26,320,751	\$11,564	\$2,430,791	\$5,183,879	\$29,507	\$13,898,997	\$219,868	\$0	\$3,473,587	\$116,265	\$282,869	\$179,713	\$826,516	\$131,194,729	-\$510,941	\$130,683,788
161 Land	\$613,230		\$174,350	\$1,339,187		\$8,506,893	\$275,500		\$1,816,603						\$0		\$12,725,763		\$12,725,763
162 Buildings	\$19,892,607		\$155,504,508	\$71,397,864					\$82,774,960						\$0	\$52,310	\$329,622,249		\$329,622,249
163 Furniture, Equipment & Machinery - Dwellings			\$129,900												\$0		\$129,900		\$129,900
164 Furniture, Equipment & Machinery - Administration	\$572,487		\$4,038,183	\$760,064		\$181,547			\$616,687						\$0	\$2,396,426	\$8,565,394		\$8,565,394
165 Leasehold Improvements															\$0				
166 Accumulated Depreciation	-\$16,398,532		-\$16,478,207	-\$44,499,696		-\$181,547			-\$63,515,273						\$0	-\$1,313,396	-\$142,386,651		-\$142,386,651
167 Construction in Progress			\$30,510,512	\$6,025,091					\$6,481,500						\$0		\$43,017,103		\$43,017,103
168 Infrastructure						\$8,684,879									\$0		\$8,684,879		\$8,684,879
160 Total Capital Assets, Net of Accumulated Depreciation	\$4,679,792	\$0	\$173,879,246	\$35,022,510	\$0	\$17,191,772	\$275,500	\$0	\$28,174,477	\$0	\$0	\$0	\$0	\$0	\$0	\$1,135,340	\$260,358,637	\$0	\$260,358,637
171 Notes, Loans and Mortgages Receivable - Non-Current				\$62,841,526											\$0		\$62,841,526		\$62,841,526
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due															\$0				
173 Grants Receivable - Non Current															\$0				
174 Other Assets			\$4,371,451	\$4,219,655			\$1,368,033								\$0		\$9,959,139		\$9,959,139
176 Investments in Joint Ventures				\$3,610,143											\$0		\$3,610,143		\$3,610,143
180 Total Non-Current Assets	\$4,679,792	\$0	\$178,250,697	\$105,693,834	\$0	\$17,191,772	\$1,643,533	\$0	\$28,174,477	\$0	\$0	\$0	\$0	\$0	\$0	\$1,135,340	\$336,769,445	\$0	\$336,769,445
200 Deferred Outflow of Resources															\$0				
290 Total Assets and Deferred Outflow of Resources	\$11,776,857	\$11,102	\$249,362,952	\$132,014,585	\$11,564	\$19,622,563	\$6,827,412	\$29,507	\$42,073,474	\$219,868	\$0	\$3,473,587	\$116,265	\$282,869	\$179,713	\$1,961,856	\$467,964,174	-\$510,941	\$467,453,233

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION (TN003)
FINANCIAL DATA SCHEDULE ("FDS") ELECTRONIC SUBMISSION SCHEDULE (CONTINUED)
ENTITY WIDE BALANCE SHEET SUMMARY (CONTINUED)

