

MISSISSIPPI HOME CORPORATION

Financial Statements

June 30, 2003

(With Independent Auditors' Report Thereon)

MISSISSIPPI HOME CORPORATION

Table of Contents

	Page
Management Discussion and Analysis – Year ended June 30, 2003	1
Report Of Independent Public Accountants	4
Statement of Net Assets – Year ended June 30, 2003	6
Statement of Revenues, Expenses and Changes in Net Assets – Year ended June 30, 2003	7
Statement of Cash Flows – Year ended June 30, 2003	8
Notes to Financial Statements	9
Schedules Supporting Financial Statements	
Schedule 1 – Combining Schedule of Net Assets	20
Schedule 2 – Combining Schedule of Revenues, Expenses and Changes in Net Assets	25
Schedule 3 – Combining Schedule of Cash Flows	30

MISSISSIPPI HOME CORPORATION

Management's Discussion and Analysis

June 30, 2003

This Management Discussion and Analysis seeks to provide readers with a narrative overview of Mississippi Home Corporation's (the Corporation) financial activities for the fiscal year ending June 30, 2003. Due to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 34, which has no significant impact on the results of operations or financial position of the Corporation, the format of this financial statement will be somewhat different from years past. This discussion and analysis should be read in conjunction with the included financial statements and notes thereto, as well as our independent auditors' report thereon.

Required Basic Financial Statements

The basic financial statements of the Corporation report information about the Corporation using accounting methods similar to those used by private sector companies. These statements offer information about the Corporation's activities. The statement of net assets includes all the Corporation's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Corporation creditors (liabilities). The assets and liabilities are presented in order of liquidity.

All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses and changes in net assets. This statement measures the activities of the Corporation's operations over the past year and can be used to determine whether the Corporation has successfully recovered all its costs through its services provided.

The final required financial statement is the statement of cash flows. The primary purpose of this statement is to provide information about the Corporation's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments and net changes in cash resulting from operating, investing, non-capital financing and financing activities and provides information regarding the sources and uses of cash and the change in the cash balance during the reporting period.

Financial Highlights

- Total assets decreased \$48,775,155 or 6.67%
- Total liabilities decreased \$55,346,906 or 8.37%
- Cash and investments decreased \$43,180,814 or 6.18%
- Investment income decreased \$633,189 or 17.17%
- Mortgage loans receivable decreased \$6,581,993 or 43.13%
- Mortgage interest income decreased \$879,357 or 66.30%
- Bonds payable decreased \$108,401,055 or 18.33%
- Interest expense decreased \$1,296,544 or 3.9%
- Total net assets, after fair market value adjustments, increased \$6,571,351 or 9.38%
- Total net assets, before fair market value adjustments, decreased \$3,970,154 or 6.74%

See the financial analysis section of this MD&A for additional information on the required fair market value adjustments.

MISSISSIPPI HOME CORPORATION

Management's Discussion and Analysis

June 30, 2003

Overview of the Financial Statements

This annual report consists of Management's Discussion and Analysis, the financial statements for the fiscal year ending June 30, 2003, and supplemental schedules, which include summary information for the Corporation's various mortgage revenue bond and loan programs.

The following table summarizes the changes in the significant components of the Corporation's assets and liabilities that occurred during the Fiscal Year 2003:

	<u>2003</u>	<u>2002</u>	<u>% Change</u>
Cash and cash equivalents	\$ 181,725,414	198,621,812	-8.51%
Mortgage-backed securities	451,014,452	481,820,705	-6.39%
Other investments	22,734,904	18,213,067	24.83%
Mortgage loans	8,678,727	15,260,720	-43.13%
Unamortized bond issuance costs	5,556,171	6,924,593	-19.76%
Other assets	12,792,439	10,436,365	22.58%
Total assets	<u>\$ 682,502,107</u>	<u>731,277,262</u>	
Bonds	\$ 482,793,504	591,194,559	-18.34%
Notes	112,778,411	58,725,000	92.04%
Other liabilities	10,320,270	11,319,132	-8.82%
Total liabilities	<u>\$ 605,892,185</u>	<u>661,238,691</u>	
Restricted net assets	\$ 47,096,381	43,711,919	7.74%
Unrestricted net assets	29,513,541	26,326,652	12.11%
Total net assets	<u>\$ 76,609,922</u>	<u>70,038,571</u>	

The following table summarizes the changes in the significant components of the Corporation's operating income and expenses, before fair value adjustments, for Fiscal Year 2003:

	<u>2003</u>	<u>2002</u>	<u>Change</u>
Interest on cash and investments	\$ 5,906,893	5,084,236	16.18%
Interest on mortgage-backed securities	30,342,421	31,798,267	-4.58%
Net appreciation in fair value of mortgage – backed securities and investments	6,391,169	11,008,396	-41.94%
Other	2,168,327	2,221,119	-2.38%
Total operating revenues	<u>\$ 44,808,810</u>	<u>50,112,018</u>	
Interest	\$ 31,940,895	33,237,439	-3.90%
Amortization of bond issuance costs	1,769,871	1,362,628	29.89%
Salaries and benefits	2,205,828	1,924,925	14.59%
Other	2,320,865	1,920,979	20.82%
Total operating expenses	<u>\$ 38,237,459</u>	<u>38,445,971</u>	
Operating income	<u>\$ 6,571,351</u>	<u>11,666,047</u>	-43.67%

MISSISSIPPI HOME CORPORATION

Management's Discussion and Analysis

June 30, 2003

In fiscal year 2003, mortgage loans decreased due to the sale of the entire 1994-I loan portfolio, which was the last bond issue to be collateralized with whole loans. Most of the other variances in balance sheet and income statement categories stem from the low interest rate environment. The Corporation issued fewer bonds in fiscal year 2003 due to all time low market rate loans and other competitive downpayment assistance loans as well as negative arbitrage, which results when the cost of the Corporation's capital is higher than the income it can earn on its related investments. High volumes of mortgage refinances caused mortgage-backed securities (MBS), and in turn, bonds payable, to pay down at an accelerated rate. Additionally, the Corporation maintains a 2002-I Convertible Note Program, which allows the Corporation to recycle MBS pay downs from existing non-taxable bond issues to extend its non-taxable bond cap on future programs. Instead of using these pay downs to redeem the related bonds payable, the Corporation issues Convertible Program Notes (CPN) to a third party lender and uses the proceeds from issuance of these notes to make principal payments on bonds payable. Since the accelerated MBS pay downs occurred during the year, the Corporation issued more in CPN to make principal payments on the associated bonds payable. The increase in refinancing activity, and accordingly, accelerated repayment of bond principal also resulted in faster amortization of bond issuance costs. Salaries and related benefits increased in the current year due to the addition of new employees to administer new programs and services, as well as an increase in the cost of health insurance, for which the Corporation bears two-thirds of the cost.

Debt Administration

The Corporation sells bonds to investors in order to raise capital. These bonds are marketable securities backed by mortgage loans on residential properties. The Corporation's bond issues are safe investments because each issue requires cash reserves along with mortgage insurance and other safeguards in addition to the mortgage on the property being financed, all of which gives the investor or bondholder additional assurance that the issuer, in this case the Corporation, will repay the loan.

Economic Factors

The primary business activity of the Corporation is funding the purchase of single-family home mortgages. The Corporation's mortgage financing activities are sensitive to the level of interest rates, the spread between the rate available on the Corporation's loans and the rates available in the conventional mortgage markets, and the availability of affordable housing. The availability of long-term tax-exempt financing on favorable terms is a key element in providing the funding necessary for the Corporation to continue its mortgage financing activities.

Contact Information

This financial report is designed to provide a general overview of Mississippi Home Corporation's finances for all those with interest. Questions concerning any of the information contained in this report or requests for any additional information should be addressed to the Controller at Mississippi Home Corporation, P.O. Box 23369, Jackson, MS 39225-3369 or contact our website at www.mshc.com.

Independent Auditors' Report

To the Board of Directors of
Mississippi Home Corporation:

We have audited the accompanying statement of net assets of Mississippi Home Corporation (the Corporation) (an instrumentality of the State of Mississippi) as of June 30, 2003, and the related statements of revenues, expenses and changes in its net assets, and its cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2003 financial statements referred to above present fairly, in all material respects, the financial position of Mississippi Home Corporation as of June 30, 2003, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1 to the financial statements, the Corporation has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments: Omnibus*, an amendment of GASB Statements No. 21 and 34, and GASB Statement No. 38, *Certain Financial Statement Disclosures*, as of July 1, 2002.

Management's Discussion and Analysis on pages 1 through 3 is not a required part of the financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures to this information, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 10, 2003 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information presented in Schedules 1, 2 and 3 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

KPMG LLP

October 10, 2003

MISSISSIPPI HOME CORPORATION

Statement of Net Assets

June 30, 2003

Assets

Current assets:

Cash and cash equivalents:	
Cash	\$ 895,518
Restricted cash	1,451,615
Cash equivalents	3,745,016
Restricted cash equivalents	<u>175,633,265</u>
Total cash and cash equivalents	181,725,414
Accrued interest receivable	<u>2,985,186</u>
Total current assets	<u>184,710,600</u>

Non-current assets:

Investments, at fair value:	
Mortgage-backed securities	451,014,452
Other investments	<u>22,734,904</u>
Total investments	<u>473,749,356</u>
Mortgage loans receivable, net of allowance for loan losses of \$416,672	8,678,727
Unamortized bond issuance costs	5,556,171
Other assets	<u>9,807,253</u>
Total non-current assets	<u>497,791,507</u>
Total assets	<u>\$ 682,502,107</u>

Liabilities

Current liabilities:

Bonds payable	\$ 2,150,000
Accrued interest payable	<u>3,037,691</u>
Total current liabilities	<u>5,187,691</u>

Non-current liabilities:

Bonds payable, net of premium or discount and current portion	480,643,504
Notes payable	112,778,411
Deferred gains	1,546,548
Other liabilities and accrued expenses	<u>5,736,031</u>
Total non-current liabilities	<u>600,704,494</u>
Total liabilities	<u>\$ 605,892,185</u>

Net assets

Restricted	\$ 47,096,381
Unrestricted	<u>29,513,541</u>
Total net assets	<u>\$ 76,609,922</u>

See the accompanying notes to the financial statements.

MISSISSIPPI HOME CORPORATION

Statements of Revenues, Expenses and Changes in Net Assets

For the year ended June 30, 2003

Operating revenues:	
Interest income:	
Cash and cash equivalents	\$ 4,795,343
Mortgage-backed securities	30,342,421
Other investments	1,111,550
Mortgage loans receivable	446,944
	<hr/>
Total interest income	36,696,258
	<hr/>
Net appreciation in fair value of mortgage-backed securities and investments	6,391,169
Realized loss on investments	(92,183)
Reservation fees	335,569
Low income housing tax credit program	737,071
Other income	740,926
	<hr/>
Total operating revenues	44,808,810
	<hr/>
Operating expenses:	
Interest expense	31,940,895
Amortization of bond issuance costs	1,769,871
Trust and administration fees	123,022
Mortgage related insurance	44,103
Losses on mortgage loans	49,904
Administrative expenses:	
Salaries and related benefits	2,205,828
Other	2,103,836
	<hr/>
Total operating expenses	38,237,459
	<hr/>
Operating income	6,571,351
Net assets, beginning of year	70,038,571
	<hr/>
Net assets, end of year	\$ 76,609,922
	<hr/> <hr/>

See accompanying notes to financial statements.

