

**THE COMMUNITY PRESERVATION
CORPORATION AND SUBSIDIARIES**

Consolidated Financial Statements
(With Accompanying Consolidating Schedules)

June 30, 2022 and 2021

(With Independent Auditor's Report Thereon)

**THE COMMUNITY PRESERVATION CORPORATION
AND SUBSIDIARIES**

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Independent Auditor's Report

The Board of Directors
The Community Preservation Corporation

Opinion

We have audited the consolidated financial statements of The Community Preservation Corporation and Subsidiaries, which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, changes in net assets, functional expenses, and cash flows for the years 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 Community Preservation Corporation and Subsidiaries as of June 30, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Community Preservation Corporation and Subsidiaries, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 Community Preservation Corporation and Subsidiaries' ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the 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 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, 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 Community Preservation Corporation and Subsidiaries' 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 Community Preservation Corporation and Subsidiaries' 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information is presented for purposes of additional analysis of the consolidated financial statements 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 additional 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.

CohnReznick LLP

Baltimore, Maryland
September 29, 2022

**THE COMMUNITY PRESERVATION CORPORATION
AND SUBSIDIARIES**

Consolidated Statements of Financial Position
June 30, 2022 and 2021

Assets	2022	2021
Cash and cash equivalents	\$ 22,615,305	\$ 19,746,428
Restricted cash, restricted cash equivalents, and funded reserves	434,530,314	363,333,116
Investment in mortgage loans:		
Construction loans held for investment (Note 4)	705,698,469	578,872,598
Permanent loans held for investment (Note 4)	58,640,003	47,120,455
Permanent loans held for sale (Note 4)	<u>27,736,190</u>	<u>56,359,077</u>
	792,074,662	682,352,130
Less allowance for loan losses (Note 4)	<u>(14,627,296)</u>	<u>(13,859,373)</u>
	777,447,366	668,492,757
Real estate owned	-	2,370,969
Mortgage servicing rights (Note 9)	41,070,976	42,380,181
Investment in unconsolidated subsidiaries (Note 6)	13,913,311	9,283,332
Investment in unconsolidated subsidiaries at fair value (Note 7)	60,143,798	35,267,236
Investment in securities and hedge funds (Note 8)	197,053,129	217,598,069
Receivables, net	4,399,710	2,476,586
Right of use assets (Note 15)	26,561,002	27,597,402
Other assets, net	<u>19,637,156</u>	<u>14,797,916</u>
Total assets	<u>\$ 1,597,372,067</u>	<u>\$ 1,403,343,992</u>
Liabilities and Net Assets		
Liabilities:		
Notes and bonds payable, net of unamortized debt issuance costs (Note 10)	\$ 501,308,547	\$ 402,182,129
Participations payable (Notes 4 and 11)	341,358,523	278,777,405
Escrow deposits and other liabilities	231,563,827	224,340,974
Participants' deposits (Note 12)	215,212,588	170,907,334
Lease liabilities (Note 15)	32,409,463	33,121,185
Other liabilities	<u>24,443,913</u>	<u>23,295,279</u>
Total liabilities	<u>1,346,296,861</u>	<u>1,132,624,306</u>
Commitments and contingencies (Note 15)		
Net assets:		
Without donor restrictions	245,866,253	270,339,669
With donor restrictions	235,344	380,017
Noncontrolling interests (Note 20)	<u>4,973,609</u>	<u>-</u>
Total net assets	<u>251,075,206</u>	<u>270,719,686</u>
Total liabilities and net assets	<u>\$ 1,597,372,067</u>	<u>\$ 1,403,343,992</u>

See accompanying notes to consolidated financial statements.

**THE COMMUNITY PRESERVATION CORPORATION
AND SUBSIDIARIES**

Consolidated Statements of Activities (with Summarized Comparative Financial Statement
Information for 2021)
Years ended June 30, 2022 and 2021

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>2022 Total</u>	<u>2021 Total</u>
Net interest income:				
Interest on construction and permanent mortgage loans	\$ 21,400,343	\$ -	\$ 21,400,343	\$ 19,947,102
Interest on participations payable	3,132,756	-	3,132,756	4,949,534
Interest and earnings on restricted investments in securities (Note 8)	1,314,175	-	1,314,175	1,594,294
Total interest income	<u>25,847,274</u>	<u>-</u>	<u>25,847,274</u>	<u>26,490,930</u>
Interest expense (Note 13)	14,151,749	-	14,151,749	11,645,357
Interest expense on loan participations	3,132,756	-	3,132,756	4,949,534
Total interest expense	<u>17,284,505</u>	<u>-</u>	<u>17,284,505</u>	<u>16,594,891</u>
Net interest income before provision for loan losses	8,562,769	-	8,562,769	9,896,039
Provision for loan losses (Note 4)	<u>(2,002,799)</u>	<u>-</u>	<u>(2,002,799)</u>	<u>(2,187,004)</u>
Net interest income	<u>6,559,970</u>	<u>-</u>	<u>6,559,970</u>	<u>7,709,035</u>
Other revenue:				
Servicing fee income (Note 9)	10,641,195	-	10,641,195	15,380,683
Commitment fee income	8,201,918	-	8,201,918	9,133,127
Interest and earnings on unrestricted investments				
in securities and hedge funds (Note 8)	2,324,941	-	2,324,941	1,758,869
Realized gain on unrestricted investments in securities (Note 8)	4,953,060	-	4,953,060	9,803,563
Unrealized (loss) gain on restricted investments in securities (Note 8)	(4,072,641)	-	(4,072,641)	1,064,686
Unrealized (loss) gain on unrestricted investments				
in securities and hedge funds (Note 8)	(25,224,866)	-	(25,224,866)	20,544,448
Unrealized gain on investment in unconsolidated subsidiaries (Note 7)	9,627,562	-	9,627,562	21,525,679
Equity in earnings of unconsolidated subsidiaries (Note 6)	2,259,967	-	2,259,967	1,352,442
Other revenue	2,052,732	-	2,052,732	1,912,428
Grant income (Note 21)	412,575	-	412,575	101,472
Net assets released from restrictions	<u>144,673</u>	<u>(144,673)</u>	<u>-</u>	<u>-</u>
Total other revenue	<u>11,321,116</u>	<u>(144,673)</u>	<u>11,176,443</u>	<u>82,577,397</u>
Total revenue	<u>17,881,086</u>	<u>(144,673)</u>	<u>17,736,413</u>	<u>90,286,432</u>
Noninterest expense:				
Employee compensation and benefits (Notes 16 and 17)	35,158,629	-	35,158,629	35,357,056
Office expenses	6,748,179	-	6,748,179	5,908,923
Professional fees	3,342,353	-	3,342,353	2,198,182
Depreciation	1,132,828	-	1,132,828	1,266,174
Impairment of real estate asset	4,703	-	4,703	245,390
Other expenses	<u>2,742,186</u>	<u>-</u>	<u>2,742,186</u>	<u>1,846,830</u>
Total noninterest expense	<u>49,128,878</u>	<u>-</u>	<u>49,128,878</u>	<u>46,822,555</u>
Change in net assets from operations	(31,247,792)	(144,673)	(31,392,465)	43,463,877
before income tax provision	<u>(252,015)</u>	<u>-</u>	<u>(252,015)</u>	<u>(208,903)</u>
Income tax provision (Note 19)	<u>(31,499,807)</u>	<u>(144,673)</u>	<u>(31,644,480)</u>	<u>43,254,974</u>
Change in net assets from operations	<u>\$ (31,499,807)</u>	<u>\$ (144,673)</u>	<u>\$ (31,644,480)</u>	<u>\$ 43,254,974</u>

**THE COMMUNITY PRESERVATION CORPORATION
AND SUBSIDIARIES**

Consolidated Statements of Activities
Year ended June 30, 2021

	Without donor restrictions	With donor restrictions	2021 Total
Net interest income:			
Interest on construction and permanent mortgage loans	\$ 19,947,102	\$ -	\$ 19,947,102
Interest on participations payable	4,949,534	-	4,949,534
Interest and earnings on restricted investments in securities (Note 8)	1,594,294	-	1,594,294
Total interest income	26,490,930	-	26,490,930
Interest expense (Note 13)	11,645,357	-	11,645,357
Interest expense on loan participations	4,949,534	-	4,949,534
Total interest expense	16,594,891	-	16,594,891
Net interest income before provision for loan losses	9,896,039	-	9,896,039
Provision for loan losses (Note 4)	(2,187,004)	-	(2,187,004)
Net interest income	7,709,035	-	7,709,035
Other revenue:			
Servicing fee income (Note 9)	15,380,683	-	15,380,683
Commitment fee income	9,133,127	-	9,133,127
Unrestricted investment portfolio interest and dividends (net of investment expenses) (Note 8)	1,758,869	-	1,758,869
Realized gain/(losses) on unrestricted investments in securities (Note 8)	9,803,563	-	9,803,563
Unrealized gain on restricted investments in securities (Note 8)	1,064,686	-	1,064,686
Unrealized gain on unrestricted investments in securities and hedge funds (Note 8)	20,544,448	-	20,544,448
Unrealized gain on investment in unconsolidated subsidiaries (Note 7)	21,525,679	-	21,525,679
Equity in earnings of unconsolidated subsidiaries (Note 6)	1,352,442	-	1,352,442
Other revenue	1,912,428	-	1,912,428
Grant income (Note 21)	101,472	-	101,472
Net assets released from restrictions	1,217,634	(1,217,634)	-
Total other revenue	83,795,031	(1,217,634)	82,577,397
Total revenue	91,504,066	(1,217,634)	90,286,432
Noninterest expense:			
Employee compensation and benefits (Notes 16 and 17)	35,357,056	-	35,357,056
Office expenses	5,908,923	-	5,908,923
Professional fees	2,198,182	-	2,198,182
Depreciation	1,266,174	-	1,266,174
Impairment of real estate asset	245,390	-	245,390
Other expenses	1,846,830	-	1,846,830
Total noninterest expense	46,822,555	-	46,822,555
Change in net assets from operations before income tax provision	44,681,511	(1,217,634)	43,463,877
Income tax provision (Note 19)	(208,903)	-	(208,903)
Change in net assets from operations	\$ 44,472,608	\$ (1,217,634)	\$ 43,254,974

See accompanying notes to consolidated financial statements.

**THE COMMUNITY PRESERVATION CORPORATION
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Consolidated Statements of Changes in Net Assets
Years ended June 30, 2022 and 2021

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Noncontrolling Interests</u>	<u>Total</u>
Balance, June 30, 2020	\$ 225,867,061	\$ 1,597,651	\$ 22,525	\$ 227,487,237
Distributions	-	-	(22,525)	(22,525)
Change in net assets	<u>44,472,608</u>	<u>(1,217,634)</u>	-	<u>43,254,974</u>
Balance, June 30, 2021	270,339,669	380,017	-	270,719,686
Sale of ownership interest	7,026,391	-	4,973,609	12,000,000
Change in net assets	<u>(31,499,807)</u>	<u>(144,673)</u>	-	<u>(31,644,480)</u>
Balance, June 30, 2022	<u>\$ 245,866,253</u>	<u>\$ 235,344</u>	<u>\$ 4,973,609</u>	<u>\$ 251,075,206</u>

See accompanying notes to consolidated financial statements.

**THE COMMUNITY PRESERVATION CORPORATION
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Consolidated Statements of Functional Expenses
Years ended June 30, 2022 and 2021

	<u>2022</u>			<u>2021</u>		
	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries and fringe benefits	\$ 29,488,460	\$ 5,670,169	\$ 35,158,629	\$ 29,034,670	\$ 6,322,386	\$ 35,357,056
Occupancy	2,028,046	376,754	2,404,800	1,979,753	296,528	2,276,281
Insurance	-	590,185	590,185	7,567	549,979	557,546
Office expenses	456,320	3,296,874	3,753,194	491,066	2,584,030	3,075,096
Professional fees	1,879,479	1,462,874	3,342,353	1,350,098	848,084	2,198,182
Contributions	753,061	200	753,261	214,549	1,000	215,549
Travel and related expenses	557,073	262,578	819,651	113,246	41,385	154,631
Depreciation	-	1,132,828	1,132,828	-	1,266,174	1,266,174
Marketing	772,126	-	772,126	458,148	-	458,148
Impairment	4,703	-	4,703	245,390	-	245,390
Grant expenses	4,959	-	4,959	-	-	-
Miscellaneous	344,907	47,282	392,189	1,017,931	571	1,018,502
	<u>\$ 36,289,134</u>	<u>\$ 12,839,744</u>	<u>\$ 49,128,878</u>	<u>\$ 34,912,418</u>	<u>\$ 11,910,137</u>	<u>\$ 46,822,555</u>

See accompanying notes to consolidated financial statements.

