THE COMMUNITY PRESERVATION CORPORATION AND SUBSIDIARIES

Consolidated Financial Statements
(With Accompanying Consolidating Schedules)

June 30, 2021 and 2020

(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, 2021 and 2020, 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 financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 audit 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 financial position of The Community Preservation Corporation and Subsidiaries as of June 30, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Standard

As discussed in Note 2 of the consolidating financial statements, the Community Preservation Corporation and Subsidiaries adopted the Financial Accounting Standards Board (the "FASB")'s Accounting Standards Update ("ASU") No. 2016-02, Leases (Topic 842) ("ASU 2016-02") as of June 30, 2021. The requirements of the ASUs have been applied retrospectively to July 1, 2020. Our opinion is not modified with respect to this matter.

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 53 and 54 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 24, 2021

THE COMMUNITY PRESERVATION CORPORATION
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Consolidated Statements of Financial Position
June 30, 2021 and 2020

Assets		**2021**		**2020**
Cash and cash equivalents	$	19,746,428	$	38,802,990
Restricted cash, restricted cash equivalents, and funded reserves		363,333,116		354,329,688
Investment in mortgage loans:				
Construction loans held for investment (Note 4)		578,872,598		555,479,289
Permanent loans held for investment (Note 4)		47,120,455		53,826,461
Permanent loans held for sale (Note 4)		56,359,077		102,662,548
		682,352,130		711,968,298
Less allowance for loan losses (Note 4)		(13,859,373)		(21,963,565)
		668,492,757		690,004,733
Real estate owned		2,370,969		2,670,425
Mortgage servicing rights (Note 9)		42,380,181		38,002,161
Investment in unconsolidated subsidiaries (Note 6)		9,283,332		7,813,460
Investment in unconsolidated subsidiary at fair value (Note 7)		35,267,236		-
Investment in securities and hedge funds (Note 8)		217,598,069		173,653,934
Receivables, net		2,476,586		2,562,084
Right of use assets (Note 15)		27,597,402		-
Other assets, net		14,797,916		17,895,042
Total assets	$	1,403,343,992	$	1,325,734,517
Liabilities and Net Assets				
Liabilities:				
Notes and bonds payable, net of unamortized debt issuance costs (Note 10)	$	402,182,129	$	427,874,375
Participations payable (Notes 4 and 11)		278,777,405		270,552,831
Escrow deposits and other liabilities		224,340,974		213,929,910
Participants' deposits (Note 12)		170,907,334		159,998,387
Lease liabilities (Note 15)		33,121,185		-
Other liabilities		23,295,279		25,891,777
Total liabilities		1,132,624,306		1,098,247,280
Commitments and contingencies (Note 15)				
Net assets:				
Without donor restrictions		270,339,669		225,867,061
With donor restrictions		380,017		1,597,651
Noncontrolling interests (Note 19)		-		22,525
Total net assets		270,719,686		227,487,237
Total liabilities and net assets	$	1,403,343,992	$	1,325,734,517

See accompanying notes to consolidated financial statements.

THE COMMUNITY PRESERVATION CORPORATION
AND SUBSIDIARIES

Consolidated Statements of Activities (with Summarized Comparative Financial Statement Information for 2020)

Years ended June 30, 2021 and 2020

	Without donor restrictions	With donor restrictions	2021 Total	2020 Total
Net interest income:				
Interest on construction and permanent mortgage loans	$ 19,947,102	$ -	$ 19,947,102	$ 21,386,058
Interest on participations payable	4,949,534	-	4,949,534	5,070,096
Interest and earnings on restricted investments in securities (Note 8)	1,594,294	-	1,594,294	6,222,891
Total interest income	26,490,930	-	26,490,930	32,679,045
Interest expense (Note 13)	11,645,357	-	11,645,357	16,841,088
Interest expense on loan participations	4,949,534	-	4,949,534	5,070,096
Total interest expense	16,594,891	-	16,594,891	21,911,184
Net interest income before provision for loan losses	9,896,039	-	9,896,039	10,767,861
Provision for loan losses (Note 4)	(2,187,004)	-	(2,187,004)	(7,975,918)
Net interest income	7,709,035	-	7,709,035	2,791,943
Other revenue:				
Servicing fee income (Note 9)	15,380,683	-	15,380,683	8,665,244
Commitment fee income	9,133,127	-	9,133,127	5,859,200
Interest and earnings on unrestricted investments in securities and hedge funds (Note 8)	1,758,869	-	1,758,869	1,451,812
Realized gain/(losses) on investments in securities and hedge funds (Note 8)	9,803,563	-	9,803,563	(462,371)
Unrealized gain on investment in securities and hedge funds (Note 8)	21,609,134	-	21,609,134	4,986,096
Gain on sale of real estate, net	-	-	-	4,095,703
Unrealized gain on investment in unconsolidated subsidiaries (Note 7)	21,525,679	-	21,525,679	-
Equity in earnings of unconsolidated subsidiaries (Note 6)	1,352,442	-	1,352,442	840,153
Other revenue	1,912,428	-	1,912,428	948,169
Grant income (Note 20)	101,472		101,472	64,667
Net assets released from restrictions	1,217,634	(1,217,634)	-	-
Total other revenue	83,795,031	(1,217,634)	82,577,397	26,448,673
Total revenue	91,504,066	(1,217,634)	90,286,432	29,240,616
Noninterest expense:				
Employee compensation and benefits (Notes 16 and 17)	35,357,056	-	35,357,056	29,659,650
Office expenses	5,908,923	-	5,908,923	6,100,499
Professional fees	2,198,182	-	2,198,182	2,080,701
Depreciation	1,266,174	-	1,266,174	1,251,337
Impairment of real estate asset	245,390	-	245,390	1,160,599
Other expenses	1,846,830	-	1,846,830	2,250,953
Total noninterest expense	46,822,555	-	46,822,555	42,503,739
Change in net assets from operations before income tax provision and discontinued operations	44,681,511	(1,217,634)	43,463,877	(13,263,123)
Income tax provision (Note 18)	(208,903)	-	(208,903)	(668,381)
Net income from discontinued operations	-	-	-	134,792
Change in net assets from operations	44,472,608	(1,217,634)	43,254,974	(13,796,712)
Change in net assets from operations attributable to noncontrolling interests	-	-	-	(1,333,549)
Change in net assets from operations attributable to CPC	$ 44,472,608	$ (1,217,634)	$ 43,254,974	$ (15,130,261)

See accompanying notes to consolidated financial statements.