MISSISSIPPI HOME CORPORATION

Statement of Cash Flows

For the year ended June 30, 2003

Cash flows from operating activities:	
Loan principal payments received	\$ 2,888,184
Proceeds from sale of loans	6,427,367
Loan interest payments received	559,468
Loan disbursements	(2,605,175)
Payments to employees	(2,212,211)
Payments to vendors	(4,692,224)
Fee income received	1,313,515
Other income received	1,307,506
Net cash provided by operating activities	2,986,430
Cash flows from noncapital financing activities:	
Proceeds from issuance of bonds	33,986,684
Proceeds from issuance of notes	185,207,295
Principal repayment of bonds	(141,608,303)
Principal repayment of notes	(132,984,371)
Interest paid	(32,806,901)
Bond issuance costs paid	(401,453)
Net cash used by noncapital financing activities	(88,607,049)
Cash flows from capital and related financing activities:	
Property and equipment additions	(2,406,721)
Proceeds from issuance of notes	1,839,123
Principal repayment of notes	(8,636)
Interest paid	(43,104)
Net cash used by capital and related financing activities	(619,338)
Cash flows from investing activities:	
Purchase of investments	(158,039,020)
Redemption of investments	190,140,219
Interest received on investments	37,243,859
Net cash provided by investing activities	69,345,058
Net decrease in cash and cash equivalents	(16,894,899)
Cash and cash equivalents, beginning of year	198,620,313
Cash and cash equivalents, end of year	\$ 181,725,414
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 6,571,351
Adjustments to reconcile operating income to net cash provided by operating activities:	
Interest paid	32,850,005
Amortization of bond issuance costs	1,769,875
Amortization of bond premium	(831,402)
Accretion of bond discount	51,968
Amortization of investment premium	482,201
Net increase in fair value of investments	(6,391,169)
Realized loss on investments	92,183
Interest received on investments	(37,243,859)
Decrease in mortgage loans receivable	6,581,993
Decrease in accrued interest receivable	400,524
Increase in other assets	(349,878)
Decrease in accrued interest payable	(131,800)
Decrease in deferred gains	(127,794)
Decrease in other liabilities and accrued expenses	(737,768)
Total adjustments	(3,584,921)
Net cash provided by operating activities	\$ 2,986,430

See accompanying notes to financial statements.

MISSISSIPPI HOME CORPORATION

Notes to Financial Statements

June 30, 2003

(1) Organization and Summary of Significant Accounting Policies

Mississippi Home Corporation (the Corporation), formerly known as Mississippi Housing Finance Corporation, is a governmental instrumentality of the State of Mississippi (the State) created under the Mississippi Home Corporation Act of 1989 (the Act). Pursuant to the Act, the Corporation is authorized and empowered, among other things, to issue bonds to provide monies for financing residential housing and provide other services in regard to housing for persons and families of low and moderate income in the State. Bonds and other obligations issued by the Corporation are not a debt or liability of the State, but are secured solely by assets of the individual mortgage purchase programs. The reporting entity includes the Corporation (the primary government entity) and the Mississippi Affordable Housing Development Fund (see note 6) for which the Corporation is accountable.

Members of the Board of Directors of the Corporation are appointed by the Governor and the Lieutenant Governor of the State. The appointed members serve six-year staggered terms and cannot be removed without cause. The Board controls the appointment of the Executive Director, who is responsible for the staffing of the Corporation. The State assumes no responsibility for the Corporation's day-to-day operations. The Board is solely responsible for reviewing, approving and revising the Corporation's budget. The State is not responsible for financing any Corporation deficit or operating deficiencies. The Corporation controls the use of surplus funds.

Effective July 1, 2002 the Corporation adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basis Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (Statement 34) as amended by GASB Statements No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, an amendment of GASB No. 21 and 34, and GASB Statement No. 38, *Certain Financial Statement Disclosures* (Statement 38).

Statement 34 (as amended by Statement 37) establishes financial reporting standards for all state and local governments and related entities, primarily relating to presentation and disclosure requirements. This accounting change impacted the format of the financial statements, presentation of net assets, the inclusion of management's discussion and analysis, additional disclosures for debt, and the preparation of the statement of cash flows using the direct method. The application of Statement 34 had no impact on net assets, other than to convert previously reported fund balances to restricted and unrestricted net assets.

Statement 38 requires certain disclosures in the notes to the financial statements concurrent with the implementation of Statement 34. While Statement 38 did not affect amounts reported in the financial statements of the Corporation, certain note disclosures have been added or amended, including information relating to future debt service obligations, short-term obligations, and interest rates.

The significant accounting policies used by the Corporation in preparing and presenting its financial statements follow:

(a) Accounting Method

The accounting and reporting policies of the Corporation conform with accounting principles generally accepted in the United States of America. As required by these principles, the Corporation has applied all applicable Governmental Accounting Standards Board (GASB) pronouncements, as well as applicable Financial Accounting Standards Board (FASB) Statements and Interpretations,

MISSISSIPPI HOME CORPORATION

Notes to Financial Statements

June 30, 2003

Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARBs) issued on or before November 30, 1989. Additionally, the Corporation has elected to apply all applicable FASB Statements and Interpretations issued after November 30, 1989, to the extent that they do not conflict with or contradict GASB pronouncements.

The Corporation's accounts are organized as a separate set of self-balancing accounts that comprise the assets, liabilities, net assets, revenues and expenses of the individual mortgage purchase programs, the down payment assistance program, the Mississippi Affordable Housing Development Program, the House Bill 530 Program and the general corporate account. The measurement focus is on determining net income and capital maintenance.

The accompanying financial statements present the activities of the individual mortgage purchase programs, the down payment assistance program, the Mississippi Affordable Housing Development Program, the House Bill 530 Program and the general corporate account. Since the assets of each program are generally restricted, aggregating the accounts of the separate programs does not indicate that the assets are available in any manner other than that provided for in the bond resolutions or other agreements of the separate programs. All material inter-fund balances and transactions have been eliminated in the combined financial statements.

(b) *Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents*

Cash and cash equivalents include general corporate account cash, general corporate account investments with original maturities of less than three months at date of purchase and unrestricted cash in certain other funds.

Restricted cash consists primarily of cash which is restricted as to its use and is held by the Mississippi Affordable Housing Development Program, the House Bill 530 Program and the general corporate account.

Restricted equivalents consists primarily of proceeds from the sales of bonds pending the purchase of Government National Mortgage Association Mortgage Backed Securities (GNMA securities or certificates) and the principal and interest payments of the GNMA securities. These funds are primarily held in guaranteed investment contracts. The indentures of the respective mortgage purchase programs stipulate that these funds may be used only for the acquisition of GNMA securities or the early redemption of the respective mortgage revenue program bonds outstanding. These instruments are considered cash equivalents because they have no stated maturity and are readily convertible to cash at the discretion of the Corporation.

(c) *Mortgage Loans Receivable, GNMA Certificates and Investments*

Mortgage loans in the general corporate account are secured by first liens on single-family residential properties. Mortgage loans in the Down Payment Assistance Program are secured by second liens on single-family residential properties. A portion of the mortgage loans in the Mississippi Affordable Housing Development Program are secured by second liens on single-family residential properties, while the remainder are secured by first liens on multi-family residential properties. Proceeds from bond issues are principally invested in GNMA certificates, representing pools of mortgage loans originated under the respective programs.

MISSISSIPPI HOME CORPORATION

Notes to Financial Statements

June 30, 2003

(d) Allowance for Losses on Mortgage Loans

Losses incurred on mortgage loans are charged to the allowance for losses on mortgage loans (the allowance). An allowance is established with a corresponding amount charged to expense when, in management's opinion, the realization of all or a portion of the loans or recovery on properties owned is doubtful.

In evaluating the allowance, management considers the age of the various loans, the relationship of the allowances to outstanding mortgage loans, collateral values, insurance claims and economic conditions.

Management of the Corporation believes that the allowance is adequate. While management uses available information to recognize losses on mortgage loans, future additions to the allowance may be necessary based on changes in economic conditions.

(e) Unamortized Bond Issuance Costs, Discounts and Premiums

Costs related to the issuance of bonds are capitalized in the respective bond issues and amortized over the term of the bonds. During the year ended June 30, 2003, \$401,453 of issuance costs were capitalized. In addition, discounts and premiums on the sale of bonds are deferred and amortized over the life of the bonds. Prepayments of principal are not anticipated in amortizing bond issuance costs, bond discounts, or bond premiums.

(f) Reservation Fees

Reservation fees are those fees paid to the Corporation by mortgage lenders within the State to reserve their respective allocation of bond proceeds or downpayment assistance money for the purpose of having the right to originate mortgage loans under the program. These reservation fees, all of which are non-refundable, are recognized as income when received.

(g) Income Taxes

As a tax-exempt, quasi-governmental organization created by legislative statute, the Corporation is exempt from Federal and State income taxes. Accordingly, no provision for income taxes has been included in the combined financial statements.

(h) Deferred Gains

Gains resulting from the substitution of collateral in defeasance trusts and the sale of the Corporation's right to residual assets in defeasance trusts are deferred and amortized as a component of interest expense over the lives of the defeased bonds using the bonds outstanding method.

MISSISSIPPI HOME CORPORATION

Notes to Financial Statements

June 30, 2003

(i) Fair Value of Financial Instruments

FASB Statement No. 107, Disclosures about Fair Value of Financial Instruments, defines the fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Loans and bonds are valued at their carrying amounts, which approximate par value, due to the structured financing characteristics of the Corporation's bond issues. Mortgage rates on loans originated, and subsequently securitized into GNMA certificates, from bond proceeds are based directly on the bond rates established at the time of issuance. The GNMA certificates are specifically identified with a particular bond issue and pledged under the applicable trust indenture. Any changes in market interest rates subsequent to bond issuance and loan origination would be expected to equally effect the fair redemption associated with mortgage prepayments. The Corporation is restricted under various trust indentures from selling GNMA certificates at a value which would impair its ability to service the bonds to which those certificates are specifically pledged.

(j) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

(2) Cash Equivalents and Investments

The Corporation is authorized by Mississippi statute, subject to any agreement with bondholders or note holders, to invest in the following:

- Direct obligations of or obligations guaranteed by the United States;
- Bonds, debentures, notes or other evidence of indebtedness issued by U.S. Government agencies;
- Direct and general obligations of the State;
- Repurchase agreements secured by collateral;
- Investment contracts or agreements with entities rated "A" or better by a nationally recognized rating agency; and,
- Certificates of deposit or time deposits of qualified depositories and money market funds.

GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, requires that certain investments be reported at fair value in the financial statements, with unrealized gains or losses being reported in the earnings of the current period. Money market investments, guaranteed investment contracts and other highly liquid investments with no stated maturity, are considered cash equivalents and are reported at amortized cost.

Governmental accounting standards also require that the carrying amounts of cash and cash equivalents as of the balance sheet date be categorized according to the level of associated custodial credit risk. The levels of risk are defined as follows:

MISSISSIPPI HOME CORPORATION

Notes to Financial Statements

June 30, 2003

Category A - Insured or collateralized with securities held by the Corporation or by its agent in the Corporation's name.

Category B - Collateralized with securities held by the pledging financial institution's trust department or agent in the Corporation's name.

Category C - Uninsured and uncollateralized.

A summary of cash and cash equivalents as of June 30, 2003, by category follows:

	<u>Carrying amount per books</u>	<u>Cash per bank</u>
Category A	\$ 895,518	1,224,324
Category C	<u>180,829,896</u>	<u>180,829,896</u>
	<u>\$ 181,725,414</u>	<u>182,054,220</u>

The Corporation's investments are categorized below to give an indicator of the level of custodial credit risk assumed by the Corporation. The risk categories are defined as follows:

Category 1 - Insured (including government securities) or registered with securities held by the Corporation or its agent in the Corporation's name.

Category 2 - Uninsured and unregistered, with securities held by the counter-party's trust department or agent in the Corporation's name.

Category 3 - Uninsured and unregistered, with securities held by the counter-party or by its trust department or agent but not in the Corporation's name.

