

**COMMUNITY HOUSING CAPITAL, INC.  
AND SUBSIDIARY**

**CONSOLIDATED FINANCIAL REPORT**

**SEPTEMBER 30, 2020**

**COMMUNITY HOUSING CAPITAL, INC.  
AND SUBSIDIARY**

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SEPTEMBER 30, 2020**

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## INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors  
Community Housing Capital, Inc. and Subsidiary  
Decatur, Georgia**

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Community Housing Capital, Inc. and Subsidiary, a nonprofit public benefit corporation, which comprise the consolidated statements of financial position as of September 30, 2020 and 2019, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Community Housing Capital, Inc. and Subsidiary as of September 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 25 to 26 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2020, on our consideration of Community Housing Capital, Inc. and Subsidiary's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Community Housing Capital, Inc. and Subsidiary's internal control over financial reporting and compliance.

*Mauldin & Jenkins, LLC*

Atlanta, Georgia  
November 10, 2020

**COMMUNITY HOUSING CAPITAL, INC.  
AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
SEPTEMBER 30, 2020 AND 2019**

<u>Assets</u>	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 9,799,365	\$ 9,676,296
Restricted cash	5,024,846	4,409,885
Grants receivable	-	75,000
Equity securities	98,600	96,200
Receivables		
Loans - net	101,322,046	97,121,997
Interest	273,063	425,757
Origination and other fees	216,469	141,544
Premises and equipment - net	983,985	1,014,341
Foreclosed assets	278,937	278,937
Prepaid expenses	45,819	42,829
Deferred debt costs, net	106,678	228,588
Interest rate swap agreements	-	22,240
Other assets	400	400
	<hr/>	<hr/>
<b>Total assets</b>	<b>\$ 118,150,208</b>	<b>\$ 113,534,014</b>
	<hr/> <hr/>	<hr/> <hr/>
<b><u>Liabilities and Net Assets</u></b>		
Accounts payable and accrued expenses	\$ 426,340	\$ 421,476
Interest payable	336,347	473,917
Borrower funds held in trust	5,024,846	3,974,885
Notes payable	73,683,875	73,283,875
	<hr/>	<hr/>
<b>Total liabilities</b>	<b>79,471,408</b>	<b>78,154,153</b>
	<hr/>	<hr/>
Net assets:		
Without donor restrictions	20,497,414	17,763,475
With donor restrictions	18,181,386	17,616,386
	<hr/>	<hr/>
<b>Total net assets</b>	<b>38,678,800</b>	<b>35,379,861</b>
	<hr/>	<hr/>
<b>Total liabilities and net assets</b>	<b>\$ 118,150,208</b>	<b>\$ 113,534,014</b>
	<hr/> <hr/>	<hr/> <hr/>

**See Notes to Consolidated Financial Statements.**

**COMMUNITY HOUSING CAPITAL, INC.  
AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF ACTIVITIES  
YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and support</b>			
Interest income	\$ 5,863,889	\$ -	\$ 5,863,889
Loan origination fees and other income	666,937	-	666,937
Contributed grant revenue	2,500,000	565,000	3,065,000
Unrealized loss on interest rate swaps	(22,240)	-	(22,240)
Miscellaneous income	60,055	-	60,055
<b>Total revenue and support</b>	<b>9,068,641</b>	<b>565,000</b>	<b>9,633,641</b>
<b>Expenses</b>			
Program services:			
Personnel	1,767,587	-	1,767,587
Consultants and legal services	184,693	-	184,693
Travel and occupancy	148,012	-	148,012
Advertising and promotion	48,929	-	48,929
Conferences and meetings	4,063	-	4,063
Miscellaneous	1,006	-	1,006
Interest	2,559,910	-	2,559,910
Provision for loan losses	113,662	-	113,662
Foreclosed properties expense	53,994	-	53,994
Support services:			
Personnel	1,038,106	-	1,038,106
Management and general	233,192	-	233,192
Audit and accounting	134,395	-	134,395
Depreciation	47,153	-	47,153
<b>Total expenses</b>	<b>6,334,702</b>	<b>-</b>	<b>6,334,702</b>
Change in net assets	2,733,939	565,000	3,298,939
Net assets, beginning of year	17,763,475	17,616,386	35,379,861
Net assets, end of year	<u>\$ 20,497,414</u>	<u>\$ 18,181,386</u>	<u>\$ 38,678,800</u>

**See Notes to Consolidated Financial Statements.**

**COMMUNITY HOUSING CAPITAL, INC.  
AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF ACTIVITIES  
YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and support</b>			
Interest income	\$ 5,999,000	\$ -	\$ 5,999,000
Loan origination fees and other income	756,890	-	756,890
Contributed grant revenue	2,475,000	-	2,475,000
Realized loss on sale of equity securities	(60,356)	-	(60,356)
Unrealized loss on interest rate swaps	(1,022,058)	-	(1,022,058)
Miscellaneous income	107,917	-	107,917
<b>Total revenue and support</b>	<b>8,256,393</b>	<b>-</b>	<b>8,256,393</b>
<b>Expenses</b>			
Program services:			
Personnel	2,069,487	-	2,069,487
Consultants and legal services	141,322	-	141,322
Travel and occupancy	232,923	-	232,923
Advertising and promotion	53,552	-	53,552
Conferences and meetings	12,923	-	12,923
Miscellaneous	837	-	837
Interest	2,782,245	-	2,782,245
Provision for loan losses	216,679	-	216,679
Foreclosed properties expense	51,097	-	51,097
Support services:			
Personnel	1,215,413	-	1,215,413
Management and general	277,188	-	277,188
Audit and accounting	140,340	-	140,340
Depreciation	37,332	-	37,332
<b>Total expenses</b>	<b>7,231,338</b>	<b>-</b>	<b>7,231,338</b>
Change in net assets	1,025,055	-	1,025,055
Net assets, beginning of year	16,738,420	17,616,386	34,354,806
Net assets, end of year	<b>\$ 17,763,475</b>	<b>\$ 17,616,386</b>	<b>\$ 35,379,861</b>

**See Notes to Consolidated Financial Statements.**

**COMMUNITY HOUSING CAPITAL, INC.  
AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

	2020	2019
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ 3,298,939	\$ 1,025,055
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	47,153	37,332
Provision for loan losses	113,662	216,679
Loss on sale of equity securities	-	60,356
Write down on foreclosed assets	-	34,837
Gain on sale of foreclosed assets	-	(102,903)
Loss on sale of other assets	270	803
(Increase) decrease in assets:		
Grant receivable	75,000	(75,000)
Interest receivable	152,694	123,280
Prepaid expenses	(2,990)	959
Deferred debt costs	121,910	53,462
Origination and other fees receivable	(74,925)	174,758
Interest rate swap agreements	22,240	1,022,058
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	4,864	46,476
Interest payable	(137,570)	(50,012)
Borrower funds held in trust	1,049,961	(436,345)
Net cash provided by operating activities	4,671,208	2,131,795
<b>INVESTING ACTIVITIES</b>		
Net (increase) decrease in restricted cash	(614,961)	522,597
(Increase) decrease in equity securities	(2,400)	316,244
Net increase in loans	(4,313,711)	(7,607,011)
Purchase of premises and equipment	(17,437)	(21,745)
Proceeds from the sale of premises and equipment	370	-
Proceeds from the sale of foreclosed assets	-	421,636
Improvements to foreclosed assets	-	(370,790)
Net cash used in investing activities	(4,948,139)	(6,739,069)
<b>FINANCING ACTIVITIES</b>		
Proceeds from notes payable	19,700,000	30,580,000
Repayment of notes payable	(19,300,000)	(22,000,000)
Net cash provided by financing activities	400,000	8,580,000
Net increase in cash and cash equivalents	123,069	3,972,726
Cash and cash equivalents, beginning of year	9,676,296	5,703,570
Cash and cash equivalents, end of year	\$ 9,799,365	\$ 9,676,296
Cash and cash equivalents	\$ 9,799,365	\$ 9,676,296
Restricted cash	5,024,846	4,409,885
Cash and cash equivalents, end of year	14,824,211	14,086,181
<b>SUPPLEMENTARY INFORMATION</b>		
Cash paid for interest	\$ 2,697,480	\$ 2,832,257