**THE COMMUNITY PRESERVATION CORPORATION
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Consolidated Statements of Cash Flows
Years ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (31,644,480)	\$ 43,254,974
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	1,937,341	2,133,052
Straight line rent expense	1,036,400	1,008,300
Provision for loan losses	2,002,799	2,187,004
Gain on sale of loans with servicing retained	(5,589,234)	(8,851,102)
Change in fair value of mortgage servicing rights	6,898,439	4,473,082
Unrealized loss (gain) on restricted investments in securities	4,072,641	(1,064,686)
Unrealized loss (gain) on unrestricted investments in securities and hedge funds	25,224,866	(20,544,448)
Realized gain on investments in securities and hedge funds	(4,953,060)	(9,803,563)
Impairment loss	4,703	245,390
Equity in net income of unconsolidated subsidiaries	(2,259,966)	(1,352,442)
Distributions from unconsolidated subsidiaries	1,655,746	1,861,287
Unrealized gain on investment in unconsolidated subsidiaries	(9,627,562)	(21,525,679)
Deferred income tax provision	(50,323)	190,000
Changes in:		
Accounts receivable, net	(1,923,124)	87,246
Other assets, net	621,790	(916,839)
Lease liabilities	(711,722)	(679,446)
Other liabilities	(1,977,907)	2,408,436
Net cash used in operating activities	(15,282,653)	(6,889,434)
Cash flows from investing activities:		
Mortgage loans originated	(495,962,139)	(439,331,940)
Repayments of mortgage loans	107,950,369	163,954,410
Mortgage loans sold	277,795,654	294,702,501
Investment in securities	(106,114,217)	(122,993,221)
Proceeds from sale of securities	102,314,710	110,461,783
Contributions to unconsolidated subsidiaries	(19,274,758)	(12,803,564)
Proceeds from sale of REO assets	126,963	54,066
Purchase of furniture, fixtures and information technology	(909,903)	(170,667)
Increase in related party loans receivable	(6,425,249)	-
Proceeds from sale of noncontrolling interest in consolidated subsidiary	12,000,000	-
Restricted cash, net	(62,121,133)	5,035,975
Net cash used in investing activities	(190,619,703)	(1,090,657)
Cash flows from financing activities:		
Proceeds from notes payable under credit agreements	488,652,239	437,558,080
Repayments of notes payable under credit agreements	(404,862,185)	(478,670,662)
Proceeds from on-demand Line	15,000,000	15,000,000
Increase in participations pledges payable	64,820,422	8,224,574
Increase in participants' deposits	44,305,254	10,908,947
Payments of debt issuance costs	(468,149)	(446,542)
Distributions to noncontrolling interests	-	(22,525)
Net cash provided by (used in) financing activities	207,447,581	(7,448,128)
Net increase (decrease) in cash, cash equivalents, restricted cash and cash equivalents	1,545,225	(15,428,219)
Cash, cash equivalents, restricted cash, and restricted cash equivalents, beginning of year	31,473,581	46,901,800
Cash, cash equivalents, restricted cash, and restricted cash equivalents, end of year	\$ 33,018,806	\$ 31,473,581
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Income taxes	\$ 71,557	\$ 154,733
Interest	13,000,845	9,847,156
Supplemental disclosures of noncash investing and financing activities:		
Effect of adoption of new lease accounting guidance as of July 1, 2020:		
Right of use assets	-	31,334,696
Lease liabilities	-	(33,800,631)
Deferred lease liability	-	2,465,935
Reclassification of other assets to investment in unconsolidated subsidiary at fair value	-	2,916,710

See accompanying notes to consolidated financial statements.

THE COMMUNITY PRESERVATION CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements
June 30, 2022 and 2021

(1) Organization and Purpose

The Community Preservation Corporation (CPC or the Corporation) was incorporated on July 10, 1974, under the Not-for-Profit Corporation Law of the State of New York, for the purpose of making financing available in selected neighborhoods or for projects which are experiencing deterioration or disinvestment.

The Corporation accomplishes its purpose primarily by making construction and permanent mortgage loans to the private sector, as well as equity investments, for the development and preservation of residential properties in low and moderate income areas of New York State (with a concentration in the New York City area) and in other northeastern states. The housing stock of certain communities within these areas is experiencing physical deterioration, which the Corporation's management believes can be ameliorated through the combined effort and resources of the government and private sector. Governmental agencies (Agencies) and private sector organizations participate with the Corporation in many of the mortgage loans that it originates.

On February 10, 2015, CPC Community Capital Advisors LLC (CCA), a wholly-owned, pass-through subsidiary of CPC, was created under the New York Limited Liability Company Law of the State of New York. The purpose of CCA is to seek equity participation in loans or real estate ownership of properties in disadvantaged neighborhoods or serving disadvantaged populations, in furtherance of CPC's charitable purposes.

On November 2, 1992, CPC Resources, Inc. (CPCR), a wholly-owned subsidiary of CPC, was incorporated under Section 402 of the Business Corporation Law of the State of New York as a for-profit corporation whose current purpose is to serve as guarantor to one of CCA's unconsolidated subsidiaries. On July 1, 2014, CPCR elected to change its tax status to a real estate investment trust (REIT). Concurrent with the election, CPCR transferred seven assets to a newly formed taxable real estate investment trust subsidiary, CPCR TRS LLC (TRS). On July 15, 2019, CPCR assigned its membership interest in TRS to CPC. On January 31, 2020, CPCR redeemed all issued and outstanding shares from the preferred shareholders for a total of \$0.1 million and has not elected REIT tax status in subsequent tax years.

On April 20, 2016, CPC Neighborhood Partners Inc. (Neighborhood Partners) was incorporated under the Not-for-Profit Corporation Law of the State of New York, for the purpose of conducting activities which are exclusively charitable and which support the affordable housing finance and development activities of CPC. Among other things, Neighborhood Partners intended to act as the sponsor of property-specific housing development fund corporations formed under the New York Private Housing Finance Law, in order to facilitate the participation of such properties in subsidy programs of the City and State of New York. Neighborhood Partners has remained inactive to date.

On May 7, 2018, CPC formed CPC Mortgage Company LLC (MoCo), a wholly-owned, pass-through subsidiary of CPC, under the New York Limited Liability Company Law of the State of New York. The purpose of MoCo is to hold and operate CPC's Agency lending and servicing business with Fannie Mae, Freddie Mac, and the Federal Housing Administration (FHA). As of June 30, 2022 the FHA and Multifamily Accelerated Processing (MAP) approvals are held by CPC with the goal of transferring them to MoCo. On June 30, 2022, CPC sold 30% of its membership interest in MoCo to two third party investors for \$12.0 million and assigned its remaining 70% interest in MOCO to a new, wholly owned subsidiary, CPC MOCO Holding LLC (MOCO Holding). CPC retained \$4.0 million of the proceeds and contributed \$8.0 million to

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Notes to Consolidated Financial Statements
June 30, 2022 and 2021

MOCO Holding as a capital contribution, with MOCO Holding in turn contributing the \$8.0 million as a capital contribution to MOCO, which is eliminated in consolidation.

On December 31, 2020, CPC Initiatives LLC (CPCI), a wholly-owned, pass-through subsidiary of CPC, was created under the New York Limited Liability Company Law of the State of New York. The purpose of CPCI is to hold mission-impactful investments that CPC desires to be held separately (for tracking, accounting and other purposes) from CCA's or another CPC subsidiary's investments.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The Corporation prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

The preparation of the financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period.

In January 2020, the first cases of a novel strain of the coronavirus known as Coronavirus Disease 2019 (COVID-19) were reported in the United States and, in March 2020, the World Health Organization recognized the virus as a global pandemic. In the months since, the COVID-19 pandemic has caused significant global economic disruption as a result of the measures taken by countries and local municipalities to contain the spread of COVID-19. In the United States, the only country in which CPC operates, federal, state, and local authorities have taken actions to contain the spread of COVID-19 while simultaneously providing substantial liquidity to Americans, domestic businesses, and the financial markets in an effort to mitigate the adverse financial impact of the COVID-19 pandemic.

The COVID-19 pandemic has had an immaterial impact on CPC's operations, its cash flows, and the amount and availability of its liquidity.

(b) Principles of Consolidation

CPC consolidates CPCRC, TRS, CCA, Neighborhood Partners, MoCo, CPCI, its other wholly-owned subsidiaries, its investments in joint ventures controlled by the Corporation, and variable interest entities (VIEs) where it is the primary beneficiary. Investments in partnerships not controlled by CPC are accounted for using the equity method unless the fair value option has been elected. All intercompany balances and transactions are eliminated in consolidation and for the application of the equity method of accounting.

(c) Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Net assets and changes therein are classified and reported as follows:

- Net Assets Without Donor Restrictions - represent expendable resources that are used to carry out the operations of the Corporation and are not subject to donor imposed restrictions. Net assets

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without donor restrictions associated with noncontrolling interests are allocated to the noncontrolling interest holder.

- Net Assets With Donor Restrictions - resources which contain donor-imposed restrictions that are satisfied either by the passage of time or by actions of the Corporation. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Contributions received and expended within the same year are recorded as net assets with donor restrictions and reclassified to net assets without donor restrictions when the restriction expires.

(d) Cash and Cash Equivalents

The Corporation defines cash equivalents as short-term highly liquid investments that are readily convertible to known amounts of cash and which have original maturities, at the date of acquisition, of 90 days or less.

(e) Restricted Cash, Restricted Cash Equivalents, and Funded Reserves

Restricted cash, restricted cash equivalents, and funded reserves consists of escrows, deposits, and reserves held by the Corporation on behalf of either borrowers or lenders related to the loans being serviced. It also consists of escrows related to certain mortgage debt and notes payable, which have been financed through the issuance of bonds by local housing authorities, and cash required to be segregated as specified in certain grant documents. Most, but not all agreements, require such funds to be deposited in restricted cash accounts and some escrows may be held by bond trustees to be advanced, under certain circumstances, to fund project costs.

The following table presents a reconciliation of the total of restricted cash, restricted cash equivalents and funded reserves as presented in the Consolidated Statements of Financial Position (\$000s):

	2022	2021
Restricted cash and restricted cash equivalents	\$ 10,404	\$ 11,728
Funded reserves	424,126	351,605
	\$ 434,530	\$ 363,333

(f) Investment in Mortgage Loans

Mortgage loans are reported at their outstanding principal balances net of charge-offs, except for mortgage loans held-for-sale, which are recorded at the lower of cost or fair value as of the reporting date (see Note 4).

The Corporation will fully charge-off loans or charge down to net realizable value (fair value of collateral, less estimated costs to sell) when:

- A borrower's debt has been discharged in bankruptcy;

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- The collateral in support of the debt has deteriorated and the borrower has no other source of funds to pay down the debt or meet its obligations; and
- Management judges the likelihood of collection (or a portion of collection) as doubtful.

The Corporation sells whole loans, loan participations, and, formerly, interests in collateralized notes which it underwrites. Certain mortgage loans are pledged as collateral for Collateral Trust Notes (CTNs). The Corporation follows the guidance in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 860, *Transfers and Servicing*. Based on this guidance, participations in loans that do not meet the true-sale criteria, in addition to issuances of CTNs, are treated as secured financings for financial reporting purposes. Accordingly, the full amount of the loans with participations and the pledged loans are reflected as assets, the interest thereon is recorded by the Corporation as income, and the participants' share of the loans and the CTNs are reflected as secured borrowings with interest expense recorded by the Corporation on such participations.

(g) Allowance for Loan Losses

The Corporation records an allowance for loan losses for all loans retained on the Consolidated Statements of Financial Position, which include certain loans sold where CPC retains risk of loss. The allowance for loan losses is increased by provisions for loan losses that are charged against earnings and is reduced by net charge-offs and/or reversals, if any, that are credited to earnings. In determining the allowance for loan losses, management considers current business strategies and credit processes, including compliance with guidelines approved by the Board of Directors, with regard to credit limitations, loan approvals, underwriting criteria, and loan workout procedures.

The allowance for loan losses is established based on management's evaluation of the probable inherent losses in the Corporation's portfolio in accordance with GAAP and is comprised of both specific valuation allowances and general valuation allowances.

Specific valuation allowances are established based on management's analysis of individual loans that are considered impaired. A loan is classified as impaired when, based on current information and events, it is probable that the Corporation will be unable to collect both the principal and interest due under the contractual terms of the loan agreement. If a loan is deemed to be impaired, management measures the extent of the impairment and establishes a specific valuation allowance, if any, for that amount. The Corporation generally measures impairment by comparing the loan's outstanding balance to either: (a) present value of expected cash flows, discounted at the loan's effective interest rate; or (b) the fair value of the collateral, less the estimated cost to sell. A specific valuation allowance is established when the present value of the expected cash flows or the fair value of the collateral, net of the estimated costs to sell, is less than the recorded investment in the loan.

All loans that are not subject to specific valuation allowances are segmented into pools of loans with similar characteristics: (a) For Sale Construction Loans; (b) Rental Construction Loans; (c) Permanent Loans and; (d) CTNs. Each loan type, excluding CTNs (CPC bears no risk for CTNs owned by third parties and, accordingly, does not record an allowance for loan losses for such loans), is then sorted by risk rating. CPC uses a 10-level risk rating system. General valuation allowances are established by applying CPC's loan loss provisioning methodology which reflects the inherent risk in outstanding held-for-investment loans considering various quantitative risk factors. Such risk factors include

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historical loan loss experience over a five-year period for each of the major loan categories adjusted by qualitative and economic factors expected to impact estimated credit loss, including, but not limited to:

- Changes in lending policies and procedures, including changes in underwriting standards and collection, charge-off, and recovery practices not considered elsewhere in estimating credit losses;
- Changes in local economic conditions that affect the collectability of the portfolio;
- Changes in the nature and volume of the portfolio;
- Changes in the volume and severity of past due loans and adversely classified loans;
- Changes in the value of underlying collateral for collateral-dependent loans; and
- The existence and changes to any concentrations of credit risk.

Each respective loan loss allowance is reviewed quarterly by management. The level of future changes to the respective loan loss allowance is based on many factors, including certain factors that are beyond management's control, such as changes in economic and local market conditions, declines in real estate values, and increases in vacancy rates and unemployment. Management uses the best available information to recognize losses on loans or to make additions to the allowance for loan losses.

