THE COMMUNITY PRESERVATION CORPORATION AND SUBSIDIARIES

Consolidated Financial Statements
(With Accompanying Consolidating Schedules)

June 30, 2019 and 2018

(With Independent Auditor’s Report Thereon)

THE COMMUNITY PRESERVATION CORPORATION
AND SUBSIDIARIES

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Independent Auditor's Report

The Board of Directors
The Community Preservation Corporation:

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, 2019 and 2018, and the related consolidated statements of activities, changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Community Preservation Corporation and Subsidiaries as of June 30, 2019 and 2018, and the consolidated results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 52 and 53 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual companies, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

CohnReznick LLP

Bethesda, Maryland
September 23, 2019

THE COMMUNITY PRESERVATION CORPORATION
AND SUBSIDIARIES

Consolidated Statements of Financial Position
Years ended June 30, 2019 and 2018

Assets		**2019**		**2018**
Cash and cash equivalents	$	73,925,797	$	30,610,393
Restricted cash		324,827,462		266,568,529
Investment in mortgage loans:				
Construction loans held for investment (Note 3a)		434,381,499		367,401,796
Permanent loans held for investment (Note 3b)		60,259,636		82,025,448
Permanent loans held for sale (Note 3b)		65,354,245		216,572,874
		559,995,380		666,000,118
Less allowance for loan losses (Note 3c)		(15,681,607)		(12,701,495)
		544,313,773		653,298,623
Investment in real estate, net (Note 4)		70,874		10,654,030
Real estate held for sale (Note 4)		24,037,155		24,114,803
Investment in PPC (held for sale as of June 30, 2019, Note 5)		111,500,000		157,086,823
Real estate owned (Note 3d and 12)		8,329,406		317,721
Mortgage servicing rights (Note 9)		39,272,195		32,753,487
Investment in unconsolidated subsidiaries (Note 7)		6,549,998		6,101,931
Investment in securities (Note 8)		61,504,109		60,198,982
Accounts receivable, net		2,949,882		3,588,948
Other assets, net		15,977,279		7,210,122
Total assets	$	1,213,257,930	$	1,252,504,392
Liabilities and Net Assets				
Liabilities:				
Notes payable (Note 10)	$	369,361,394	$	367,109,638
Mortgage debt and notes payable (Note 11)		-		3,174,105
Liabilities of real estate held for sale (Note 4)		13,889,099		13,931,581
Participations payable (Notes 3 and 12)		202,189,207		345,241,400
Escrow deposits and other liabilities		195,707,417		176,236,371
Participants' deposits (Note 13)		156,212,185		68,949,957
Other liabilities		19,516,263		24,477,024
Total liabilities		956,875,565		999,120,076
Commitments and contingencies				
Net assets:				
Without donor restrictions		234,494,562		229,893,840
With donor restrictions		8,100,411		1,667,179
Noncontrolling interests (Note 19)		13,787,392		21,823,297
Total net assets		256,382,365		253,384,316
Total liabilities and net assets	$	1,213,257,930	$	1,252,504,392

See accompanying Notes to Consolidated Financial Statements.

THE COMMUNITY PRESERVATION CORPORATION
AND SUBSIDIARIES

Consolidated Statements of Activities (with Summarized Comparative Financial Statement Information for 2018)

Years ended June 30, 2019 and 2018

	Without donor restrictions	With donor restrictions	2019 Total	2018 Total
Net interest income:				
Interest on construction and permanent mortgage loans	$ 21,151,824	$ -	$ 21,151,824	$ 17,612,023
Interest on participations and/or pledges payable	7,681,887	-	7,681,887	7,552,577
Interest on short-term investments	5,480,028	-	5,480,028	2,033,129
Total interest income	34,313,739	-	34,313,739	27,197,729
Interest expense (Note 14)	19,630,615	-	19,630,615	14,308,652
Interest expense on loan participations and transfers	7,681,887	-	7,681,887	7,552,577
Total interest expense	27,312,502	-	27,312,502	21,861,229
Net interest income before provision for loan losses	7,001,237	-	7,001,237	5,336,500
Provision for loan losses	(3,938,612)	-	(3,938,612)	(3,420,073)
Net interest income	3,062,625	-	3,062,625	1,916,427
Noninterest revenue:				
Servicing fee income (Note 9)	15,856,646	-	15,856,646	19,965,474
Commitment fee income	6,333,675	-	6,333,675	6,983,789
Unrealized gain/(loss) on fair value adjustment to investment in securities (Note 8)	1,195,576	-	1,195,576	(981,914)
Gain on sale of real estate, net	-	-	-	42,768
Operating real estate (loss)/income, net	(164,942)	-	(164,942)	548,476
PPC earnings:				
Distribution income (Note 5)	56,749,675	-	56,749,675	7,749,225
Unrealized (loss)/gain on fair value adjustment (Note 5)	(45,586,824)	-	(45,586,824)	10,513,347
Equity in earnings of unconsolidated subsidiaries	1,130,986	-	1,130,986	1,748,236
Other revenue	3,290,950	-	3,290,950	953,830
Grant income (Note 20)	-	10,211,635	10,211,635	997,976
Net assets released from restrictions	3,778,403	(3,778,403)	-	-
Total noninterest revenue	42,584,145	6,433,232	49,017,377	48,521,207
Total revenue	45,646,770	6,433,232	52,080,002	50,437,634
Noninterest expense:				
Employee compensation and benefits (Note 17)	25,633,613	-	25,633,613	22,687,236
Office expenses	5,743,444	-	5,743,444	4,570,930
Professional fees	3,182,458	-	3,182,458	2,581,361
Depreciation and amortization	965,446	-	965,446	726,435
Other expense	4,233,466	-	4,233,466	2,185,654
Total noninterest expense	39,758,427	-	39,758,427	32,751,616
Change in net assets from operations before income tax provision and discontinued operations	5,888,343	6,433,232	12,321,575	17,686,018
Income tax provision (Note 18)	(69,687)	-	(69,687)	(116,252)
Net income from discontinued operations (Note 4)	227,901	-	227,901	230,998
Change in net assets from operations	6,046,557	6,433,232	12,479,789	17,800,764
Change in net assets from operations attributable to noncontrolling interests	(1,445,835)	-	(1,445,835)	(7,805)
Change in net assets from operations attributable to CPC	$ 4,600,722	$ 6,433,232	$ 11,033,954	$ 17,792,959

See accompanying Notes to Consolidated Financial Statements.

THE COMMUNITY PRESERVATION CORPORATION
AND SUBSIDIARIES

Consolidated Statements of Activities - Continued
Year ended June 30, 2018

	Without donor restrictions	With donor restrictions	2018 Total
Net interest income:			
Interest on construction and permanent mortgage loans	$ 17,612,023	$ -	$ 17,612,023
Interest on participations and/or pledges payable	7,552,577	-	7,552,577
Interest on short-term investments	2,033,129	-	2,033,129
Total interest income	27,197,729	-	27,197,729
Interest expense (Note 14)	14,308,652	-	14,308,652
Interest expense on loan participations and transfers	7,552,577	-	7,552,577
Total interest expense	21,861,229	-	21,861,229
Net interest income before provision for loan losses	5,336,500	-	5,336,500
Provision for loan losses	(3,420,073)	-	(3,420,073)
Net interest income	1,916,427	-	1,916,427
Noninterest revenue:			
Servicing fee income (Note 9)	19,965,474	-	19,965,474
Commitment fee income	6,983,789	-	6,983,789
Unrealized loss on fair value adjustment to investment in securities (Note 8)	(981,914)	-	(981,914)
Gain on sale of real estate, net	42,768	-	42,768
Operating real estate income, net	548,476	-	548,476
PPC earnings:			
Distribution income (Note 5)	7,748,525	-	7,748,525
Unrealized gain on fair value adjustment (Note 5)	10,514,047	-	10,514,047
Equity in earnings of unconsolidated subsidiaries	1,748,236	-	1,748,236
Other revenue	953,830	-	953,830
Grant income (Note 20)	997,976	-	997,976
Net assets released from restrictions	2,587,672	(2,587,672)	-
Total noninterest revenue	51,108,879	(2,587,672)	48,521,207
Total revenue	53,025,306	(2,587,672)	50,437,634
Noninterest expense:			
Employee compensation and benefits (Note 17)	22,687,236	-	22,687,236
Office and administrative expenses	4,570,930	-	4,570,930
Professional fees	2,581,361	-	2,581,361
Depreciation and amortization	726,435	-	726,435
Other expense	2,185,654	-	2,185,654
Total noninterest expense	32,751,616	-	32,751,616
Change in net assets from operations before income tax provision and discontinued operations	20,273,690	(2,587,672)	17,686,018
Income tax provision (Note 18)	(116,252)	-	(116,252)
Net income from discontinued operations (Note 4)	230,998	-	230,998
Change in net assets from operations	20,388,436	(2,587,672)	17,800,764
Change in net assets from operations attributable to noncontrolling interests	(7,805)	-	(7,805)
Change in net assets from operations attributable to CPC and subsidiaries	$ 20,380,631	$ (2,587,672)	$ 17,792,959

See accompanying Notes to Consolidated Financial Statements.