YEAR ENDED JUNE 30, 2023

	Project Total	14.EFA FSS Escrow Forfeiture Account	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	14.896 PIH Family Self-Sufficiency Program	1 Business Activities	2 State/Local	9 Other Federal Program 2	14.195 Section 8 Housing Assistance Payments Program_Spec	14.879 Mainstream Vouchers	21.023 Emergency Rental Assistance Program	14.871 Housing Choice Vouchers	14.EHV Emergency Housing Voucher	14.889 Choice Neighborhoods Implementation Grants	14.856 Lower Income Housing Assistance Program_Secti	COCC	Subtotal	ELIM	Total
311 Bank Overdraft															\$0				
312 Accounts Payable <= 90 Days	\$38,190		\$5,436,172	\$462,291		\$57,278	\$663,241		\$1,262,425	\$289		\$21,849		\$37,513	\$2,313	\$103,244	\$8,084,805		\$8,084,805
313 Accounts Payable >90 Days Past Due															\$0				
321 Accrued Wage/Payroll Taxes Payable	\$9,075		\$208,223	\$23,041	\$1,234	\$52,582	\$14,772		\$48,571			\$20,413	\$14	\$2,918	\$0	\$120,371	\$501,214		\$501,214
322 Accrued Compensated Absences - Current Portion	\$10,583			\$46,146	\$1,465	\$87,836	\$11,343		\$117,851			\$42,384		\$515	\$0	\$298,046	\$616,169		\$616,169
324 Accrued Contingency Liability															\$0				
325 Accrued Interest Payable			\$3,601,212	\$112,325					\$27,938			\$4,743	\$170		\$0		\$3,746,388		\$3,746,388
331 Accounts Payable - HUD PHA Programs															\$11,703		\$11,703		\$11,703
332 Account Payable - PHA Projects															\$0				
333 Accounts Payable - Other Government			\$89,355	\$20,812					\$57,023						\$0		\$167,190		\$167,190
341 Tenant Security Deposits	\$13,683		\$225,427	\$119,876		\$383			\$193,335						\$0		\$552,704		\$552,704
342 Unearned Revenue	\$8,260		\$114,021	\$76,367		\$30	\$43,520		\$134,167	\$8,492		\$38,845	\$79,405		\$4,862		\$507,969		\$507,969
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue			\$1,880,950	\$831,825					\$326,344						\$0		\$3,039,119		\$3,039,119
344 Current Portion of Long-term Debt - Operating Borrowings															\$0				
345 Other Current Liabilities			\$7,498,516	\$102,712					\$38,415			\$27,133			\$0	\$385,355	\$8,052,131		\$8,052,131
346 Accrued Liabilities - Other	\$36,165			\$84,105					\$254,866						\$0	\$69,034	\$444,170		\$444,170
347 Inter Program - Due To					\$8,865			\$29,507	\$419,778				\$3,736	\$49,055	\$0		\$510,941	-\$510,941	\$0
348 Loan Liability - Current			\$0											\$205,425	\$0		\$205,425		\$205,425
310 Total Current Liabilities	\$115,956	\$0	\$19,053,876	\$1,879,500	\$11,564	\$198,109	\$732,876	\$29,507	\$2,880,713	\$8,781	\$0	\$155,367	\$83,325	\$295,426	\$18,878	\$976,050	\$26,439,928	-\$510,941	\$25,928,987
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue			\$173,543,275	\$38,183,818					\$13,967,302						\$0		\$225,694,395		\$225,694,395
352 Long-term Debt, Net of Current - Operating Borrowings															\$0				
353 Non-current Liabilities - Other							\$2,269,404					\$112,440			\$0	\$415,361	\$2,797,205		\$2,797,205
354 Accrued Compensated Absences - Non Current	\$28,612			\$124,766		\$237,718	\$30,668		\$318,635			\$118,556		\$1,393	\$0	\$805,827	\$1,666,175		\$1,666,175
355 Loan Liability - Non Current															\$0	\$0	\$0		\$0
356 FASB 5 Liabilities															\$0				
357 Accrued Pension and OPEB Liabilities															\$0				
350 Total Non-Current Liabilities	\$28,612	\$0	\$173,543,275	\$38,308,584	\$0	\$237,718	\$2,300,072	\$0	\$14,285,937	\$0	\$0	\$230,996	\$0	\$1,393	\$0	\$1,221,188	\$230,157,775	\$0	\$230,157,775
300 Total Liabilities	\$144,568	\$0	\$192,597,151	\$40,188,084	\$11,564	\$435,827	\$3,032,948	\$29,507	\$17,166,650	\$8,781	\$0	\$386,363	\$83,325	\$296,819	\$18,878	\$2,197,238	\$256,597,703	-\$510,941	\$256,086,762
400 Deferred Inflow of Resources				\$4,565,089											\$0		\$4,565,089		\$4,565,089
508.3 Nonspendable Fund Balance															\$0				
508.4 Net Investment in Capital Assets	\$4,679,792		\$51,457,773	\$3,456,866		\$17,191,772	\$275,500		\$18,597,199		\$0	\$0			\$0	\$1,135,340	\$96,794,242	\$0	\$96,794,242
509.3 Restricted Fund Balance															\$0				
510.3 Committed Fund Balance															\$0				
511.3 Assigned Fund Balance															\$0				
511.4 Restricted Net Position	\$673,735	\$11,102	\$5,708,146	\$3,403,333					\$5,558,440	\$19,519	\$0	\$58,029			\$0	\$0	\$15,432,304	\$0	\$15,432,304
512.3 Unassigned Fund Balance															\$0				
512.4 Unrestricted Net Position	\$6,278,762	\$0	-\$400,118	\$80,401,213	\$0	\$1,994,964	\$3,518,964	\$0	\$751,185	\$191,568	\$0	\$3,029,195	\$32,940	-\$13,950	\$160,835	-\$1,370,722	\$94,574,836	\$0	\$94,574,836
513 Total Equity - Net Assets / Position	\$11,632,289	\$11,102	\$56,765,801	\$87,261,412	\$0	\$19,186,736	\$3,794,464	\$0	\$24,906,824	\$211,087	\$0	\$3,087,224	\$32,940	-\$13,950	\$160,835	-\$235,382	\$206,801,382	\$0	\$206,801,382
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$11,776,857	\$11,102	\$249,362,952	\$132,014,585	\$11,564	\$19,622,563	\$6,827,412	\$29,507	\$42,073,474	\$219,868	\$0	\$3,473,587	\$116,265	\$282,869	\$179,713	\$1,961,856	\$467,964,174	-\$510,941	\$467,453,233

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION (TN003)
FINANCIAL DATA SCHEDULE ("FDS") ELECTRONIC SUBMISSION SCHEDULE (CONTINUED)
ENTITY WIDE REVENUE AND EXPENSE SUMMARY

