



Alaska Corporation for Affordable Housing

(A component unit of Alaska Housing Finance Corporation)

Financial Statements

And Independent Auditor's Report

June 30, 2024

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Independent Auditor's Report

To the Board of Directors
Alaska Corporation for Affordable Housing
Anchorage, Alaska

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Alaska Corporation for Affordable Housing (the Corporation), a component unit of Alaska Housing Finance Corporation, which comprise the statement of net position as of June 30, 2024, and the related statements of revenues, expenses and changes in net position, and cash flows, for the year then ended, and the notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of June 30, 2024, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities of the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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.

Eide Bailly LLP

Boise, Idaho

September 27, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements of Alaska Corporation for Affordable Housing (the Corporation) have been prepared in accordance with generally accepted accounting principles and contains the Independent Auditor's Report, the Management's Discussion and Analysis and the Basic Financial Statements. All amounts within the financial statements, unless otherwise indicated, are rounded to the dollar.

The Management's Discussion and Analysis is an overview and analysis of the financial activities of the Corporation for the twelve months ended June 30, 2024. This information should be read in conjunction with the Independent Auditor's Report, and the Basic Financial Statements immediately following this section.

The Corporation's Basic Financial Statements include the Statement of Net Position (Exhibit A), the Statement of Revenues, Expenses and Changes in Net Position (Exhibit B), the Statement of Cash Flows (Exhibit C), and the Notes to Financial Statements. These statements provide both long-term and short-term information about the Corporation's overall financial condition with the notes providing more detailed information. These statements are prepared using the accrual basis of accounting; revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

The Statement of Net Position presents the assets, liabilities and net position of the Corporation, giving the financial statement reader a snapshot of the fiscal condition of the Corporation at the end of the fiscal year.

The Statement of Revenues, Expenses and Changes in Net Position measures the operations over the past operating period.

The Statement of Cash Flows provides information about the sources and uses of the Corporation's cash.

FINANCIAL HIGHLIGHTS

- At the end of fiscal year 2024, the Corporation had total assets of \$37,903,464 and total liabilities of \$1,683,857.
- Cash held by the Corporation decreased by \$1,195,509. This decrease is related to the final payment on the note to and additional payments on behalf of Fairbanks Affordable Housing, LLC (the "Company").
- As of June 30, 2024 the Corporation owed Alaska Housing Finance Corporation (AHFC) \$53,081 for costs paid on their behalf.
- Other Assets increased by \$1,302,427 mainly due to increased interest receivable of \$1,340,789 related to the Company's construction note and increased short term advances of \$588,050.
- Construction notes receivable decreased by \$6,423,088 mainly due to increased provision for loan loss from 8% to 25% on the Ridgeline Terrace and Susitna Square notes, as well as 35% loan loss on the Company's construction note receivable.
- Land was purchased in Valdez, Alaska for \$378,872.
- Other liabilities decreased by \$616,763 due to the \$600,000 of unearned income as of June 30, 2023 that was recognized as income during the current fiscal year.
- For the twelve months ended June 30, 2024, the Corporation had an operating loss of \$5,152,534, primarily due to the increased provision for loan loss of \$7,257,029. In addition, Grant revenue decreased by \$12,400,000.
- Operation and administration expenses increased by \$97,071 mainly due to costs associated with the planning of a housing development in Valdez, Alaska.
- In 2014, AHFC allocated funds for affordable housing development directly related to projects the Corporation was working on at that time. Certain payroll costs accrued by the Corporation are funded as part of the allocation. During the current fiscal year, AHFC reimbursed the Corporation for \$159,049 of payroll costs.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Condensed Statement of Net Position

The following table presents information about the financial position of the Corporation as of June 30, 2024, and 2023, and changes in the balances thereof during the fiscal year ended June 30, 2024.

