

**HARRIS COUNTY HOUSING
FINANCE CORPORATION**
A Component Unit of Harris County, Texas

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**
As of and for the Years Ended December 31, 2024 and 2023

HARRIS COUNTY HOUSING FINANCE CORPORATION
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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Harris County Housing Finance Corporation
Houston, Texas

Opinion

We have audited the financial statements of the business-type activities and each major fund of the Harris County Housing Finance Corporation (the "Corporation"), a component unit of Harris County, Texas, as of and for the years ended December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Corporation as of December 31, 2024 and 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 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 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 U.S. 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.

INDEPENDENT AUDITOR'S REPORT, CONTINUED

In performing an audit in accordance with U.S. GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits 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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Required Supplementary Information

U.S. GAAP requires that the management's discussion and analysis on pages 3-7 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 U.S. GAAS, 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 audits 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.

Hann, Langston & Brezina, LLP

Houston, Texas
August 20, 2025

HARRIS COUNTY HOUSING FINANCE CORPORATION MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

The following discussion and analysis of Harris County Housing Finance Corporation's (the "Corporation") financial performance provides an overview of the financial activities for the fiscal years ended December 31, 2024, 2023 and 2022. Please read in conjunction with the basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The following financial highlights are reflected in the Corporation's basic financial statements:

- The total assets of the Corporation exceeded the liabilities at December 31, 2024 by \$90,840,866, an increase of \$79,271,235 from December 31, 2023. The total assets of the Corporation exceeded the liabilities at December 31, 2023 by \$11,569,631. This is an increase of \$4,315,314 from December 31, 2022 when total assets exceeded liabilities by \$7,254,317.
- The net position of the Corporation is comprised of net position invested in capital assets of \$75,808,026 and \$3,745,300 and unrestricted net position of \$15,032,840 and \$7,824,331 at December 31, 2024 and 2023, respectively, which represents the funds available to meet ongoing obligations of the business-type activities.
- The Corporation recorded grant income of \$77,267,117 and \$2,160,000 during 2024 and 2023, respectively, Harris County. The Corporation recorded grant income of \$2,495,336 and \$1,472,000 during 2024 and 2023, respectively in connection with lands received through the single family affordable housing program.

OVERVIEW OF BASIC FINANCIAL STATEMENTS

The financial section of this annual report consists of three parts: Management's Discussion and Analysis, the basic financial statements, and the notes to the basic financial statements.

The basic financial statements provide both long-term and short-term information about the financial status of the Corporation and Harris County Community Land Trust Management Corporation ("HCCLT"), a component unit of the Corporation (collectively, the "Corporations"). HCCLT is a legally separate corporation for which the elected officials of the Corporation are financially accountable, or the relationship to the Corporation is such that exclusion would cause the Corporation's financial statements to be misleading or incomplete. The basic financial statements also include notes that explain some of the information in the basic financial statements and provide more detailed data.

In addition to the HCCLT, the Corporation created additional component units (the LLC's) during the year ended December 31, 2023:

- On December 17, 2023 the Corporation created the HCHFC Ella Boulevard Landowner, LLC and the Houston Ella Boulevard GP, LLC.
- On October 30, 2023 the Corporation created the HCHFC Ennis Landowner, LLC and the HCHFC Ennis Manager, LLC.

The Corporation created additional component units as follows during the year ended December 31, 2024:

- On January 22, 2024 the Corporation created the HCHFC Spring Shadows Landowner, LLC.
- On January 22, 2024 the Corporation created the HCHFC Knowles Rowland Landowner, LLC.
- On February 8, 2024 the Corporation created the HCHFC Park Row Katy Landowner, LLC and on July 31, 2023 the Park Row Katy Living GP, LLC.
- On February 8, 2024 the Corporation created the HCHFC Avenue on 34th Landowner, LLC.
- On March 21, 2024 the Corporation created the HCHFC Ost Lofts Landowner, LLC.
- On March 28, 2024 the Corporation created the HCHFC 1406 Hays Landowner, LLC.
- On June 3, 2024 the Corporation created the HCHFC Manson Place Landowner, LLC.
- On June 3, 2024 the Corporation created the HCHFC Meadowbrook Plaza Landowner, LLC and on February 1, 2024 the HCHFC Meadowbrook Plaza GP, LLC.
- On May 31, 2024 the Corporation created the HCHFC Avenue C Landowner, LLC and on January 3, 2023, the HCHFC Avenue C GP, LLC.

HARRIS COUNTY HOUSING FINANCE CORPORATION MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

OVERVIEW OF BASIC FINANCIAL STATEMENTS, continued

- On June 27, 2024 the Corporation created the HCHFC Tidwell Landowner, LLC and on December 14, 2023 the HCHFC Tidwell GP, LLC.
- On August 12, 2024 the Corporation created the HCHFC Saddle Creek Landowner, LLC.
- On August 14, 2024 the Corporation created the HCHFC Burnett Street Landowner, LLC.
- On August 28, 2024 the Corporation created the HCHFC Rushmore Landowner, LLC and on September 6, 2024 the HCHFC Rushmore GP, LLC.
- On August 28, 2024 the Corporation created the HCHFC Mesa Gardens Landowner, LLC and on September 25, 2024 the HCHFC Mesa Gardens GP, LLC.
- On October 16, 2024 the Corporation created the HCHFC Bennington Landowner, LLC and on April 14, 2023 the HCHFC Bennington GP, LLC.
- On November 13, 2024 the Corporation created the HCHFC Lost Oaks Landowner, LLC.

These LLC's are separate legal entities of the Corporation for which the Corporation is the sole owner, or has significant owner membership causing each to be financially accountable to the Corporation, and their relationship to the Corporation is such that exclusion would cause the Corporation's financial statements to be misleading or incomplete. The Corporation has determined that each LLC's are "blended component" units in accordance with GASB statement 14, and clarifying GASB statements 61 and 80, and these components are included in the Housing Finance Corporation's fund.

The basic financial statements are prepared on the accrual basis in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Under this basis, revenues are recognized when earned, and expenses are recognized in the period in which they are incurred.

The statements of net position include all assets and liabilities associated with the operation of the Corporation. The statements of net position report financial position, which is the difference between assets and liabilities. The statements of activities report how assets and liabilities have changed over a one-year period.

FINANCIAL ANALYSIS OF THE CORPORATION

Net Position

The total net position at December 31, 2024 was \$90,840,866, a 685.2% increase from December 31, 2023. The total net position at December 31, 2023 was \$11,569,631, a 59.5% increase from December 31, 2022. (See Table A-1 Below).

**HARRIS COUNTY HOUSING FINANCE CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

FINANCIAL ANALYSIS OF THE CORPORATION, CONTINUED

Net Position, continued

Table A-1 Corporation's Net Position

	2024	2023	2022
Current assets	\$ 20,032,198	\$ 7,832,731	\$ 7,151,510
Noncurrent assets	<u>110,765,858</u>	<u>4,310,667</u>	<u>113,300</u>
Total assets	<u>\$ 130,798,056</u>	<u>\$ 12,143,398</u>	<u>\$ 7,264,810</u>
Current liabilities	\$ 8,088,527	\$ 8,333	\$ 10,493
Noncurrent liabilities	<u>4,725,430</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>\$ 12,813,957</u>	<u>\$ 8,333</u>	<u>\$ 10,493</u>
Deferred lease revenue	\$ 25,197,711	\$ 565,434	\$ -
Unearned revenue	<u>1,945,522</u>	<u>-</u>	<u>-</u>
Total deferred inflow of resources	<u>\$ 27,143,233</u>	<u>\$ 565,434</u>	<u>\$ -</u>
Invested in capital assets	\$ 75,808,026	\$ 3,745,300	\$ 113,300
Unrestricted	<u>15,032,840</u>	<u>7,824,331</u>	<u>7,141,017</u>
Total net position	<u>\$ 90,840,866</u>	<u>\$ 11,569,631</u>	<u>\$ 7,254,317</u>

The increase in current assets at December 31, 2024 when compared to December 31, 2023 is primarily driven by advance from Harris County and excess cash arising from the Corporation's activities which have been invested accordingly. Additionally, improved investment performance also contributed to its growth. Bond issuance earnings, and additional fees received related to real estate development activities also created an increase in cash and program fees receivable at December 31, 2024.