A summary of the amortized cost and estimated fair value of investments as of June 30, 2003, by category follows:

	<u>Amortized Cost</u>	<u>Estimated Fair Value</u>
Category 1:		
U. S. Government agency securities	\$ 18,017,415	17,734,904
GNMA mortgage-backed securities	<u>429,060,445</u>	<u>451,014,452</u>
	<u>447,077,860</u>	<u>468,749,356</u>
Category 3:		
Commercial agreements	<u>5,000,000</u>	<u>5,000,000</u>
	<u>\$ 452,077,860</u>	<u>473,749,356</u>

MISSISSIPPI HOME CORPORATION

Notes to Financial Statements

June 30, 2003

(3) Bonds and Notes Payable

Bonds payable for the mortgage purchase programs follow:

Description	Amount
1988 series bonds – 7.300% to 7.800% interest payable semiannually, principal due through October 15, 2016	\$ 1,200,000
1992B series bonds – 6.500% interest payable semiannually, principal due through December 31, 2024	3,630,000
1994A series bonds – 5.000% to 6.900% interest payable semiannually, principal due through June 1, 2024	2,630,000
1994B series bonds – 6.000% to 7.900% interest payable semiannually, principal due through March 1, 2024	3,050,000
1994C series bonds – 5.450% to 8.125% interest payable semiannually, principal due through December 1, 2024	1,765,000
1994D series bonds – 5.600% to 8.100% interest payable semiannually, principal due through December 1, 2024	2,365,000
1994E series bonds – 5.600% to 8.100% interest payable semiannually, principal due through December 1, 2025	1,665,000
1994F series bonds – 6.150% to 7.450% interest payable semiannually, principal due through December 1, 2014	2,525,000
1995B series bonds – 6.550% to 7.850% interest payable semiannually, principal due through April 1, 2027	4,420,000
1995D series bonds – 6.520% to 7.800% interest payable semiannually, principal due through November 1, 2027	9,000,000
1995H series bonds 6.250% interest payable semiannually, principal due through December 1, 2026	8,615,000
1995I series bonds - 5.900% interest payable semiannually, principal due through June 1, 2017	725,000
1995J series bonds - 5.400% to 6.125% interest payable semiannually, principal due through June 1, 2017	8,970,000
1996C series bonds - 5.500% to 7.600% interest payable semiannually, principal due through June 1, 2029	11,210,000
1996F series bonds - 6.000% to 7.550% interest payable semiannually, principal due through December 1, 2027	9,340,000
1996I series bonds - 5.200% to 7.375% interest payable semiannually, principal due through June 1, 2029	7,800,000

MISSISSIPPI HOME CORPORATION

Notes to Financial Statements

June 30, 2003

(3) Bonds Payable (Continued)

Description	Amount
1997C series bonds - 5.550% to 7.750% interest payable semiannually, principal due through July 1, 2028	8,445,000
1997D series bonds - 5.800% to 7.750% interest payable semiannually, principal due through June 1, 2012	10,387,240
1997G series bonds -5.250% to 6.930% interest payable semiannually, principal due through November 1, 2029	12,361,707
1997H series bonds - 5.350% to 6.830% interest payable semiannually, principal due through November 1, 2029	10,535,073
1998A series bonds - 5.125% to 6.560% interest payable semiannually, principal due through November 1, 2030	18,490,466
1998B series bonds - 5.100% to 6.560% interest payable semiannually, principal due through June 1, 2030	16,040,000
1998C series bonds - 4.900% to 6.350% interest payable semiannually, principal due through December 1, 2030	14,341,578
1999A series bonds - 4.800% to 6.630% interest payable semiannually, principal due through June 1, 2027	24,820,000
1999B series bonds - 4.100% to 5.650% interest payable semiannually, principal due through June 1, 2027	6,145,000
1999B series accretion bonds - effective interest rate 5.800%, principal due through December 1, 2030	948,175
1999C series bonds - 5.450% to 7.260% interest payable semiannually, principal due through June 1, 2031	12,520,000
2000A series bonds - 4.350% to 6.950% interest payable semiannually, principal due through December 1, 2031	34,555,000
2001A series bonds - 3.850% to 6.500% interest payable semiannually, principal due through June 1, 2032	49,320,000
2001B series bonds - 3.100% to 6.750%, interest payable semiannually, principal due through December 1, 2032	22,725,000
2001D series bonds - 2.350% to 6.250% interest payable semiannually, principal due through December 1, 2032	30,815,000
2002A series bonds - 2.100% to 6.100% interest payable semiannually, principal due through December 1, 2033	35,870,000

MISSISSIPPI HOME CORPORATION

Notes to Financial Statements

June 30, 2003

(3) Bonds Payable (Continued)

Description	Amount
2002B series bonds - 2.900% to 6.450% interest payable semiannually, principal due through December 1, 2033	32,955,000
2002 lease purchase series bonds, interest at seven-day commercial paper rate adjusted weekly, 1.08% at June 30, 2003 principal due through October 1, 2007	25,000,000
2002C series bonds - 2.350% to 5.800%, interest payable semiannually, principal due through June 1, 2034	<u>33,650,000</u>
	478,834,239
Unamortized premiums	<u>3,959,265</u>
Total bonds payable, net	<u>\$ 482,793,504</u>

A summary of debt service requirements through 2008 and in five-year increments thereafter is as follows:

<u>Year ending June 30</u>	<u>Principal*</u>	<u>Interest</u>
2004	2,150,000	28,330,925
2005	3,570,000	23,214,735
2006	3,600,000	27,229,824
2007	3,750,000	26,476,598
2008	29,250,000	26,340,770
 <u>Five years ending June 30</u>		
2009 – 2013	24,818,880	127,232,199
2014 – 2018	15,770,000	121,007,130
2019 – 2023	60,034,743	111,426,114
2024 – 2028	107,892,441	89,142,014
2029 – 2033	170,910,000	45,027,340
2034 – 2038	60,700,000	1,924,646

*Includes capital appreciation bonds at their final redemption values.

The Corporation has the option to redeem bonds after they have been outstanding for 10 years at initial prices ranging from 102% to 105% of par and subsequently at prices declining to par. Certain extraordinary redemptions, as governed by the bond resolutions, are permitted prior to the foregoing redemption dates.

The bonds are secured, as described in the applicable bond resolution, by a pledge of the revenues, monies, investments, mortgage loans and other assets of the applicable programs. Management believes that, for the year ended June 30, 2003, the Corporation has complied with all bond covenants.

MISSISSIPPI HOME CORPORATION

Notes to Financial Statements

June 30, 2003

In October of 2002, the Corporation entered into an agreement to issue up to \$300,000,000 in convertible program notes, secured by U. S. Treasury securities. The notes bear interest at a rate equal to Bond Market Association Municipal Swap Index plus 0.625%. The agreement expires October of 2004 or when the \$300,000,000 is exhausted. At June 30, 2003, \$110,947,924 was outstanding under this agreement.

The following table summarizes the debt activity for the Corporation's bonds and notes payable:

	Mortgage Revenue Bonds, net	Notes Payable
Balance at July 1, 2002	\$ 591,194,557	58,725,000
Proceeds from issuance	33,986,684	187,046,418
Principal repayments	(141,608,303)	(132,993,007)
Accretion	51,968	—
Premium amortization	(831,402)	—
Balance at June 30, 2003	\$ 482,793,504	112,778,411

(4) Excess Earnings

For all of the mortgage purchase programs except the 1994-I Program, Federal tax regulations require that earnings on investments of bond proceeds in excess of the yield on the bonds (as defined in the regulations and subject to certain adjustments) be periodically computed and paid to either the Internal Revenue Service or to the mortgagors. In certain instances, the bond resolutions require such excess earnings to be paid to the mortgagors. At June 30, 2003, the Corporation determined that no significant liability exists for excess earnings in any of the programs; however, this determination is subject to ongoing evaluation.

(5) Mortgage Revenue Bond Program

The Corporation's Mortgage Revenue Bond Program provides loans to qualified borrowers for purchases of the borrower's primary residence. Borrowers also receive a 3% cash advance to be used for down payment assistance and allowable loan closing costs. To qualify, borrowers must meet county income limits, and their homes must meet purchase price limits, both set by Congress. These loans have 30-year terms, have market rates of interest, are secured by first mortgages on the residences, and are pooled into GNMA or Federal National Mortgage Association (FNMA) Certificates that are held in the respective bond issue's trust account. As the GNMA and FMNA Certificates pay down, the Trustee calls the bonds.

(6) Mississippi Affordable Housing Development Program

The Corporation is responsible for management of the Mississippi Affordable Housing Development Program, which is a blended component unit of the Corporation. The program was established by the State as a housing development revolving loan fund to provide resources for loans for the construction or repair of housing for persons or families of low to moderate income in the State using \$1,997,952 in proceeds received from the Mississippi Development Authority (MDA) in 1995 and \$5,991,893 in proceeds obtained directly from the State in 1996. The Corporation is responsible for all aspects of the program, including developing lending criteria, establishing interest rates, and loan approval, servicing and reporting. Principal, interest and late fee payments are required to be returned to the program for use in the

MISSISSIPPI HOME CORPORATION

Notes to Financial Statements

June 30, 2003

granting new loans. Costs incurred by the Corporation for administering the program are not reimbursed to the Corporation.

(7) Low Income Housing Tax Credit Program

The Corporation has been designated as the allocating agency for the Low Income Housing Tax Credit Program (the Tax Credit Program). The U.S. Congress created the Tax Credit Program in 1986 to encourage investment in the construction and rehabilitation of housing units for low and moderate-income individuals and families. The Corporation has adopted a Low Income Housing Tax Credit Program Qualified Allocation Plan (the Plan), which provides for an application process, project evaluation selection criteria and compliance requirements. Receipts under the Tax Credit Program represent fees earned for administering the Tax Credit Program and are not restricted under the terms of the Plan or the Tax Credit Program.

(8) Down Payment Assistance Program

The Corporation's down payment assistance program provides loans to qualified borrowers for down payments and allowable loan closing costs on purchases of the borrowers' primary residence. The qualification requirements are generally the same as those of the respective mortgage loan programs under which the primary mortgage loans are made. The down payment assistance loans generally have 10 year terms, have rates which approximate those of the primary mortgages, are secured by second mortgages on the residences, and generally do not exceed \$3,500 per loan.

(9) Lease Purchase Revenue Bond Program

The Corporation's Lease Purchase Revenue Bond Program allows the Corporation to purchase homes for potential homebuyers with credit problems in return for signed leases and options to purchase. The potential homebuyers have up to 39 months to attend credit counseling, improve their credit and assume the loans. Once assumed, the loans are pooled and purchased by the Federal Home Loan Mortgage Corporation (Freddie Mac). At that time, the bonds are paid in full. At June 30, 2003, \$25,000,000 in bonds payable was outstanding under this program, and the Corporation had purchased approximately \$1,896,000 of single family residential property. This property is reported in other assets on the Corporation's statement of net assets.

(10) Bond Defeasances

The Corporation defeases various bond issues by creating separate irrevocable trust funds. New debt is issued and the proceeds used to purchase U.S. government securities that are placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the Corporation's Combined Balance Sheets. These accretion bonds that have been defeased totaled approximately \$138,518,000 at June 30, 2003.

(11) Defined Benefit Pension

The Corporation contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State Legislature. PERS issues a publicly

MISSISSIPPI HOME CORPORATION

Notes to Financial Statements

June 30, 2003

available financial report that includes financial statements and required supplementary information. This information may be obtained by contacting PERS by mail at 429 Mississippi Street, Jackson, MS 39201 or by phone at 1-800-444-7377.

PERS members are required to contribute 7.25% of their annual covered salary and the Corporation is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State Legislature. The Corporation's contribution requirement for the years ended June 30, 2003 was approximately \$289,600 which consisted of \$166,100 from the Corporation and \$123,500 from employees, respectively.

The Corporation's 43 participating employees are an insignificant portion of PERS approximately 310,000 participants.

(12) Deferred Compensation Plan

The State offers its employees a multiple-employer, deferred compensation plan created in accordance with Internal Revenue Code Section 457. The term "employee" means any person, whether appointed, elected, or under contract, providing services for the State, State agencies, counties, municipalities, or other political subdivisions, for which compensation is paid. The plan permits employees of the Corporation to defer a portion of their income until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the employer (without being restricted to the provisions of benefits under the plan), subject only to the claims of the general creditors of those entities which employ deferred compensation participants. Participants' rights under the plan are the same as those of general creditors in an amount equal to the fair market value of the deferred account for each participant. The Corporation believes that it has no liabilities with respect to the State's plan.

(13) Conduit Issues

The Corporation has issued certain conduit multi-family housing revenue bonds, the proceeds of which were made available to various developers for rental housing. As of June 30, 2003, \$76,275,000 of these bonds were outstanding. The bonds are payable solely from amounts received by the trustees from the revenue earned by the developers. Loan and corresponding debt service payments are guaranteed by irrevocable direct-pay letters of credit. The faith and credit of the Corporation is not pledged for the payment of the principal or interest on the bonds. Accordingly, these obligations are excluded from the Corporation's financial statements.