(h) Real Estate Owned

Real estate properties acquired through, or in lieu of, foreclosure are held to be sold or rented and are reported at the lower of cost or fair value, less the estimated selling costs, at the date of acquisition. Cost represents the unpaid balance of the loan at the acquisition date plus the expenses incurred to bring the property to a saleable or rentable condition, when appropriate. Following foreclosure, management periodically performs a valuation of the property and the real estate is carried at the lower of the carrying amount or fair value, less the estimated selling costs. Revenues and expenses from operations and changes in valuation, if any, are included in other revenue or expenses in the Consolidated Statements of Activities. For the year ended June 30, 2021, CPC recognized impairment loss of \$0.2 million related to one of the REO assets. This asset was sold in 2022 for a loss of \$5 thousand. As of June 30, 2022, all remaining four REO assets were sold with losses passed to the participants.

(i) Mortgage Servicing Rights (MSRs)

The value of servicing rights retained from mortgages originated and sold is initially measured at fair value at the date of transfer and subsequently carried at fair value. The Corporation determines the fair value of MSRs on a loan-by-loan basis as the present value of estimated expected future cash flows using a discount rate commensurate with the risks involved. Changes in the fair value of MSRs occur primarily due to the collection of expected cash flows, as well as changes in valuation inputs and assumptions. Changes in fair value are included as servicing fee income in the period in which the change occurs (see Note 9).

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(j) Investments in Unconsolidated Subsidiaries

Unconsolidated subsidiaries include investments over which CPC can exercise significant influence but does not control, and investments over which the Company does not exercise significant influence or control. As of June 30, 2022 and 2021, CPC holds financial interests in seventeen and twelve companies, respectively, owned through its wholly-owned subsidiaries CCA, CPCI, and TRS (see Note 6).

Certain investments are considered to be VIEs for accounting purposes. If the Corporation determines that it is not the primary beneficiary of the investments because the Corporation lacks the power to direct the activities of the VIEs that most significantly impacts its economic performance, consolidation in the Corporation's financial statements is not required. The Corporation's maximum exposure to loss from these investments is limited to its investment in the entities. If the Corporation determines that it does not have a controlling interest, those investments are not VIEs.

Except as noted in Note 2(k), CPC accounts for its investments in unconsolidated subsidiaries over which it can exercise significant influence, but does not control, by using the equity method of accounting whereby the cost of an investment is adjusted for CPC's share of income or loss from the date of acquisition, increased for equity contributions made, and reduced by distributions received. The income or loss for each unconsolidated subsidiary is allocated in accordance with the provisions of the applicable operating agreements, which may differ from the ownership interest held by each investor. The accounting policies of the investments are the same as those followed by the Corporation. The Corporation classifies distributions on the basis of the nature of the activity or activities of the investee that generated the distribution as either a return on investment (classified as a cash inflow from operating activities) or a return of investment (classified as a cash inflow from investing activities).

CPC accounts for its investments in unconsolidated subsidiaries over which it does not exercise significant influence or control, as equity securities in accordance with ASC 825, *Financial Instruments*. Because the investment does not have readily determinable fair value, the Company has elected to measure the investment at cost, less impairment, plus or minus observable price changes. No impairment or observable price changes have been recognized by the Corporation in 2022.

The Corporation's investments in real estate joint ventures are periodically reviewed for impairment. The Corporation records an impairment charge when events or circumstances change indicating that a decline in fair value below carrying value has occurred and such decline is other than temporary.

(k) Investment in Unconsolidated Subsidiaries at Fair Value

CCA adopted fair value accounting for its investments in Pact Renaissance Collaborative LLC (PRC) and in Triboro GP Investor Member LLC ("Triboro"), pursuant to ASC 825, *Financial Instruments*, which allows entities to elect to measure certain financial assets, including equity method investments, at fair value. CCA adopted fair value accounting in order to reflect the value created over the holding period for its investments. The accounting policies of the investments are the same as those followed by the Corporation. Under fair value accounting, CPC adjusts the carrying value of its investments in PRC and Triboro to fair value at each reporting period, records an unrealized gain or loss, and recognizes cash distributions received as distribution income.

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(l) Investments in Securities and Hedge Funds

The Corporation follows ASC 958-320, *Non-for-Profit Entities: Investments - Debt and Equity Securities*, to account for certain investments held by not-for-profit organizations. This guidance requires marketable securities with readily determinable fair values and all investments in debt securities to be reported at their fair values in the Consolidated Statements of Financial Position. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the Consolidated Statements of Activities as an increase or decrease in unrestricted net assets (see Note 8).

The Corporation's investments in hedge funds are measured using net asset value (NAV) per share as a practical expedient and are therefore not categorized within the fair value hierarchy.

(m) Receivables

Receivables are reported net of allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experienced and a review of the current status of account receivable. It is reasonably possible that management's estimate of the allowance will change. There is no allowance recorded as of June 30, 2022 and 2021.

(n) Right of use Assets/Lease Liabilities

The Corporation recognizes right of use assets and lease liabilities on the Consolidated Statements of Financial Position for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognized in the Consolidated Statements of Activities.

(o) Other Assets

Other assets include fixed assets, advances made on behalf of borrowers, prepaid expenses, security deposits and related party loans receivable, net of an allowance for loan losses.

(p) Participants' Deposits

The Corporation has entered into agreements with the New York City Department of Housing Preservation and Development (HPD) whereby HPD has agreed to participate in certain of the Corporation's mortgage loans. In connection with these agreements, HPD deposits funds with the Corporation to be used to fund the HPD commitment to participate in such loans. Under a July 1, 1988 agreement, CPC is required to segregate HPD's deposits for unadvanced loan commitments and the interest earned thereon into a separate account, invested on behalf of HPD in short term investments, with a corresponding liability, until the funds are required to fulfill the HPD commitments or are otherwise used or remitted to HPD. CPC also has similar agreements with other agencies. These balances are reflected as participants' deposits on the Consolidated Statements of Financial Position.

(q) Income Taxes

The Internal Revenue Service has determined that CPC is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. This determination does not, however, apply to any

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net income earned from business which is not directly related to the tax-exempt purpose of CPC. If CPC generates unrelated business net income, such unrelated business net income is subject to tax.

CPC elected to treat TRS as a taxable REIT subsidiary. In general, TRS may perform non-customary services for its tenants and may engage in any real estate or non-real estate related business. TRS will be subject to corporate federal and state income tax.

The Corporation uses a more-likely-than-not threshold for recognition and de-recognition of tax positions taken or to be taken in a tax return. In accordance with ASC 740, *Income Taxes*, the Corporation assessed its tax positions for all open tax years as of June 30, 2022, which are from July 1, 2018 through June 30, 2021. The Corporation concluded that it had no material uncertain tax positions to be recognized at this time. If there are interest and penalties on tax positions, the Corporation's policy is to classify these as other expenses.

The Funds may be subject to certain local taxes. The City of New York levies an Unincorporated Business Tax (UBT) on certain income of the Funds and its subsidiaries.

(r) Other Liabilities

Other liabilities include amounts due to noteholders, interest payable, and accrued payroll.

(s) Accounting for Guarantees

The Corporation discloses its obligations under guarantees issued. The Corporation recognizes, at the inception of the guarantee, a liability for the fair value of the obligation undertaken and adjusts its obligation each reporting period to its estimated fair value. No amounts have been accrued as a loss contingency related to guarantees made to equity method investments because payment by the Corporation is remote as of June 30, 2022 and 2021.

(t) Income Recognition

Interest on loans is accrued monthly based on the daily outstanding principal balance of such loans. The Corporation ceases to accrue interest income on specific loans for financial reporting purposes when required payments of principal and/or interest is more than 90 days past due. The Corporation also ceases to accrue interest income for certain loans prior to 90 days in which a specific loan loss reserve has been established. In such circumstances, the Corporation also reverses any previously recorded unpaid interest.

Servicing fee income on loans serviced by the Corporation is accrued monthly as earned based on the outstanding principal balances of such loans or on the aggregate amount of unadvanced deposits made by one participating lender to fund their share of construction loan commitments, or both, as applicable.

Commitment fees are collected principally to offset the Corporation's costs of originating first mortgage loans. Commitment fees are recognized as income when received and direct loan commitment costs are expensed as incurred. GAAP requires that commitment fees in excess of direct loan commitment costs, if any, be deferred and amortized as an adjustment to yield over the life of the

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loan. Recognizing the income and expense as earned and incurred is not materially different from the results that would have been obtained by deferring the net fees and amortizing over the life of the loan.

Grant revenue is recognized as the related costs are incurred by the Corporation or when a donor makes a promise to give that is, in substance, unconditional. Grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with grantor-imposed restrictions. Grants received in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying Consolidated Statements of Activities.

(u) Depreciation and Amortization

Debt issuance costs associated with credit facilities and the related amortizing debt are amortized on the straight-line and effective yield methods, respectively. Amortization of these costs is included as a component of interest expense.

Office furniture and equipment, computer equipment, and automobiles, which are included in other assets in the accompanying Consolidated Statements of Financial Position, are depreciated using the straight-line method over their estimated useful lives which range from five to eight years. Purchased computer software is depreciated over five years. Leasehold improvements are amortized over the life of the related leases.

(v) Impairment

The Corporation follows ASC 360, *Property Plant, and Equipment*, which requires that long-lived assets to be held and used be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If there are indications that the carrying amount of an asset exceeds the sum of its expected future cash flows, on an undiscounted basis, the asset's carrying amount is written down to fair value. Additionally, long-lived assets to be disposed of are reported at the lower of carrying amount or fair value, less cost to sell.

The Corporation's investments in real estate assets are reviewed for impairment if events or changes indicate that a decline in the fair value of the investment may be other than temporary. If a decline is deemed other than temporary, the investment is written down to its fair value.

(w) Fair Value Measurements and Disclosures of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Corporation uses the most observable inputs from a hierarchy of inputs that are available to measure fair value. Observable inputs are inputs that are developed using market data, such as publicly available information about actual events or transactions and that reflect the assumptions that market participants would use when pricing the asset or liability. Unobservable inputs are inputs for which market data are not available and that are developed using the best information available about the assumptions that market participants would use when pricing the asset or liability.

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The hierarchy has three levels based on the nature of inputs:

- Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that the Corporation has the ability to access at the measurement date.
- Level 2 - Valuations based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 - Valuations derived from other valuation methodologies, including pricing models, discounted cash flow models, and similar techniques and not based on market, exchange, dealer, or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections that are not observable in the market and significant professional judgment in determining the fair value assigned to such assets and liabilities.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. These fair value measurements are based primarily upon judgmental estimates and are based on the current economic and competitive environment, the characteristics of the investment, credit, interest, and other factors. Therefore, the fair value cannot be determined with precision, cannot be substantiated by comparison to the quoted prices in active markets, and may not be realized in a current sale or immediate settlement of the asset and/or liability. Additionally, there are inherent uncertainties in any fair value measurement technique and changes in the underlying assumptions used, including discount rates, liquidity risk, and estimates of future cash flows, which could significantly affect the fair value measurement amounts.

The Corporation follows the fair value basis of accounting in relation to its investment in unconsolidated subsidiary at fair value (see Note 7), investments in securities and hedge funds (see Note 8), and MSRs (see Note 9).

Fair values of financial assets measured at fair value on a recurring basis at June 30, 2022 and 2021 are as follows (\$000s):

June 30, 2022	Level 1	Level 2	Level 3	Total
Financial assets:				
Investment in UIP	\$ 115,189	\$ -	\$ -	\$ 115,189
Investment in other securities	63,706	-	-	63,706
Investment in unconsolidated subsidiaries at fair value	-	-	60,144	60,144
Mortgage servicing rights	-	-	41,071	41,071
Total assets	<u>\$ 178,895</u>	<u>\$ -</u>	<u>\$ 101,215</u>	<u>\$ 280,110</u>

June 30, 2021	Level 1	Level 2	Level 3	Total
Financial assets:				
Investment in UIP	\$ 132,833	\$ -	\$ -	\$ 132,833
Investment in other securities	66,835	-	-	66,835
Investment in unconsolidated subsidiaries at fair value	-	-	35,267	35,267
Mortgage servicing rights	-	-	42,380	42,380
Total assets	<u>\$ 199,668</u>	<u>\$ -</u>	<u>\$ 77,647</u>	<u>\$ 277,315</u>

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(Note that the Corporation's investment in hedge funds (\$18.2 million and \$17.9 million, respectively) are measured using NAV per share as a practical expedient and are therefore not categorized within the fair value hierarchy).

(x) Functional Expenses

Functional expenses are reported by their functional classification. Salaries and benefits are allocated based on employees' direct time spent on program or support activities or the best estimate of time spent. Occupancy expenses are allocated based on the number of full-time equivalents in the program or support activity. Expenses, other than salaries and benefits and occupancy expense, which are not directly identifiable by program or support services, are allocated based on the nature of the expense.

