Community Investment Corporation and Affiliates

Consolidated Financial Report
September 30, 2023

Contents

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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, including the consolidated schedule of investments, as of September 30, 2023 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, 2023 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.

Emphasis of Matter

As described in Note 3 to the consolidated financial statements, the Corporation adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, as of October 1, 2022. Topic 842 is based on the principle that a lessee should recognize the assets and liabilities that arise from leases. Our opinion is not modified with respect to this matter.

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.

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 2022 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated January 11, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2022 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 2023 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, 2024 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, 2024

Consolidated Statement of Financial Position

September 30, 2023
(with summarized comparative totals for 2022)

	Community Investment Corporation	Community Initiatives, Inc.	CIC Government Investor, L.L.C.	CEPF, LLC	Eliminating Entries	2023	2022
Assets							
Cash and cash equivalents	$ 11,490,314	$ 1,469,079	$ -	$ 14,158	$ -	$ 12,973,551	$ 14,533,221
Restricted cash	50,414,979	4,840,439	3,731,658	-	-	58,987,076	52,721,298
Investments in real estate joint ventures, at fair value (cost $1,207,471) (Note 13)	-	-	-	1,231,640	-	1,231,640	-
Federal Home Loan Bank stock	696,202	-	-	-	-	696,202	636,000
Program and other receivables - Net:							
Grants receivable	-	2,907,163	-	-	-	2,907,163	1,188,570
Troubled Buildings Initiative	-	6,056,061	-	-	-	6,056,061	3,963,681
Other accounts receivable	1,438,330	-	-	-	-	1,438,330	858,972
Real estate held for sale (Note 5)	-	2,198,098	-	-	-	2,198,098	1,837,456
Other assets	1,147,068	-	-	-	(840,158)	306,910	338,390
Loans - Net of allowance for loan losses of $11,001,016 and $8,999,368 as of September 30, 2023 and 2022, respectively (Note 4)	243,115,162	1,279,788	-	-	-	244,394,950	251,107,956
Interest in CIC Mezzanine Investors, LLC	642,595	-	1,264,151	-	-	1,906,746	1,258,594
Right-of-use asset - Operating lease asset (Note 6)	1,080,790	-	-	-	-	1,080,790	-
Property and equipment - Net (Note 7)	498,620	-	-	-	-	498,620	463,632
Total assets	**$ 310,524,060**	**$ 18,750,628**	**$ 4,995,809**	**$ 1,245,798**	**$ (840,158)**	**$ 334,676,137**	**$ 328,907,770**
Liabilities and Net Assets (Deficiency in Net Assets)							
Liabilities							
Escrow accruals and borrower reserves	$ 14,356,916	$ -	$ -	$ -	$ -	$ 14,356,916	$ 17,240,198
Notes payable (Note 9)	73,643,426	-	-	-	-	73,643,426	56,522,221
Refundable grant	-	-	5,000,000	-	-	5,000,000	5,000,000
Investor notes payable (Note 9)	146,480,796	-	-	-	-	146,480,796	164,796,121
Grants payable	-	13,180,150	-	-	-	13,180,150	10,407,764
CMAP energy loan guarantees	3,392,762	-	-	-	-	3,392,762	3,455,023
Deferred revenue	25,415,218	800,000	-	-	-	26,215,218	20,210,017
Other liabilities	981,018	585,708	-	262,341	(840,158)	988,909	1,267,959
Lease liabilities - Operating	1,303,880	-	-	-	-	1,303,880	-
Total liabilities	265,574,016	14,565,858	5,000,000	262,341	(840,158)	284,562,057	278,899,303
Net Assets (Deficiency in Net Assets)							
Without donor restrictions:							
Undesignated	34,369,634	4,184,770	(4,191)	983,457	-	39,533,670	38,115,458
Designated (Note 10)	7,139,077	-	-	-	-	7,139,077	8,893,009
With donor restrictions (Note 10)	3,441,333	-	-	-	-	3,441,333	3,000,000
Total net assets (deficiency in net assets)	44,950,044	4,184,770	(4,191)	983,457	-	50,114,080	50,008,467
Total liabilities and net assets (deficiency in net assets)	**$ 310,524,060**	**$ 18,750,628**	**$ 4,995,809**	**$ 1,245,798**	**$ (840,158)**	**$ 334,676,137**	**$ 328,907,770**

See notes to consolidated financial statements.

