THE COMMUNITY PRESERVATION CORPORATION AND SUBSIDIARIES

Consolidated Financial Statements
(With Accompanying Consolidating Schedules)

June 30, 2020 and 2019

(With Independent Auditor's Report Thereon)

THE COMMUNITY PRESERVATION CORPORATION
AND SUBSIDIARIES

Index

Independent Auditor's Report

The Board of Directors
The Community Preservation Corporation:

We have audited the accompanying consolidated financial statements of The Community Preservation Corporation and Subsidiaries, which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, 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.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Community Preservation Corporation and Subsidiaries as of June 30, 2020 and 2019, and the consolidated results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CohnReznick

Other Matters

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included on pages 55 and 56 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual companies, 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 audits 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

Bethesda, Maryland
September 23, 2020

THE COMMUNITY PRESERVATION CORPORATION
AND SUBSIDIARIES

Consolidated Statements of Financial Position
June 30, 2020 and 2019

Assets	**2020**	**2019**
Cash and cash equivalents	$ 38,802,990	$ 73,925,797
Restricted cash, restricted cash equivalents, and funded reserves	354,329,688	324,827,462
Investment in mortgage loans:		
Construction loans held for investment (Note 4)	555,479,289	434,381,499
Permanent loans held for investment (Note 4)	53,826,461	60,259,636
Permanent loans held for sale (Note 4)	102,662,548	65,354,245
	711,968,298	559,995,380
Less allowance for loan losses (Note 4)	(21,963,565)	(15,681,607)
	690,004,733	544,313,773
Investment in real estate, net (Note 5)	-	70,874
Real estate held for sale (Note 5)	-	24,037,155
Investment in PPC (held for sale as of June 30, 2019, Note 6)	-	111,500,000
Real estate owned	2,670,425	8,329,406
Mortgage servicing rights, net (Note 10)	38,002,161	39,272,195
Investment in unconsolidated subsidiaries (Note 8)	10,730,170	6,549,998
Investment in securities and hedge funds (Note 9)	173,653,934	61,504,109
Receivables, net	2,562,084	2,949,882
Other assets, net	14,978,332	15,977,279
Total assets	$ 1,325,734,517	$ 1,213,257,930
Liabilities and Net Assets		
Liabilities:		
Notes and bonds payable, net of unamortized debt issuance costs (Note 11)	$ 427,874,375	$ 369,361,394
Liabilities of real estate held for sale (Note 12)	-	13,889,099
Participations payable (Notes 4 and 13)	270,552,831	202,189,207
Escrow deposits and other liabilities	213,929,910	195,707,417
Participants' deposits (Note 14)	159,998,387	156,212,185
Other liabilities	25,891,777	19,516,263
Total liabilities	1,098,247,280	956,875,565
Commitments and contingencies		
Net assets:		
Without donor restrictions	225,867,061	234,494,562
With donor restrictions	1,597,651	8,100,411
Noncontrolling interests (Note 22)	22,525	13,787,392
Total net assets	227,487,237	256,382,365
Total liabilities and net assets	$ 1,325,734,517	$ 1,213,257,930

See accompanying notes to consolidated financial statements.

THE COMMUNITY PRESERVATION CORPORATION
AND SUBSIDIARIES

Consolidated Statements of Activities (with Summarized Comparative Financial Statement Information for 2019)

Years ended June 30, 2020 and 2019

	Without donor restrictions	With donor restrictions	2020 Total	2019 Total
Net interest income:				
Interest on construction and permanent mortgage loans	$ 21,386,058	$ -	$ 21,386,058	$ 21,151,824
Interest on participations payable	5,070,096	-	5,070,096	7,681,887
Interest on short-term investments (Note 15)	7,212,332	-	7,212,332	5,480,028
Total interest income	33,668,486	-	33,668,486	34,313,739
Interest expense (Note 16)	16,841,088	-	16,841,088	19,630,615
Interest expense on loan participations	5,070,096	-	5,070,096	7,681,887
Total interest expense	21,911,184	-	21,911,184	27,312,502
Net interest income before provision for loan losses	11,757,302	-	11,757,302	7,001,237
Provision for loan losses (Note 4)	(7,975,918)	-	(7,975,918)	(3,938,612)
Net interest income	3,781,384	-	3,781,384	3,062,625
Noninterest revenue:				
Servicing fee income (Note 10)	8,665,244	-	8,665,244	15,856,646
Commitment fee income	5,859,200	-	5,859,200	6,333,675
Unrealized gain on fair value adjustment to investment in securities (Note 9)	4,986,096	-	4,986,096	1,195,576
Gain on sale of real estate, net	4,095,703	-	4,095,703	-
Operating real estate loss, net	(5,905)	-	(5,905)	(164,942)
PPC earnings:				
Distribution income (Note 6)	-	-	-	56,749,675
Unrealized gain on fair value adjustment (Note 6)	-	-	-	(45,586,824)
Equity in earnings of unconsolidated subsidiaries (Note 8)	840,153	-	840,153	1,130,986
Other revenue	954,074	-	954,074	3,290,950
Grant income (Note 23)	64,667		64,667	10,211,635
Net assets released from restrictions	6,502,760	(6,502,760)	-	-
Total noninterest revenue	31,961,992	(6,502,760)	25,459,232	49,017,377
Total revenue	35,743,376	(6,502,760)	29,240,616	52,080,002
Noninterest expense:				
Employee compensation and benefits (Note 19)	29,659,650	-	29,659,650	25,633,613
Office expenses	6,100,499	-	6,100,499	5,743,444
Professional fees	2,080,701	-	2,080,701	3,182,458
Depreciation	1,251,337	-	1,251,337	965,446
Impairment of real estate asset	1,160,599	-	1,160,599	-
Other expenses	2,250,953	-	2,250,953	4,233,466
Total noninterest expense	42,503,739	-	42,503,739	39,758,427
Change in net assets from operations before income tax provision and discontinued operations	(6,760,363)	(6,502,760)	(13,263,123)	12,321,575
Income tax provision (Note 21)	(668,381)	-	(668,381)	(69,687)
Net income from discontinued operations (Note 5)	134,792	-	134,792	227,901
Change in net assets from operations	(7,293,952)	(6,502,760)	(13,796,712)	12,479,789
Change in net assets from operations attributable to noncontrolling interests	(1,333,549)	-	(1,333,549)	(1,445,835)
Change in net assets from operations attributable to CPC	$ (8,627,501)	$ (6,502,760)	$ (15,130,261)	$ 11,033,954

See accompanying notes to consolidated financial statements.

THE COMMUNITY PRESERVATION CORPORATION
AND SUBSIDIARIES

Consolidated Statements of Activities - Continued
Year ended June 30, 2019

	Without donor restrictions	With donor restrictions	2019 Total
Net interest income:			
Interest on construction and permanent mortgage loans	$ 21,151,824	$ -	$ 21,151,824
Interest on participations payable	7,681,887	-	7,681,887
Interest on short-term investments (Note 15)	5,480,028	-	5,480,028
Total interest income	34,313,739	-	34,313,739
Interest expense (Note 16)	19,630,615	-	19,630,615
Interest expense on loan participations	7,681,887	-	7,681,887
Total interest expense	27,312,502	-	27,312,502
Net interest income before provision for loan losses	7,001,237	-	7,001,237
Provision for loan losses (Note 4)	(3,938,612)	-	(3,938,612)
Net interest income	3,062,625	-	3,062,625
Noninterest revenue:			
Servicing fee income (Note 10)	15,856,646	-	15,856,646
Commitment fee income	6,333,675	-	6,333,675
Unrealized gain on fair value adjustment to investment in securities (Note 9)	1,195,576	-	1,195,576
Operating real estate loss, net	(164,942)	-	(164,942)
PPC earnings:			
Distribution income (Note 6)	56,749,675	-	56,749,675
Unrealized gain on fair value adjustment (Note 6)	(45,586,824)	-	(45,586,824)
Equity in earnings of unconsolidated subsidiaries (Note 8)	1,130,986	-	1,130,986
Other revenue	3,290,950	-	3,290,950
Grant income (Note 23)	-	10,211,635	10,211,635
Net assets released from restrictions	3,778,403	(3,778,403)	-
Total noninterest revenue	42,584,145	6,433,232	49,017,377
Total revenue	45,646,770	6,433,232	52,080,002
Noninterest expense:			
Employee compensation and benefits (Note 19)	25,633,613	-	25,633,613
Office expenses	5,743,444	-	5,743,444
Professional fees	3,182,458	-	3,182,458
Depreciation	965,446	-	965,446
Other expenses	4,233,466	-	4,233,466
Total noninterest expense	39,758,427	-	39,758,427
Change in net assets from operations before income tax provision and discontinued operations	5,888,343	6,433,232	12,321,575
Income tax provision (Note 21)	(69,687)	-	(69,687)
Net income from discontinued operations (Note 5)	227,901	-	227,901
Change in net assets from operations	6,046,557	6,433,232	12,479,789
Change in net assets from operations attributable to noncontrolling interests	(1,445,835)	-	(1,445,835)
Change in net assets from operations attributable to CPC	$ 4,600,722	$ 6,433,232	$ 11,033,954

See accompanying notes to consolidated financial statements.