(y) Statement of Cash Flows

For presentation in the Consolidated Statements of Cash Flows, the Corporation considers balances held as required by certain investors to be qualifying restricted cash. The following table presents a reconciliation of the total of cash, cash equivalents, restricted cash, and restricted cash equivalents as presented in the Consolidated Statements of Cash Flows to the related captions in the Consolidated Statements of Financial Position as of June 30, 2022 and 2021 (\$000s):

	2022	2021
Cash and cash equivalents	\$ 22,615	\$ 19,746
Restricted cash and restricted cash equivalents	10,404	11,728
	\$ 33,019	\$ 31,474

(z) New Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses (Subtopic 326); in November 2018, the FASB issued ASU 2018-19, Codification Improvements to Topic 326, Financial Instruments – Credit Losses; and in November 2019, the FASB issued ASU 2019-10, Financial Instruments – Credit Losses (Topic 326), and Derivatives and Hedging (Topic 815), and Leases (Topic 842) Effective Dates. The guidance in ASU 2016-13 changes the methodology for measuring credit losses on financial instruments and the timing of when such losses are recorded, eliminating the probable recognition threshold and broadening the information to consider past events, current conditions, and forecasted information in estimating credit losses. ASU 2018-19 updated the effective date for guidance in ASU 2016-13 to fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. ASU 2019-10 further updated the effective date for guidance in ASU 2016-13 to fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Corporation is currently evaluating the impact of the new guidance.

(3) Lending Overview

CPC operates both a construction lending and a permanent lending platform. Mortgage loans are provided for the acquisition, refinancing, and/or moderate rehabilitation of occupied multifamily properties,

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conversion/renovation of vacant buildings into habitable multifamily properties (“gut” renovation), and new construction of multifamily properties.

Construction Lending

Construction loans extended by CPC are made to finance or refinance the acquisition of land or an existing improved site, as well as the development and construction of new improvements or the renovation or rehabilitation of existing improvements. Proceeds generated by the sale or re-financing of a development project upon its completion and stabilization represent the typical source of loan repayment. A construction loan is secured by the property and typically has a term of 24 months. Projects financed with a construction loan provided by CPC must be ready for development, construction, and/or renovation prior to closing. In addition, the development site in question must include access to all necessary utilities, and all requisite entitlements, zoning, and permits must be in place at the time of loan closing.

CPC primarily funds its construction loans with two syndicated lines of credit totaling \$485.5 million (structured as a repurchase agreement) that is agented by Citibank and comprised of 14 lenders (see Note 10). CPC is also able to increase its breadth of lending by accessing additional capital by using participation agreements from banking institutions with whom CPC has long-standing relationships to invest their capital in CPC’s construction loans. CPC’s loans are also funded by public capital made available by HPD, New York City Housing Development Corporation (HDC), and New York State Homes and Community Renewal (HCR) through these entities’ various affordable housing debt programs.

CPC plays a critical role in construction loan structuring and loan administration. Loans are structured through the combination of various private and public sources of funds to cover the project costs. CPC then oversees construction completion and administers the construction loan through repayment, which includes the additional private and public sources of funds committed to the project.

CPC mitigates risk in its construction portfolio through four strategic methods including: (1) Its underwriting standards; (2) A formal mortgage loan approval and closing process; (3) The portfolio monitoring function and portfolio management team; and (4) Deal structure to include a forward-committed product.

Bank-like underwriting standards are governed by CPC’s Credit Policy Manual to foster a strong and uniform credit-based framework to govern the organization’s lending activities and the management of its loan portfolios.

CPC mitigates both take-out and rate risk through its forward-committed rate-locked products. A forward-commitment product is offered by CPC’s permanent investors including New York City Retirement System (NYCRS), Common Retirement Fund (CRF), United Methodist Foundation (UMF), Freddie Mac, and Fannie Mae. Both a construction and a permanent loan are underwritten, approved, and committed simultaneously.

Permanent Lending

Permanent loans are made to refinance construction loans that CPC originates and to finance or refinance the purchase and long-term ownership of operating properties. The income generated by a property’s operation represents the source of cash utilized to meet the payment obligations of the associated loan. A permanent loan typically is self-amortizing and can have a term of up to 40 years, or can have a specified

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term with a balloon payment based on a 20- to 35-year amortization schedule. CPC provides permanent loans as an agent for third parties.

CPC has a suite of products that provide CPC's partners and borrowers with the tools necessary to preserve affordable housing units long-term. Permanent loan products consist of a Forward-Committed Rate Lock, Non-Agency Permanent loans, Freddie Mac loans, Fannie Mae loans, and FHA loans. Transactions often include additional capital sources, including federal, state, and city subsidies and low-income housing tax credits (LIHTC). CPC's permanent loans are underwritten in accordance with standard underwriting guidelines specific to each investor and pursuant to CPC's Credit Policy Manual.

CPC's permanent loans are primarily funded through diverse sources of capital that include two warehouse lines up to \$280.0 million (see Note 10) which temporarily finance loans until sale to the pension funds of certain public employees and other institutions (collectively, the Pension Funds) or the Agencies (see Note 10). CPC has over \$1.5 billion in committed capital from its various Pension Fund partners. CPC's available capital for its product is subject only to the Agencies' capacities.

(4) Investment in Mortgage Loans

(a) Construction Mortgage Loans

Construction loans are primarily on multifamily projects being developed or rehabilitated for rental or sale as individual units by the borrower. CPC has received conditional commitments from its financing sources to purchase approximately 70% and 80% as of June 30, 2022 and 2021, respectively, of its construction loans for rental projects after they are converted to permanent mortgages, upon completion of administrative and other requirements (see Note 14).

CPC has sold loan participations in some of its construction loans to third-party financial institutions that have restrictions on the further transfer or resale of these loans by the acquirer. GAAP requires that the participated portions of these loans be retained on the Consolidated Statements of Financial Position as investment in mortgage loans due to these restrictions ("Participation Loans"). The sales proceeds associated with these loans are reported in liabilities as participations payable in the accompanying Consolidated Statements of Financial Position. The construction loan participations payable bear interest at a weighted average rate of 0.33% and 0.58% as of June 30, 2022 and 2021, respectively, and the related interest is reflected as interest on loan participations in the accompanying Consolidated Statements of Activities.

CPC sells loan participations of its construction and permanent mortgage loans both on an individual basis and on a pooled basis with third-party financial institutions (Top Loss Participations). CPC generally bears no risk of loss on individually participated loans; therefore, such risk is generally passed through to the participant institutions on a pari-passu basis. CPC generally retains first risk of loss on the Top Loss Participations. A summary of construction loans indicating CPC share and participated amounts follows.

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(b) Permanent Mortgage Loans

Permanent mortgage loans are on completed multifamily projects and generally require the borrower to make monthly combined payments of interest and principal in a level amount until maturity. Permanent mortgage loans are normally held by the Corporation after they are converted from construction loans, pending the completion of certain administrative and other requirements, at which point the loans are held for sale or participation. Loans held for sale are reflected at the lower of cost or fair value, which is determined on an individual asset basis, in the accompanying Consolidated Statements of Financial Position. Loans held for sale as of June 30, 2022 and 2021 were approximately \$27.7 million and \$56.4 million, respectively.

Some permanent mortgage loans are pledged as security for the CTNs and participations in certain permanent mortgage loans have been sold to third-party financial institutions that have restrictions on the further transfer or resale of these loans by the acquirer. These loans are accounted for as Participation Loans. CPC bears no risk on such loans and, accordingly, does not record an allowance for loan losses on such loans. A summary of permanent loans indicating CPC share and participated amounts follows.

In addition, MoCo is a mortgage originator and seller/servicer for various Freddie Mac programs. As a seller/servicer for Freddie Mac's Small Balance Loan (SBL) program, MoCo is required to retain risk exposure for performance of the loans until securitization. CPC retains the risk of repurchase on Freddie Mac SBL loans during the period from purchase by Freddie Mac until securitization or one year, whichever is shorter. Accordingly, CPC records allowance for loan losses on SBLs during that period. A summary of Freddie Mac loans prior to securitization follows.

The permanent loan participations payable bear interest at a weighted average rate of 5.93% and 4.41% as of June 30, 2022 and 2021, respectively, and are reflected as interest on participations payable in the accompanying Consolidated Statements of Activities.

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The following is a summary of mortgage loans as of June 30, 2022 and 2021 (\$000s):

June 30, 2022	Number of Loans	CPC Share	Participant Share *	Total
Construction loans:				
<i>Rental project:</i>				
CPC wholly-owned	118	\$ 343,788	\$ -	\$ 343,788
Top loss participations	1	537	1,606	2,143
Pari-passu participation	19	66,584	280,560	347,144
Total rental properties	<u>138</u>	<u>410,909</u>	<u>282,166</u>	<u>693,075</u>
<i>For Sale Project:</i>				
CPC wholly-owned	2	4,022	-	4,022
Pari-passu participation	1	1,457	7,144	8,601
Total for sale projects	<u>3</u>	<u>5,479</u>	<u>7,144</u>	<u>12,623</u>
Total construction loans	<u>141</u>	<u>416,388</u>	<u>289,310</u>	<u>705,698</u>
Permanent loans:				
Mortgage loans	189	36,301	3,528	39,829
Freddie Mac loans prior to securitization	11	-	20,593	20,593
Pledged under collateral trust notes	73	33	21,792	21,825
Sold with 3% risk retained	6	80	4,049	4,129
Total permanent loans	<u>279</u>	<u>36,414</u>	<u>49,962</u>	<u>86,376</u>
Investment in construction and mortgage loans	420	452,802	339,272	792,074
Allowance for loan losses		(13,825)	(802)	(14,627)
Investment in mortgage loans, net		<u>\$ 438,977</u>	<u>\$ 338,470</u>	<u>\$ 777,447</u>
June 30, 2021	Number of Loans	CPC Share	Participant Share *	Total
Construction loans:				
<i>Rental project:</i>				
CPC wholly-owned	65	\$ 323,940	\$ -	\$ 323,940
Top loss participations	1	410	1,606	2,016
Pari-passu participation	59	54,166	178,156	232,322
Total rental properties	<u>125</u>	<u>378,516</u>	<u>179,762</u>	<u>558,278</u>
<i>For Sale Project:</i>				
CPC wholly-owned	4	4,790	-	4,790
Pari-passu participation	2	3,065	12,740	15,805
Total for sale projects	<u>6</u>	<u>7,855</u>	<u>12,740</u>	<u>20,595</u>
Total construction loans	<u>131</u>	<u>386,371</u>	<u>192,502</u>	<u>578,873</u>
Permanent loans:				
Mortgage loans	168	19,323	3,959	23,282
Freddie Mac loans prior to securitization	14	-	47,603	47,603
Pledged under collateral trust notes	99	35	28,163	28,198
Sold with 3% risk retained	6	85	4,311	4,396
Total permanent loans	<u>287</u>	<u>19,443</u>	<u>84,036</u>	<u>103,479</u>
Investment in construction and mortgage loans	418	405,814	276,538	682,352
Allowance for loan losses		(13,258)	(601)	(13,859)
Investment in mortgage loans, net		<u>\$ 392,556</u>	<u>\$ 275,937</u>	<u>\$ 668,493</u>

*Represents the portion of loans transferred to participants that have not met the requirements of true sale accounting

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The Corporation had obligations to fund loan commitments on 207 loans totaling \$242.7 million at June 30, 2022 and 196 loans totaling \$243.3 million at June 30, 2021. The weighted average interest rate on construction loans for the years ended June 30, 2022 and 2021 was 5.42% and 5.01%, respectively. Construction loans require the borrower to pay interest at a floating rate of interest on the outstanding balances, with principal due at maturity or, in the case of for sale projects, upon sale of residential units in the project. The weighted average interest rate on permanent loans for the years ended June 30, 2022 and 2021 was 4.29% and 4.01%, respectively.

(c) Allowance for Loan Losses

The Corporation maintains an allowance for loan losses on the construction and permanent mortgage loan portfolio at a level which, in management's judgment, is adequate to reflect potential losses which may result from known adverse conditions affecting the ability of the Corporation's borrowers to meet their obligations.

There are significant risks associated with the financing of multifamily residential construction projects, which increase or decrease as a result of changes in general economic or other conditions affecting the Corporation's borrowers. In addition to national or local general economic conditions, the ability of the Corporation's borrowers to meet their obligations depends on, among other things, their ability to: (i) complete construction work on a timely basis, within acceptable standards and at the estimated cost; (ii) successfully lease up rental projects and obtain any required rent subsidies and/or real estate tax abatements from governmental sources; and (iii) successfully market condominium or cooperative housing units or, alternatively, convert them to rental units at rates which support debt service.

Management actively monitors market conditions, as well as borrower and loan portfolio performance, in order to evaluate the expected performance of its loans. However, it is possible that future recoverable values may be less than estimated, the economic environment could worsen, and loan delinquencies could increase, thereby requiring an increase in the allowance for loan losses.