**See Notes to Consolidated Financial Statements.**

**COMMUNITY HOUSING CAPITAL, INC.  
AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Organization**

Community Housing Capital, Inc. (CHC) was incorporated in California on November 7, 2000 and is a not-for-profit corporation that uses private and public support to make loans to NeighborWorks® network organizations, a national network of local not-for-profit affordable housing organizations.

CHC's mission is to develop and enhance the social, economic, and charitable welfare of under-served residents of inner-city neighborhoods, as well as suburban and rural communities across the country. CHC's target market is designated as the low to moderate-income target population and workforce as defined by its Community Development Financial Institution (CDFI) certification. CHC reaches this target market exclusively through the NeighborWorks® network organization customer base.

CHC provides primarily multifamily and interim real estate acquisition and development financing to NeighborWorks® network organizations. With respect to development services, CHC provides technical assistance to NeighborWorks® network organizations seeking financing.

REL Property Holdings, LLC (REL), a Georgia limited liability company, is included in the consolidated financial statements of CHC. REL was formed in March 2013 in Atlanta, Georgia, for the purpose of holding certain foreclosed assets of CHC. As of September 30, 2020 and 2019, REL holds \$0 of the foreclosed assets recorded in the consolidated statements of financial position.

**New Accounting Pronouncements**

In November 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. CHC adopted the provisions of this new standard during the year ended September 30, 2020. The update requires that the statements of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents have been included with cash and cash equivalents when reconciling the beginning of year and end of year cash total amounts shown on the accompanying statements of cash flows. The accompanying information from the prior year financial statements has been adjusted to conform to the 2020 presentation and disclosure requirements of ASU 2016-18. This adjustment did not have an effect on total net assets or the change in net assets for 2019.

In June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies and establishes standards for characterizing contributions (nonreciprocal) subject to ASC Topic 958 or as exchange transactions (reciprocal) subject to ASC Topic 606. For the year ended September 30, 2020, CHC adopted ASU 2018-08 and has adjusted the presentation in these financial statements accordingly. The adoption of ASU 2018-08 did not have an impact on the timing of the revenue recognition related to contribution revenue.

**Basis of Presentation**

The consolidated financial statements have been prepared on the accrual basis of accounting, which recognizes income in the period earned and expenses when incurred, regardless of the timing of payments. The consolidated financial statements of CHC include the accounts of REL. Intercompany accounts and all significant intercompany transactions have been eliminated in consolidation.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect certain 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 revenue and expenses during the reported period. Actual results could differ from those estimates.

#### Cash and Cash Equivalents

Cash is defined as cash in demand deposit accounts as well as cash on hand. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash. CHC maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. CHC has not experienced any losses in such accounts. CHC believes it is not exposed to any significant credit risk on cash.

#### Revenue Recognition and Donor-Imposed Restrictions

In accordance with ASC 958-605, *Accounting for Contributions Received and Contributions Made*, unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. All contributions and investment income are available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restricted support that increases the net asset class. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions received are recorded as with donor restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions.

Capital grants received from NeighborWorks® America are presented in a manner consistent with GAAP and the grantor's grant agreement as without donor restriction after first use or with donor restriction grant funds. Adjustments to the aggregate Capital Fund balance are only made with the consent of the grantor. The supplemental schedules: Financial Position by Type (page 25) and Activities by Type (page 26) provide detail reconciliations of NeighborWorks® America Capital Fund grants.

Capital grants are recognized as revenue, as allowed by generally accepted accounting principles, as soon as significant grant conditions are met.

#### Equity Securities

CHC's equity securities consist of investments in two financial institutions. The first is the result of CHC being the recipient of common stock in a privately held financial institution. The common stock is not publicly traded and does not have a readily determinable fair value. The stock was therefore carried at cost and periodically reviewed for impairment of the cost basis. As of September 30, 2019, the carrying amount of this security was \$0. The stock was sold in 2019 and CHC recognized a loss of \$60,356.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Equity Securities (Continued)

The second equity security is the result of CHC being a member of the Federal Home Loan Bank system. Consequently, CHC is required to maintain an investment in the capital stock of the Federal Home Loan Bank of Atlanta (FHLB). Based on redemption provisions, this stock has no quoted market value and is carried at cost. At its discretion, the FHLB may declare dividends on the stock. Management reviews for impairment based on the ultimate recoverability of the cost basis in the stock. As of September 30, 2020, and 2019, the cost basis of this security is \$98,600 and \$96,200, respectively, and no impairment has been recognized.

#### Loans Receivable and Allowance for Loan Losses

Loans receivable consist of interim, permanent, and other direct loans made to NeighborWorks® network organizations and are carried at their outstanding principal balances, net of an allowance for loan losses. Interest income is accrued on the principal balance. Origination fees and costs are recognized immediately at the time the loan is originated. Management has the intent and ability to hold these loans for the foreseeable future or until maturity or payoff.

Accrual of interest is discontinued on loans that become past due 90 days or more and for which collateral is inadequate to cover principal and interest, or immediately if management believes, after considering economic and business conditions and collection efforts, that a borrower's financial condition is such that partial or full collection is doubtful. When a loan is placed on nonaccrual status, all previously accrued but uncollected interest is reversed against current period interest income. Future collections are applied first to principal and then to interest until such loans are brought current, at which time loans may be returned to accrual status.

A loan is considered impaired when it is probable, based on current information and events, CHC will be unable to collect all principal and interest payments due in accordance with the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest when due. Loans that experience insignificant payment delays and payment shortfalls are not classified as impaired. Impaired loans are measured by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent. Interest on accruing impaired loans is recognized as long as such loans do not meet the criteria for nonaccrual status.

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to expense. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries are credited to the allowance.