(14) Subsequent Events

On September 16, 2003 the Corporation issued \$15,000,000 in Series 2003 A, Single Family Mortgage Revenue Bonds. These bonds have maturities have maturity dates from December 1, 2004 to December 1, 2034 and bear interest at rates from 1.5% to 6.35%.

MISSISSIPPI HOME CORPORATION

Combining Schedule of Net Assets

June 30, 2003

Assets	1988 Program	1992B Program	1994A Program	1994B Program	1994C Program	1994D Program	1994E Program	1994F Program
Current assets:								
Cash and cash equivalents:								
Cash	\$ —	—	—	—	—	—	—	—
Restricted cash	—	—	—	—	—	—	—	—
Cash equivalents	—	—	—	—	—	—	—	—
Restricted cash equivalents	367,957	393,953	277,901	265,899	179,076	390,829	86,074	218,318
Total cash and cash equivalents	367,957	393,953	277,901	265,899	179,076	390,829	86,074	218,318
Accrued interest receivable	20,810	21,265	16,150	27,924	14,598	17,959	13,796	18,887
Total current assets	388,767	415,218	294,051	293,823	193,674	408,788	99,870	237,205
Non-current assets:								
Investments, at market value:								
Mortgage-backed securities	2,795,619	3,815,234	2,832,333	3,712,530	2,266,838	2,677,866	2,158,379	2,765,298
Other investments	—	—	—	—	—	—	—	—
Mortgage loans receivable, net	—	—	—	—	—	—	—	—
Unamortized bond issuance costs	12,016	78,224	38,956	28,628	17,386	25,131	18,327	26,543
Other assets	701	—	—	—	—	—	—	—
Due (to) from other funds	—	—	—	—	—	—	—	—
Total non-current assets	2,808,336	3,893,458	2,871,289	3,741,158	2,284,224	2,702,997	2,176,706	2,791,841
Total assets	\$ 3,197,103	4,308,676	3,165,340	4,034,981	2,477,898	3,111,785	2,276,576	3,029,046
Liabilities								
Current liabilities:								
Bonds payable	\$ 25,000	—	35,000	—	20,000	40,000	30,000	30,000
Notes payable	—	—	—	—	—	—	—	—
Accrued interest payable	19,675	19,662	14,713	76,906	11,013	14,583	10,399	15,538
Total current liabilities	44,675	19,662	49,713	76,906	31,013	54,583	40,399	45,538
Non-current liabilities:								
Bonds payable, net of premium or discount and current portion	1,175,000	3,630,000	2,595,000	3,053,301	1,763,741	2,343,134	1,650,149	2,503,728
Deferred gains	—	—	—	—	—	—	—	—
Other liabilities and accrued expenses	3,000	3,001	2,600	2,700	3,500	3,500	3,000	3,000
Total non-current liabilities	1,178,000	3,633,001	2,597,600	3,056,001	1,767,241	2,346,634	1,653,149	2,506,728
Total liabilities	\$ 1,222,675	3,652,663	2,647,313	3,132,907	1,798,254	2,401,217	1,693,548	2,552,266
Net assets								
Restricted	\$ 1,974,428	656,013	518,027	902,074	679,644	710,568	583,028	476,780
Unrestricted	—	—	—	—	—	—	—	—
Total net assets	\$ 1,974,428	656,013	518,027	902,074	679,644	710,568	583,028	476,780

See independent auditors' report.

MISSISSIPPI HOME CORPORATION

Combining Schedule of Net Assets

June 30, 2003

Assets	1994-I Program	1995AB Program	1995CD Program	1995FGH Program	1995IJ Program	1996ABC Program	1996DEF Program	1996GHI Program
Current assets:								
Cash and cash equivalents:								
Cash	\$ —	—	—	—	—	—	—	—
Restricted cash	—	—	—	—	—	—	—	—
Cash equivalents	—	—	—	—	—	—	—	—
Restricted cash equivalents	—	845,096	921,255	688,380	671,506	1,054,692	808,369	1,069,351
Total cash and cash equivalents	—	845,096	921,255	688,380	671,506	1,054,692	808,369	1,069,351
Accrued interest receivable	—	32,774	62,735	52,084	60,667	72,055	58,978	49,438
Total current assets	—	877,870	983,990	740,464	732,173	1,126,747	867,347	1,118,789
Non-current assets:								
Investments, at market value:								
Mortgage-backed securities	—	4,041,122	9,086,698	8,531,763	9,991,169	11,570,534	9,556,376	7,851,814
Other investments	—	—	—	—	—	—	—	—
Mortgage loans receivable, net	—	—	—	—	—	—	—	—
Unamortized bond issuance costs	—	60,351	93,149	102,622	96,178	140,841	101,289	101,920
Other assets	—	—	—	—	—	—	—	—
Due (to) from other funds	—	—	—	—	—	—	—	—
Total non-current assets	—	4,101,473	9,179,847	8,634,385	10,087,347	11,711,375	9,657,665	7,953,734
Total assets	\$ —	4,979,343	10,163,837	9,374,849	10,819,520	12,838,122	10,525,012	9,072,523
Liabilities								
Current liabilities:								
Bonds payable	\$ —	—	—	—	—	—	—	—
Notes payable	—	—	—	—	—	—	—	—
Accrued interest payable	—	73,206	97,800	44,869	49,349	70,997	56,729	47,762
Total current liabilities	—	73,206	97,800	44,869	49,349	70,997	56,729	47,762
Non-current liabilities:								
Bonds payable, net of premium or discount and current portion	—	4,420,000	9,000,000	8,615,000	9,695,000	11,236,164	9,340,000	7,800,000
Deferred gains	—	—	—	—	—	—	—	—
Other liabilities and accrued expenses	—	3,000	3,000	3,450	3,500	4,000	4,000	3,600
Total non-current liabilities	—	4,423,000	9,003,000	8,618,450	9,698,500	11,240,164	9,344,000	7,803,600
Total liabilities	\$ —	4,496,206	9,100,800	8,663,319	9,747,849	11,311,161	9,400,729	7,851,362
Net assets								
Restricted	\$ —	483,137	1,063,037	711,530	1,071,671	1,526,961	1,124,283	1,221,161
Unrestricted	—	—	—	—	—	—	—	—
Total net assets	\$ —	483,137	1,063,037	711,530	1,071,671	1,526,961	1,124,283	1,221,161

See independent auditors' report.

MISSISSIPPI HOME CORPORATION

Combining Schedule of Net Assets

June 30, 2003

Assets	1997ABC Program	1997D Program	1997G Program	1997H Program	1998A Program	1998B Program	1998C Program	1999A Program
Current assets:								
Cash and cash equivalents:								
Cash	\$ —	—	—	—	—	—	—	—
Restricted cash	—	3,322	652	593	1,161	—	—	—
Cash equivalents	—	—	—	—	—	—	—	—
Restricted cash equivalents	731,496	640,198	469,237	475,626	931,727	374,820	386,865	803,653
Total cash and cash equivalents	731,496	643,520	469,889	476,219	932,888	374,820	386,865	803,653
Accrued interest receivable	53,925	63,628	71,600	61,063	101,084	87,006	77,696	134,689
Total current assets	785,421	707,148	541,489	537,282	1,033,972	461,826	464,561	938,342
Non-current assets:								
Investments, at market value:								
Mortgage-backed securities	8,681,881	10,658,665	12,752,307	10,872,251	18,766,687	16,717,993	14,884,523	25,582,963
Other investments	—	—	—	—	—	—	—	—
Mortgage loans receivable, net	—	—	—	—	—	—	—	—
Unamortized bond issuance costs	131,686	115,172	133,134	110,808	200,675	165,795	152,501	234,777
Other assets	—	—	—	—	—	—	—	—
Due (to) from other funds	—	—	—	—	—	—	—	—
Total non-current assets	8,813,567	10,773,837	12,885,441	10,983,059	18,967,362	16,883,788	15,037,024	25,817,740
Total assets	\$ 9,598,988	11,480,985	13,426,930	11,520,341	20,001,334	17,345,614	15,501,585	26,756,082
Liabilities								
Current liabilities:								
Bonds payable	\$ —	—	—	—	—	—	—	—
Notes payable	—	—	—	—	—	—	—	—
Accrued interest payable	50,803	60,337	102,606	59,339	99,182	80,706	74,025	131,911
Total current liabilities	50,803	60,337	102,606	59,339	99,182	80,706	74,025	131,911
Non-current liabilities:								
Bonds payable, net of premium or discount and current portion	8,579,364	10,501,280	12,462,805	10,635,965	18,661,151	16,213,464	14,472,407	25,087,649
Deferred gains	—	—	—	—	—	—	—	—
Other liabilities and accrued expenses	4,500	4,733	3,000	3,000	3,000	2,500	2,500	2,500
Total non-current liabilities	8,583,864	10,506,013	12,465,805	10,638,965	18,664,151	16,215,964	14,474,907	25,090,149
Total liabilities	\$ 8,634,667	10,566,350	12,568,411	10,698,304	18,763,333	16,296,670	14,548,932	25,222,060
Net assets								
Restricted	\$ 964,321	914,635	858,519	822,037	1,238,001	1,048,944	952,653	1,534,022
Unrestricted	—	—	—	—	—	—	—	—
Total net assets	\$ 964,321	914,635	858,519	822,037	1,238,001	1,048,944	952,653	1,534,022

See independent auditors' report.

MISSISSIPPI HOME CORPORATION

Combining Schedule of Net Assets

June 30, 2003

Assets	1999B Program	1999C Program	2000A Program	2001-I Program	2001A Program	2001BC Program	2001D Program	2002A Program
Current assets:								
Cash and cash equivalents:								
Cash	\$ —	—	—	—	—	—	—	—
Restricted cash	—	—	—	—	—	—	—	—
Cash equivalents	—	—	—	—	—	—	—	—
Restricted cash equivalents	227,802	898,303	4,084,779	—	3,621,829	1,253,360	1,769,726	1,407,579
Total cash and cash equivalents	227,802	898,303	4,084,779	—	3,621,829	1,253,360	1,769,726	1,407,579
Accrued interest receivable	41,395	73,988	207,995	—	257,802	121,647	159,647	183,152
Total current assets	269,197	972,291	4,292,774	—	3,879,631	1,375,007	1,929,373	1,590,731
Non-current assets:								
Investments, at market value:								
Mortgage-backed securities	7,452,788	12,449,398	33,117,651	—	49,088,214	23,212,264	30,940,108	36,216,916
Other investments	—	—	—	—	—	—	—	—
Mortgage loans receivable, net	—	—	—	—	—	—	—	—
Unamortized bond issuance costs	94,702	136,450	430,888	—	575,297	269,244	356,426	415,820
Other assets	—	—	—	—	—	—	—	13,160
Due (to) from other funds	—	—	—	—	—	—	—	(13,160)
Total non-current assets	7,547,490	12,585,848	33,548,539	—	49,663,511	23,481,508	31,296,534	36,632,736
Total assets	\$ 7,816,687	13,558,139	37,841,313	—	53,543,142	24,856,515	33,225,907	38,223,467
Liabilities								
Current liabilities:								
Bonds payable	\$ 100,000	—	380,000	—	465,000	355,000	505,000	165,000
Notes payable	—	—	—	—	—	—	—	—
Accrued interest payable	28,281	65,482	187,682	—	237,107	492,908	145,106	166,987
Total current liabilities	128,281	65,482	567,682	—	702,107	847,908	650,106	331,987
Non-current liabilities:								
Bonds payable, net of premium or discount and current portion	6,993,175	12,520,000	34,669,404	—	49,403,463	22,610,581	30,707,194	36,053,965
Deferred gains	—	—	—	—	—	—	—	—
Other liabilities and accrued expenses	3,000	3,000	2,500	—	2,500	2,596	2,596	2,586
Total non-current liabilities	6,996,175	12,523,000	34,671,904	—	49,405,963	22,613,177	30,709,790	36,056,551
Total liabilities	\$ 7,124,456	12,588,482	35,239,586	—	50,108,070	23,461,085	31,359,896	36,388,538
Net Assets								
Restricted	692,231	969,657	2,601,727	—	3,435,072	1,395,430	1,866,011	1,834,929
Unrestricted	—	—	—	—	—	—	—	—
Total net assets	\$ 692,231	969,657	2,601,727	—	3,435,072	1,395,430	1,866,011	1,834,929

See independent auditors' report.