THE COMMUNITY PRESERVATION CORPORATION
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Consolidated Statements of Activities
Year ended June 30, 2020

	Without donor restrictions	With donor restrictions	2020 Total
Net interest income:			
Interest on construction and permanent mortgage loans	$ 21,386,058	$ -	$ 21,386,058
Interest on participations payable	5,070,096	-	5,070,096
Interest and earnings on restricted investments in securities (Note 8)	6,222,891	-	6,222,891
Total interest income	32,679,045	-	32,679,045
Interest expense (Note 13)	16,841,088	-	16,841,088
Interest expense on loan participations	5,070,096	-	5,070,096
Total interest expense	21,911,184	-	21,911,184
Net interest income before provision for loan losses	10,767,861	-	10,767,861
Provision for loan losses (Note 4)	(7,975,918)	-	(7,975,918)
Net interest income	2,791,943	-	2,791,943
Noninterest revenue:			
Servicing fee income (Note 9)	8,665,244	-	8,665,244
Commitment fee income	5,859,200	-	5,859,200
Interest and earnings on unrestricted investments in securities and hedge funds (Note 8)	1,451,812	-	1,451,812
Realized gain/(losses) on investments in securities and hedge funds (Note 8)	(462,371)	-	(462,371)
Unrealized gain on investment in securities and hedge funds (Note 8)	4,986,096	-	4,986,096
Gain on sale of real estate, net	4,095,703	-	4,095,703
Equity in earnings of unconsolidated subsidiaries (Note 6)	840,153	-	840,153
Other revenue	948,169	-	948,169
Grant income (Note 20)	64,667	-	64,667
Net assets released from restrictions	6,502,760	(6,502,760)	-
Total noninterest revenue	32,951,433	(6,502,760)	26,448,673
Total revenue	35,743,376	(6,502,760)	29,240,616
Noninterest expense:			
Employee compensation and benefits (Note 16 and 17)	29,659,650	-	29,659,650
Office expenses	6,100,499	-	6,100,499
Professional fees	2,080,701	-	2,080,701
Depreciation	1,251,337	-	1,251,337
Impairment of real estate asset	1,160,599	-	1,160,599
Other expenses	2,250,953	-	2,250,953
Total noninterest expense	42,503,739	-	42,503,739
Change in net assets from operations before income tax provision and discontinued operations	(6,760,363)	(6,502,760)	(13,263,123)
Income tax provision (Note 18)	(668,381)	-	(668,381)
Net income from discontinued operations	134,792	-	134,792
Change in net assets from operations	(7,293,952)	(6,502,760)	(13,796,712)
Change in net assets from operations attributable to noncontrolling interests	(1,333,549)	-	(1,333,549)
Change in net assets from operations attributable to CPC	$ (8,627,501)	$ (6,502,760)	$ (15,130,261)

See accompanying notes to consolidated financial statements.

THE COMMUNITY PRESERVATION CORPORATION
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Consolidated Statements of Changes in Net Assets
Years ended June 30, 2021 and 2020

	Without donor restrictions	With donor restrictions	Noncontrolling Interests	Total
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
Distributions	-	-	(22,525)	(22,525)
Change in net assets	44,472,608	(1,217,634)	-	43,254,974
Balance, June 30, 2021	$ 270,339,669	$ 380,017	$ -	$ 270,719,686

See accompanying notes to consolidated financial statements.

THE COMMUNITY PRESERVATION CORPORATION
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Consolidated Statements of Functional Expenses
Years ended June 30, 2021 and 2020

	2021			2020		
	Program Services	**Management and General**	**Total**	**Program Services**	**Management and General**	**Total**
Salaries and fringe benefits	$ 29,034,670	$ 6,322,386	$ 35,357,056	$ 24,097,966	$ 5,561,684	$ 29,659,650
Occupancy	1,979,753	296,528	2,276,281	1,758,715	316,096	2,074,811
Insurance	7,567	549,979	557,546	15,297	616,590	631,887
Office expenses	491,066	2,584,030	3,075,096	818,822	2,574,979	3,393,801
Professional fees	1,350,098	848,084	2,198,182	1,369,883	710,818	2,080,701
Contributions	214,549	1,000	215,549	408,896	1,800	410,696
Travel and related expenses	113,246	41,385	154,631	434,827	231,736	666,563
Depreciation	-	1,266,174	1,266,174	1,904	1,249,433	1,251,337
Marketing	458,148	-	458,148	700,266	-	700,266
Impairment	245,390	-	245,390	1,160,599	-	1,160,599
Miscellaneous	1,017,931	571	1,018,502	430,539	42,889	473,428
	$ 34,912,418	$ 11,910,137	$ 46,822,555	$ 31,197,714	$ 11,306,025	$ 42,503,739

See accompanying notes to consolidated financial statements.

THE COMMUNITY PRESERVATION CORPORATION
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Consolidated Statements of Cash Flows
Years ended June 30, 2021 and 2020

		2021		2020
Cash flows from operating activities:				
Change in net assets	$	43,254,974	$	(13,796,712)
Adjustments to reconcile change in net assets to net cash used in operating activities:				
Depreciation and amortization		2,133,052		1,830,589
Straight line rent expense		1,008,300		1,366,191
Provision for loan losses		2,187,004		7,975,918
Gain on sale of loans with servicing retained		(8,851,102)		(5,428,300)
Change in fair value of mortgage servicing rights		4,473,082		6,698,334
Unrealized gain on investment in securities and hedge funds		(21,609,134)		(4,986,096)
Realized gain on investments in securities and hedge funds		(9,803,563)		(1,923,312)
Impairment loss		245,390		1,160,599
Equity in net income of unconsolidated subsidiaries		(1,352,442)		(840,153)
Distributions from unconsolidated subsidiaries		1,861,287		1,564,726
Unrealized gain on investment in unconsolidated subsidiaries		(21,525,679)		-
Gain on sale of real estate		-		(4,095,703)
Deferred income tax provision		190,000		616,043
Changes in:				
Other assets, net		(829,593)		(2,536,240)
Lease liabilties		(679,446)		-
Other liabilities		2,408,436		4,805,449
Net cash used in operating activities		(6,889,434)		(7,588,667)
Cash flows from investing activities:				
Mortgage loans originated		(439,331,940)		(344,372,907)
Repayments of mortgage loans		163,954,410		48,525,219
Mortgage loans sold		294,702,501		142,180,810
Investment in securities		(122,993,221)		(117,774,578)
Proceeds from sale of securities		110,461,783		7,241,810
Contributions to unconsolidated subsidiaries		(12,803,564)		(1,988,039)
Effect of deconsolidation due to redemption of interest		-		(425,588)
Proceeds from sale of REO assets		54,066		229,921
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
Purchase of furniture, fixtures and information technology		(170,667)		(803,114)
Restricted cash		5,035,975		(6,212,423)
Net cash used in investing activities		(1,090,657)		(160,439,266)

THE COMMUNITY PRESERVATION CORPORATION
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Consolidated Statements of Cash Flows
Years ended June 30, 2021 and 2020

		2021		2020
Cash flows from financing activities:				
Proceeds from notes payable under credit agreement		437,558,080		422,593,635
Repayments of notes payable under credit agreement		(478,670,662)		(513,176,691)
Proceeds from on-demand line of credit		15,000,000		-
Proceeds from bond payable		-		150,000,000
Increase in participations pledges payable		8,224,574		72,632,085
Increase in participants' deposits		10,908,947		3,786,202
Payments of debt issuance costs		(446,542)		(1,334,124)
Distributions to noncontrolling interests		(22,525)		(2,076,575)
Net cash (used in) provided by financing activities		(7,448,128)		132,424,532
Net decrease in cash, cash equivalents, restricted cash and cash equivalents		(15,428,219)		(35,603,401)
Cash, cash equivalents, restricted cash, and restricted cash equivalents, beginning of year		46,901,800		82,505,201
Cash, cash equivalents, restricted cash, and restricted cash equivalents, end of year	$	31,473,581	$	46,901,800

		2021		2020
Supplemental disclosure of cash flow information:				
Cash paid during the year for:				
Income taxes	$	154,733	$	56,863
Interest		9,847,156		15,229,224
Supplemental disclosures of noncash investing and financing activities:				
Effect of deconsolidation of subsidiary				
Real estate held for sale	$	-	$	26,484,939
Liabilities held for sale		-		(13,889,099)
Noncontrolling interest		-		(13,021,428)
Effect of adoption of new lease accounting guidance as of July 1, 2020:				
Right of use assets		31,334,696		-
Lease liabilities		(33,800,631)		-
Deferred lease liability		2,465,935		-
Reclassification of other assets to investment in unconsolidated subsidiary at fair value		2,916,710		-

See accompanying notes to consolidated financial statements.