THE COMMUNITY PRESERVATION CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Net Assets
Years ended June 30, 2020 and 2019

	Without donor restrictions	With donor restrictions	Noncontrolling Interests	Total
Balance, June 30, 2018	$ 229,893,840	$ 1,667,179	$ 21,823,297	$ 253,384,316
Redemption of interest in consolidated subsidiary	—	—	(8,107,263)	(8,107,263)
Distributions	—	—	(1,374,477)	(1,374,477)
Change in net assets	4,600,722	6,433,232	1,445,835	12,479,789
Balance, June 30, 2019	234,494,562	8,100,411	13,787,392	256,382,365
Redemption of interest in consolidated subsidiary	—	—	(13,021,841)	(13,021,841)
Distributions	—	—	(2,076,575)	(2,076,575)
Change in net assets	(8,627,501)	(6,502,760)	1,333,549	(13,796,712)
Balance, June 30, 2020	$ 225,867,061	$ 1,597,651	$ 22,525	$ 227,487,237

See accompanying notes to consolidated financial statements.

THE COMMUNITY PRESERVATION CORPORATION AND SUBSIDIARIES

Consolidated Statements of Functional Expenses
Years ended June 30, 2020 and 2019

	2020			2019		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Salaries and fringe benefits	$ 24,097,966	$ 5,561,684	$ 29,659,650	$ 20,614,874	$ 5,018,739	$ 25,633,613
Occupancy	1,758,715	316,096	2,074,811	1,949,602	380,263	2,329,865
Insurance	15,297	616,590	631,887	2,987	589,850	592,837
Office expenses	818,822	2,574,979	3,393,801	690,668	2,130,074	2,820,742
Professional fees	1,369,883	710,818	2,080,701	2,482,964	699,494	3,182,458
Contributions	408,896	1,800	410,696	291,509	13,000	304,509
Travel and related expenses	434,827	231,736	666,563	604,434	199,969	804,403
Depreciation	1,904	1,249,433	1,251,337	5,711	959,735	965,446
Marketing	700,266	-	700,266	760,854	-	760,854
Impairment	1,160,599	-	1,160,599	-	-	-
Grant expenses	18,697	-	18,697	2,000,000	-	2,000,000
Miscellaneous	411,842	42,889	454,731	309,591	54,109	363,700
	$ 31,197,714	$ 11,306,025	$ 42,503,739	$ 29,713,194	$ 10,045,233	$ 39,758,427

See accompanying notes to consolidated financial statements.

THE COMMUNITY PRESERVATION CORPORATION
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Consolidated Statements of Cash Flows
Years ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	$ (13,796,712)	$ 12,479,789
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	1,830,589	1,732,551
Deferred rent liability	1,366,191	472,369
Provision for loan losses	7,975,918	3,938,612
Unrealized gain on PPC fair value adjustment	—	45,586,823
Unrealized gain on investment fair value adjustment	(4,986,096)	(1,195,576)
Realized gain on investment	(1,923,312)	—
Charge-off of loans receivable	(1,693,960)	(958,500)
Impairment loss	1,160,599	—
Equity in net income of unconsolidated subsidiaries	(840,153)	(1,130,986)
Distributions from unconsolidated subsidiaries	1,564,726	1,030,572
Gain on sale of real estate	(4,095,703)	(351,167)
Sale of REO assets	229,921	(330,230)
Deferred income tax provision	616,043	44,246
Deferred revenue	—	(978,640)
Net decrease (increase) in mortgage servicing rights	1,270,034	(6,518,708)
Increase in restricted cash	(2,121,011)	(26,286,399)
Decrease (increase) in other assets, net	380,470	(2,921,032)
Increase in other liabilities	4,805,449	3,462,095
Net cash (used) provided by operating activities	(8,257,007)	28,075,819
Cash flows from investing activities:		
Mortgage loans originated	(342,678,947)	(382,145,266)
Repayments of mortgage loans	48,525,219	211,689,118
Mortgage loans sold	142,180,810	269,432,398
Investment in securities	(110,532,768)	1,125,770
Contributions to unconsolidated subsidiaries	(4,904,749)	—
Effect of deconsolidation due to redemption of interest	(425,588)	(37,941)
Proceeds from sale of real estate assets	909,623	—
Proceeds from sale of real estate held for sale	550,000	—
Proceeds from sale of investment in PPC	111,500,000	—
Payments for additions to real estate held for sale	—	(11,750)
Purchase of furniture, fixtures and information technology	(803,114)	(7,231,386)
Net cash (used) provided by investing activities	(155,679,514)	92,820,943

THE COMMUNITY PRESERVATION CORPORATION
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Consolidated Statements of Cash Flows
Years ended June 30, 2020 and 2019

		2020		2019
Cash flows from financing activities:				
Proceeds from notes payable under credit agreement		422,593,635		406,619,743
Repayments of notes payable under credit agreement		(513,176,691)		(404,988,864)
Proceeds from bond payable		150,000,000		—
Increase (decrease) in participations pledges payable		72,632,085		(143,052,193)
Increase in participants' deposits		3,786,202		87,262,228
Payments of debt issuance costs		(1,334,124)		(126,809)
Increase in escrow deposits and other liabilities		18,222,493		18,658,601
Increase in funded reserves		(22,313,905)		(58,386,165)
Distributions to noncontrolling interests		(2,076,575)		(1,374,477)
Net cash provided (used) by financing activities		128,333,120		(95,387,936)
Net (decrease) increase in cash, cash equivalents, restricted cash and cash equivalents		(35,603,401)		25,508,826
Cash, cash equivalents, restricted cash, and restricted cash equivalents, beginning of year		82,505,201		56,996,375
Cash, cash equivalents, restricted cash, and restricted cash equivalents, end of year	$	46,901,800	$	82,505,201

		2020		2019
Supplemental disclosure of cash flow information:				
Cash paid during the year for:				
Income taxes	$	56,863	$	113,933
Interest, net of amount capitalized		15,229,224		18,795,173
Supplemental disclosures of noncash investing and financing activities:				
Loans converted to real estate owned	$	—	$	8,011,685
Effect of deconsolidation of subsidiary				
Restricted cash	$	—	$	811,788
Investment in real estate		—		10,495,577
Real estate held for sale		24,416,381		—
Accounts receivable		—		45,637
Other assets		—		34,131
Mortgage debt and notes payable		—		(3,178,862)
Liabilities held for sale		(13,889,099)		—
Other liabilities		—		(278,332)
Noncontrolling interest		(11,647,533)		(8,107,263)
Members' equity		694,663		139,683

See accompanying notes to consolidated financial statements.

(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 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. The purpose of CPCR was to seek equity participation in loans or real estate ownership of properties in disadvantaged neighborhoods, to provide consulting services on affordable housing development and financing, and to serve as manager of CPCR Opportunity Fund, LLC (Fund I) and CPCR Opportunity Fund II, LLC (Fund II) (collectively, the Funds). 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, including its investment in the Funds, 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. As of August 16, 2019, Fund II and CPCR assigned all of their respective right, title, and interest in the remaining Fund II assets to the other part owner of such assets. CPCR's sole remaining asset as of August 16, 2019 was its 100% interest in CPCR Holdings LLC which owned five individual Parkchester condominium units. All five units held by CPCR Holdings LLC were sold during the year ended June 30, 2020, representing a gain of $0.8 million. Subsequently, on January 31, 2020, CPCR redeemed all issued and outstanding shares from the preferred shareholders for a total of $0.1 million and will not be taxed as a REIT for the year ending June 30, 2020.

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 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 Mortgage Company LLC (MoCo), 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 MoCo is to hold and operate CPC's agency lending and servicing business with Fannie Mae, Freddie Mac, and the Federal Housing Administration/Government National Mortgage Association (FHA/GNMA). During the year ended June 30, 2019, CPC withdrew its status as an approved GNMA issuer with the goal of reapplying at a future date. As of June 30, 2020 the FHA and Multifamily Accelerated Processing (MAP) approvals are held by CPC with the goal of transferring them to MoCo.

(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 early 2020, there has been a global outbreak of a novel coronavirus (COVID-19), which has forced the United States to declare a national emergency, to institute "stay-at-home" orders, and to restrict operations of non-essential businesses. Such actions are adversely impacting many industries. COVID-19 could have a continued and prolonged adverse impact on economic and market conditions and could trigger a period of economic slowdown. The impact of COVID-19 on companies is evolving, and the extent and duration of the economic fallout from this pandemic remains unclear, making any estimates and assumptions as of June 30, 2020 inherently less certain than they would be absent the current and potential impacts of COVID-19. Actual results could differ from those estimates and assumptions.

(b) Principles of Consolidation

CPC consolidates CPCR, TRS (which includes the Funds), CCA, Neighborhood Partners, MoCo, 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. TRS concluded that it was deemed to be the primary beneficiary of the Funds since TRS has: (a) the power to direct the matters that most significantly affect the activities of the VIE, including the development and management of the Funds' projects; and (b) the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE, and therefore consolidated Fund I through June 30, 2019 and Fund II through June 30, 2020. Fund I was dissolved as of July 26, 2019 and Fund II was dissolved as of December 23, 2019. 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.