Consolidated Schedule of Investments

September 30, 2023

Description of Investment	Industry	Investment Interest	Cost	Fair Value
7456 S Eberhart, LLC	Real estate joint venture	95% LLC membership interests	$ 380,323	$ 398,249
1804 Construction, LLC	Real estate joint venture	95% LLC membership interests	408,295	408,295
DVH Properties & Development 101, LLC	Real estate joint venture	95% LLC membership interests	136,480	136,480
7800 Ridgeland, LLC	Real estate joint venture	95% LLC membership interests	282,373	288,616
Total investments in real estate joint ventures			**$ 1,207,471**	**$ 1,231,640**

See notes to consolidated financial statements.

Consolidated Statement of Activities and Changes in Net Assets

Year Ended September 30, 2023

(with summarized comparative totals for 2022)

	Community Investment Corporation	Community Initiatives, Inc.	CIC Government Investor, L.L.C.	CEPF, LLC	Eliminating Entries	2023	2022
Changes in Net Assets without Donor Restrictions							
Revenue:							
Interest income	$ 5,517,840	$ -	$ -	$ -	$ -	$ 5,517,840	$ 4,601,044
Interest on investor notes payable	6,534,499	-	-	-	-	6,534,499	7,444,793
Servicing income	1,008,628	164,482	-	-	-	1,173,110	1,302,608
Fee income	948,215	-	-	-	-	948,215	1,288,546
Program income	1,997,706	855,540	-	3,593	(1,952,623)	904,216	550,346
Contributions	1,137,656	1,116,079	-	-	-	2,253,735	1,464,685
Net assets released from restrictions	8,667	-	-	-	-	8,667	-
Total revenue	17,153,211	2,136,101	-	3,593	(1,952,623)	17,340,282	16,652,022
Expenses:							
Program services	14,462,895	1,952,623	1,350	166,805	(1,952,623)	14,631,050	14,587,166
Support services	2,159,456	-	-	-	-	2,159,456	2,277,655
Total expenses	16,622,351	1,952,623	1,350	166,805	(1,952,623)	16,790,506	16,864,821
Increase (Decrease) in Net Assets without Donor Restrictions - Before nonoperating income (expense)	530,860	183,478	(1,350)	(163,212)	-	549,776	(212,799)
Nonoperating Income (Expense)							
Loan servicing income restricted for loan loss reimbursement	1,538,520	-	-	-	-	1,538,520	1,794,850
Investor Restricted Reserve provision for loan losses	(1,858,128)	-	-	-	-	(1,858,128)	(1,794,850)
Provision for loan losses	(357,240)	-	-	-	-	(357,240)	107,618
Grant revenue	-	2,651,325	-	-	-	2,651,325	1,560,921
Grant expense	-	(2,651,325)	-	-	-	(2,651,325)	(695,921)
Change in fair value of investments in real estate joint ventures	-	-	-	24,169	-	24,169	-
Gain on extinguishment of debt (Note 9)	-	-	-	-	-	-	862,683
Other nonoperating (expenses) income	(130,519)	-	5,202	(107,500)	-	(232,817)	(161,221)
Total nonoperating (expense) income	(807,367)	-	5,202	(83,331)	-	(885,496)	1,674,080
Transfer of Net Assets	(1,230,000)	-	-	1,230,000	-	-	-
(Decrease) Increase in Net Assets without Donor Restrictions	(1,506,507)	183,478	3,852	983,457	-	(335,720)	1,461,281
Changes in Net Assets with Donor Restrictions							
Contributions	450,000	-	-	-	-	450,000	-
Net assets released from restrictions	(8,667)	-	-	-	-	(8,667)	-
Increase in Net Assets with Donor Restrictions	441,333	-	-	-	-	441,333	-
(Decrease) Increase in Net Assets	(1,065,174)	183,478	3,852	983,457	-	105,613	1,461,281
Net Assets (Deficiency in Net Assets) - Beginning of year	46,015,218	4,001,292	(8,043)	-	-	50,008,467	48,547,186
Net Assets (Deficiency in Net Assets) - End of year	**$ 44,950,044**	**$ 4,184,770**	**$ (4,191)**	**$ 983,457**	**$ -**	**$ 50,114,080**	**$ 50,008,467**

See notes to consolidated financial statements.