The following table presents information regarding the payment status of CPC's and participants' loans at June 30, 2022 and 2021 (\$000s):

June 30, 2022		<u>30-89 Days DO -</u>	<u>30-89 Days DO -</u>	<u>90+ Days DO -</u>	<u>90+ Days DO -</u>	<u>Total DO Loans</u>	<u>Total Current</u>	<u>Total Loan</u>
		<u>CPC</u>	<u>Participant</u>	<u>CPC</u>	<u>Participant</u>		<u>Loans</u>	<u>Portfolio</u>
Construction Loan	\$	2,420	\$ 50,818	\$ 14,240	\$ 37,845	\$ 105,323	\$ 600,377	\$ 705,700
Permanent Loans		20	4,319	65	767	5,171	81,203	86,374
	\$	<u>2,440</u>	<u>\$ 55,137</u>	<u>\$ 14,305</u>	<u>\$ 38,612</u>	<u>\$ 110,494</u>	<u>\$ 681,580</u>	<u>\$ 792,074</u>
June 30, 2021		<u>30-89 Days DO -</u>	<u>30-89 Days DO -</u>	<u>90+ Days DO -</u>	<u>90+ Days DO -</u>	<u>Total DO Loans</u>	<u>Total Current</u>	<u>Total Loan</u>
		<u>CPC</u>	<u>Participant</u>	<u>CPC</u>	<u>Participant</u>		<u>Loans</u>	<u>Portfolio</u>
Construction Loan	\$	2,395	\$ 10,282	\$ 29,208	\$ 11,558	\$ 53,443	\$ 525,430	\$ 578,873
Permanent Loans		-	22	172	4,983	5,177	98,302	103,479
	\$	<u>2,395</u>	<u>\$ 10,304</u>	<u>\$ 29,380</u>	<u>\$ 16,541</u>	<u>\$ 58,620</u>	<u>\$ 623,732</u>	<u>\$ 682,352</u>

There were no loans older than 90 days that were still accruing interest during the years ended June 30, 2022 and 2021. The balance of non-accrual loans (i.e., loans that are delinquent in the above table

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plus loans that are risk-rated 9 (see Note 2(g)) was \$33.2 million and \$33.8 million at June 30, 2022 and 2021, respectively.

Management monitors credit quality as indicated and utilizes such information in evaluating the appropriateness of the allowance for loan losses. Generally, loans are subject to individual risk assessment using CPC's internal borrower and collateral quality ratings. Loans are segmented by loan type as for sale construction, rental construction, permanent, CTN loans, and net asset initiatives. CPC's risk ratings are assigned to either Pass or Criticized categories. The Criticized category includes special mention, substandard, and substandard nonaccrual categories. The following table provides a breakdown of outstanding loans by risk category (\$000's):

June 30, 2022	For Sale		Rental		Perm		Total	
	CPC	Participation	CPC	Participation	CPC	Participation	CPC	Participation
By risk category:								
Pass	\$ 5,479	\$ 7,144	\$ 355,186	\$ 256,301	\$ 36,414	\$ 49,960	\$ 397,079	\$ 313,405
Criticized	-	-	55,724	25,867	-	-	55,724	25,867
	<u>\$ 5,479</u>	<u>\$ 7,144</u>	<u>\$ 410,910</u>	<u>\$ 282,168</u>	<u>\$ 36,414</u>	<u>\$ 49,960</u>	<u>\$ 452,803</u>	<u>\$ 339,272</u>

June 30, 2021	For Sale		Rental		Perm		Total	
	CPC	Participation	CPC	Participation	CPC	Participation	CPC	Participation
By risk category:								
Pass	\$ 7,855	\$ 12,740	\$ 353,762	\$ 165,136	\$ 19,378	\$ 84,070	\$ 380,995	\$ 261,946
Criticized	-	-	24,755	14,626	30	-	24,785	14,626
	<u>\$ 7,855</u>	<u>\$ 12,740</u>	<u>\$ 378,517</u>	<u>\$ 179,762</u>	<u>\$ 19,408</u>	<u>\$ 84,070</u>	<u>\$ 405,780</u>	<u>\$ 276,572</u>

As noted in Note 2(g), CPC's allowance for loan losses is established based on management's evaluation of the probable inherent losses in the Corporation's portfolio in accordance with GAAP and is comprised of both specific valuation allowances (i.e., loans evaluated individually for impairment) and general valuation allowances (i.e., loans evaluated collectively for impairment).

The following tables provide additional information regarding CPC's allowance for loan losses, based upon the method of evaluating loan impairment (\$000s):

Loans at June 30, 2022	Individually		Evaluated for Impairment Collectively		Total	
	Unpaid Principal	Allowance	Unpaid Principal	Allowance	Unpaid Principal	Allowance
	Construction loans	\$ 23,528	\$ (1,188)	\$ 678,150	\$ (4,341)	\$ 701,678
Construction loans - Grants	4,020	(4,020)	-	-	4,020	(4,020)
Permanent loans	307	(91)	82,069	(987)	82,376	(1,078)
Permanent loans - Grants	4,000	(4,000)	-	-	4,000	(4,000)
	<u>\$ 31,855</u>	<u>\$ (9,299)</u>	<u>\$ 760,219</u>	<u>\$ (5,328)</u>	<u>\$ 792,074</u>	<u>\$ (14,627)</u>

Loans at June 30, 2021	Individually		Evaluated for Impairment Collectively		Total	
	Unpaid Principal	Allowance	Unpaid Principal	Allowance	Unpaid Principal	Allowance
	Construction loans	\$ 18,995	\$ (900)	\$ 555,859	\$ (3,793)	\$ 574,854
Construction loans - Grants	4,018	(4,018)	-	-	4,018	(4,018)
Permanent loans	815	(491)	98,665	(658)	99,480	(1,149)
Permanent loans - Grants	4,000	(4,000)	-	-	4,000	(4,000)
	<u>\$ 27,828</u>	<u>\$ (9,409)</u>	<u>\$ 654,524</u>	<u>\$ (4,451)</u>	<u>\$ 682,352</u>	<u>\$ (13,860)</u>

Interest income recognized on loans individually evaluated for impairment (also referred to as impaired loans), which was not materially different from cash-basis interest income, was \$0.7 million and \$2.2 million, respectively, during the years ended June 30, 2022 and 2021. The Corporation's

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average investment in impaired loans for the years ended June 30, 2022 and 2021 is \$27.2 million and \$34.6 million, respectively. The Corporation's recorded investment in impaired loans as of June 30, 2022 and 2021 is \$17.3 million and \$18.4 million, respectively.

The following table presents additional information regarding the Corporation's impaired loans at June 30, 2022 and 2021 (\$000s):

	<u>June 30, 2022</u>		<u>June 30, 2021</u>	
	<u>Unpaid principal</u>	<u>Related allowance</u>	<u>Unpaid principal</u>	<u>Related allowance</u>
Impaired with no allowance				
Construction loans	\$ 8,806	\$ -	\$ 4,401	\$ -
Permanent loans	-	-	-	-
	<u>\$ 8,806</u>	<u>\$ -</u>	<u>\$ 4,401</u>	<u>\$ -</u>
Impaired loans with allowance				
Construction loans	\$ 18,741	\$ 5,208	\$ 18,612	\$ 4,918
Permanent loans	4,307	4,091	4,815	4,490
	<u>\$ 23,048</u>	<u>\$ 9,299</u>	<u>\$ 23,427</u>	<u>\$ 9,408</u>
Total impaired loans				
Construction loans	\$ 27,547	\$ 5,208	\$ 23,013	\$ 4,918
Permanent loans	4,307	4,091	4,815	4,490
	<u>\$ 31,854</u>	<u>\$ 9,299</u>	<u>\$ 27,828</u>	<u>\$ 9,408</u>

At June 30, 2022 and 2021, the allowance for loan losses relating to loans sold to pari-passu loan participants was \$0.8 million and \$0.6 million, respectively. At June 30, 2021, construction and permanent loans in the process of foreclosure totaled \$0.3 million. There are no construction and permanent loans in the process of foreclosure at June 30, 2022.

For the years ended June 30, 2022 and 2021, the allowance for loan losses includes reserves for loans funded through grants to CPC and are expected to be forgiven at maturity. Such reserves are related to loans that are individually evaluated for impairment. The Corporation's policy is to fully reserve for the outstanding principal balance of such loans. At June 30, 2022 and 2021, the allowance for loan losses related to grants was \$8.0 million and \$8.0 million, respectively.

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The following table summarizes activity in the allowance for loan losses for the years ended June 30, 2022 and 2021 (\$000s):

	2022	2021
Balance, beginning of the year	\$ 13,859	\$ 21,964
Provision for loan losses	1,118	969
Provision for loan losses (grants)	144	1,218
Charge-offs	(494)	(10,292)
Balance, end of the year	\$ 14,627	\$ 13,859

Charge-offs represent reductions in the allowance for loan losses that can arise from either forgiveness of debt related to a fully reserved loan funded through a grant to CPC or a loss experienced by CPC. Charge-offs of \$0.4 million and 10.2 million relating to grant debt forgiveness were recorded in the years ended June 30, 2022 and 2021, respectively.

(d) Troubled Debt Restructurings

Troubled debt restructurings (TDRs) are loan modifications or restructurings where CPC grants a concession to a borrower experiencing financial difficulty. Loans modified in TDRs are placed on nonaccrual status until CPC determines that future collection of principal and interest is reasonably assured, which generally requires that the borrower demonstrate performance according to the restructured terms for a period of at least six months. Loans modified in TDRs are considered impaired loans. The Corporation does not consider extension of construction loans in and of itself to be a TDR.

During the year ended June 30, 2022, the Corporation forgave \$1.1 million default interest on a construction loan with an unpaid principal balance of \$5.2 million accounted for this modification as a TDR. No loans were accounted for as TDRs during the year ended June 30, 2021. For the years ended June 30, 2022 and 2021, no loans were converted to real estate owned. For the years ended June 30, 2022 and 2021, no loans with debt forgiveness resulted in principal losses.

The eligibility of a borrower for work-out concessions of any nature depends upon the facts and circumstances of each transaction, which may change from period to period, and involve judgment by CPC's personnel regarding the likelihood that the concession will result in the maximum recovery for the Corporation.

(5) Liquidity

Cash account balances, net of outstanding checks, for the operating and lending accounts are reviewed daily by cash management and finance staff, as well as by management. In addition, management reviews a monthly cash flow trend analysis and a forecast of upcoming cash needs to determine opportunities for investment, sufficiency for repayments on credit facilities, and the need for constriction of vendor payments.

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Financial assets available for general expenditure within one year of the consolidated statements of financial position date consist of the following as of June 30, 2022 (\$000s):

Cash and cash equivalents	\$	22,615
Receivable, net		4,400
Unrestricted investment in securities and hedge funds		133,347
	<u>\$</u>	<u>160,362</u>

The Corporation has the ability to ensure that its financial assets are available as general expenditures and other obligations come due. Cash in excess of daily requirements is invested either in short-term, interest-bearing accounts or in the UIP (see Note 8(a)), or is utilized as a voluntary paydown on the New SPE1 facility (see Note 10(a)).

Additionally, the Corporation has access to an uncommitted, on-demand line of credit (up to \$60.0 million), as discussed in Note 10(d), as well as the New SPE1 voluntary pay downs (\$117.4 million), as discussed in Note 10(a), to fund working capital and other business needs. At June 30, 2022 and 2021, the Corporation drew \$30.0 million and \$15.0, respectively, on the on-demand line of credit.

(6) Investment in Unconsolidated Subsidiaries

A summary of the investments in unconsolidated entities as of June 30, 2022 and 2021, and equity in net earnings of unconsolidated subsidiaries for the years then ended are as follows (\$000s):

	% of ownership	2022		2021	
		Investment balance	Equity in net income	Investment balance	Equity in net income
<u>TRS</u>					
Soundview Family Housing Managers, LLC	33.3%	\$ 615	\$ 123	\$ 560	\$ 105
Soundview Senior Housing Managers, LLC	33.3%	22	-	22	205
<u>CCA</u>					
Charlotte Square Apartments LLC	30.0%	217	91	264	(78)
320 Sterling LLC	10.9%	-	52	16	(10)
Riverdale Osborne Towers Venture LLC	49.0%	4,762	1,737	4,407	1,251
Xenolith CCA ENY Partners LLC	90.0%	1,080	-	1,078	-
St. Ann's JV LLC	90.0%	654	(314)	968	(121)
Xenolith HH LLC	50.0%	245	-	275	-
The Rise Xenolith CCA LLC	90.0%	843	-	283	-
Equitable Housing Solutions Fund I, LP	6.1%	645	-	-	-
L+M Workforce Housing Fund II, LP	subscription based	1,673	-	-	-
<u>CPCI</u>					
CAPC USA Fund LLC	55.0%	2,157	571	1,410	-
Bright Power, Inc.	subscription based	500	-	-	-
CPC-TruFund Bipoc Developers Equity Fund LLC	50.0%	500	-	-	-
Total		<u>\$ 13,913</u>	<u>\$ 2,260</u>	<u>\$ 9,283</u>	<u>\$ 1,352</u>

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Summarized combined unaudited financial information related to the Corporation's investments in unconsolidated subsidiaries as of June 30, 2022 and 2021 and for the years then ended is as follows (\$000s):

	June 30, 2022	June 30, 2021
Total Assets	\$ 164,991	\$ 147,950
Total Liabilities	\$ 120,579	\$ 109,474
Partner's Equity	44,412	38,476
Total Liabilities and Partner's Equity	\$ 164,991	\$ 147,950
Total Revenue	\$ 21,104	\$ 21,217
Total Expense	17,776	16,372
Net Income	\$ 3,328	\$ 4,845

(7) Investment in Unconsolidated Subsidiaries at Fair Value

(a) PRC

The Corporation holds a 50% interest in PRC Community JV, LLC, an entity formed to hold an investment in PRC. PRC was formed to hold a leasehold interest in a portfolio of properties located throughout Manhattan, containing 1,718 residential apartments, as well as commercial space. The Corporation acquired its interest during the year ended June 30, 2021 with an equity investment of \$13.7 million and recorded an unrealized gain of \$21.5 million. The Corporation recorded an additional unrealized gain of \$7.0 million on its investment in PRC during the year ended June 30, 2022.