The consolidated financial statements include the Funds' financial statements as of March 31, 2020 and 2019. During the three-month period ended June 30, 2019, the Funds had income of \$0.1 million. There is no income or loss for the three-month period ended June 30, 2020.

(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 -
  - Net assets without donor restrictions - controlling - represent expendable resources that are used to carry out the operations of the Corporation and are not subject to donor imposed restrictions.
  - Net assets without donor restrictions - noncontrolling - represent the aggregate balance as of June 30, 2020 and 2019 of other members' interests in consolidated subsidiaries that are included in the consolidated financial statements.

- 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 as well as buyers' deposits on real estate held for sale and escrows related to certain mortgage debt and notes payable, which have been financed through the issuance of bonds by local housing authorities, tenant security deposits held by the Corporation in conjunction with the Corporation's real estate ownership, 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):

	2020	2019
Restricted cash and restricted cash equivalents (note 9)	$ 8,099	$ 8,579
Funded reserves	346,231	316,248
	$ 354,330	$ 324,827

(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;
- 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 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 Statement of Financial Position, which include certain loans sold as participations (but not derecognized) 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 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, including the economic conditions resulting from COVID-19, 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) Investments in Real Estate

Operating properties are carried at historical cost less accumulated depreciation. The cost of operating properties reflects their purchase price or development cost. Costs incurred for the acquisition and renovation of an operating property are capitalized to the Corporation's investment in that property. Repairs and maintenance are expensed as incurred; major replacements and betterments, which improve or extend the life of the asset, are capitalized and depreciated over their estimated useful lives.

When operating properties and properties under development meet the criteria of assets held for sale, pursuant to ASC 360, *Property, Plant, and Equipment,* these entities are classified as real estate held for sale and are no longer depreciated and the corresponding income and expenses related to the operating properties are reported as discontinued operations.

(i) Investment in PPC

CPC adopted fair value accounting for its investment in Parkchester Preservation Company, L.P. (PPC), pursuant to ASC 820, *Fair Value Measurement*. Under fair value accounting, CPC adjusts the carrying value of its investment in PPC to fair value at each reporting period, records an unrealized gain or loss, and recognizes cash distributions received as distribution income.

(j) 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, 2020, CPC recognized $1.2 million impairment loss related to one of the REO assets. There was no impairment loss during the year ended June 30, 2019.

(k) 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 10).

(l) Investments in Unconsolidated Subsidiaries

Unconsolidated subsidiaries are investments over which CPC can exercise significant influence, but does not control, and for which CPC is not the primary beneficiary. As of June 30, 2020 and June 30, 2019, CPC holds financial interests in six and four, respectively, other companies owned through its wholly-owned subsidiaries CCA and TRS (see Note 8). The investments are considered to be VIEs for accounting purposes. The Corporation determined 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. Therefore, 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. Except as noted in Note 2(i), CPC accounts for its investments in unconsolidated subsidiaries 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.

(m) 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 9).

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.

(n) Accounts Receivable

Accounts 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, 2020 and 2019.

(o) Other Assets

Other assets include fixed assets (net of accumulated depreciation of $10.9 million and $9.7 million as of June 30, 2020 and 2019, respectively), advances made on behalf of borrowers, prepaid expenses, and security deposits.

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

CPCR elected to be taxed as a REIT effective July 1, 2014. To qualify as a REIT, CPCR must meet certain organizational and operational requirements. As a REIT, CPCR was subject to certain state and local taxes on its income and property, as well as federal income and excise taxes on its undistributed taxable income, if any. If CPCR failed to qualify as a REIT in any taxable year, CPCR would then be subject to federal income taxes on the taxable income at regular corporate rates and would not be permitted to qualify for treatment as a REIT for federal income tax purposes for four years following the year during which qualification is lost, unless the IRS grants CPCR relief under certain statutory provisions. Such an event would materially adversely affect net income and net cash available for distribution. As of June 30, 2019, CPCR satisfied the REIT requirements for the applicable tax year. On January 31, 2020, CPCR elected to no longer operate as a REIT and therefore will be subject to corporate federal and state income tax for the period ended June 30, 2020.

CPCR 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, 2020, which are from July 1, 2016 through June 30, 2019. 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.

(q) Other Liabilities

Other liabilities include amounts due to noteholders, interest payable, amounts related to office leases (see Note 18(a)), and accrued payroll.

(r) Net Assets without Donor Restrictions - Noncontrolling

Net assets without donor restrictions - noncontrolling on the Consolidated Statements of Financial Position represent other members' interests in consolidated entities. The noncontrolling interests' share of the change in net assets of such consolidated entities is included in the Consolidated Statements of Activities and the Consolidated Statements of Changes in Net Assets.

(s) 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 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.

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.

Rental revenues included in net income from discontinued operations are recorded under the contractual terms of the leases. Rental payments received in advance are included in liabilities of real estate held for sale. Leases are generally one year in term and are operating leases.

The Corporation recognizes the sale and associated gain of real estate investments when the Corporation has satisfied its performance obligations by transferring control of the property.

(t) Commitment Fees

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 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.

(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. Buildings and land improvements, included in investment in real estate, are depreciated using the straight-line method over their estimated useful lives of 15 to 40 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.

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 PPC (see Note 6), investments in securities (see Note 9), and MSRs (see Note 10).

Fair values of financial assets measured at fair value on a recurring basis at June 30, 2020 and 2019 are as follows ($000s) (note that the Corporation's investment in hedge funds ($12.7 million) are measured using NAV per share as a practical expedient and are therefore not categorized within the fair value hierarchy):

June 30, 2020	**Level 1**	**Level 2**	**Level 3**	**Total**
Investment in UIP	$ 103,953	$ -	$ -	$ 103,953
Investment in other securities	57,018	-	-	57,018
Mortgage servicing rights	-	-	38,002	38,002
Total assets	$ 160,971	$ -	$ 38,002	$ 198,973
June 30, 2019				
Investment in Parkchester	$ -	$ -	$ 111,500	$ 111,500
Investment in other securities	61,504	-	-	61,504
Mortgage servicing rights	-	-	39,272	39,272
Total assets	$ 61,504	$ -	$ 150,772	$ 212,276

(x) 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, 2020 and 2019.

(y) Functional Expenses

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.

(z) 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, 2020 and 2019 ($000s):

	2020	2019
Cash and cash equivalents	$ 38,803	$ 73,926
Restricted cash and restricted cash equivalents (Note 9)	8,099	8,579
	$ 46,902	$ 82,505

(aa) New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as subsequently amended, which amends the guidance for revenue recognition to eliminate the industry-specific revenue recognition guidance and replace it with a principle-based approach for determining revenue recognition. The new guidance was effective for reporting periods beginning after December 15, 2018. The guidance in this standard does not apply to financial instruments and other contractual rights or obligations within the scope of FASB ASC 825 and 860. As a result, the Corporation's adoption of this standard on a modified retrospective basis on July 1, 2019 did not have a material impact on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases*. Under ASU 2016-02, a lessee will recognize in the consolidated statement of financial position a liability to make lease payments (the lease liability) and a right-to-use asset representing its right to use the underlying asset for the lease term. As a result of the issuance of ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)* in June 2020, the amendments of ASU 2016-02 are effective for reporting periods beginning after December 15, 2019, including interim periods within those fiscal years, for public nonprofit entities (that is, nonprofit entities that have issued or are conduit bond obligors for securities that are traded, listed, or quoted on an exchange or an over-the-counter market) that have not yet issued financial statements (or made available for issuance) reflecting the adoption of ASU 2016-02. Early adoption is permitted. An entity will be required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The Corporation is currently evaluating the impact of the new guidance.

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), 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.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows - Classification of Certain Cash Receipts and Cash Payments*. This ASU provides guidance on how certain cash receipts and cash payments are presented and classified in the statement of cash flows in order to reduce diversity in practice. Eight specific cash flow issues are addressed including debt prepayment or debt extinguishment costs, distributions received from equity method investees, and beneficial interests in securitization transactions. The effect of the adoption was the application of an accounting policy election to classify distributions received from investees using the nature of the distribution approach. 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). ASU 2016-15 is effective for non-public entities for fiscal years beginning after December 15, 2018 with early adoption permitted. The Corporation adopted this update for the year ended June 30, 2020. ASU 2016-15 has been applied retrospectively to all periods presented and it did not have a material impact on its Consolidated Statements of Cash Flows for either period.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows - Restricted Cash*. The new guidance requires that restricted cash and cash equivalents be included with cash and cash equivalents when reconciling the beginning and end of period amounts shown on the statement of cash flows. ASU 2016-18 is effective for non-public entities for fiscal years beginning after December 15, 2018 with early adoption permitted. The Corporation adopted this update for the year ended June 30, 2020. ASU 2016-18 has been applied retrospectively to all periods presented. Consequently, ending cash, cash equivalents, and restricted cash as of June 30, 2019 and 2018 was increased from $73.9 million to $82.5 million and from $30.6 million to $57.0 million, respectively.