The increase in noncurrent assets at December 31, 2024 when compared to December 31, 2023 is primarily driven by the grants received by the Corporation for multifamily projects and affordable housing programs sponsored by the City of Houston, Texas (the "City"). The Corporation used the proceeds from grants to acquire land and finance the construction and upfront rent on the Corporation's certain ground leases for these projects.

The increase in current and noncurrent liabilities at December 31, 2024 when compared to December 31, 2023 is due to advances received from Harris County and Harris County Redevelopment Authority whose proceeds were utilized to acquire land capital assets and fund the multifamily projects.

The increase in deferred inflow of resources at December 31, 2024 when compared to December 31, 2023 is mainly due to the acquired lands for the multifamily projects which were then leased to the developers and partnerships, resulting in the recognition of a lease receivable and deferred lease revenue which will be recognized over the life of the lease agreements. Also, part of the increase is due to prepaid program fees arising from multifamily projects which will be recognized in future years according to the terms of agreement with the contractors.

The increase in capital assets at December 31, 2024 when compared to December 31, 2023 is a result of single family lots granted to HCCLT through an affordable housing program sponsored by the City, as well as the capital assets acquired for the multifamily projects.

The increase in current assets at December 31, 2023 when compared to December 31, 2022 is a result of improved investment performance and earnings that created an increase in cash and program fees receivable at December 31, 2023.

The increase in noncurrent assets at December 31, 2023 when compared to December 31, 2022 is a result of grants received by the Corporation for multifamily project and affordable housing programs sponsored by the City.

The increase in deferred inflow of resources at December 31, 2023 when compared to December 31, 2022 due to the acquired land for one multifamily project and then lease to the developer, resulting in the recognition of a lease receivable and deferred lease revenue which will be recognized over the life of the lease agreement.

HARRIS COUNTY HOUSING FINANCE CORPORATION MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

FINANCIAL ANALYSIS OF THE CORPORATION, CONTINUED

Net Position, continued

The increase in capital assets at December 31, 2023 when compared to December 31, 2022 is a result of single family lots granted to HCCLT through an affordable housing program sponsored by the City, as well as the capital assets acquired for one multifamily project.

Changes in Net Position

The increase in financial position for the year ended December 31, 2024 when compared to December 31, 2023 was \$79,271,235. The total operating revenues increased by 1,742.8%, or \$79,021,127, and total operating expenses increased by 1,858.5%, or \$4,065,206. Change in net position increased by \$79,271,235 (See Table A-2.)

The increase in financial position for the year ended December 31, 2023 when compared to December 31, 2022 was \$4,315,314. The total operating revenues increased by 591.4%, or \$3,878,292, and total operating expenses increased by 29.7%, or \$50,138. Change in net position increased by \$3,828,154 (See Table A-2.)

Table A-2 Changes in the Corporation's Financial Position

	2024	2023	2022
Operating revenues:			
Program fees	\$ 1,068,023	\$ 179,524	\$ 28,768
Grant income	79,762,453	3,632,000	113,300
Lease income	130,394	5,308	-
Interest income	463,730	-	-
Investment income	862,229	232,168	53,459
Bond administrative fees	1,267,587	485,030	459,626
Other income	761	20	605
 Total operating revenues	<u>83,555,177</u>	<u>4,534,050</u>	<u>655,758</u>
 Operating expenses:			
Program services:			
Grant expenses	3,484,800	-	-
Professional fees	575,535	175,245	135,213
General and administrative expenses	223,607	43,491	33,385
 Total operating expenses	<u>4,283,942</u>	<u>218,736</u>	<u>168,598</u>
 Change in net position	79,271,235	4,315,314	487,160
 Net position at beginning of year	<u>11,569,631</u>	<u>7,254,317</u>	<u>6,767,157</u>
 Net position at end of year	<u><u>\$ 90,840,866</u></u>	<u><u>\$ 11,569,631</u></u>	<u><u>\$ 7,254,317</u></u>

During 2024, grant income increased compared to 2023 as the Corporation received grants from the Harris County to acquire lands and finance the upfront lease payments and the construction for the multifamily projects. In addition, the Corporation was granted additional single family lots as part of an affordable housing program sponsored by the City.

During 2024, program fees, lease income, and interest income increased compared to 2023 due to increase in multifamily projects.

During 2024, investment income increased compared to 2023 due to the growth in the investment base as advance from Harris County and the excess cash from the Corporation's activities are invested which was partially offset by a decrease in the annual percentage yield on the Corporation money market accounting from 5.36% in 2023 to 4.75% in 2024.

During 2024, bond administrative fee revenue increase compared to 2023 due to a bond defeasance in addition to certain additional closing and other fees related to new bond issuances applications particularly related to the multifamily projects and affordable housing programs.

HARRIS COUNTY HOUSING FINANCE CORPORATION MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

FINANCIAL ANALYSIS OF THE CORPORATION, CONTINUED

Changes in Net Position, continued

During 2024, the Corporation sub granted one of its grants from the multifamily projects to Harris County Redevelopment Authority to facilitate the acquisition, rehabilitation and operation of low- and moderate-income multi-family apartment complexes located within the jurisdictions of the Corporation's sponsoring political subdivisions.

During 2024, professional fees and general and administrative expenses increased due to higher professional fees compared to 2023 due to consultations arising from the multifamily projects that has increased in volume during the year.

During 2023, grant income increased compared to 2022 as the Corporation was granted single family lots with values totaling \$1,472,000 as part of an affordable housing program sponsored by the City. In addition, the Corporation was granted \$2,160,000 to purchase land as part of the City's multifamily project.

During 2023, program fees increased compared to 2023 due to increase in homebuyer activity and the multifamily project.

During 2023, investment income increased when compared to 2022 due to the annual percentage yield on the Corporation's money market account increasing from 1.26% in 2022 to 5.36 % in 2023.

During 2023, professional fees and general and administrative expenses increased due to the Corporation incurring higher professional fees compared to 2022.

During 2023, bond administrative fee revenue decreased compared to 2023 due to a bond defeasance in addition to certain additional closing and other fees related to new bond issuances and adjustments occurring in 2022.

CONTACTING THE CORPORATION'S FINANCIAL MANAGEMENT

This financial report is designed to discuss issues that may be material to the operation of the Corporation. If you have any questions about this report, please contact the Harris County Housing Finance Corporation, 1111 Fannin St, 9th Floor, Houston, Texas 77002.

HARRIS COUNTY HOUSING FINANCE CORPORATION
STATEMENT OF NET POSITION
DECEMBER 31, 2024

	Housing Finance Corporation	Community Land Trust	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 6,086,343	\$ 533,096	\$ 6,619,439
Investments, at fair value	13,137,746	-	13,137,746
Program fee receivables	222,619	210	222,829
Lease receivable	806	-	806
Other receivables	51,378	-	51,378
Due from (to) other funds	<u>100,000</u>	<u>(100,000)</u>	-
Total current assets	19,598,892	433,306	20,032,198
Lease receivables	7,157,482	-	7,157,482
Notes receivable	27,800,350	-	27,800,350
Land held in trust	-	4,080,636	4,080,636
Capital assets, land	<u>71,727,390</u>	<u>-</u>	<u>71,727,390</u>
Total assets	<u><u>\$ 126,284,114</u></u>	<u><u>\$ 4,513,942</u></u>	<u><u>\$ 130,798,056</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 278,601	\$ 170,191	\$ 448,792
Advance from Harris County	<u>7,639,735</u>	<u>-</u>	<u>7,639,735</u>
Total current liabilities	7,918,336	170,191	8,088,527
Due to Harris County Redevelopment Authority	<u>4,725,430</u>	<u>-</u>	<u>4,725,430</u>
Total liabilities	<u><u>\$ 12,643,766</u></u>	<u><u>\$ 170,191</u></u>	<u><u>\$ 12,813,957</u></u>
DEFERRED INFLOWS OF RESOURCES			
Deferred lease revenue	\$ 25,197,711	\$ -	\$ 25,197,711
Unearned revenue	<u>1,695,522</u>	<u>250,000</u>	<u>1,945,522</u>
Total deferred inflows of resources	<u><u>\$ 26,893,233</u></u>	<u><u>\$ 250,000</u></u>	<u><u>\$ 27,143,233</u></u>
NET POSITION			
Invested in capital assets	\$ 71,727,390	\$ 4,080,636	\$ 75,808,026
Unrestricted net position	<u>15,019,725</u>	<u>13,115</u>	<u>15,032,840</u>
Total net position	<u><u>\$ 86,747,115</u></u>	<u><u>\$ 4,093,751</u></u>	<u><u>\$ 90,840,866</u></u>

The accompanying notes are an integral part of these basic financial statements.