The fair value of the Corporation's equity interest is determined via the cash flow and capital distribution provisions per the applicable joint venture operating agreement based on a "hypothetical sale" analysis of the underlying asset, as of the date of value. The valuation considers other factors such as ownership percentage, ownership rights, buy/sell agreements, distribution provisions, and capital call obligations. The values of the underlying leasehold interest have been prepared using the income approach of estimating property value. The income approach is a process in which the anticipated flow of future benefits is discounted to a present worth through the capitalization process. There are two primary income capitalization methods: direct capitalization, which converts a single year's stabilized net operating income into an indication of value, and the yield capitalization via the discounted cash flow analysis, which estimates the present worth through the process of discounting the forecasted net incomes and the reversionary sale over the course of an anticipated investment period. The Corporation's analysis uses the direct capitalization in the valuation of the subject property.

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Significant unobservable inputs used in determining the fair value of the investment are:

	<u>2022</u>	<u>2021</u>
Overall capitalization rate on cash flows for subject property	5.75%	5.5%
Noncontrolling interest discount	10%	10%

Summarized unaudited financial information related to the Corporation's investment as of and for the year then ended June 30, 2022 and the period November 2020 through June 30, 2021 is as follows (\$000s):

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Total Assets	\$ 419,293	\$ 413,239
Total Liabilities	\$ 391,957	\$ 375,790
Partner's Equity	27,336	37,449
Total Liabilities and Partner's Equity	\$ 419,293	\$ 413,239
Total Revenue	\$ 35,863	\$ 20,485
Total Expense	44,135	16,771
Net (Loss) Income	\$ (8,272)	\$ 3,714

(b) Triboro

The Corporation holds a 50% interest in Triboro GP Investor Member LLC, an entity formed to hold investments in a portfolio of properties located across the Bronx, Brooklyn and Manhattan. The portfolio consists of 10 LIHTC properties containing approximately one thousand residential apartments. The properties were developed between 2011 and 2016 and will reach the end of their compliance periods between 2026 and 2031. The Corporation acquired its interest during the year ended June 30, 2022 with an equity investment of \$15.2 million and recorded gain of 2.6 million.

The fair value of the Corporation's equity interest (the "Interest") is determined using a discounted cash flow method applied directly to the Interest based on the operating cash flow distribution provisions pursuant to the applicable joint venture operating agreement. The method estimates the present value through the process of discounting the Interest's expected distributions of cash flow from operations of the underlying properties and their terminal value. The terminal value to the Interest is estimated based on the capitalization of normalized cash flow distributions from the expected continued operation. The following factors were considered in determining an appropriate discount rate applicable to the Interest: property risk, property leverage, the Interest's lack of control over decisions of the real estate holding partnership and intermediary entities, and the lack of marketability of the Interest.

Significant unobservable inputs used in determining the fair value of the investment are:

Discount rate	7.75%
Capitalization rate for reversionary sale	5%

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Summarized unaudited financial information related to the Corporation's investment as of June 30, 2022 and for the year then ended is as follows (\$000s):

Total Assets		\$ 226,957
		<u> </u>
Total Liabilities		\$ 109,544
Partner's Equity		117,413
Total Liabilities and Partner's Equity		\$ 226,957
		<u> </u>
Total Revenue		\$ 5,891
Total Expense		8,202
Net Loss		\$ (2,311)
		<u> </u>

(8) Investment in Securities and Hedge Funds

(a) Unrestricted Investment Portfolio

In August 2019, CPC set up an Unrestricted Investment Portfolio (UIP) of \$115.0 million. Given the size of the portfolio, CPC engaged the Endowments and Foundations division of Citibank's Private Bank as investment advisors, to advise on and implement the approved investment strategy for these funds. The allocation of these funds is governed by a CPC Board-approved Investment Policy Statement in accordance with New York State law.

At June 30, 2022 and 2021, the UIP is valued at \$136.2 million and \$154.4 million, respectively, and includes \$133.3 million and \$151.0 million, respectively, in securities and \$2.9 million and \$3.4 million in cash, respectively. Securities are carried at fair value and consist of the following as of June 30, 2022 and 2021 (\$000s):

	2022	2021
Fixed income	\$ 24,787	\$ 25,756
Equities	86,968	107,077
Hedge Funds	18,159	17,930
Opportunistic	3,433	-
	<u>\$ 133,347</u>	<u>\$ 150,763</u>

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The following is a summary of the hedge fund investments whose NAV approximates fair value and the expected liquidation periods associated with each major category at June 30, 2022 (\$000s):

<u>Description</u>	<u>Ending balance</u>	<u>Redemption frequency</u>	<u>Redemption period notice</u>
Equity Long/Short	\$ 3,788	Monthly; Quarterly	60 days
Event-Driven/Credit	6,307	Monthly; Quarterly	60 - 95 days
Multi-Strategy and Relative Value	8,064	Monthly; Quarterly	30 - 45 days
Total	<u>\$ 18,159</u>		

The following summarizes the investment return on the UIP included in interest and earnings on unrestricted investments in securities and hedge funds for the years ended June 30, 2022 and 2021 (\$000s):

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 3,102	\$ 2,425
Investment expenses	(777)	(666)
	<u>\$ 2,325</u>	<u>\$ 1,759</u>

Unrealized (loss) gain on the UIP is (\$25.2) million and \$22.7 million for the years ending June 30, 2022 and 2021, respectively.

(b) Investment of Restricted Cash

Since April 2016, the Corporation has invested a portion of its restricted cash accounts in government securities and corporate bonds with a nationally ranked financial institution. Investments are carried at fair value and consist of the following as of June 30, 2022 and 2021 (\$000s):

	<u>2022</u>	<u>2021</u>
Government securities	\$ 52,473	\$ 53,511
Corporate bonds	10,939	13,035
Accrued interest	294	289
	<u>\$ 63,706</u>	<u>\$ 66,835</u>

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The following summarizes the investment return on all restricted cash (including both restricted cash and restricted cash investments) included in interest and earnings on restricted investments in securities for the years ended June 30, 2022 and 2021 (\$000s):

	2022	2021
Interest and dividends	\$ 1,445	\$ 1,697
Investment expenses	(131)	(103)
	\$ 1,314	\$ 1,594

Unrealized (loss) gain on investments of restricted cash is (\$4.1) and \$1.1 million for the years ended June 30, 2022 and 2021, respectively.

(9) Mortgage Servicing Rights and Servicing Fee Income

The Corporation's servicing income for the years ended June 30, 2022 and 2021 was (\$000s):

	2022	2021
Servicing income		
Contractual fees	\$ 10,973	\$ 10,223
Late charges, prepayment penalties, and other	977	780
Total servicing and penalty fees	11,950	11,003
Mortgage servicing rights (MSRs)		
Gain on sale of loans with servicing retained	5,589	8,851
Change in fair value of MSRs	(6,898)	(4,473)
Total MSRs (loss) income	(1,309)	4,378
Total servicing income	\$ 10,641	\$ 15,381

The Corporation performs loan servicing for construction and permanent loans, which it originates, participates, or sells for the CTNs payable. The Corporation receives annual servicing fees from various Agencies and other entities at rates ranging between 0% and 4.50%, with the predominate rate of approximately 0.25%. The Corporation's loan servicing portfolio aggregated \$4.6 billion and \$4.2 billion at June 30, 2022 and 2021, respectively.

In addition, the Corporation is entitled to excess interest on investment deposits, late fees, and default interest, which are included in interest income.

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The components of the change in MSR are as follows (\$000s):

Fair value as of June 30, 2020	\$	38,002
Gain on sale of loans with servicing retained		8,851
Change in fair value		<u>(4,473)</u>
Fair value as of June 30, 2021		42,380
Gain on sale of loans with servicing retained		5,589
Change in fair value		<u>(6,898)</u>
Fair value as of June 30, 2022	\$	<u><u>41,071</u></u>

Mortgage servicing assets totaled \$42.4 million and \$43.5 million at June 30, 2022 and 2021, respectively. Mortgage servicing liabilities totaled \$1.3 million and \$1.1 million at June 30, 2022 and 2021, respectively.

Management has determined that CPC has a single class of servicing assets and liabilities based upon CPC's method of risk management as it relates to mortgage servicing rights. The inherent risk with servicing assets and liabilities depends primarily on the level of prepayments of the underlying mortgages and the extent of credit losses associated with those mortgages. Major assumptions used in determining fair value of the mortgage servicing rights portfolio are:

	June 30, 2022	June 30, 2021
Prepayment speeds		
During lockout period	0	0
After lockout period	4% - 11.25%	4% - 11.25%
Discount rate	12% - 29%	12% - 27%
Remaining payment terms	from 1-935 months	from 1-947 months

(10) Notes and Bonds Payable

(a) Construction Loan Credit Facilities

On July 18, 2019, the Corporation amended and restated its credit facility with a consortium of banks agented by Citibank (the New SPE1 Agreement). The agreement continued the structure of the debt facility as a master repurchase facility but with a new term of four years. CPC Funding SPE1 LLC (SPE1), a wholly-owned special purpose entity of the Corporation, is the seller (borrower, in effect) under the facility. The New SPE1 Agreement provides the Corporation with a \$500.0 million line of committed capital to originate and fund construction loans at an interest rate of one-month LIBOR plus 250 basis points. After the issuance of the Sustainability Bonds (see Note 10(d)), the committed capital was reduced to \$445.0 million. During the years ended June 30, 2022 and 2021, one-month LIBOR ranged from 0.08% to 1.79% and 0.09% to 0.16%, respectively. The interest rate in place as of June 30, 2022 and 2021 was 4.29% and 2.59%, respectively. The Corporation is also required to pay an origination fee and administrative fee, each equal to 0.15% of new commitments.

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The New SPE1 Agreement is secured by all cash and cash equivalents of SPE1, and the lenders hold legal ownership of the senior mortgage loans outstanding at SPE1. The debt facility is guaranteed by CPC without a pledge of CPC's cash and cash equivalents, CPC's interest in CPCR, nor CPC's ownership of its MSR's and real estate interests. In July 2019, SPE1 made an initial voluntary payment of \$25 million. As of June 30, 2022, SPE1 made voluntary payments of \$117.4 million in addition to the initial voluntary payment.

The New SPE1 Agreement includes an increase in maximum loan size from \$15.0 million to \$20.0 million and changes certain covenant compliance requirements, including minimum net worth of \$175.0 million and minimum liquidity of \$35.0 million. At June 30, 2022 and 2021, SPE1's outstanding balance was \$316.0 million and \$238.9 million, respectively, leaving unfunded and available borrowing capacity under the facility of approximately \$184.0 million and \$261.1 million, respectively.

On July 13, 2021, the Corporation executed a financing agreement parallel to the SPE1 credit facility with a consortium of 7 banks agented by Citibank to finance construction loans in New Jersey and Connecticut. The agreement was structured as a master repurchase facility provided CPC with a \$29.9 million line of committed capital to originate and fund construction loans. CPC Funding SPE 2 LLC (SPE2), a wholly owned, special purpose entity of the Corporation, is the seller (borrower, in effect) under the facility.

New borrowings to fund originations are conducted through SPE2 whose Origination Period is parallel to the SPE 1, the earlier of July 18, 2023 or the closing date for the new amendment to the facility. The SPE2 facility is revolving and new mortgage loans can be committed under the SPE2 facility during the Origination Period, as defined. Each mortgage loan originated under the agreement must be repurchased at the earlier of the individual loan's resolution with 100% of the cash proceeds received from resolutions or the Outside Repurchase Date of the facility which is January 18, 2026, unless otherwise modified per the terms of the agreement. Voluntary prepayments may also be made in whole or in part without penalty. In August 2021, SPE2 made an initial voluntary payment of \$1.6 million. As of June 30, 2022, SPE2 made voluntary payments of \$16.1 million in addition to the initial voluntary payment.

The SPE2 credit agreement requires SPE2 to remit interest payments tied to one-month LIBOR plus 250 basis points. The Corporation is also required to pay an origination fee and an administrative fee, each equal to 0.15% of new commitments.

The facility is secured by all cash and cash equivalents of SPE2, and the lenders hold legal ownership of the senior mortgage loans outstanding at SPE2. In addition, the debt facility is guaranteed by CPC which includes a pledge of CPC's cash and cash equivalents, and CPC's interest in CPCR, as well as CPC's ownership of its MSR's and real estate interests.

The outstanding balance of this facility at June 30, 2022 was \$6.1 million and the unused remaining commitment with Citibank was \$23.8 million.

The agreements include certain financial covenants, including minimum loan-to-value ratio and liquidity covenants, all tested at the corporate level. At June 30, 2022, management believes that the Corporation is in compliance with all covenants.

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(b) *Permanent Loan Credit Facility*

On March 29, 2018, the Corporation executed a warehouse credit facility structured as two master loan repurchase agreements (one agreement covering originations in the New York City region and the other covering originations outside that region) with a total cumulative commitment of \$500.0 million. The two agreements can have up to \$50.0 million of loans outstanding in total at one time at an interest rate of one-month LIBOR plus 175 basis points. The interest rate in place as of June 30, 2022 and 2021 was 3.54% and 1.84%, respectively. The lender holds legal ownership of the mortgage loans outstanding under the facility. The two facilities were subsequently amended in July 2018 to add MoCo as an eligible seller thereunder, and to add Fannie Mae as an eligible subsequent buyer of the facility loans. On June 18, 2020, the two agreements were amended to increase the maximum amount outstanding in total at one time to \$90.0 million. This amendment expired on September 18, 2020. On March 29, 2021, the two agreements were amended again to increase the maximum amount outstanding in total at one time to \$180.0 million with a cumulative commitment of \$750.0 million.