THE COMMUNITY PRESERVATION CORPORATION
AND SUBSIDIARIES

Consolidated Statements of Changes in Net Assets
Years ended June 30, 2019 and 2018

	Without donor restrictions	With donor restrictions	Noncontrolling Interests	Total
Balance, June 30, 2017	$ 209,513,209	$ 4,254,851	$ 21,831,117	$ 235,599,177
Distributions	—	—	(15,625)	(15,625)
Change in net assets	20,380,631	(2,587,672)	7,805	17,800,764
Balance, June 30, 2018	229,893,840	1,667,179	21,823,297	253,384,316
Redemption of interest in consolidated subsidiary			(8,107,263)	(8,107,263)
Distributions	—	—	(1,374,477)	(1,374,477)
Change in net assets	4,600,722	6,433,232	1,445,835	12,479,789
Balance, June 30, 2019	$ 234,494,562	$ 8,100,411	$ 13,787,392	$ 256,382,365

See accompanying Notes to Consolidated Financial Statements.

THE COMMUNITY PRESERVATION CORPORATION
AND SUBSIDIARIES

Consolidated Statements of Functional Expenses
Years ended June 30, 2019 and 2018

	2019			2018		
	Program Services	**Management and General**	**Total**	**Program Services**	**Management and General**	**Total**
Salaries and fringe benefits	$ 20,614,874	$ 5,018,739	$ 25,633,613	$ 18,217,442	$ 4,469,794	$ 22,687,236
Occupancy	1,949,602	380,263	2,329,865	1,414,746	319,708	1,734,454
Insurance	2,987	589,851	592,837	-	592,665	592,665
Office expenses	690,668	2,130,074	2,820,742	398,233	1,845,578	2,243,811
Professional fees	2,482,964	699,494	3,182,458	1,568,816	1,014,045	2,582,861
Contributions	291,509	13,000	304,509	279,869	61,250	341,119
Travel and related expenses	604,434	199,969	804,403	413,774	204,315	618,088
Depreciation	5,711	959,735	965,446	275,245	451,190	726,435
Marketing	760,854	-	760,854	521,140	-	521,140
Grant expenses	2,000,000	-	2,000,000	3,404	-	3,404
Miscellaneous	309,591	54,109	363,700	685,673	14,730	700,403
Total expenses	$ 29,713,194	$ 10,045,233	$ 39,758,427	$ 23,778,342	$ 8,973,274	$ 32,751,616

See accompanying Notes to Consolidated Financial Statements.

THE COMMUNITY PRESERVATION CORPORATION
AND SUBSIDIARIES

Consolidated Statements of Cash Flows
Years ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	$ 12,479,789	$ 17,800,764
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,732,551	1,336,675
Deferred rent liability	472,369	-
Provision for loan losses	3,938,612	3,420,073
Unrealized gain on PPC fair value adjustment	45,586,823	(10,514,047)
Unrealized (gain) / loss on investment fair value adjustment	(1,195,576)	981,914
Charge-off of loans receivable	(958,500)	(103,867)
Equity in net income of unconsolidated subsidiaries	(1,130,986)	(1,748,236)
Distributions from unconsolidated subsidiaries	1,030,572	1,561,309
Contributions to unconsolidated subsidiaries	(351,167)	(4,849)
Gain on sale of loans held for investment	(330,230)	-
Gain on sale of real estate held for sale	-	(42,768)
Decrease / (increase) in deferred income tax provision	44,246	(105,604)
Decrease in deferred developer fee revenue	(978,640)	-
Net increase in mortgage servicing rights	(6,518,708)	(10,566,846)
Decrease in restricted cash	99,583	-
Increase in other assets, net	(2,921,032)	(1,469,395)
Increase in other liabilities	3,462,095	622,851
Net cash provided by operating activities	54,461,801	1,167,974
Cash flows from investing activities:		
Mortgage loans originated	(382,145,266)	(495,093,065)
Repayments of mortgage loans	211,689,118	92,980,481
Mortgage loans sold	269,432,398	206,178,721
Proceeds from sale of REO	-	1,564,572
Freddie Mac SBL deposit	-	(2,502)
Investment in securities	1,125,770	-
Effect of deconsolidation due to redemption of interest	(37,941)	-
Proceeds from sale of real estate held for sale	-	100,000
Payments for additions to real estate held for sale	(11,750)	(36,389)
Purchase of furniture, fixtures and information technology	(7,231,386)	(1,023,084)
Net cash provided by/(used in) investing activities	92,820,943	(195,331,266)

THE COMMUNITY PRESERVATION CORPORATION
AND SUBSIDIARIES

Consolidated Statements of Cash Flows
Years ended June 30, 2019 and 2018

		2019		2018
Cash flows from financing activities:				
Proceeds from notes payable under credit agreement		406,619,743		357,647,239
Repayments of notes payable under credit agreement		(404,988,864)		(234,000,534)
Principal payments on mortgage debt and notes payable		-		(25,862)
(Decrease) / increase in participations payable		(143,052,193)		124,445,912
Increase / (decrease) in participants' deposits		87,262,228		(74,178,358)
Payment of debt issuance costs		(126,809)		(527,496)
Increase in escrow deposits and other liabilities		18,658,601		8,021,370
(Increase) / decrease in restricted cash		(66,965,569)		15,576,090
Distributions to noncontrolling interests		(1,374,477)		(15,625)
Net cash (used in)/provided by financing activities		(103,967,340)		196,942,736
Net increase in cash and cash equivalents		43,315,404		2,779,444
Cash and cash equivalents, beginning of year		30,610,393		27,830,949
Cash and cash equivalents, end of year	$	73,925,797	$	30,610,393
Supplemental disclosure of cash flow information:				
Cash paid during the year for:				
Income taxes	$	113,933	$	342,058
Interest, net of amount capitalized		18,795,173		14,124,846
Supplemental disclosures of noncash investing and financing activities:				
Loans converted to real estate owned	$	8,011,685	$	317,721
Effect of deconsolidation of subsidiary				
Restricted cash	$	811,788	$	-
Investment in real estate		10,495,577		-
Accounts receivable		45,637		-
Other assets		34,131		-
Mortgage debt and notes payable		(3,178,862)		-
Other liabilities		(278,332)		-
Noncontrolling interest		(8,107,263)		-
Members' equity		139,683		-

See accompanying Notes to Consolidated Financial Statements.

(1) Organization and Purpose

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

The Corporation accomplishes its purpose primarily by making construction and permanent mortgage loans to the private sector, as well as equity investments, for the development and preservation of residential properties in low and moderate income areas of New York State (with a concentration in the New York City area) and in other 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 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, which are currently in wind-up, to a newly formed taxable real estate investment trust subsidiary, CPCR TRS LLC (TRS).

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 intends 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.

On May 7, 2018, CPC Mortgage Company LLC (MoCo), a wholly owned, pass-through subsidiary of CPC, was created under the New York Limited Liability Company Law of the State of New York. The purpose of MoCo is to hold and operate CPC's agency lending and servicing business with Fannie Mae, Freddie Mac, and the Federal Housing Administration/Government National Mortgage Association (FHA/GNMA). During the year ended June 30, 2019, CPC withdrew its status as an approved GNMA issuer with the goal of reapplying at a future date. As of June 30, 2019, the FHA and Multifamily Accelerated Processing (MAP) approvals are held by CPC with the goal of transferring them to MoCo.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The Corporation prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The preparation of consolidated 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. Actual results could differ from those estimates and assumptions.

(b) Principles of Consolidation

CPC consolidates CPCR (which includes the Funds and TRS), CCA, Neighborhood Partners, MoCo, its other wholly owned subsidiaries, its investments in joint ventures controlled by the Corporation, and variable interest entities (VIE) where it is the primary beneficiary. CPCR concluded that it was deemed to be the primary beneficiary of the Funds since CPCR 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 the Funds. Investments in partnerships not controlled by the Corporation are accounted for using the equity method, unless the fair value option has been elected. All intercompany balances and transactions are eliminated in consolidation and for the application of the equity method of accounting.

The consolidated financial statements include the Funds' financial statements as of March 31, 2019 and 2018, with the exception of the activity of one investment sold on May 9, 2017 that was reflected during the year ended June 30, 2017. During the three-month period ended June 30, 2019 and 2018, the Funds had income of $0.1 and $0.5 million, respectively.