HARRIS COUNTY HOUSING FINANCE CORPORATION
STATEMENT OF NET POSITION
DECEMBER 31, 2023

	Housing Finance Corporation	Community Land Trust	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 6,249,978	\$ 92,432	\$ 6,342,410
Investments, at fair value	1,399,176	-	1,399,176
Program fee receivables	90,723	355	91,078
Lease receivable	67	-	67
Due from (to) other funds	100,000	(100,000)	-
 Total current assets	 7,839,944	 (7,213)	 7,832,731
Lease receivable	565,367	-	565,367
Land held in trust	-	1,585,300	1,585,300
Capital assets, land	2,160,000	-	2,160,000
 Total assets	 \$ 10,565,311	 \$ 1,578,087	 \$ 12,143,398
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 8,333	\$ -	\$ 8,333
 Total liabilities	 \$ 8,333	 \$ -	 \$ 8,333
DEFERRED INFLOWS OF RESOURCES			
Deferred lease revenue	\$ 565,434	\$ -	\$ 565,434
 Total deferred inflows of resources	 \$ 565,434	 \$ -	 \$ 565,434
NET POSITION			
Invested in capital assets	\$ 2,160,000	\$ 1,585,300	\$ 3,745,300
Unrestricted net position (deficit)	7,831,544	(7,213)	7,824,331
 Total net position	 \$ 9,991,544	 \$ 1,578,087	 \$ 11,569,631

The accompanying notes are an integral part of these basic financial statements.

HARRIS COUNTY HOUSING FINANCE CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2024

	Housing Finance Corporation	Community Land Trust	Total
Operating revenues:			
Program fees	\$ 1,068,023	\$ -	\$ 1,068,023
Grant income	77,267,117	2,495,336	79,762,453
Lease income	105,201	25,193	130,394
Interest income	463,730	-	463,730
Investment income	862,229	-	862,229
Bond administrative fees	1,267,587	-	1,267,587
Other income	761	-	761
Total operating revenue	81,034,648	2,520,529	83,555,177
Operating expenses:			
Program services:			
Grant expenses	3,484,800	-	3,484,800
Professional fees	575,535	-	575,535
Total program services	4,060,335	-	4,060,335
General and administrative:			
Insurance	78,211	-	78,211
Miscellaneous	140,531	4,865	145,396
Total general and administrative	218,742	4,865	223,607
Total operating expenses	4,279,077	4,865	4,283,942
Change in net position	76,755,571	2,515,664	79,271,235
Net position, beginning of year	9,991,544	1,578,087	11,569,631
Net position, end of year	\$ 86,747,115	\$ 4,093,751	\$ 90,840,866

The accompanying notes are an integral part of these basic financial statements.

HARRIS COUNTY HOUSING FINANCE CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023

	Housing Finance Corporation	Community Land Trust	Total
Operating revenues:			
Program fees	\$ 179,524	\$ -	\$ 179,524
Grant income	2,160,000	1,472,000	3,632,000
Lease income	-	5,308	5,308
Investment income	232,168	-	232,168
Bond administrative fees	485,030	-	485,030
Other income	-	20	20
Total operating revenue	3,056,722	1,477,328	4,534,050
Operating expenses:			
Program services:			
Professional fees	175,245	-	175,245
Total program services	175,245	-	175,245
General and administrative:			
Insurance	7,850	-	7,850
Miscellaneous	31,802	3,839	35,641
Total general and administrative	39,652	3,839	43,491
Total operating expenses	214,897	3,839	218,736
Change in net position	2,841,825	1,473,489	4,315,314
Net position, beginning of year	7,149,719	104,598	7,254,317
Net position, end of year	\$ 9,991,544	\$ 1,578,087	\$ 11,569,631

HARRIS COUNTY HOUSING FINANCE CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2024

	Housing Finance Corporation	Community Land Trust	Total
Cash flows from operating activities:			
Cash received from customers	\$ 3,914,211	\$ 25,338	\$ 3,939,549
Cash received from Harris County	18,625,911	-	18,625,911
Advances received for future project costs	1,490,000	250,000	1,740,000
Cash received for future tax escrow	-	169,289	169,289
Cash paid to suppliers and employees	<u>(524,009)</u>	<u>(3,963)</u>	<u>(527,972)</u>
Net cash provided by operating activities	<u>23,506,113</u>	<u>440,664</u>	<u>23,946,777</u>
Cash flows from investing activities:			
Payments for notes receivables	(10,986,176)	-	(10,986,176)
Purchase of capital assets - land	(4,745,002)	-	(4,745,002)
Purchase of investments	<u>(11,738,570)</u>	<u>-</u>	<u>(11,738,570)</u>
Net cash used by investing activities	<u>(27,469,748)</u>	<u>-</u>	<u>(27,469,748)</u>
Cash flows from financing activities:			
Cash received from Harris County Redevelopment Authority	<u>3,800,000</u>	<u>-</u>	<u>3,800,000</u>
Net (decrease) increase in cash	<u>(163,635)</u>	<u>440,664</u>	<u>277,029</u>
Cash at beginning of year	<u>6,249,978</u>	<u>92,432</u>	<u>6,342,410</u>
Cash at end of year	<u>\$ 6,086,343</u>	<u>\$ 533,096</u>	<u>\$ 6,619,439</u>
Reconciliation of net income to net cash provided by operating activities			
Change in net position	\$ 76,755,571	\$ 2,515,664	\$ 79,271,235
Contribution of land	(62,523,473)	(2,495,336)	(65,018,809)
Adjustments to reconcile change in net position to net cash from operating activities:			
Change in program fee receivables	(131,896)	145	(131,751)
Change in lease receivable	(43,037)	-	(43,037)
Change in other receivables	(51,378)	-	(51,378)
Change in accounts payable and accrued liabilities	270,268	170,191	440,459
Change in advance from Harris County	7,639,735	-	7,639,735
Change in deferred lease revenue	(105,199)	-	(105,199)
Change in unearned revenue	<u>1,695,522</u>	<u>250,000</u>	<u>1,945,522</u>
Net cash provided by operating activities	<u>\$ 23,506,113</u>	<u>\$ 440,664</u>	<u>\$ 23,946,777</u>
Non-cash Transaction:			
Change in lease receivable	\$ 6,549,817	\$ -	\$ 6,549,817
Upfront rent paid by notes receivables	<u>\$ 16,814,174</u>	<u>\$ -</u>	<u>\$ 16,814,174</u>
Upfront rent exchange for due to Harris County Redevelopment Authority	<u>\$ 925,430</u>	<u>\$ -</u>	<u>\$ 925,430</u>
Upfront rent for purchase of capital assets - land	<u>\$ 2,298,915</u>	<u>\$ -</u>	<u>\$ 2,298,915</u>
Pass through grant income and grant expenses	<u>\$ 3,484,800</u>	<u>\$ -</u>	<u>\$ 3,484,800</u>

The accompanying notes are an integral part of these basic financial statements.