Consolidated Statement of Functional Expenses

Year Ended September 30, 2023
(with summarized comparative totals for 2022)

	Program Services	Support Services	Total	2022
Interest	$ 8,143,853	$ -	$ 8,143,853	$ 8,955,466
Compensation and benefits	5,094,580	1,524,452	6,619,032	6,295,515
Rent	369,583	176,140	545,723	540,825
Utilities	24,499	11,676	36,175	41,635
Equipment and maintenance	182,906	87,171	270,077	181,356
Depreciation	100,156	47,733	147,889	118,237
Travel	50,251	23,949	74,200	30,702
Supplies	43,949	20,948	64,897	73,485
Professional fees	219,387	201,761	421,148	465,491
Program and staff development	401,886	65,626	467,512	162,109
Total operating expenses	14,631,050	2,159,456	16,790,506	16,864,821
Grant expense	2,651,325	-	2,651,325	695,921
Other nonoperating expenses	226,434	6,383	232,817	161,221
Total expenses	**$ 17,508,809**	**$ 2,165,839**	**$ 19,674,648**	**$ 17,721,963**

Consolidated Statement of Cash Flows

Year Ended September 30, 2023
(with summarized comparative totals for 2022)

	2023	2022
Cash Flows from Operating Activities		
Increase in net assets	$ 105,613	$ 1,461,281
Adjustments to reconcile increase in net assets to net cash, cash equivalents, and restricted cash from operating activities:		
Depreciation	147,889	118,237
Investor Restricted Reserve provision for loan losses	1,858,128	1,794,850
Provision for loan losses	357,240	(107,618)
Gain on sale of real estate owned for CII programs	(843,461)	(496,108)
Change in fair value of investments in real estate joint ventures	(24,169)	-
Gain on extinguishment of debt	-	(862,683)
Net changes in operating assets and liabilities:		
Program and other receivables	(4,390,331)	(42,391)
Other assets	23,900	(87,277)
Escrow and borrower reserves payable	(2,883,282)	1,541,282
Grants payable	2,772,386	694,279
CMAP energy loan guarantees	(62,261)	1,919
Deferred revenue	6,005,201	15,099,930
Other liabilities	(55,960)	93,703
Net cash, cash equivalents, and restricted cash provided by operating activities	3,010,893	19,209,404
Cash Flows from Investing Activities		
Net change in loans	4,497,638	29,608,633
Purchase of investments in real estate joint ventures	(1,207,471)	-
Net change in Federal Home Loan Bank stock	(60,202)	(150,000)
Purchase of defaulted loans for CII programs	(5,469,584)	(4,078,806)
Proceeds from sale of real estate owned for CII programs	5,952,403	3,327,363
Purchase of interest in CIC Mezzanine Investors, LLC	(640,572)	-
Purchase of property and equipment	(182,877)	(103,853)
Net cash, cash equivalents, and restricted cash provided by investing activities	2,889,335	28,603,337
Cash Flows from Financing Activities		
Net proceeds from notes payable	17,121,205	13,413,045
Net repayment of investor notes payable	(18,315,325)	(49,929,152)
Net cash, cash equivalents, and restricted cash used in financing activities	(1,194,120)	(36,516,107)
Net Increase in Cash, Cash Equivalents, and Restricted Cash	4,706,108	11,296,634
Cash, Cash Equivalents, and Restricted Cash - Beginning of year	67,254,519	55,957,885
Cash, Cash Equivalents, and Restricted Cash - End of year	**$ 71,960,627**	**$ 67,254,519**
Consolidated Statement of Financial Position Classification of Cash, Cash Equivalents, and Restricted Cash		
Cash and cash equivalents	$ 12,973,551	$ 14,533,221
Restricted cash	58,987,076	52,721,298
Total cash, cash equivalents, and restricted cash	**$ 71,960,627**	**$ 67,254,519**
Supplemental Cash Flow Information - Cash paid for interest	$ 8,486,424	$ 9,231,915

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. (GOV) 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.

