Community Investment Corporation and Affiliates

Consolidated Financial Report
September 30, 2022

Contents

Plante & Moran, PLLC
10 South Riverside Plaza
9th floor
Chicago, IL 60606
Tel: 312.207.1040
Fax: 312.207.1066
plantemoran.com

Independent Auditor's Report

To the Board of Directors
Community Investment Corporation and Affiliates

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Community Investment Corporation and Affiliates (the "Corporation"), which comprise the consolidated statement of financial position as of September 30, 2022 and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as of September 30, 2022 and the changes in its net assets, functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued or available to be issued.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

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

To the Board of Directors
Community Investment Corporation and Affiliates

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Report on Summarized Comparative Information

We have previously audited the Corporation's 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated January 7, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2021 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 2022 consolidating information is presented for the purpose of additional analysis rather than to present the financial position, changes in net assets, functional expenses, and cash flows of the individual entities and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

To the Board of Directors
Community Investment Corporation and Affiliates

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2023 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, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Plante & Moran, PLLC

January 11, 2023

Consolidated Statement of Financial Position

September 30, 2022
(with summarized comparative totals for 2021)

	Community Investment Corporation	Community Initiatives, Inc.	CIC Government Investor, L.L.C.	Eliminating Entries	2022	2021
Assets						
Cash and cash equivalents	$ 12,643,610	$ 1,889,611	$ -	$ -	$ 14,533,221	$ 19,855,829
Restricted cash	42,817,480	5,774,668	4,129,150	-	52,721,298	36,102,056
Federal Home Loan Bank stock	636,000	-	-	-	636,000	486,000
Program and other receivables - Net:						
Grants receivable	-	1,188,570	-	-	1,188,570	1,664,247
Troubled Buildings Initiative	-	3,963,681	-	-	3,963,681	3,497,065
Other accounts receivable	858,972	-	-	-	858,972	807,520
Other assets	338,390	35,396	-	(35,396)	338,390	271,852
Loans - Net of allowance for loan losses of $8,999,368 and $7,662,481 as of September 30, 2022 and 2021, respectively (Note 3)	250,579,456	528,500	-	-	251,107,956	282,403,821
Interest in CIC Mezzanine Investors, LLC	395,787	-	862,807	-	1,258,594	1,237,855
Real estate held for sale (Note 4)	-	1,837,456	-	-	1,837,456	589,905
Property and equipment - Net (Note 5)	463,632	-	-	-	463,632	478,016
Total assets	**$ 308,733,327**	**$ 15,217,882**	**$ 4,991,957**	**$ (35,396)**	**$ 328,907,770**	**$ 347,394,166**
Liabilities and Net Assets (Deficiency in Net Assets)						
Liabilities						
Escrow accruals and borrower reserves	$ 17,240,198	$ -	$ -	$ -	$ 17,240,198	$ 15,698,916
Notes payable (Note 7)	56,522,221	-	-	-	56,522,221	43,971,859
Refundable grant	-	-	5,000,000	-	5,000,000	5,000,000
Investor notes payable (Note 7)	164,796,121	-	-	-	164,796,121	214,725,273
Grants payable	-	10,407,764	-	-	10,407,764	9,713,485
CMAP energy loan guarantees	3,455,023	-	-	-	3,455,023	3,453,104
Deferred revenue	19,410,017	800,000	-	-	20,210,017	5,110,087
Other liabilities	1,294,529	8,826	-	(35,396)	1,267,959	1,174,256
Total liabilities	262,718,109	11,216,590	5,000,000	(35,396)	278,899,303	298,846,980
Net Assets (Deficiency in Net Assets)						
Without donor restrictions:						
Undesignated	34,122,209	4,001,292	(8,043)	-	38,115,458	36,170,323
Designated (Note 8)	8,893,009	-	-	-	8,893,009	9,376,863
With donor restrictions (Note 8)	3,000,000	-	-	-	3,000,000	3,000,000
Total net assets (deficiency in net assets)	46,015,218	4,001,292	(8,043)	-	50,008,467	48,547,186
Total liabilities and net assets (deficiency in net assets)	**$ 308,733,327**	**$ 15,217,882**	**$ 4,991,957**	**$ (35,396)**	**$ 328,907,770**	**$ 347,394,166**

See notes to consolidated financial statements.

Consolidated Statement of Activities and Changes in Net Assets

Year Ended September 30, 2022
(with summarized comparative totals for 2021)

	Community Investment Corporation	Community Initiatives, Inc.	CIC Government Investor, L.L.C.	Eliminating Entries	2022	2021
Changes in Net Assets without Donor Restrictions						
Revenue:						
Interest income	$ 4,601,044	$ -	$ -	$ -	$ 4,601,044	$ 4,676,865
Interest on investor notes payable	7,444,793	-	-	-	7,444,793	9,441,053
Servicing income	1,200,163	102,445	-	-	1,302,608	1,368,940
Fee income	1,288,546	-	-	-	1,288,546	1,035,747
Corporate grant income	506,070	958,615	-	-	1,464,685	1,721,983
Program income	1,782,288	502,750	-	(1,734,692)	550,346	612,304
Net assets released from restrictions	-	-	-	-	-	746,500
Total revenue	16,822,904	1,563,810	-	(1,734,692)	16,652,022	19,603,392
Expenses:						
Program services	14,586,655	1,734,692	511	(1,734,692)	14,587,166	16,449,180
Support services	2,272,368	5,287	-	-	2,277,655	2,352,441
Total expenses	16,859,023	1,739,979	511	(1,734,692)	16,864,821	18,801,621
(Decrease) Increase in Net Assets without Donor Restrictions - Before nonoperating income (loss)	(36,119)	(176,169)	(511)	-	(212,799)	801,771
Nonoperating Income (Loss)						
Loan servicing income restricted for loan loss reimbursement	1,794,850	-	-	-	1,794,850	2,099,189
Investor Restricted Reserve provision for loan losses	(1,794,850)	-	-	-	(1,794,850)	(3,074,347)
Provision for loan losses	107,618	-	-	-	107,618	(1,266,750)
Contributions	-	-	-	-	-	8,000,000
Grant revenue	865,000	695,921	-	-	1,560,921	5,132,873
Grant expense	-	(695,921)	-	-	(695,921)	(1,645,805)
Gain on extinguishment of debt (Note 7)	862,683	-	-	-	862,683	963,000
Other nonoperating expenses	(175,454)	-	14,233	-	(161,221)	(197,103)
Total nonoperating income	1,659,847	-	14,233	-	1,674,080	10,011,057
Increase (Decrease) in Net Assets without Donor Restrictions	1,623,728	(176,169)	13,722	-	1,461,281	10,812,828
Changes in Net Assets with Donor Restrictions - Net assets released from restrictions	-	-	-	-	-	(746,500)
Increase (Decrease) in Net Assets	1,623,728	(176,169)	13,722	-	1,461,281	10,066,328
Net Assets (Deficiency in Net Assets) - Beginning of year	44,391,490	4,177,461	(21,765)	-	48,547,186	38,480,858
Net Assets (Deficiency in Net Assets) - End of year	**$ 46,015,218**	**$ 4,001,292**	**$ (8,043)**	**$ -**	**$ 50,008,467**	**$ 48,547,186**

See notes to consolidated financial statements.