HARRIS COUNTY HOUSING FINANCE CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Housing Finance Corporation	Community Land Trust	Total
Cash flows from operating activities:			
Cash received from customers	\$ 3,032,077	\$ 5,173	\$ 3,037,250
Cash paid to suppliers and employees	<u>(217,057)</u>	<u>(3,839)</u>	<u>(220,896)</u>
Net cash provided by operating activities	<u>2,815,020</u>	<u>1,334</u>	<u>2,816,354</u>
Cash flows from investing activities:			
Purchase of land	(2,160,000)	-	(2,160,000)
Purchase of investments	<u>(69,844)</u>	<u>-</u>	<u>(69,844)</u>
Net cash used by investing activities	<u>(2,229,844)</u>	<u>-</u>	<u>(2,229,844)</u>
Net increase in cash	585,176	1,334	586,510
Cash at beginning of year	<u>5,664,802</u>	<u>91,098</u>	<u>5,755,900</u>
Cash at end of year	<u>\$ 6,249,978</u>	<u>\$ 92,432</u>	<u>\$ 6,342,410</u>
Reconciliation of net income to net cash provided by operating activities			
Change in net position	\$ 2,841,825	\$ 1,473,489	\$ 4,315,314
Contribution of land	-	(1,472,000)	(1,472,000)
Adjustments to reconcile change in net position to net cash from operating activities:			
Change in program fee receivables	(24,645)	(155)	(24,800)
Change in accounts payable and accrued liabilities	<u>(2,160)</u>	<u>-</u>	<u>(2,160)</u>
Net cash provided by operating activities	<u>\$ 2,815,020</u>	<u>\$ 1,334</u>	<u>\$ 2,816,354</u>
Non-cash Transaction:			
Change in lease receivable	<u>\$ 565,434</u>	<u>\$ -</u>	<u>\$ 565,434</u>

HARRIS COUNTY HOUSING FINANCE CORPORATION

NOTES TO BASIC FINANCIAL STATEMENTS

1. Organization and Nature of Operations

The Harris County Housing Finance Corporation (the "Corporation") was incorporated on June 30, 1980, pursuant to the Texas Housing Finance Corporations Act (now codified as Chapter 394.001 et seq. Texas Local Government Code) as a separate not-for-profit corporate entity. Creation of the Corporation was authorized by the Harris County Commissioners Court, but the Corporation is not a political subdivision of Harris County, Texas ("Harris County") under state law. The Corporation is exempt from federal income tax under Section 115 of the Internal Revenue Code ("IRC") and is authorized to issue debt instruments for the purpose of purchasing single-family home mortgages or interests therein and providing financing for multi-family housing projects, both relating to low and moderate-income owners/residents.

In accordance with Government Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity* ("GASB 14"), as amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus* ("GASB 61"), the Corporation is a component unit of Harris County for financial reporting purposes. The Corporation is managed by a Board of Directors (the "Board") appointed by the Harris County Commissioners Court.

As required by generally accepted accounting principles in the United States of America ("U.S. GAAP"), the financial statements of the reporting entity include those of the Corporation and its component unit in conformity with GASB 14, GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* ("GASB 39"), GASB 61, and GASB Statement No. 80, *Blending Requirements for Certain Component Units* ("GASB 80"), clarifies the financial statement presentation requirements for certain component units which are incorporated as not-for-profit entities.

In accordance with these standards, the financial reporting entity consists of the Corporation and its component units. Component units are legally separate entities for which the Corporation is financially accountable, or the relationship to the Corporation is such that exclusion would cause the Corporation's financial statements to be misleading. Blended component units, although legally separate entities, are, in substance, part of the Corporation's operations, so data from these units are combined with the data of the Corporation.

The criteria used to determine whether an organization is a component unit of the Corporation and whether it is a blended component unit includes: financial accountability of the Corporation for the component unit, whether the Corporation appoints a voting majority of the entity's governing board, the ability to impose the Corporation's will on the component unit, fiscal dependency criterion, if it is a financial benefit to or burden on the Corporation, and whether services are provided entirely or almost entirely to the Corporation.

For financial reporting purposes, the components below are included in the operations and activities of the Corporation as blended component units.

- Harris County Community Land Trust Management Corporation ("HCCLT") was incorporated under the laws of the State of Texas on June 9, 2020. HCCLT is a legally separate entity for which the elected officials of the Corporation are financially accountable, or the relationship to the Corporation is such that exclusion would cause the Corporation's financial statements to be misleading. HCCLT, although a legally separate entity, is, in substance, part of the Corporation's operations, so data from HCCLT is combined with data of the Corporation.
- The Corporation holds ownership on various entities formed during 2023 and 2024 to serve as general partner and land-owner of multi-family apartment complexes within the jurisdictions of the Corporation's sponsoring political subdivisions. The net position and activities of these entities are combined with the data of the Corporation. See Note 9.

The basic financial statements include all activities of the Corporation and its component other than those associated with the mortgage and bond-related activities of the bond issuances.

A description of the Corporation's major programs and operations are as follows:

Down Payment Assistance Programs

The Corporation participates in a third-party's program which provides down payment and closing cost assistance for low to moderate income families purchasing single-family homes. The Corporation receives a participation fee from the third-party when mortgage loans within the limits of Harris County are closed and loans are sold.

HARRIS COUNTY HOUSING FINANCE CORPORATION

NOTES TO BASIC FINANCIAL STATEMENTS

1. Organization and Nature of Operations, continued

Multifamily Projects

The Corporation, through its wholly or partially owned components, partners with third-parties to facilitate the acquisition, rehabilitation and operation of low- and moderate-income multi-family apartment complexes located within the jurisdictions of the Corporation's sponsoring political subdivisions. The Corporation receives grants to fund the projects. The Corporation serves as the general partners and landowners, through its wholly owned subsidiaries, of the projects and receive compensation in the form of lease income. The Corporation may also serve as the contractors for the rehabilitation of the projects and receive developer fees, asset management fees, general contractor fees, and other contingency fees as described in the agreements as compensation.

Bond Programs

The Corporation acts as a conduit issuer of multi-family revenue bonds or assign the bond reservation to a third party for the purpose of providing financing to developers of multi-family housing projects. The Corporation collects application fees from all developers and assignees who apply for financing and receives a closing fee from all developers and assignees who close on a loan. The Corporation also receives annual issuer fees from developers and assignees for each year that the loan is outstanding.

As of December 31, 2024 and 2023, the Corporation had 17 and 14, respectively, multi-family bond issues and governmental notes outstanding, which are listed in Note 8, that the Corporation acts as a conduit issuer. These bond issuances are not reflected in the accompanying financial statements since the bonds are limited obligations payable only from assets of other funds of the Corporation.

Single Family Lot Leases

The Corporation, through HCCLT, is part of an affordable housing program sponsored by the City of Houston, Texas (the "City"), whereby HCCLT is granted ownership of land, in perpetuity, acquired by the City under the affordable housing program and provides an income-eligible homeowner with a 99-year ground lease to maintain affordable housing in the City.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with U.S. GAAP for local governmental units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Accordingly, expenses are recognized when the liability is incurred, and revenues are recognized when earned. Under the economic resources measurement focus, all assets and liabilities associated with the operation of the Corporation are included in the statements of net position. Since the Corporation has not received public donations, all net assets are considered to be unrestricted.

Use of Estimates

The process of preparing financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect reported amounts of certain assets, liabilities, revenues and expenses. Management believes its estimates and assumptions are reasonable; however, actual results could differ from those estimates.

Cash and Cash Equivalents

The Corporation considers all cash and short term, highly liquid investments with original maturities of three months or less to be cash and cash equivalents, respectively. The Corporation maintains demand deposits with financial institutions that are insured by the Federal Deposit Insurance Corporation ("FDIC").

HARRIS COUNTY HOUSING FINANCE CORPORATION

NOTES TO BASIC FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Investments

The Corporation Investment Policy is reviewed and approved at least annually by the board of directors. The Investment Policy includes a list of authorized investment instruments, a maximum allowable stated maturity by fund type, and the maximum weighted average maturity of the overall portfolio. Guidelines for diversification and risk tolerance are also detailed within the policy. Additionally, the policy includes specific investment strategies for fund groups that address each group's investment options and describes the priorities for suitable investments.

Receivables and Allowance for Doubtful Accounts

Program fee receivables, other receivables, and notes receivable are stated at unpaid balances, less an allowance for doubtful accounts. Management believes the program fee receivables, other receivables, and notes receivable are fully collectible and have not provided allowance for doubtful accounts. The Corporation provides for losses on receivables based on historical experience and any other circumstances which may affect the ability of payors to meet their obligations. It is the Corporation's policy to charge off uncollectible accounts when management determines the receivables will not be collected.

Interfund Balances

In the ordinary course of operations, transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds", respectively, are reported in the statement of net position.

Leases

The Corporation accounts for leases pursuant to the guidance of GASB Statement No. 87 – *Leases*, which requires lessees to establish a right-of-use ("ROU") lease asset and corresponding lease liability for most operating leases. ROU lease assets are amortized over the term of the lease. Under GASB Statement No. 87, lessors are required to establish a lease receivable and corresponding deferred lease revenue to be recognized over the term of the lease.

Capital Assets, Land

Land is recorded at historical cost and are not depreciated since it is inexhaustible.

Net Position

GASB Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* establishes standards for external financial reporting for all state and local government entities including a statement of net position and a statement of activities. It requires the classification of net position of enterprise funds into three components: invested in capital assets, net of related debt, restricted and unrestricted.