In February 2017, the FASB issued ASU 2017-05, *Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets*. ASU 2017-05 clarifies the scope of Subtopic 610-20 and adds guidance for partial sales of nonfinancial assets, including partial sales of real estate. For non-public companies, ASU 2017-05 is effective for annual periods beginning after December 15, 2018 with early adoption permitted. The Corporation adopted this update for the year ended June 30, 2020. There was no material effect on the Corporation's financial statements.

In June 2018 the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. For non-public companies, ASU 2018-08 is effective for annual periods beginning after December 31, 2018. The Corporation adopted this update for the year ended June 30, 2020. There was no material effect on the Corporation's financial statements.

(bb) Reclassifications

Certain prior year amounts have been reclassified to conform to the current year's presentation.

(3) Mortgage 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, 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 funds its construction loans with a $500.0 million syndicated line of credit (structured as a repurchase agreement) that is agented by Citibank and comprised of 13 lenders (see Note 11). 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 New York City Department of Housing Preservation and Development (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 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 funded through diverse sources of capital that include two warehouse lines up to $140.0 million 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 11). CPC has over $1.5 billion in committed capital from its various Pension Fund partners. CPC's available capital for its Agency lending 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 59% and 77% as of June 30, 2020 and 2019, respectively, of its construction loans for rental projects after they are converted to permanent mortgages, upon completion of administrative and other requirements (see Note 17).

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. 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 0.65% and 0.87% as of June 30, 2020 and 2019, 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.

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.

(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 in the accompanying Consolidated Statements of Financial Position. Loans held for sale as of June 30, 2020 and 2019 were approximately $102.7 million and $65.4 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 restriction on the further transfer or resale of these loans by the acquirer. GAAP requires the participated portions of these loans to be retained on the Consolidated Statements of Financial Position as investment in mortgage loans due to these restrictions. The sale proceeds associated with these loans are reported as participations payable in the accompanying Consolidated Statements of Financial Position. 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 5.04% and 4.60% as of June 30, 2020 and 2019, respectively, and are reflected as interest on participations payable in the accompanying Consolidated Statements of Activities.

The following is a summary of mortgage loans as of June 30, 2020 and 2019 ($000s):

June 30, 2020	**Number of Loans**	**CPC Share**	**Participant Share ***	**Total**
Construction loans:				
Rental project:				
CPC wholly-owned	93	$ 294,624	$ -	$ 294,624
Top loss participations	1	428	1,711	2,139
Pari-passu participation	54	67,678	129,769	197,447
Total rental properties	148	362,730	131,480	494,210
For Sale Project:				
CPC wholly-owned	8	10,317	-	10,317
Pari-passu participation	16	6,733	44,219	50,952
Total for sale projects	24	17,050	44,219	61,269
Total construction loans	172	379,780	175,699	555,479
Permanent loans:				
Mortgage loans	50	63,706	4,757	68,463
Freddie Mac loans prior to securitization	11	-	46,814	46,814
Pledged under collateral trust notes	114	36	34,609	34,645
Sold with 3% risk retained	7	132	6,435	6,567
Total permanent loans	182	63,874	92,615	156,489
Investment in construction and permanent loans	354	443,654	268,314	711,968
Allowance for loan losses		(21,600)	(363)	(21,963)
Investment in construction and permanent loans, net		$ 422,054	$ 267,951	$ 690,005

	Number of Loans	CPC Share	Participant Share*	Total
June 30, 2019				
Construction loans:				
Rental project:				
CPC wholly-owned	78	$ 205,901	$ -	$ 205,901
Top loss participations	1	434	1,735	2,169
Pari-passu participations	66	91,832	80,443	172,275
Total rental properties	145	298,167	82,178	380,345
For Sale Project:				
CPC wholly-owned	7	9,924	-	9,924
Pari-passu participations	17	11,130	32,982	44,112
Total for sale properties	24	21,054	32,982	54,036
Total construction loans	169	319,221	115,160	434,381
Permanent loans:				
Mortgage loans	52	44,740	5,165	49,905
Freddie Mac loans prior to securitization	11	-	26,167	26,167
Pledged under collateral trust notes	133	37	42,640	42,677
Sold with 3% risk retained	7	315	6,550	6,865
Total permanent loans	203	45,092	80,522	125,614
Investment in construction and permanent loans	372	364,313	195,682	559,995
Allowance for loan losses		(15,590)	(91)	(15,681)
Investment in construction and permanent loans, net		$ 348,723	$ 195,591	$ 544,314

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

The Corporation had obligations to fund loan commitments on 101 loans totaling $153.7 million at June 30, 2020 and on 111 loans totaling $186.7 million at June 30, 2019. The weighted average interest rate on construction loans for the years ended June 30, 2020 and 2019 was 5.76% and 7.51%, respectively. The weighted average interest rate on permanent loans for the years ended June 30, 2020 and 2019 was 3.23% and 4.14%, 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 multi-family 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, 2020 and 2019 ($000s):

June 30, 2020

	30-89 Days Delinquent (DQ)-CPC	30-89 Days DQ - Participant	90+ Days DQ - CPC	90+ Days DQ - Participant	Total DQ Loans	Total Current Loans	Total Loan Portfolio
Construction Loan	$ 2,080	$ 5,893	$ 23,137	$ 4,909	$ 36,019	$ 519,460	$ 555,479
Permanent Loans	-	10,171	173	2,831	13,175	143,314	156,489
	$ **2,080**	$ **16,064**	$ **23,310**	$ **7,740**	$ **49,194**	$ **662,774**	$ **711,968**

June 30, 2019

	30-89 Days Delinquent (DQ)-CPC	30-89 Days DQ - Participant	90+ Days DQ - CPC	90+ Days DQ - Participant	Total DQ Loans	Total Current Loans	Total Loan Portfolio
Construction Loan	$ 7,616	$ -	$ 10,557	$ 3,320	$ 21,493	$ 412,888	$ 434,381
Permanent Loans	-	779	30	1,654	2,463	123,151	125,614
	$ **7,616**	$ **779**	$ **10,587**	$ **4,974**	$ **23,956**	$ **536,039**	$ **559,995**

There were no loans older than 90 days that were still accruing interest during the years ended June 30, 2020 and 2019. The balance of non-accrual loans (i.e., loans that are delinquent in the above table plus loans that are risk-rated 9 (see Note 2(g)) was $26.6 million and $14.2 million at June 30, 2020 and 2019, 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, 2020	**For Sale**	**Rental**	**Perm**	**Total**
By risk category:				
Pass	$ 32,302	$ 500,024	$ 156,489	$ 688,815
Criticized	-	23,153	-	23,153
	$ 32,302	$ 523,177	$ 156,489	$ 711,968

June 30, 2019	**For Sale**	**Rental**	**Permanent**	**Total**
By risk category:				
Pass	$ 52,970	$ 365,845	$ 125,613	$ 544,428
Criticized	-	15,567	-	15,567
	$ 52,970	$ 381,412	$ 125,613	$ 559,995

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):

	Evaluated for Impairment		
	Individually	**Collectively**	**Total**
Allowance for loan losses at June 30, 2020			
Construction loans	$ 12,816	$ 3,737	$ 16,553
Permanent loans	4,736	675	5,411
Total allowance for loan losses	$ 17,552	$ 4,412	$ 21,964
Allowance for loan losses at June 30, 2019			
Construction loans	$ 7,741	$ 2,937	$ 10,678
Permanent loans	4,753	251	5,004
Total allowance for loan losses	$ 12,494	$ 3,188	$ 15,682

	Evaluated for Impairment		
	Individually	**Collectively**	**Total**
Loans receivable at June 30, 2020			
Construction loans	$ 35,969	$ 519,510	$ 555,479
Permanent loans	5,115	151,374	156,489
Total loans receivable	$ 41,084	$ 670,884	$ 711,968
Loans receivable at June 30, 2019			
Construction loans	$ 23,307	$ 411,074	$ 434,381
Permanent loans	5,414	120,200	125,614
Total loans receivable	$ 28,721	$ 531,274	$ 559,995

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 $0.5 million and $1.0 million, respectively, during the years ended June 30, 2020 and 2019. The Corporation's average investment in impaired loans for the years ended June 30, 2020 and 2019 is $34.9 million and $30.5 million. The Corporation's recorded investment in impaired loans as of June 30, 2020 and 2019 is $23.5 million and $16.2 million, respectively.

The following table presents additional information regarding the Corporation's impaired loans at June 30, 2020 and 2019 ($000s):

	June 30, 2020		June 30, 2019	
	Unpaid principal	**Related allowance**	**Unpaid principal**	**Related allowance**
Impaired with no allowance				
Construction loans	$ 23,153	$ -	$ 15,567	$ -
Permanent loans	-	-	-	-
	$ 23,153	$ -	$ 15,567	$ -
Impaired loans with allowance				
Constrution loans	$ 12,816	$ 12,816	$ 7,741	$ 7,741
Permanent loans	5,115	4,736	5,413	4,753
	$ 17,931	$ 17,552	$ 13,154	$ 12,494
Total impaired loans				
Construction loans	$ 35,969	$ 12,816	$ 23,308	$ 7,741
Permanent loans	5,115	4,736	5,413	4,753
	$ 41,084	$ 17,552	$ 28,721	$ 12,494

At June 30, 2020 and 2019, the allowance for loan losses relating to loans sold to pari-passu loan participants was $0.36 million and $0.09 million, respectively. At June 30, 2020 and 2019, construction and permanent loans in the process of foreclosure totaled $0.08 million and $0.7 million, respectively.