MISSISSIPPI HOME CORPORATION

Combining Schedule of Net Assets

June 30, 2003

Assets	2002B Program	2002C Program	2002 Lease Purchase Program	2002-I Program	HB530 Program	Down Payment Assistance Program	General Corporate Fund	Mississippi Affordable Housing Development Fund	Total
Current assets:									
Cash and cash equivalents:									
Cash	\$ —	—	—	—	—	338,635	508,556	48,327	895,518
Restricted cash	—	2,383	37,354	—	405,790	—	233,777	766,583	1,451,615
Cash equivalents	—	—	—	—	—	—	3,745,016	—	3,745,016
Restricted cash equivalents	433,393	14,600,916	23,324,746	110,958,554	—	—	—	—	175,633,265
Total cash and cash equivalents	433,393	14,603,299	23,362,100	110,958,554	405,790	338,635	4,487,349	814,910	181,725,414
Accrued interest receivable	167,822	121,522	48,356	149,216	64	13,042	224,699	24,028	2,985,186
Total current assets	601,215	14,724,821	23,410,456	111,107,770	405,854	351,677	4,712,048	838,938	184,710,600
Non-current assets:									
Investments, at market value:									
Mortgage-backed securities	34,182,172	20,655,322	1,128,776	—	—	—	—	—	451,014,452
Other investments	—	—	—	—	—	—	22,734,904	—	22,734,904
Mortgage loans receivable, net	—	—	—	—	16,390	2,148,184	2,679,490	3,834,663	8,678,727
Unamortized bond issuance costs	376,924	392,205	322,106	—	—	—	—	—	5,556,171
Other assets	—	—	1,940,058	—	36	28,785	3,145,812	4,678,701	9,807,253
Due (to) from other funds	—	(385,890)	(58,076)	—	—	7,112	458,880	(8,866)	—
Total non-current assets	34,559,096	20,661,637	3,332,864	—	16,426	2,184,081	29,019,086	8,504,498	497,791,507
Total assets	\$ 35,160,311	35,386,458	26,743,320	111,107,770	422,280	2,535,758	33,731,134	9,343,436	682,502,107
Liabilities									
Current liabilities:									
Bonds payable	\$ —	—	—	—	—	—	—	—	2,150,000
Accrued interest payable	158,391	94,063	32,135	147,439	—	—	—	—	3,037,691
Total current liabilities	158,391	94,063	32,135	147,439	—	—	—	—	5,187,691
Non-current liabilities:									
Bonds payable, net of premium or discount and current portion	33,273,767	33,977,653	25,000,000	—	—	—	—	—	480,643,504
Notes payable	—	—	1,830,487	110,947,924	—	—	—	—	112,778,411
Deferred gains	—	—	—	—	—	—	1,546,548	—	1,546,548
Other liabilities and accrued expenses	3,096	29,485	5,697	13,880	379,133	3,016	5,203,787	4,575	5,736,031
Total non-current liabilities	33,276,863	34,007,138	26,836,184	110,961,804	379,133	3,016	6,750,335	4,575	600,704,494
Total liabilities	\$ 33,435,254	34,101,201	26,868,319	111,109,243	379,133	3,016	6,750,335	4,575	605,892,185
Net Assets									
Restricted	1,725,057	1,285,257	(124,999)	(1,473)	43,147	—	—	9,338,861	47,096,381
Unrestricted	—	—	—	—	—	2,532,742	26,980,799	—	29,513,541
Total net assets	\$ 1,725,057	1,285,257	(124,999)	(1,473)	43,147	2,532,742	26,980,799	9,338,861	76,609,922

See independent auditors' report.

MISSISSIPPI HOME CORPORATION

Combining Schedule of Revenues, Expenses and Changes in Net Assets

For the year ended June 30, 2003

	1988 Program	1992B Program	1994A Program	1994B Program	1994C Program	1994D Program	1994E Program	1994F Program
Operating revenues:								
Interest income:								
Cash and cash equivalents	\$ 22,653	10,504	13,723	20,720	12,853	12,086	9,186	13,374
Mortgage-backed securities	237,023	288,960	230,591	319,632	198,638	244,990	188,299	233,616
Other investments	—	—	—	—	—	—	—	—
Mortgage loans receivable	—	—	—	—	—	—	—	—
Total interest income	259,676	299,464	244,314	340,352	211,491	257,076	197,485	246,990
Net appreciation (depreciation) in fair value of mortgage-backed securities and investments	(33,432)	40,211	1,910	(83,144)	(45,024)	(57,962)	(51,513)	(47,185)
Realized (loss) gain on investment	—	—	—	—	—	—	—	—
Reservation fees	—	—	—	—	—	—	—	—
Low income housing tax credit program	—	—	—	—	—	—	—	—
Other income	—	—	—	—	—	—	—	—
Total operating revenues	226,244	339,675	246,224	257,208	166,467	199,114	145,972	199,805
Operating expenses:								
Interest expense	122,053	273,820	221,792	293,025	154,820	200,298	146,396	225,305
Amortization of bond issuance costs	7,818	25,478	21,710	22,677	10,204	10,193	15,109	14,222
Trustee and administration fees	429	6,000	2,000	1,243	2,000	1,000	1,000	2,000
Mortgage related insurance	2,984	—	—	—	—	—	—	—
Losses on mortgage loans	—	—	—	—	—	—	—	—
Administrative expenses:								
Salaries and related benefits	—	—	—	—	—	—	—	—
Other	3,021	2,771	2,771	2,771	2,771	2,771	2,829	2,771
Total operating expenses	136,305	308,069	248,273	319,716	169,795	214,262	165,334	244,298
Operating income (loss)	89,939	31,606	(2,049)	(62,508)	(3,328)	(15,148)	(19,362)	(44,493)
Transfers in (out)	1,956	(4,015)	(2,799)	(2,583)	(171)	(2,706)	(1,325)	(2,859)
Net assets, beginning of year	1,882,533	628,422	522,875	967,165	683,143	728,422	603,715	524,132
Net assets, end of year	\$ 1,974,428	656,013	518,027	902,074	679,644	710,568	583,028	476,780

See independent auditors' report.

MISSISSIPPI HOME CORPORATION

Combining Schedule of Revenues, Expenses and Changes in Net Assets

For the year ended June 30, 2003

	<u>1994-I</u> <u>Program</u>	<u>1995AB</u> <u>Program</u>	<u>1995CD</u> <u>Program</u>	<u>1995FGH</u> <u>Program</u>	<u>1995IJ</u> <u>Program</u>	<u>1996ABC</u> <u>Program</u>	<u>1996DEF</u> <u>Program</u>	<u>1996GHI</u> <u>Program</u>
Operating revenues:								
Interest income:								
Cash and cash equivalents	\$ 45,870	40,394	49,025	33,158	45,820	55,896	56,457	47,625
Mortgage-backed securities	—	321,372	726,706	590,585	713,223	1,006,828	832,987	741,296
Other investments	—	—	—	—	—	—	—	—
Mortgage loans receivable	15,304	—	—	—	—	—	—	—
Total interest income	61,174	361,766	775,731	623,743	759,043	1,062,724	889,444	788,921
Net appreciation (depreciation) in fair value of mortgage-backed securities and investments	—	(64,007)	(165,562)	(157,406)	(239,143)	(278,807)	(292,522)	(261,643)
Realized (loss) gain on investment	—	—	—	—	—	—	—	—
Reservation fees	—	—	—	—	—	—	—	—
Low income housing tax credit program	—	—	—	—	—	—	—	—
Other income	113,316	—	—	—	—	—	—	—
Total operating revenues	174,490	297,759	610,169	466,337	519,900	783,917	596,922	527,278
Operating expenses:								
Interest expense	170,474	346,101	724,372	617,969	738,909	1,039,633	858,683	757,843
Amortization of bond issuance costs	58,025	27,940	50,216	41,521	61,195	72,700	70,896	72,579
Trustee and administration fees	3,626	1,696	3,363	3,841	4,807	2,757	2,322	2,138
Mortgage related insurance	8,749	—	—	—	—	—	—	—
Losses on mortgage loans	—	—	—	—	—	—	—	—
Administrative expenses:								
Salaries and related benefits	—	—	—	—	—	—	—	—
Other	214,563	2,771	3,021	2,771	2,771	2,771	2,771	2,771
Total operating expenses	455,437	378,508	780,972	666,102	807,682	1,117,861	934,672	835,331
Operating income (loss)	(280,947)	(80,749)	(170,803)	(199,765)	(287,782)	(333,944)	(337,750)	(308,053)
Transfers in (out)	(2,434,902)	(5,922)	(16,022)	(11,040)	(12,849)	(18,491)	(22,123)	(35,005)
Net assets, beginning of year	2,715,849	569,808	1,249,862	922,335	1,372,302	1,879,396	1,484,156	1,564,219
Net assets, end of year	\$ —	483,137	1,063,037	711,530	1,071,671	1,526,961	1,124,283	1,221,161

See independent auditors' report.

MISSISSIPPI HOME CORPORATION

Combining Schedule of Revenues, Expenses and Changes in Net Assets

For the year ended June 30, 2003

	<u>1997ABC</u> <u>Program</u>	<u>1997D</u> <u>Program</u>	<u>1997G</u> <u>Program</u>	<u>1997H</u> <u>Program</u>	<u>1998A</u> <u>Program</u>	<u>1998B</u> <u>Program</u>	<u>1998C</u> <u>Program</u>	<u>1999A</u> <u>Program</u>
Operating revenues:								
Interest income:								
Cash and cash equivalents	\$ 44,408	10,075	16,129	8,014	22,273	76,134	34,285	123,729
Mortgage-backed securities	753,871	943,716	1,064,537	893,199	1,442,089	1,202,716	1,102,280	1,831,175
Other investments	—	—	—	—	—	—	—	—
Mortgage loans receivable	—	—	—	—	—	—	—	—
Total interest income	798,279	953,791	1,080,666	901,213	1,464,362	1,278,850	1,136,565	1,954,904
Net appreciation (depreciation) in fair value of mortgage-backed securities and investments	(204,296)	(215,574)	(60,147)	(18,684)	70,694	318,958	271,879	499,492
Realized (loss) gain on investment	—	—	—	—	—	—	—	—
Reservation fees	—	—	—	—	—	—	—	—
Low income housing tax credit program	—	—	—	—	—	—	—	—
Other income	—	—	—	—	—	—	—	—
Total operating revenues	593,983	738,217	1,020,519	882,529	1,535,056	1,597,808	1,408,444	2,454,396
Operating expenses:								
Interest expense	684,012	844,484	954,168	791,306	1,288,208	1,118,425	990,613	1,808,071
Amortization of bond issuance costs	78,046	64,652	75,583	60,702	87,671	70,325	67,404	90,250
Trustee and administration fees	2,155	3,135	2,973	2,424	4,173	4,073	3,296	6,200
Mortgage related insurance	—	—	—	—	—	—	—	—
Losses on mortgage loans	—	—	—	—	—	—	—	—
Administrative expenses:								
Salaries and related benefits	—	—	—	—	—	—	—	—
Other	2,771	3,021	3,021	3,021	3,021	3,021	3,021	2,771
Total operating expenses	766,984	915,292	1,035,745	857,453	1,383,073	1,195,844	1,064,334	1,907,292
Operating income (loss)	(173,001)	(177,075)	(15,226)	25,076	151,983	401,964	344,110	547,104
Transfers in (out)	(43,943)	(58,242)	(60,446)	(47,433)	(91,995)	(71,418)	(42,392)	(35,688)
Net assets, beginning of year	1,181,265	1,149,952	934,191	844,394	1,178,013	718,398	650,935	1,022,606
Net assets, end of year	\$ 964,321	914,635	858,519	822,037	1,238,001	1,048,944	952,653	1,534,022

See independent auditors' report.