	2024	2023	Increase (Decrease)
Cash	\$ 8,227,512	\$ 9,423,021	\$ (1,195,509)
Construction notes receivable	19,724,471	26,147,559	(6,423,088)
Capital assets	5,119,359	4,740,487	378,872
Other assets	4,832,122	3,529,695	1,302,427
Total assets	37,903,464	43,840,762	(5,937,298)
Due to AHFC	53,081	111,528	(58,447)
Note Payable to AHFC	1,423,153	1,423,153	-
Other liabilities	207,623	824,386	(616,763)
Total liabilities	1,683,857	2,359,067	(675,210)
Deferred inflow of resources	3,152,821	3,262,375	(109,554)
Total net position	\$ 33,066,786	\$ 38,219,320	\$ (5,152,534)

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

The following table presents a comparison of condensed information for the fiscal years ended June 30, 2024, and 2023, and the change between those fiscal years.

	2024	2023	Increase (Decrease)
Lease income	\$ 109,554	\$ 108,524	\$ 1,030
Fee Income	38,368	38,368	-
Interest	1,197,721	288,264	909,457
Grant Revenue	600,000	13,000,000	(12,400,000)
Other revenue	450,059	454,502	(4,443)
Total revenue	2,395,702	13,889,658	(11,493,956)
Operations and administration	291,207	194,136	97,071
Provision for loan loss	7,257,029	11,319	7,245,710
Total expenses	7,548,236	205,455	7,342,781
Operating income (loss)	(5,152,534)	13,684,203	(18,836,737)
Change in net position	\$ (5,152,534)	\$ 13,684,203	\$ (18,836,737)

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSETS

During the current fiscal year, \$378,872 of land was purchased in Valdez, Alaska to be the site of a new affordable housing property to begin development in the upcoming year.

ECONOMIC FACTORS

There has been a decline in federal public housing operational dollars as result of congressional focus on national debt reduction along with the tightening of state capital and operating budgets. The challenge facing all public housing authorities is to serve as many people as possible facing the decline in funding. The Corporation will be able to access tax-exempt bonds, low income housing tax credits, foundation funding and other sources previously unavailable to AHFC.

The public housing stock is aging and its renovation and replacement needs are part of the future considerations for the Corporation. Development costs continue to rise as increased cost of materials and supply chain issues affect project delivery. Other projects similar to Ridgeline Terrace and Susitna Square will be considered based on funding and land availability.

CONTACT ACAH'S FINANCIAL MANAGEMENT

For inquiries about this report or additional financial information, call (907) 330-8322 or email finance@ahfc.us.

ALASKA CORPORATION FOR AFFORDABLE HOUSING
(A Component Unit of Alaska Housing Finance Corporation)
STATEMENT OF NET POSITION
As of June 30, 2024
(in dollars)

Exhibit A

ASSETS	
Cash	\$ 8,024,724
Limited partnership cash in escrow	202,788
Accounts receivable	96,703
Leases receivable	3,321,455
Accrued interest receivable	821,402
Prepaid insurance	3,489
Construction notes receivable, net	19,724,471
Capital assets - non-depreciable	5,119,359
Construction advances to affiliates	588,050
Other assets	1,023
Total Assets	37,903,464
LIABILITIES	
Due to AHFC	53,081
Due to Fairbanks Affordable Housing	235
Security deposit	4,600
Developer fee payable	202,788
Note payable to AHFC	1,423,153
Total Liabilities	1,683,857
DEFERRED INFLOW OF RESOURCES	3,152,821
NET POSITION	
Investment in capital assets	5,119,359
Unrestricted	27,947,427
Total Net Position	\$ 33,066,786

See accompanying notes to the financial statements.

ALASKA CORPORATION FOR AFFORDABLE HOUSING
(A Component Unit of Alaska Housing Finance Corporation)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the year ended June 30, 2024
(in dollars)

Exhibit B

OPERATING REVENUES

Lease income	\$	109,554
Developer fee income		38,368
Investment interest income		1,179,894
Lease interest income		17,827
Grant income		600,000
Other income		450,059
Total Operating Revenues		<u><u>2,395,702</u></u>

OPERATING EXPENSES

Operations and administration		291,207
Provision for loan loss		<u>7,257,029</u>
Total Operating Expenses		<u><u>7,548,236</u></u>

Operating Income		<u><u>(5,152,534)</u></u>
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Change in Net Position		(5,152,534)
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Net position at beginning of year		38,219,320
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Net Position at End of Period	\$	<u><u>33,066,786</u></u>
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See accompanying notes to the financial statements.