For the years ended June 30, 2020 and 2019, 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, 2020 and 2019, the allowance for loan losses related to grants was $17.6 million and $12.5 million, respectively.

The following table summarizes activity in the allowance for loan losses for the years ended June 30, 2020 and 2019 ($000s):

	2020	**2019**
Balance, beginning of the year	$ 15,682	$ 12,701
Provision for loan losses	1,473	499
Provision for loan losses (grants)	6,503	3,440
Charge-offs	(1,694)	(958)
Balance, end of the year	$ 21,964	$ 15,682

(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. The Corporation does not consider extension of construction loans in and of itself to be a TDR.

For the years ended June 30, 2020 and 2019, loans modified under a TDR totaled $0.2 million and $6.3 million, respectively. For the years ended June 30, 2020 and 2019, loans converting to real estate owned totaled zero and $8.0 million, respectively. For the years ended June 30, 2020 and 2019, loans with debt forgiveness totaled $0.2 million and $6.3 million, respectively, resulting in principal losses of $0.2 million and $0.6 million, respectively.

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.

The following table presents information regarding CPC's TDRs as of June 30, 2020 and 2019 ($000s):

	2020	2019
Construction Loans	$ -	$ 3,724
Permanent Loans	168	2,620
Total	$ 168	$ 6,344

(5) Investment in Real Estate & Real Estate Held for Sale

Investment in real estate and real estate held for sale are primarily owned by the Funds. At June 30, 2020 and 2019, those balances consisted of the following ($000s):

	2020	2019
Investment in real estate		
Buildings	$ -	$ 250
	-	250
Less accumulate depreciation	-	(179)
Investment in real estate, net	$ -	$ 71
Real Estate held for sale:		
Operating properties	$ -	$ 24,037

For the years ended June 30, 2020 and 2019, the change in net assets attributable to noncontrolling interests on real estate held for sale is $0 and $.06 million, respectively.

(a) Deconsolidation of Subsidiary

During the year ended June 30, 2019, there was a reconsideration event at one of Fund II's investments, which resulted in the Fund no longer being considered the primary beneficiary. As a result, Fund II deconsolidated the investment. Upon deconsolidation, Fund II recognized deferred developer fee revenue of $1.0 million in Other Revenue for services in the development of the project. On December 19, 2018, Fund II transferred and conveyed its entire member interest in the investment to its partner for no consideration and wrote off its negative investment balance of $0.1 million to Net Income from Discontinued Operations.

(b) Disposal of Held for Sale Assets

The assets held for sale as of June 30, 2019 were sold on August 16, 2019. The sale price and the gain on sale recognized were $0.6 and $1.5 million, respectively.

(6) Investment in Parkchester Preservation Company, L.P. (PPC)

(a) History

In 1998, CPCR formed PPC, a New York limited partnership, for the purpose of acquiring, owning, rehabilitating, and operating residential and commercial condominium units in the Parkchester condominium complex in Bronx, New York. PPC's property was segregated into two condominium developments: the Parkchester South Condominium (PSC) and the Parkchester North Condominium (PNC). PPC owned 6,382 residential condominium units, (4,765 in PSC and 1,617 in PNC), 95 commercial units in PSC, and four parking garages (three operative) with a total of 1,750 parking spaces. The commercial units consisted of retail stores and professional offices with a total square footage of approximately 416,000 and 57,000, respectively. CPCR had a 33.33% limited partner interest in PPC and had a maximum capital commitment of $5.0 million which was fully funded. Distributions from PPC of available cash, as defined, and allocations of income (loss) were made pro rata in accordance with the partners' respective percentage interests, as defined. CPCR (through TRS) was also a shareholder in Parkchester Preservation Inc. (PPI), a New York corporation. PPI owned a 0.01% general partner interest in PPC.

(b) Sale of PPC

Pursuant to a Purchase and Sale Agreement dated as of February 14, 2019, CPCR and its wholly-owned taxable REIT subsidiary, CPCR TRS LLC, sold their respective interests in PPC, PPI, and certain related entities on July 12, 2019 for a sum of $165.0 million that was decreased by a $53.5 million capital event distribution that was paid to CPCR on June 28, 2019.

(c) Summary Financial Information

Summarized unaudited statement of financial position information of PPC as of June 30, 2019 is as follows ($000s):

		2019
Current assets	$	28,135
Property and equipment		77,727
Notes receivable		73,979
Other assets		33,106
Total assets	$	212,947
Current Liabilities		11,548
Long-term debt		526,505
Partners's equity		(325,106)
Total Liabilities and partners' equity	$	212,947

Summarized unaudited statements of operations information of PPC for the year ended June 30, 2019 was as follows ($000s):

		2019
Total revenues	$	117,430
Total expenses		95,934
Income before interest expense	$	21,495

During the year ended June 30, 2019, CPCR earned distributions of approximately $56.7 million from PPC.

(d) Accounting Treatment for PPC

PPC was an unconsolidated entity that owned stabilized leased apartments and commercial real estate with the objective of generating long-term cash flow and appreciation. CPCR accounted for its investment in PPC at fair value to reflect the value created over the holding period for its investment in PPC.

Based upon the sale of PPC in July 2019, CPCR used the purchase price as an approximation for fair value at June 30, 2019.

The following is a summary of the change in the fair value of the investment in PPC ($000s):

Investment in PPC stated at fair value at June 30, 2018	$	157,087
Unrealized gain on fair value for the year ended June 30, 2019		7,913
Portion of sales proceeds received		(53,500)
Investment in PPC stated at fair value at June 20, 2019		111,500
Remaining sales proceeds received		(111,500)
Investment in PPC stated at fair value at June 20, 2020	$	-

(7) 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.

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, 2020 ($000s):

Cash and cash equivalents	$	38,803
Accounts receivable, net		2,562
Investment in securities and hedge funds		116,636
	$	158,001

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 9(a)), or is utilized as a voluntary paydown on the New SPE1 facility (see Note 11(a)).

Additionally, the Corporation has access to an uncommitted, on-demand line of credit (up to $60.0 million), as discussed in Note 11(d), as well as the New SPE1 voluntary pay downs ($138.9 million), as discussed in Note 11(a), to fund working capital and other business needs. At June 30, 2020, the Corporation has not drawn on the on-demand line of credit.

(8) Investment in Unconsolidated Subsidiaries

A summary of the investments in unconsolidated entities as of June 30, 2020 and 2019, and equity in net income (loss) for the years then ended are as follows ($000s):

		2020		2019	
	% of ownership	Investment balance	Equity in net income	Investment balance	Equity in net income
TRS					
Soundview Family Housing Managers, LLC	33.3%	$ 494	$ 170	$ 503	$ 139
Soundview Senior Housing Managers, LLC	33.3%	22	-	22	48
CCA					
Charlotte Square Apartments LLC	30.0%	481	(75)	661	(84)
320 Sterling LLC	10.9%	912	13	942	3
Riverdale Osborne Towers Venture LLC	49.0%	3,747	914	4,072	1,025
Xenolith CCA ENY Partners LLC	90.0%	1,068	-	350	-
PRC Community JV LLC	50.0%	2,917	-		
St. Ann's JV LLC	90.0%	1,089	(182)	-	-
Total		$ 10,730	$ 840	$ 6,550	$ 1,131

Summarized combined unaudited financial information related to the Corporation's investments in unconsolidated subsidiaries as of June 30, 2020 and 2019 and for the years then ended is as follows ($000s):

	June 30, 2020	**June 30, 2019**
Total Assets	$ 150,550	$ 144,854
Total Liabilities	$ 103,996	$ 92,098
Partner's Equity	46,554	52,758
Total Liabilities and Partner's Equity	$ 150,550	$ 144,856
Total Revenue	$ 19,443	$ 17,527
Total Expense	13,548	12,954
Net Income	$ 5,895	$ 4,573

(9) 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, 2020, the UIP is valued at $120.0 million and includes $117.0 million in securities and $3.0 million in cash. Securities are carried at fair value and consist of the following as of June 30, 2020 ($000s):

Fixed income	$	23,603
Equities		78,430
Hedge Funds		12,683
Opportunistic		1,920
	$	116,636

The following summarizes the investment return on the UIP included in interest on short-term investments for the year ended June 30, 2020:

Interest and dividends	$	1,882
Investment expenses		(430)
Realized loss		(462)
	$	990

Unrealized gain on the UIP is $3.9 million for the year ending June 30, 2020.

(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, 2020 and 2019 ($000s):

	2020	2019
Government securities	$ 46,571	$ 20,547
Corporate bonds	10,286	40,615
Accrued interest	161	342
	$ 57,018	$ 61,504

The following summarizes the investment return on all restricted cash (including both restricted cash and restricted cash investments) included in interest on short-term investments for the years ended June 30, 2020 and 2019:

	2020	2019
Interest and dividends	$ 6,292	$ 5,630
Investment expenses	(70)	(150)
	$ 6,222	$ 5,480

Unrealized gain/(loss) on investments of restricted cash is $1.0 and ($0.1) million for the years ended June 30, 2020 and 2019, respectively.