The allowance for loan losses is evaluated by management and the Board of Directors on a quarterly basis and is based upon a monthly review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revisions as more information becomes available.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Loans Receivable and Allowance for Loan Losses (Continued)

The allowance consists of general, specific and unallocated reserves. The general reserve applies to groups of loans with similar risk characteristics and is based on historical loss experience, adjusted for environmental and qualitative factors. The specific reserves relate to individual loans that are identified as impaired. The need for specific reserves is evaluated on all impaired loans and all loans modified in troubled debt restructurings. The specific reserves are determined on an individual loan basis based on management's evaluation of the circumstances and the value of any underlying collateral. Loans that have been identified as impaired are excluded from the calculation of general reserves. An unallocated reserve may be maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

Management believes the allowance for loan losses is adequate to absorb estimated losses relating to specifically identified loans, as well as probable credit losses inherent in the balance of the loan portfolio. While management uses available information to recognize losses on loans, future additions to the allowance may be necessary based on changes in economic conditions.

#### Deferred Debt Costs

Deferred debt costs are costs relating to the revolving line of credit note payable agreements and are being amortized using the straight-line method over the life of the notes payable.

#### Foreclosed Assets

Foreclosed assets acquired through loan foreclosure are held for sale and are initially recorded at fair value less selling costs. Any write-down to fair value at the time of transfer to foreclosed assets is charged to the allowance for loan losses. Annually and subsequent to foreclosure, valuations are performed by management and the assets are carried at the lower of carrying amount or fair value less costs to sell. Costs of improvements are capitalized, whereas costs relating to holding foreclosed assets and subsequent write-downs to the value are expensed.

#### Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from CHC, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) CHC does not maintain effective control over the transferred assets through an agreement to repurchase them before maturity. As of September 30, 2020, and 2019, all of CHC's loan participation arrangements, for which CHC retains the servicing, qualify as sales of financial assets and each is sold on a nonrecourse basis.

#### Premises and Equipment

Premises and equipment is carried at cost less accumulated depreciation. CHC capitalizes significant purchases of fixed assets and all expenditures for repairs, maintenance, renewals and betterments that prolong the useful lives of assets. Depreciation is computed by the straight-line method over the estimated useful life of the assets which is 39 years for premises and 3 to 7 years for equipment.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Income Taxes

CHC qualifies as a charitable organization as defined by Internal Revenue Code Section 501(c)(3) and, accordingly, is generally exempt from federal income taxes under Internal Revenue Code Section 501(a). CHC is however required to file Federal Form 990 – Return of Organization Exempt from Income Tax. This is an informational return only. Accordingly, no provision for income taxes is made in the financial statements. Management evaluated CHC’s tax positions and concluded that CHC had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions on accounting for uncertainty in income taxes.

#### Functional Expense Allocation

The costs of providing CHC’s various programs have been summarized on a functional basis in the consolidated statements of activities on the basis of specific identification of time spent by personnel. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on a reasonable estimate of time spent by relevant employees. CHC does not have any fundraising costs for the years ended September 30, 2020 and 2019, respectively.

#### Interest Rate Swaps

CHC uses interest rate swaps from time to time to manage the impact of interest rate changes on underlying floating-rate liabilities. CHC does not enter into derivative financial instruments for speculative or trading purposes. The primary objective of CHC’s interest rate risk management program is to lock in the cost of floating rate funding sources to preserve the spread on fixed rate loans that CHC originates to minimize the loss of economic value from interest rate changes. No less than quarterly, CHC reviews the impact of various interest rate change scenarios and may enter into new interest rate swap transactions as a means of reducing the sensitivity of net economic value. These interest rate swap agreements are accounted for by recording the fair value of the instrument on the consolidated statement of financial position as either an asset or liability, with a corresponding offset recorded in unrestricted unrealized loss in the consolidated statement of activities. CHC controls this risk through credit approvals, exposure limits and monitoring procedures and agreements. CHC’s outstanding interest rate swaps matured on July 17, 2020.

### NOTE 2. LIQUIDITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents - unrestricted	\$ 9,799,365
Less:	
Accounts payable and accrued expenses	(426,340)
Interest payable	(336,347)
	<u>\$ 9,036,678</u>

CHC manages its liquidity by developing annual budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they become due. Cash needs to CHC are expected to be met on a monthly basis with interest income on loans, origination fees on new loans and NeighborWorks® grants.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 3. RESTRICTED CASH

Restricted cash consists of the following as of September 30, 2020 and 2019:

	2020	2019
Borrower funds held in trust (Note 7)	\$ 5,024,846	\$ 3,974,885
Interest rate swap agreements (Note 9)	-	435,000
	\$ 5,024,846	\$ 4,409,885

### NOTE 4. LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES

#### Portfolio Segments and Classes

The composition of loans is summarized as follows:

	September 30,	
	2020	2019
Real estate:		
Predevelopment	\$ 4,254,120	\$ 2,309,227
Acquisition – land and buildings	76,806,089	74,173,896
Construction – 1-4 and multifamily	4,270,970	4,012,655
Permanent mortgage – multifamily rental	17,042,822	17,272,636
Permanent mortgage – 1-4 family direct serviced	1,179,352	1,398,358
Credit lines	100,914	190,770
Total loans, gross	103,654,267	99,357,542
Less:		
Allowance for loan losses	2,332,221	2,235,545
Loans, net	\$ 101,322,046	\$ 97,121,997

Loans receivable consist of notes with interest rates ranging from 1.5% to 7.25% as of September 30, 2020. CHC's loans are primarily secured by real estate and, as such, are particularly sensitive to the valuation of the related properties.

For purposes of the disclosures required pursuant to ASC 310, the loan portfolio was disaggregated into segments and then further disaggregated into classes for certain disclosures. A portfolio segment is defined as the level at which an entity develops and documents a systematic method for determining its allowance for loan losses. There are four loan portfolio segments that include predevelopment loans, acquisition and construction loans, permanent mortgage, and credit lines. A class is generally determined based on the initial measurement attribute, risk characteristic of the loan, and CHC's method for monitoring and assessing credit risk. Acquisition loans and construction loans are separate classes within the acquisition and construction segment and multifamily rental loans and 1-4 family direct serviced loans are classes within the permanent mortgage segment. The predevelopment loans and credit line segments are not further segregated by class.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 4. LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES (Continued)

#### Portfolio Segments and Classes (Continued)

The following describe key characteristics relevant to each of the portfolio segments.

- The predevelopment loan portfolio segment is comprised of loans which are typically unsecured or under-secured. These loans typically finance very early stage real estate development expenses that are incurred during the financial / product feasibility stage. Loans are repaid either through the sponsor organization's cashflow or through the initial construction closing. Extensions of credit are principally to sponsors who have a strong track record of completing projects as proposed and have sufficient cash on hand to repay, should the proposed project not move forward.
- The acquisition and construction loan portfolio segment includes loans to non-profit real estate developers secured by first liens for real estate acquisition of land, operating properties, and construction loans that are repaid based on the plan for the project property. Repayment in this portfolio segment is principally dependent on the refinance of the loan at the initiation or completion of a construction loan, a resyndication/repositions of the property, or sale of the property.
- The permanent mortgage portfolio segment includes loans secured by first liens on multifamily rental properties and loans secured by first and junior liens on 1-4 family residential properties. Multifamily rental properties are repaid principally from the rental income derived from the property with the borrower's income or sale of the property as a secondary source of repayment. Mortgage loans secured by 1-4 family residential properties are repaid principally from the borrower's income, with the sale of the property as a secondary source of repayment.
- Credit lines are secured by single family mortgages for the purpose of funding non-profit real estate lenders.