ALASKA CORPORATION FOR AFFORDABLE HOUSING
(A Component Unit of Alaska Housing Finance Corporation)
STATEMENT OF CASH FLOWS
For the year ended June 30, 2024
(in dollars)

Exhibit C

CASH FLOWS FROM OPERATING ACTIVITIES	
Rental income	\$ 69,293
Other operating receipts	20,234
Other operating disbursements	(61,056)
Payments from AHFC	159,049
Net cash provided by (used for) operating activities	187,520
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Payments to AHFC	(676,164)
Net cash provided by (used for) noncapital financing activities	(676,164)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Loan disbursements	(988,082)
Developer fees received	23,968
Developer fees paid	(23,968)
Deposits/Interest received for escrow accounts	6,970
Net cash provided by (used for) capital financing activities	(981,112)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	284,247
Purchases of land	(10,000)
Net cash provided by (used for) investing activities	274,247
Net Increase (decrease) in cash	(1,195,509)
Cash at the beginning of year	9,423,021
Cash at the end of period	\$ 8,227,512
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities	
Operating income (loss)	\$ (5,152,534)
<i>Adjustments:</i>	
Escrow interest received	(284,247)
Mortgage interest earned	(895,647)
Gain on disposal of capital asset	(238,795)
Decrease in lease receivable	51,466
Increase in due to Fairbanks Affordable Housing	2,128
Decrease in deferred inflows	(109,554)
Increase in accounts receivable	(14,400)
Increase in prepaid insurance	(596)
Increase in due to AHFC	196,638
Decrease in developer fee payable	(23,968)
Increase in allowance for loan loss	7,257,029
Decrease in unearned revenue	(600,000)
Net cash provided by (used for) operating activities	\$ 187,520

See accompanying notes to the financial statements.

NOTE DISCLOSURES INDEX

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Notes to Financial Statements

FOR THE TWELVE MONTHS ENDED JUNE 30, 2024

1 ALASKA CORPORATION FOR AFFORDABLE HOUSING

The Alaska Corporation for Affordable Housing (the "Corporation") is a non-profit corporation. It was incorporated on February 1, 2012, under the Alaska Nonprofit Corporation Act (AS 10.20) and provisions of the Alaska Statutes creating the Alaska Housing Finance Corporation (AS 18.56), as amended. The Corporation is a subsidiary of Alaska Housing Finance Corporation ("AHFC") in accordance with the Legislature's intent. The Corporation was formed to develop, manage and operate affordable housing and provide supportive and related services to support the mission of AHFC. AHFC's statutes do not provide AHFC with the power to undertake certain types of housing or to participate in some financing and ownership structures. The Corporation's mission is to undertake the types of affordable housing and services that are not open to AHFC directly, but which support AHFC's mission of providing affordable housing and services to individuals and groups in need.

The Corporation is legally independent and separate from AHFC, but there is financial accountability between the Corporation and AHFC. AHFC has operational responsibility of the Corporation and there is the potential for a financial benefit and/or burden between AHFC and the Corporation. The Corporation's purpose is to benefit and support AHFC in providing affordable housing to Alaskans. The Board of Directors of the Corporation and AHFC are one and the same.

The Corporation is presented as a blended component unit in AHFC's financial statements.

The Corporation is a government instrumentality of the State of Alaska (the "State") but has legal existence independent of and separate from the State.

ANC MV Limited Liability Company (the "LLC") was created and recorded with the State of Alaska on January 23, 2014. The LLC's purpose is to facilitate the financing and development of the Ridgeline Terrace and Susitna Square projects and provide security against lawsuits and other business-related liabilities. The LLC is legally independent and separate from the Corporation. The Corporation owns 99.99% of the LLC's membership interest and has the ability to impose its will on the LLC.

The Corporation has financial accountability for the LLC. Accordingly, the LLC is considered a component unit of the Corporation. The LLC's first year of operation ended December 31, 2014. The Corporation does not consider the component unit's financial data material enough to disclose in its financial statements at this time. Additional financial information about the LLC can be obtained by contacting the Cook Inlet Housing Authority.