(c) Net Assets

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

- Net Assets Without Donor Restrictions -
  - Net assets without donor restrictions - controlling - represent expendable resources that are used to carry out the operations of the Corporation and are not subject to donor imposed restrictions.
  - Net assets without donor restrictions - noncontrolling - represent the aggregate balance as of June 30, 2019 and 2018 of other members' interests in consolidated subsidiaries that are included in the consolidated financial statements.
- Net Assets With Donor Restrictions - resources which contain donor-imposed restrictions that are satisfied either by the passage of time or by actions of the Corporation. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Contributions received and expended within the same year are recorded as

net assets with donor restrictions and reclassified to net assets without donor restrictions when the restriction expires.

(d) ***Cash and Cash Equivalents***

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

(e) ***Restricted Cash***

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

(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 3).

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, risk rating 10 (as defined).

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. The Corporation follows the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 860, *Transfers and Servicing*. Based on this guidance, participations in loans that do not meet the true-sale criteria, in addition to issuances of Collateral Trust Notes, 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 Collateral Trust Notes 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 statement of financial position, which include certain loans sold as participations (but not derecognized) where CPC retains risk of loss. The allowance for loan losses is increased by provisions for loan losses that are charged against earnings and is reduced by net charge-offs and/or reversals, if any, that are credited to earnings. In determining the allowance for loan losses, management considers current business strategies and credit processes, including compliance with guidelines approved by the Board of Directors with regard to credit limitations, loan approvals, underwriting criteria, and loan workout procedures.

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

Specific valuation allowances are established based on management's analysis of individual loans that are considered impaired. A loan is classified as impaired when, based on current information and events, it is probable that the Corporation will be unable to collect both the principal and interest due under the contractual terms of the loan agreement. If a loan is deemed to be impaired, management measures the extent of the impairment and establishes a specific valuation allowance 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) Collateral Trust Notes. Each loan type, excluding Collateral Trust Notes as a result of different risk characteristics, 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 declines in real estate values, and increases in vacancy rates and unemployment. Management uses the best available information to recognize losses on loans or to make additions to the allowance for loan losses.

(h) Investments in Real Estate

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

When operating properties and properties under development meet the criteria of assets held for sale, pursuant to ASC 360*, Property, Plant, and Equipment,* these entities are classified as real estate held for sale and the corresponding income and expenses related to the operating properties are reported as discontinued operations.

(i) Investment in PPC

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

(j) Real Estate Owned

Real estate properties acquired through, or in lieu of, foreclosure are held to be sold or rented and are reported at the lower of cost or fair value, less the estimated selling costs, at the date of acquisition. Cost represents the unpaid balance of the loan at the acquisition date plus the expenses incurred to bring the property to a saleable or rentable condition, when appropriate. Following foreclosure, management periodically performs a valuation of the property and the real estate is carried at the lower of the carrying amount or fair value, less the estimated selling costs. Revenues and expenses from operations and changes in valuation, if any, are included in other revenue or expenses in the Consolidated Statements of Activities.

(k) Mortgage Servicing Rights (MSRs)

The value of servicing rights retained from mortgages originated and sold is initially measured at fair value at the date of transfer and subsequently carried at fair value. The Corporation determines the

fair value of MSRs on a loan-by-loan basis as the present value of estimated expected future cash flows using a discount rate commensurate with the risks involved. Changes in the fair value of MSRs occur primarily due to the collection of expected cash flows, as well as changes in valuation inputs and assumptions. Changes in fair value are included as servicing fee income in the period in which the change occurs (see Note 9).

(l) Investments in Unconsolidated Subsidiaries

Unconsolidated subsidiaries are investments over which CPC can exercise significant influence, but does not control, and for which CPC is not the primary beneficiary. CPC holds financial interests in four other companies owned through its wholly-owned subsidiary CCA (see Note 7). The investments are considered to be VIEs for accounting purposes. The Corporation determined that it is not the primary beneficiary of the investments because the Corporation lacks the power to direct the activities of the VIEs that most significantly impacts its economic performance. Therefore, consolidation in the Corporation's financial statements is not required. The Corporation's maximum exposure to loss from these investments is limited to its investment in the entities. Except as noted in Note 2(i), CPC accounts for its investments in unconsolidated subsidiaries by using the equity method of accounting whereby the cost of an investment is adjusted for CPC's share of income or loss from the date of acquisition, increased for equity contributions made, and reduced by distributions received. The income or loss for each unconsolidated subsidiary is allocated in accordance with the provisions of the applicable operating agreements, which may differ from the ownership interest held by each investor.

(m) Investments in Securities

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).

(n) Accounts Receivable

Accounts receivables are reported net of allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experienced and a review of the current status of account receivable. It is reasonably possible that management's estimate of the allowance will change. There is no allowance recorded as of June 30, 2019 and 2018.

(o) Other Assets

Other assets include fixed assets, net of accumulated depreciation of $9.7 million and $8.8 million as of June 30, 2019 and 2018, respectively, and prepaid expenses.

(p) Income Taxes

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

CPCR elected to be taxed as a REIT effective July 1, 2014. To qualify as a REIT, CPCR must meet certain organizational and operational requirements. CPCR intends to adhere to these requirements and maintain its REIT status for the current calendar year. As a REIT, CPCR may be 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 fails to qualify as a REIT in any taxable year, CPCR will then be subject to federal income taxes on the taxable income at regular corporate rates and will 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 could materially adversely affect net income and net cash available for distribution. As of June 30, 2019 and 2018, CPCR satisfied the REIT requirements for the applicable tax years.

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. The 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, 2019, which are from July 1, 2015 through June 30, 2018. 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, with the exception of one subsidiary which was subject to federal, state, and local income taxes in the United States of America prior to its sale during the year ended June 30, 2017. The City of New York levies an Unincorporated Business Tax (UBT) on certain income of the Funds and its subsidiaries.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act ("Tax Act"). The Tax Act makes numerous changes to U.S. corporate taxation including, but not limited to, the following changes that took effect in 2018:

1) Modifying the U.S. federal corporate tax rate structure from a graduated rate structure with a top rate of 35 percent to a flat rate of 21 percent;
2) Eliminating the corporate alternative minimum tax;
3) Eliminating, with certain exceptions, the ability to carryback net operating losses (NOLs) generated after December 31, 2017, and replacing the 20-year carryforward period with an indefinite carryforward period for NOLs generated after December 31, 2017;

4) Limiting the deductibility of NOLs generated after December 31, 2017, to 80 percent of taxable income; and
5) Introducing a new limitation on the deductibility of interest expense.

The Corporation re-measured its deferred tax assets and deferred tax liabilities as of June 30, 2018, to account for the change in the federal corporate tax rate that took effect in 2018. The re-measurement did not have a material impact on the deferred tax asset or liability of the Corporation as of June 30, 2018.

(q) 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.

(r) Income Recognition

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

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

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

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

(s) Commitment Fees

Commitment fees are charged to prospective borrowers principally to offset the Corporation's costs of originating first mortgage loans. Commitment fees are recognized as income when received and direct loan origination costs are expensed as incurred. GAAP requires that commitment fees in excess of direct loan origination 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.

(t) Depreciation and Amortization

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

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

(u) 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 unconsolidated entities 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. No impairment loss has been recognized during the years ended June 30, 2019 and 2018.

(v) Fair Value Measurements and Disclosures of Financial Instruments

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

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

- Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that the Corporation has the ability to access at the measurement date.

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

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

The Corporation follows the fair value basis of accounting in relation to its investment in PPC (see Note 5), investments in securities (see Note 8), and MSRs (see Note 9).

Fair values of assets and liabilities measured at fair value on a recurring basis at June 30, 2019 and 2018 are as follows ($000s):

June 30, 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets:				
Investment in Parkchester	$ -	$ -	$ 111,500	$ 111,500
Investment in securities	61,504	-	-	61,504
Mortgage servicing rights	-	-	39,272	39,272
Total assets	$ 61,504	$ -	$ 150,772	$ 212,276
June 30, 2018				
Financial assets:				
Investment in Parkchester	$ -	$ -	$ 157,087	$ 157,087
Investment in securities	60,199	-	-	60,199
Mortgage servicing rights	-	-	32,753	32,753
Total assets	$ 60,199	$ -	$ 189,840	$ 250,039

(w) 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, 2019 and 2018.

(x) Functional Expenses

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

(y) New Accounting Pronouncements

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. ASU 2016-01 significantly revises an entity's accounting related to (1) the classification and measurement of investments in equity securities and (2) the presentation of certain fair value changes for financial liabilities measured at fair value. It also amends certain disclosure requirements associated with the fair value of financial instruments. For non-public companies, ASU 2016-01 is effective for annual reporting periods beginning after December 15, 2018. Non-public companies are able to early adopt for annual reporting periods beginning after December 15, 2017. The Corporation early adopted

2016-01 for the year ended June 30, 2019. There was no material effect on the Corporation's financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases*. Under ASU 2016-02, a lessee will recognize in the consolidated statement of financial position a liability to make lease payments (the lease liability) and a right-to-use asset representing its right to use the underlying asset for the lease term. The amendments of this ASU are effective for reporting periods beginning after December 15, 2018, with early adoption permitted. An entity will be required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The Corporation is currently evaluating the impact of the new guidance.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses* (*Subtopic 326*) and in November 2018 the FASB issued ASU 2018-19, *Codification Improvements to Topic 326, Financial Instruments – Credit Losses*. 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. The Corporation is currently evaluating the impact of the new guidance.