(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 did not elect REIT tax status 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 (FHA). As of June 30, 2021 the FHA and Multifamily Accelerated Processing (MAP) approvals are held by CPC with the goal of transferring them to MoCo.

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

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

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

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

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

The COVID-19 pandemic has had an immaterial impact on CPC's operations, its cash flows, and the amount and availability of its liquidity. CPC has taken into consideration the effect of the COVID - 19 pandemic in its assumptions about and estimates of expected credit losses on all loans for which it records an allowance for loan losses (see Note 2(g)). 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, CPCI, its other wholly owned subsidiaries, its investments in joint ventures controlled by the Corporation, and variable interest entities (VIEs) where it is the primary beneficiary. 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 as of June 30, 2020 include the Funds' financial statements as of March 31, 2020. 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:

- <u>Net Assets Without Donor Restrictions</u> -
    - 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, 2021 and 2020 of other members' interests in consolidated subsidiaries that are included in the consolidated financial statements.

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

(d) Cash and Cash Equivalents

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

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

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

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

	2021	2020
Restricted cash and restricted cash equivalents	$ 11,728	$ 8,099
Funded reserves	351,605	346,231
	$ 363,333	$ 354,330

(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 guidance in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 860, *Transfers and Servicing*. Based on this guidance, participations in loans that do not meet the true-sale criteria, in addition to issuances of CTNs, are treated as secured financings for financial reporting purposes. Accordingly, the full amount of the loans with participations and the pledged loans are reflected as assets, the interest thereon is recorded by the Corporation as income, and the participants' share of the loans and the CTNs are reflected as secured borrowings with interest expense recorded by the Corporation on such participations.

(g) Allowance for Loan Losses

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

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

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

All loans that are not subject to specific valuation allowances are segmented into pools of loans with similar characteristics: (a) For Sale Construction Loans; (b) Rental Construction Loans; (c) Permanent Loans and; (d) CTNs. Each loan type, excluding CTNs (CPC bears no risk for CTNs owned by third parties and, accordingly, does not record an allowance for loan losses for such loans), is then sorted by risk rating. CPC uses a 10-level risk rating system. General valuation allowances are established by applying CPC's loan loss provisioning methodology which reflects the inherent risk in outstanding held-for-investment loans considering various quantitative risk factors. Such risk factors include 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) 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 years ended June 30, 2021 and 2020, CPC recognized impairment loss of $0.2 million and $1.2 million, respectively, related to one of the REO assets.

(i) Mortgage Servicing Rights (MSRs)

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

(j) Investments in Unconsolidated Subsidiaries

Unconsolidated subsidiaries are investments over which CPC can exercise significant influence, but does not control. As of June 30, 2021 and June 30, 2020, CPC holds financial interests in twelve and six companies, respectively, owned through its wholly-owned subsidiaries CCA, CPCI, and TRS (see Note 6).

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

Except as noted in Note 2(k), CPC accounts for its investments in unconsolidated subsidiaries by using the equity method of accounting whereby the cost of an investment is adjusted for CPC's share of income or loss from the date of acquisition, increased for equity contributions made, and reduced by distributions received. The income or loss for each unconsolidated subsidiary is allocated in accordance with the provisions of the applicable operating agreements, which may differ from the ownership interest held by each investor. The 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).

(k) Investment in Unconsolidated Subsidiary at Fair Value

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

(l) Investments in Securities and Hedge Funds

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

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

(m) Receivables

Receivables are reported net of allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experienced and a review of the current status of account receivable. It is reasonably possible that management's estimate of the allowance will change. There is no allowance recorded as of June 30, 2021 and 2020.

(n) Right of use Assets/Lease Liabilities

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

(o) Other Assets

Other assets include fixed assets, advances made on behalf of borrowers, prepaid expenses, and security deposits.

(p) Participants' Deposits

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

(q) Income Taxes

The Internal Revenue Service has determined that CPC is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. This determination does not, however, apply to any net income earned from business which is not directly related to the tax-exempt purpose of CPC. If CPC generates unrelated business net income, such unrelated business net income is subject to tax.

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 periods ended June 30, 2021 and 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, 2021, which are from July 1, 2017 through June 30, 2020. The Corporation concluded that it had no material uncertain tax positions to be recognized at this time. If there are interest and penalties on tax positions, the Corporation's policy is to classify these as other expenses.

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

(r) Other Liabilities

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

(s) Accounting for Guarantees

The Corporation discloses its obligations under guarantees issued. The Corporation recognizes, at the inception of the guarantee, a liability for the fair value of the obligation undertaken and adjusts its obligation each reporting period to its estimated fair value. No amounts have been accrued as a loss contingency related to guarantees made to equity method investments because payment by the Corporation is remote as of June 30, 2021 and 2020.

(t) 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.

(u) Income Recognition

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

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

Commitment fees are collected principally to offset the Corporation's costs of originating first mortgage loans. Commitment fees are recognized as income when received and direct loan commitment costs are expensed as incurred. GAAP requires that commitment fees in excess of direct loan commitment costs, if any, be deferred and amortized as an adjustment to yield over the life of the loan. Recognizing the income and expense as earned and incurred is not materially different from the results that would have been obtained by deferring the net fees and amortizing over the life of the loan.

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

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.

(v) Depreciation and Amortization

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

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

(w) 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.

(x) 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 unconsolidated subsidiary at fair value (see Note 7), investments in securities and hedge funds (see Note 8), and MSRs (see Note 9).

Fair values of financial assets measured at fair value on a recurring basis at June 30, 2021 and 2020 are as follows ($000s):

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

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

(Note that the Corporation's investment in hedge funds ($17.9 million and $12.7 million, respectively) are measured using NAV per share as a practical expedient and are therefore not categorized within the fair value hierarchy).

(y) Functional Expenses

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

(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, 2021 and 2020 ($000s):

	2021	2020
Cash and cash equivalents	$ 19,746	$ 38,803
Restricted cash and restricted cash equivalents	11,728	8,099
	$ 31,474	$ 46,902

(aa) New Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases.* Under ASU 2016-02, a lessee will recognize in the Consolidated Statements 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 adopted ASU 2016-02 using the modified retrospective approach at July 1, 2020. ASU 2016-02 requires that lessees recognize right of use assets and lease liabilities calculated based on present value of the lease payments for all lease agreements with terms that are greater than 12 months using the rate implicit of the lessee's incremental borrowing rate. The Corporation has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, the Corporation accounted for its existing leases as either operating or financing leases under the new guidance, without reassessing (a) whether the contract contains a lease under ASC Topic 842, (b) whether classification of the lease would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition adjustments (as of July 1, 2020) would have met the definition of initial direct costs in ASC Topic 842 at lease commencement. The adoption of ASU 2016-02 resulted in recording a noncash transitional adjustment to operating lease right of use assets and operating lease liabilities on July 1, 2020 of $31.3 million and $33.8 million, respectively. The adoption of ASU 2016-02 did not materially impact the Corporation’s results of operations, cash flows, or presentation thereof.

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 September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities*. ASU 2020-07 addresses concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by nonprofit organizations, as well as the amount of those contributions used in a nonprofit organization's programs and other activities for contributed nonfinancial assets. ASU 2020-07 is to be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The Corporation is currently evaluating the impact of the new guidance.

