THE COMMUNITY PRESERVATION CORPORATION AND SUBSIDIARIES

Consolidated Financial Statements

June 30, 2023 and 2022

(With Independent Auditor's Report Thereon)

CohnReznick

ADVISORY • ASSURANCE • TAX

THE COMMUNITY PRESERVATION CORPORATION
AND SUBSIDIARIES

Index

Independent Auditor's Report

The Board of Directors
The Community Preservation Corporation

Opinion

We have audited the consolidated financial statements of The Community Preservation Corporation and Subsidiaries, which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities, changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of The Community Preservation Corporation and Subsidiaries as of June 30, 2023 and 2022, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Community Preservation Corporation and Subsidiaries' ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Community Preservation Corporation and Subsidiaries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Community Preservation Corporation and Subsidiaries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

CohnReznick LLP

Baltimore, Maryland
September 28, 2023

THE COMMUNITY PRESERVATION CORPORATION AND SUBSIDIARIES

Consolidated Statements of Financial Position
June 30, 2023 and 2022

Assets		**2023**		**2022**
Cash and cash equivalents	$	28,528,675	$	22,615,305
Restricted cash, restricted cash equivalents, and funded reserves		341,799,343		434,530,314
Investment in mortgage loans:				
Construction loans held for investment (Note 4)		779,788,230		705,698,469
Permanent loans held for investment (Note 4)		68,324,933		58,640,003
Permanent loans held for sale (Note 4)		23,164,468		27,736,190
		871,277,631		792,074,662
Less allowance for loan losses (Note 4)		(23,663,864)		(14,627,296)
		847,613,767		777,447,366
Mortgage servicing rights (Note 8)		44,669,366		41,070,976
Investment in unconsolidated subsidiaries (Note 6)		7,368,785		13,913,311
Investment in unconsolidated subsidiaries at fair value (Note 6)		101,090,328		60,143,798
Investment in securities and hedge funds (Note 7)		370,164,616		197,053,129
Receivables, net		5,769,796		4,399,710
Right of use assets (Note 14)		25,591,668		26,561,002
Other assets, net		19,998,209		19,637,156
Total assets	$	1,792,594,553	$	1,597,372,067
Liabilities and Net Assets				
Liabilities:				
Notes and bonds payable, net of unamortized debt issuance costs (Note 9)	$	553,869,686	$	501,308,547
Participations payable (Notes 4 and 10)		376,689,566		341,358,523
Escrow deposits and other liabilities		232,007,691		231,563,827
Participants' deposits (Note 11)		306,437,761		215,212,588
Lease liabilities (Note 14)		31,758,008		32,409,463
Due to noteholders		6,887,011		10,514,451
Other liabilities		17,565,577		13,929,462
Total liabilities		1,525,215,300		1,346,296,861
Commitments and contingencies (Note 14)				
Net assets:				
Without donor restrictions		263,499,117		245,866,253
With donor restrictions		220,979		235,344
Noncontrolling interests		3,659,157		4,973,609
Total net assets		267,379,253		251,075,206
Total liabilities and net assets	$	1,792,594,553	$	1,597,372,067

See accompanying notes to consolidated financial statements.

THE COMMUNITY PRESERVATION CORPORATION
AND SUBSIDIARIES

Consolidated Statements of Activities (with Summarized Comparative Financial Statement Information for 2022)
Years ended June 30, 2023 and 2022