These classifications are defined as follows:

- Invested in capital assets, net of related debt – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Net position invested in capital assets at December 31, 2024 and 2023 relate to parcels of contributed land to be used to maintain affordable housing in the City. See Notes 1, 5, and 7.
- Restricted – This component of net position consists of restricted assets, reduced by liabilities and deferred inflows of resources related to those assets, upon which constraints have been externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation. At December 31, 2024 and 2023, the Corporation had no restricted net position.
- Unrestricted – This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

HARRIS COUNTY HOUSING FINANCE CORPORATION

NOTES TO BASIC FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Revenue Recognition

The Corporation generates revenue from a variety of sources, including fees that arise from assistance provided through single-family mortgage fees, down payment assistance programs, loan application fees, loan closing fees, developer fees, asset management fees, general contractor fees, and other contingency fees. The single-family mortgage fees, down payment assistance programs, and asset management fees are generally recognized when the services are provided. The loan application fees, loan closing fees, developer fees, general contractor fees, and other contingency fees are generally recognized when the eligibility requirements have been met and the services are provided. The Corporation also generates revenue from annual issuer fees associated with multi-family bonds. These annual issuer fees are recognized over time, as received and as the services are provided.

The Corporation generates revenues from certain grants and lease income from the multifamily project and an affordable housing program sponsored by the City which are recognized pursuant to GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* ("GASB 33"). Pursuant to GASB 33, revenues and expenditures are recognized when all applicable eligibility requirements are met.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This represents an acquisition of net position that applies to the performance of obligations in future periods and will not be recognized as revenues until the performance obligation has been fulfilled. Deferred inflows consist of deferred lease revenue and unearned revenue.

Deferred lease revenue represents the discounted value of future payments pursuant to the terms of a lease pursuant to GASB 87. Leases relative to future payments for the use of land and are recognized over the term of the agreement. See Note 6.

Unearned revenue represents the advance developer fees, asset management fees, general contractor fees, and multi-family bonds annual issuer fees for which eligibility requirements have not been met or the services have not yet been provided by the Corporation. See Notes 8 and 9.

Income Taxes

No income tax provision has been included in the financial statements since the Corporation is a Texas public not-for-profit instrument of the local government; thus, its revenues are non-taxable for federal income tax purposes under section 115 of the IRC.

Fair Value Measurements

The Corporation categorizes its fair value measurements 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 prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

As of December 31, 2024 and 2023, investment securities, consisting of government investment pools, are measured at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Unrealized and realized gains and losses on investments, dividends and interest income are reported in the statement of activities as increases or decreases in net position.

Concentration of Credit Risk

Financial instruments which potentially subject the Corporation to concentrations of credit risk consist principally of cash, program fee receivables, and investments. The Company maintains its cash and cash equivalents and investments with major financial institutions selected based upon management's assessment of the institution's financial stability.

HARRIS COUNTY HOUSING FINANCE CORPORATION

NOTES TO BASIC FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Concentration of Credit Risk, continued

As of December 31, 2024 and 2023, all of the financial investments are held in creditworthy financial institutions in the name of the Corporation which protects against credit risk of the financial institution holding the investments. Balances at these institutions periodically exceed FDIC limits; however, the Corporation has not experienced any losses from these deposits and management believes the risk of loss is minimal due to the strength of the financial institutions in which the funds are held.

Recently Issued Accounting Pronouncements

GASB Statement No. 102, Certain Risk Disclosures – (“GASB 102”), The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government’s vulnerabilities due to certain concentrations or constraints. GASB 102 will be adopted by the Corporation in 2025 and the impact has not yet been determined.

GASB Statement No. 103, Financial Reporting Model Improvements – (“GASB 103”), The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. GASB 103 will be adopted by the Corporation in 2026 and the impact has not yet been determined.

GASB Statement No. 104, Disclosure of Certain Capital Assets – (“GASB 104”), State and local governments are required to provide detailed information about capital assets in notes to financial statements. Statement No. 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments, requires certain information regarding capital assets to be presented by major class. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. GASB 104 will be adopted by the Corporation in 2026 and the impact has not yet been determined.

Reclassifications

Certain prior year balances have been reclassified in order to conform to the current year presentation. Such reclassifications have no impact on statements of net position, statement of activities, or statement of cash flow as previously reported.

3. Investments

The Board of Directors of the Corporation adopted an investment policy pursuant to Chapter 2256 of the Texas Government Code (the "Code"), and authorized investments generally include obligations of the United States of America or its agencies and instrumentalities; fully collateralized certificates of deposit from approved public depositories; direct obligations of the State of Texas or its agencies and instrumentalities; other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the State of Texas or the United States of America or their respective agencies and instrumentalities; fully collateralized repurchase agreements; and other instruments and obligations authorized by the Code.

TexSTAR

The Corporation participates in Texas Short Term Asset Reserve fund (“TexSTAR”) which is managed by Hilltop Securities, Inc., and J.P. Morgan Investment Management, Inc. Hilltop Securities provides participant and marketing services while J.P. Morgan provides investment management services. Custodial and depository services are provided by J.P. Morgan Chase Bank N.A. or its subsidiary.

The Corporation’s investment in TexSTAR is reported at fair value because TexSTAR uses fair value to report investments. Investments in TexSTAR may be withdrawn via wire transfer on a same day basis, as long as the transaction is executed by 4 p.m. ACH withdrawals made by 4 p.m. will settle on the next business day.

HARRIS COUNTY HOUSING FINANCE CORPORATION

NOTES TO BASIC FINANCIAL STATEMENTS

3. Investments, continued

Texas CLASS

The Corporation also participates in Texas Cooperative Liquid Assets Securities System ("Texas CLASS"). Texas CLASS is managed by an elected Board of Trustees consisting of members of the pool. Additionally, the Board of Trustees has established an advisory board, the function of which is to provide guidance on investment policies and strategies. The Board of Trustees has selected Public Trust Advisors, LLC as the program administer and UMB Bank N.A. as the custodian.

The Corporation's investment in Texas CLASS is reported at fair value because Texas CLASS uses fair value to report investments (other than repurchase agreements which are valued at amortized cost). The Corporation's investment in Texas CLASS is measured using published fair value per share. Investments in Texas CLASS may be withdrawn via wire transfer on a same day basis, as long as the transaction is executed by 4 p.m. ACH withdrawals made by 4 p.m. will settle on the next business day.

The following is a summary of the Corporation's investments at December 31, 2024:

	Carrying Value	Percentage of Total	Rating	Weighted Average Maturity
TexSTAR Texas CLASS	\$ 5,620,638 7,517,108	42.8% 57.2%	AAAm AAAm	36 days 34 days
Total investments	<u>\$ 13,137,746</u>	<u>100%</u>		

The following is a summary of the Corporation's investments at December 31, 2023:

	Carrying Value	Percentage of Total	Rating	Weighted Average Maturity
TexSTAR Texas CLASS	\$ 643,988 755,188	46.0% 54.0%	AAAm AAAm	44 days 21 days
Total investments	<u>\$ 1,399,176</u>	<u>100.0%</u>		

Investments are reported at fair value in accordance with GASB 72, *Fair Value Measurement and Application*, which defines fair value, establishes a framework for measuring fair value, and establishes disclosures about fair value measurements. GASB 72 establishes a hierachal disclosure framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the specific characteristics of the investment.

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments with readily available actively quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and lesser degree of judgment used in measuring fair value.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Investments traded in an active market with available quoted prices for identical assets as of the reporting date.

Level 2 – Investments not traded on an active market but for which observable market inputs are available for an asset, either directly or indirectly, as of the reporting date.

Level 3 – Investments not traded in an active market and for which no significant observable market inputs are available as of the reporting date.

HARRIS COUNTY HOUSING FINANCE CORPORATION

NOTES TO BASIC FINANCIAL STATEMENTS

3. Investments, continued

The Corporation has established a framework to consistently measure the fair value of the Corporation's assets and liabilities in accordance with applicable accounting, legal, and regulatory guidance. This framework has been provided by establishing valuation policy and procedures that will provide reasonable assurance that assets and liabilities are carried at fair value. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Corporation's assessment of the significance of a particular input to the fair value measurement requires judgment and considers factors specific to the investment. As of December 31, 2024 and 2023, the Corporation valued the government investment pools at net asset value provided by the custodians.