The LLC is the general partner in the ANC MV Phase 1 Limited Partnership with a .01% ownership interest.

Fairbanks Affordable Housing Limited Liability Company (the "Company") was created and recorded with the State of Alaska on September 14, 2022. The Company's purpose is to facilitate the financing and development of the Meadows and Borealis Park projects and provide security against lawsuits and other business-related liabilities. The Company is legally independent and separate from the Corporation. Fairbanks Affordable Housing Partners Limited Partnership owns .01% of the Company's membership interest and has the ability to impose its will on the Company.

The Corporation has financial accountability for the Company. Accordingly, the Company is considered a component unit of the Corporation. The Company's first year of operation ended December 31, 2022. The Corporation does not consider the component unit's financial data material enough to disclose in its financial statements at this time. Additional financial information about the Company can be obtained by contacting the Corporation.

The Corporation is the sole partner in the Fairbanks Affordable Housing Partners Limited Partnership with a 100% ownership interest.

Notes to Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Accounting

The Corporation is engaged in business-type activities that utilize a proprietary enterprise fund.

The financial statements are reported using the economic resources measurement focus and full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Operating Revenue and Expenses

The Corporation's operating revenues are generated by services associated with the construction, financing and management of affordable housing projects. The operating expenses of the Corporation are the direct costs of providing those services. All other transactions not meeting the definition of operating revenues and expenses are reported as non-operating or contributions of capital.

Net Position

The Corporation's net position represents the difference between assets and liabilities. The investment in capital assets of the Corporation equals its capital assets. The unrestricted net position balance represents the Corporation's financial resources that are used for the specific purpose established when it was incorporated.

3 CASH

Cash consists of demand deposits and escrow accounts for developer fees to be paid pursuant to the Development Services Fee Escrow Agreement dated October 22, 2014. As of June 30, 2024, the Corporation's bank balance of \$8,227,512 were insured and collateralized with securities held by the pledging financial institution's trust department or agent. A summary of the Corporation's cash is shown below.

	June 30, 2024
Unrestricted cash	\$ 8,024,724
Developer fee escrow accounts	202,788
Carrying amount	<u>\$ 8,227,512</u>
Bank balance	<u>\$ 8,227,512</u>

4 LEASES

The Corporation receives lease payments from leasing various properties in Anchorage, Wasilla, and Fairbanks in the form of monthly and annual payments. The lease terms expire at various dates through 2078 and provide for renewal options of one year. As of June 30, 2024, the Corporation recognized a Lease Receivable of \$3,321,455 measured at the present value of future lease receivable expected to be received during the lease term discounted at the 5% incremental borrowing rate.

Lease receivable

For year-end June 30, 2024	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Lessor leases				
Building	\$ 3,267,444	\$ -	\$ (28,621)	\$ 3,238,823
Land	105,477	-	(22,845)	82,632
Total	<u>\$ 3,372,921</u>	<u>\$ -</u>	<u>\$ (51,466)</u>	<u>\$ 3,321,455</u>

Notes to Financial Statements

5 CAPITAL ASSETS

Capital asset activity and a summary of balances for the twelve months ended June 30, 2024, are shown below:

	June 30, 2023	Additions	Reductions	June 30, 2024
Non-Depreciable Capital Assets:				
Land	\$ 4,740,487	\$ 378,872	\$ -	\$ 5,119,359
Total Non-Depreciable Capital Assets	4,740,487	378,872	-	5,119,359

The cost of land includes demolition and survey costs incurred to prepare the land for the start of construction.

6 NOTES RECEIVABLE

As of June 30, 2024, the Corporation had three construction notes receivable outstanding. Funds were loaned to the ANC MV Phase 1 Limited Partnership for the construction of two Low-Income Housing Tax Credit properties, Ridgeline Terrace and Susitna Square, both located in Anchorage, Alaska. Funds were loaned to Fairbanks Affordable Housing for the construction of a Low-Income Housing Tax Credit in Fairbanks, Alaska.