CEPF, LLC (CEPF) is a single-member limited liability company formed by CIC in November 2022. CEPF was formed to make real estate investments through joint ventures of multi-family rental and/or for-sale residential projects in low- and moderate-income communities.

Note 2 - Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of CIC and its affiliates, CII, GOV, and CEPF (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, 2023 and 2022 was approximately $6,942,000 and $6,426,000, 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; (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; and (3) grant funds received from the City of Chicago, Illinois that are restricted by the City of Chicago, Illinois for their related program use.

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

Note 2 - Significant Accounting Policies (Continued)

Investments in Real Estate Joint Ventures

Investments in real estate joint ventures are recorded at fair value. All investments in real estate joint ventures as of September 30, 2023 had no readily available market value and are included in Level 3 of the fair value hierarchy. Significant judgment is required in determining fair values. Estimated fair values may differ significantly from the values that would have been used had a ready market for the investment securities existed, and the differences could be material.

The difference between contributions made and the estimated fair value is recorded as a gain or loss within other nonoperating income (expense) within the consolidated statement of activities and changes in net assets as the change in fair value of investments in real estate joint ventures.

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, 2023 and 2022, 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 Receivables

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. The receivable balance represents costs incurred on the buildings held by CII as of year end. The receivable balance is reduced when buildings in the program are sold.

Other Accounts Receivable

Other accounts receivable consist primarily of loan foreclosure and legal costs incurred by the Corporation for certain investor program and portfolio loans in the process of foreclosure, liquidation, or other status of collection. The Corporation expects these costs to be receivable through collection, liquidation of loan collateral, or reimbursement under the investor loan program INPA Loss Sharing Policy, if applicable. A reserve is established for any uncollectible costs the Corporation does not expect to receive. The reserve for uncollectible receivables totaled approximately $370,000 and $481,000 at September 30, 2023 and 2022, respectively, and is included in the other accounts receivable balance reported on the consolidated statement of financial position.

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.

Note 2 - Significant Accounting Policies (Continued)

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.

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 4.

Note 2 - Significant Accounting Policies (Continued)

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 2023 and 2022.

Leases

The Corporation has an operating lease for its office space. The Corporation recognizes expense for operating leases on a straight-line basis over the lease term. The Corporation made a policy election not to separate lease and nonlease components; therefore, all payments are included in the calculation of the right-of-use asset and lease liability.

The Corporation has operating leases for storage and parking with a lease term of one year or less that the Corporation elected to account for as short-term leases. As these leases are short-term leases, they are not included in the right-of-use asset and lease liability.

The Corporation elected to use the risk-free rate as the discount rate for calculating the right-of-use asset and lease liability in place of the incremental borrowing rate. The Corporation adopted new accounting standards as of October 1, 2022 related to the accounting for leases, as described in Note 3.

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.

Note 2 - Significant Accounting Policies (Continued)

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 GOV's investment in CIC Mezzanine Investors, LLC. The grant is held as a liability in its entirety, as any funds returned to GOV 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 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.

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 the loans were forgiven and the Corporation had been legally released. Once a loan was forgiven and the legal release was received, the liability was reduced by the amount forgiven, and a gain on extinguishments was recorded. See Note 9 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.

Note 2 - Significant Accounting Policies (Continued)

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.

Transfer of net assets is recognized on the consolidated statement of activities and changes in net assets for CIC's contribution to its subsidiary, CEPF.

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, 2023 and 2022, the Corporation is eligible to receive and recognize $8,899,965 and $2,740,676, respectively, of these conditional contributions upon the occurrence of future qualifying expenses.