YEAR ENDED JUNE 30, 2023

	Project Total	14.EFA FSS Escrow Forfeiture Account	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	14.896 PIH Family Self-Sufficiency Program	1 Business Activities	2 State/Local	9 Other Federal Program 2	14.195 Section 8 Housing Assistance Payments Program Spe	14.879 Mainstream Vouchers	21.023 Emergency Rental Assistance Program	14.871 Housing Choice Vouchers	14.EHV Emergency Housing Voucher	14.889 Choice Neighborhoods Implementation Grants	14.856 Lower Income Housing Assistance Program Sect	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$335,410		\$3,195,670	\$1,231,613					\$2,987,336						\$0		\$7,750,029		\$7,750,029
70400 Tenant Revenue - Other			\$85,652	\$59,637					\$45,745						\$0		\$191,034		\$191,034
70500 Total Tenant Revenue	\$335,410	\$0	\$3,281,322	\$1,291,250	\$0	\$0	\$0	\$0	\$3,033,081	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$7,941,063	\$0	\$7,941,063
70600 HUD PHA Operating Grants	\$2,790,169		\$6,100,808		\$62,483				\$9,309,842	\$932,224		\$25,623,792	\$114,007	\$282,869	\$498,282		\$45,714,476		\$45,714,476
70610 Capital Grants	\$79,383														\$0		\$79,383		\$79,383
70710 Management Fee															\$0	\$1,405,327	\$1,405,327	-\$1,405,327	\$0
70720 Asset Management Fee															\$0	\$88,920	\$88,920	-\$88,920	\$0
70730 Book Keeping Fee															\$0	\$420,806	\$420,806	-\$420,806	\$0
70740 Front Line Service Fee															\$0	\$354,168	\$354,168	-\$354,168	\$0
70750 Other Fees						\$653,562									\$0	\$40,236	\$693,798		\$693,798
70700 Total Fee Revenue															\$0	\$2,309,457	\$2,309,457	-\$2,269,221	\$40,236
70800 Other Government Grants				\$6,602,643			\$511,191				\$87,433				\$0		\$7,201,267	-\$4,126,975	\$3,074,292
71100 Investment Income - Unrestricted	-\$47,370		\$11,155	\$1,280,749		-\$59	-\$3,017		\$51,144	\$166		-\$23,518	\$1,000		\$1,587	\$6,377	\$1,278,214		\$1,278,214
71200 Mortgage Interest Income															\$0				
71300 Proceeds from Disposition of Assets Held for Sale															\$0				
71310 Cost of Sale of Assets															\$0				
71400 Fraud Recovery	\$3,288		\$54,767						\$13,157			\$46,026			\$766		\$118,004		\$118,004
71500 Other Revenue	\$34,860	\$11,102	\$6,911,840	\$7,699,686		\$2,298,374	\$267,098		\$137,791	\$331		\$1,967	\$3,100		\$3,000	\$25,595	\$17,394,744		\$17,394,744
71600 Gain or Loss on Sale of Capital Assets				\$13,623,771			\$530,989								\$0		\$14,154,760		\$14,154,760
72000 Investment Income - Restricted			\$3,132	\$1,637					\$55,872						\$0		\$60,641		\$60,641
70000 Total Revenue	\$3,195,740	\$11,102	\$16,363,024	\$30,499,736	\$62,483	\$2,951,877	\$1,306,261	\$0	\$12,600,887	\$932,721	\$87,433	\$25,648,267	\$118,107	\$282,869	\$503,635	\$2,341,429	\$96,905,571	-\$6,396,196	\$90,509,375
91100 Administrative Salaries	\$142,772		\$879,382	\$429,358		\$1,015,428	\$290,771		\$817,894	\$61,156	\$44,713	\$501,674	\$8,034	\$32,008	\$48,802	\$2,495,293	\$6,767,285		\$6,767,285
91200 Auditing Fees	\$7,990		\$130,200	\$23,660		\$3,000	\$2,000		\$22,150	\$1,000		\$20,000	\$1,000		\$3,000	\$7,200	\$221,200		\$221,200
91300 Management Fee	\$175,064		\$500,900	\$285,900			\$16,000		\$473,998	\$15,900		\$441,204	\$3,624		\$9,624		\$1,922,214	-\$1,405,327	\$516,887
91310 Book-keeping Fee	\$22,058		\$66,187	\$38,570					\$68,200	\$9,938		\$275,752	\$2,265		\$6,015		\$488,985	-\$420,806	\$68,179
91400 Advertising and Marketing	\$332		\$19,218	\$4,759		\$1,370	\$2,137		\$5,720			\$474			\$0	\$19,330	\$53,340		\$53,340
91500 Employee Benefit contributions - Administrative	\$51,690		\$280,338	\$140,522		\$311,171	\$54,760		\$275,049		\$12,563	\$205,263	\$2,400	\$5,696	\$0	\$708,867	\$2,048,319		\$2,048,319
91600 Office Expenses	\$33,347		\$167,958	\$86,806		\$56,103	\$16,264		\$173,684			\$139,669			\$0	\$850,759	\$1,524,590		\$1,524,590
91700 Legal Expense	\$9,699		\$56,368	\$30,633		\$36,553	\$40,389		\$21,729						\$0	\$11,486	\$206,857		\$206,857
91800 Travel	\$1,053		\$2,442	-\$53			\$409		\$12			\$704			\$0	\$30,487	\$35,320		\$35,320
91810 Allocated Overhead															\$0				
91900 Other	\$14,888		\$110,608	\$1,288,254		\$7,970	\$162,636		\$45,735		\$29,891	\$218,517	\$18,625	\$50,963	\$0	\$311,012	\$2,259,099		\$2,259,099
91000 Total Operating - Administrative	\$458,893	\$0	\$2,213,601	\$2,328,409	\$0	\$1,431,595	\$585,366	\$0	\$1,904,171	\$87,994	\$87,433	\$1,803,257	\$35,948	\$88,667	\$67,441	\$4,434,434	\$15,527,209	-\$1,826,133	\$13,701,076
92000 Asset Management Fee	\$35,720		\$129,449	\$29,000					\$24,200						\$0		\$218,369	-\$88,920	\$129,449
92100 Tenant Services - Salaries			\$15,764	\$4,997	\$43,534	\$74,470			\$31,491						\$0		\$170,256		\$170,256
92200 Relocation Costs	\$5,392		\$5,138	\$4,298			\$20,674		\$8,319						\$0		\$43,821		\$43,821
92300 Employee Benefit Contributions - Tenant Services			\$1,254	\$1,360	\$16,069	\$22,102			\$9,415						\$0		\$50,200		\$50,200
92400 Tenant Services - Other	\$20,265		\$65,630	\$43,249		\$196,093			\$58,536			\$887			\$0	\$27,164	\$411,824		\$411,824
92500 Total Tenant Services	\$25,657	\$0	\$87,786	\$53,904	\$59,603	\$313,339	\$0	\$0	\$107,761	\$0	\$0	\$887	\$0	\$0	\$0	\$27,164	\$676,101	\$0	\$676,101
93100 Water	\$127,355		\$340,288	\$220,909					\$359,166						\$0	\$12,457	\$1,060,175		\$1,060,175
93200 Electricity	\$83,649		\$355,273	\$330,157					\$925,388						\$0	\$52,516	\$1,746,983		\$1,746,983
93300 Gas	\$5,488		\$7,033	\$6,292					\$9,477						\$0	\$10,847	\$39,137		\$39,137
93400 Fuel															\$0	\$5,937	\$5,937		\$5,937
93500 Labor															\$0				
93600 Sewer	\$301,507		\$711,941	\$474,109					\$765,396						\$0		\$2,252,953		\$2,252,953
93700 Employee Benefit Contributions - Utilities															\$0				
93800 Other Utilities Expense															\$0				
93000 Total Utilities	\$517,999	\$0	\$1,414,535	\$1,031,467	\$0	\$0	\$0	\$0	\$2,059,427	\$0	\$0	\$0	\$0	\$0	\$0	\$81,757	\$5,105,185	\$0	\$5,105,185