(bb) Reclassifications

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

(3) Lending Overview

CPC operates both a construction lending and a permanent lending platform. Mortgage loans are provided for the acquisition, refinancing, and/or moderate rehabilitation of occupied multifamily properties, conversion/renovation of vacant buildings into habitable multifamily properties ("gut" renovation), and new construction of multifamily properties.

Construction Lending

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

CPC primarily funds its construction loans with a $455.6 million syndicated line of credit (structured as a repurchase agreement) that is agented by Citibank and comprised of 14 lenders (see Note 10). CPC is also able to increase its breadth of lending by accessing additional capital by using participation agreements from banking institutions with whom CPC has long-standing relationships to invest their capital in CPC's construction loans. CPC's loans are also funded by public capital made available by HPD, New York City Housing Development Corporation (HDC), and New York State Homes and Community Renewal (HCR) through these entities' various affordable housing debt programs.

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

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

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

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

Permanent Lending

Permanent loans are made to refinance construction loans that CPC originates and to finance or refinance the purchase and long-term ownership of operating properties. The income generated by a property's operation represents the source of cash utilized to meet the payment obligations of the associated loan. A permanent loan typically is self-amortizing and can have a term of up to 40 years, or can have a specified term with a balloon payment based on a 20- to 35-year amortization schedule. CPC provides permanent loans as an agent for third parties.

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

CPC's permanent loans are primarily funded through diverse sources of capital that include two warehouse lines up to $230.0 million (see Note 10) which temporarily finance loans until sale to the pension funds of certain public employees and other institutions (collectively, the Pension Funds) or the Agencies (see Note 11). CPC has over $1.5 billion in committed capital from its various Pension Fund partners. CPC's available capital for its product is subject only to the Agencies' capacities.

(4) Investment in Mortgage Loans

(a) Construction Mortgage Loans

Construction loans are primarily on multifamily projects being developed or rehabilitated for rental or sale as individual units by the borrower. CPC has received conditional commitments from its financing sources to purchase approximately 20% and 59% as of June 30, 2021 and 2020, respectively, of its construction loans for rental projects after they are converted to permanent mortgages, upon completion of administrative and other requirements (see Note 15).

CPC has sold loan participations in some of its construction loans to third-party financial institutions that have restrictions on the further transfer or resale of these loans by the acquirer. GAAP requires that the participated portions of these loans be retained on the Consolidated Statements of Financial Position as investment in mortgage loans due to these restrictions ("Participation Loans"). The sales proceeds associated with these loans are reported in liabilities as participations payable in the accompanying Consolidated Statements of Financial Position. The construction loan participations payable bear interest at a weighted average rate of 0.58% and 0.65% as of June 30, 2021 and 2020, 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.

(b) Permanent Mortgage Loans

Permanent mortgage loans are on completed multifamily projects and generally require the borrower to make monthly combined payments of interest and principal in a level amount until maturity. Permanent mortgage loans are normally held by the Corporation after they are converted from construction loans, pending the completion of certain administrative and other requirements, at which point the loans are held for sale or participation. Loans held for sale are reflected at the lower of cost or fair value, which is determined on an individual asset basis, in the accompanying Consolidated Statements of Financial Position. Loans held for sale as of June 30, 2021 and 2020 were approximately $56.4 million and $102.7 million, respectively.

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

In addition, MoCo is a mortgage originator and seller/servicer for various Freddie Mac programs. As a seller/servicer for Freddie Mac's Small Balance Loan (SBL) program, MoCo is required to retain risk exposure for performance of the loans until securitization. CPC retains the risk of repurchase on Freddie Mac SBL loans during the period from purchase by Freddie Mac until securitization or one year, whichever is shorter. Accordingly, CPC records allowance for loan losses on SBLs during that period. A summary of Freddie Mac loans prior to securitization follows. There are no Freddie Mac SBL loans owned by CPC greater than one year old.

The permanent loan participations payable bear interest at a weighted average rate of 4.41% and 5.04% as of June 30, 2021 and 2020, 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, 2021 and 2020 ($000s):

June 30, 2021	**Number of Loans**	**CPC Share**	**Participant Share ***	**Total**
Construction loans:				
Rental project:				
CPC wholly-owned	65	$ 323,940	$ -	$ 323,940
Top loss participations	1	410	1,606	2,016
Pari-passu participation	59	54,166	178,156	232,322
Total rental properties	125	378,516	179,762	558,278
For Sale Project:				
CPC wholly-owned	4	4,790	-	4,790
Pari-passu participation	2	3,065	12,740	15,805
Total for sale projects	6	7,855	12,740	20,595
Total construction loans	131	386,371	192,502	578,873
Permanent loans:				
Mortgage loans	168	19,323	3,959	23,282
Freddie Mac loans prior to securitization	14	-	47,603	47,603
Pledged under collateral trust notes	99	35	28,163	28,198
Sold with 3% risk retained	6	85	4,311	4,396
Total permanent loans	287	19,443	84,036	103,479
Investment in construction and mortgage loans	418	405,814	276,538	682,352
Allowance for loan losses		(13,258)	(601)	(13,859)
Investment in mortgage loans, net		$ 392,556	$ 275,937	$ 668,493

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	173,988	241,666
Total rental properties	148	362,730	175,699	538,429
For Sale Project:				
CPC wholly-owned	8	10,317	-	10,317
Pari-passu participation	16	6,733	-	6,733
Total for sale projects	24	17,050	-	17,050
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	6,436	6,568
Total permanent loans	182	63,874	92,616	156,490
Investment in construction and mortgage loans	354	443,654	268,315	711,969
Allowance for loan losses		(21,600)	(364)	(21,964)
Investment in mortgage loans, net		$ 422,054	$ 267,951	$ 690,005

*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 113 loans totaling $243.3 million at June 30, 2021 and 101 loans totaling $153.7 million at June 30, 2020. The weighted average interest rate on construction loans for the years ended June 30, 2021 and 2020 was 5.01% and 5.76%, respectively. Construction loans require the borrower to pay interest at a floating rate of interest on the outstanding balances, with principal due at maturity or, in the case of for sale projects, upon sale of residential units in the project. The weighted average interest rate on permanent loans for the years ended June 30, 2021 and 2020 was 4.01% and 3.23%, respectively.

(c) Allowance for Loan Losses

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

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

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

The following table presents information regarding the payment status of CPC's and participants' loans at June 30, 2021 and 2020 ($000s):

June 30, 2021

	30-89 Days 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	$ 2,395	$ 10,282	$ 29,208	$ 11,558	$ 53,443	$ 525,430	$ 578,873
Permanent Loans	-	22	172	4,983	5,177	98,302	103,479
	$ 2,395	**$ 10,304**	**$ 29,380**	**$ 16,541**	**$ 58,620**	**$ 623,732**	**$ 682,352**

June 30, 2020

	30-89 Days 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**

There were no loans older than 90 days that were still accruing interest during the years ended June 30, 2021 and 2020. 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 $33.8 million and $26.6 million at June 30, 2021 and 2020, 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, 2021	**For Sale**		**Rental**		**Perm**		**Total**	
By risk category:	**CPC**	**Participation**	**CPC**	**Participation**	**CPC**	**Participation**	**CPC**	**Participation**
Pass	$ 7,855	$ 12,740	$ 353,762	$ 165,136	$ 19,378	$ 84,070	$ 380,995	$ 261,946
Criticized	-	-	24,755	14,626	30	-	24,785	14,626
	$ 7,855	$ 12,740	$ 378,517	$ 179,762	$ 19,408	$ 84,070	$ 405,780	$ 276,572