#### Credit Risk Management

The loan department, credit department and the executive management team as a whole are involved in the credit risk management process and assess the accuracy of loan risk ratings, the quality of the portfolio and the estimation of inherent credit losses in the loan portfolio. This process also assists in the prompt identification of problem credits. CHC has implemented many processes and procedures to manage the portfolios and reduce risk. All extensions of credit depending on the amount are approved by the Staff Loan Committee or the Loan Committee as per policy.

CHC's credit risk management process includes defined policies, accountability and routine reporting to manage credit risk in the loan portfolio segments. Credit risk management is guided by loan policies that provide for a consistent and prudent approach to underwriting and approvals of credits. All CHC originated loans are individually underwritten, risk-rated, approved, and monitored.

Responsibility and accountability for adherence to underwriting policies and accurate risk ratings lies with the credit risk management function. The risk management process focuses on managing customers who become delinquent in their payments. To insure problem credits are identified on a timely basis, independent loan reviews are performed to assess the adversely rated credits for proper risk rating and accrual status and, if necessary, to ensure such individual credits are properly graded by management. All loans are graded on a five-point scale and reviewed during monthly Credit Quality meetings for compliance with the defined risk grade criteria.

Credit quality in the loan portfolio is measured and monitored monthly. Trends in the loan portfolio and detailed reports by product, past due status, grade and accrual status are reviewed by executive management, Loan Committee and the Board of Directors quarterly.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 4. LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES (Continued)

#### Credit Risk Management (Continued)

A description of the general characteristics of the risk grades used by CHC in its credit risk management process is as follows:

- Pass - includes loans with low or average risk qualities where the probability of default is considered low.
- Monitored - includes loans which are considered collectible at present, but have credit weaknesses which, if not addressed, could deteriorate into serious credit problems. This classification signifies the first sign of a loan problem ranging from adverse financial trends to major technical deficiencies. These loans may also be designated to identify potential weaknesses associated with large, complex or early development stage credits requiring intense supervision.
- Impaired - includes loans with credit weaknesses or collateral deficiency such that repayments as originally contemplated are no longer assured. Intensive and constructive loan supervision is necessary to effect collection. The credit risk in this situation relates to the possibility of loss of principal or interest. An impairment analysis is performed and a reserve set aside as appropriate.

The following table summarizes the risk category of CHC's loan portfolio by class as of September 30, 2020:

	<u>Pass</u>	<u>Monitored</u>	<u>Impaired</u>	<u>Total</u>
<b>Real estate:</b>				
Predevelopment	\$ 4,004,120	\$ 250,000	\$ -	\$ 4,254,120
Acquisition – land and buildings	76,706,991	99,098	-	76,806,089
Construction – 1-4 and multifamily	4,270,970	-	-	4,270,970
Permanent mortgage – multifamily rental	17,042,822	-	-	17,042,822
Permanent mortgage – 1-4 family direct serviced	973,808	205,544	-	1,179,352
Credit lines	100,914	-	-	100,914
<b>Total</b>	<b>\$ 103,099,625</b>	<b>\$ 554,642</b>	<b>\$ -</b>	<b>\$ 103,654,267</b>

The following table summarizes the risk category of CHC's loan portfolio by class as of September 30, 2019:

	<u>Pass</u>	<u>Monitored</u>	<u>Impaired</u>	<u>Total</u>
<b>Real estate:</b>				
Predevelopment	\$ 2,309,227	\$ -	\$ -	\$ 2,309,227
Acquisition – land and buildings	74,173,896	-	-	74,173,896
Construction – 1-4 and multifamily	4,012,655	-	-	4,012,655
Permanent mortgage – multifamily rental	17,272,636	-	-	17,272,636
Permanent mortgage – 1-4 family direct serviced	1,126,672	271,686	-	1,398,358
Credit lines	190,770	-	-	190,770
<b>Total</b>	<b>\$ 99,085,856</b>	<b>\$ 271,686</b>	<b>\$ -</b>	<b>\$ 99,357,542</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 4. LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES (Continued)

#### Allowance for Loan Losses

The following tables detail activity in the allowance for loan losses by portfolio segment. Allocation of a portion of the reserve to one category of loans does not preclude its availability to absorb losses in other categories.

Activity in the allowance for loan losses for the year ended September 30, 2020 was as follows:

	Predevelopment	Acquisition and Construction	Permanent Mortgage	Credit Lines	Total
<b>Allowance for loan losses:</b>					
Beginning balance	\$ 182,021	\$ 1,474,464	\$ 575,210	\$ 3,850	\$ 2,235,545
Provision (credit) for loan losses	(46,572)	289,468	(127,409)	(1,825)	113,662
Charge-offs	-	-	(18,925)	-	(18,925)
Recoveries	-	-	1,939	-	1,939
<b>Ending balance</b>	<b>\$ 135,449</b>	<b>\$ 1,763,932</b>	<b>\$ 430,815</b>	<b>\$ 2,025</b>	<b>\$ 2,332,221</b>
<b>Ending balance – individually evaluated for impairment</b>					
	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Ending balance – collectively evaluated for impairment</b>					
	135,449	1,763,932	430,815	2,025	2,332,221
<b>Total ending balance</b>	<b>\$ 135,449</b>	<b>\$ 1,763,932</b>	<b>\$ 430,815</b>	<b>\$ 2,025</b>	<b>\$ 2,332,221</b>
<b>Loans:</b>					
<b>Ending balance – individually evaluated for impairment</b>					
	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Ending balance – collectively evaluated for impairment</b>					
	4,254,120	81,077,059	18,222,174	100,914	103,654,267
<b>Total ending balance</b>	<b>\$ 4,254,120</b>	<b>\$ 81,077,059</b>	<b>\$ 18,222,174</b>	<b>\$ 100,914</b>	<b>\$ 103,654,267</b>

Activity in the allowance for loan losses for the year ended September 30, 2019 was as follows:

	Predevelopment	Acquisition and Construction	Permanent Mortgage	Credit Lines	Total
<b>Allowance for loan losses:</b>					
Beginning balance	\$ 41,585	\$ 1,530,346	\$ 487,599	\$ 5,905	\$ 2,065,435
Provision (credit) for loan losses	140,436	(55,882)	134,180	(2,055)	216,679
Charge-offs	-	-	(47,785)	-	(47,785)
Recoveries	-	-	1,216	-	1,216
<b>Ending balance</b>	<b>\$ 182,021</b>	<b>\$ 1,474,464</b>	<b>\$ 575,210</b>	<b>\$ 3,850</b>	<b>\$ 2,235,545</b>
<b>Ending balance – individually evaluated for impairment</b>					
	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Ending balance – collectively evaluated for impairment</b>					
	182,021	1,474,464	575,210	3,850	2,235,545
<b>Total ending balance</b>	<b>\$ 182,021</b>	<b>\$ 1,474,464</b>	<b>\$ 575,210</b>	<b>\$ 3,850</b>	<b>\$ 2,235,545</b>
<b>Loans:</b>					
<b>Ending balance – individually evaluated for impairment</b>					
	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Ending balance – collectively evaluated for impairment</b>					
	2,309,227	78,186,551	18,670,994	190,770	99,357,542
<b>Total ending balance</b>	<b>\$ 2,309,227</b>	<b>\$ 78,186,551</b>	<b>\$ 18,670,994</b>	<b>\$ 190,770</b>	<b>\$ 99,357,542</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 4. LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES (Continued)

#### Past Due Loans

A loan is considered past due if any required principal and interest payments have not been received as of the date such payments were required to be made under the terms of the loan agreement. Generally, accrual of interest is discontinued on loans that become past due 90 days or more and for which collateral is inadequate to cover principal and interest, or immediately if management believes, after considering economic and business conditions and collection efforts, that a borrower's financial condition is such that collection is doubtful.