Consolidated Statement of Functional Expenses

Year Ended September 30, 2022

(with summarized comparative totals for 2021)

	Program Services	Support Services	Total	2021
Interest	$ 8,955,466	$ -	$ 8,955,466	$ 11,193,852
Compensation and benefits	4,682,854	1,612,661	6,295,515	6,149,173
Rent	365,009	175,816	540,825	482,523
Utilities	28,100	13,535	41,635	38,424
Equipment and maintenance	122,399	58,957	181,356	224,937
Depreciation	79,799	38,438	118,237	141,692
Travel	20,721	9,981	30,702	48,335
Supplies	49,596	23,889	73,485	64,104
Professional fees	173,813	291,678	465,491	422,268
Program and staff development	109,409	52,700	162,109	36,313
Total operating expenses	14,587,166	2,277,655	16,864,821	18,801,621
Grant expense	695,921	-	695,921	1,645,805
Other nonoperating expenses	139,829	21,392	161,221	197,103
Total expenses	**$ 15,422,916**	**$ 2,299,047**	**$ 17,721,963**	**$ 20,644,529**

Consolidated Statement of Cash Flows

Year Ended September 30, 2022
(with summarized comparative totals for 2021)

	2022	2021
Cash Flows from Operating Activities		
Increase in net assets	$ 1,461,281	$ 10,066,328
Adjustments to reconcile increase in net assets to net cash, cash equivalents, and restricted cash from operating activities:		
Depreciation	118,237	141,692
Investor Restricted Reserve provision for loan losses	1,794,850	3,074,347
Provision for loan losses	(107,618)	1,266,750
Gain on sale of real estate owned for CII programs	(496,108)	(551,867)
Gain on extinguishment of debt	(862,683)	(963,000)
Net changes in operating assets and liabilities:		
Program and other receivables	(42,391)	3,914,772
Other assets	(87,277)	(104,025)
Escrow and borrower reserves payable	1,541,282	2,955,643
Grants payable	694,279	872,479
CMAP energy loan guarantees	1,919	517,736
Deferred revenue	15,099,930	1,335,240
Other liabilities	93,703	113,571
Net cash, cash equivalents, and restricted cash provided by operating activities	19,209,404	22,639,666
Cash Flows from Investing Activities		
Net change in loans	29,608,633	(243,189)
Purchase of property and equipment	(103,853)	(158,228)
Net change in Federal Home Loan Bank stock	(150,000)	(70,000)
Purchase of interest in CIC Mezzanine Investors, LLC	-	(404,221)
Purchase of defaulted loans for CII programs	(4,078,806)	(2,127,473)
Proceeds from sale of real estate owned for CII programs	3,327,363	2,575,644
Net cash, cash equivalents, and restricted cash provided by (used in) investing activities	28,603,337	(427,467)
Cash Flows from Financing Activities		
Net proceeds from notes payable	13,413,045	2,300,429
Net repayment of investor notes payable	(49,929,152)	(12,139,147)
Net cash, cash equivalents, and restricted cash used in financing activities	(36,516,107)	(9,838,718)
Net Increase in Cash, Cash Equivalents, and Restricted Cash	11,296,634	12,373,481
Cash, Cash Equivalents, and Restricted Cash - Beginning of year	55,957,885	43,584,404
Cash, Cash Equivalents, and Restricted Cash - End of year	**$ 67,254,519**	**$ 55,957,885**
Statement of Financial Position Classification of Cash, Cash Equivalents, and Restricted Cash		
Cash and cash equivalents	$ 14,533,221	$ 19,855,829
Restricted cash	52,721,298	36,102,056
Total cash, cash equivalents, and restricted cash	**$ 67,254,519**	**$ 55,957,885**
Supplemental Cash Flow Information - Cash paid for interest	$ 9,231,915	$ 11,223,727

See notes to consolidated financial statements.

Note 1 - Nature of Business

Community Investment Corporation (CIC) was incorporated in May 1973 as a nonprofit organization whose funders include certain financial institutions in the Chicago metropolitan area, as well as other corporations and foundations. CIC's mission is to be a leading force in affordable housing and neighborhood revitalization through innovative financing, programs, and policy leadership in the six-county Chicago metropolitan area. CIC generates income primarily through the origination, placement (on a limited recourse basis), and servicing of loans through its lending programs.

Community Initiatives, Inc. (CII) was incorporated in July 2002 as a nonprofit affiliate to hold and service troubled properties. The board of directors of CII is controlled by CIC.

CIC Government Investor, L.L.C. (LLC) is a single-member limited liability company formed by CIC in November 2018 to support the Opportunity Investment Fund Program, which makes low-cost mezzanine loans to multifamily rental property owners.

CIC, CII, and LLC are exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and applicable state law.

Note 2 - Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of CIC and its affiliates, CII and LLC, (collectively, the "Corporation"). All material intercompany accounts and transactions have been eliminated in consolidation.

Basis of Presentation

The consolidated financial statements of the Corporation have been prepared on the basis of generally accepted accounting principles (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual results could differ from those estimates.

Cash Equivalents

The Corporation considers all investments with an original maturity of three months or less when purchased to be cash equivalents. The total amount of bank deposits (checking and savings accounts) that were insured by the Federal Deposit Insurance Corporation (FDIC) as of September 30, 2022 and 2021 was approximately $6,426,000 and $6,105,000, respectively.

Restricted Cash

Restricted cash is invested in an overnight investment account and restricted from general operating use.

Restricted cash under CIC consists of (1) advance payments by borrowers for taxes and insurance and remittances of borrowers' principal and interest payments, which are then paid to the Corporation's investors, whose investments are reflected in notes payable and (2) loan servicing income and other payments received by the Corporation that are intended to fund potential loan losses in accordance with the Investor Note Purchase Agreements.

Restricted cash under CII and LLC consists of funds received from the City of Chicago, Illinois that are restricted for their related program use.

Note 2 - Significant Accounting Policies (Continued)

Federal Home Loan Bank Stock

The Corporation, as a member of the Federal Home Loan Bank of Chicago (FHLB), is required to maintain an investment in the capital stock of the FHLB. No ready market exists for the stock, and it has no quoted market value. The stock is redeemable at par by the FHLB and, therefore, is carried at cost and periodically evaluated for impairment. The Corporation records dividends in income on the ex-dividend date.

Grants Receivable

Grants receivable are carried at original invoice value. Grants receivable primarily consist of amounts owed from the City of Chicago Department of Housing related to the Troubled Buildings Initiative program. The Corporation closely reviews all outstanding accounts receivable for collection. As of September 30, 2022 and 2021, the Corporation has not recorded a provision for doubtful accounts, as it is the opinion of management that grants receivable are collectible in full.

Troubled Buildings Initiative

Under the Troubled Buildings Initiative program with the City of Chicago Department of Housing and/or as a court-appointed receiver for identified troubled buildings, CII funds repairs of buildings. Reimbursements for these costs are received through the program and as buildings are sold.