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 and grant expenses are not allocated, as they are 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, other grant disbursements, and unrealized gains or losses on investments in real estate joint ventures, are separate, project-specific activities. These activities are reported as nonoperating revenue and expenses.

Note 2 - Significant Accounting Policies (Continued)

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).

Subsequent Events

The consolidated financial statements and related disclosures include evaluation of events up through and including January 11, 2024, which is the date the consolidated financial statements were available to be issued.

Upcoming Accounting Pronouncement

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The ASU includes increased disclosures and various changes to the accounting and measurement of financial assets, including the Corporation's loans. Each financial asset presented on the balance sheet would have a unique allowance for credit losses valuation account that is deducted from the amortized cost basis to present the net carrying value at the amount expected to be collected on the financial asset. The amendments in this ASU also eliminate the probable initial recognition threshold in current GAAP and, instead, reflect an entity's current estimate of all expected credit losses using reasonable and supportable forecasts. The new credit loss 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 to the beginning of the first reporting period in which the guidance is effective. The Corporation is still quantifying the impact of the new standard.

Note 3 - Adoption of New Accounting Pronouncement

As of October 1, 2022, the Corporation adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-02, *Leases*. 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 operations. The Corporation elected to adopt the ASU using the modified retrospective method as of October 1, 2022 and applied the following practical expedients:

- The Corporation did not reassess if expired or existing contracts are or contain a lease.
- The Corporation did not reassess the lease classification for expired or existing leases.
- The Corporation did not reassess initial direct costs for any existing leases.
- The Corporation used hindsight to determine the lease term and to assess impairment of the right-of-use assets for existing leases.

As a result of the adoption of the ASU, the Corporation recorded a right-of-use asset of $1,304,925 and a lease liability of $1,555,148 as of October 1, 2022 for existing operating leases. There was no impact on net assets as a result of adopting the new ASU.

Note 4 - Loans and Allowance for Loan Losses

A summary of the balances of loans is as follows:

	2023	2022
Investor program loans:		
Multifamily loan program	$ 136,896,590	$ 152,602,645
1-4 single-family loan program	10,218,271	13,038,035
Portfolio loans:		
Multifamily loan program	101,709,279	91,633,085
1-4 single-family loan program	4,182,336	979,018
Other loans:		
General board of pension	3,692	18,684
Energy	1,106,010	1,307,357
CII developer line of credit	1,279,788	528,500
Total loans	255,395,966	260,107,324
Less allowance for loan losses	11,001,016	8,999,368
Net loans	$ 244,394,950	$ 251,107,956

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 9). 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.

In the ordinary course of business, the Corporation has granted loans to certain real estate investment joint ventures of CEPF, LLC amounting to approximately $2,031,000 as of September 30, 2023.

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 are primarily 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.

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 4 - 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, 2023 or 2022 in excess of the investor first loss fund. During 2023 and 2022, 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 year ended September 30, 2023, by loan segment, is summarized below:

	September 30, 2023 Investor Program Loans		September 30, 2023 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	$ 6,400,191	$ 1,322,155	$ 1,272,127	$ 4,895	$ -	$ 8,999,368
Charge-offs	-	(299,946)	(31,492)	-	-	(331,438)
Recoveries	117,718	-	-	-	-	117,718
Provision	1,798,499	59,629	341,223	16,017	-	2,215,368
Ending balance	$ 8,316,408	$ 1,081,838	$ 1,581,858	$ 20,912	$ -	$ 11,001,016
Ending allowance balance attributable to loans:						
Individually evaluated for impairment	$ 899,818	$ 298,811	$ 117,354	$ -	$ -	$ 1,315,983
Collectively evaluated for impairment	7,416,590	783,027	1,464,504	20,912	-	9,685,033
Ending allowance balance	$ 8,316,408	$ 1,081,838	$ 1,581,858	$ 20,912	$ -	$ 11,001,016
Loans:						
Individually evaluated for impairment	$ 5,045,046	$ 2,073,815	$ 5,194,828	$ -	$ 116,000	$ 12,429,689
Collectively evaluated for impairment	131,851,544	8,144,456	96,514,451	4,182,336	2,273,490	242,966,277
Total loans	$ 136,896,590	$ 10,218,271	$101,709,279	$ 4,182,336	$ 2,389,490	$ 255,395,966

Note 4 - Loans and Allowance for Loan Losses (Continued)

	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

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, 2023 and 2022, as disclosed in Note 10.