The following table presents the aging of the recorded investment in loans by class as of September 30, 2020:

	Past Due Status (Accruing Loans)					Total
	Current	30-89 Days	90+ Days	Total Past Due	Non- Accrual	
<b>Real estate:</b>						
Predevelopment	\$ 4,254,120	\$ -	\$ -	\$ -	\$ -	\$ 4,254,120
Acquisition – land and buildings	76,806,089	-	-	-	-	76,806,089
Construction – 1-4 and multifamily	4,270,970	-	-	-	-	4,270,970
Permanent mortgage – multifamily rental	17,042,822	-	-	-	-	17,042,822
Permanent mortgage – 1-4 family direct serviced	973,808	921	204,623	205,544	-	1,179,352
Credit lines	100,914	-	-	-	-	100,914
<b>Total</b>	<b>\$ 103,448,723</b>	<b>\$ 921</b>	<b>\$ 204,623</b>	<b>\$ 205,544</b>	<b>\$ -</b>	<b>\$ 103,654,267</b>

The following table presents the aging of the recorded investment in loans by class as of September 30, 2019:

	Past Due Status (Accruing Loans)					Total
	Current	30-89 Days	90+ Days	Total Past Due	Non- Accrual	
<b>Real estate:</b>						
Predevelopment	\$ 2,309,227	\$ -	\$ -	\$ -	\$ -	\$ 2,309,227
Acquisition – land and buildings	74,173,896	-	-	-	-	74,173,896
Construction – 1-4 and multifamily	4,012,655	-	-	-	-	4,012,655
Permanent mortgage – multifamily rental	17,272,636	-	-	-	-	17,272,636
Permanent mortgage – 1-4 family direct serviced	1,126,672	59,763	211,923	271,686	-	1,398,358
Credit lines	190,770	-	-	-	-	190,770
<b>Total</b>	<b>\$ 99,085,856</b>	<b>\$ 59,763</b>	<b>\$ 211,923</b>	<b>\$ 271,686</b>	<b>\$ -</b>	<b>\$ 99,357,542</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 4. LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES (Continued)

#### Impaired Loans

Impaired loans exhibit credit weaknesses or collateral deficiencies such that repayment as originally contemplated is no longer assured and intensive and constructive loan supervision is necessary to effect collection. The credit risk in this situation relates to the possibility of loss of principal or interest and additional collection expense. An impairment analysis is performed and a reserve set aside as appropriate.

The restructuring of a loan is considered a troubled debt restructuring (TDR) if both (i) the borrower is experiencing financial difficulties and (ii) CHC has granted a concession and would be classified as an impaired loan. In assessing whether or not a borrower is experiencing financial difficulties, CHC considers information currently available regarding the financial condition of the borrower. This information includes, but is not limited to, whether (i) the debtor is currently in payment default on any of its debt; (ii) a payment default is probable in the foreseeable future without the modification; (iii) the debtor has declared or is in the process of declaring bankruptcy and (iv) the debtor's projected cash flow is insufficient to satisfy contractual payments due under the original terms of the loan without a modification. Restructured loans, if any, are also considered impaired loans.

As of and for the years ended of September 30, 2020 and 2019, there were no impaired or restructured loans in the loans receivable portfolio.

#### Maturities

Future maturities on loans receivable within the next five years are as follows:

	Fiscal Year Ending September 30,	
2021		\$ 37,610,323
2022		25,558,691
2023		10,078,940
2024		7,111,622
2025		500,000
Thereafter		22,794,691
		\$ 103,654,267

### NOTE 5. PREMISES AND EQUIPMENT

Premises and equipment are summarized as follows:

	September 30,	
	2020	2019
Land and improvements	\$ 425,000	\$ 425,000
Building and improvements	666,694	666,694
Furniture and equipment	131,993	138,488
	1,223,687	1,230,182
Less accumulated depreciation	(239,702)	(215,841)
	\$ 983,985	\$ 1,014,341

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 6. FORECLOSED ASSETS

A summary of foreclosed assets for the years ended September 30, 2020 and 2019 is as follows:

	2020	2019
Balance, beginning of the year	\$ 278,937	\$ 261,717
Property improvements	-	370,790
Sales proceeds	-	(421,636)
Write down	-	(34,837)
Gain on sale	-	102,903
Balance, end of the year	\$ 278,937	\$ 278,937

### NOTE 7. BORROWER FUNDS HELD IN TRUST

As a requirement for certain interim and multifamily permanent mortgage loans extended to borrowers, CHC may hold an operating/debt service reserve, including escrow reserves, and a replacement reserve in trust. The reserves are required to be funded at certain levels based on the provisions of the security agreement between the borrower and CHC. As a requirement for single-family mortgages to borrowers, CHC will typically require and hold escrow reserves for insurance and property taxes where CHC is the first lien holder.

### NOTE 8. LONG TERM DEBT

A summary of notes payable follows:

	September 30,	
	2020	2019
Calvert Impact Capital, Inc. in the amount of \$7,000,000, dated January 17, 2018 bears interest at 4.25% on draws made within 90 days of closing and interest at 3 year treasury rate plus 2.5%. Payments of interest are due semi-annually. Principal is due on January 17, 2021. The loan is unsecured. Accrued interest was \$76,854 and \$76,023 as of September 30, 2020 and 2019, respectively.	<b>7,000,000</b>	7,000,000
Calvert Impact Capital, Inc. in the amount of \$4,000,000, dated January 17, 2018 bears interest at 4.50% on draws made within 90 days of closing and interest at 5 year treasury rate plus 2.5%. Payments of interest are due semi-annually. Principal is due on January 17, 2023. The loan is unsecured. Accrued interest was \$28,750 and \$28,750 as of September 30, 2020 and 2019, respectively.	<b>2,500,000</b>	2,500,000
Calvert Impact Capital, Inc. in the amount of \$3,000,000, dated January 17, 2018 bears interest at 4.75% on draws made within 90 days of closing and interest at 5 year treasury rate plus 2.5%. Payments of interest are due semi-annually. Principal is due on January 17, 2021. The loan is unsecured. Accrued interest was \$36,812 and \$36,417 as of September 30, 2020 and 2019, respectively.	<b>3,000,000</b>	3,000,000
Calvert Impact Capital, Inc. in the amount of \$1,000,000, dated January 17, 2018 bears interest at 4.85% on draws made within 90 days of closing and interest at 5 year treasury rate plus 2.5%. Payments of interest are due semi-annually. Principal is due on January 17, 2023. The loan is unsecured. Accrued interest was \$12,529 and \$12,394 as of September 30, 2020 and 2019, respectively.	<b>1,000,000</b>	1,000,000