Real Estate Held for Sale

Real estate acquired through, or in lieu of, loan foreclosure is held for sale and initially recorded at the lower of fair value less costs to dispose or the recorded investment in the loan. Subsequent to foreclosure, valuations are periodically performed by management, and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in other operating expenses.

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding unpaid principal balances, adjusted for charge-offs, the allowance for loan losses, and any deferred fees or costs on originated loans. Loan origination fees charged to borrowers approximate the Corporation's cost to originate the loans and are recognized as income when received.

Accrual of interest on loans is discontinued at the time the loan is 90 days delinquent unless the credit is well secured and in the process of collection. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

Interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. Interest payments received on nonaccrual loans are accounted for as a reduction to the unpaid principal balance of the nonaccrual loan for financial reporting purposes. If a loan is returned to accrual, the interest payments previously received continue to be reported as a reduction of the unpaid principal balance until the loan is paid off, at which time the interest payments are recognized in interest income.

Allowance for Loan Losses

The allowance for loan losses (the "allowance") is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

Note 2 - Significant Accounting Policies (Continued)

The allowance is evaluated on a regular basis by management and is based upon management's periodic review of the collectibility 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 revision as more information becomes available.

The allowance consists of both specific and general reserve components. The specific component relates to loans that are classified as either doubtful, substandard, or special mention. For such loans that are also classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general reserve component covers nonclassified loans and is based on historical loss experience adjusted for qualitative factors.

In addition to the specific and general reserve components, a reserve is computed over loans the Corporation holds in the investor multifamily and 1-4 single-family loan programs, the Investor Restricted Reserve. Through Investor Note Purchase Agreements (INPA), financial institutions invest in these loan programs under collateral pass-through notes issued in accordance with the respective program. The Investor Restricted Reserve over the loans in the investor loan programs is limited to a contractual amount included in the INPAs, as described in Note 3.

A loan is considered impaired when, based on current information and events, it is probable the Corporation will be unable to collect the scheduled payments of principal or interest when due according to 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 payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis for commercial and construction loans 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.

A troubled debt restructuring (TDR) of a loan is undertaken to improve the likelihood that the loan will be repaid in full under the modified terms in accordance with a reasonable repayment schedule and is classified as impaired. All modified loans are evaluated to determine whether the loan should be reported as a troubled debt restructuring. A loan is a TDR when the Corporation, for economic or legal reasons related to the borrower's financial difficulties, grants a concession to the borrower by modifying or renewing a loan under terms that the Corporation would not otherwise consider. To make this determination, the Corporation must determine whether (a) the borrower is experiencing financial difficulties and (b) the Corporation granted the borrower a concession. This determination requires consideration of all of the facts and circumstances surrounding the modification. An overall general decline in the economy or some level of deterioration in a borrower's financial condition does not inherently mean the borrower is experiencing financial difficulties.

Interest in CIC Mezzanine Investors, LLC

Investments in limited liability companies in which the Corporation has more than a minor interest (generally 3 to 5 percent) are accounted for using the equity method. Under the equity method, the investment is carried at cost and adjusted for the Corporation's proportionate share of undistributed earnings or losses. Impairment losses due to a decline in the value of the investment that is other than temporary are recognized when incurred. The Corporation currently has an investment in CIC Mezzanine Investors, LLC. No impairment losses were recognized for 2022 and 2021.

Note 2 - Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment are recorded at cost. Depreciation of furniture and equipment is being computed under the straight-line method over the estimated useful lives of the assets. Costs of maintenance and repairs are charged to expense when incurred.

Escrow Accruals and Borrower Reserves

Funds held in the escrow accrual and borrower reserve accounts as presented on the consolidated statement of financial position consist of (1) proceeds from loan payments under the INPA yet to be remitted, (2) cash received from borrowers that will be used to pay tax and insurance payments, and (3) construction loan reserves maintained. Borrower escrow amounts are held in separate cash accounts and are included in restricted cash on the consolidated statement of financial position. Accrual and reserve amounts are relieved upon payment by the Corporation.

Refundable Grant

A grant was received from the City of Chicago, Illinois for LLC's investment in CIC Mezzanine Investors, LLC. The grant is held as a liability in its entirety, as any funds returned to LLC as investment returns from the investment fund are refundable to the City of Chicago, Illinois. Grant revenue can be recognized to cover any losses incurred in the fund.

Grants Payable

Grants payable primarily represent payments received to administer the City of Chicago's Troubled Buildings Initiative and Heat Receiver program. Payments received for the Corporation's services as a receiver in these programs are to be either reinvested in the programs or paid back to the City of Chicago, Illinois upon its request.

CMAP Energy Loan Guarantees

The Chicago Metropolitan Agency for Planning funded a grant to the Corporation in the year ended September 30, 2011. The grant is to guarantee no losses will be experienced from retrofit energy loans originated by the Corporation. Per the grant agreement, as loan payments are made, a portion of the proceeds are to be reinvested in the program. These payments, as well as the original funding received from the grant, are kept in a segregated cash account and are included in restricted cash and total liabilities on the consolidated statement of financial position.

Deferred Revenue

Deferred revenue consists of various grant funding received from the City of Chicago, Illinois or other financial institutions but not yet expended. Liabilities are relieved upon use of grant funds by the Corporation.

Other Liabilities

Funds held in the other liabilities accounts as presented on the consolidated statement of financial position consist of general operating accounts payable, including compensation or other expense accruals. Liabilities are relieved upon payment by the Corporation.

Note 2 - Significant Accounting Policies (Continued)

Paycheck Protection Program Loans

Funding received under the Paycheck Protection Program (PPP) was from a lending institution and had the potential to be forgiven in part or in whole by the Small Business Administration. The proceeds from the loans, therefore, remained recorded as a liability until either (1) the loans were, in part or in whole, forgiven and the Corporation had been legally released or (2) the Corporation paid off the loans to the creditor. Once a loan was, in part or in whole, forgiven and the legal release was received, the liability was reduced by the amount forgiven, and a gain on extinguishments was recorded. PPP loan draws were recorded as notes payable on the consolidated statement of financial position until forgiven. See Note 7 for additional information on the terms and conditions of the PPP agreements.

Board-designated Net Assets

Board-designated net assets are net assets without donor restrictions designated by the board. These designations are based on board actions, which can be altered or revoked at a future time by the board.

Classification of Net Assets

Net assets of the Corporation are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Corporation.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Corporation or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

Contributions

Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the period in which the gift is received are both reported as contributions without donor restrictions.

Grant Revenue

Grant revenue consists of cost-reimbursable grants received from federal and local governments, financial institutions, or other donors that are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts that have been awarded but not yet recognized as revenue are treated as conditional contributions and are not reflected in the accompanying consolidated financial statements. As of September 30, 2022 and 2021, the Corporation is eligible to receive and recognize $2,740,676 and $1,678,203, respectively, of these conditional contributions upon the occurrence of future qualifying expenses.