In August 2016, the FASB issued ASU 2016-14, *Non-for-Profit Entities - Presentation of Financial Statements of Not-for-Profit Entities*. The purpose of the ASU is to provide more useful information to donors, grantors, creditors, and other users of financial statements. The most significant provisions relate to the presentation of period end balances of and activities related to two classes of net assets (net assets with donor restrictions and net assets without donor restrictions) instead of the current three, enhanced disclosure of board designated funds, liquidity resource management, expense allocation methodology, and data regarding cash needs for general expenditures within one year of the statement of financial position. The guidance will also require all non-for-profit entities to prepare a schedule of functional expenses, either as a separate statement or within the notes to the financial statements. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017 with early adoption permitted. The Corporation adopted this update for the year ended June 30, 2019. ASU 2016-14 has been applied retrospectively to all periods presented.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows - Classification of Certain Cash Receipts and Cash Payments*. This ASU provides guidance on how certain cash receipts and cash payments are presented and classified in the statement of cash flows in order to reduce diversity in practice. Eight specific cash flow issues are addressed including debt prepayment or debt extinguishment costs, distributions received from equity method investees, and beneficial interests in securitization transactions. ASU 2016-15 is effective for non-public entities for fiscal years beginning after December 15, 2018 with early adoption permitted. The Corporation is currently evaluating the impact of the new guidance.

In October 2016, the FASB issued ASU 2016-17, *Consolidation - Interests Held through Related Parties That Are under Common Control*. The purpose of this guidance is to amend the consolidation

guidance on how a reporting entity that is the single decision maker of a variable interest entity should treat indirect interests in the entity held through related parties that are under common control with the reporting entity when determining whether it is the primary beneficiary of the variable interest entity. ASU 2016-17 is effective for fiscal years beginning after December 15, 2016 with early adoption permitted. The Corporation adopted this update during the year ended June 30, 2018. There was no material effect on the Corporation's financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows - Restricted Cash*. The new guidance requires that restricted cash and cash equivalents be included with cash and cash equivalents when reconciling the beginning and end of period amounts shown on the statement of cash flows. ASU 2016-18 is effective for non-public entities for fiscal years beginning after December 15, 2018 with early adoption permitted. The Corporation is currently evaluating the impact of the new guidance.

In January 2017, the FASB issued ASU 2017-02, *Non-for-Profit Entities-Consolidation (Subtopic 958-810)*. The new guidance clarifies when non-for-profit entities that are a general partners or limited partners should consolidate their holdings in a for-profit limited partnership. The ASU will move the current content from Subtopic 810-20, *Consolidation – Control of Partnerships and Similar Entities*, that was deleted in ASU 2015-02 and move it to Subtopic 958-810 for nonprofits. The FASB states that the standard mainly impacts non-for-profit entities involved with certain affordable housing agreements. ASU 2017-02 is effective for fiscal years beginning after December 15, 2016 and interim periods within fiscal years beginning after December 15, 2017 with early adoption permitted. The Corporation adopted this update during the year ended June 30, 2018. There was no material effect to the Corporation's financial statements.

In February 2017, the FASB issued ASU 2017-05, *Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets*. ASU 2017-05 intends to clarify the scope of Subtopic 610-20 and to add guidance for partial sales of nonfinancial assets, including partial sales of real estate. For non-public companies, ASU 2017-05 is effective for annual periods beginning after December 15, 2018, and for interim periods within annual periods beginning after December 15, 2019. Early adoption is permitted as of either: (a) an annual reporting period beginning after December 15, 2016, including interim periods within that year, or (b) an annual reporting period after December 15, 2016 and interim periods within annual reporting periods beginning one year after the annual period in which an entity first applies the new standard. The Corporation is currently evaluating the impact of the new guidance.

In June 2018 the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 intends to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. For non-public companies, ASU 2018-08 is effective for annual periods beginning after December 31, 2018 and interim periods within annual periods beginning after December 15, 2019. The Corporation is currently evaluating the impact of the new guidance.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. ASU 2018-13 intends to modify the disclosure requirements on fair value measurements in Topic 820, *Fair Value Measurement,* based on the concepts in FASB Concepts Statement, *Conceptual Framework for Financial Reporting – Chapter 8: Notes to Financial Statements,* which was finalized in August 2018. ASU 2018-13 is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Corporation is currently evaluating the impact of the new guidance.

In May 2019, the FASB issued ASU 2019-05, *Financial Instruments – Credit Losses (Topic 326): Targeted Transition Relief*. ASU 2019-05 provides an option to irrevocably elect the fair value option for certain financial assets previously measured at amortized cost basis. For entities that have not yet adopted the amendments in ASU 2016-13, the effective date and transition methodology for the amendments in ASU 2019-05 are the same as in ASU 2016-13. For entities that have adopted the amendments in ASU 2016-13, the amendments in ASU 2019-05 are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted in any interim period after the issuance of ASU 2019-05 as long as an entity has adopted the amendments in ASU 2016-13. The Corporation is currently evaluating the impact of the new guidance.

(z) Reclassifications

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

(3) 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 77% and 89% as of June 30, 2019 and 2018, 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 statement of financial position as investment in mortgage loans due to these restrictions. The sales proceeds associated with these loans are reported in liabilities as participations payable in the accompanying Consolidated Statements of Financial Position. The loan participations payable bear interest at a weighted average rate of 0.87% and 1.01% as of June 30, 2019 and 2018, 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 retains first risk of loss on the Top Loss Participations and the risk of loss on individually participated loans is generally passed through to the participant institutions on a pari-passu basis.

Construction loans require the borrower to pay interest only at a floating rate of interest on the outstanding balances, with principal due at maturity or, in the case of for sale projects, upon sale of residential units in the project.

(b) Permanent Mortgage Loans

Permanent mortgage loans are on completed multifamily projects and generally require the borrower to make monthly combined payments of interest and principal in a level amount until maturity. Permanent mortgage loans are normally held by the Corporation after they are converted from construction loans, pending the completion of certain administrative and other requirements, at which point the loans are held for sale or participation. Loans held for sale are reflected at the lower of cost or fair value in the accompanying Consolidated Statements of Financial Position. Loans held for sale as of June 30, 2019 and 2018 were approximately $65.4 million and $216.6 million, respectively, and are included in investment in mortgage loans.

Some permanent mortgage loans are pledged as security for the Collateral Trust Notes and participations in certain permanent mortgage loans have been sold to third-party financial institutions that have restriction on the further transfer or resale of these loans by the acquirer. Generally accepted accounting principles require the participated portions of these loans to be retained on the statement of financial position as investment in mortgage loans due to these restrictions. The sale proceeds associated with these loans are reported as participations payable in the accompanying Consolidated Statements of Financial Position. 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. The permanent loan participations payable bear interest at a weighted average rate of 4.60% and 4.45% as of June 30, 2019 and 2018, 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, 2019 and 2018 ($000s):

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

	Number of Loans	CPC Share	Participant Share*	Total
June 30, 2018				
Construction loans:				
Rental project:				
CPC wholly-owned	69	$ 176,271	$ -	$ 176,271
Top loss participations	1	438	1,751	2,189
Pari-passu participations	69	58,375	78,765	137,140
Total rental properties	139	235,084	80,516	315,600
For Sale Project:				
CPC wholly-owned	7	7,754	-	7,754
Pari-passu participations	13	13,657	30,391	44,048
Total for sale properties	20	21,411	30,391	51,802
Total construction loans	159	256,495	110,907	367,402
Permanent loans:				
Mortgage loans	73	65,354	6,133	71,487
Freddie Mac loans prior to securitization	43	-	156,744	156,744
Pledged under collateral trust notes	154	40	55,772	55,812
Sold with 3% risk retained	10	639	13,916	14,555
Total permanent loans	280	66,033	232,565	298,598
Investment in mortgage loans	439	322,528	343,472	666,000
Allowance for loan losses		(12,215)	(486)	(12,701)
Investment in mortgage loans, net		$ 310,313	$ 342,986	$ 653,299

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

The Corporation had obligations to fund loan commitments on 111 loans totaling $186.7 million at June 30, 2019 and on 103 loans totaling $204.8 million at June 30, 2018. The weighted average interest rate on construction loans for the years ended June 30, 2019 and 2018 was 7.51% and 8.38%, respectively. The weighted average interest rate on permanent loans for the years ended June 30, 2019 and 2018 was 4.14% and 4.60%, 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 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 quality of the Corporations loans at June 30, 2019 and 2018 ($000s):