June 30, 2020	**For Sale**		**Rental**		**Perm**		**Total**	
By risk category:	**CPC**	**Participation**	**CPC**	**Participation**	**CPC**	**Participation**	**CPC**	**Participation**
Pass	$ 17,051	$ 15,251	$ 341,287	$ 158,737	$ 63,875	$ 92,614	$ 422,213	$ 266,602
Criticized	-	-	21,442	1,711	-	-	21,442	1,711
	$ 17,051	$ 15,251	$ 362,729	$ 160,448	$ 63,875	$ 92,614	$ 443,655	$ 268,313

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, 2021			
Construction loans	$ 4,918	$ 3,793	$ 8,711
Permanent loans	4,490	658	5,148
Total allowance for loan losses	$ 9,408	$ 4,451	$ 13,859
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

	Evaluated for Impairment		
	Individually	**Collectively**	**Total**
Loans receivable at June 30, 2021			
Construction loans	$ 23,013	$ 555,860	$ 578,873
Permanent loans	4,815	98,664	103,479
Total loans receivable	$ 27,828	$ 654,524	$ 682,352
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

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 $2.2 million and $0.5 million, respectively, during the years ended June 30, 2021 and 2020. The Corporation's average investment in impaired loans for the years ended June 30, 2021 and 2020 is $34.6 million and $34.9 million. The Corporation's recorded investment in impaired loans as of June 30, 2021 and 2020 is $18.4 million and $23.5 million, respectively.

The following table presents additional information regarding the Corporation's impaired loans at June 30, 2021 and 2020 ($000s):

	June 30, 2021		June 30, 2020	
	Unpaid principal	Related allowance	Unpaid principal	Related allowance
Impaired with no allowance				
Construction loans	$ 4,401	$ -	$ 23,153	$ -
Permanent loans	-	-	-	-
	$ 4,401	$ -	$ 23,153	$ -
Impaired loans with allowance				
Constrution loans	$ 18,612	$ 4,918	$ 12,816	$ 12,816
Permanent loans	4,815	4,490	5,115	4,736
	$ 23,427	$ 9,408	$ 17,931	$ 17,552
Total impaired loans				
Construction loans	$ 23,013	$ 4,918	$ 35,969	$ 12,816
Permanent loans	4,815	4,490	5,115	4,736
	$ 27,828	$ 9,408	$ 41,084	$ 17,552

At June 30, 2021 and 2020, the allowance for loan losses relating to loans sold to pari-passu loan participants was $0.60 million and $0.36 million, respectively. At June 30, 2021 and 2020, construction and permanent loans in the process of foreclosure totaled $0.3 million and $0.08 million, respectively.

For the years ended June 30, 2021 and 2020, 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, 2021 and 2020, the allowance for loan losses related to grants was $8.0 million and $17.6 million, respectively.

The following table summarizes activity in the allowance for loan losses for the years ended June 30, 2021 and 2020 ($000s):

	2021	2020
Balance, beginning of the year	$ 21,964	$ 15,682
Provision for loan losses	969	1,473
Provision for loan losses (grants)	1,218	6,503
Charge-offs	(10,292)	(1,694)
Balance, end of the year	$ 13,859	$ 21,964

Charge-offs represent reductions in the allowance for loan losses that can arise from either forgiveness of debt related to a fully reserved loan funded through a grant to CPC or a loss experienced by CPC. For the years ended June 30, 2021 and 2020, charge-offs were as follows:

	2021	2020
Forgiveness of debt	$ 10,292	$ 1,444
Loss	-	250
	$ 10,292	$ 1,694

(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, 2021 and 2020, loans modified under a TDR totaled $0 and $0.2 million, respectively. For the years ended June 30, 2021 and 2020, no loans were converted to real estate owned. For the years ended June 30, 2021 and 2020, loans with debt forgiveness totaled $0 and $0.2 million, respectively, resulting in principal losses of $0 and $0.2 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 the outstanding principal balance of CPC's TDRs as of June 30, 2021 and 2020 ($000s):

	2021	2020
Construction Loans	$ -	$ -
Permanent Loans	-	168
Total	$ -	$ 168

(5) Liquidity

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

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, 2021 ($000s):

Cash and cash equivalents	$ 19,746
Receivables, net	2,477
Unrestricted Investment in securities and hedge funds	150,763
	$ 172,986

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

Additionally, the Corporation has access to an uncommitted, on-demand line of credit (up to $60.0 million), as discussed in Note 10(d), as well as the New SPE1 voluntary pay downs ($138.5 million), as discussed in Note 10(a), to fund working capital and other business needs. At June 30, 2021 and 2020, the Corporation drew $15.0 million and $0, respectively, on the on-demand line of credit.

(6) Investment in Unconsolidated Subsidiaries

A summary of the investments in unconsolidated entities as of June 30, 2021 and 2020, and equity in net earnings of unconsolidated subsidiaries for the years then ended are as follows ($000s):

		2021		2020	
	% of ownership	Investment balance	Equity in net income	Investment balance	Equity in net income
TRS					
Soundview Family Housing Managers, LLC	33.3%	$ 560	$ 105	$ 494	$ 170
Soundview Senior Housing Managers, LLC	33.3%	22	205	22	-
CCA					
Charlotte Square Apartments LLC	30.0%	264	(78)	481	(75)
320 Sterling LLC	10.9%	16	(10)	912	13
Riverdale Osborne Towers Venture LLC	49.0%	4,407	1,251	3,747	914
Xenolith CCA ENY Partners LLC	90.0%	1,078	-	1,068	-
St. Ann's JV LLC	90.0%	968	(121)	1,089	(182)
Xenolith CCA HH LLC	90.0%	275	-	-	-
The Rise Xenolith CCA LLC	90.0%	283	-	-	-
CPCI					
CAPC USA Fund LLC	55.0%	1,410	-	-	-
Total		$ 9,283	$ 1,352	$ 7,813	$ 840

Summarized combined unaudited financial information related to the Corporation's investments in unconsolidated subsidiaries as of June 30, 2021 and 2020 and for the years then ended is as follows ($000s)

	June 30, 2021	June 30, 2020
Total Assets	$ 147,950	$ 150,550
Total Liabilities	$ 109,474	$ 103,996
Partner's Equity	38,476	46,554
Total Liabilities and Partner's Equity	$ 147,950	$ 150,550
Total Revenue	$ 21,217	$ 19,443
Total Expense	16,372	13,548
Net Income	$ 4,845	$ 5,895

(7) Investment in Unconsolidated Subsidiary at Fair Value

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

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

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

Overall capitalization rate on cash flows	5.5%
Noncontrolling interest discount	10%

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

Total Assets	$	413,239
Total Liabilities	$	375,790
Partner's Equity		37,449
Total Liabilities and Partner's Equity	$	413,239
Total Revenue	$	20,485
Total Expense		16,771
Net Income	$	3,714

(8) Investment in Securities and Hedge Funds

(a) Unrestricted Investment Portfolio

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

At June 30, 2021 and 2020, the UIP is valued at $154.4 million and $120.0 million, respectively, and includes $151.0 million and $117.0 million, respectively, in securities and $3.4 million and $3.0 million in cash. Securities are carried at fair value and consist of the following as of June 30, 2021 and 2020 ($000s):

	2021	2020
Fixed income	$ 25,756	$ 23,603
Equities	107,077	78,430
Hedge Funds	17,930	12,683
Opportunistic	-	1,920
	$ 150,763	$ 116,636