Note 2 - Significant Accounting Policies (Continued)

Functional Allocation of Expenses

Costs of providing the program and support services have been reported on a functional basis in the consolidated statement of functional expenses. The consolidated financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Salaries and related expenses are allocated on the basis of time and effort. Other nonpersonnel expenses utilized by all employees, such as occupancy, utilities, supplies, and training, are allocated on the basis of time and effort or employee headcount. Interest is not allocated, as it is directly related to programs. Costs have been allocated between the various program and support services based on estimates determined by management. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Operating and Nonoperating Activities

Operating revenue and expenses are those directly related to the purpose and primary mission of the Corporation. As a result, other activities, including loan servicing income restricted for loan losses, provisions for loan losses, government grant income and disbursements, and other grant disbursements, are separate, project-specific activities. These activities are reported as nonoperating revenue and expenses.

Income Taxes

The Corporation is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3).

Upcoming Accounting Pronouncements

The FASB issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of activities and changes in net assets. Currently, leases are classified as either capital or operating, with only capital leases recognized on the statement of financial position. The reporting of lease-related expenses in the statements of activities and changes in net assets and cash flows will be generally consistent with the current guidance. In accordance with ASU No. 2020-05, the effective date for this standard was deferred for one year for certain entities, and the new lease guidance will be effective for the Corporation's year ending September 30, 2023 and will be applied using a modified retrospective transition method at the beginning of the year of adoption. The new lease standard is expected to have an effect on the Corporation's consolidated financial statements, as, upon the adoption of this standard, the Corporation will recognize a lease liability and corresponding right-of-use asset based on the present value of the minimum lease payments of the operating lease disclosed in Note 10, which is approximately $1,700,000. The effects on the results of operations are not expected to be significant, as recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard.

Note 2 - Significant Accounting Policies (Continued)

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments*. The ASU includes changes to the accounting and measurement of financial assets, including the Corporation's accounts receivable and held-to-maturity debt securities, by requiring the Corporation to recognize an allowance for all expected losses over the life of the financial asset at origination. This is different from the current practice where an allowance is not recognized until the losses are considered probable. The ASU also changes the way credit losses are recognized for available-for-sale debt securities. Credit losses are recognized through the recording of an allowance rather than as a write-down of the carrying value. The new guidance will be effective for the Corporation's year ending September 30, 2024. Upon adoption, the ASU will be applied using a modified retrospective transition method, with an adjustment to beginning net assets. A prospective transition approach is required for debt securities for which an other-than-temporary impairment had been recognized before the effective date. Early adoption for all institutions is permitted for fiscal years beginning after December 15, 2018. The Corporation is currently evaluating the impact of adopting this new standard.

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which addresses the accounting consequences that could result from the global markets' anticipated transition away from the use of the London Interbank Offered Rate (LIBOR). The ASU provides optional expedients and exceptions to contracts, hedging relationships, and other transactions impacted by reference rate reform. The provisions of the ASU are effective upon issuances (March 2020) and generally can be applied through December 31, 2022.

Subsequent Events

The consolidated financial statements and related disclosures include evaluation of events up through and including January 11, 2023, which is the date the consolidated financial statements were available to be issued.

Note 3 - Loans and Allowance for Loan Losses

A summary of the balances of loans is as follows:

	2022	2021
Investor program loans:		
Multifamily loan program	$ 152,602,645	$ 196,821,822
1-4 single-family loan program	13,038,035	19,381,872
Portfolio loans:		
Multifamily loan program	91,633,085	67,147,950
1-4 single-family loan program	979,018	2,289,265
Other loans:		
Community development	-	263,383
General board of pension	18,684	26,144
Energy	1,307,357	3,874,205
University of Chicago	-	30,661
CII developer line of credit	528,500	231,000
Total loans	260,107,324	290,066,302
Less allowance for loan losses	8,999,368	7,662,481
Net loans	$ 251,107,956	$ 282,403,821

Note 3 - Loans and Allowance for Loan Losses (Continued)

Through the multifamily and the 1-4 single-family loan programs, the Corporation originates mortgage loans collateralized by multifamily and single-family rental properties in the Chicago metropolitan area. Under the investor program through the INPAs, financial institutions will invest in the loans under limited recourse collateral pass-through notes. These loans under the multifamily and 1-4 single-family loan programs' INPAs can be originated through March 15, 2025. The mortgage loans are pledged as collateral for the limited recourse collateral pass-through notes (see Note 7). Any loss realized on the loan programs is generally reimbursed through the Investor Restricted Reserves, as established by the INPAs.

Under the terms of the INPAs, the holders of the limited recourse collateral pass-through notes issued through the loan programs are required to invest in loans eligible for investment and offered by the Corporation. Loans approved under the loan programs become eligible for investment when construction is complete and the loans are not in default. Additionally, for the multifamily loan program, the loan program becomes eligible when the project has achieved the required debt service coverage ratio threshold.

Many investor program loans in the multifamily and 1-4 single-family loan programs were originated under the portfolio loans, which were made to approved developers of multifamily rental properties. The term of the loan covers the development period and time needed until certain economic conditions have been met to allow the property to be transferred to the investor program loans portfolio.

Community development loans are funded by the Corporation through operations and are intended to be held. These loans are collateralized by multifamily rental properties, typically have a term of 5 to 10 years, and have interest rates that float in accordance with a published index.

The Corporation retains a 1 percent ownership interest in a pool of general board of pension loans and provides an additional guarantee of 9 percent of losses of principal on this pool of loans.

Energy loans primarily are funded through MacArthur Foundation and Bank of America Community Development Corporation to provide low-interest loans for borrowers wishing to increase the energy efficiency of their real estate. Energy loans also may be funded by the Corporation's net assets.

University of Chicago loans were funded through a loan from the University of Chicago (the "University") to be used for the improvement of neighborhood housing. The Corporation was not liable for losses on these loans, as risk of loss is passed on to the University, as provided for within the University of Chicago loan agreement. All loans were paid off as of September 30, 2022.

CII developer line of credit loans provide streamlined financing to smaller developers acquiring distressed 1-4 unit properties for rehabilitation preservation. The loans are repaid when the rehabilitation construction is completed and sufficient financing is secured by the developer.

Note 3 - Loans and Allowance for Loan Losses (Continued)

An allowance for loan losses under the investor multifamily and 1-4 single-family loan programs' INPA Loss Sharing Policy, referred to as an investor first loss fund, has been established by the Corporation to reimburse noteholders for losses of principal on notes funded by the investors. Initial funds were deposited by the Corporation into restricted cash accounts. In addition, the Corporation deposits a portion of the monthly collection of the loan servicing fees into the investor first loss fund. The Corporation will reimburse noteholders for losses of loan principal up to the balance of funds available in the investor first loss fund. The Corporation informs investors of any loans that are delinquent on a monthly basis and recommends them for nonaccrual status. The Corporation is not obligated to reimburse for losses incurred that exceed the balance of the investor first loss fund. No losses were passed through to the investors participating in the multifamily or 1-4 single-family loan programs during the years ended September 30, 2022 or 2021 in excess of the investor first loss fund. During 2022 and 2021, the amounts deposited into the investor first loss fund were increased to the maximum allowed under the INPA Loss Sharing Policy. The investor first loss fund is a component of the allowance for loan losses presented in the tables below.