June 30, 2019	30-89 Days Delinquent (DQ) - CPC	30-89 Days DQ - Participant	90+ Days DQ - CPC	90+ Days DQ - Participant	Total DQ Loans	Total Current Loans	Total Loan Portfolio
Construction Loan	$ 7,616,081	$ -	$ 10,556,719	$ 3,320,455	$ 21,493,256	$ 412,888,243	$ 434,381,499
Permanent Loans	-	778,878	29,960	1,654,450	2,463,288	123,150,593	125,613,881
	$ 7,616,081	**$ 778,878**	**$ 10,586,680**	**$ 4,974,905**	**$ 23,956,544**	**$ 536,038,836**	**$ 559,995,380**
June 30, 2018							
Construction Loan	$ 39,233,139	$ 35,059,388	$ 26,512,509	$ 22,568,037	$ 123,373,073	$ 244,028,723	$ 367,401,796
Permanent Loans	-	1,138,761	2,628,125	8,851,683	12,618,569	285,979,753	298,598,322
	$ 39,233,139	**$ 36,198,149**	**$ 29,140,634**	**$ 31,419,719**	**$ 135,991,642**	**$ 530,008,476**	**$ 666,000,118**

There were no loans older than 90 days that were still accruing interest during the years ended June 30, 2019 and 2018. The balance of non-accrual loans was $14.2 million and $35.4 million at June 30, 2019 and 2018, 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, 2019	**For Sale**	**Rental**	**Permanent**	**Total**
By risk category:				
Pass	$ 52,970	$ 365,845	$ 125,613	$ 544,428
Criticized	-	15,567	-	15,567
	$ 52,970	$ 381,412	$ 125,613	$ 559,995
June 30, 2018				
By risk category:				
Pass	$ 52,483	$ 284,335	$ 295,725	$ 632,543
Criticized	-	30,584	2,873	33,457
	$ 52,483	$ 314,919	$ 298,598	$ 666,000

The following table summarizes activity in the allowance for loan losses for the years ended June 30, 2019 and 2018 ($000s):

	2019	**2018**
Balance, beginning of the year	$ 12,701	$ 9,385
Provision for loan losses	499	832
Provision for loan losses (grants)	3,440	2,588
Charge-offs	(958)	(104)
Balance, end of the year	$ 15,682	$ 12,701

At June 30, 2019 and 2018, the allowance for loan losses relating to loans sold to pari-passu loan participants was $0.09 million and $0.5 million, respectively. At June 30, 2019 and 2018, construction and permanent loans in the process of foreclosure totaled $0.7 million and $3.9 million, respectively.

For the years ended June 30, 2019 and 2018, the allowance for loan losses include 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.

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, 2019			
Construction loans	$ 7,741	$ 2,936	$ 10,678
Permanent loans	4,753	251	5,004
Total allowance for loan losses	$ 12,494	$ 3,188	$ 15,682
Allowance for loan losses at June 30, 2018			
Construction loans	$ 4,702	$ 2,214	$ 6,916
Permanent loans	5,078	707	5,785
Total allowance for loan losses	$ 9,780	$ 2,921	$ 12,701
Loans receivable at June 30, 2019			
Construction loans	$ 23,308	$ 411,074	$ 434,381
Permanent loans	5,413	120,200	125,614
Total loans receivable	$ 28,721	$ 531,274	$ 559,995
Loans receivable at June 30, 2018			
Construction loans	$ 24,404	$ 342,998	$ 367,402
Permanent loans	7,803	290,795	298,598
Total loans receivable	$ 32,207	$ 633,793	$ 666,000

Interest income recognized on impaired loans, which was not materially different from cash-basis interest income, was $1.0 million and $0.2 million, respectively, during the years ended June 30, 2019 and 2018. The Corporation's average investment in impaired loans for the years ended June 30, 2019 and 2018 is $30.5 million and $27.4 million. The following table presents additional information regarding the Corporation's impaired loans at June 30, 2019 and 2018 ($000s):

	June 30, 2019		June 30, 2018	
	Unpaid principal	Related allowance	Unpaid principal	Related allowance
Impaired with no allowance				
Construction loans	$ 15,567	$ -	$ 16,104	$ -
Permanent loans	-	-	-	-
	$ 15,567	$ -	$ 16,104	$ -
Impaired loans with allowance				
Constrution loans	$ 7,741	$ 7,741	$ 8,300	$ 4,702
Permanent loans	5,413	4,753	7,803	5,078
	$ 13,155	$ 12,494	$ 16,103	$ 9,780
Total impaired loans				
Construction loans	$ 23,308	$ 7,741	$ 24,404	$ 4,702
Permanent loans	5,413	4,753	7,803	5,078
	$ 28,721	$ 12,494	$ 32,207	$ 9,780

(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, 2019 and 2018, loans modified under a TDR totaled $6.3 million and $1.4 million, respectively. In the years ended June 30, 2019 and 2018, loans converting to real estate owned totaled $8.3 million and $0.3 million, respectively. In the years ended June 30, 2019 and 2018, loans with debt forgiveness totaled $6.3 million and $0.3 million, respectively, resulting in principal losses of $0.6 million 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 information regarding CPC's TDRs as of June 30, 2019 and 2018 ($000s):

	2019	2018
Construction loans		
Rental	$ 3,724	$ 1,178
Permanent loans	2,620	223
	$ 6,344	$ 1,401

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

Investment in real estate and real estate held for sale are primarily owned by the Funds. At June 30, 2019 and 2018, those balances consisted of the following ($000s):

	2019	2018
Investment in real estate		
Land	$ -	$ 1,250
Buildings	250	12,900
	$ 250	$ 14,150
Less accumulate depreciation	(179)	(3,496)
Investment in real estate, net	$ 71	$ 10,654
Real Estate held for sale:		
Operating properties	$ 24,037	$ 24,115

For the years ended June 30, 2019 and 2018, change in net assets attributable to noncontrolling interests on real estate held for sale is $58 and $105, respectively.

(a) Impairment of Real Estate

In 2019 and 2018, the Funds did not record any impairment.

(b) Deconsolidation of Subsidiary

During the year ended June 30, 2019, there was a reconsideration event at one of Fund II's investments, which resulted in the Fund no longer being considered the primary beneficiary. As a result, Fund II deconsolidated the investment. Upon deconsolidation, Fund II recognized deferred developer fee revenue of $1.0 million in Other Revenue for services in the development of the

project. On December 19, 2018, Fund II transferred and conveyed its entire member interest in the investment to its partner for no consideration and wrote off its negative investment balance of $0.1 million to Net Income from Discontinued Operations.

(c) Disposal of Held for Sale Assets

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

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

(a) History

In 1998, CPCR formed PPC, a New York limited partnership, for the purpose of acquiring, owning, rehabilitating, and operating residential and commercial condominium units in the Parkchester condominium complex in Bronx, New York. PPC's property is segregated into two condominium developments: the Parkchester South Condominium (PSC) and the Parkchester North Condominium (PNC). PPC owns 6,382 residential condominium units, (4,765 in PSC and 1,617 in PNC), 95 commercial units in PSC, and four parking garages (three operative) with a total of 1,750 parking spaces. The commercial units consist of retail stores and professional offices with a total square footage of approximately 416,000 and 57,000, respectively. CPCR has a 33.33% limited partner interest in PPC and has a maximum capital commitment of $5 million which has been fully funded. Distributions from PPC of available cash, as defined, and allocations of income (loss) are made pro rata in accordance with the partners' respective percentage interests, as defined. CPCR (through TRS) is also a shareholder in Parkchester Preservation Inc. (PPI), a New York corporation. PPI owns a 0.01% general partner interest in PPC.

(b) Pending Sale of PPC

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

(c) Summary Financial Information

Summarized unaudited statement of financial position information of PPC as of June 30, 2019 and 2018 is as follows ($000s):

	2019	**2018**
Current assets	$ 28,135	$ 18,874
Property and equipment	77,727	78,717
Notes receivable	73,979	76,965
Other assets	33,106	29,655
Total assets	$ 212,947	$ 204,211
Current Liabilities	$ 11,548	$ 9,664
Long term debt	526,505	368,722
Partners's equity	(325,106)	(174,175)
Total Liabilities and partners' equity	$ 212,947	$ 204,211

Summarized unaudited statements of operations information of PPC for the years ended June 30, 2019 and 2018 is as follows ($000s):

	2019	2018
Total revenues	$ 117,430	$ 113,571
Total expenses	95,934	93,396
Income before interest expense	$ 21,495	$ 20,174

During the years ended June 30, 2019 and 2018, CPCR earned distributions of approximately $56.7 million and $7.7 million, respectively, from PPC. No contributions were made to PPC during the years ended June 30, 2019 and 2018.