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 8. LONG TERM DEBT (Continued)

	September 30,	
	2020	2019
<p>Morgan Stanley Senior Funding, Inc., multi-bank syndicated revolving line of credit facility was extended on June 28, 2019 in the amount of \$100,000,000 with current commitments by the participants in the syndication with a maximum commitment amount of \$125,000,000. Line of credit bears interest at daily LIBOR plus 2.00% per annum. Interest is due on the first business day of each month. The line of credit availability period ends on June 30, 2022 and any funds advanced at that date will convert to a three-year term loan due on June 30, 2025. However, the credit facility is reviewed annually and the line of credit period may be extended for an additional twelve month period with conversion to a three-year term loan at the end of such line of credit period. The loan is secured by the underlying loans receivable funded with the proceeds of the facility. Accrued interest was \$104,724 and \$196,311 as of September 30, 2020 and 2019, respectively, and is included in interest payable. Current participants in the syndication include Morgan Stanley Bank, Bank of America, Branch Banking &amp; Trust (now Truist), Deutsche Bank, Wells Fargo Bank, JP Morgan Chase, HSBC Bank, Charles Schwab, PNC Bank and Carver Bank.</p>	<b>52,683,875</b>	55,783,875
<p>Wells Fargo Community Investment Holdings, LLC, Equity Equivalent Investment, dated December 20, 2013 in the original amount of \$1,000,000, bears interest at 2.00% per annum, payment of interest accrued is due quarterly with any outstanding principal plus accrued and unpaid interest due upon maturity. Principal is due on December 23, 2023. The loan is unsecured. Accrued interest was \$5,000 and \$5,000 as of September 30, 2020 and 2019, respectively, and is included in interest payable.</p>	<b>1,000,000</b>	1,000,000
<p>Wells Fargo Community Investment Holdings, LLC, Equity Equivalent Investment, date June 25, 2018 in the original amount of \$1,000,000, bears interest at 2.00% per annum, payment of interest is due quarterly with any outstanding principal plus accrued and unpaid interest due upon maturity. Principal is due in quarterly installments of \$125,000 starting June 25, 2028. The loan is unsecured. Accrued interest was \$5,000 and \$5,000 as of September 30, 2020 and 2019, respectively, and is included in the interest payable.</p>	<b>1,000,000</b>	1,000,000
<p>Woodforest National Bank, term loan dated June 5, 2016 in the amount of \$2,000,000 and modified on June 5, 2020 with an additional \$500,000. Loan bears interest at a fixed rate of 3.5% with payment of interest accrued due quarterly with principal due at maturity. The loan matures on May 28, 2023 and is unsecured. Accrued interest was \$7,292 and \$5,753 as of September 30, 2020 and 2019, respectively, and is included in interest payable.</p>	<b>2,500,000</b>	2,000,000
<p>BBVA USA, term loan dated April 10, 2020 in the amount of \$3,000,000. Loan bears a fixed rate of interest at 2.75% per annum, payment of interest accrued is due quarterly with principal due at maturity. The loan matures on July 1, 2030 and is unsecured. Accrued interest was \$0 as of September 30, 2020, and is included in interest payable.</p>	<b>3,000,000</b>	-
<p>Total</p>	<b><u>\$ 73,683,875</u></b>	<b><u>\$ 73,283,875</u></b>

Scheduled principal repayments on notes payable for the next five years are as follows:

Fiscal Year Ending September 30,	
2021	\$ 10,000,000
2022	-
2023	6,000,000
2024	1,000,000
2025	52,683,875
Thereafter	4,000,000
	<b><u>\$ 73,683,875</u></b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 9. INTEREST RATE SWAP AGREEMENTS

CHC has entered into interest rate swap agreements with the Federal Home Loan Bank of Atlanta (the counterparty) with notional principal amounts of \$0 and \$35,000,000 as of September 30, 2020 and 2019, respectively, to convert matching principal amounts related to its floating rate multi-bank syndicated loan agreement with Morgan Stanley, which is more fully described in Note 8, to a fixed rate. CHC's interest rate swap agreements consist of pay fixed/receive floating swaps, which effectively converts the floating rate of the syndicated loan agreement into a fixed-rate instrument. The notional principal of the swap agreements matured in 2020. The difference in the net pay/receive on the swap agreements is recorded in interest expense as the cash settlements are made. Changes in the fair values of the swap agreements are recorded as unrealized gains (losses) within the consolidated statements of activities.

As collateral for the interest rate swap agreement, CHC maintains on deposit with the Federal Home Loan Bank of Atlanta a cash balance of \$0 and \$435,000 as of September 30, 2020 and 2019, respectively. This cash is included within restricted cash in the accompanying consolidated statements of financial position at September 30, 2019. The cash was released upon the maturity of the outstanding swap agreements in 2020.

A summary of CHC's interest rate swaps is included in the following table:

	September 30,			
	2020		2019	
	Notional Amount	Estimated Fair Value	Notional Amount	Estimated Fair Value
Interest rate swap agreements	\$ -	\$ -	\$ 35,000,000	\$ 22,240

### NOTE 10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following:

	September 30,	
	2020	2019
Subject to passage of time:		
U.S. Department of Treasury CDFI Capital Magnet Fund <sup>(1)</sup>	\$ 4,315,000	\$ 3,750,000
	\$ 4,315,000	\$ 3,750,000
Not subject to appropriation or expenditure:		
2010 NeighborWorks® America capital grant <sup>(2)</sup>	\$ 973,252	\$ 973,252
2011 NeighborWorks® America capital grant <sup>(2)</sup>	2,000,000	2,000,000
2012 NeighborWorks® America capital grant <sup>(2)</sup>	2,000,000	2,000,000
2012 NeighborWorks® America capital grant <sup>(2)</sup>	743,134	743,134
2013 NeighborWorks® America capital grant <sup>(2)</sup>	2,100,000	2,100,000
2014 NeighborWorks® America capital grant <sup>(2)</sup>	2,050,000	2,050,000
2015 NeighborWorks® America capital grant <sup>(2)</sup>	2,000,000	2,000,000
2016 NeighborWorks® America capital grant <sup>(2)</sup>	2,000,000	2,000,000
	\$ 13,866,386	\$ 13,866,386

(1) Grant funds are provided through the CDFI Program's Capital Magnet Fund and Financial Assistance program. Under Capital Magnet Fund program funds are designated for the origination of end borrower loans for the purchase of existing multifamily properties, and the rehab and/or new construction associated with those acquisitions. Funds are two fold in purpose: 1) leverage private sector capital on a 10:1 ratio; and 2) as loan principal, interest rate offsets and loan loss reserves. Under Financial Assistance program the funds are used to increase lending as per targets set up in the grant agreement.

(2) These grant funds are to be used for the purpose of being loaned as end borrower loans, recourse loan purchases, credit enhancements, interest rate write downs or for use as a loan loss reserve all in accordance with CHC's business plan and mission. In accordance with the master fund agreement, which was renewed during 2015 for the period from October 1, 2015 to September 30, 2020, these funds are subordinated to investments in CHC made by third party investors and can also be used to absorb loan losses. The funds are included in loans receivable in the Consolidated Statements of Financial Position.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 11. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets of \$0 and \$0 were released from restrictions during the years ended September 30, 2020 and 2019, respectively, by fulfilling use requirements and thereby satisfying the restrictions specified by the donors.