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION (TN003)
FINANCIAL DATA SCHEDULE ("FDS") ELECTRONIC SUBMISSION SCHEDULE (CONTINUED)
ENTITY WIDE REVENUE AND EXPENSE SUMMARY (CONTINUED)

YEAR ENDED JUNE 30, 2023

	Project Total	14.EFA FSS Escrow Forfeiture Account	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	14.896 PIH Family Self-Sufficiency Program	1 Business Activities	2 State/Local	9 Other Federal Program 2	14.195 Section 8 Housing Assistance Payments Program_Spec	14.879 Mainstream Vouchers	21.023 Emergency Rental Assistance Program	14.871 Housing Choice Vouchers	14.EHV Emergency Housing Voucher	14.889 Choice Neighborhoods Implementation Grants	14.856 Lower Income Housing Assistance Program_Secti	COCC	Subtotal	ELIM	Total
94100 Ordinary Maintenance and Operations - Labor	\$148,203		\$427,363	\$190,635		\$486,848			\$413,042						\$0	\$176,823	\$1,842,914		\$1,842,914
94200 Ordinary Maintenance and Operations - Materials and Other	\$60,348		\$220,359	\$116,242		\$8,786	\$1,013		\$205,599			\$17		\$205,425	\$0	\$19,978	\$837,767		\$837,767
94300 Ordinary Maintenance and Operations Contracts	\$900,966		\$1,533,328	\$1,482,991		\$130,901	\$102,880		\$1,358,621			\$240	\$1,570		\$0	\$146,428	\$5,657,925	-\$354,168	\$5,303,757
94500 Employee Benefit Contributions - Ordinary Maintenance	\$44,623		\$152,868	\$73,032		\$126,293			\$159,133						\$0	\$64,331	\$620,280		\$620,280
94000 Total Maintenance	\$1,154,140	\$0	\$2,333,918	\$1,862,900	\$0	\$752,828	\$103,893	\$0	\$2,136,395	\$0	\$0	\$257	\$1,570	\$205,425	\$0	\$407,560	\$8,958,886	-\$354,168	\$8,604,718
95100 Protective Services - Labor															\$0				
95200 Protective Services - Other Contract Costs	\$62,143		\$188,305	\$138,110		\$5,692			\$192,907						\$0		\$587,157		\$587,157
95300 Protective Services - Other															\$0				
95500 Employee Benefit Contributions - Protective Services															\$0				
95000 Total Protective Services	\$62,143	\$0	\$188,305	\$138,110	\$0	\$5,692	\$0	\$0	\$192,907	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$587,157	\$0	\$587,157
96110 Property Insurance	\$66,525		\$611,995	\$103,756		\$2,369	\$319		\$142,217			\$11			\$0	\$8,708	\$935,900		\$935,900
96120 Liability Insurance	\$13,741		\$92,103	\$26,358		\$553	\$1,488		\$38,032			\$27,610			\$0	\$134	\$200,019		\$200,019
96130 Workmen's Compensation	\$1,130		\$8,627	\$2,735		\$817	\$643		\$5,827			\$2,422			\$0	\$6,774	\$28,975		\$28,975
96140 All Other Insurance	\$3,335		\$3,265	\$63,025		\$96	\$98		\$5,717			\$6,190			\$0	\$4,229	\$85,955		\$85,955
96100 Total insurance Premiums	\$84,731	\$0	\$715,990	\$195,874	\$0	\$3,835	\$2,548	\$0	\$191,793	\$0	\$0	\$36,233	\$0	\$0	\$0	\$19,845	\$1,250,849	\$0	\$1,250,849
96200 Other General Expenses	\$1,533		\$97,228	\$3,434		\$1,934	\$7,310		\$4,128,767			\$8,439			\$0		\$4,248,645	-\$4,126,975	\$121,670
96210 Compensated Absences	\$21,170		\$67,992	\$61,290	\$2,880	\$128,856	\$42,372		\$250,780			\$87,820		\$2,727	\$0	\$395,207	\$1,061,094		\$1,061,094
96300 Payments in Lieu of Taxes			\$50,535	\$20,810					\$57,023						\$0		\$128,368		\$128,368
96400 Bad debt - Tenant Rents	\$11,120		\$116,780	\$80,119					\$67,761						\$0		\$275,780		\$275,780
96500 Bad debt - Mortgages															\$0				
96600 Bad debt - Other						\$50									\$0		\$50		\$50
96800 Severance Expense															\$0	\$8,008	\$8,008		\$8,008
96000 Total Other General Expenses	\$33,823	\$0	\$332,535	\$165,653	\$2,880	\$130,840	\$49,682	\$0	\$4,504,331	\$0	\$0	\$96,259	\$0	\$2,727	\$0	\$403,215	\$5,721,945	-\$4,126,975	\$1,594,970