(d) Accounting Treatment for PPC

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

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

At June 30, 2018, CPCR used Level 3 inputs to determine fair value for its investment in PPC. CPCR used a valuation approach that includes both externally prepared real estate appraisals and internally prepared valuation analyses that give consideration to the investment structure. CPCR reviewed the methods and assumptions used by the independent real estate appraiser to determine if the fair value of PPC is a reasonable and appropriate estimate that is representative of fair value. Debt is included in the valuation of CPCR's interest in PPC at amortized cost as management assumes that debt would need to be settled before CPCR sells its interest. Other assets and liabilities are included at cost.

Major assumptions used in determining fair value of the investment in PPC are:

	June 30, 2018
Residential rent growth rate	4.8%
Commercial rent growth rate	3.0%
Discount rate on residential cash flows	8.0%
Discount rate on commercial cash flows	7.4%
Residual cap rate on residential property	5.5%
Commercial cap rate on residential property	6.9%
Nonctonrolling interest discount	5.3%
Lack of marketability discount	5.5%

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

Investment in PPC stated at fair value at June 30, 2017	$	146,573
Unrealized gain on fair value for the year ended June 30, 2018		10,514
Investment in PPC stated at fair value at June 30, 2018		157,087
Unrealized gain on fair value for the year ended June 30, 2019		7,913
Portion of sales proceeds received		(53,500)
Investment in PPC stated at fair value at June 30, 2019	$	111,500

(e) Assignment of CPCR and Fund II Assets

As of July 15, 2019, CPCR assigned all of its right, title, and interest in TRS to the Corporation. 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 is its 100% interest in CPCR Holdings LLC, which is in the process of marketing its five individual Parkchester condominium units for sale.

(6) 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 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 statement of financial position date consist of the following as of June 30, 2019 ($000s):

Cash and cash equivalents	$	73,926
Accounts receivable, net		2,950
	$	76,876

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 are invested in short-term, interest-bearing accounts. The Corporation also maintains a $4.0 million revolving credit facility, as discussed in Note 10(b), to fund working capital and other business needs. At June 30, 2019, the Corporation has not drawn on the revolving credit facility.

(7) Investment in Unconsolidated Subsidiaries

A summary of the investments in unconsolidated entities as of June 30, 2019 and 2018, and equity in net income (loss) for the years then ended are as follows ($000s):

		2019		2018	
	% of ownership	Investment balance	Equity in net income	Investment balance	Equity in net income
CPCR					
Soundview Family Housing Managers, LLC	33.3%	$ 503	$ 139	$ 364	$ 849
Soundview Senior Housing Managers, LLC	33.3%	22	48	23	95
CCA					
Charlotte Square Apartments LLC	30.0%	661	(84)	853	(138)
320 Sterling LLC	10.9%	942	3	993	16
Riverdale Osborne Towers Venture LLC	49.0%	4,072	1,025	3,869	926
Xenolith CCA ENY Partners LLC	90.0%	350	-	-	-
Total		$ 6,550	$ 1,131	$ 6,102	$ 1,748

Summarized combined unaudited financial information related to the Corporation's investments in unconsolidated subsidiaries as of June 30, 2019 and 2018 and for the years then ended is as follows ($000s):

	June 30, 2019	June 30, 2018
Total Assets	$ 144,854	$ 146,084
Total Liabilities	$ 92,098	$ 92,730
Partner's Equity	52,758	53,354
Total Liabilities and Partner's Equity	$ 144,856	$ 146,084
Total Revenue	$ 17,527	$ 17,121
Total Expense	12,954	11,270
Net Income	$ 4,573	$ 5,851

(8) Investment in Securities

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, 2019 and 2018 ($000s):

	2019	2018
Government securities	$ 20,547	$ 27,428
Corporate bonds	40,615	32,472
Accrued interest	342	298
	$ 61,506	$ 60,199

The following summarizes the investment return included in interest on short-term investments for the year ended June 30, 2019 and 2018:

	2019	2018
Interest and dividends	$ 5,630	$ 2,183
Investment expenses	(150)	(150)
	$ 5,480	$ 2,033

Unrealized gain/(loss) on investments is $1.2 and ($0.1) million for the years ended June 30, 2019 and 2018, respectively.

(9) Mortgage Servicing Rights and Servicing Fee Income

The Corporation's servicing income for the years ended June 30, 2019 and 2018 was ($000s):

	2019	2018
Servicing income		
Contractual fees	$ 8,935	$ 7,387
Late charges, prepayment penalties, and other	403	2,012
Total servicing and penalty fees	$ 9,337	$ 9,399
Mortgage servicing rights (MSRs)		
Gain on sale of loans with servicing retained	$ 4,052	$ 5,085
Change in fair value of MSRs	2,467	5,486
Total MSRs income	6,519	10,566
Total servicing income	$ 15,856	$ 19,965

The Corporation performs loan servicing for construction and permanent loans, which it originates, participates, sells, or pledges as collateral for the Collateral Trust Notes payable. The Corporation receives annual servicing fees from various governmental agencies and other entities at rates ranging between 0% and 2.3%, with the predominate rate of approximately 0.25%. The Corporation's loan servicing portfolio aggregated $3.5 billion and $3.4 billion at June 30, 2019 and 2018, 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):

Fair value as of June 30, 2017	$ 22,187
Gain on sale of loans with servicing retained	5,081
Change in fair value	5,485
Fair value as of June 30, 2018	32,753
Gain on sale of loans with servicing retained	4,052
Change in fair value	2,467
Fair value as of June 30, 2019	$ 39,272

Mortgage servicing assets totaled $40.0 million and $33.3 million at June 30, 2019 and 2018, respectively. Mortgage servicing liabilities totaled $0.7 million and $0.6 million at June 30, 2019 and 2018, 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, 2019	June 30, 2018
Prepayment speeds		
During lockout period	0	0
After lockout period, subject to prepayment penalty	From 2% - 10%	From 2% - 10%
After lockout period, no prepayment penalty	From 2% to 25%	From 2% to 25%
Discount rate	10.7%	11.00%
Remaining payment terms	from 1-436 months	from 1-448 months

(10) Notes Payable

(a) Construction Loan Credit Facility

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 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. At June 30, 2019 and 2018 SPE1's outstanding balance was $332.9 million and $321.4 million, respectively, leaving unfunded and available borrowing capacity under the facility of approximately $167.1 million and $178.6 million, respectively. 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 in Note 10(d) 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. During the years ended June 30, 2019 and 2018, one-month LIBOR ranged from 2.07% to 2.51% and from 1.22% to 2.09%, respectively. The interest rate in place as of June 30, 2019 and 2018 was 4.90% and 4.59%, respectively. The Corporation is also required to pay an origination fee and an administrative fee, each equal to 0.25% of new commitments.

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

The amended credit agreement includes certain financial covenants, including minimum loan-to-value ratio and liquidity requirements, all tested at the corporate level. At June 30, 2019 and 2018 management believes that Corporation is in compliance with all covenants.

(b) Revolving Credit Facility

On May 17, 2016, the Corporation extended its revolving credit facility with Citibank to fund working capital and other business needs and reduced it from $8.0 million to $4.0 million. Interest accrues at rates tied to one-month LIBOR plus 400 basis points and payments are due monthly. The revolving credit facility is secured by the assets of the Corporation and cross collateralized to the SPE1 credit facility. All borrowings outstanding on the revolving credit facility were due at maturity on May 17, 2019; the revolving credit facility was extended to August 30, 2019 in conjunction with the SPE1 amendment executed on May 16, 2019. As of June 30, 2019 and 2018, the Corporation has not drawn on the revolving credit facility. As of July 18, 2019, the revolving credit facility was terminated.

(c) Permanent Loan Credit Facility

On March 29, 2018, the Corporation replaced its Citibank master loan purchase and sale agreement (see Note 15) with a new 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. 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. The outstanding balance of this facility was $37.7 million and $47.6 million at June 30, 2019 and 2018, respectively. The unused remaining commitment with Citibank was $90.6 million and $328.5 million at June 30, 2019 and 2018, 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, 2019 and 2018 management believes that Corporation is in compliance with all covenants.

(d) Construction Loan Facility 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. The Corporation is also required to pay an origination fee and administrative fee, each equal to 0.15% of new commitments.

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

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.

(e) Debt Issuance Costs

Debt issuance costs related to all facilities, net of accumulated amortization, totaled $1.2 and $1.8 million as of June 30, 2019 and 2018, respectively. Amortization expense as of June 30, 2019 and 2018 was $0.7 and $0.6 million, respectively, and is included in interest expense.