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 4 - 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, 2023 and 2022 are summarized below:

	September 30, 2023						
	Pass	Acceptable	Special Mention	Substandard	Doubtful	Loss	Ending Balance
Investor program loans:							
Multifamily loan program	$ 126,684,825	$ 3,825,959	$ 1,340,760	$ 436,060	$ 4,281,035	$ 327,951	$ 136,896,590
1-4 single-family loan program	7,153,679	856,116	134,661	837,995	1,235,820	-	10,218,271
Portfolio loans:							
Multifamily loan program	65,328,108	27,598,077	6,085,092	234,508	2,463,494	-	101,709,279
1-4 single-family loan program	4,182,336	-	-	-	-	-	4,182,336
Other loans:							
General board of pension	3,692	-	-	-	-	-	3,692
Energy	990,010	-	-	-	116,000	-	1,106,010
CII developer line of credit	1,279,788	-	-	-	-	-	1,279,788
Total	$ 205,622,438	$ 32,280,152	$ 7,560,513	$ 1,508,563	$ 8,096,349	$ 327,951	$ 255,395,966

Note 4 - Loans and Allowance for Loan Losses (Continued)

	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
University of Chicago	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

Age Analysis of Past-due Loans

The Corporation's age analysis of past-due loans at September 30, 2023 and 2022, by loan segment and class, is summarized below:

	September 30, 2023					
	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	$ 2,825,339	$ 1,804,768	$ 3,416,249	$ 8,046,356	$ 128,850,234	$ 136,896,590
1-4 single-family loan program	-	-	1,642,308	1,642,308	8,575,963	10,218,271
Portfolio loans:						
Multifamily loan program	1,475,941	-	5,194,827	6,670,768	95,038,511	101,709,279
1-4 single-family loan program	-	-	-	-	4,182,336	4,182,336
Other loans:						
General board of pension	-	-	-	-	3,692	3,692
Energy	-	-	116,000	116,000	990,010	1,106,010
CII developer line of credit	-	-	-	-	1,279,788	1,279,788
Total	$ 4,301,280	$ 1,804,768	$ 10,369,384	$ 16,475,432	$ 238,920,534	$ 255,395,966

Note 4 - Loans and Allowance for Loan Losses (Continued)

	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
University of Chicago	-	-	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

Impaired Loans

Impaired loans, by loan segment and class, are as follows at September 30, 2023 and 2022:

	As of and for the Year Ended September 30, 2023				
	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	$ 4,010,893	$ 4,010,893	$ -	$ 3,336,877	$ 101,178
1-4 single-family loan program	837,995	837,995	-	418,998	49,885
Portfolio loans - Multifamily loan program	4,722,448	4,722,448	-	3,473,872	1,470
Other loans - Energy	116,000	116,000	-	97,434	-
Total with no related allowance recorded	9,687,336	9,687,336	-	7,327,181	152,533
With an allowance recorded:					
Investor program loans:					
Multifamily loan program	1,034,153	1,034,153	899,818	1,206,491	-
1-4 single-family loan program	1,235,820	1,235,820	298,811	1,385,793	-
Portfolio loans - Multifamily loan program	472,380	472,380	117,354	-	-
Total with an allowance recorded	2,742,353	2,742,353	1,315,983	2,592,284	-
Total	$ 12,429,689	$ 12,429,689	$ 1,315,983	$ 9,919,465	$ 152,533

Note 4 - Loans and Allowance for Loan Losses (Continued)

	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
1-4 single-family loan program	-	-	-	-	104,969
Portfolio loans -					
Multifamily loan program	2,225,295	2,225,295	-	3,772,297	-
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

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, 2023 and 2022, by loan segment and class, are summarized below:

	2023	2022
Investor program loans:		
Multifamily loan program	$ 3,416,249	$ 3,223,803
1-4 single-family loan program	1,642,308	2,100,996
Portfolio loans - Multifamily loan program	5,194,827	2,913,775
Other loans - Energy	116,000	194,867
Total	$ 10,369,384	$ 8,433,441

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.