MISSISSIPPI HOME CORPORATION

Combining Schedule of Revenues, Expenses and Changes in Net Assets

For the year ended June 30, 2003

	<u>1999B</u> <u>Program</u>	<u>1999C</u> <u>Program</u>	<u>2000A</u> <u>Program</u>	<u>2001-I</u> <u>Program</u>	<u>2001A</u> <u>Program</u>	<u>2001BC</u> <u>Program</u>	<u>2001D</u> <u>Program</u>	<u>2002A</u> <u>Program</u>
Operating revenues:								
Interest income:								
Cash and cash equivalents	\$ 27,308	122,358	178,375	204,664	146,050	46,401	60,968	183,539
Mortgage-backed securities	481,314	888,926	2,689,167	—	3,269,473	1,493,493	1,971,844	1,848,573
Other investments	—	—	—	—	—	—	—	—
Mortgage loans receivable	—	—	—	—	—	—	—	—
Total interest income	508,622	1,011,284	2,867,542	204,664	3,415,523	1,539,894	2,032,812	2,032,112
Net appreciation (depreciation) in fair value of mortgage-backed securities and investments	98,107	133,485	232,203	—	1,375,248	765,127	1,022,508	1,470,372
Realized (loss) gain on investment	—	—	—	—	—	—	—	—
Reservation fees	—	—	—	—	—	—	—	—
Low income housing tax credit program	—	—	—	—	—	—	—	—
Other income	—	—	—	—	—	—	—	—
Total operating revenues	606,729	1,144,769	3,099,745	204,664	4,790,771	2,305,021	3,055,320	3,502,484
Operating expenses:								
Interest expense	449,002	1,110,310	2,676,377	204,364	3,066,807	1,361,213	1,842,440	1,927,558
Amortization of bond issuance costs	20,170	84,557	134,461	—	83,943	24,825	36,793	41,020
Trustee and administration fees	1,663	3,658	6,281	—	7,987	3,619	7,418	5,619
Mortgage related insurance	—	—	—	—	—	—	—	—
Losses on mortgage loans	—	—	—	—	—	—	—	—
Administrative expenses:								
Salaries and related benefits	—	—	—	—	—	—	—	—
Other	3,021	3,021	3,271	2,149	2,271	3,245	3,245	3,245
Total operating expenses	473,856	1,201,546	2,820,390	206,513	3,161,008	1,392,902	1,889,896	1,977,442
Operating income (loss)	132,873	(56,777)	279,355	(1,849)	1,629,763	912,119	1,165,424	1,525,042
Transfers in (out)	(100,703)	(159,248)	(75,357)	4,445	(106,682)	(54,411)	(90,448)	(219,042)
Net assets, beginning of year	660,061	1,185,682	2,397,729	(2,596)	1,911,991	537,722	791,035	528,929
Net assets, end of year	\$ 692,231	969,657	2,601,727	—	3,435,072	1,395,430	1,866,011	1,834,929

See independent auditors' report.

MISSISSIPPI HOME CORPORATION
Combining Schedule of Revenues, Expenses and Changes in Net Assets
For the year ended June 30, 2003

	<u>2002B Program</u>	<u>2002C Program</u>	<u>2002 Lease Purchase Program</u>	<u>2002-I Program</u>	<u>HB530 Program</u>	<u>Down Payment Assistance Program</u>	<u>General Corporate Fund</u>	<u>Mississippi Affordable Housing Development Fund</u>	<u>Total</u>
Operating revenues:									
Interest income:									
Cash and cash equivalents	\$ 1,059,219	223,792	554,595	1,125,935	—	884	31,516	5,348	4,795,343
Mortgage-backed securities	335,257	197,045	7,391	—	—	—	1,051,609	—	30,342,421
Other investments	—	—	—	—	—	—	1,111,550	—	1,111,550
Mortgage loans receivable	—	—	—	—	130	186,811	—	244,699	446,944
Total interest income	<u>1,394,476</u>	<u>420,837</u>	<u>561,986</u>	<u>1,125,935</u>	<u>130</u>	<u>187,695</u>	<u>2,194,675</u>	<u>250,047</u>	<u>36,696,258</u>
Net appreciation (depreciation) in fair value of mortgage-backed securities and investments	1,465,187	775,782	53,668	—	—	—	72,389	—	6,391,169
Realized (loss) gain on investment	—	—	—	—	—	—	(92,183)	—	(92,183)
Reservation fees	—	—	—	—	—	—	335,569	—	335,569
Low income housing tax credit program	—	—	—	—	—	—	737,071	—	737,071
Other income	—	—	104,846	—	—	5,275	320,522	196,967	740,926
Total operating revenues	<u>2,859,663</u>	<u>1,196,619</u>	<u>720,500</u>	<u>1,125,935</u>	<u>130</u>	<u>192,970</u>	<u>3,568,043</u>	<u>447,014</u>	<u>44,808,810</u>
Operating expenses:									
Interest expense	1,478,195	636,867	391,903	1,124,158	—	—	300,921	—	31,940,895
Amortization of bond issuance costs	81,949	9,248	75,789	—	—	—	—	—	1,769,871
Trustee and administration fees	5,769	2,524	5,833	4,000	—	—	—	—	123,022
Mortgage related insurance	—	—	32,370	—	—	—	—	—	44,103
Losses on mortgage loans	—	—	—	—	—	28,364	—	21,540	49,904
Administrative expenses:									
Salaries and related benefits	—	—	—	—	—	—	2,205,828	—	2,205,828
Other	3,245	3,357	334,557	10,791	3,276	10,097	1,361,680	73,011	2,103,836
Total operating expenses	<u>1,569,158</u>	<u>651,996</u>	<u>840,452</u>	<u>1,138,949</u>	<u>3,276</u>	<u>38,461</u>	<u>3,868,429</u>	<u>94,551</u>	<u>38,237,459</u>
Operating income (loss)	1,290,505	544,623	(119,952)	(13,014)	(3,146)	154,509	(300,386)	352,463	6,571,351
Transfers in (out)	(327,468)	740,634	3,245	11,541	46,293	2,783	3,329,983	16,848	—
Net assets, beginning of year	762,020	—	(8,292)	—	—	2,375,450	23,951,202	8,969,550	70,038,571
Net assets, end of year	<u>\$ 1,725,057</u>	<u>1,285,257</u>	<u>(124,999)</u>	<u>(1,473)</u>	<u>43,147</u>	<u>2,532,742</u>	<u>26,980,799</u>	<u>9,338,861</u>	<u>76,609,922</u>

See independent auditors' report.

MISSISSIPPI HOME CORPORATION

Combining Schedule of Cash Flows

For the year ended June 30, 2003

	1988 Program	1992B Program	1994A Program	1994B Program	1994C Program	1994D Program	1994E Program	1994F Program
Cash flows from operating activities:								
Loan principal payments received	\$ —	—	—	—	—	—	—	—
Proceeds from sale of loans	—	—	—	—	—	—	—	—
Loan interest payments received	—	—	—	—	—	—	—	—
Loan disbursements	—	—	—	—	—	—	—	—
Payments to employees	—	—	—	—	—	—	—	—
Payments to vendors	(5,854)	(11,771)	(5,771)	(4,014)	(5,771)	(4,273)	(4,267)	(34,139)
Fee income received	—	—	—	—	—	—	—	—
Other income received	—	—	—	—	—	—	—	—
Net cash provided (used) by operating activities	(5,854)	(11,771)	(5,771)	(4,014)	(5,771)	(4,273)	(4,267)	(34,139)
Cash flows from noncapital financing activities:								
Proceeds from issuance of bonds	—	—	—	—	—	—	—	—
Proceeds from issuance of notes	—	—	—	—	—	—	—	—
Principal repayment of bonds	(685,000)	(1,080,000)	(1,285,000)	(2,190,000)	(925,000)	(835,000)	(1,240,000)	(1,175,000)
Principal repayment of notes	—	—	—	—	—	—	—	—
Interest paid	(133,237)	(279,606)	(228,951)	(350,623)	(171,309)	(212,560)	(166,395)	(237,200)
Bond issuance costs paid	—	—	—	—	—	—	—	—
Due (from) to other programs	—	—	—	—	—	—	—	—
Net cash provided (used) by noncapital financing activities	(818,237)	(1,359,606)	(1,513,951)	(2,540,623)	(1,096,309)	(1,047,560)	(1,406,395)	(1,412,200)
Cash flows from capital and related financing activities:								
Property and equipment additions	—	—	—	—	—	—	—	—
Proceeds from issuance of notes	—	—	—	—	—	—	—	—
Principal repayment of notes	—	—	—	—	—	—	—	—
Interest paid	—	—	—	—	—	—	—	—
Net cash provided (used) by capital and related financing activities	—	—	—	—	—	—	—	—
Cash flows from investing activities:								
Purchase of investments	—	—	—	—	—	—	—	—
Redemption of investments	664,110	1,331,887	1,338,873	1,681,638	875,675	1,017,178	844,604	1,217,924
Interest received on investments	263,146	306,274	252,086	353,009	217,336	263,031	204,414	284,220
Net cash provided (used) by investing activities	927,256	1,638,161	1,590,959	2,034,647	1,093,011	1,280,209	1,049,018	1,502,144
Transfers	1,956	(4,015)	(2,799)	(2,583)	(171)	(2,706)	(1,325)	(2,859)
Net increase (decrease) in cash and cash equivalents	105,121	262,769	68,438	(512,573)	(9,240)	225,670	(362,969)	52,946
Cash and cash equivalents, beginning of year	262,836	131,184	209,463	778,472	188,316	165,159	449,043	165,372
Cash and cash equivalents, end of year	\$ 367,957	393,953	277,901	265,899	179,076	390,829	86,074	218,318

See independent auditors' report.

MISSISSIPPI HOME CORPORATION

Combining Schedule of Cash Flows

For the year ended June 30, 2003

	1988 Program	1992B Program	1994A Program	1994B Program	1994C Program	1994D Program	1994E Program	1994F Program
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:								
Operating income (loss)	\$ 89,939	31,606	(2,049)	(62,508)	(3,328)	(15,148)	(19,362)	(44,493)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:								
Interest paid	133,237	279,606	228,951	350,623	171,309	212,560	166,395	237,200
Amortization of bond issuance costs	7,818	25,479	21,710	22,676	10,204	10,193	15,109	14,222
Amortization of bond premium	—	—	—	(2,591)	(10,767)	(7,174)	(12,281)	(4,676)
Accretion of bond discount	—	—	—	—	—	—	—	—
Amortization of investment (discount) premium	—	—	—	—	—	—	—	—
Net (increase) decrease in fair value of investments	33,432	(40,211)	(1,910)	83,144	45,024	57,962	51,513	47,185
Realized (gain) loss on investments	—	—	—	—	—	—	—	—
Interest received on investments	(263,146)	(306,274)	(252,086)	(353,009)	(217,336)	(263,031)	(204,414)	(284,220)
(Increase) decrease in mortgage loans receivable, net	—	—	—	—	—	—	—	—
(Increase) decrease in accrued interest receivable	3,470	6,809	7,772	12,660	5,845	5,955	6,929	8,446
(Increase) decrease in other assets	581	—	—	—	—	—	—	—
Increase (decrease) in accrued interest payable	(11,185)	(5,786)	(7,159)	(55,009)	(5,722)	(5,088)	(7,718)	(7,219)
Increase (decrease) in deferred gains	—	—	—	—	—	—	—	—
Increase (decrease) in other liabilities and accrued expenses	—	(3,000)	(1,000)	—	(1,000)	(502)	(438)	(584)
Total adjustments	(95,793)	(43,377)	(3,722)	58,494	(2,443)	10,875	15,095	10,354
Net cash provided (used) by operating activities	\$ (5,854)	(11,771)	(5,771)	(4,014)	(5,771)	(4,273)	(4,267)	(34,139)

See independent auditors' report.