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION (TN003)
FINANCIAL DATA SCHEDULE ("FDS") ELECTRONIC SUBMISSION SCHEDULE (CONTINUED)
ENTITY WIDE REVENUE AND EXPENSE SUMMARY (CONTINUED)

YEAR ENDED JUNE 30, 2023

	Project Total	14.EFA FSS Escrow Forfeiture Account	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	14.896 PIH Family Self-Sufficiency Program	1 Business Activities	2 State/Local	9 Other Federal Program 2	14.195 Section 8 Housing Assistance Payments Program_Spec	14.879 Mainstream Vouchers	21.023 Emergency Rental Assistance Program	14.871 Housing Choice Vouchers	14.EHV Emergency Housing Voucher	14.889 Choice Neighborhoods Implementation Grants	14.856 Lower Income Housing Assistance Program_Secti	COCC	Subtotal	ELIM	Total
96710 Interest of Mortgage (or Bonds) Payable			\$1,208,650	\$880,856					\$351,980						\$0		\$2,441,486		\$2,441,486
96720 Interest on Notes Payable (Short and Long Term)			\$1,071,246	\$32,168											\$0	\$36,417	\$1,139,831		\$1,139,831
96730 Amortization of Bond Issue Costs			\$178,321												\$0	\$368,619	\$546,940		\$546,940
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$2,458,217	\$913,024	\$0	\$0	\$0	\$0	\$351,980	\$0	\$0	\$0	\$0	\$0	\$0	\$405,036	\$4,128,257	\$0	\$4,128,257
96900 Total Operating Expenses	\$2,373,106	\$0	\$9,874,336	\$6,718,341	\$62,483	\$2,638,129	\$741,489	\$0	\$11,472,965	\$87,994	\$87,433	\$1,936,893	\$37,518	\$296,819	\$67,441	\$5,779,011	\$42,173,958	-\$6,396,196	\$35,777,762
97000 Excess of Operating Revenue over Operating Expenses	\$822,634	\$11,102	\$6,488,688	\$23,781,395	\$0	\$313,748	\$564,772	\$0	\$1,127,922	\$844,727	\$0	\$23,711,374	\$80,589	-\$13,950	\$436,194	-\$3,437,582	\$54,731,613	\$0	\$54,731,613
97100 Extraordinary Maintenance															\$0				
97200 Casualty Losses - Non-capitalized	\$7,942		\$149,921	\$1,274,802		\$477			\$713,042						\$0	\$9,322	\$2,155,506		\$2,155,506
97300 Housing Assistance Payments	\$182,081									\$714,271		\$23,616,274	\$227,367		\$433,840		\$25,173,833		\$25,173,833
97350 HAP Portability-In												\$0			\$0		\$0		\$0
97400 Depreciation Expense	\$330,590		\$4,070,077	\$2,576,544		\$14,375			\$2,328,747						\$0	\$14,800	\$9,335,133		\$9,335,133
97500 Fraud Losses															\$0				
97600 Capital Outlays - Governmental Funds															\$0				
97700 Debt Principal Payment - Governmental Funds															\$0				
97800 Dwelling Units Rent Expense															\$0				
90000 Total Expenses	\$2,893,719	\$0	\$14,094,334	\$10,569,687	\$62,483	\$2,652,981	\$741,489	\$0	\$14,514,754	\$802,265	\$87,433	\$25,553,167	\$264,885	\$296,819	\$501,281	\$5,803,133	\$78,838,430	-\$6,396,196	\$72,442,234
10010 Operating Transfer In	\$137,124					\$785,074									\$0	\$1,000,000	\$1,922,198	-\$1,922,198	\$0
10020 Operating transfer Out	-\$137,124			-\$760,000		-\$240,000			-\$785,074						\$0		-\$1,922,198	\$1,922,198	\$0
10030 Operating Transfers from/to Primary Government	\$0														\$0		\$0		\$0
10040 Operating Transfers from/to Component Unit	\$417,325			-\$813,379		\$453,494	-\$57,440								\$0		\$0		\$0
10050 Proceeds from Notes, Loans and Bonds															\$0				
10060 Proceeds from Property Sales															\$0				
10070 Extraordinary Items, Net Gain/Loss															\$0				
10080 Special Items (Net Gain/Loss)	-\$4,623,310			\$4,623,310											\$0		\$0		\$0
10091 Inter Project Excess Cash Transfer In															\$0				
10092 Inter Project Excess Cash Transfer Out															\$0				
10093 Transfers between Program and Project - In				\$16,800					\$377,291						\$0		\$394,091	-\$394,091	\$0
10094 Transfers between Project and Program - Out	-\$394,091														\$0		-\$394,091	\$394,091	\$0
10100 Total Other financing Sources (Uses)	-\$4,600,076	\$0	\$0	\$3,066,731	\$0	\$998,568	-\$57,440	\$0	-\$407,783	\$0	\$0	\$0	\$0	\$0	\$0	\$1,000,000	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$4,298,055	\$11,102	\$2,268,690	\$22,996,780	\$0	\$1,297,464	\$507,332	\$0	-\$2,321,650	\$130,456	\$0	\$95,100	-\$146,778	-\$13,950	\$2,354	-\$2,461,704	\$18,067,141	\$0	\$18,067,141
11020 Required Annual Debt Principal Payments	\$49,166	\$0	\$478,841	\$724,519	\$0	\$0	\$0	\$0	\$76,052	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,328,578		\$1,328,578
11030 Beginning Equity	\$15,930,344	\$0	\$54,497,111	\$64,950,021	\$0	\$17,889,272	\$3,287,132	\$0	\$26,611,328	\$80,631	\$0	\$2,992,124	\$179,718	\$0	\$158,481	\$2,226,322	\$188,802,484		\$188,802,484
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors				-\$685,389					\$617,146			\$0			\$0		-\$68,243		-\$68,243
11050 Changes in Compensated Absence Balance															\$0				
11060 Changes in Contingent Liability Balance															\$0				
11070 Changes in Unrecognized Pension Transition Liability															\$0				
11080 Changes in Special Term/Severance Benefits Liability															\$0				
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents															\$0				
11100 Changes in Allowance for Doubtful Accounts - Other															\$0				
11170 Administrative Fee Equity												\$3,029,195			\$0		\$3,029,195		\$3,029,195
11180 Housing Assistance Payments Equity												\$58,029			\$0		\$58,029		\$58,029
11190 Unit Months Available	3084		14995	900					22416	2880		45613	756		912		91556		91556
11210 Number of Unit Months Leased	2339		13473	841					18073	1325		36767	302		802		73922		73922
11270 Excess Cash	\$6,059,921														\$0		\$6,059,921		\$6,059,921
11610 Land Purchases	\$0														\$0	\$0	\$0		\$0
11620 Building Purchases	\$0														\$0	\$0	\$0		\$0
11630 Furniture & Equipment - Dwelling Purchases	\$79,383														\$0	\$0	\$79,383		\$79,383
11640 Furniture & Equipment - Administrative Purchases	\$0														\$0	\$0	\$0		\$0
11650 Leasehold Improvements Purchases	\$0														\$0	\$0	\$0		\$0
11660 Infrastructure Purchases	\$0														\$0	\$0	\$0		\$0
13510 CFFP Debt Service Payments	\$91,674														\$0	\$0	\$91,674		\$91,674
13901 Replacement Housing Factor Funds	\$0														\$0	\$0	\$0		\$0