The following is a summary of the hedge fund investments whose NAV approximates fair value and the expected liquidation periods associated with each major category at June 30, 2021 ($000s):

Description	Ending balance	Redemption frequency	Redemption period notice
Equity long/short	$ 4,442	Monthly; quarterly	60 days
Event-driven/credit	6,822	Monthly; quarterly	60 - 95 days
Multi-strategy	6,666	Monthly; quarterly	30 - 45 days
Total	$ 17,930		

The following summarizes the investment return on the UIP included in interest and earnings on unrestricted investments and hedge funds for the years ended June 30, 2021 and 2020 ($000s):

	2021	2020
Interest and dividends	$ 2,425	$ 1,882
Investment expenses	(666)	(430)
	$ 1,759	$ 1,452

Unrealized gain on the UIP is $22.7 million and $3.9 million for the years ending June 30, 2021 and 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, 2021 and 2020 ($000s):

	2021	2020
Government securities	$ 53,511	$ 46,571
Corporate bonds	13,035	10,286
Accrued interest	289	161
	$ 66,835	$ 57,018

The following summarizes the investment return on all restricted cash (including both restricted cash and restricted cash investments) included in interest on and earnings on restricted investments in securities for the years ended June 30, 2021 and 2020 ($000s)

	2021	2020
Interest and dividends	$ 1,697	$ 6,292
Investment expenses	(103)	(70)
	$ 1,594	$ 6,222

Unrealized gain on investments of restricted cash is $1.2 and $1.0 million for the years ended June 30, 2021 and 2020, respectively.

(9) Mortgage Servicing Rights and Servicing Fee Income

The Corporation's servicing income for the years ended June 30, 2021 and 2020 was ($000s):

	2021	2020
Servicing income		
Contractual fees	$ 10,223	$ 9,062
Late charges, prepayment penalties, and other	780	873
Total servicing and penalty fees	11,003	9,935
Mortgage servicing rights (MSRs)		
Gain on sale of loans with servicing retained	8,851	5,428
Change in fair value of MSRs	(4,473)	(6,698)
Total MSRs income	4,378	(1,270)
Total servicing income	$ 15,381	$ 8,665

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 Agencies and other entities at rates ranging between 0% and 4.50%, with the predominate rate of approximately 0.25%. The Corporation's loan servicing portfolio aggregated $4.2 billion and $3.9 billion at June 30, 2021 and 2020, 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, 2019	$ 39,272
Gain on sale of loans with servicing retained	5,428
Change in fair value	(6,698)
Carrying value as of June 30, 2020	38,002
Gain on sale of loans with servicing retained	8,851
Change in fair value	(4,473)
Fair value as of June 30, 2021	$ 42,380

Mortgage servicing assets totaled $43.5 million and $39.2 million at June 30, 2021 and 2020, respectively. Mortgage servicing liabilities totaled $1.1 million and $1.2 million at June 30, 2021 and 2020, 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, 2021	June 30, 2020
Prepayment speeds		
During lockout period	0	0
After lockout period	4% - 11.25%	4% - 11.25%
Discount rate	12% - 27%	12% - 27%
Remaining payment terms	from 1-961 months	from 1-961 months

(10) 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.

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. 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, and CPC’s interest in CPCR, as well as CPC’s ownership of its MSRs and real estate interests.

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 years ended June 30, 2021 and 2020, one-month LIBOR ranged from 0.09% to 0.16% and 0.16% to 2.39%, respectively. The interest rate in place as of June 30, 2021 and 2020 was 2.59% and 2.67%, respectively. 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, 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).

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, 2021 and 2020, SPE1’s outstanding balance was $238.9 million and $227.8 million, respectively, leaving unfunded and available borrowing capacity under the facility of approximately $261.1 million and $272.2 million, respectively.

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, 2021, management believes that the Corporation is in compliance with all covenants.

(b) Permanent Loan Credit Facility

On March 29, 2018, the Corporation executed a warehouse credit facility structured as two master loan repurchase agreements (one agreement covering originations in the New York City region and the other covering originations outside that region) with a total cumulative commitment of $500.0 million. The two agreements can have up to $50.0 million of loans outstanding in total at one time at an interest rate of one-month LIBOR plus 175 basis points. The interest rate in place as of June 30, 2021 and 2020 was 1.84% and 1.92%, respectively. The two facilities were subsequently amended in July 2018 to add MoCo as an eligible seller thereunder, and to add Fannie Mae as an eligible subsequent buyer of the facility loans. On June 18, 2020, the two agreements were amended to increase the maximum amount outstanding in total at one time to $90.0 million. This amendment expired on September 18, 2020. On March 29, 2021, the two agreements were again amended to increase the maximum amount outstanding in total at one time to $180.0 million with a cumulative commitment of $750.0 million.

The outstanding balance of this facility was $0 and $52.1 million at June 30, 2021 and 2020, respectively. The unused remaining commitment with Citibank was $646.3 million and $284.3 million at June 30, 2021 and 2020, 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, 2021 and 2020, management believes that the 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 to May 17, 2019 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 7), the Corporation obtained an uncommitted (on-demand) line of credit with Citibank on November 6, 2019. This on-demand line of credit is secured by the assets in the UIP and is subject to collateral coverage based on the current UIP borrowing base as defined in the agreement with Citibank. Due to the uncommitted nature of the line of credit, Citibank may demand repayment at any time. Borrowings under the on-demand line of credit cannot exceed $60 million. If there is an outstanding balance on the on-demand line of credit and the amount outstanding exceeds the calculated borrowing base reflecting the current UIP account value, CPC is required to remedy the shortfall. Interest accrues at rates tied to one-month

LIBOR plus 100 basis points and payments are due monthly. The interest rate in place as of June 30, 2021 was 1.09%. As of June 30, 2021 and 2020, the Corporation has drawn $15.0 million and $0 on the on-demand line of credit, respectively.

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

(f) Debt Issuance Costs

Debt issuance costs related to all facilities and bonds, net of accumulated amortization, totaled $1.7 million and $2.1 million as of June 30, 2021 and 2020, respectively. Amortization expense as of June 30, 2021 and 2020 was $0.9 million and $0.6 million at effective rate of 2.89%, respectively, and is included in interest expense.

(11) Collateral Trust Notes Payable

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

At June 30, 2021 and 2020, the outstanding principal balances on these notes ($28.2 million and $34.6 million, respectively) and real estate owned assets ($2.2 million and $2.2 million, respectively) are included in participations payable on the Consolidated Statements of Financial Position and are equal to the principal balances of the pledged mortgages and the carrying value of any foreclosed property. At June 30, 2021 and 2020, the interest rates on these notes ranged from 2.38% to 8.05%. Included in interest income on participations payable and interest expense on loan participations on the Consolidated Statements of Activities for the years ended June 30, 2021 and 2020 is approximately $1.8 million and $2.4 million, respectively, of interest expense related to these notes and interest income related to the mortgages pledged as collateral for these notes, respectively.