(11) Mortgage Debt

Mortgage debt related to the Corporation's investments in real estate at June 30, 2019 and 2018 are as follows ($000s):

	June 30, 2019		June 30, 2018	
Operating properties	$	-	$	3,357
Properties held for sale	$	13,830	$	13,935
Total weighted average rate		2.40%		2.64%

The mortgage debt is secured by the respective properties and has maturity dates ranging from 2038 to 2053. The mortgage debt is subject to certain restrictive covenants. At June 30, 2019 and 2018 management believes that Corporation is in compliance with all covenants. The mortgage debt was paid off upon sale of the properties held for sale on August 16, 2019 (see Note 4).

(12) 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 its 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.

At June 30, 2019 and 2018, the outstanding principal balances on these notes ($42.6 million and $55.8 million, respectively) and real estate owned assets ($6.5 million and $0.3 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, 2019 and 2018, the interest rates on these notes ranged from 8.05% to 3.2%. 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, 2019 and 2018 is approximately $2.8 million and $3.2 million, respectively, of interest expense related to these notes and interest income related to the mortgages pledged as collateral for these notes, respectively.

(13) 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, until the funds are required to fulfill the HPD commitments or are otherwise used or remitted to HPD. CPC also has similar agreements with other agencies.

At June 30, 2019 and 2018, participants' deposits consisted of the following ($000s):

	2019	2018
Unadvanced loan commitments and short-term investments		
HPD	$ 156,069	$ 68,563
Other Participants	144	367
	$ 156,213	$ 68,930

(14) Interest Expense

Interest expense consisted of the following for the years ended June 30, 2019 and 2018 ($000s):

	2019	2018
Interest Expense	$ 2,708	$ 1,043
Interest on revolving credit agreement/term loans	16,175	12,692
Amortization expense	748	574
Interest on mortgage loans, escrows, and participant deposits	$ 19,631	$ 14,309

(15) Mortgage Loans Sold

The Corporation is a party to buy/sell agreements with the pension funds of certain public employees and other institutions (collectively, 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, 2019 and 2018 was approximately $167.9 million and $243.4 million, respectively.

On May 17, 2016, the Corporation extended its master loan purchase and sale agreement with Citibank to originate permanent mortgage loans and reduced the commitment from $350.0 million to $200.0 million. Loans originated with this facility were subsequently sold to the Pension Funds or the Federal Home Loan Mortgage Corporation (Freddie Mac). The facility could have up to $40.0 million of loans outstanding at one time. This facility was replaced by a new warehouse facility on March 29, 2018 (see Note 10).

In November 2016, the Corporation extended its master loan purchase and sale agreement with VNB New York, LLC (VNB) for two years and increased the commitment from $25.0 million to $30.0 million. The amended agreement provides capital for closing permanent loans intended to be sold to Freddie Mac or the Pension Funds, as well as capital for closing construction loans that are 90% advanced and that, upon conversion to permanent financing, are subject to a purchase commitment. The Corporation remits interest accrued at rates tied to one month LIBOR plus 275 basis points monthly from payments collected from the borrower. The Corporation paid an origination fee of 10 basis points to execute the facility which had a two-year term expiring on November 22, 2018. Amendments to the VNB master loan purchase and sale agreement during the year ended June 30, 2018 were executed in September 2017 and April 2018; these amendments increased the maximum capacity to $50.0 million, added MoCo as an eligible seller thereunder, and added Fannie Mae as an eligible subsequent buyer of the loans. Amendments to the VNB master loan purchase and sale agreement during the year ended June 30, 2019 were executed in August 2018, November 2018, and December 2018; these amendments reduced the interest rate to LIBOR plus 200 basis points for loans other than eligible construction loans, increased the rate to LIBOR plus 225 basis points for eligible construction loans, extended the agreement first to December 22, 2018 and then to November 22, 2020, and reduced the maximum capacity to $30.0 million, with two opportunities each calendar year to increase the maximum capacity to $50.0 million.

During 2019 and 2018, loans sold to the Pension Funds, Citibank, VNB, and other financial institutions, including Freddie Mac, were approximately $1.6 billion and $654.6 million, respectively. The Corporation is obligated to sell such loans at face value.

(16) Commitments and Contingencies

(a) Office Lease

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

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

Annual base rents (or occupancy costs, in the case of the Daily News Building agreements) are subject to escalations as provided for in the leases. Rental expense is recognized on a straight-line basis and for 2019 and 2018 was approximately $2.3 million and $1.7 million, respectively, and is included in office expenses in the accompanying consolidated financial statements. The future minimum annual rentals under noncancelable leases are due as follows ($000s):

Years Ending June 30:	
2020	$ 299,122
2021	1,724,482
2022	1,697,242
2023	1,703,679
2024	1,760,253
	$ 7,184,778

(b) Litigation

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

(c) Regulations

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

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

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

The Corporation is in compliance with the regulatory requirements as of June 30, 2019 and 2018.

(17) 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, 2019 and 2018 was approximately $1.4 million and $1.4 million, respectively, and is included in employee compensation and benefits expense in the Consolidated Statements of Activities. There was no accrued retirement expense at June 30, 2019 and 2018.

(18) Income Taxes

For the years ended June 30, 2019 and 2018, the components of the income tax provision related to the activities of CPCR consisted of the following ($000s):

	2019	2018
Current income tax provision		
Federal	$ -	$ 144
State and local	-	191
	-	335
Income tax provision (benefit), net	70	(219)
Income tax provision, net	$ 70	$ 116

The deferred income tax provision recorded in 2019 and 2018 are a result of the tax effects of temporary differences.

The components of CPCR's net deferred income tax asset and (liability) included in other assets and other liabilities, respectively, on the Consolidated Statements of Financial Position at June 30, 2019 and 2018 are as follows ($000s):

	2019	2018
Deferred tax asset	$ 503	$ 537
Less valuation allowance	-	-
Net deferred tax asset	503	537
Deferred tax liability	-	(260)
Net deferred tax asset	$ 503	$ 277

The deferred tax asset primarily relates to differences between the book and tax equity in earnings (loss) of unconsolidated subsidiaries. The deferred tax liability is primarily related to unrealized gain from investment in CPCR Soundview and the differences between the book and tax equity in earnings from the investment in the Funds. The amount of the deferred tax asset is considered realizable; however, it could be reduced if taxable income during the carryforward period is reduced due to current market conditions.

At the date of CPCR's conversion to a REIT, CPCR had built-in-gains ("BIG") as defined under Treas. Reg. Sec. 1.337(d)-7 and IRC Sec. 1374 on some its investments. This gain would be taxable if the investments are sold within five years from the date of conversion. The effect of this conversion may cause a significant accrual of previously recorded deferred tax liabilities which were reversed upon conversion, subject to the contingency of the five year hold requirement for investments with BIG.

(19) Noncontrolling Interests

Details of noncontrolling interests as of June 30, 2019 and 2018 are as follows ($000s):

	2019	2018
CPCR	$ 27	$ 42
Fund I and consolidated subsidiaries	499	412
Fund II and consolidated subsidiaries	13,261	21,369
	$ 13,787	$ 21,823

(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 year ended June 30, 2019, the Agreement was extended several more times, most recently on May 1, 2019, and is currently contracted to terminate on July 31, 2019. On August 1, 2019, the Agreement was extended to September 30, 2019.

The administration of this Grant is subject to the term of the Agreement and the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principals, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). For the years ended June 30, 2019 and 2018, the Corporation recognized $0.3 million and $0.9 million, respectively of grant revenue related to reimbursement for costs incurred to administer the Program. $0.3 million and $0.2 million, respectively, remain receivable from HPD and are included in receivables, net in the accompanying consolidated financial statements. The Corporation closed on $1.6 million loans under the Program in 2018. No loans were closed in 2019.

In May 2014, the Corporation executed a subrecipient agreement with HPD to service a portion of grants made under the Program to provide funds to rebuild 1-4 family homes affected or destroyed by Superstorm Sandy. The agreement terminated on April 30, 2018. As of June 30, 2018, the Corporation had 269 projects in its pipeline with 261 having started construction. As of June 30, 2018, the Corporation had administered Program proceeds of $169.4 million towards construction and construction related expenses. There was no activity during the year ended June 30, 2019.

(b) Small Project Affordable Rental Construction Program

In June 2015, the Corporation partnered with New York State Homes and Community Renewal (HCR) to administer up to $20.0 million in Community Development Block Grant - Disaster Recovery funds through the Small Project Affordable Rental Construction Program (SPARC) to communities impacted by Superstorm Sandy, Hurricane Irene, and/or Tropical Storm Lee. In December 2016, the agreement was amended to increase the amount to $30.0 million. Federal funds are available for the new construction or substantial rehabilitation of properties containing from eight to twenty affordable rental units each. SPARC funds must be committed no later than September 30, 2017 and fully disbursed within two years of the last commitment date. For the years ended June 30, 2019 and 2018, the Corporation recognized $0.06 million and 0.9 million, respectively, of grant revenue related to reimbursement for costs incurred to administer SPARC funds.