The two ANC MV Phase 1 Limited Partnership notes mature on October 22, 2044. Interest began accruing at 1.00% per annum on the completion date of each project, which was February 1, 2016, for Ridgeline Terrace, and October 1, 2015, for Susitna Square. Interest and principal are due on both notes to the extent of available cash flow of the projects. The notes are secured by Leasehold Deeds of Trust and an Assignment of Leases and Rents of the projects. No principal is due on these notes within the next year. A summary of the balances is shown below. Allowance for loan loss is calculated as 25% of the construction loan balance.

The Fairbanks Affordable Housing Note matures on September 1, 2079. Interest began accruing at 3.14% per annum and repayment of the note begins in 2024 and will be dependent upon the cash flows of the project. The note is secured by a recorded Deed of Trust, Security Agreement, Financing Statement, and Assignment of Rents and Leases. Interest and principal are due annually beginning in 2024 from cash flow. No cash flow is expected within the next year. A summary of the balance is shown below. Allowance for loan loss is calculated as 35% of the construction loan balance.

	Ridgeline Terrace	Susitna Square	Fairbanks Affordable Housing	Total
Construction Loans	\$ 11,670,922	\$ 2,762,811	\$ 13,691,032	\$ 28,124,765
Less: Allowance for loan loss	(2,917,730)	(690,703)	(4,791,861)	(8,400,294)
Net Construction loans receivable	\$ 8,753,192	\$ 2,072,108	\$ 8,899,171	\$ 19,724,471

Notes to Financial Statements

7 LONG TERM LIABILITIES

The Corporation's note payable to AHFC is repayable over a thirty-year period beginning after project operations have begun. The note has no required minimum payment and is non-interest bearing. The note was established through a reimbursable grant agreement with AHFC, whereby eligible expenses incurred by the Corporation were reimbursed by AHFC with federal funds. The amount of the repayment of the note payable is based upon cash flow the Corporation receives from the Ridgeline Terrace project. There was no payment made towards the note for the year ended June 30, 2024. There was no change in the note's principal balance of \$1,423,153 during the 12 months ended June 30, 2024.

Other liabilities include developer fees in the amount of \$202,788 to be paid to various third parties involved in the development of the Ridgeline Terrace and Susitna Square housing developments, based on available cash flow as calculated in accordance with the Development Services Agreement dated October 22, 2014. No developer fees were paid during the year ended June 30, 2024, due to the developments not meeting certain benchmarks required by the Developer Agreements.

8 DEFERRED INFLOWS OF RESOURCES

The Government Accounting Standards Board has defined deferred inflows of resources as the acquisition of resources that are applicable to a future period. As of June 30, 2024, the Corporation recognized a combined total deferred inflows of \$3,152,821 as follows: Crossroads Counseling and Training of \$197,121, Interior Alaska Center for Non-Violent Living of \$34,301, Peak Auto of \$77,442, and \$2,843,957 from Loussac Place Limited Partnership. These amounts represent the equivalent value of lease receivable present value reduced by payments received during the year.

9 OTHER INCOME

In 2014, AHFC allocated funds for affordable housing development directly related to projects the Corporation was working on at that time. Certain payroll costs accrued by the Corporation are funded as part of the allocation. During the current fiscal year, AHFC reimbursed the Corporation for \$159,059 of payroll costs. Continuing forward, AHFC will continue to reimburse the Corporation for payroll costs out of this initial allocation. During the current fiscal year, AHFC transferred land with a cost of \$52,205 to the Corporation. The land was subsequently sold to the Company. A total gain of \$238,795 was realized from the disposal, which brings total Other Income to \$450,059 for the year ended June 30, 2024.

10 RELATED PARTY TRANSACTIONS

The Corporation is a subsidiary of AHFC and utilizes its administrative and support services under a shared services memorandum agreement. AHFC's Chief Executive Officer, Deputy Executive Officer, and Director of Public Housing serve as the Corporation's President and Vice Presidents, respectively. As of June 30, 2024, the Corporation owed \$53,081 to AHFC for utilities as well as shared services expenses. During the year ended June 30, 2024, \$122,239 was incurred for utilities as well as shared services expenses and \$159,351 was incurred for payroll expenses.