The Corporation's activity in the allowance for loan losses for the years ended September 30, 2022 and 2021, by loan segment, is summarized below:

	September 30, 2022 Investor Program Loans		September 30, 2022 Portfolio Loans			
	Multifamily Loan Program	1-4 Single-family Loan Program	Multifamily Loan Program	1-4 Single-family Loan Program	Other Loans	Total
Beginning balance	$ 4,798,625	$ 1,237,646	$ 1,375,093	$ 8,782	$ 242,335	$ 7,662,481
Charge-offs	(364,640)	-	-	-	(241,570)	(606,210)
Recoveries	255,865	-	-	-	-	255,865
Provision	1,710,341	84,509	(102,966)	(3,887)	(765)	1,687,232
Ending balance	$ 6,400,191	$ 1,322,155	$ 1,272,127	$ 4,895	$ -	$ 8,999,368
Ending allowance balance attributable to loans:						
Individually evaluated for impairment	$ 717,915	$ 738,338	$ 265,039	$ -	$ -	$ 1,721,292
Collectively evaluated for impairment	5,682,276	583,817	1,007,088	4,895	-	7,278,076
Ending allowance balance	$ 6,400,191	$ 1,322,155	$ 1,272,127	$ 4,895	$ -	$ 8,999,368
Loans:						
Individually evaluated for impairment	$ 4,041,690	$ 1,535,766	$ 3,029,775	$ -	$ 78,867	$ 8,686,098
Collectively evaluated for impairment	148,560,955	11,502,269	88,603,310	979,018	1,775,674	251,421,226
Total loans	$ 152,602,645	$ 13,038,035	$ 91,633,085	$ 979,018	$ 1,854,541	$ 260,107,324

Note 3 - Loans and Allowance for Loan Losses (Continued)

	September 30, 2021 Investor Program Loans		September 30, 2021 Portfolio Loans			
	Multifamily Loan Program	1-4 Single-family Loan Program	Multifamily Loan Program	1-4 Single-family Loan Program	Other Loans	Total
Beginning balance	$ 3,716,114	$ 1,133,187	$ 1,276,343	$ 516,000	$ 275,398	$ 6,917,042
Charge-offs	(2,053,532)	-	-	(1,675,218)	(33,063)	(3,761,813)
Recoveries	166,155	-	-	-	-	166,155
Provision	2,969,888	104,459	98,750	1,168,000	-	4,341,097
Ending balance	$ 4,798,625	$ 1,237,646	$ 1,375,093	$ 8,782	$ 242,335	$ 7,662,481
Ending allowance balance attributable to loans:						
Individually evaluated for impairment	$ 318,294	$ 304,543	$ 397,538	$ -	$ 241,573	$ 1,261,948
Collectively evaluated for impairment	4,480,331	933,103	977,555	8,782	762	6,400,533
Ending allowance balance	$ 4,798,625	$ 1,237,646	$ 1,375,093	$ 8,782	$ 242,335	$ 7,662,481
Loans:						
Individually evaluated for impairment	$ 7,732,160	$ 1,535,766	$ 7,155,306	$ -	$ 359,799	$ 16,783,031
Collectively evaluated for impairment	189,089,662	17,846,106	59,992,644	2,289,265	4,065,594	273,283,271
Total loans	$ 196,821,822	$ 19,381,872	$ 67,147,950	$ 2,289,265	$ 4,425,393	$ 290,066,302

In addition to the allowance for loan losses above, the board of directors has designated certain net assets without donor restrictions as a reserve for certain loans as of September 30, 2022 and 2021, as disclosed in Note 8.

Credit Risk Grading

The Corporation categorized each loan into credit risk categories based on current financial information, overall debt service coverage, comparison against industry averages, collateral coverage, historical payment experience, and current economic trends. The Corporation uses the following definitions for credit risk ratings:

Pass

A pass asset is a project that is progressing and performing as originally structured in the expected time frame.

Acceptable

An acceptable asset has a minor issue that has been identified by management that may affect the repayment of the loan by the primary source and/or within the loan term.

Special Mention

A special mention asset is not performing as agreed, and initial attempts to correct identified problems have not remedied the situation.

Note 3 - Loans and Allowance for Loan Losses (Continued)

Substandard

A substandard asset is experiencing a substantial impairment, and attempts to correct the problem have failed and/or guarantor cash infusions are required to sustain the project.

Doubtful

A doubtful asset has the same weaknesses exhibited by substandard loans, one or more of which will make collection or liquidation in full, on the basis of currently existing facts, highly questionable and improbable.

Loss

A loss asset is considered uncollectible and of such little value that the continuance as a bankable asset is not warranted. The amount of projected loss and how it will be shared between the Corporation and investors is reported monthly to the loan committee and to investors with remittances. For all loans sold to the multifamily loan program and 1-4 single-family program investors, losses are recognized by the Corporation at the time the property sale closes. Losses are taken by the Corporation in the period in which they are designated as uncollectible for loans that have not met conditions for sale to the investors.

The Corporation's credit quality indicators, by loan segment and class, at September 30, 2022 and 2021 are summarized below:

	September 30, 2022						
	Pass	Acceptable	Special Mention	Substandard	Doubtful	Loss	Ending Balance
Investor program loans:							
Multifamily loan program	$ 140,712,216	$ 7,577,675	$ 271,064	$ 1,208,487	$ 2,505,252	$ 327,951	$ 152,602,645
1-4 single-family loan program	10,495,330	1,006,939	-	-	1,235,820	299,946	13,038,035
Portfolio loans:							
Multifamily loan program	60,369,559	27,989,510	244,240	1,044,000	1,985,776	-	91,633,085
1-4 single-family loan program	979,018	-	-	-	-	-	979,018
Other loans:							
General board of pension	18,684	-	-	-	-	-	18,684
Energy	411,446	817,044	-	-	78,867	-	1,307,357
CII developer line of credit	528,500	-	-	-	-	-	528,500
Total	$ 213,514,753	$ 37,391,168	$ 515,304	$ 2,252,487	$ 5,805,715	$ 627,897	$ 260,107,324

Note 3 - Loans and Allowance for Loan Losses (Continued)

	September 30, 2021						
	Pass	Acceptable	Special Mention	Substandard	Doubtful	Loss	Ending Balance
Investor program loans:							
Multifamily loan program	$ 158,122,929	$ 33,240,274	$ 1,168,249	$ 1,852,187	$ 2,438,183	$ -	$ 196,821,822
1-4 single-family loan program	16,705,969	1,140,137	-	1,535,766	-	-	19,381,872
Portfolio loans:							
Multifamily loan program	19,395,624	42,918,829	1,108,030	2,959,036	766,431	-	67,147,950
1-4 single-family loan program	239,265	2,050,000	-	-	-	-	2,289,265
Other loans:							
Community development	21,810	-	-	-	-	241,573	263,383
General board of pension	26,144	-	-	-	-	-	26,144
Energy	1,522,425	2,160,524	73,030	73,638	-	44,588	3,874,205
University of Chicago	30,661	-	-	-	-	-	30,661
CII developer line of credit	-	231,000	-	-	-	-	231,000
Total	$ 196,064,827	$ 81,740,764	$ 2,349,309	$ 6,420,627	$ 3,204,614	$ 286,161	$ 290,066,302