The outstanding balance of this facility was \$0.6 and \$0 million at June 30, 2022 and 2021, respectively. The unused remaining commitment with Citibank was \$38.5 million and \$646.3 million at June 30, 2022 and 2021, respectively.

The master loan repurchase agreements include certain financial covenants, including minimum loan-to-value ratio and liquidity requirements, all tested at the corporate level. At June 30, 2022, management believes that the Corporation is in compliance with all covenants.

(c) *On-Demand Line of Credit*

In conjunction with the establishment of the UIP (see Note 8), the Corporation obtained an uncommitted (on-demand) line of credit with Citibank on November 6, 2019. This on-demand line of credit is secured by the assets in the UIP and is subject to collateral coverage based on the current UIP borrowing base as defined in the agreement with Citibank. Due to the uncommitted nature of the line of credit, Citibank may demand repayment at any time. Borrowings under the on-demand line of credit cannot exceed \$60 million. If there is an outstanding balance on the on-demand line of credit and the amount outstanding exceeds the calculated borrowing base reflecting the current UIP account value, CPC is required to remedy the shortfall. Interest accrues at rates tied to one-month LIBOR plus 100 basis points and payments are due monthly. The interest rate in place as of June 30, 2022 and 2021 was 2.79% and 1.09%, respectively. As of June 30, 2022 and 2021, the Corporation has drawn \$30.0 million and \$15.0 on the on-demand line of credit, respectively.

(d) *Bonds Payable*

On February 1, 2020, the Corporation issued \$150.0 million of bonds, which it has designated as “Sustainability Bonds” due to the nature of its organizational mission and the intended use of the proceeds of the bonds. The bonds constitute unsecured general obligations of CPC, and no specific CPC assets or revenues, other than amounts held in certain accounts established under the bond indenture, are pledged by the bond indenture for the payment of bond debt service when due. The bonds are subject to optional redemptions by CPC, in whole or in part. CPC shall have the option to purchase any bonds called for optional redemption.

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Interest-only payments at a rate of 2.867% are payable on each February and August 1, commencing August 1, 2020. The maturity date of the bonds is February 1, 2030. As of June 30, 2022 and 2021, the bonds payable have an outstanding balance of \$150.0 million.

(e) Debt Issuance Costs

Debt issuance costs related to all facilities and bonds, net of accumulated amortization, totaled \$1.4 million and \$1.7 million as of June 30, 2022 and 2021, respectively. Amortization expense as of June 30, 2022 and 2021 was \$0.8 million and \$0.9 million at effective rate of 2.89%, respectively, and is included in interest expense.

(11) Collateral Trust Notes Payable

The Corporation had note purchase agreements with certain affiliated member banks whereby the banks agreed to purchase nonrecourse collateral trust notes issued by the Corporation, subject to certain conditions. The note purchase agreements are no longer in effect, but certain of the purchased notes remain outstanding. The notes issued and sold by the Corporation pursuant to these agreements are secured primarily by the pledge of specific permanent mortgage loans originated by the Corporation in three lending areas - New York, New Jersey, and Connecticut. The note holders' trustee is Deutsche Bank, a participating bank. The principal and interest received by the Corporation on the pledged mortgages, net of allowable fees and expenses, are remitted to note holders monthly. As explained in Note 4(b), CPC bears no risk for the remaining notes outstanding; all losses on the remaining mortgage loans are either insured by SONYMA (State of New York Mortgage Agency) or are passed on to the CTN note holders.

At June 30, 2022 and 2021, the outstanding principal balances on these notes (\$21.8 million and \$28.2 million, respectively) and real estate owned assets (\$0 million and \$2.2 million, respectively) are included in participations payable on the Consolidated Statements of Financial Position and are equal to the principal balances of the pledged mortgages and the carrying value of any foreclosed property. At June 30, 2022 and 2021, the interest rates on these notes ranged from 2.38% to 8.05%. Included in interest income on participations payable and interest expense on loan participations on the Consolidated Statements of Activities for the years ended June 30, 2022 and 2021 is approximately \$1.4 million and \$1.8 million, respectively, of interest expense related to these notes and interest income related to the mortgages pledged as collateral for these notes, respectively.

(12) Participants' Deposits

At June 30, 2022 and 2021, participants' deposits consisted of the following (\$000s):

	2022	2021
Unadvanced loan commitments and accumulated interest on short-term investments		
HPD	\$ 205,852	\$ 157,208
Other Participants	9,361	13,699
Total participants' deposits	\$ 215,213	\$ 170,907

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(13) Interest Expense

Interest expense consisted of the following for the years ended June 30, 2022 and 2021 (\$000s):

	<u>2022</u>	<u>2021</u>
Interest expense on escrows and participant deposits	\$ 131	\$ 98
Interest on notes payable	8,660	6,277
Interest on bonds payable	4,300	4,301
Interest on on-demand line of credit	257	102
Amortization expense	804	867
Total interest expense	<u>\$ 14,152</u>	<u>\$ 11,645</u>

(14) Mortgage Loans Sold

The Corporation is a party to buy/sell agreements with the Pension Funds. These agreements, as amended, provide, among other things, for the Pension Funds to purchase certain permanent mortgages originated by the Corporation or participations in such mortgages in an aggregate amount up to \$1.5 billion, as amended. The agreements have no specific expiration date, but certain of the agreements can be terminated with six months' notice by either party.

The unused remaining commitment of the Pension Funds at June 30, 2022 and 2021 was approximately \$402.3 million and \$365.3 million, respectively.

The Corporation entered into a master loan purchase and sale agreement with Valley National Bancorp (VNB) to provide short-term capital for closing permanent loans intended to be sold to Freddie Mac, Fannie Mae, and the Pension Funds, and for closing certain construction loans that are 90% advanced. The agreement as amended over the years charges interest at LIBOR plus 200 basis points for loans other than eligible construction loans, charges interest at LIBOR plus 225 basis points for eligible construction loans, and has a maximum capacity to \$30.0 million, with two opportunities each calendar year to increase the maximum capacity to \$50.0 million. On February 22, 2021, the agreement was amended again to extend the agreement to February 22, 2023 and increase the maximum capacity to \$50.0 million. On March 28, 2022, the agreement was amended again to provide up to three opportunities per calendar year to increase the maximum capacity to \$100.0 million for the period of 90 days, to modify the interest rate to 1-month Term SOFR (the forward-looking term rate with a tenor of approximately one calendar month based on SOFR) plus 210 basis points for loans other than eligible construction loans, and to modify the interest rate to 1-month Term SOFR plus 225 basis points for all eligible construction loans.

During 2022 and 2021, loans sold to the Pension Funds, Citibank, VNB, and other financial institutions, including Freddie Mac, were approximately \$612.6 million and \$730.0 million, respectively. The Corporation is obligated to sell such loans at face value.

The Corporation is exposed to risks related to loan repurchases and indemnifications provided in representation and warranty provisions through its origination activities. The Corporation reviews historical repurchase and indemnification activity for sold loans and estimates a liability for potential representation

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and warranty exposure, using historical trends. The Corporation has estimated a liability of \$0 as of June 30, 2022 due to limited loss history.

(15) Commitments and Contingencies

(a) Office Lease

The Corporation occupies office space in nine locations under agreements which expire at various dates through 2049.

Operating leases are reflected on the Consolidated Statements of Financial Position as a right of use asset and a related right of use liability. Right of use assets represent the right to use an underlying asset for the lease term and were \$26.6 million and \$27.6 million as of June 30, 2022 and 2021, respectively and the right of use liability was \$32.4 million and \$33.1 million as of June 30, 2022 and 2021, respectively and represents the obligation to make lease payments arising from the lease agreement which are discounted using the Corporation's incremental borrowing rate, rates ranging from 2.81% to 3.69%. The weighted-average lease remaining lease term and weighted-average discount rate is 26.0 years and 3.65%, respectively, as of June 30, 2022. Operating lease right of use assets and liabilities are recognized at the commencement date, or the date on which the lessor makes the underlying asset available for use, based upon present value of the lease payments over the respective lease term. Lease expense is recognized on a straight-line basis over the lease term. Any renewal options are excluded from the calculation of lease liabilities unless exercising the renewal option is reasonably assured. The lease agreements do not contain residual value guarantees or material restrictive covenants.

Lease and rental expense was approximately \$2.4 million and \$2.3 million, respectively, for the years ended June 30, 2022 and 2021 and is included in office expenses in the accompanying consolidated financial statements. The Corporation has elected the practical expedient of not separating lease components from non-lease components. The components of lease expense were as follows (\$000s):

	<u>2022</u>	<u>2021</u>
Operating lease cost - Fixed	\$1,623	\$1,495
Operating lease cost - Variable	\$782	\$782

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Minimum rental commitments under non-cancelable operating real estate leases in effect at June 30, 2022 and expiring at various dates through 2049 totaled \$51.7 million. The future minimum annual rentals under non-cancelable leases are due as follows (\$000s):

Years Ending June 30:

2023	\$	1,809
2024		1,840
2025		1,881
2026		1,865
2027		1,862
Thereafter		<u>42,484</u>
Subtotal		<u>51,741</u>
Less: effects of discounting		<u>(19,332)</u>
Total	\$	<u><u>32,409</u></u>

(b) Litigation

The Corporation is routinely subject to lawsuits and other claims directly or indirectly related to its normal business activities. While the outcome of such proceedings is not always determinable with certainty, management believes any such outcomes will not have a material adverse effect on the consolidated financial position or results of operations of the Corporation.

(c) Loss Sharing

In return for Fannie Mae's delegation of the responsibility for underwriting and servicing loans as an Affordable Lender, MoCo entered into a loss sharing agreement with Fannie Mae that specifies the method of sharing any losses on the loans that MoCo delivers and/or services. The loss sharing arrangement is pari-passu, in which MoCo bears one-third of the losses and Fannie Mae is responsible for the remaining two-thirds. No losses have occurred to date. The Corporation includes an estimate of potential losses in the allowance for loan losses.

(d) Regulations

The Corporation is approved as a non-supervised lender under the Housing and Urban Development (HUD) Title II program and is required to maintain minimum net worth and liquidity requirements, as set forth in that program's guidance. Additionally, the Corporation is subject to the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance).

MoCo is approved as a Fannie Mae and Freddie Mac issuer and servicer and is required to maintain minimum net worth, liquidity, and insurance requirements as set forth in each program's guidance.

The Corporation is in compliance with the regulatory requirements as of June 30, 2022 and 2021.

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(e) Impact of COVID-19

In early 2020, an outbreak of COVID-19 emerged globally. As a result, events have occurred including mandates from federal, state, and local authorities leading to an overall decline in economic activity.

The magnitude and duration of COVID-19 and its impact on the Corporation's business and its borrowers is uncertain and will mostly depend on future events, which cannot be predicted. As this pandemic continues and if economic conditions worsen, it may have long-term impacts on the Corporation's financial position, results of operations, and cash flows.

(f) Phase-out of LIBOR

The Corporation is party to debt instruments the interest rates on which are indexed to LIBOR. Governmental authorities regulating LIBOR announced that LIBOR rates would be phased out beginning after December 31, 2021 which was then extended to June 30, 2023. In response, the Federal Reserve Board and the Federal Reserve Bank of New York organized the Alternative Reference Rate Committee ("ARRC"), which identified the Secured Overnight Financing Rate ("SOFR") as its preferred alternative rate for USD LIBOR in derivatives and other financial contracts. Questions remain unanswered as to the exact timing of when LIBOR will cease to be available and whether, at such time, there will be sufficient liquidity in the SOFR markets.

Over the course of the year ended June 30, 2022, the market has been transitioning their lending and debt instruments to SOFR. The Corporation continued to monitor and evaluate the risks to it from the phase-out of LIBOR and the transition to a new interest rate index or indices. These risks include (but are not limited to): interest rate risks on loans, identifying an acceptable replacement index interest rate, valuation adjustment risks to the financial instruments affected, continuing the match fund its lending and debt instruments, and the precise timing of when the Corporation's credit facilities transitioned away from LIBOR.

The Corporation undertook a plan in the year ended June 30, 2022 to ensure that an acceptable replacement index interest rate was identified, all legal documents were updated to allow for the transition, processes were in place for the underwriting and credit teams, and that the billing systems could accommodate a new index. The Agent of its Construction Credit Facility is transitioning to Term-SOFR on July 1, 2022 and CPC is transitioning its loans to Term-SOFR on August 1, 2022.

(g) Letters of Credit

During the year ended June 2021, CPC procured a letter of credit from Citibank, N.A. in favor of Freddie Mac SBLs, in the amount of \$5.0 million in connection with its risk of repurchase. During the year ended June 2022, CPC procured a letter of credit from Citibank, N.A. in favor of District of Columbia, in the amount of \$0.1 million, on behalf of one of investor in the PRC investment

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(16) Retirement Plan

In April 1982, the Corporation established a defined contribution retirement plan (the Plan) covering all officers and employees. Each officer or employee is a participant of the Plan after two years of service. The Plan, as amended, provides for the Corporation to contribute annually an amount up to 10% of the base salary of each eligible officer or employee. Benefits are payable upon retirement, or earlier, as provided for in the Plan.

Retirement expense incurred by the Corporation for the Plan for each of the years ended June 30, 2022 and 2021 was approximately \$2.1 million and \$1.6 million, respectively, and is included in employee compensation and benefits expense in the Consolidated Statements of Activities. There was no accrued retirement expense at June 30, 2022 and 2021.