Note 4 - Loans and Allowance for Loan Losses (Continued)

The following table presents information related to loans modified in a TDR during the year ended September 30, 2023. 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 - 1-4 single family	3	$ 1,062,082	$ 452,938

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, 2023.

Note 5 - 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, 2023 and 2022, the Corporation has $2,198,098 and $1,837,456, 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, 2023 and 2022, the Corporation recognized project fee income of approximately $843,000 and $496,000, 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 6 - Leases

The Corporation leases office space under a noncancelable lease expiring in 2027. The right-of-use asset and related lease liability have been calculated using a discount rate of 4.1 percent. The lease requires the Corporation to pay taxes, insurance, utilities, and maintenance costs. Total rent expense under the lease as of September 30, 2023 and 2022 was $545,723 and $540,825, respectively.

Future minimum annual commitments under these operating leases are as follows:

Years Ending September 30	Amount
2024	$ 319,129
2025	328,698
2026	338,520
2027	348,690
2028	89,352
Total	1,424,389
Less amount representing interest	120,509
Obligations under leases	$ 1,303,880

Note 6 - Leases (Continued)

Expenses recognized under these leases for the year ended September 30, 2023 consist of the following:

Lease cost:	
Operating lease cost	$ 282,659
Short-term lease cost	28,893
Variable lease cost	234,171
Total lease cost	$ 545,723
Other information - Cash paid for amounts included in the measurement of lease liabilities - Operating cash flows from operating leases	$ 309,792

Note 7 - Property and Equipment

Property and equipment are summarized as follows:

	2023	2022	Depreciable Life - Years
Leasehold improvements	$ 271,389	$ 271,389	10
Office equipment	1,035,695	1,035,695	3-5
Transportation equipment	57,218	57,218	5
Computer equipment and software	882,216	699,339	3-5
Total cost	2,246,518	2,063,641	
Accumulated depreciation	1,747,898	1,600,009	
Net property and equipment	$ 498,620	$ 463,632	

Depreciation expense for 2023 and 2022 was $147,889 and $118,237, respectively.

Note 8 - 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 was 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 percent at September 30, 2022).

The agreement was amended in September 2023 modifying the following terms: (i) reducing total available borrowings to $10,000,000, (ii) modifying the interest rate to the sum of (a) 2.50 percent plus (b) the variable interest rate (an effective rate of 7.29 percent at September 30, 2023), and (iii) extending the maturity date through September 9, 2024.

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, 2023 or 2022.

Note 9 - Notes Payable

Notes payable consisted of the following as of September 30:

	2023	2022
Investor notes payable - INPA nonrecourse collateral pass-through notes	$ 146,480,796	$ 164,796,121
Notes payable:		
FHLB advances	29,810,093	26,800,000
FHLB program-related investment	10,500,000	10,500,000
MacArthur Foundation notes	8,333,333	9,222,221
Bank of America program-related investment	15,000,000	-
Northern Trust program-related investment	5,000,000	5,000,000
Woodlawn program-related investment notes	5,000,000	5,000,000
Total notes payable	73,643,426	56,522,221
Total	$ 220,124,222	$ 221,318,342

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, 2023 and 2022, the Corporation had remaining unfunded commitments from investors to purchase limited recourse collateral pass-through notes totaling approximately $192,405,296 and $184,760,300, 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, 2023 and 2022, the Corporation had remaining unfunded commitments from investors to purchase nonrecourse collateral pass-through notes totaling $27,744,615 and $25,630,898, respectively. The limited recourse collateral trust note purchase agreement was most recently amended in March 2020 and expires on March 15, 2025.

FHLB 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.