Age Analysis of Past-due Loans

The Corporation's age analysis of past-due loans at September 30, 2022 and 2021, by loan segment and class, is summarized below:

	September 30, 2022					
	30-59 Days Past Due	60-89 Days Past Due	90 Days and Greater Past Due	Total Past Due	Current	Total Loans
Investor program loans:						
Multifamily loan program	$ 1,045,108	$ 1,088,951	$ 3,223,803	$ 5,357,862	$ 147,244,783	$ 152,602,645
1-4 single-family loan program	523,748	-	2,100,996	2,624,744	10,413,291	13,038,035
Portfolio loans:						
Multifamily loan program	1,757,813	-	2,913,775	4,671,588	86,961,497	91,633,085
1-4 single-family loan program	-	-	-	-	979,018	979,018
Other loans:						
General board of pension	-	-	-	-	18,684	18,684
Energy	-	-	194,867	194,867	1,112,490	1,307,357
CII developer line of credit	-	-	-	-	528,500	528,500
Total	$ 3,326,669	$ 1,088,951	$ 8,433,441	$ 12,849,061	$ 247,258,263	$ 260,107,324

Note 3 - Loans and Allowance for Loan Losses (Continued)

	September 30, 2021					
	30-59 Days Past Due	60-89 Days Past Due	90 Days and Greater Past Due	Total Past Due	Current	Total Loans
Investor program loans:						
Multifamily loan program	$ 1,782,728	$ -	$ 4,290,370	$ 6,073,098	$ 190,748,724	$ 196,821,822
1-4 single-family loan program	-	-	1,535,766	1,535,766	17,846,106	19,381,872
Portfolio loans:						
Multifamily loan program	-	-	3,961,930	3,961,930	63,186,020	67,147,950
1-4 single-family loan program	-	-	-	-	2,289,265	2,289,265
Other loans:						
Community development	-	-	241,573	241,573	21,810	263,383
General board of pension	-	-	-	-	26,144	26,144
Energy	-	-	118,226	118,226	3,755,979	3,874,205
University of Chicago	-	-	-	-	30,661	30,661
CII developer line of credit	-	-	-	-	231,000	231,000
Total	$ 1,782,728	$ -	$ 10,147,865	$ 11,930,593	$ 278,135,709	$ 290,066,302

Note 3 - Loans and Allowance for Loan Losses (Continued)

Impaired Loans

Impaired loans, by loan segment and class, are as follows at September 30, 2022 and 2021:

	As of and for the Year Ended September 30, 2022				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment for the Year	Interest Income Recognized for the Year
With no related allowance recorded:					
Investor program loans - Multifamily loan program	$ 2,662,861	$ 2,662,861	$ -	$ 4,355,831	$ 56,895
Portfolio loans - Multifamily loan program	2,225,295	2,225,295	-	3,772,297	104,969
Other loans - Energy	78,867	78,867	-	98,547	-
Total with no related allowance recorded	4,967,023	4,967,023	-	8,226,675	161,864
With an allowance recorded:					
Investor program loans:					
Multifamily loan program	1,378,829	1,378,829	717,915	1,531,094	-
1-4 single-family loan program	1,535,766	1,535,766	738,338	1,535,766	-
Portfolio loans - Multifamily loan program	804,480	804,480	265,039	1,320,244	-
Other loans - Community development	-	-	-	120,787	-
Total with an allowance recorded	3,719,075	3,719,075	1,721,292	4,507,891	-
Total	$ 8,686,098	$ 8,686,098	$ 1,721,292	$ 12,734,566	$ 161,864

Note 3 - Loans and Allowance for Loan Losses (Continued)

	As of and for the Year Ended September 30, 2021				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment for the Year	Interest Income Recognized for the Year
With no related allowance recorded:					
Investor program loans:					
Multifamily loan program	$ 6,048,801	$ 6,048,801	$ -	$ 5,549,755	$ 88,317
1-4 single-family loan program	-	-	-	767,883	-
Portfolio loans:					
Multifamily loan program	5,319,299	5,319,299	-	4,459,610	16,047
1-4 single-family loan program	-	-	-	224,000	-
Other loans - Energy	118,226	118,226	-	207,649	-
Total with no related allowance recorded	11,486,326	11,486,326	-	11,208,897	104,364
With an allowance recorded:					
Investor program loans:					
Multifamily loan program	1,683,359	1,683,359	318,294	3,166,128	-
1-4 single family loan program	1,535,766	1,535,766	304,543	767,883	-
Portfolio loans:					
Multifamily loan program	1,836,007	1,836,007	397,538	1,722,855	-
1-4 single-family loan program	-	-	-	801,000	-
Other loans - Community development	241,573	241,573	241,573	258,105	-
Total with an allowance recorded	5,296,705	5,296,705	1,261,948	6,715,971	-
Total	$ 16,783,031	$ 16,783,031	$ 1,261,948	$ 17,924,868	$ 104,364

For the purpose of the disclosure above, the recorded investment represents the borrower's unpaid principal balance less any partial charge-offs to date.

Nonaccrual Loans

The Corporation's loans on nonaccrual status at September 30, 2022 and 2021, by loan segment and class, are summarized below:

	2022	2021
Investor program loans:		
Multifamily loan program	$ 3,223,803	$ 4,290,370
1-4 single-family loan program	2,100,997	1,535,766
Portfolio loans - Multifamily loan program	2,913,775	3,961,930
Other loans:		
Community development	-	241,573
Energy	194,867	118,226
Total	$ 8,433,442	$ 10,147,865

Note 3 - Loans and Allowance for Loan Losses (Continued)

Troubled Debt Restructurings

A modification of a loan constitutes a troubled debt restructuring when a borrower is experiencing financial difficulty and the modification constitutes a concession. The Corporation offers various types of concessions when modifying a loan; however, forgiveness of principal is rarely granted.

The following table presents information related to loans modified in a TDR during the year ended September 30, 2021. During the year ended September 30, 2022, there were no loans modified that were considered TDRs.

	Number of Contracts	Pre-modification Outstanding Recorded Investment	Post-modification Outstanding Recorded Investment
Investor program loans - Multifamily loan program	1	$ 1,764,148	$ 2,455,000
Portfolio loans - Multifamily loan program	1	2,969,123	3,460,000
Total	2	$ 4,733,271	$ 5,915,000

There were no loans modified as troubled debt restructurings within the previous 12 months that became 30 days or more past due during the year ended September 30, 2022.

Note 4 - Real Estate Held For Sale

CII purchases multifamily and 1-4 unit properties that failed at other lending institutions. These mortgages are purchased at a discount and under the assumption that they are not interest-bearing assets and are, therefore, not considered impaired. The Corporation appoints a receiver, completes foreclosure to obtain title, and resells the property. The ongoing costs of preserving and converting the assets to real estate owned are capitalized as part of the balance of the purchased properties. At September 30, 2022 and 2021, the Corporation has $1,837,456 and $589,905, respectively, invested in these properties.