(10) Mortgage Servicing Rights and Servicing Fee Income

The Corporation's servicing income for the years ended June 30, 2020 and 2019 was ($000s):

	2020	2019
Servicing income		
Contractual fees	$ 9,062	$ 8,935
Late charges, prepayment penalties, and other	873	403
Total servicing and penalty fees	9,935	9,338
Mortgage servicing rights (MSRs)		
Gain on sale of loans with servicing retained	5,428	4,052
Change in fair value of MSRs	(6,698)	2,467
Total MSR (expense) income	(1,270)	6,519
Total servicing income	$ 8,665	$ 15,857

The Corporation performs loan servicing for construction and permanent loans, which it originates, participates, sells, or pledges as collateral for the CTNs payable. The Corporation receives annual servicing fees from various governmental agencies and other entities at rates ranging between 0% and 3.52%, with the predominate rate of approximately 0.25%. The Corporation's loan servicing portfolio aggregated $3.9 billion and $3.5 billion at June 30, 2020 and 2019, respectively.

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

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

Carrying value as of June 30, 2018	$ 32,753
Gain on sale of loans with servicing retained	4,052
Change in fair value	2,467
Carrying value as of June 30, 2019	39,272
Gain on sale of loans with servicing retained	5,428
Change in fair value	(6,698)
Fair value as of June 30, 2020	$ 38,002

Mortgage servicing assets totaled $39.2 million and $40.0 million at June 30, 2020 and 2019, respectively. Mortgage servicing liabilities totaled $1.2 million and $0.7 million at June 30, 2020 and 2019, 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, 2020	June 30, 2019
Prepayment speeds		
During lockout period	0	0
After lockout period	From 4% - 11.25%	From 2% to 25%
Discount rate	12% - 27%	10.7%
Remaining payment terms	From 1-961 months	From 1-436 months

(11) Notes and Bonds Payable

(a) Construction Loan Credit Facility

Through July 18, 2019

On March 31, 2014, the Corporation executed a financing agreement with a consortium of banks agented by Citibank to refinance an existing term loan debt and existing loan agreement with Citibank (the SPE Loan). The agreement was structured as a master repurchase facility and provided CPC with a $400.0 million line of committed capital to originate and fund construction loans. CPC Funding SPE 1 LLC (SPE1) and another wholly owned special purpose entity of the Corporation, CPC Funding SPE 2 LLC (SPE2), were the sellers (borrowers, in effect) under the facility. New borrowings to fund originations are conducted through SPE1, while SPE2 was limited to holding legacy problem loan assets. The SPE2 facility was paid off on March 1, 2016 and terminated on March 31, 2016.

The SPE1 credit facility has been amended and extended at various times since 2014 based on business needs. On May 16, 2019, the SPE1 credit facility was further amended to extend the Origination Period until the earlier of August 30, 2019 or the date on which CPC makes a specified principal payment on the facility's balance. On July 1, 2019, CPC made the specified payment and the Origination Period was further extended to the earlier of August 30, 2019 or the closing date for the new amendment to the facility, which is described below. At June 30, 2019 SPE1's outstanding balance was $332.9 million, leaving unfunded and available borrowing capacity under the facility of approximately $167.1 million.

The SPE1 facility is revolving and new mortgage loans can be committed under the SPE1 facility during the Origination Period, as defined. Each mortgage loan originated under the agreement must be repurchased with 100% of the cash proceeds received from resolutions and no later than 36 months after the date of the loan closing, unless otherwise modified per the terms of the agreement. Voluntary prepayments may also be made in whole or in part without penalty.

The SPE1 credit agreement requires SPE1 to remit interest payments tied to one-month LIBOR plus 250 basis points. During the year ended June 30, 2019, one-month LIBOR ranged from 2.07% to 2.51%. The interest rate in place as of June 30, 2019 was 4.90%. The Corporation is also required to pay an origination fee and an administrative fee, each equal to 0.25% of new commitments.

The facility is secured by all cash and cash equivalents of SPE1, and the lenders hold legal ownership of the senior mortgage loans outstanding at SPE1. In addition, the debt facility is guaranteed by CPC which includes a pledge of CPC's cash and cash equivalents, CPC's interest in CPCR, and CPCR's interest in PPC, as well as CPC's ownership of its MSRs and real estate interests.

The amended credit agreement includes certain financial covenants, including minimum loan-to-value ratio and liquidity requirements, all tested at the corporate level. At June 30, 2019 management believes that Corporation is in compliance with all covenants.

As of July 18, 2019

On July 18, 2019, the SPE1 credit facility was amended and restated (the New SPE1 Agreement), continuing the structure of the debt facility as a master repurchase facility but with a new term of four years. 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 11(e)), the committed capital was reduced to $445.0 million. During the year ended June 30, 2020, one-month LIBOR ranged from 0.16% to 2.39%. The interest rate in place as of June 30, 2020 was 2.67%. The Corporation is also required to pay an origination fee and administrative fee, each equal to 0.15% of new commitments.

Similar to predecessor SPE1 loan agreements, 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. However, unlike predecessor agreements, the debt facility is guaranteed by CPC *without* a pledge of CPC's cash and cash equivalents, CPC's interest in CPCR, CPCR's interest in PPC, nor CPC's ownership of its MSRs and real estate interests. The New SPE1 Agreement is, however, predicated on SPE1 making voluntary payments to reduce the aggregate repurchase price of the assets collateralizing the debt facility to no less than 95% of the collateralized assets at all times (i.e., 95% advance rate). On July 1, 2019, SPE1 made an initial voluntary payment of $25.0 million. As of June 30, 2020, SPE1 made voluntary payments, in addition to the initial voluntary payment, of $138.9 million.

In addition to the above change in advance rate, 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; prior agreements required minimum net worth of $150.0 million and minimum liquidity of

$8.0 million. At June 30, 2020 SPE1's outstanding balance was $227.8 million, leaving unfunded and available borrowing capacity under the facility of approximately $272.2 million.

(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 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 will expire on September 18, 2020.

The outstanding balance of this facility was $52.1 million and $37.7 million at June 30, 2020 and 2019, respectively. The unused remaining commitment with Citibank was $284.3 million and $90.6 million at June 30, 2020 and 2019, 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, 2020 and 2019 management believes that Corporation is in compliance with all covenants.

(c) Revolving Credit Facility

On May 17, 2016, the Corporation extended its revolving credit facility with Citibank to fund working capital and other business needs and reduced it from $8.0 million to $4.0 million. Interest accrues at rates tied to one-month LIBOR plus 400 basis points and payments are due monthly. The revolving credit facility is secured by the assets of the Corporation and cross collateralized to the SPE1 credit facility. All borrowings outstanding on the revolving credit facility were due at maturity on May 17, 2019; the revolving credit facility was extended to August 30, 2019 in conjunction with the SPE1 amendment executed on May 16, 2019. As of June 30, 2019, the Corporation had not drawn on the revolving credit facility. As of July 18, 2019, the revolving credit facility was terminated.

(d) On-Demand Line of Credit

In conjunction with the establishment of the UIP (see Note 9), 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. As of June 30, 2020, the Corporation has not drawn on the on-demand line of credit.

(e) 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.

Interest on the bonds accrues at a rate of 2.867% and will be payable on each February and August 1, commencing August 1, 2020. The maturity date of the bonds is February 1, 2030.

(f) Debt Issuance Costs

Debt issuance costs related to all facilities and bonds, net of accumulated amortization, totaled $2.1 and $1.2 million as of June 30, 2020 and 2019, respectively. Amortization expense as of June 30, 2020 and 2019 was $0.6 and $0.7 million at effective rate of 2.89%, respectively, and is included in interest expense.

(12) Mortgage Debt

Mortgage debt related to the Corporation's investments in real estate at June 30, 2019 is as follows ($000s):

	June 30, 2019
Operating properties	-
Properties held for sale	13,830
Total weighted average rate	2.40%

The properties held for sale were sold on August 16, 2019 (see Note 6). As a result of the sale, the mortgage debt was paid off.

(13) 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 or are passed on to the CTN note holders.

At June 30, 2020 and 2019, the outstanding principal balances on these notes ($34.6 million and $42.6 million, respectively) and real estate owned assets ($2.2 million and $6.5 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, 2020 and 2019, the interest rates on these notes ranged from 3.38% 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, 2020 and 2019 is approximately $2.4 million and $2.8 million, respectively, of interest expense related to these notes and interest income related to the mortgages pledged as collateral for these notes, respectively.

(14) Participants' Deposits

The Corporation has entered into agreements with 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, 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.