	Without donor restrictions	With donor restrictions	2023 Total	2022 Total
Net interest income:				
Interest on construction and permanent mortgage loans	$ 33,823,823	$ -	$ 33,823,823	$ 21,400,343
Interest on participations payable	3,095,003	-	3,095,003	3,132,756
Interest and earnings on restricted cash and restricted investments in securities (Note 7)	9,696,624	-	9,696,624	1,314,175
Total interest income	46,615,450	-	46,615,450	25,847,274
Interest expense (Note 12)	30,889,095	-	30,889,095	14,151,749
Interest expense on loan participations	3,095,003	-	3,095,003	3,132,756
Total interest expense	33,984,098	-	33,984,098	17,284,505
Net interest income before provision for loan losses	12,631,352	-	12,631,352	8,562,769
Provision for loan losses (Note 4)	(9,059,946)	-	(9,059,946)	(2,002,799)
Net interest income	3,571,406	-	3,571,406	6,559,970
Other revenue:				
Servicing fee income (Note 8)	14,381,057	-	14,381,057	10,641,195
Commitment fee income	3,942,477	-	3,942,477	8,201,918
Interest and earnings on unrestricted investments in securities (Note 7)	2,393,869	-	2,393,869	2,324,941
Realized gain on restricted investments in securities	1,323,157		1,323,157	-
Realized gain on unrestricted investments in securities	6,560,109	-	6,560,109	4,953,060
Unrealized gain (loss) on restricted investments in securities (Note 7)	304,637	-	304,637	(4,072,641)
Unrealized gain (loss) on unrestricted investments in securities and hedge funds (Note 7)	558,524	-	558,524	(25,224,866)
Unrealized gain on investments in unconsolidated subsidiaries (Note 6)	22,950,048	-	22,950,048	9,627,562
Equity in earnings of unconsolidated subsidiaries (Note 6)	7,889,799	-	7,889,799	2,259,967
Other revenue	1,680,003	-	1,680,003	2,052,732
Grant income (Note 18)	1,002,072	-	1,002,072	412,575
Net assets released from restrictions	14,365	(14,365)	-	-
Total other revenue	63,000,117	(14,365)	62,985,752	11,176,443
Total revenue	66,571,523	(14,365)	66,557,158	17,736,413
Noninterest expense:				
Employee compensation and benefits (Note 15)	35,690,930	-	35,690,930	35,158,629
Office expenses	7,481,750	-	7,481,750	6,748,179
Professional fees	2,265,441	-	2,265,441	3,342,353
Depreciation	932,296	-	932,296	1,132,828
Impairment of real estate asset	-	-	-	4,703
Other expenses	3,538,592	-	3,538,592	2,742,186
Total noninterest expense	49,909,009	-	49,909,009	49,128,878
Change in net assets from operations before income tax provision	16,662,514	(14,365)	16,648,149	(31,392,465)
Income tax provision (Note 17)	(344,102)	-	(344,102)	(252,015)
Change in net assets from operations	16,318,412	(14,365)	16,304,047	(31,644,480)
Change in net assets from operations attributable to noncontrolling interests	(1,314,452)	-	(1,314,452)	-
Change in net assets from operations attributable to CPC	$ 17,632,864	$ (14,365)	$ 17,618,499	$ (31,644,480)

See accompanying notes to consolidated financial statements.

THE COMMUNITY PRESERVATION CORPORATION AND SUBSIDIARIES

Consolidated Statements of Activities
Year ended June 30, 2022

	Without donor restrictions	With donor restrictions	2022 Total
Net interest income:			
Interest on construction and permanent mortgage loans	$ 21,400,343	$ -	$ 21,400,343
Interest on participations payable	3,132,756	-	3,132,756
Interest and earnings on restricted investments in securities (Note 7)	1,314,175	-	1,314,175
Total interest income	25,847,274	-	25,847,274
Interest expense (Note 12)	14,151,749	-	14,151,749
Interest expense on loan participations	3,132,756	-	3,132,756
Total interest expense	17,284,505	-	17,284,505
Net interest income before provision for loan losses	8,562,769	-	8,562,769
Provision for loan losses (Note 4)	(2,002,799)	-	(2,002,799)
Net interest income	6,559,970	-	6,559,970
Other revenue:			
Servicing fee income (Note 8)	10,641,195	-	10,641,195
Commitment fee income	8,201,918	-	8,201,918
Interest and earnings on unrestricted investments in securities (Note 7)	2,324,941	-	2,324,941
Realized gain on unrestricted investments in securities (Note 7)	4,953,060	-	4,953,060
Unrealized loss on restricted investments in securities (Note 7)	(4,072,641)	-	(4,072,641)
Unrealized loss on unrestricted investments in securities and hedge funds (Note 7)	(25,224,866)	-	(25,224,866)
Unrealized gain on investment in unconsolidated subsidiaries (Note 6)	9,627,562	-	9,627,562
Equity in earnings of unconsolidated subsidiaries (Note 6)	2,259,967	-	2,259,967
Other revenue	2,052,732	-	2,052,732
Grant income (Note 18)	412,575	-	412,575
Net assets released from restrictions	144,673	(144,673)	-
Total other revenue	11,321,116	(144,673)	11,176,443
Total revenue	17,881,086	(144,673)	17,736,413
Noninterest expense:			
Employee compensation and benefits (Note 15)	35,158,629	-	35,158,629
Office expenses	6,748,179	-	6,748,179
Professional fees	3,342,353	-	3,342,353
Depreciation	1,132,828	-	1,132,828
Impairment of real estate asset	4,703	-	4,703
Other expenses	2,742,186	-	2,742,186
Total noninterest expense	49,128,878	-	49,128,878
Change in net assets from operations before income tax provision	(31,247,792)	(144,673)	(31,392,465)
Income tax provision (Note 17)	(252,015)	-	(252,015)
Change in net assets from operations	(31,499,807)	(144,673)	(31,644,480)
Change in net assets from operations attributable to noncontrolling interests	-	-	-
Change in net assets from operations	$ (31,499,807)	$ (144,673)	$ (31,644,480)

See accompanying notes to consolidated financial statements.