Property values indicate that all costs and fees will be recovered on the sale of the properties to new owners. For the years ended September 30, 2022 and 2021, the Corporation recognized project fee income of approximately $496,000 and $552,000, respectively, on the sales of these properties, which is recorded as program income on the consolidated statement of activities and changes in net assets.

Note 5 - Property and Equipment

Property and equipment are summarized as follows:

	2022	2021	Depreciable Life - Years
Leasehold improvements	$ 271,389	$ 271,389	10
Office equipment	1,035,695	1,018,740	3-5
Transportation equipment	57,218	57,218	5
Computer equipment and software	699,339	612,441	3-5
Total cost	2,063,641	1,959,788	
Accumulated depreciation	1,600,009	1,481,772	
Net property and equipment	$ 463,632	$ 478,016	

Depreciation expense for 2022 and 2021 was $118,237 and $141,692, respectively.

Note 6 - Line of Credit

In September 2021, the Corporation entered into a line of credit agreement with a bank for available borrowings of up to the lesser of $12,500,000 or 65 percent of the balance of eligible loans (as defined in the line of credit agreement) through September 9, 2023. Interest on borrowings is payable monthly at a rate of 2.75 percent plus the greater of (i) the 30-day London Interbank Offered Rate (LIBOR) or (ii) 0.50 percent (an effective rate of 5.31 and 3.25 percent at September 30, 2022 and 2021, respectively). The line of credit is collateralized by mortgage loans not otherwise pledged and that satisfy certain eligibility requirements. Under the agreement with the bank, the Corporation is subject to certain covenants. No borrowings are outstanding as of September 30, 2022 or 2021.

Note 7 - Notes Payable

Notes payable consisted of the following as of September 30:

	2022	2021
Investor notes payable - INPA nonrecourse collateral pass-through notes	$ 164,796,121	$ 214,725,273
Notes payable:		
FHLBC advances	26,800,000	9,300,000
FHLBC program-related investment	10,500,000	9,000,000
MacArthur Foundation notes	9,222,221	11,777,777
University of Chicago loan	-	31,399
Energy Loan Funds	-	3,000,000
Northern Trust program-related investment	5,000,000	5,000,000
Paycheck Protection Program loan	-	862,683
Woodlawn program-related investment notes	5,000,000	5,000,000
Total notes payable	56,522,221	43,971,859
Total	$ 221,318,342	$ 258,697,132

INPA Nonrecourse Collateral Pass-through Notes

Under the investor multifamily loan program, mortgage loans are funded from the proceeds of limited recourse collateral pass-through notes to the Corporation's investors. The notes are collateralized by specific groups of mortgage loans originated through the multifamily loan program. The multifamily loan program mortgage loans bear interest rates ranging from 2.0 percent to 7.0 percent. Monthly repayments of principal and interest on the limited recourse collateral pass-through notes are made from collections of principal and interest payments received on the underlying mortgage loans. The Corporation is not obligated to remit delinquent principal and interest payments from the underlying mortgage loans.

The investor multifamily loan program was renewed in March 2020 for five years. At September 30, 2022 and 2021, the Corporation had remaining unfunded commitments from investors to purchase limited recourse collateral pass-through notes totaling approximately $184,760,300 and $154,338,662, respectively. The current limited recourse collateral trust note purchase agreement expires on March 15, 2025.

The investor 1-4 single-family loan program was launched in November 2013 and is intended to provide long-term financing for investor-owned 1-4 unit buildings in neighborhoods that have suffered from foreclosure and abandonment. At September 30, 2022 and 2021, the Corporation had remaining unfunded commitments from investors to purchase nonrecourse collateral pass-through notes totaling $25,630,898 and $21,704,288, respectively. The limited recourse collateral trust note purchase agreement was most recently amended in March 2020 and expires on March 15, 2025.

Note 7 - Notes Payable (Continued)

FHLBC Advances and Program-related Investment

The Corporation entered into an agreement to receive a program-related investment (PRI) from the Federal Home Loan Bank in the amount of $9,000,000 during the year ended September 30, 2015, maturing in February 2025 and bearing interest at 2.01 percent. This agreement was amended effective March 3, 2022 increasing the principal balance to $10,500,000 maturing in March 2032 and bearing interest at 1.86 percent.

During fiscal year 2015, CIC became a member of the Federal Home Loan Bank of Chicago (FHLBC). As a result of becoming a member under a contract with FHLBC, CIC now has the ability to pledge qualifying mortgages to FHLBC and then draw advances against this pledged collateral at various sets of terms that are chosen at the time an advance is taken. As of September 30, 2022 and 2021, CIC had $26,800,000 and $9,300,000, respectively, in advances outstanding. CIC pledges multifamily loan program loans held by CIC prior to being sold under the INPA. The terms of the loan are determined at the time of the advance. As of September 30, 2022 and 2021, interest rates ranged from 0.44 percent to 2.93 percent, and maturity dates ranged from November 2022 to November 2034.

MacArthur Foundation Notes

The Corporation has various separate PRIs from the MacArthur Foundation. The first note was entered into in the year ended September 30, 2008 for $1,000,000, maturing on April 1, 2021 and bearing interest at 1 percent. Effective March 1, 2021, the note was amended calling for repayment in three equal installments due annually, beginning on April 1, 2021 through April 1, 2023. The outstanding balance of this note was $333,333 and $666,666 as of September 30, 2022 and 2021, respectively.

The second note was entered into in the year ended August 31, 2010 for $5,000,000 ($3,000,000 received in 2010, $1,000,000 received in 2011, and $1,000,000 received in 2012), maturing on July 2, 2021 and bearing interest at 1 percent. Effective March 1, 2021, the note was amended calling for repayment in three equal installments due annually, beginning on July 1, 2021 through July 1, 2023. The outstanding balance of this note was $555,555 and $1,111,111 as of September 30, 2022 and 2021, respectively.

The third note was entered into in the year ended September 30, 2012 for $5,000,000, maturing on October 1, 2021 and bearing interest at 1 percent. Effective March 1, 2021, the note was amended calling for repayment in three equal installments due annually, beginning on October 1, 2022 through October 1, 2024. The outstanding balance of this note was $3,333,333 and $5,000,000 as of September 30, 2022 and 2021, respectively.

The fourth note was entered into in the year ended September 30, 2014 for $5,000,000, maturing on December 1, 2028 and bearing interest at 1 percent. No principal payments are required until maturity. The outstanding balance of this note was $5,000,000 as of September 30, 2022 and 2021.

University of Chicago Loan

The Corporation entered into an agreement with the University of Chicago to borrow $1,000,000 effective March 1, 2006, bearing an interest rate of 5 percent and maturing in September 2024. Proceeds of the loan have been loaned by the Corporation to owners of multifamily rental buildings located in communities targeted by the Corporation and the University for rehabilitation and renovation in conjunction with the University's neighborhood stimulus and affordable housing program. Borrowings were paid off during 2022. Borrowings outstanding at September 31, 2021 were $31,399.

Note 7 - Notes Payable (Continued)

Energy Loan Funds

This program is a PRI from Bank of America Community Development Corporation in the amount of $8,000,000, maturing in January 2022 and bearing interest at 1 percent. Borrowings were paid off during 2022. Borrowings outstanding at September 31, 2021 were $3,000,000.