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION (TN003)
FINANCIAL DATA SCHEDULE ("FDS") ELECTRONIC SUBMISSION SCHEDULE (CONTINUED)
PROJECT BALANCE SHEET SUMMARY

YEAR ENDED JUNE 30, 2023

	TN003000001	TN003000003	TN003000005	TN003000006	TN003000007	TN003000008	TN003000009	TN003000010	TN003000011	TN003000012	TN003000013	TN003000018	TN003000022	TN003000023	TN003000025	TN003000028	TN003000030	TN003000031	TN003000034	TN003000035	TN003000036	TN003000095	TN003000097	TN003000098	TN003009999	OTHER PROJ	Total	
111 Cash - Unrestricted	\$2,787,748																									\$59,470	\$2,847,218	
112 Cash - Restricted - Modernization and Development																												
113 Cash - Other Restricted	\$673,735																											\$673,735
114 Cash - Tenant Security Deposits	\$14,183																											\$14,183
115 Cash - Restricted for Payment of Current Liabilities																												
100 Total Cash	\$3,475,666	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$59,470	\$3,535,136	
121 Accounts Receivable - PHA Projects																												
122 Accounts Receivable - HUD Other Projects		\$0																										\$0
124 Accounts Receivable - Other Government																												
125 Accounts Receivable - Miscellaneous																												
126 Accounts Receivable - Tenants	\$57,380																											\$57,380
126.1 Allowance for Doubtful Accounts - Tenants	-\$4,641																											-\$4,641
126.2 Allowance for Doubtful Accounts - Other																												
127 Notes, Loans, & Mortgages Receivable - Current																												
128 Fraud Recovery																												
128.1 Allowance for Doubtful Accounts - Fraud																												
129 Accrued Interest Receivable	\$4,442																											\$4,442
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$57,181	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$57,181	
131 Investments - Unrestricted	\$3,453,162																											\$3,453,162
132 Investments - Restricted																												
135 Investments - Restricted for Payment of Current Liability																												
142 Prepaid Expenses and Other Assets	\$42,373																											\$42,373
143 Inventories	\$9,213																											\$9,213
143.1 Allowance for Obsolete Inventories	\$0																											\$0
144 Inter Program Due From		\$0																										\$0
145 Assets Held for Sale																												
150 Total Current Assets	\$7,037,595	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$59,470	\$7,097,065	
161 Land	\$306,660																											\$306,660
162 Buildings	\$14,896,559																											\$14,896,559
163 Furniture, Equipment & Machinery - Dwellings																												\$306,570
164 Furniture, Equipment & Machinery - Administration	\$572,487																											\$572,487
165 Leasehold Improvements																												
166 Accumulated Depreciation	-\$11,402,484																											-\$11,402,484
167 Construction in Progress																												
168 Infrastructure																												
160 Total Capital Assets, Net of Accumulated Depreciation	\$4,373,222	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$306,570	\$4,679,792	
171 Notes, Loans and Mortgages Receivable - Non-Current																												
172 Notes, Loans, & Mortgages Receivable - Non-Current - Past																												
173 Grants Receivable - Non-Current																												
174 Other Assets																												
176 Investments in Joint Ventures																												
180 Total Non-Current Assets	\$4,373,222	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$306,570	\$4,679,792	
200 Deferred Outflow of Resources																												
290 Total Assets and Deferred Outflow of Resources	\$11,410,817	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$366,040	\$11,776,857	

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION (TN003)
FINANCIAL DATA SCHEDULE ("FDS") ELECTRONIC SUBMISSION SCHEDULE (CONTINUED)
PROJECT BALANCE SHEET SUMMARY (CONTINUED)