### NOTE 12. EMPLOYEE BENEFIT PLANS

CHC sponsors a 401(k) retirement plan covering substantially all employees subject to certain age and minimum service requirements. Contributions to the plan charged to expense totaled \$121,451 and \$147,946 for the years ended September 30, 2020 and 2019, respectively.

### NOTE 13. COMMITMENTS AND CONTINGENCIES

#### Concentrations of Credit Risk

Financial instruments that potentially subject CHC to concentrations of credit risk consist principally of cash and cash equivalents and loans. CHC places its cash and cash equivalents and restricted cash with several high-credit quality financial institutions, all of which are “well-capitalized” under federal regulatory standards. Cash balances are federally insured up to FDIC limits based on the type of account. CHC maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. CHC has not experienced any losses in such accounts. CHC believes it is not exposed to any significant credit risk on cash.

To limit CHC’s exposure to concentrations of credit risk within the loan portfolio, CHC maintains internal lending policies that restrict the amount of loan(s) to one borrower or a group of related borrowers. CHC does not extend credit to any single NeighborWorks® borrower in excess of the greater of \$10,000,000 or 10% of aggregate lending capital and prohibits geographic concentration by state to no more than 35% of CHC’s lending capital.

#### Loan Commitments

At September 30, 2020 and 2019, CHC has commitments to fund approximately \$50,000,000 and \$55,000,000 in loans, respectively.

### NOTE 14. FAIR VALUES OF ASSETS AND LIABILITIES

#### Determination of Fair Value

CHC uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with the Fair Value Measurements and Disclosures topic (ASC 820), the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for CHC’s various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 14. FAIR VALUES OF ASSETS AND LIABILITIES (Continued)

#### Determination of Fair Value (Continued)

The fair value guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

#### Fair Value Hierarchy

In accordance with this guidance, CHC groups its financial assets and financial liabilities generally measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

Level 1 - Valuation is based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuation is based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3 - Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

#### Assets Measured at Fair Value on a Recurring Basis

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 14. FAIR VALUES OF ASSETS AND LIABILITIES (Continued)

#### Assets Measured at Fair Value on a Recurring Basis (Continued)

##### *Interest Rate Swap Agreements*

The fair value of interest rate swap agreements is the estimated amount that the swap issuer would receive or pay to terminate the agreement at the reporting date, taking into account current interest rates and the current credit worthiness of the swap counter parties. In particular, the fair value of the interest rate swap agreements was based on calculations using Level 2 inputs. Management believes the calculation to be a reasonable approximation of the fair value of the interest rate swap agreements. The change in the fair value of the interest rate swap agreements was recorded as an unrealized gain or loss within the consolidated statement of activities.

	Assets/Liabilities Measured at Fair Value	Fair Value Measurements Using		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>At September 30, 2020:</b>				
Interest rate swaps	\$ -	\$ -	\$ -	\$ -
<b>At September 30, 2019:</b>				
Interest rate swaps	\$ 22,240	\$ -	\$ 22,240	\$ -

#### Assets Measured at Fair Value on a Nonrecurring Basis

Under certain circumstances CHC makes adjustments to fair value for assets although they are not measured at fair value on a recurring basis. The following table presents the financial instruments carried on the consolidated statements of financial position by caption and by level in the fair value hierarchy for which a nonrecurring change in fair value has been recorded:

	Fair Value Measurements Using			
	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Gains (Losses)
<b>September 30, 2020:</b>				
Foreclosed assets	\$ -	\$ -	\$ 278,937	\$ -
<b>September 30, 2019:</b>				
Foreclosed assets	\$ -	\$ -	\$ 278,937	\$ (34,837)

Nonrecurring fair value adjustments to impaired loans reflect full or partial write-downs or an allocation of the allowance for loan losses that are based on the loan's observable market price or current appraised value of the collateral. Loans subjected to nonrecurring fair value adjustments based on the current appraised value of the collateral may be classified as Level 2 or Level 3 depending on the type of asset and the inputs to the valuation. When appraisals are used to determine impairment, and these appraisals require significant adjustments to market-based valuation inputs or apply an income approach based on unobservable cash flows to measure fair value, the related loans subjected to nonrecurring fair value adjustments are typically classified as Level 3 due to the fact that Level 3 inputs are significant to the fair value measurement. There have been no impaired loans or losses on impaired loans as of or during the years ended September 30, 2020 and 2019.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 14. FAIR VALUES OF ASSETS AND LIABILITIES (Continued)

#### Assets Measured at Fair Value on a Nonrecurring Basis (Continued)

Nonrecurring fair value adjustments to foreclosed assets are based on the current appraised value of the property and may be classified as Level 2 or Level 3 depending on the type of property and the inputs to the valuation. When appraisals are used to determine impairment, and these appraisals require significant adjustments to market-based valuation inputs or apply an income approach based on unobservable cash flows to measure fair value, the related foreclosed assets subjected to nonrecurring fair value adjustments are typically classified as Level 3 due to the fact that Level 3 inputs are significant to the fair value measurement.

#### Quantitative Disclosures for Level 3 Fair Value Measurements

For Level 3 assets measured at fair value on a non-recurring basis, the significant unobservable inputs used in the fair value measurements are presented below.

<u>September 30, 2020</u>	<u>Carrying Amount</u>	<u>Valuation Technique</u>	<u>Significant Unobservable Input</u>	<u>Weighted Average of Input</u>
<b>Nonrecurring:</b>				
Foreclosed assets	\$ 278,937	Appraisal	Appraisal discounts (%)	20-30 %
<u>September 30, 2019</u>	<u>Carrying Amount</u>	<u>Valuation Technique</u>	<u>Significant Unobservable Input</u>	<u>Weighted Average of Input</u>
<b>Nonrecurring:</b>				
Foreclosed assets	\$ 278,937	Appraisal	Appraisal discounts (%)	20-30 %

### NOTE 15. COVID-19 CORONAVIRUS

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact investment income, investment market values, and contributions over the next year. Other financial impact could occur, though such potential impact is unknown at this time. Management is confident that CHC's financial position including liquidity and loan loss reserves as of September 30, 2020 are sufficient to maintain stability and operations until the economy recovers.

### NOTE 16. SUBSEQUENT EVENTS

The Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2010-09, *Subsequent Events (Topic 855)*, requires disclosure of events that occur after fiscal year-end but before financial statement issuance. Management has evaluated all transactions, events, and circumstances for consideration or disclosure through November 10, 2020, the date these financial statements were available to be issued, and has reflected or disclosed those items within the financial statements and related footnotes as deemed appropriate.