Northern Trust Program-related Investment

Effective February 2020, the Corporation issued a long-term unsecured investment bond to The Northern Trust Company in the amount of $5,000,000, bearing an interest rate of 2 percent, due semiannually, with a scheduled maturity date in February 2025. Effective July 1, 2021, the note was amended to reduce the interest rate to 1 percent. The purpose of this borrowing was to fund lending activities. The outstanding balance of this note was $5,000,000 as of September 30, 2022 and 2021.

Paycheck Protection Program Loan

On April 8, 2020, the Corporation received a Paycheck Protection Program term note (PPP1) through a financial institution in the amount of $963,000. On February 7, 2021, the Corporation received a second draw of the PPP loan program (PPP2) in the amount of $862,683. The notes were issued pursuant to the CARES Act's PPP. The note structure required corporation officials to certify certain statements that permitted the Corporation to qualify for the loan and provided loan forgiveness for a portion or all of the borrowed amounts if the Corporation used the loan proceeds for the permitted loan purpose during the covered period described in the note agreements.

Effective November 24, 2020, the Corporation was provided notice from the Small Business Administration that the PPP1 amount was forgiven in full. Accordingly, a gain on extinguishment of debt of $963,000 was recorded for the year ended September 30, 2021.

Effective October 22, 2021, the Corporation was provided notice from the Small Business Administration that the PPP2 amount was forgiven in full. Accordingly, a gain on extinguishment of debt of $862,683 was recorded for the year ended September 30, 2022.

Woodlawn Program-related Investments

In September 2020, the City of Chicago, Illinois passed the Woodlawn Housing Preservation Ordinance, which sets forth an overall housing and economic development strategy for the Woodlawn community. Acknowledging the ongoing development pressures and affordability challenges facing the community, the main goals for the Ordinance include protecting residents from displacement and creating quality rental and for-sale housing opportunities to promote inclusive income diversity.

On May 3, 2021, the Corporation entered into a program funding agreement consisting of six promissory notes with various financial institutions for a total of $5,000,000 to fund low-cost construction financing projects in accordance with the Ordinance set by the City of Chicago, Illinois. The promissory notes are payable in full at their maturity of May 3, 2028 and bear interest at 1 percent. The outstanding balance of these notes was $5,000,000 as of September 30, 2022 and 2021.

Note 8 - Net Assets

Net assets without donor restrictions consist of the following as of September 30:

	2022	2021
Board-designated net assets:		
Regency Loss Fund	$ 115,844	$ 484,841
General Board of Pension Loss Fund	166,049	173,406
Energy Loss Fund	718,616	718,616
Other nonoperating funds	7,892,500	8,000,000
Total board-designated net assets	8,893,009	9,376,863
Undesignated net assets	38,115,458	36,170,323
Total unrestricted net assets	$ 47,008,467	$ 45,547,186

During 2021, the Corporation was one of many organizations that received a one-time grant from philanthropist Mackenzie Scott. The $8,000,000 received by the Corporation was unsolicited, and the uses were not restricted by the donor. During 2021, the Corporation's board of directors passed a resolution to designate the funds as board-designated net assets not to be used for operating or general purposes. During 2022, the board approved $107,500 for uses of nonoperating expenditures.

Net assets with donor restrictions as of September 30 are available for the following purposes:

	2022	2021
Subject to expenditures for a specified purpose: CAP Magnet Fund Committed	$ 3,000,000	$ 3,000,000

Note 9 - Employee Benefit Plan

The Corporation sponsors a 401(k) plan for substantially all employees. Under the plan, the Corporation makes annual contributions on behalf of each employee in the amount of 6 percent of the employee's annual total compensation. In addition, eligible employees may contribute to the plan through payroll deferrals, which the Corporation matches with an amount equal to 1 percent of the salary deferral for every 2 percent of the deferral by the employee, up to a maximum of 2 percent. Contributions to the plan totaled $336,702 and $359,942 for the years ended September 30, 2022 and 2021, respectively.

Note 10 - Leases

The Corporation leases office space under a noncancelable lease expiring in 2027. The agreement provides for increased annual rental payments and rent adjustments for increases in building operating expenses and taxes. Future minimum annual commitments under this operating lease are as follows:

Years Ending September 30	Amount
2023	$ 309,792
2024	319,129
2025	328,699
2026	338,520
2027	348,690
Thereafter	89,352
Total	$ 1,734,182

Note 11 - Off-balance-sheet Activities

Credit-related Financial Instruments

The Corporation is a party to credit-related financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated statement of financial position.

The Corporation's exposure to credit loss is represented by the contractual amount of these commitments. The Corporation follows the same credit policies in making commitments as it does for on-balance-sheet instruments.

The Corporation had financial instruments outstanding whose contract commitment amounts represent credit risk. These instruments consisted of approximately $19,660,000 and $12,270,000 of commitments to fund loans that have been approved but not closed and approximately $8,081,000 and $8,733,000 of unfunded commitments of closed loans as of September 30, 2022 and 2021, respectively.

Note 12 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Corporation has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management’s own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Corporation’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

There were no assets or liabilities measured at fair value on a recurring basis by the Corporation at September 30, 2022 and 2021.

The Corporation has assets that, under certain conditions, are subject to measurement at fair value on a nonrecurring basis. The Corporation has estimated the fair values of these assets based primarily on Level 3 inputs, as described above. Assets measured at fair value on a nonrecurring basis totaled approximately $1,998,000 and $4,035,000 at September 30, 2022 and 2021, respectively, and consist of certain loans, which are considered impaired and have a specific allocation of the allowance for loan losses. The Corporation estimates the fair value of the loans based on the value of the collateral, generally real estate, securing these loans. Appraised values may be discounted based on management's historical knowledge, changes in market conditions from the time of valuation, and management's expertise. The numerical range of unobservable inputs for these valuation assumptions is not meaningful to the disclosures.

Note 13 - Liquidity and Availability of Resources

The Corporation has approximately $3,750,000 and $6,500,000 of financial assets available within one year of September 30, 2022 and 2021 to meet cash needs for general expenditure consisting of cash of approximately $3,750,000 and $6,300,000 as of 2022 and 2021, respectively, and short-term investments of $200,000 for 2021. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the consolidated statement of financial position date.

The Corporation excludes approximately $8,900,000 and $9,400,000 as of September 30, 2022 and 2021, respectively, of board-designated net assets that could be undesignated by the board if needed for general operating use. The Corporation also excludes unrestricted cash received from CII, program and other receivables, and the current balance of CIC portfolio loans receivable from consideration of available liquidity as funds received from these sources are reinvested in the related CII and loan programs.

The Corporation's goal is to maintain financial assets on hand to meet 90 days of normal operating expenses, which are on average approximately $1,900,000. During 2021 and 2022, the Corporation has built up its available cash, which surpasses its goal to meet 90 days of normal operating expenses. This goal meets the minimum standard across the country for nondepository Community Development Financial Institutions (CDFI) to maintain 90 days of normal operating expenses. The Corporation structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.