At June 30, 2020 and 2019, participants' deposits consisted of the following ($000s):

	2020	2019
Unadvanced loan commitments and accumulated interest on short-term investments		
HPD	$ 138,487	$ 156,069
Other Participants	21,511	144
Total participants' deposits	$ 159,998	$ 156,213

(15) Short-Term Interest Income

Short-term interest income consisted of the following for the years ended June 30, 2020 and 2019 ($000s):

	2020	2019
Interest income on unrestricted and restricted cash	$ 6,292	$ 5,630
Interest income on securities	1,882	-
Realized loss on securities	(462)	-
Investment expenses	(500)	(150)
	$ 7,212	$ 5,480

(16) Interest Expense

Interest expense consisted of the following for the years ended June 30, 2020 and 2019 ($000s):

	2020	2019
Interest expense on escrows and participant deposits	$ 2,043	$ 2,708
Interest on notes payable	12,451	16,175
Interest on bonds payable	1,768	-
Amortization expense	579	748
Interest on mortgage loans, escrows, participant deposists, and bonds outstanding	$ 16,841	$ 19,631

(17) 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 $1.6 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, 2020 and 2019 was approximately $255.2 million and $167.9 million, respectively.

During the year ended June 30, 2019, the Corporation extended its master loan purchase and sale agreement with Valley National Bancorp (VNB), which provides 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, pursuant to amendments executed in August 2018, November 2018, and December 2018; these amendments added MoCo as an eligible seller thereunder, added Fannie Mae as an eligible purchaser, reduced the interest rate to LIBOR plus 200 basis points for loans other than eligible construction loans, increased the rate to LIBOR plus 225 basis points for eligible construction loans, extended the agreement first to December 22, 2018 and then to November 22, 2020, and reduced the maximum capacity to $30.0 million, with two opportunities each calendar year to increase the maximum capacity to $50.0 million.

During 2020 and 2019, loans sold to the Pension Funds, Citibank, VNB, and other financial institutions, including Freddie Mac, were approximately $596.0 million and $735.0 million, respectively. The Corporation is obligated to sell such loans at face value.

(18) Commitments and Contingencies

(a) Office Lease

The Corporation occupies office space in nine locations under agreements which expire at various dates through 2049. Effective March 1, 2019, the Corporation moved its New York City headquarters to the historic Daily News Building under a leasehold condominium agreement.

Included in the terms of the Daily News Building occupancy agreement described above, the Corporation received a tenant improvement allowance of $3.0 million which reimbursed a portion of the total leasehold improvements paid for by the Corporation. Because the tenant improvement allowance is considered an incentive, the allowance is treated as a reduction of rent expense. The full amount was recorded in Other Liabilities and will be amortized over the life of the occupancy agreement. The total amount paid for leasehold improvements is capitalized as fixed assets and will depreciate over the term of the occupancy agreement. For the years ended June 30, 2020 and 2019, the amount of amortized rent credit was $0.10 million and $0.03 million, respectively.

Annual base rents (or occupancy costs, in the case of the Daily News Building agreements) are subject to escalations as provided for in the leases. Rental expense is recognized on a straight-line basis and for 2020 and 2019 was approximately $2.1 million and $2.3 million respectively, and is included in office expenses in the accompanying consolidated financial statements. The future minimum annual rentals under noncancelable leases are due as follows ($000s):

2021	$	1,221,668
2022		1,226,618
2023		1,231,538
2024		1,281,619
2025		1,391,756
	$	6,353,199

(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.

(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 Principals, 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 that program's guidance.

The Corporation withdrew its approval as a Government National Mortgage Association (Ginnie Mae) Issuer in its Ginnie Mae I multifamily mortgage-backed securities program effective February, 6, 2019 and is no longer subject to its minimum net worth, liquidity, and insurance requirements.

The Corporation is in compliance with the regulatory requirements as of June 30, 2020 and 2019.

(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.

(19) 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, 2020 and 2019 was approximately $1.7 million and $1.4 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, 2020 and 2019.

(20) 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. No assessment was made during the years ended June 30, 2020 and 2019; therefore, there was no accrued deferred compensation expense at June 30, 2020 and 2019.

(21) Income Taxes

For the years ended June 30, 2020 and 2019, the components of the income tax provision related to the activities of CPCR consisted of the following ($000s):

	2020	2019
Current income tax (benefit) provision		
Federal	$ (41)	$ -
State and local	15	-
	(26)	-
Income tax provision, net	694	70
Income tax provision, net	$ 668	$ 70

The deferred income tax provision recorded in 2020 and 2019 are a result of the tax effects of temporary differences.

The components of CPCR's net deferred income tax asset (liability) included in other assets and other liabilities, respectively, on the Consolidated Statements of Financial Position at June 30, 2020 and 2019 are as follows ($000s):

	2020	2019
Deferred tax asset	$ -	$ 503
Less valuation allowance	-	-
Net deferred tax asset	-	503
Deferred tax liability	(123)	-
Net deferred tax (liability) asset	$ (123)	$ 503

The deferred tax asset primarily relates to differences between the book and tax equity in earnings (losses) of unconsolidated subsidiaries. The deferred tax liability is primarily related to unrealized gain from TRS' investment in Soundview.

At the date of CPCR's conversion to a REIT, CPCR had built-in-gains (BIG) as defined under Treas. Reg. Sec. 1.337(d)-7 and IRC Sec. 1374 on some its investments. This gain would be taxable if the investments are sold within five years from the date of conversion. The effect of this conversion may cause a significant accrual of previously recorded deferred tax liabilities which were reversed upon conversion, subject to the contingency of the five year hold requirement for investments with BIG. CPCR's investment in PPC was sold after the five-year holding period, therefore no deferred tax liability was required to be accrued.

(22) Noncontrolling Interests

Details of noncontrolling interests as of June 30, 2020 and 2019 are as follows ($000s):

	2020	2019
CPCR	$ -	$ 27
Fund I and consolidated subsidiaries	-	499
Fund II and consolidated subsidiaries	23	13,261
	$ 23	$ 13,787

(23) Grants

(a) Disaster Recovery Program for Sandy

In December 2013, the Corporation became the subrecipient of a $45.0 million award (the Grant) under the CDBG Disaster Recovery Program for Sandy (the Program). The Program was developed to lend funds to eligible owners to fund or reimburse rehabilitation work to address the impact of Superstorm Sandy. HPD was awarded the Grant and entered into a Subrecipient Agreement (the Agreement) with the Corporation to administer the Grant on its behalf. The Agreement was extended September 1, 2015 for an additional three years to be terminated August 30, 2018. During the years ended June 30, 2020 and 2019, the Agreement was extended several more times, most recently on December 31, 2019, with a termination date of June 30, 2020. On July 1, 2020, the Agreement was extended to June 30, 2021.

The administration of this Grant is subject to the term of the Agreement and the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principals, and Audit Requirements for Federal Awards* (the Uniform Guidance). For the years ended June 30, 2020 and 2019, the Corporation recognized $0.04 million and $0.3 million, respectively of grant revenue related to reimbursement for costs incurred to administer the Program. The revenue of $0.06 million and $0.3 million, respectively, remains receivable from HPD and is included in receivables, net in the Consolidated Statements of Financial Position. No loans were closed under the Program in 2020 or 2019.

In May 2014, the Corporation executed a subrecipient agreement with HPD to service a portion of grants made under the Program to provide funds to rebuild 1-4 family homes affected or destroyed by Superstorm Sandy. The agreement terminated on April 30, 2018. In July 2018, the Corporation paid all amounts due HPD; there was no further activity with respect to this subrecipient agreement subsequent to the July 2018 payment.

(b) Small Project Affordable Rental Construction Program

In June 2015, the Corporation partnered with New York State Homes and Community Renewal (HCR) to administer up to $20.0 million in Community Development Block Grant - Disaster Recovery funds through the Small Project Affordable Rental Construction Program (SPARC) to communities impacted by Superstorm Sandy, Hurricane Irene, and/or Tropical Storm Lee. In December 2016, the agreement was amended to increase the amount to $30.0 million. Federal funds are available for the new construction or substantial rehabilitation of properties containing from eight to twenty affordable rental units each. SPARC funds must be committed no later than September 30, 2017 and fully disbursed within two years of the last commitment date. For the years ended June 30, 2020 and 2019, the Corporation recognized $0.03 million and 0.06 million, respectively, of grant revenue related to reimbursement for costs incurred to administer SPARC funds.

Prior to administering SPARC funds to loans, the Corporation bridged construction loans until conversion. As of June 30, 2020 five construction loans closed, all of which have been converted to permanent loans.

(c) HPD Neighborhood Pillars Program

In August 2015, $2.0 million from an institution was received for the HPD Neighborhood Pillars Program (Program), previously referred to as the Small Distressed Building Program, which CPC recognized as grant revenue.

In November 2018, the Corporation made a one-time contribution of $2.0 million to Restored Homes Development LLC to support the Program. The goal of the Program is to finance the acquisition/preservation of 1,000 affordable housing units in New York City annually and provide nonprofits with additional financial and technical resources to meet the goals of the Program. As such, the Program consists of a revolving equity fund to provide nonprofits with the financial resources for deposit/down payment assistance and pre-acquisition costs in order to help them move quickly through all stages of the acquisition process. Nonprofits will be eligible to apply for these funds after going through the appropriate HPD vetting process. CPC committed these grant dollars to contribute to the equity fund portion of the Program. Expenses as of June 30, 2020 and 2019 were minimal.