MISSISSIPPI HOME CORPORATION

Combining Schedule of Cash Flows

For the year ended June 30, 2003

	1994-I Program	1995AB Program	1995CD Program	1995FGH Program	1995IJ Program	1996ABC Program	1996DEF Program	1996GHI Program
Cash flows from operating activities:								
Loan principal payments received	\$ 196,264	—	—	—	—	—	—	—
Proceeds from sale of loans	6,427,367	—	—	—	—	—	—	—
Loan interest payments received	120,235	—	—	—	—	—	—	—
Loan disbursements	—	—	—	—	—	—	—	—
Payments to employees	—	—	—	—	—	—	—	—
Payments to vendors	(184,959)	(44,901)	(101,153)	(113,384)	(147,140)	(7,180)	(6,629)	(6,210)
Fee income received	—	—	—	—	—	—	—	—
Other income received	93,170	—	—	—	—	—	—	—
Net cash provided (used) by operating activities	6,652,077	(44,901)	(101,153)	(113,384)	(147,140)	(7,180)	(6,629)	(6,210)
Cash flows from noncapital financing activities:								
Proceeds from issuance of bonds	—	—	—	—	—	—	—	—
Proceeds from issuance of notes	—	—	—	—	—	—	—	—
Principal repayment of bonds	(4,977,974)	(1,785,000)	(4,305,000)	(2,990,000)	(5,510,000)	(5,155,000)	(5,855,000)	(5,080,000)
Principal repayment of notes	—	—	—	—	—	—	—	—
Interest paid	(113,871)	(375,665)	(771,153)	(633,542)	(766,951)	(1,085,787)	(894,247)	(789,010)
Bond issuance costs paid	—	—	—	—	—	—	—	—
Due (from) to other programs	—	—	—	—	—	—	—	—
Net cash provided (used) by noncapital financing activities	(5,091,845)	(2,160,665)	(5,076,153)	(3,623,542)	(6,276,951)	(6,240,787)	(6,749,247)	(5,869,010)
Cash flows from capital and related financing activities:								
Property and equipment additions	—	—	—	—	—	—	—	—
Proceeds from issuance of notes	—	—	—	—	—	—	—	—
Principal repayment of notes	—	—	—	—	—	—	—	—
Interest paid	—	—	—	—	—	—	—	—
Net cash provided (used) by capital and related financing activities	—	—	—	—	—	—	—	—
Cash flows from investing activities:								
Purchase of investments	—	—	—	—	—	—	—	—
Redemption of investments	—	1,759,249	4,034,217	3,062,307	4,925,690	5,404,432	5,321,646	5,202,338
Interest received on investments	47,358	412,412	894,797	748,090	929,207	1,094,344	924,308	820,917
Net cash provided (used) by investing activities	47,358	2,171,661	4,929,014	3,810,397	5,854,897	6,498,776	6,245,954	6,023,255
Transfers	(2,434,902)	(5,922)	(16,022)	(11,040)	(12,849)	(18,491)	(22,123)	(35,005)
Net increase (decrease) in cash and cash equivalents	(827,312)	(39,827)	(264,314)	62,431	(582,043)	232,318	(532,045)	113,030
Cash and cash equivalents, beginning of year	827,312	884,923	1,185,569	625,949	1,253,549	822,374	1,340,414	956,321
Cash and cash equivalents, end of year	\$ —	845,096	921,255	688,380	671,506	1,054,692	808,369	1,069,351

See independent auditors' report.

MISSISSIPPI HOME CORPORATION

Combining Schedule of Cash Flows

For the year ended June 30, 2003

	1994-I Program	1995AB Program	1995CD Program	1995FGH Program	1995IJ Program	1996ABC Program	1996DEF Program	1996GHI Program
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:								
Operating income (loss)	\$ (280,947)	(80,749)	(170,803)	(199,765)	(287,782)	(333,944)	(337,750)	(308,053)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:								
Interest paid	113,871	375,665	771,153	633,542	766,951	1,085,787	894,247	789,010
Amortization of bond issuance costs	58,025	27,940	50,216	41,521	61,195	72,700	70,897	72,580
Amortization of bond premium	76,846	—	—	—	—	(13,505)	—	—
Accretion of bond discount	—	—	—	—	—	—	—	—
Amortization of investment (discount) premium	—	—	—	—	—	—	—	—
Net (increase) decrease in fair value of investments	—	64,007	165,562	157,406	239,143	278,807	292,522	261,643
Realized (gain) loss on investments	—	—	—	—	—	—	—	—
Interest received on investments	(47,358)	(412,412)	(894,797)	(748,090)	(929,207)	(1,094,344)	(924,308)	(820,917)
(Increase) decrease in mortgage loans receivable, net	6,579,738	—	—	—	—	—	—	—
(Increase) decrease in accrued interest receivable	106,419	10,212	24,297	18,748	32,139	31,619	34,864	31,996
(Increase) decrease in other assets	128,833	—	—	—	—	—	—	—
Increase (decrease) in accrued interest payable	(20,243)	(29,564)	(46,781)	(15,574)	(28,045)	(32,648)	(35,565)	(31,168)
Increase (decrease) in deferred gains	—	—	—	—	—	—	—	—
Increase (decrease) in other liabilities and accrued expenses	(63,107)	—	—	(1,172)	(1,534)	(1,652)	(1,536)	(1,301)
Total adjustments	6,933,024	35,848	69,650	86,381	140,642	326,764	331,121	301,843
Net cash provided (used) by operating activities	\$ 6,652,077	(44,901)	(101,153)	(113,384)	(147,140)	(7,180)	(6,629)	(6,210)

See independent auditors' report.

MISSISSIPPI HOME CORPORATION

Combining Schedule of Cash Flows

For the year ended June 30, 2003

	1997ABC Program	1997D Program	1997G Program	1997H Program	1998A Program	1998B Program	1998C Program	1999A Program
Cash flows from operating activities:								
Loan principal payments received	\$ —	—	—	—	—	—	—	—
Proceeds from sale of loans	—	—	—	—	—	—	—	—
Loan interest payments received	—	—	—	—	—	—	—	—
Loan disbursements	—	—	—	—	—	—	—	—
Payments to employees	—	—	—	—	—	—	—	—
Payments to vendors	(6,271)	(6,156)	(5,994)	(7,019)	(9,845)	(9,598)	(7,865)	(11,691)
Fee income received	—	—	—	—	—	—	—	—
Other income received	—	—	—	—	—	—	—	—
Net cash provided (used) by operating activities	<u>(6,271)</u>	<u>(6,156)</u>	<u>(5,994)</u>	<u>(7,019)</u>	<u>(9,845)</u>	<u>(9,598)</u>	<u>(7,865)</u>	<u>(11,691)</u>
Cash flows from noncapital financing activities:								
Proceeds from issuance of bonds	—	—	—	—	—	—	—	—
Proceeds from issuance of notes	—	—	—	—	—	—	—	—
Principal repayment of bonds	(4,850,000)	(5,238,541)	(6,360,412)	(4,755,926)	(7,551,992)	(5,740,000)	(5,898,458)	(8,305,000)
Principal repayment of notes	—	—	—	—	—	—	—	—
Interest paid	(782,020)	(928,188)	(1,110,763)	(889,975)	(1,433,510)	(1,228,178)	(1,109,031)	(1,950,307)
Bond issuance costs paid	—	—	—	—	—	—	—	—
Due (from) to other programs	—	—	—	—	—	—	—	—
Net cash provided (used) by noncapital financing activities	<u>(5,632,020)</u>	<u>(6,166,729)</u>	<u>(7,471,175)</u>	<u>(5,645,901)</u>	<u>(8,985,502)</u>	<u>(6,968,178)</u>	<u>(7,007,489)</u>	<u>(10,255,307)</u>
Cash flows from capital and related financing activities:								
Property and equipment additions	—	—	—	—	—	—	—	—
Proceeds from issuance of notes	—	—	—	—	—	—	—	—
Principal repayment of notes	—	—	—	—	—	—	—	—
Interest paid	—	—	—	—	—	—	—	—
Net cash provided (used) by capital and related financing activities	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Cash flows from investing activities:								
Purchase of investments	—	—	—	—	—	—	—	—
Redemption of investments	4,241,625	5,480,523	6,272,148	4,739,743	7,835,394	5,729,592	5,864,896	8,610,602
Interest received on investments	827,052	987,204	1,117,817	929,274	1,508,791	1,309,714	1,167,982	1,999,264
Net cash provided (used) by investing activities	<u>5,068,677</u>	<u>6,467,727</u>	<u>7,389,965</u>	<u>5,669,017</u>	<u>9,344,185</u>	<u>7,039,306</u>	<u>7,032,878</u>	<u>10,609,866</u>
Transfers	(43,943)	(58,242)	(60,446)	(47,433)	(91,995)	(71,418)	(42,392)	(35,688)
Net increase (decrease) in cash and cash equivalents	<u>(613,557)</u>	<u>236,600</u>	<u>(147,650)</u>	<u>(31,336)</u>	<u>256,843</u>	<u>(9,888)</u>	<u>(24,868)</u>	<u>307,180</u>
Cash and cash equivalents, beginning of year	1,345,053	406,920	617,539	507,555	676,045	384,708	411,733	496,473
Cash and cash equivalents, end of year	\$ <u>731,496</u>	<u>643,520</u>	<u>469,889</u>	<u>476,219</u>	<u>932,888</u>	<u>374,820</u>	<u>386,865</u>	<u>803,653</u>

See independent auditors' report.

MISSISSIPPI HOME CORPORATION

Combining Schedule of Cash Flows

For the year ended June 30, 2003

	1997ABC Program	1997D Program	1997G Program	1997H Program	1998A Program	1998B Program	1998C Program	1999A Program
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:								
Operating income (loss)	\$ (173,001)	(177,075)	(15,226)	25,076	151,983	401,964	344,110	547,104
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:								
Interest paid	782,020	928,188	1,110,763	889,975	1,433,510	1,228,178	1,109,031	1,950,307
Amortization of bond issuance costs	78,046	64,652	75,583	60,702	87,671	70,325	67,404	90,250
Amortization of bond premium	(69,768)	(53,474)	(91,972)	(72,109)	(105,459)	(81,188)	(88,157)	(101,290)
Accretion of bond discount	—	—	—	—	—	—	—	—
Amortization of investment (discount) premium	—	—	—	—	—	—	—	—
Net (increase) decrease in fair value of investments	204,296	215,574	60,147	18,684	(70,694)	(318,958)	(271,879)	(499,492)
Realized (gain) loss on investments	—	—	—	—	—	—	—	—
Interest received on investments	(827,052)	(987,204)	(1,117,817)	(929,274)	(1,508,791)	(1,309,714)	(1,167,982)	(1,999,264)
(Increase) decrease in mortgage loans receivable, net	—	—	—	—	—	—	—	—
(Increase) decrease in accrued interest receivable	28,773	33,414	37,150	28,061	44,430	30,863	31,417	44,360
(Increase) decrease in other assets	—	—	—	—	—	—	—	—
Increase (decrease) in accrued interest payable	(28,240)	(30,231)	(64,622)	(26,560)	(39,844)	(28,564)	(30,261)	(40,946)
Increase (decrease) in deferred gains	—	—	—	—	—	—	—	—
Increase (decrease) in other liabilities and accrued expenses	(1,345)	—	—	(1,574)	(2,651)	(2,504)	(1,548)	(2,720)
Total adjustments	166,730	170,919	9,232	(32,095)	(161,828)	(411,562)	(351,975)	(558,795)
Net cash provided (used) by operating activities	\$ (6,271)	(6,156)	(5,994)	(7,019)	(9,845)	(9,598)	(7,865)	(11,691)

See independent auditors' report.