4. Notes Receivable

During the years ended December 31, 2024 and 2023, the Corporation was awarded and entered into 17 and one grant agreements with Harris County for \$114.4 million and \$4.3 million to fund multifamily projects, of which \$48.9 million and \$2.1 million are used to fund the construction and upfront rent payments by issuing notes receivable, respectively. Interest is due annually and the unpaid notes receivables are due on maturity date. See Note 9.

The following is a summary of the notes receivable in the statement of financial position at December 31, 2024:

<u>Project Name</u>	<u>Term (years)</u>	<u>Interest Rate</u>	<u>Notes Receivable</u>	<u>Interest Income</u>
1.Ella	30	1%	\$ 911,509	\$ 2,211
2.Ennis	40	1%	6,956,737	4,218
3.Spring Shadows	40	1%	5,357,049	13,450
4.Tidwell	40	1%	763,480	-
5.Knowles Rowland	40	1%	352,403	377
6.Meadowbrook Plaza	40	1%	175,292	136
7.Avenue C	40	1%	4,695,041	414
8.Saddle Creek	40	1%	2,413,409	30,072
9.Upland	15	1%	925,430	-
10.Mesa Gardens	40	1%	5,250,000	-
Total			\$ 27,800,350	\$ 50,878

5. Capital Assets, Land

During the years ended December 31, 2024 and 2023, the Corporation was awarded and entered into 17 and one grant agreements with Harris County for \$111.4 million and \$4.3 million to fund multifamily projects, of which \$62.5 million and \$2.2 million were funded and used to acquire the land to lease to developers or partnerships, respectively. During the year ended December 31, 2024, the Corporation funded additional \$7.0 million, of which \$2.3 million was funded by upfront lease payment by Lost Oak L.P., a tenant, to purchase the land for the multifamily projects. See Notes 6 and 9.

HARRIS COUNTY HOUSING FINANCE CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS

5. Capital Assets, Land, continued

The following is a summary of the land value in the statement of financial position at December 31, 2024 and 2023:

Project Name	2024	2023
1. Ella	\$ 2,160,000	\$ 2,160,000
2. Ennis	4,400,000	-
3. Spring Shadows	3,928,752	-
4. Hays Street	6,238,170	-
5. Avenue on 34th	3,799,037	-
6. Tidwell	1,370,000	-
7. Knowles Rowland	1,125,000	-
8. Meadowbrook Plaza	3,100,000	-
9. Manson Place	1,850,000	-
10. Avenue C	3,677,000	-
11. Burnett Street	18,922,482	-
12. Saddle Creek	1,798,264	-
13. OST Lofts	4,030,000	-
14. Park Row Katy	4,048,685	-
15. Mesa Gardens	5,250,000	-
16. Lost Oaks	2,750,000	-
17. Rushmore	3,280,000	-
Total	\$ 71,727,390	\$ 2,160,000

6. Leases

During the years ended December 31, 2024 and 2023, the Corporation was awarded and entered into 17 and one grant agreements with Harris County, of which the Corporation entered into 14 and one 99-year ground lease agreements with developers and partnerships to use the tract of land located in Houston, Texas for the purpose of development and operation upon the land of a multifamily residential development. As the interest rate implicit in the ground lease is not readily determinable, the Corporation estimates the interest rate utilizing the prevailing rates for similar instruments to discount the lease payments. See Notes 5 and 9.

The following is a summary of the lease receivables and deferred lease revenue, at December 31, 2024:

Project Name	Commencement Date	Lease Receivable	Deferred Lease Revenue
1. Ella	December 19, 2023	\$ 565,434	\$ 559,723
2. Ennis	January 26, 2024	-	4,359,259
3. Spring Shadows	March 15, 2024	484,047	480,437
4. Avenue on 34th	April 12, 2024	271,066	269,273
5. Knowles Rowland	June 28, 2024	120,044	119,502
6. Manson Place	July 2, 2024	294,336	293,097
7. Meadowbrook Plaza	July 16, 2024	1,557,102	1,507,211
8. Avenue C	July 24, 2024	464,685	4,127,795
9. Tidwell	July 30, 2024	383,365	1,143,029
10. Saddle Creek	August 20, 2024	-	1,793,723
11. OST Lofts	August 28, 2024	503,409	502,198
12. Park Row Katy	September 19, 2024	659,929	658,262
13. Mesa Gardens	October 3, 2024	1,161,714	6,395,660
14. Lost Oaks	November 13, 2024	302,046	2,597,712
15. Rushmore	November 25, 2024	391,110	390,828
Total		\$ 7,158,288	\$ 25,197,211

HARRIS COUNTY HOUSING FINANCE CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS

6. Leases, continued

The following is a summary of the lease receivables and deferred lease revenue, at December 31, 2023:

Project Name	Commencement Date	Lease Receivable	Deferred Lease Revenue
1. Ella	December 19, 2023	\$ 565,434	\$ 565,434

The following is a summary of the upfront lease payment, annual lease payments, lease income, and interest income during the year ended December 31, 2024:

Project Name	Annual Lease Payments	Upfront Lease Payment	Lease Income	Interest Income
1. Ella	\$ 35,040	\$ -	\$ 5,711	\$ 34,973
2. Ennis	-	4,400,00	40,741	-
3. Spring Shadows	30,000	-	3,667	29,943
4. Avenue on 34th	16,800	-	1,826	16,768
5. Knowles Rowland	7,440	-	556	7,426
6. Manson Place	18,240	-	1,239	18,205
7. Meadowbrook Plaza	52,800	-	6,370	96,320
8. Avenue C	28,800	3,677,000	13,945	28,745
9. Tidwell	23,760	763,480	3,862	23,714
10. Saddle Creek	-	1,798,764	,4541	-
11. OST Lofts	31,200	-	1,271	31,140
12. Park Row Katy	40,896	-	1,667	10,879
13. Mesa Gardens	72,000	5,250,000	16,192	71,862
14. Lost Oaks	18,720	-	3,284	18,684
15. Rushmore	24,240	-	329	24,193
Total	\$ 399,936	\$ 15,889,244	\$ 105,201	\$ 412,852

The following is a summary of the annual lease payments, lease incomes, and interest incomes during the year ended December 31, 2023:

Project Name	Annual Lease Payments	Upfront Lease Payment	Lease Income	Interest Income
1. Ella	\$ 35,040	\$ -	\$ -	\$ -

HARRIS COUNTY HOUSING FINANCE CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS

6. Leases, continued

Minimum lease payments receivable for all projects are as follows:

Year Ending December 31,	Principal	Interest	Total
2025	\$ (43,896)	\$ 445,553	\$ 401,657
2026	(45,160)	448,311	403,151
2027	(43,646)	451,178	404,832
2028	(47,557)	454,120	406,563
2029	(48,793)	457,138	408,345
2030-2034	(263,346)	2,333,745	2,070,399
2035-2039	(297,810)	2,421,521	2,123,711
2040-2044	(334,949)	2,520,463	2,185,514
2045-2049	(374,132)	2,631,293	2,257,161
2050-2054	(414,227)	2,754,447	2,340,220
2055-2059	(453,376)	2,889,883	2,436,507
2060-2064	(488,669)	3,036,801	2,548,131
2065-2069	(515,699)	3,193,233	2,677,534
2070-2074	(527,926)	3,355,473	2,827,547
2075-2079	(515,804)	3,517,258	3,001,453
2080-2084	(465,566)	3,668,625	3,203,058
2085-2089	(357,531)	3,794,304	3,436,774
2090-2094	(163,761)	3,871,475	3,707,714
2095-2099	155,171	3,866,636	4,021,808
2100-2104	654,672	3,731,257	4,385,929
2105-2109	1,412,309	3,395,736	4,808,045
2110-2114	2,536,367	2,761,026	5,297,393
2115-2119	4,177,640	1,687,042	5,864,682
2120-2123	3,626,677	242,340	3,869,018
Total	\$ 7,158,288	\$ 57,928,859	\$ 65,087,147

7. Land Held in Trust and Lease Income

At December 31, 2024 and 2023, land held in trust is comprised of sixty eight and twenty four, respectively, single family lots granted to HCCLT during the years then ended. HCCLT has entered into a 99-year ground lease with the homeowner for each lot, which provides for \$50 of rental income per month over the life of the lease. The leases provide the homeowners with the right to an additional 99-year renewal. The improvements on the land may not be sold or otherwise mortgaged without prior written consent of HCCLT, and HCCLT maintains the right to purchase the improvements if the homeowner pursues the sale of the property. In the event of sale, the improvements may only be transferred to income-qualified buyers and the selling price of the property is subject to certain maximum thresholds determined by the underlying lease agreement to maintain affordable housing in the City. Lease income of \$25,193 and \$5,308 was recognized in the statement of activities for the years ended December 31, 2024 and 2023, respectively.