YEAR ENDED JUNE 30, 2023

	TN003000001	TN003000003	TN003000005	TN003000006	TN003000007	TN003000008	TN003000009	TN003000010	TN003000011	TN003000012	TN003000013	TN003000018	TN003000022	TN003000023	TN003000025	TN003000028	TN003000030	TN003000031	TN003000034	TN003000035	TN003000036	TN003000095	TN003000097	TN003000098	TN003009999	OTHER PROJ	Total
311 Bank Overdraft																											
312 Accounts Payable <= 90 Days	\$38,190																										\$38,190
313 Accounts Payable >90 Days Past Due																											
321 Accrued Wage/Payroll Taxes Payable	\$9,075																										\$9,075
322 Accrued Compensated Absences - Current Portion	\$10,583																										\$10,583
324 Accrued Contingency Liability																											
325 Accrued Interest Payable																											
331 Accounts Payable - HUD PHA Programs																											
332 Account Payable - PHA Projects																											
333 Accounts Payable - Other Government																											
341 Tenant Security Deposits	\$13,683																										\$13,683
342 Unearned Revenue	\$8,260																										\$8,260
343 Current Portion of Long-term Debt - Capital																											
344 Current Portion of Long-term Debt - Operating Borrowings																											
345 Other Current Liabilities																											
346 Accrued Liabilities - Other	\$36,165																										\$36,165
347 Inter Program - Due To																											
348 Loan Liability - Current																											
310 Total Current Liabilities	\$115,956	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$115,956
351 Long-term Debt, Net of Current - Capital Projects/Mortgage																											
352 Long-term Debt, Net of Current - Operating Borrowings																											
353 Non-current Liabilities - Other																											
354 Accrued Compensated Absences - Non Current	\$28,612																										\$28,612
355 Loan Liability - Non Current																											
356 FASB 5 Liabilities																											
357 Accrued Pension and OPEB Liabilities																											
350 Total Non-Current Liabilities	\$28,612	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$28,612
300 Total Liabilities	\$144,568	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$144,568
400 Deferred Inflow of Resources																											
508.4 Net Investment in Capital Assets	\$4,373,222		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$4,373,222
511.4 Restricted Net Position	\$673,735		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$673,735
512.4 Unrestricted Net Position	\$6,219,292	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$59,470	\$6,278,762
513 Total Equity - Net Assets / Position	\$11,266,249	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$366,040	\$11,632,289
600 Total Liabilities, Deferred Inflows of Resources and Equity -	\$11,410,817	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$366,040	\$11,776,857

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2023

FEDERAL GRANTOR	Assistance listing number	Pass through entity	Federal expenditures	Loan balances	Total
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
Mortgage Insurance for the Purchase or Refinancing of Existing Multifamily Housing Projects	14.155		\$ -	\$ 22,284,651	\$ 22,284,651
Section 8 Project Based Cluster					
Section 8 Housing Assistance Payments Program- Special Allocation	14.195	N/A	9,309,842	-	9,309,842
Section 8 Moderate Rehabilitation	14.856	N/A	498,282	-	498,282
Cluster Total			9,808,124	-	9,808,124
Housing Choice Voucher Cluster					
Housing Choice Voucher Program	14.871	N/A	25,623,792	-	25,623,792
Emergency Housing Vouchers	14.EHV	N/A	114,007	-	114,007
Mainstream Voucher	14.879	N/A	932,224	-	932,224
Cluster Total			26,670,023	-	26,670,023
Capital Fund Program	14.872	N/A	159,815	-	159,815
PIH Family Self-Sufficiency Program	14.896	N/A	62,483	-	62,483
Low Rent Public Housing	14.850	N/A	2,709,737	-	2,709,737
Emergency Rental Assistance Passed Through Knox County	21.023		87,433	-	87,433
Choice Neighborhoods Implementation Grants	14.889	N/A	282,869	-	282,869
			3,302,337		3,302,337
TOTAL FEDERAL FINANCIAL AWARDS			\$ 39,780,484	\$ 22,284,651	\$ 62,065,135

KNOXVILLE’S COMMUNITY DEVELOPMENT CORPORATION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2023

Note 1—Basis of accounting

The Schedule of Expenditures of Federal Awards (the “Schedule”) is prepared on the accrual basis of accounting.

Note 2—Basis of presentation

The Schedule includes the federal grant activity of the Authority under programs of the federal government for the year ended June 30, 2023.

The information in this Schedule is presented in accordance with the requirements of OMB Uniform Guidance, Title 2 CFR, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards. Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position or cash flows of the Authority.

Note 3—Other matters - indirect costs

The Authority has not elected to use the 10% de minimis indirect cost rate allowed under Uniform Guidance.

Note 4—Reconciliation of total federal awards expenditures to financial data schedule

**Reconciliation of Total Federal Awards Expenditures to Statement of Revenues, Expenses,
and Net Position**

HUD grants	\$ 39,613,668
Capital Fund	79,383
Other Government Grants	3,074,292
Less: State and Local	<u>(2,986,859)</u>
Total	<u>\$ 39,780,484</u>

Note 5—Department of housing and urban development loan

The loan balance outstanding at the beginning of the period is included in the federal expenditures presented in the Schedule. The balance of the loan outstanding at June 30, 2023 was \$21,886,669.

SINGLE AUDIT SECTION

**Report of Independent Auditor 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**

To the Board of Commissioners
Knoxville's Community Development Corporation
Lexington, Kentucky

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of Knoxville's Community Development Corporation ("KCDC") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise KCDC's basic financial statements, and have issued our report thereon dated December 12, 2023. Our report includes a reference to other auditors who audited the financial statements of certain discretely presented component units, as described in our report on KCDC's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of certain discretely presented component units were not audited in accordance with *Government Auditing Standards*.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the basic financial statements, we considered KCDC's internal control over financial reporting ("internal control") as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of KCDC's internal control. Accordingly, we do not express an opinion on the effectiveness of KCDC'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of KCDC'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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-01 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether KCDC's basic financial statements are free of 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*.