(d) 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, 2020 and 2019, CPC funded loans under this grant totaling $0.3 million and $0.7 million respectively. As of June 30, 2020 and 2019, $0.7 million and $0.9 million, respectively, is to be funded and is included in net assets with donor restrictions on the Consolidated Statements of Financial Position.

(e) 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 years ended June 30, 2020 and 2019, CPC funded loans under this grant totaling $6.2 million and $2.7 million, respectively. As of June 30, 2020 and 2019, $0.9 million and $7.2 million, respectively, is to be funded and is included in net assets with donor restrictions on the Consolidated Statements of Financial Position.

(24) Concentrations

(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, 2020 and 2019.

(b) Geographic

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

(c) Business

At June 30, 2020, CPC had commitments to sell approximately 86% of its permanent mortgages to one investor. At June 30, 2019, CPC had commitments to sell approximately 50% of its permanent mortgages to one investor.

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.

(25) Subsequent Events

Events that occur after the consolidated statement 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 statement of financial position date are recognized in the accompanying consolidated financial statements. Subsequent events which provide evidence about conditions that existed after the consolidated statement of financial position date require disclosure in the accompanying notes. Management evaluated the activity through September 23, 2020 (the date the consolidated financial statements were available to be issued) and determined that no subsequent events have occurred that would require recognition in the consolidated financial statements or disclosure in the Notes to the Consolidated Financial Statements.

Supplementary Information

THE COMMUNITY PRESERVATION CORPORATION
AND SUBSIDIARIES

Consolidating Statements of Financial Position (with Summarized Comparative Financial Statement Information for 2019)

June 30, 2020 and 2019

Assets	2020					2019
	CPC	MOCO	CPCR & TRS	Eliminations	Consolidated	Consolidated
Cash and cash equivalents	$ 33,870,424	$ 4,355,791	$ 576,775	$ -	$ 38,802,990	$ 73,925,797
Restricted cash, restricted cash equivalents, and funded reserves	301,817,397	52,512,291	-	-	354,329,688	324,827,462
Investment in mortgage loans:						
Construction loans held for investment (Note 4)	555,479,289	-	-	-	555,479,289	434,381,499
Permanent loans held for investment (Note 4)	50,710,914	482,865	-	-	53,826,461	60,259,636
Permanent loans held for sale (Note 4)	10,341,613	94,953,617	-	-	102,662,548	65,354,245
	616,531,816	95,436,482	-	-	711,968,298	559,995,380
Less allowance for loan losses (Note 4)	(21,369,355)	(594,210)	-	-	(21,963,565)	(15,681,607)
	595,162,461	94,842,272	-	-	690,004,733	544,313,773
Investment in real estate, net (Note 5)	-	-	-	-	-	70,874
Real estate held for sale (Note 5)	-	-	-	-	-	24,037,155
Investment in PPC (held for sale as of June 30, 2019, Note 6)	-	-	-	-	-	111,500,000
Real estate owned	2,670,425	-	-	-	2,670,425	8,329,406
Mortgage servicing rights, net (Note 10)	24,596,183	13,405,978	-	-	38,002,161	39,272,195
Investment in unconsolidated subsidiaries (Note 8)	10,214,783	-	515,387	-	10,730,170	6,549,998
Investment in securities and hedge funds (Note 9)	173,653,934	-	-	-	173,653,934	61,504,109
Receivables, net	2,458,345	83,331	20,408	-	2,562,084	2,949,882
Intercompany receivable/(payable)	2,420,176	(2,420,176)	-	-	-	-
Other assets, net	15,224,335	111,076	189,316	(546,395)	14,978,332	15,977,279
Total assets	$ 1,162,088,463	$ 162,890,563	$ 1,301,886	$ (546,395)	$ 1,325,734,517	$ 1,213,257,930
Liabilities and Net Assets						
Liabilities:						
Notes and bonds payable, net of unamortized debt issuance costs (Note 11)	$ 379,734,375	$ 48,140,000	$ -	$ -	$ 427,874,375	$ 369,361,394
Liabilities of real estate held for sale (Note 12)	-	-	-	-	-	13,889,099
Participations payable (Notes 4 and 13)	223,739,213	46,813,618	-	-	270,552,831	202,189,207
Escrow deposits and other liabilities	163,501,420	50,428,489	1	-	213,929,910	195,707,417
Participants' deposits (Note 14)	159,998,387	-	-	-	159,998,387	156,212,185
Other liabilities	23,447,757	1,711,055	732,965	-	25,891,777	19,516,263
Total liabilities	950,421,152	147,093,162	732,966	-	1,098,247,280	956,875,565
Net assets						
Without donor restrictions	210,069,660	15,797,401	546,395	(546,395)	225,867,061	234,494,562
With donor restrictions	1,597,651	-	-	-	1,597,651	8,100,411
Noncontrolling interests (Note 22)	-	-	22,525	-	22,525	13,787,392
Total net assets	211,667,311	15,797,401	568,920	(546,395)	227,487,237	256,382,365
Total liabilities and net assets	$ 1,162,088,463	$ 162,890,563	$ 1,301,886	$ (546,395)	$ 1,325,734,517	$ 1,213,257,930

THE COMMUNITY PRESERVATION CORPORATION
AND SUBSIDIARIES

Consolidating Statements of Activities (with Summarized Comparative Financial Statement Information for 2019)

Years ended June 30, 2020 and 2019

	2020					2019
	CPC	MOCO	CPCR & TRS	Eliminations	Consolidated	Consolidated
Net interest income:						
Interest on construction and permanent mortgage loans	$ 20,746,243	$ 639,815	$ -	$ -	$ 21,386,058	$ 21,151,824
Interest on participations payable	5,070,096	-	-	-	5,070,096	7,681,887
Interest on short-term investments (Note 15)	6,544,178	419,537	248,617	-	7,212,332	5,480,028
Total interest income	32,360,517	1,059,352	248,617	-	33,668,486	34,313,739
Interest expense (Note 16)	16,329,707	511,381	-	-	16,841,088	19,630,615
Interest expense on loan participations	5,070,096	-	-	-	5,070,096	7,681,887
Total interest expense	21,399,803	511,381	-	-	21,911,184	27,312,502
Net interest income before provision for loan losses						7,001,237
Provision for loan losses (Note 4)	(7,522,830)	(453,088)	-	-	(7,975,918)	(3,938,612)
Net interest expense	3,437,884	94,883	248,617	-	3,781,384	3,062,625
Noninterest revenue:						
Servicing fee income (Note 10)	4,338,798	4,326,446	-	-	8,665,244	15,856,646
Commitment fee income	2,994,727	2,864,473	-	-	5,859,200	6,333,675
in securities (Note 9)	4,986,096	-	-	-	4,986,096	1,195,576
Gain on sale of real estate, net	262,500	-	3,833,203	-	4,095,703	-
Operating real estate loss, net	-	-	(5,905)	-	(5,905)	(164,942)
PPC earnings:						
Distribution income (Note 6)	-	-	-	-	-	56,749,675
Unrealized gain on fair value adjustment (Note 6)	-	-	-	-	-	(45,586,824)
Equity in earnings of unconsolidated subsidiaries (Note 8)	670,547	-	169,606	-	840,153	1,130,986
Other revenue	786,719	167,355	-	-	954,074	3,290,950
Grant income (Note 23)	64,667	-	-	-	64,667	10,211,635
Total noninterest revenue	14,104,054	7,358,274	3,996,904	-	25,459,232	49,017,377
Total revenue	17,541,938	7,453,157	4,245,521	-	29,240,616	52,080,002
Noninterest expense:						
Employee compensation and benefits (Note 19)	25,221,052	4,191,757	246,841	-	29,659,650	25,633,613
Office expenses	5,728,350	334,230	37,919	-	6,100,499	5,743,444
Professional fees	2,003,092	19,689	57,920	-	2,080,701	3,182,458
Depreciation and amortization	1,249,433	-	1,904	-	1,251,337	965,446
Impairment of real estate	1,160,599	-	-	-	1,160,599	-
Other expenses	1,520,587	544,199	186,167	-	2,250,953	4,233,466
Total noninterest expense	36,883,113	5,089,875	530,751	-	42,503,739	39,758,427
Change in net assets from operations before income tax provision and discontinued operations	(19,341,175)	2,363,282	3,714,770	-	(13,263,123)	12,321,575
Income tax provision (Note 21)	(34,965)	-	(633,416)	-	(668,381)	(69,687)
Net income from discontinued operations (Note 5)	-	-	134,792	-	134,792	227,901
Change in net assets from operations	(19,376,140)	2,363,282	3,216,146	-	(13,796,712)	12,479,789
Equity in net income of consolidated subsidiaries	1,882,597	-	-	(1,882,597)	-	-
Change in net assets from operations	(17,493,543)	2,363,282	3,216,146	(1,882,597)	(13,796,712)	12,479,789
Change in net assets from operations attributable to noncontrolling interests	-	-	(1,333,549)	-	(1,333,549)	(1,445,835)
Change in net assets from operations attributable to CPC	$ (17,493,543)	$ 2,363,282	$ 1,882,597	$ (1,882,597)	$ (15,130,261)	$ 11,033,954

See Independent Auditor's Report.