HARRIS COUNTY HOUSING FINANCE CORPORATION

NOTES TO BASIC FINANCIAL STATEMENTS

8. Outstanding Bonds and Other Programs

In accordance with the Corporation's adoption of GASB 91, the accompanying financial statements do not include the outstanding bonds or governmental notes issued by the Corporation. The bonds and notes are collateralized and payable solely from revenues and other assets pledged under trust indentures held in trust by the bond or note Trustee(s). Certain of the bonds and notes are limited obligations of the Corporation, the principal and interest on which are payable solely from the pledged receipts or from the other moneys made available to the Corporation for such purpose from the trust estate.

Outstanding issuances of bonds as of December 31, 2024, for specified multi-family housing projects, were as follows:

Bond Series	Project	Outstanding at December 31, 2024
2004	Village at Corner Stone Apartments	\$ 5,315,000
2005	Louetta Village Apartments	4,580,000
2005	Primrose Apartments at Bammell	6,080,000
2006	Lafayette Village Apartments	10,715,000
2006	Gardens at Tomball Apartments	6,895,000
2007	Mansions at Hastings Green Senior Apartments	11,346,058
2018	The Vireo Apartments	23,079,000
2020	Enclave at Lakepointe	7,000,000
2024	Meadowbrook Plaza	17,500,000
2024	Avenue C	<u>21,450,000</u>
		<u>\$ 113,960,058</u>

Outstanding issuances of governmental notes as of December 31, 2024, for specified multi-family housing projects, were as follows:

Note Series	Project	Outstanding at December 31, 2024
2019	Quail Chase Apartments	\$ 17,432,728
2020	Pinewood Apartments	23,582,000
2021	City Parc at West Oaks Apartments	19,946,187
2024	Wellington Park	21,956,000
2024	Tidwell	<u>12,200,000</u>
		<u>\$ 95,116,914</u>

9. Related Party

Grants on Multifamily Projects

During the years ended December 31, 2024 and 2023, the Corporation was awarded and entered into 17 and one grant agreements with Harris County, of which the Corporation, through its wholly owned or partially owned affiliates, entered into seven and one partnership or operation agreements to fund multifamily projects. See Notes 1, 4, 5, 8, and 9.

The following is a summary of the multifamily projects during the year ended December 31, 2024:

HARRIS COUNTY HOUSING FINANCE CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS

9. Related Party, continued

<u>Project Name</u>	<u>Grant Revenue</u>	<u>Grant Expenditure</u>	<u>Unearned Revenue</u>	<u>Program Fees Revenue</u>
1.Ella	\$ 911,509	\$ -	\$ -	\$ 100,000
2.Ennis	6,956,737	-	-	100,750
3.Spring Shadows	9,285,801	-	-	-
4.Hays Street	6,082,668	-	1,217,332	-
5.Avenue on 34th	3,799,037	-	-	-
6.Tidwell	1,370,000	-	84,625	41,706
7.Knowles Rowland	1,477,403	-	-	-
8.Meadowbrook Plaza	3,275,292	-	143,334	54,567
9.Manson Place	1,850,000	-	-	-
10.Avenue C	4,695,041	-	166,708	197,882
11.Burnett Street	14,605,650	-	-	-
12.Saddle Creek	2,413,409	-	-	50,000
13.OST Lofts	4,030,000	-	-	-
14.Upland	3,484,800	3,484,800	-	-
15.Park Row Katy	4,048,685	-	-	143,868
16.Mesa Gardens	5,250,000	-	12,500	114,917
17.Lost Oaks	451,085	-	-	26,875
18.Rushmore	3,280,000	-	-	175,261
Total	\$ 77,267,117	\$ 3,484,800	\$ 1,695,522	\$ 1,005,826

The following is a summary of the multifamily projects during the year ended December 31, 2023:

<u>Project Name</u>	<u>Grant Revenue</u>	<u>Grant Expenditure</u>	<u>Unearned Revenue</u>	<u>Program Fees Revenue</u>
1.Ella	\$ 2,160,000	\$ -	\$ -	\$ 179,524

- (1) On December 19, 2023, the Corporation, through its 66% ownership interest component Houston Ella Boulevard GP, LLC, entered into a partnership agreement with Houston Ella Boulevard, LTD ("Ella Partnership") and serves as the general partner. The Corporation also, through its wholly owned subsidiary HCHFC Ella Boulevard Landowner, LLC ("Ella Landowner"), leases a land to the Ella Partnership (collectively "Ella Project"). Ella Boulevard GP, LLC has a 0.005% ownership interest in Ella Partnership, and Ella Partnership is not a component of the Corporation as it does not meet the fiscal dependency criterion.
- (2) On October 30, 2023, the Corporation, through its 100% ownership interest component HCHFC Ennis Manager, LLC, entered into an operation agreement with NHH Ennis LLC ("Ennis Developer") and serves as the managing member. The Corporation also, through its wholly owned subsidiary HCHFC Ennis Landowner, LLC ("Ennis Landowner"), leases a land to the Ennis Partnership to Ennis Partnership (collectively "Ennis Project"). HCHFC Ennis Manager, LLC has a 1% ownership interest in Ennis Developer, and Ennis Developer is not a component of the Corporation as it does not meet the fiscal dependency criterion.
- (3) On March 15, 2024, the Corporation, through its wholly owned component HCHFC Spring Shadows Landowner, LLC ("Spring Shadows Landowner"), leases a land to the Spring Shadows Partnership (collectively "Spring Shadows Project").
- (4) On March 28, 2024, the Corporation, through its wholly owned component HCHFC 1406 Hays Landowner, LLC, LLC ("Hays Landowner"), to acquire the land to facilitate the acquisition, rehabilitation and operation of low- and moderate-income multi-family apartment complexes located within the jurisdictions of the Corporation's sponsoring political subdivisions (collectively "Hays Street Project").
- (5) On April 26, 2024, the Corporation, through its wholly owned component HCHFC Avenue on 34th Landowner, LLC ("Avenue on 34th Landowner"), leases a land to the Avenue on 34th LP (collectively "Avenue on 34th Project").
- (6) On June 11, 2024, the Corporation, through its 100% ownership interest component HCHFC Tidwell GP LLC, entered into a partnership agreement with Harris County Housing Development, LP ("Tidwell Partnership") and serves as the general partner. The Corporation also, through its wholly owned subsidiary HCHFC Tidwell Landowner, LLC ("Tidwell Landowner"), leases a land to the Tidwell Partnership (collectively "Tidwell Project"). HCHFC Tidwell GP LLC has a 0.005% ownership interest in Tidwell Partnership, and Tidwell Partnership is not a component of the Corporation as it does not meet the fiscal dependency criterion.