Note 9 - Notes Payable (Continued)

During fiscal year 2015, CIC became a member of the Federal Home Loan Bank of Chicago. As a result of becoming a member under a contract with FHLB, CIC now has the ability to pledge qualifying mortgages to FHLB 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, 2023 and 2022, CIC had $29,810,093 and $26,800,000, 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 both September 30, 2023 and 2022, interest rates ranged from 2.00 to 4.50 percent. As of September 30, 2023, maturity dates ranged from November 2023 to August 2038.

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 1.00 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 on September 30, 2022 and was paid off in 2023.

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 1.00 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 on September 30, 2022 and was paid off in 2023.

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 1.00 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 is $3,333,333 as of both September 30, 2023 and 2022.

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 1.00 percent. No principal payments are required until maturity. The outstanding balance of this note was $5,000,000 as of both September 30, 2023 and 2022.

Bank of America Program-related Investment

In December 2022, the Corporation entered into an unsecured promissory note with Bank of America Community Development Company, LLC in the amount of $15,000,000, maturing in December 2025 and bearing interest at 1.00 percent. The purpose of this borrowing was to fund lending activities. The outstanding balance of this note was $15,000,000 as of September 30, 2023. Borrowings are subject to certain covenants.

Northern Trust Program-related Investment

In 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 1.00 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, 2023 and 2022.

Woodlawn Program-related Investments

In September 2020, the City of Chicago, Illinois passed the Woodlawn Housing Preservation Ordinance (the "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.

Note 9 - Notes Payable (Continued)

In May 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 on May 3, 2028 and bear interest at 1.00 percent. The outstanding balance of these notes was $5,000,000 as of September 30, 2023 and 2022.

Paycheck Protection Program Loan

In February 2021, the Corporation received a second draw of the PPP loan program (PPP2) in the amount of $862,683. The note was 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 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.

Note 10 - Net Assets

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

	2023	2022
Board-designated net assets:		
Regency Loss Fund	$ -	$ 115,844
General Board of Pension Loss Fund	32,655	166,049
Energy Loss Fund	718,616	718,616
Other nonoperating funds	6,387,806	7,892,500
Total board-designated net assets	7,139,077	8,893,009
Undesignated net assets	39,533,670	38,115,458
Total unrestricted net assets	$ 46,672,747	$ 47,008,467

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

	2023	2022
Subject to expenditures for a specified purpose:		
CAP Magnet Fund Committed	$ 3,000,000	$ 3,000,000
Energy Grant Program	441,333	-
Total subject to expenditures for a specified purpose	$ 3,441,333	$ 3,000,000

Note 11 - 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 $350,507 and $336,702 for the years ended September 30, 2023 and 2022, respectively.

Note 12 - 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 $14,594,000 and $19,660,000 of commitments to fund loans that have been approved but not closed and approximately $9,351,000 and $8,081,000 of unfunded commitments of closed loans as of September 30, 2023 and 2022, respectively.

Note 13 - 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.

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 $1,426,000 and $1,998,000 as of September 30, 2023 and 2022, 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 - Fair Value Measurements (Continued)

The following table presents information about the Corporation's assets measured at fair value on a recurring basis at September 30, 2023:

	Assets Measured at Fair Value on a Recurring Basis at September 30, 2023			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at September 30, 2023
Assets - Investments in real estate joint ventures	$ -	$ -	$ 1,231,640	$ 1,231,640

The valuation of investments in real estate joint ventures include unadjusted prices from recent transactions or third-party valuations. No disclosure of unobservable inputs has been made as of September 30, 2023 because all Level 3 fair value determinations are based upon non-quantitative unobservable inputs. Purchases of Level 3 investments were $1,207,471 as of September 30, 2023. There were no transfers into or out of Level 3 investments as of September 30, 2023.

Note 14 - Liquidity and Availability of Resources

The Corporation has approximately $3,900,000 and $3,750,000 of financial assets available within one year of September 30, 2023 and 2022 to meet cash needs for general expenditure consisting of cash as of 2023 and 2022, respectively. 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 $7,100,000 and $8,900,000 as of September 30, 2023 and 2022, 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 2022 and 2023, 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.