(17) Deferred Compensation Plan

In October 2018, the Corporation adopted a Long-Term Incentive Plan (the LTI Plan) to provide long-term incentive award opportunities to eligible executives of CPC to motivate them to achieve performance goals that contribute to the long-term success of the Corporation and to reward the accomplishment of such goals. The LTI Plan is intended to provide opportunities that, together with other forms of compensation provided by CPC, result in compensation that is competitive, fair, and reasonable, as determined in accordance with Section 4958 of the Internal Revenue Code (IRC) of 1986 and the regulations thereunder.

Payment under the LTI Plan is based on the Board's assessment of participants' achievement of identified performance for the three-year award cycle ending June 30, 2021; participants do not vest in payments until the end of the three-year award cycle. \$3.8 million deferred compensation expense was accrued as of June 30, 2021, the end of the three-year award cycle, and was paid out in August 2021.

(18) Life Insurance Plan

On April 27, 2022, CPC and an employee entered into a Split Dollar Agreement ("SDA"), approved by CPC's Board of Directors, whereby CPC funds the premiums on a life insurance policy to be jointly owned by CPC and the employee under what is commonly known as a Loan Regime Split Dollar insurance arrangement, with the employee being the first named owner of the policy and collaterally assigning his interests in the policy to CPC. Under the SDA, the employee may borrow amounts against the policy during Borrowing Years and subject to a Borrowing Cap, each as defined, while the ultimate proceeds of the policy are intended to be used to repay CPC for its funding of the premiums. The outstanding principal of the policy is \$6.4 million and is reported net of an allowance of \$0.7 million, and is included in other assets on the Consolidated Statements of Financial Position at June 30, 2022.

(19) Income Taxes

For the years ended June 30, 2022 and 2021, the company recorded an income tax provision of \$0.3 million and \$0.2 million, respectively. The majority of the provision is related to the activities of TRS.

The deferred tax liability at June 30, 2022 and 2021 is approximately \$0.3 million which is related to unrealized gain from TRS's investment in Soundview.

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(20) Noncontrolling Interests

Details of noncontrolling interest as of June 30, 2022 and 2021 are as follows (\$000)

	2022	2021
MoCo noncontrolling interest	\$ 4,974	\$ -

(21) Grants

(a) Goldman Grants

In December 2016, the Corporation received \$10.0 million from Goldman, Sachs & Co. to be used to fund mortgage loans to specified borrowers identified in the grant agreements; the full grant was received during the year ended June 30, 2017. During the years ended June 30, 2022 and 2021, CPC funded loans under this grant totaling \$0.1 and \$0.3 million, respectively. As of June 30, 2022 and 2021, \$0.2 million and \$0.4 million, respectively, is to be funded and is included in net assets with donor restrictions on the Consolidated Statements of Financial Position.

(b) Enterprise Grant

In April 2019, the Corporation received \$9.9 million from Enterprise Community Partners, Inc. to be used to fund a construction mortgage loan to a specified borrower identified in the grant agreement; the full grant was received during the year ended June 30, 2019. During the year ended June 30, 2021, CPC funded loans under this grant totaling \$0.9 million. As of June 30, 2021, CPC fully funded the loans and the loan was transferred to another lender.

(c) Wells Fargo Grant

In December 2021, the Corporation received \$0.4 million grant from Wells Fargo to be used to develop an innovative new software tool which will be integrated into the underwriting process for sustainable loans. The work will be performed by Bright Power, our partner in one of the CPCI projects, as well as a third-party software developer. The goal of this new software is to translate energy usage and sustainability standards into financial data to more accurately inform real estate project underwriting. By doing so, capital can be unlocked to finance new construction and retrofit projects, speeding adoption of high-performance design, which is critical to ensuring healthy and resilient communities.

Other minor grant income received during the year ended June 30, 2021, totaled \$0.1 million.

(22) Concentrations and Other Risks

(a) Credit Risk

The Corporation maintains its cash, cash equivalents, restricted cash, and restricted cash equivalents balances in several accounts with various banks. At times, these balances may exceed the federal insurance limits. However, the Corporation has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these balances as of June 30, 2022 and 2021.

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(b) Geographic

The Corporation's lending and servicing portfolios are concentrated in New York, New Jersey, and Connecticut.

(c) Business

At June 30, 2022, CPC had commitments to sell approximately 74% of its permanent mortgages held for sale to one investor and approximately 26% of its permanent mortgages held for sale to another investor. At June 30, 2022, CPC had commitments to sell its permanent mortgages to four investors.

The Corporation is subject to risks incidental to the management of residential real estate. These include among others, the risks normally associated with the changes in the general economic climate, trends in the real estate industry, changes in tax laws, interest levels, the availability of financing, and potential liability under environmental and other laws.

(d) Interest Rate Risk

The Corporation is exposed to interest rate risk. Since the Corporation's borrowings have been linked to the one-month London Interbank Offered Rate (LIBOR) and its construction lending is linked to one-month LIBOR, interest rate risk is mitigated. Additionally, a decline in interest rates will typically increase the amount of the loan prepayments on permanent mortgages and an increase in interest rates may decrease the demand for credit.

(23) Subsequent Events

Events that occur after the Consolidated Statements of Financial Position date but before the consolidated financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Consolidated Statements of Financial Position date are recognized in the accompanying consolidated financial statements. Subsequent events which provide evidence about conditions that existed after the Consolidated Statements of Financial Position date require disclosure in the accompanying notes. Management evaluated the activity through September 29, 2022 (the date the consolidated financial statements were available to be issued) and determined that no subsequent events other than those listed below have occurred that would require recognition in the consolidated financial statements or disclosure in the Notes to the Consolidated Financial Statements.

On July 29, 2022, CPC and Freddie Mac reached a repurchase agreement to buy back three small business loans that were originated and securitized in 2018 for a total of \$22 million. In addition, CPC will pay approximately \$2 million in interest and property protection/legal expenses. The repurchase is expected to take place on September 30, 2022.

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**Consolidating Statements of Financial Position (with Summarized Comparative Financial Statement
Information for 2021)**

June 30, 2022 and 2021

Assets	2022					2021
	CPC	MOCO	CPCR & TRS	Eliminations	Consolidated	Consolidated
Cash and cash equivalents	\$ 8,355,829	\$ 14,073,924	\$ 185,552	\$ -	\$ 22,615,305	\$ 19,746,428
Restricted cash	386,926,492	47,603,822	-	-	434,530,314	363,333,116
Investment in mortgage loans:						
Construction loans held for investment (Note 4)	697,118,020	8,580,449	-	-	705,698,469	578,872,598
Permanent loans held for investment (Note 4)	56,593,422	2,046,581	-	-	58,640,003	47,120,455
Permanent loans held for sale (Note 4)	7,143,175	20,593,015	-	-	27,736,190	56,359,077
	760,854,617	31,220,045	-	-	792,074,662	682,352,130
Less allowance for loan losses (Note 4)	(13,742,190)	(885,106)	-	-	(14,627,296)	(13,859,373)
	747,112,427	30,334,939	-	-	777,447,366	668,492,757
Real estate owned	-	-	-	-	-	2,370,969
Mortgage servicing rights (Note 9)	25,214,370	15,856,606	-	-	41,070,976	42,380,181
Investment in unconsolidated subsidiaries (Note 6)	13,276,608	-	636,703	-	13,913,311	9,283,332
Investment in unconsolidated subsidiaries at fair value (Note 7)	60,143,798	-	-	-	60,143,798	35,267,236
Investment in securities and hedge funds (Note 8)	197,053,129	-	-	-	197,053,129	217,598,069
Receivables, net	16,924,365	(12,518,329)	(6,326)	-	4,399,710	2,476,586
Right of use assets (Note 15)	26,561,002	-	-	-	26,561,002	27,597,402
Other assets, net	39,705,260	(223,473)	-	(19,844,631)	19,637,156	14,797,916
Total assets	\$ 1,521,273,280	\$ 95,127,489	\$ 815,929	\$ (19,844,631)	\$ 1,597,372,067	\$ 1,403,343,992
Liabilities and Net Assets						
Liabilities:						
Notes payable, net of amortized debt issuance costs (Note 10)	\$ 501,380,506	\$ (71,959)	\$ -	\$ -	\$ 501,308,547	\$ 402,182,129
Participations payable (Notes 4 and 11)	320,765,508	20,593,015	-	-	341,358,523	278,777,405
Escrow deposits and other liabilities	188,439,178	43,124,649	-	-	231,563,827	224,340,974
Participants' deposits (Note 12)	215,212,588	-	-	-	215,212,588	170,907,334
Lease Liabilities (Note 15)	32,409,463	-	-	-	32,409,463	33,121,185
Other liabilities	16,964,440	6,903,089	576,384	-	24,443,913	23,295,279
Total liabilities	1,275,171,683	70,548,794	576,384	-	1,346,296,861	1,132,624,306
Commitments and contingencies (Note 15)						
Net assets						
Without donor restrictions	245,866,253	19,605,086	239,545	(19,844,631)	245,866,253	270,339,669
With donor restrictions	235,344	-	-	-	235,344	380,017
Noncontrolling interests (Note 20)	-	4,973,609	-	-	4,973,609	-
Total net assets	246,101,597	24,578,695	239,545	(19,844,631)	251,075,206	270,719,686
Total liabilities and net assets	\$ 1,521,273,280	\$ 95,127,489	\$ 815,929	\$ (19,844,631)	\$ 1,597,372,067	\$ 1,403,343,992

See accompanying Notes to consolidated financial statements.

**THE COMMUNITY PRESERVATION CORPORATION
AND SUBSIDIARIES**

Consolidating Statements of Activities (with Summarized Comparative Financial Statement
Information for 2021)

Year Ended June 30, 2022 and 2021

	2022					2021	
	CPC	MOCO	CPCR & TRS	Eliminations	Consolidated	Consolidated	
Net interest income:							
Interest on construction and permanent mortgage loans	\$ 19,963,768	\$ 1,436,575	\$ -	\$ -	\$ 21,400,343	\$ 19,947,102	
Interest on participations payable	3,132,756	-	-	-	3,132,756	4,949,534	
Interest and earnings on restricted investments in securities (Note 8)	1,195,045	119,130	-	-	1,314,175	1,594,294	
Total interest income	24,291,569	1,555,705	-	-	25,847,274	26,490,930	
Interest expense (Note 13)	12,864,048	1,287,701	-	-	14,151,749	11,645,357	
Interest expense on construction loan participations and transfers	3,132,756	-	-	-	3,132,756	4,949,534	
Total interest expense	15,996,804	1,287,701	-	-	17,284,505	16,594,891	
Net interest income before provision for loan losses	8,294,765	268,004	-	-	8,562,769	9,896,039	
Provision for loan losses (Note 4)	(1,770,833)	(231,966)	-	-	(2,002,799)	(2,187,004)	
Net interest expense	6,523,932	36,038	-	-	6,559,970	7,709,035	
Other revenue:							
Servicing fee income (Note 9)	6,499,423	4,141,772	-	-	10,641,195	15,380,683	
Commitment fee income	4,951,397	3,250,521	-	-	8,201,918	9,133,127	
Interest and earnings on unrestricted investments in securities and hedge funds (Note 8)	2,324,941	-	-	-	2,324,941	1,758,869	
Realized gain on unrestricted investments in securities (Note 8)	4,953,060	-	-	-	4,953,060	9,803,563	
Unrealized (loss) gain on restricted investments in securities (Note 8)	(4,072,641)	-	-	-	(4,072,641)	1,064,686	
Unrealized (loss) gain on unrestricted investments in securities and hedge funds (Note 8)	(25,224,866)	-	-	-	(25,224,866)	20,544,448	
Unrealized gain on investments in unconsolidated subsidiaries (Note 7)	9,627,562	-	-	-	9,627,562	21,525,679	
Equity in earnings of unconsolidated subsidiaries (Note 6)	2,136,802	-	123,165	-	2,259,967	1,352,442	
Other revenue	1,799,419	173,501	79,812	-	2,052,732	1,912,428	
Grant income (Note 21)	412,575	-	-	-	412,575	101,472	
Total other revenue	3,407,672	7,565,794	202,977	-	11,176,443	82,577,397	
Total revenue	9,931,604	7,601,832	202,977	-	17,736,413	90,286,432	
Noninterest expense:							
Employee compensation and benefits (Notes 16 and 17)	29,524,378	5,585,153	49,098	-	35,158,629	35,357,056	
Office expenses	6,602,025	138,147	8,007	-	6,748,179	5,908,923	
Professional fees	3,122,290	195,306	24,757	-	3,342,353	2,198,182	
Depreciation and amortization	1,132,828	-	-	-	1,132,828	1,266,174	
Impairment of real estate	4,703	-	-	-	4,703	245,390	
Other expenses	(613,172)	3,355,358	-	-	2,742,186	1,846,830	
Total noninterest expense	39,773,052	9,273,964	81,862	-	49,128,878	46,822,555	
Change in net assets from operations							
before income tax provision and discontinued operations	(29,841,448)	(1,672,132)	121,115	-	(31,392,465)	43,463,877	
Income tax provision (Note 19)	(26,553)	-	(225,462)	-	(252,015)	(208,903)	
Change in net assets from operations	(29,868,001)	(1,672,132)	(104,347)	-	(31,644,480)	43,254,974	
Equity in net income of consolidated subsidiaries	(1,776,479)	-	-	1,776,479	-	-	
Change in net assets from operations attributable to CPC	\$ (31,644,480)	\$ (1,672,132)	\$ (104,347)	\$ 1,776,479	\$ (31,644,480)	\$ 43,254,974	

See accompanying Notes to consolidated financial statements.