Response to Findings

KCDC's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. KCDC's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 KCDC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering KCDC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cherry Bekaert LLP

Lexington, Kentucky
December 12, 2023

Report of Independent Auditor on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

To the Board of Commissioners
Knoxville's Community Development Corporation
Lexington, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Knoxville's Community Development Corporation's ("KCDC") compliance with the types of compliance requirements in the OMB *Compliance Supplement*, that could have a direct and material effect on each of KCDC's major federal programs for the year ended June 30, 2023. KCDC's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, KCDC complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("*Uniform Guidance*"). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of KCDC and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of KCDC's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of law, statues, regulations, rules, and provisions of contracts or grant agreements applicable to the Authority's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on KCDC's compliance based on our audit. Reasonable assurance is a high level of assurance but not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about KCDC's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform the audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding KCDC's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of KCDC's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of KCDC's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate to those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance 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, noncompliance with a type of compliance requirements of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit the attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be a material weakness, as defined above. However, material weaknesses or significant deficiencies may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of our testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Cherry Bekaert LLP

Lexington, Kentucky
December 12, 2023

KNOXVILLE COMMUNITY DEVELOPMENT CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2023

Summary of Independent Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:
Material weakness(es) identified? x yes no
Significant deficiency(ies) identified not considered to
be material weaknesses? yes x none reported

Noncompliance material to financial statements noted? yes x no

Federal Awards

Internal Control over major programs:
Material weakness(es) identified? yes x no
Significant deficiency(ies) identified not considered to
be material weaknesses? yes x none reported

Type of auditors' report issued on compliance for
major programs Unmodified

Any audit findings disclosed that are required to be reported
in accordance with 2 CFR 200.516(a)? yes x no

Identification of major programs:

<u>ALN Number</u>	<u>Name of Federal Program or Cluster</u>
14.195, 14.856	Section 8 Project-Based Cluster
14.155	Mortgage Insurance for the Purchase Or Refinancing of Existing Multifamily Housing Projects

Dollar threshold used to distinguish between Type A and Type B programs: \$1,861,954

Auditee qualified as low-risk auditee? x yes no

A. Financial Statement Findings

None.

B. Finding - Major Federal Award Programs Audit

None.

KNOXVILLE COMMUNITY DEVELOPMENT CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2023

Findings – Financial Statement Audit

Material Weakness

Cybersecurity and Information Technology

Criteria – KCDC lacked effective controls over cybersecurity and was the subject of two cybersecurity attacks during the fiscal year ended June 30, 2023.

Condition – During the course of our engagement, KCDC was not able to produce certain supporting documents for cash disbursements, receipts, and move-out tenant files as these documents were lost as a result of a ransomware incident. Additionally, the KCDC underwent a phishing attack which led KCDC to pay fraudulent invoices of approximately \$2,000,000. KCDC was able to recover approximately \$1,000,000. The remaining amount not recovered was recorded as an expense.

Cause – KCDC underwent a ransomware attack during the fiscal year which resulted in KCDC losing information technology databases which impacted the document imaging software. All systems outside of web-based services were encrypted and access was lost to the servers and databases for a period of time. As a result, KCDC was unable to recover the access to scanned supporting documents for the period July 1, 2022 through October 31, 2022. Furthermore, KCDC underwent a phishing attack which led to the payment of fraudulent invoices.

Effect: – KCDC cannot produce scanned documents for certain transactions and they lost approximately \$1 million as a result of the phishing attack.

Recommendation – We recommend KCDC to implement information technology and cybersecurity controls to ensure that all data is properly and securely backed up. Furthermore, we recommend KCDC to implement general information technology controls to ensure payments made for vendors are valid and appropriate. KCDC submits the following corrective action plan for the year ended June 30, 2023.

KNOXVILLE COMMUNITY DEVELOPMENT CORPORATION

CORRECTIVE ACTION PLAN

YEAR ENDED JUNE 30, 2023

Cybersecurity and Information Technology

Management's Response – The Authority (“we”) agrees with this finding and the auditors’ recommendation. We have taken to following actions as of this writing:

1. We are in process of developing three plans designed to ensure that our data is secure against all types of threats including natural disasters, cyber-attacks, system failures, etc. Completion of these plans is scheduled for February 2024.
2. Disaster Recovery Plan
3. Data Loss Prevention Plan
4. Cybersecurity Incident Response Plan
5. We are 90% complete with upgrades to firewalls with enhanced unified threat management software. Planned completion of upgrades is February 2024.
6. We have implemented Exchange Online Threat Protection through Microsoft 365 G3 level security to all email.
7. We have implemented cloud based, immutable electronic storage of most data in addition to local backup devices.
8. We have completed a security architecture review and implemented the hardening measures suggested from the external consultant.
9. We have upgraded our endpoint protection to a managed service with 24 hour a day monitoring and immediate remediation efforts once a threat has been detected.
10. We have ongoing consultation with external IT security experts to ensure that we are taking all necessary and prudent actions to provide reasonable but not absolute assurance that all Corporation data is both secure and accessible for business purposes in accordance with best practices.
11. We have identified all critical software capable of being moved to the cloud and have completed that transition.
12. Cybersecurity training for end users will occur twice yearly beginning the first quarter of 2024.
13. Expanded accounts payable internal controls, implementing additional process steps to further mitigate risks.

KNOXVILLE COMMUNITY DEVELOPMENT CORPORATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2023

No prior year findings.