(12) Participants' Deposits

At June 30, 2021 and 2020, participants' deposits consisted of the following ($000s):

	2021	2020
Unadvanced loan commitments and accumulated interest on short-term investments		
HPD	$ 157,208	$ 138,487
Other participants	13,699	21,511
Total participants' deposits	$ 170,907	$ 159,998

(13) Interest Expense

Interest expense consisted of the following for the years ended June 30, 2021 and 2020 ($000s):

	2021	2020
Interest expense on escrows and participant deposits	$ 98	$ 2,043
Interest on notes payable	6,277	12,451
Interest on bonds payable	4,301	1,768
Interest on on-demand line of credit	102	-
Amortization expense	867	579
Total interest expense	$ 11,645	$ 16,841

(14) Mortgage Loans Sold

The Corporation is a party to buy/sell agreements with the Pension Funds. These agreements, as amended, provide, among other things, for the Pension Funds to purchase certain permanent mortgages originated by the Corporation or participations in such mortgages in an aggregate amount up to $1.6 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, 2021 and 2020 was approximately $365.3 million and $255.2 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. On February 22, 2021, the agreement was amended again to extend the agreement to February 22, 2023 and increase the maximum capacity to $50.0 million.

During 2021 and 2020, loans sold to the Pension Funds, Citibank, VNB, and other financial institutions, including Freddie Mac, were approximately $730.0 million and $596.0 million, respectively. The Corporation is obligated to sell such loans at face value.

(15) Commitments and Contingencies

(a) Office Lease

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

Operating leases are reflected on the Consolidated Statements of Financial Position as a right of use asset and a related right of use liability. Right of use assets represent the right to use an underlying asset for the lease term and were $27.6 million as of June 30, 2021 and the right of use liability was $33.1 million as of June 30, 2021 and represents the obligation to make lease payments arising from the lease agreement which are discounted using the Corporation's incremental borrowing rate, rates ranging from 2.81% to 3.69%. The weighted-average lease remaining lease term and weighted-average discount rate is 26.9 years and 3.64%, respectively, as of June 30, 2021. Operating lease right of use assets and liabilities are recognized at the commencement date, or the date on which the lessor makes the underlying asset available for use, based upon present value of the lease payments over the respective lease term. Lease expense is recognized on a straight-line basis over the lease term. Any renewal options are excluded from the calculation of lease liabilities unless exercising the renewal option is reasonably assured. The lease agreements do not contain residual value guarantees or material restrictive covenants.

Lease and rental expense was approximately $2.3 million and $2.1 million respectively, for the years ended June 30, 2021 and 2020 and is included in office expenses in the accompanying consolidated financial statements. The Corporation has elected the practical expedient of not separating lease components from non-lease components. The components of lease expense were as follows:

Operating lease cost - Fixed	$1.52 million
Operating lease cost - Variable	$0.78 million

Minimum rental commitments under non-cancelable operating real estate leases in effect at June 30, 2021 and expiring at various dates through 2049 totaled $53.6 million. The future minimum annual rentals under non-cancelable leases are due as follows ($000s):

Years Ending June 30:		
2022	$	1,824,776
2023		1,808,775
2024		1,840,216
2025		1,881,075
2026		1,865,291
Thereafter		44,345,696
Subtotal		53,565,829
Less: effects of discounting		(20,444,644)
Total	$	33,121,185

(b) Litigation

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

(c) Loss Sharing

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

(d) Regulations

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

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

The Corporation is in compliance with the regulatory requirements as of June 30, 2021 and 2020.

(e) Impact of COVID-19

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

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

(f) Phase-out of LIBOR

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

The Corporation is monitoring and evaluating the risks to it from the phase-out of LIBOR and the transition to a new interest rate index or indices. These risks include (but are not limited to): interest rate risks on loans, identifying an acceptable replacement index interest rate (which may have to be done through negotiations with counterparties on an instrument-by-instrument basis), the risk of not being able to agree on a substitute index, valuation adjustment risks to the financial instruments affected, and the precise timing of when the LIBOR indices relied upon by the Corporation are no longer available.

(16) Retirement Plan

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

Retirement expense incurred by the Corporation for the Plan for each of the years ended June 30, 2021 and 2020 was approximately $1.6 million and $1.7 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, 2021 and 2020.

(17) Deferred Compensation Plan

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

Payment under the LTI Plan is based on the Board's assessment of participants' achievement of identified performance for the three-year award cycle ending June 30, 2021; participants do not vest in payments until the end of the three-year award cycle. No assessment was made during the year ended June 30, 2020; therefore, there was no accrued deferred compensation expense at June 30, 2020. At June 30, 2021, the end of the three-year award cycle, the accrued deferred compensation expense was $3.8 million.

(18) Income Taxes

For the years ended June 30, 2021 and 2020, the components of the income tax provision related to the activities of CPCR consisted of the following ($000s):

	2021	2020
Current income tax (benefit) provision		
Federal	$ 24	$ (41)
State and local	78	15
	102	(26)
Deferred income tax provision, net of valuation allowance	107	694
Income tax provision, net	$ 209	$ 668

The deferred income tax provision recorded in 2021 and 2020 is 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, 2021 and 2020 are as follows ($000s):

	2021	2020
Deferred tax asset	$ -	$ -
Less valuation allowance	-	-
Net deferred tax asset	-	-
Deferred tax liability	(313)	(123)
Net deferred tax liability	$ (313)	$ (123)

The deferred tax liability is primarily related to unrealized gain from TRS's investment in Soundview.

(19) Noncontrolling Interests

Details of noncontrolling interests as of June 30, 2021 and 2020 are as follows ($000s)

	2021	2020
Fund II and consolidated subsidiaries	$ -	$ 23
	$ -	$ 23

(20) 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, 2021 and 2020, the Agreement was extended several more times, most recently on July 1, 2020, with a termination date of June 30, 2021. The Corporation and HPD are in the process of extending the Agreement to January 31, 2022.

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 Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). For the years ended June 30, 2021 and 2020, the Corporation recognized $0 and $0.04 million, respectively of grant revenue related to reimbursement for costs incurred to administer the Program. The revenue of $0.05 million and $0.06 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 2021 or 2020.

(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 year ended June 30, 2020, the Corporation recognized $0.03 million 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 were closed, all of which have been converted to permanent loans. No additional loans are expected to be administrated with SPARC funds.

(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, 2021 and 2020 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, 2021 and 2020, CPC funded loans under this grant totaling $0 and $0.3 million respectively. As of June 30, 2021 and 2020, $0.4 million and $0.7 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, 2021 and 2020, CPC funded loans under this grant totaling $0.9 million and $6.2 million, respectively. As of June 30, 2020, $0.9 million is to be funded and is included in net assets with donor restrictions on the Consolidated Statements of Financial Position. As of June 30, 2021, CPC fully funded the loans and the loan was transferred to another lender.

Other minor grant income received during the year ended June 30, 2021 and 2020, totaled $0.1 million and $0, respectively.

(21) Concentrations and Other Risks

(a) Credit Risk

The Corporation maintains its cash, cash equivalents, restricted cash, and restricted cash equivalents balances in several accounts with various banks. At times, these balances may exceed the federal insurance limits. However, the Corporation has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these balances as of June 30, 2021 and 2020.

(b) Geographic

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

(c) Business

At June 30, 2021, CPC had commitments to sell approximately 70% of its permanent mortgages to one investor. At June 30, 2020, CPC had commitments to sell approximately 86% 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.