MISSISSIPPI HOME CORPORATION

Combining Schedule of Cash Flows

For the year ended June 30, 2003

	1999B Program	1999C Program	2000A Program	2001-I Program	2001A Program	2001BC Program	2001D Program	2002A Program
Cash flows from operating activities								
Loan principal payments received	\$ —	—	—	—	—	—	—	—
Proceeds from sale of loans	—	—	—	—	—	—	—	—
Loan interest payments received	—	—	—	—	—	—	—	—
Loan disbursements	—	—	—	—	—	—	—	—
Payments to employees	—	—	—	—	—	—	—	—
Payments to vendors	(5,461)	(8,401)	(13,268)	(56,077)	(32,307)	(6,864)	(10,663)	(22,024)
Fee income received	—	—	—	—	—	—	—	—
Other income received	—	—	—	—	—	—	—	—
Net cash provided (used) by operating activities	<u>(5,461)</u>	<u>(8,401)</u>	<u>(13,268)</u>	<u>(56,077)</u>	<u>(32,307)</u>	<u>(6,864)</u>	<u>(10,663)</u>	<u>(22,024)</u>
Cash flows from noncapital financing activities:								
Proceeds from issuance of bonds	—	—	—	—	—	—	—	—
Proceeds from issuance of notes	—	—	—	22,835,000	—	—	—	—
Principal repayment of bonds	(2,975,000)	(7,595,000)	(14,780,000)	—	(8,670,000)	(2,645,000)	(2,965,000)	(2,700,000)
Principal repayment of notes	—	—	—	(81,560,000)	—	—	—	—
Interest paid	(409,374)	(1,150,209)	(2,731,983)	(272,473)	(3,082,217)	(969,878)	(1,846,027)	(2,139,547)
Bond issuance costs paid	—	—	—	—	—	—	—	—
Due (from) to other programs	—	—	—	—	—	—	(126,193)	(1,030,840)
Net cash provided (used) by noncapital financing activities	<u>(3,384,374)</u>	<u>(8,745,209)</u>	<u>(17,511,983)</u>	<u>(58,997,473)</u>	<u>(11,752,217)</u>	<u>(3,614,878)</u>	<u>(4,937,220)</u>	<u>(5,870,387)</u>
Cash flows from capital and related financing activities:								
Property and equipment additions	—	—	—	—	—	—	—	—
Proceeds from issuance of notes	—	—	—	—	—	—	—	—
Principal repayment of notes	—	—	—	—	—	—	—	—
Interest paid	—	—	—	—	—	—	—	—
Net cash provided (used) by capital and related financing activities	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Cash flows from investing activities:								
Purchase of investments	—	—	—	—	—	—	(5,210,583)	(37,763,008)
Redemption of investments	2,456,085	7,628,607	16,790,516	—	9,781,353	2,817,709	3,532,110	3,016,465
Interest received on investments	585,553	1,284,946	2,957,898	204,664	3,462,197	1,553,658	2,032,014	2,082,835
Net cash provided (used) by investing activities	<u>3,041,638</u>	<u>8,913,553</u>	<u>19,748,414</u>	<u>204,664</u>	<u>13,243,550</u>	<u>4,371,367</u>	<u>353,541</u>	<u>(32,663,708)</u>
Transfers	<u>(100,703)</u>	<u>(159,248)</u>	<u>(75,357)</u>	<u>4,445</u>	<u>(106,682)</u>	<u>(54,411)</u>	<u>(90,448)</u>	<u>(219,042)</u>
Net increase (decrease) in cash and cash equivalents	<u>(448,900)</u>	<u>695</u>	<u>2,147,806</u>	<u>(58,844,441)</u>	<u>1,352,344</u>	<u>695,214</u>	<u>(4,684,790)</u>	<u>(38,775,161)</u>
Cash and cash equivalents, beginning of year	676,702	897,608	1,936,973	58,844,441	2,269,485	558,146	6,454,516	40,182,740
Cash and cash equivalents, end of year	\$ <u>227,802</u>	<u>898,303</u>	<u>4,084,779</u>	<u>—</u>	<u>3,621,829</u>	<u>1,253,360</u>	<u>1,769,726</u>	<u>1,407,579</u>

See independent auditors' report.

MISSISSIPPI HOME CORPORATION

Combining Schedule of Cash Flows

For the year ended June 30, 2003

	<u>1999B Program</u>	<u>1999C Program</u>	<u>2000A Program</u>	<u>2001-I Program</u>	<u>2001A Program</u>	<u>2001BC Program</u>	<u>2001D Program</u>	<u>2002A Program</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:								
Operating income (loss)	\$ 132,873	(56,777)	279,355	(1,849)	1,629,763	912,119	1,165,424	1,525,042
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:								
Interest paid	409,374	1,150,209	2,731,983	272,473	3,082,217	969,878	1,846,027	2,139,547
Amortization of bond issuance costs	20,170	84,557	134,461	—	83,942	24,825	36,793	41,020
Amortization of bond premium	—	—	(17,398)	—	(18,967)	(8,178)	(39,973)	(33,155)
Accretion of bond discount	51,968	—	—	—	—	—	—	—
Amortization of investment (discount) premium	61,706	229,413	—	—	—	—	—	—
Net (increase) decrease in fair value of investments	(98,107)	(133,485)	(232,203)	—	(1,375,248)	(765,127)	(1,022,508)	(1,470,372)
Realized (gain) loss on investments	—	—	—	—	—	—	—	—
Interest received on investments	(585,553)	(1,284,946)	(2,957,898)	(204,664)	(3,462,197)	(1,553,658)	(2,032,014)	(2,082,835)
(Increase) decrease in mortgage loans receivable, net	—	—	—	—	—	—	—	—
(Increase) decrease in accrued interest receivable	15,226	44,249	90,356	—	46,674	13,764	(798)	50,723
(Increase) decrease in other assets	—	—	—	—	—	—	—	(13,160)
Increase (decrease) in accrued interest payable	(12,341)	(39,899)	(38,208)	(68,109)	3,558	399,513	36,386	(178,834)
Increase (decrease) in deferred gains	—	—	—	—	—	—	—	—
Increase (decrease) in other liabilities and accrued expenses	(777)	(1,722)	(3,716)	(53,928)	(22,049)	—	—	—
Total adjustments	(138,334)	48,376	(292,623)	(54,228)	(1,662,070)	(918,983)	(1,176,087)	(1,547,066)
Net cash provided (used) by operating activities	\$ (5,461)	(8,401)	(13,268)	(56,077)	(32,307)	(6,864)	(10,663)	(22,024)

See independent auditors' report.

MISSISSIPPI HOME CORPORATION
Combining Schedule of Cash Flows
For the year ended June 30, 2003

Schedule 3 (Cont.)

	2002B Program	2002C Program	2002 Lease Purchase Program	2002-I Program	HR530 Program	Down Payment Assistance Program	General Corporate Program	Mississippi Affordable Housing Development Program	Total
Cash flows from operating activities									
Loan principal payments received	\$ —	—	—	—	—	672,371	162,118	1,857,431	2,888,184
Proceeds from sale of loans	—	—	—	—	—	—	—	250,934	6,427,367
Loan interest payments received	—	—	—	—	66	188,233	—	—	559,468
Loan disbursement:	—	—	—	—	(16,390)	(665,501)	(665,501)	(1,302,063)	(2,605,175)
Payments to employee:	—	—	—	—	—	—	(2,212,211)	—	(2,212,211)
Payments to vendor:	(21,014)	(2,631)	(341,282)	(11,541)	(82,047)	(28,733)	(2,044,656)	(1,253,400)	(4,692,224)
Fee income received	—	—	—	—	—	23,354	—	24,406	1,313,515
Other income received	—	26,235	104,846	—	457,868	884	320,522	303,981	1,307,506
Net cash provided (used) by operating activities	(21,014)	23,604	(236,436)	(11,541)	359,497	234,888	(3,173,975)	(118,711)	2,986,430
Cash flows from noncapital financing activities:									
Proceeds from issuance of bond	—	33,986,684	—	—	—	—	—	—	33,986,684
Proceeds from issuance of note	—	—	—	130,944,108	—	—	31,428,187	—	185,207,295
Principal repayment of bonds	(5,505,000)	—	—	—	—	—	—	—	(141,608,303)
Principal repayment of note:	—	—	—	(19,996,184)	—	—	(31,428,187)	—	(132,984,371)
Interest paid	(1,407,249)	(551,835)	(326,390)	(976,719)	—	—	(300,921)	—	(32,806,901)
Bond issuance costs paid	—	(401,453)	—	—	—	—	—	—	(401,453)
Due (from) to other program	(1,153,800)	385,890	58,076	—	—	(7,112)	1,865,113	8,866	—
Net cash provided (used) by noncapital financing activities	(8,066,049)	33,419,286	(268,314)	109,971,205	—	(7,112)	1,564,192	8,866	(88,607,049)
Cash flows from capital and related financing activities:									
Property and equipment additions	—	—	(1,895,980)	—	—	—	(510,741)	—	(2,406,721)
Proceeds from issuance of note	—	—	1,839,123	—	—	—	—	—	1,839,123
Principal repayment of note:	—	—	(8,636)	—	—	—	—	—	(8,636)
Interest paid	—	—	(43,104)	—	—	—	—	—	(43,104)
Net cash provided (used) by capital and related financing activities	—	—	(108,597)	—	—	—	(510,741)	—	(619,338)
Cash flows from investing activities:									
Purchase of investment	(32,951,559)	(19,912,510)	(1,078,395)	—	—	—	(61,122,956)	—	(158,039,020)
Redemption of investment	234,574	32,979	3,287	—	—	—	86,390,243	—	190,140,219
Interest received on investment	1,240,445	299,315	519,970	987,349	—	—	2,165,620	5,348	37,243,859
Net cash provided (used) by investing activities	(31,476,540)	(19,580,225)	(555,138)	987,349	—	—	(2,567,093)	5,348	69,345,058
Transfers	(327,468)	740,634	3,245	11,541	46,293	2,783	—	3,329,983	16,848
Net increase (decrease) in cash and cash equivalents	(39,891,071)	14,603,299	(1,165,240)	110,958,554	405,790	230,559	(1,357,632)	(87,649)	(16,894,899)
Cash and cash equivalents, beginning of year	40,324,464	—	24,527,340	—	—	108,076	5,844,981	902,559	198,620,313
Cash and cash equivalents, end of year	\$ 433,393	14,603,299	23,362,100	110,958,554	405,790	338,635	4,487,349	814,910	181,725,414

See independent auditors' report.

MISSISSIPPI HOME CORPORATION

Combining Schedule of Cash Flows

For the year ended June 30, 2003

	2002B Program	2002C Program	2002 Lease Purchase Program	2002-I Program	HB530 Program	Down Payment Assistance Program	General Corporate Program	Mississippi Affordable Housing Development Program	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:									
Net income (loss)	\$ 1,290,505	544,623	(119,952)	(13,014)	(3,146)	154,509	(300,386)	352,463	6,571,351
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:									
Interest paid	1,407,249	551,835	369,494	976,719	—	—	300,921	—	32,850,005
Amortization of bond issuance costs	81,952	9,248	75,789	—	—	—	—	—	1,769,875
Amortization of bond discount (premium)	(67,135)	(9,031)	—	—	—	—	—	—	(831,402)
Accretion of bond discount	—	—	—	—	—	—	—	—	51,968
Amortization of investment (discount) premium	—	—	—	—	—	—	191,082	—	482,201
Net (increase) decrease in fair value of investments	(1,465,187)	(775,782)	(53,668)	—	—	—	(72,389)	—	(6,391,169)
Realized (gain) loss on investments	—	—	—	—	—	—	92,183	—	92,183
Interest received on investments	(1,240,445)	(299,315)	(519,970)	(987,349)	—	—	(2,165,620)	(5,348)	(37,243,859)
(Increase) decrease in mortgage loans receivable, net	—	—	—	—	(16,390)	74,831	(503,383)	447,197	6,581,993
(Increase) decrease in accrued interest receivable	(151,918)	(121,522)	(42,221)	(149,216)	(64)	1,443	(29,055)	6,235	400,524
(Increase) decrease in other assets	—	—	49,407	—	(36)	4,089	401,241	(920,833)	(349,878)
Increase (decrease) in accrued interest payable	135,965	94,063	22,409	147,439	—	—	—	—	(131,800)
Increase (decrease) in deferred gains	—	—	—	—	—	—	(127,794)	—	(127,794)
Increase (decrease) in other liabilities and accrued expenses	(12,000)	29,485	(17,724)	13,880	379,133	16	(960,773)	1,575	(737,768)
Total adjustments	(1,311,519)	(521,019)	(116,484)	1,473	362,643	80,379	(2,873,587)	(471,174)	(3,584,921)
Net cash provided (used) by operating activities	\$ (21,014)	23,604	(236,436)	(11,541)	359,497	234,888	(3,173,973)	(118,711)	2,986,430

See independent auditors' report.