**SUPPLEMENTARY INFORMATION**

**COMMUNITY HOUSING CAPITAL, INC.  
AND SUBSIDIARY**

**CONSOLIDATED SCHEDULE OF FINANCIAL POSITION BY TYPE  
SEPTEMBER 30, 2020**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>ASSETS</b>			
Total cash	\$ 14,824,211	\$ -	\$ 14,824,211
Equity securities	98,600	-	98,600
Receivables:			
Loans - net	83,140,660	18,181,386	101,322,046
Interest	273,063	-	273,063
Origination and other fees	216,469	-	216,469
Premises and equipment - net	983,985	-	983,985
Foreclosed assets	278,937	-	278,937
Prepaid expenses	45,819	-	45,819
Deferred debt costs, net	106,678	-	106,678
Other assets	400	-	400
	<u>\$ 99,968,822</u>	<u>\$ 18,181,386</u>	<u>\$ 118,150,208</u>
<b>LIABILITIES AND NET ASSETS</b>			
Liabilities:			
Accounts payable and accrued expenses	\$ 426,340	\$ -	\$ 426,340
Interest payable	336,347	-	336,347
Borrower funds held in trust	5,024,846	-	5,024,846
Notes payable	73,683,875	-	73,683,875
Total liabilities	<u>79,471,408</u>	<u>-</u>	<u>79,471,408</u>
Net assets:			
Without donor restrictions	20,497,414	-	20,497,414
With donor restrictions	-	18,181,386	18,181,386
Total net assets	<u>20,497,414</u>	<u>18,181,386</u>	<u>38,678,800</u>
Total liabilities and net assets	<u>\$ 99,968,822</u>	<u>\$ 18,181,386</u>	<u>\$ 118,150,208</u>

**COMMUNITY HOUSING CAPITAL, INC.  
AND SUBSIDIARY**

**CONSOLIDATED SCHEDULE OF ACTIVITIES BY TYPE  
YEAR ENDED SEPTEMBER 30, 2020**

	Without Donor Restrictions Expendable Grant	Without Donor Restrictions Other	Total Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues and other support:</b>					
Interest income	\$ -	\$ 5,863,889	\$ 5,863,889	\$ -	\$ 5,863,889
Loan origination fees and other income	-	666,937	666,937	-	666,937
Contributed grant revenue	-	2,500,000	2,500,000	565,000	3,065,000
Unrealized loss on interest rate swaps	-	(22,240)	(22,240)	-	(22,240)
Miscellaneous income	-	60,055	60,055	-	60,055
Total revenues and other support	-	9,068,641	9,068,641	565,000	9,633,641
<b>Expenses:</b>					
Personnel	-	2,805,693	2,805,693	-	2,805,693
Consultants and legal services	-	184,693	184,693	-	184,693
Travel and occupancy	-	148,012	148,012	-	148,012
Advertising and promotion	-	48,929	48,929	-	48,929
Conferences and meetings	-	4,063	4,063	-	4,063
Miscellaneous	-	1,006	1,006	-	1,006
Interest	-	2,559,910	2,559,910	-	2,559,910
Provision for loan losses	-	113,662	113,662	-	113,662
Foreclosed properties expense	-	53,994	53,994	-	53,994
Management and general	-	233,192	233,192	-	233,192
Audit and accounting	-	134,395	134,395	-	134,395
Depreciation	-	47,153	47,153	-	47,153
Total expenses	-	6,334,702	6,334,702	-	6,334,702
Change in net assets	-	2,733,939	2,733,939	565,000	3,298,939
Net assets, beginning of year	1,699,769	16,063,706	17,763,475	17,616,386	35,379,861
Net assets, end of year	\$ 1,699,769	\$ 18,797,645	\$ 20,497,414	\$ 18,181,386	\$ 38,678,800



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

**To the Board of Directors  
Community Housing Capital, Inc. and Subsidiary  
Decatur, Georgia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Community Housing Capital, Inc. and Subsidiary, a nonprofit public benefit corporation, which comprise the consolidated statement of financial position as of September 30, 2020, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 10, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Community Housing Capital, Inc. and Subsidiary's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Community Housing Capital, Inc. and Subsidiary's internal control. Accordingly, we do not express an opinion on the effectiveness of Community Housing Capital, Inc. and Subsidiary's internal control.

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

*Mauldin & Jenkins, LLC*

Atlanta, Georgia  
November 10, 2020



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

**To the Board of Directors  
Community Housing Capital, Inc. and Subsidiary  
Decatur, Georgia**

**Report on Compliance for Each Major Federal Program**

We have audited Community Housing Capital, Inc. and Subsidiary's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Community Housing Capital, Inc. and Subsidiary's major federal programs for the year ended September 30, 2020. Community Housing Capital, Inc. and Subsidiary's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Community Housing Capital, Inc. and Subsidiary's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Community Housing Capital, Inc. and Subsidiary's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Community Housing Capital, Inc. and Subsidiary's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Community Housing Capital, Inc. and Subsidiary complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2020.

## Report on Internal Control Over Compliance

Management of Community Housing Capital, Inc. and Subsidiary is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Community Housing Capital, Inc. and Subsidiary's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Community Housing Capital, Inc. and Subsidiary's internal control over compliance.

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

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

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

*Mauldin & Jenkins, LLC*

Atlanta, Georgia  
November 10, 2020

**COMMUNITY HOUSING CAPITAL, INC.  
AND SUBSIDIARY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED SEPTEMBER 30, 2020**

<i>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Authorized Disbursements/ Expenditures</i>
<b>Community Development Financial Institutions Program Cluster</b>		
U.S. Department of the Treasury	21.020	\$ 4,315,000
NeighborWorks® America:		
Capital Grant awards made in current year with continuing compliance:		
Direct-funded awards	21.020	2,500,000
Capital Grant awards made in prior years with continuing compliance:		
Direct-funded awards	21.020	<u>20,166,387</u>
<b>TOTAL FEDERAL AWARDS</b>		<u><u>\$ 26,981,387</u></u>

**COMMUNITY HOUSING CAPITAL, INC.  
AND SUBSIDIARY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Community Housing Capital, Inc. and Subsidiary (CHC) under programs for the federal government for the year ended September 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of CHC, it is not intended to and does not present the financial position, changes in net assets, or cash flows of CHC.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3. PRIOR YEARS' EXPENDITURES**

The accompanying schedule of expenditures of federal awards includes \$20,166,387 in expenditures from prior years for which continuing compliance is required.

**NOTE 4. EXPENDITURES RELEASED FROM RESTRICTIONS**

As of September 30, 2020, capital grant awards made in prior years by NeighborWorks® America with continuing compliance that have been removed in the fiscal year that CHC fulfilled the use of the requirements and thereby satisfied the restrictions had a cumulative total to date of \$0.

**NOTE 5. INDIRECT COST RATE**

CHC has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**COMMUNITY HOUSING CAPITAL, INC.  
AND SUBSIDIARY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2020**

**Section I - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ Yes   X   No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ Yes   X   None Reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ Yes   X   No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ Yes   X   None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? \_\_\_\_\_ Yes   X   No

Identification of major programs Name of Federal Program or Cluster

CFDA #21.020 U.S. Department of the Treasury –  
Community Development Financial  
Institutions Program Cluster

NeighborWorks® America

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?   X   Yes \_\_\_\_\_ No

**Section II - Financial Statement Findings**

None Reported

**Section III - Federal Award Findings and Questioned Costs**

None Reported

**COMMUNITY HOUSING CAPITAL, INC.  
AND SUBSIDIARY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED SEPTEMBER 30, 2019**

**I. FINANCIAL STATEMENT FINDINGS:**

NONE REPORTED

**II. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

NONE REPORTED