Prior to administering SPARC funds to loans, the Corporation will bridge construction loans until conversion. As of June 30, 2019 five construction loans have closed, of which one loan has been converted to a permanent loan. Extensions have been obtained for two of the other loans through January 31, 2020. The remaining loans are expected to request an extension as well.

(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, 2018 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. As of June 30, 2018, the full grant has been received, of which $0.7 million and $2.6 million was used to fund the loans in the years ended June 30, 2019 and 2018, respectively. As of June 30, 2019, $0.9 is to be funded and is included in net assets with donor restrictions on the Consolidated Statements of Activities.

(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. As of June 30, 2019, the full grant has been received, of which $2.7 million was used to fund the loan in the year ended June 30, 2019. As of June 30, 2019, $7.2 million is to be funded and is included in net assets with donor restrictions on the Consolidated Statements of Activities.

(21) Concentrations

(a) Credit Risk

The Corporation maintains its cash and cash equivalents and restricted cash 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, 2019 and 2018.

(b) Geographic

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

(c) Business

At June 30, 2019, CPC had commitments to sell 50% of its permanent mortgages to one investor. At June 30, 2018, CPC had commitments to sell 13% 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 statement of financial position date but before the consolidated financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the consolidated statement of financial position date are recognized in the accompanying consolidated financial statements. Subsequent events which provide evidence about conditions that existed after the consolidated statement of financial position date require disclosure in the accompanying notes. Management evaluated the activity through September 23, 2019 (the date the consolidated financial statements were available to be issued) and determined that, except as disclosed in Notes 4, 5, 10, 11 and 20, 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 2018)

June 30, 2019 and 2018

Assets	2019				2018
	CPC	CPCR	Eliminations	Consolidated	Consolidated
Cash and cash equivalents	$ 16,406,980	$ 57,518,817	$ -	$ 73,925,797	$ 30,610,393
Restricted cash	324,820,515	6,947	-	324,827,462	266,568,529
Investment in mortgage loans:					
Construction loans held for investment (Note 3a)	434,381,499	-	-	434,381,499	367,401,796
Permanent loans held for investment (Note 3b)	60,259,636			60,259,636	82,025,448
Permanent loans held for sale (Note 3b)	65,354,245	-	-	65,354,245	216,572,874
	559,995,380	-	-	559,995,380	666,000,118
Less allowance for loan losses (Note 3c)	(15,681,607)	-	-	(15,681,607)	(12,701,495)
	544,313,773	-	-	544,313,773	653,298,623
Investment in real estate, net (Note 4)	-	70,874	-	70,874	10,654,030
Real estate held for sale (Note 4)	-	24,037,155	-	24,037,155	24,114,803
Investment in PPC (held for sale as of June 30, 2019, Note 5)	-	111,500,000	-	111,500,000	157,086,823
Real estate owned (Note 3d and 12)	8,329,406	-	-	8,329,406	317,721
Mortgage servicing rights (Note 9)	39,272,195	-	-	39,272,195	32,753,487
Investment in unconsolidated subsidiaries (Note 7)	6,026,008	523,990	-	6,549,998	6,101,931
Investment in securities (Note 8)	61,504,109	-	-	61,504,109	60,198,982
Accounts receivable, net	2,949,882	-	-	2,949,882	3,588,948
Other assets, net	181,195,860	568,521	(165,787,102)	15,977,279	7,210,122
Total assets	$ 1,184,818,728	$ 194,226,304	$ (165,787,102)	$ 1,213,257,930	$ 1,252,504,392
Liabilities and Net Assets					
Liabilities:					
Notes payable, net of amortized debt issuance costs (Note 10)	$ 369,361,394	$ -	$ -	$ 369,361,394	$ 367,109,638
Mortgage debt and notes payable (Note 11)	-	-	-	-	3,174,105
Liabilities of real estate held for sale	-	13,889,099	-	13,889,099	13,931,581
Participations payable (Notes 3 and 12)	202,189,207	-	-	202,189,207	345,241,400
Escrow deposits and other liabilities	195,707,417	-	-	195,707,417	176,236,371
Participants' deposits (Note 13)	156,212,185	-	-	156,212,185	68,949,957
Other liabilities	18,753,552	762,711	-	19,516,263	24,477,024
Total liabilities	942,223,755	14,651,810	-	956,875,565	999,120,076
Commitments and contingencies					
Net assets					
Without donor restrictions	234,494,562	165,787,102	(165,787,102)	234,494,562	228,703,347
With donor restrictions	8,100,411			8,100,411	1,667,179
Noncontrolling interests (Note 19)	-	13,787,392	-	13,787,392	21,823,297
Total net assets	242,594,973	179,574,494	(165,787,102)	256,382,365	253,384,316
Total liabilities and net assets	$ 1,184,818,728	$ 194,226,304	$ (165,787,102)	$ 1,213,257,930	$ 1,252,504,392

See accompanying Notes to Consolidated Financial Statements.

See Independent Auditor's Report.

THE COMMUNITY PRESERVATION CORPORATION
AND SUBSIDIARIES

Consolidating Statements of Activities (with Summarized Comparative Financial Statement Information for 2018)

Years ended June 30, 2019 and 2018

	2019				2018
	CPC	CPCR	Eliminations	Consolidated	Consolidated
Net interest income:					
Interest on construction and permanent mortgage loans	$ 21,151,824	$ -	$ -	$ 21,151,824	$ 17,612,023
Interest on participations payable	7,681,887	-	-	7,681,887	7,552,577
Interest on short-term investments	5,480,028	-	-	5,480,028	2,033,129
Total interest income	34,313,739	-	-	34,313,739	27,197,729
Interest expense (Note 14)	19,630,615	-	-	19,630,615	14,308,652
Interest expense on construction loan participations and transfers	7,681,887	-	-	7,681,887	7,552,577
Total interest expense	27,312,502	-	-	27,312,502	21,861,229
Net interest income before provision for loan losses	7,001,237	-	-	7,001,237	5,336,500
Provision for loan losses	(3,938,612)	-	-	(3,938,612)	(3,420,073)
Net interest income	3,062,625	-	-	3,062,625	1,916,427
Noninterest revenue:					
Servicing fee income (Note 9)	15,856,646	-	-	15,856,646	19,965,474
Commitment fee income	6,333,675	-	-	6,333,675	6,983,789
Unrealized (loss)/gain on fair value adjustment to investment in securities (Note 8)	1,195,576	-	-	1,195,576	(981,914)
(Loss)/gain on sale of real estate, net	-	-	-	-	42,768
Operating real estate (loss)/income, net	(178,432)	13,490	-	(164,942)	548,476
PPC earnings:					
Distribution income (Note 5)	-	56,749,675	-	56,749,675	7,748,525
Unrealized (loss)/gain on fair value adjustment (Note 5)	-	(45,586,824)	-	(45,586,824)	10,514,047
Equity in earnings of unconsolidated subsidiaries	944,271	186,715	-	1,130,986	1,748,236
Other revenue	1,445,776	1,845,174	-	3,290,950	953,830
Grant income (Note 20)	10,211,635	-	-	10,211,635	997,976
Total noninterest revenue	35,809,147	13,208,230	-	49,017,377	48,521,207
Total revenue	38,871,772	13,208,230	-	52,080,002	50,437,634
Noninterest expense:					
Employee compensation and benefits (Note 17)	24,540,796	1,092,817	-	25,633,613	22,687,236
Office expenses	5,658,321	85,123	-	5,743,444	4,570,930
Professional fees	2,342,040	840,418	-	3,182,458	2,581,361
Depreciation and amortization	959,735	5,711	-	965,446	726,435
Other expense	4,081,892	151,574	-	4,233,466	2,185,654
Total noninterest expense	37,582,784	2,175,643	-	39,758,427	32,751,616
Change in net assets from operations before income tax provision and discontinued operations	1,288,988	11,032,587	-	12,321,575	17,686,018
Income tax provision (Note 18)	-	(69,687)	-	(69,687)	(116,252)
Net income from discontinued operations (Note 4)	-	227,901	-	227,901	230,998
Change in net assets from operations	1,288,988	11,190,801	-	12,479,789	17,800,764
Equity in net income of consolidated subsidiaries	9,744,966		(9,744,966)	-	-
Change in net assets from operations	11,033,954	11,190,801	(9,744,966)	12,479,789	17,800,764
Change in net assets from operations attributable to noncontrolling interests	-	(1,445,835)	-	(1,445,835)	(7,805)
Change in net assets from operations attributable to CPC	$ 11,033,954	$ 9,744,966	$ (9,744,966)	$ 11,033,954	$ 17,792,959

See accompanying Notes to Consolidated Financial Statements.

See Independent Auditor's Report.