(22) Subsequent Events

Events that occur after the Consolidated Statements of Financial Position date but before the consolidated financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Consolidated Statements of Financial Position date are recognized in the accompanying consolidated financial statements. Subsequent events which provide evidence about conditions that existed after the Consolidated Statements of Financial Position date require disclosure in the accompanying notes. Management evaluated the activity through September 24, 2021 (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 2020)

June 30, 2021

Assets	2021 CPC	2021 MOCO	2021 CPCR & TRS	2021 Eliminations	2021 Consolidated	2020 Consolidated
Cash and cash equivalents	$ 14,525,867	$ 4,567,528	$ 653,033	$ -	$ 19,746,428	$ 38,802,990
Restricted cash	312,589,774	50,743,342	-	-	363,333,116	354,329,688
Investment in mortgage loans:						
Construction loans held for investment (Note 4)	572,598,109	6,274,489	-	-	578,872,598	555,479,289
Permanent loans held for investment (Note 4)	45,029,882	2,090,573	-	-	47,120,455	53,826,461
Permanent loans held for sale (Note 4)	8,755,892	47,603,185	-	-	56,359,077	102,662,548
	626,383,883	55,968,247	-	-	682,352,130	711,968,298
Less allowance for loan losses (Note 4)	(13,206,233)	(653,140)	-	-	(13,859,373)	(21,963,565)
	613,177,650	55,315,107	-	-	668,492,757	690,004,733
Real estate owned	2,370,969	-	-	-	2,370,969	2,670,425
Mortgage servicing rights (Note 9)	23,391,721	18,988,460	-	-	42,380,181	38,002,161
Investment in unconsolidated subsidiaries (Note 6)	8,702,007	-	581,325	-	9,283,332	7,813,460
Investment in unconsolidated subsidiary at fair value (Note 7)	35,267,236	-	-	-	35,267,236	-
Investment in securities and hedge funds (Note 8)	217,598,069	-	-	-	217,598,069	173,653,934
Receivables, net	11,717,807	(9,217,461)	(23,760)	-	2,476,586	2,562,084
Right of use assets (Note 15)	27,597,402	-	-	-	27,597,402	-
Other assets, net	38,004,580	323,985	85,460	(23,616,109)	14,797,916	17,895,042
Total assets	$ 1,304,943,082	$ 120,720,961	$ 1,296,058	$ (23,616,109)	$ 1,403,343,992	$ 1,325,734,517
Liabilities and Net Assets						
Liabilities:						
Notes payable, net of amortized debt issuance costs (Note 10)	$ 402,252,019	$ (69,890)	$ -	$ -	$ 402,182,129	$ 427,874,375
Participations payable (Notes 4 and 11)	231,174,220	47,603,185	-	-	278,777,405	270,552,831
Escrow deposits and other liabilities	175,203,001	49,137,973	-	-	224,340,974	213,929,910
Participants' deposits (Note 12)	170,907,334	-	-	-	170,907,334	159,998,387
Lease Liabilities (Note 15)	33,121,185	-	-	-	33,121,185	-
Other liabilities	21,565,637	1,077,475	652,167	-	23,295,279	25,891,777
Total liabilities	1,034,223,396	97,748,743	652,167	-	1,132,624,306	1,098,247,280
Commitments and contingencies (Note 15)						
Net assets						
Without donor restrictions	270,339,669	22,972,218	643,891	(23,616,109)	270,339,669	225,867,061
With donor restrictions	380,017	-	-	-	380,017	1,597,651
Noncontrolling interests (Note 19)	-	-	-	-	-	22,525
Total net assets	270,719,686	22,972,218	643,891	(23,616,109)	270,719,686	227,487,237
Total liabilities and net assets	$ 1,304,943,082	$ 120,720,961	$ 1,296,058	$ (23,616,109)	$ 1,403,343,992	$ 1,325,734,517

See independent auditor's report.

THE COMMUNITY PRESERVATION CORPORATION
AND SUBSIDIARIES

Consolidating Statements of Activities (with Summarized Comparative Financial Statement Information for 2020)

Year ended June 30, 2021

	2021					2020
	CPC	MOCO	CPCR & TRS	Eliminations	Consolidated	Consolidated
Net interest income:						
Interest on construction and permanent mortgage loans	$ 18,836,327	$ 1,110,775	$ -	$ -	$ 19,947,102	$ 21,386,058
Interest on participations payable	4,949,534	-	-	-	4,949,534	5,070,096
Interest and earnings on restricted investments in securities (Note 8)	1,467,468	126,826	-	-	1,594,294	6,222,891
Total interest income	25,253,329	1,237,601	-	-	26,490,930	32,679,045
Interest expense (Note 13)	10,907,663	737,694	-	-	11,645,357	16,841,088
Interest expense on construction loan participations and transfers	4,949,534	-	-	-	4,949,534	5,070,096
Total interest expense	15,857,197	737,694	-	-	16,594,891	21,911,184
Net interest income before provision for loan losses	9,396,132	499,907	-	-	9,896,039	10,767,861
Provision for loan losses (Note 4)	(2,128,074)	(58,930)	-	-	(2,187,004)	(7,975,918)
Net interest income	7,268,058	440,977	-	-	7,709,035	2,791,943
Other revenue:						
Servicing fee income (Note 9)	6,953,987	8,426,696	-	-	15,380,683	8,665,244
Commitment fee income	4,658,819	4,474,308	-	-	9,133,127	5,859,200
Interest and earnings on unrestricted investments in securities and hedge funds (Note 8)	1,758,869	-	-	-	1,758,869	1,451,812
Realized gain/(losses) on investments in securities and hedge funds (Note 8)	9,803,563	-	-	-	9,803,563	(462,371)
Unrealized gain on investment in securities and hedge funds (Note 8)	21,609,134	-	-	-	21,609,134	4,986,096
Gain on sale of real estate, net	-	-	-	-	-	4,095,703
Unrealized gain on investment in unconsolidated subsidiaries (Note 7)	21,525,679	-	-	-	21,525,679	-
Equity in earnings of unconsolidated subsidiaries (Note 6)	1,042,664	-	309,778	-	1,352,442	840,153
Other revenue	1,107,538	209,797	595,093	-	1,912,428	948,169
Grant income (Note 20)	101,472	-	-	-	101,472	64,667
Total noninterest revenue	68,561,725	13,110,801	904,871	-	82,577,397	26,448,673
Total revenue	75,829,783	13,551,778	904,871	-	90,286,432	29,240,616
Noninterest expense:						
Employee compensation and benefits (Notes 16 and 17)	29,975,915	5,311,154	69,987	-	35,357,056	29,659,650
Office expenses	5,664,776	233,025	11,122	-	5,908,923	6,100,499
Professional fees	1,948,035	205,697	44,450	-	2,198,182	2,080,701
Depreciation and amortization	1,266,174	-	-	-	1,266,174	1,251,337
Impairment of real estate	245,390	-	-	-	245,390	1,160,599
Other expenses	896,566	949,487	777	-	1,846,830	2,250,953
Total noninterest expense	39,996,856	6,699,363	126,336	-	46,822,555	42,503,739
Change in net assets from operations		-				
before income tax provision and discontinued operations	35,832,927	6,852,415	778,535	-	43,463,877	(13,263,123)
Income tax provision (Note 18)	(34,558)	-	(174,345)	-	(208,903)	(668,381)
Net income from discontinued operations	-	-	-	-	-	134,792
Change in net assets from operations	35,798,369	6,852,415	604,190	-	43,254,974	(13,796,712)
Equity in net income of consolidated subsidiaries	7,456,605	-	-	(7,456,605)	-	-
Change in net assets from operations	43,254,974	6,852,415	604,190	(7,456,605)	43,254,974	(13,796,712)
Change in net assets from operations attributable to noncontrolling interests	-	-	-	-	-	(1,333,549)
Change in net assets from operations attributable to CPC	$ 43,254,974	$ 6,852,415	$ 604,190	$ (7,456,605)	$ 43,254,974	$ (15,130,261)

See independent auditors report.