HARRIS COUNTY HOUSING FINANCE CORPORATION

NOTES TO BASIC FINANCIAL STATEMENTS

9. Related Party, continued

- (7) On June 28, 2024, the Corporation, through its wholly owned subsidiary Knowles Rowland Landowner, LLC ("Knowles Rowland Landowner"), leases a land to the Knowles Rowland House LP (collectively "Knowles Rowland Project").
- (8) On July 1, 2024, the Corporation, through its 100% ownership interest component Meadowbrook Plaza GP, entered into a partnership agreement with Meadowbrook Plaza Apartments, LP ("Meadowbrook Plaza Partnership") and serves as the general partner. The Corporation also, through its wholly owned subsidiary HCHFC Meadowbrook Plaza Landowner, LLC ("Meadowbrook Plaza Landowner"), leases a land to the Meadowbrook Plaza Partnership (collectively "Meadowbrook Plaza Project"). Meadowbrook Plaza GP has a 0.01% ownership interest in Meadowbrook Plaza Partnership, and Meadowbrook Plaza Partnership is not a component of the Corporation as it does not meet the fiscal dependency criterion.
- (9) On July 2, 2024, the Corporation, through its wholly owned component HCHFC Manson Place Landowner, LLC ("Manson Place Landowner"), leases a land to the Manson Place Apts, LP (collectively "Manson Place Project").
- (10) On July 25, 2024, the Corporation, through its 100% ownership interest component HCHFC Avenue C GP LLC, entered into a partnership agreement with NHH Avenue C, LTD ("Avenue C Partnership") and serves as the general partner. The Corporation also, through its wholly owned subsidiary HCHFC Avenue C Landowner, LLC ("Avenue C Landowner"), leases a land to the Avenue C Partnership (collectively "Avenue C Project"). HCHFC Avenue C GP LLC has a 0.01% ownership interest in Avenue C Partnership, and Avenue C Partnership is not a component of the Corporation as it does not meet the fiscal dependency criterion.
- (11) On August 14, 2024, the Corporation, through its wholly owned component HCHFC Burnett Street Landowner, LLC ("Burnett Street Landowner"), to acquire the land to facilitate the acquisition, rehabilitation and operation of low- and moderate-income multi-family apartment complexes located within the jurisdictions of the Corporation's sponsoring political subdivisions (collectively "Burnett Street Project").
- (12) On August 20, 2024, the Corporation, through its wholly owned component HCHFC Saddle Creek Landowner, LLC ("Saddle Creek Landowner"), leases a land to the NH Clarblak GP LLC ("Saddle Creek Partnership") (collectively "Saddle Creek Project").
- (13) On August 28, 2024, the Corporation, through its wholly owned component HCHFC Ost Lofts Landowner, LLC ("Ost Lofts Landowner"), leases a land to the DWR Ost, LP ("Ost Lofts Partnership") (collectively "Ost Lofts Project").
- (14) On August 29, 2024, the Corporation was awarded for a \$3,484,800 grant and then designated the grant to Harris County Redevelopment Authority ("RDA") and HCRDA Upland Landowner LLC ("Upland Landowner"), a wholly owned component of RDA, as a subrecipient. Upland Landowner used the proceed to acquire the land to lease to Upland Housing Development, LP ("Upland Partnership") (collectively "Upland Project"). Upland Partnership paid a upfront rent of \$925,430 to the Corporation, and the Corporation recorded the \$925,430 as due to Harris County Redevelopment Authority in the statement of net position as of December 31, 2024.
- (15) On September 19, 2024, the Corporation, through its 100% ownership interest component Park Row Katy Living GP LLC, entered into a partnership agreement with Park Row Katy Living, Ltd ("Park Row Katy Partnership") and serves as the general partner. The Corporation also, through its wholly owned subsidiary HCHFC Park Row Katy Landowner, LLC ("Park Row Katy Landowner"), leases a land to the Park Row Katy Partnership (collectively "Park Row Katy Project"). Park Row Katy Living GP LLC has a 0.005% ownership interest in Park Row Katy Partnership, and Park Row Katy Partnership is not a component of the Corporation as it does not meet the fiscal dependency criterion.
- (16) On October 3, 2024, the Corporation, through its 100% ownership interest component HCHFC Mesa Gardens GP LLC, entered into a partnership agreement with EMLI Houston Mesa TC I, LP ("Mesa Gardens Partnership") and serves as the general partner. The Corporation also, through its wholly owned subsidiary HCHFC Mesa Gardens Landowner, LLC ("Mesa Gardens Landowner"), leases a land to the Mesa Gardens Partnership (collectively "Mesa Gardens Project"). HCHFC Mesa Gardens GP LLC has a 0.005% ownership interest in Mesa Gardens Partnership, and Mesa Gardens Partnership is not a component of the Corporation as it does not meet the fiscal dependency criterion.
- (17) On November 13, 2024, the Corporation, through its wholly owned component HCHFC Lost Oaks Landowner, LLC ("Lost Oaks Landowner"), leases a land to the Lost Oaks LP ("Lost Oaks Partnership") (collectively "Lost Oaks Project").
- (18) On November 25, 2024, the Corporation, through its wholly owned component HCHFC Rushmore Landowner, LLC ("Rushmore Landowner"), leases a land to the HTG Rushmore, LLC ("Rushmore Company" (collectively "Rushmore Project").

HARRIS COUNTY HOUSING FINANCE CORPORATION

NOTES TO BASIC FINANCIAL STATEMENTS

9. Related Party, continued

Due to Harris County Redevelopment Authority

On November 26, 2024, HCHFC Burnett Street Landowner, LLC entered into a \$3.8 million promissory note with Harris County Redevelopment Authority with annual interest rate of 1% and maturity date on November 26, 2039. The proceeds from this promissory note was used to fund the land used in the Burnett Street project. See Notes 5 and 6.

Advance from Harris County

During the year ended December 31, 2024, Harris County advanced \$18.6 million to the Corporation to fund the 18 grants, of which \$11.0 million was used to fund these 18 multifamily projects by issuing notes receivables. As of December 31, the advance from Harris County was \$7.6 million. See Notes 4 and 5.

Alcott Village Project

On October 16, 2024, the Corporation, through its 100% ownership interest component HCHFC Bennington GP LLC, entered into a partnership agreement with Roers Houston Apartments Owner II Limited Partnership ("Alcott Village Partnership") and serves as the general partner to facilitate the acquisition, rehabilitation and operation of low- and moderate-income multi-family apartment complexes located within the jurisdictions of the Corporation's sponsoring political subdivisions (collectively "Alcott Village Project"). HCHFC Bennington GP LLC has a 0.005% ownership interest in Alcott Village Partnership, and Alcott Village Partnership is not a component of the Corporation as it does not meet the fiscal dependency criterion.

Alcott Village Partnership assigned the project's land in Harris County, Texas, to HCHFC Bennington Landowner, LLC ("Alcott Village Landowner"), a wholly owned subsidiary of the Corporation, and subsequently entered into a land use agreement with Alcott Village Partnership. If Alcott Village Partnership withdraws from Alcott Village Project, the land will be transferred back to Alcott Village Partnership for a nominal fee. The land use agreement does not meet the criteria of a lease under GASB.

Pursuant to Alcott Partnership Amended and Restated Agreement of Limited Partnership, HCHFC Bennington GP LLC is entitled to annual management fee of \$25,000 and development fee upon the available cash flow from the Alcott Village Partnership. During the year ended December 31, 2024, the Corporate, through its wholly owned component, recognized project fees of \$6,250. As of December 31, 2024, the unearned revenue was \$71,023.

HCCLT Unearned Revenue

On October 29, 2024, HCCLT received funding from the Harris County, which will be applied towards the acquisition of single family lots for the benefit of income-eligible homeowners under the Harris County's affordable housing program. As of December 31, 2024, unearned revenues amounted to \$250,000 in the statement of financial position.

10. Liquidity

The Corporation is substantially supported by fee revenue resulting from bond issuances and single-family programs which are not subject to restrictions; thus, all financial assets are available for general expenditure within one year. As part of the Corporation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

11. Subsequent Events

In April 2025, the Corporation established HCHFC Crescent Palms Member, LLC ("HCHFC Crescent Palms"), a wholly owned component, and through HCHFC Crescent Palms, entered into a joint venture agreement with HBDI Holdings RS, LLC ("HBDI") to form Crescent Palms Redevelopment Group, LLC ("Crescent Palms Developer") to construct 29 residential units for sale. HCHFC Crescent Palms and HBDI each has a 50% ownership interest for determining the distribution of net revenues and 50% voting interests in Crescent Palms Developer. In June 2025, HCHFC Crescent Palms and HBDI each contributed \$0.9 million and \$2.2 million, respectively, to Crescent Palms Developer for their share of ownership and voting interests.

HARRIS COUNTY HOUSING FINANCE CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS

11. Subsequent Events, continued

In June 2025, the Corporation provided a \$100,000 grant to HCCLT, to repay the outstanding liability due from HCCLT to the Corporation.

In June 2025, the Corporation established HCHFC Baypointe GP, LLC ("HCHFC Baypointe GP"), a wholly owned component, and through HCHFC Baypointe GP, entered into a partnership agreement with Kobayashi Baypointe Apartments, L.P. ("Baypointe Partnership") and serves as the general partner to facilitate the acquisition, rehabilitation and operation of low- and moderate-income multi-family apartment complexes located within the jurisdictions of the Corporation's sponsoring political subdivisions (collectively "Baypointe Project"). HCHFC Baypointe GP has a 0.0049% ownership interest in Baypointe Partnership.

The Corporation has evaluated all subsequent events through August 20, 2025, which is the date the financial statements were issued, and has concluded that there are no other significant events to be reported.