THE COMMUNITY PRESERVATION CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Net Assets
Years ended June 30, 2023 and 2022

	Without donor restrictions	With donor restrictions	Noncontrolling Interests	Total
Balance, June 30, 2021	$ 270,339,669	$ 380,017	$ -	$ 270,719,686
Sale of ownership interest	7,026,391	-	4,973,609	12,000,000
Change in net assets	(31,499,807)	(144,673)	-	(31,644,480)
Balance, June 30, 2022	245,866,253	235,344	4,973,609	251,075,206
Change in net assets	17,632,864	(14,365)	(1,314,452)	16,304,047
Balance, June 30, 2023	$ 263,499,117	$ 220,979	$ 3,659,157	$ 267,379,253

See accompanying notes to consolidated financial statements.

THE COMMUNITY PRESERVATION CORPORATION
AND SUBSIDIARIES

Consolidated Statements of Functional Expenses
Years ended June 30, 2023 and 2022

	2023			2022		
	Program Services	**Management and General**	**Total**	**Program Services**	**Management and General**	**Total**
Salaries and fringe benefits	$ 28,381,654	$ 7,309,276	$ 35,690,930	$ 29,488,460	$ 5,670,169	$ 35,158,629
Occupancy	1,730,083	636,648	2,366,731	1,759,046	645,754	2,404,800
Insurance	-	608,126	608,126	-	590,185	590,185
Office expenses	992,105	3,514,788	4,506,893	725,320	3,027,874	3,753,194
Professional fees	1,860,132	405,309	2,265,441	1,879,479	1,462,874	3,342,353
Contributions	320,183	13,250	333,433	753,061	200	753,261
Travel and related expenses	464,418	292,865	757,283	557,073	262,578	819,651
Depreciation	-	932,296	932,296	-	1,132,828	1,132,828
Marketing	1,105,094	(9,351)	1,095,743	772,126	-	772,126
Impairment	-	-	-	4,703	-	4,703
Grant expenses	406,789	-	406,789	4,959	-	4,959
Miscellaneous	903,315	42,029	945,344	344,907	47,282	392,189
	$ 36,163,773	$ 13,745,236	$ 49,909,009	$ 36,289,134	$ 12,839,744	$ 49,128,878

See accompanying notes to consolidated financial statements.

THE COMMUNITY PRESERVATION CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows
Years ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	$ 16,304,047	$ (31,644,480)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	1,430,517	1,937,341
Straight line rent expense	969,334	1,036,400
Provision for loan losses	9,059,946	2,002,799
Gain on sale of loans with servicing retained	(2,754,916)	(5,589,234)
Change in fair value of mortgage servicing rights	(343,474)	6,898,439
Unrealized (gain) loss on restricted investments in securities	(304,637)	4,072,641
Unrealized (gain) loss on unrestricted investments in securities and hedge funds	(558,524)	25,224,866
Realized gain on restricted investments in securities and hedge funds	(1,323,157)	(4,953,060)
Realized gain on investments in securities and hedge funds	(6,560,109)	-
Impairment loss	-	4,703
Equity in net income of unconsolidated subsidiaries	(7,889,799)	(2,259,966)
Distributions from unconsolidated subsidiaries	4,746,404	1,655,746
Unrealized gain on investment in unconsolidated subsidiaries	(22,950,048)	(9,627,562)
Deferred income tax provision	-	(50,323)
Changes in:		
Accounts receivable, net	(1,370,086)	(1,923,124)
Other assets, net	978,679	621,790
Lease liabilities	(651,455)	(711,722)
Due to noteholders	(3,627,440)	3,176,866
Other liabilities	3,636,115	(1,977,907)
Net cash used in operating activities	(11,208,603)	(12,105,787)
Cash flows from investing activities:		
Mortgage loans originated	(225,181,252)	(495,962,139)
Repayments of mortgage loans	111,882,469	107,950,369
Mortgage loans sold	34,254,919	277,795,654
Investment in securities	(480,675,553)	(106,114,217)
Proceeds from sale of securities	273,659,900	102,314,710
Purchase of mortgage servicing rights	(500,000)	-
Contributions to unconsolidated subsidiaries	(19,422,432)	(19,274,758)
Refinance distribution from unconsolidated subsidiary	11,113,871	-
Proceeds from sale of REO assets	-	126,963
Purchase of furniture, fixtures and information technology	(2,454,511)	(909,903)
Increase in split dollar loan receivable	-	(6,425,249)
Proceeds from sale of noncontrolling interest in consolidated subsidiary	-	12,000,000
Decrease (increase) of restricted cash, net	127,499,702	(65,297,999)
Net cash used in investing activities	(169,822,887)	(193,796,569)
Cash flows from financing activities:		
Proceeds from notes payable under credit agreements	528,799,062	488,652,239
Repayments of notes payable under credit agreements	(476,240,646)	(404,862,185)
Proceeds from on-demand line of credit	-	15,000,000
Increase in participations payable	35,331,043	64,820,422
Increase in participants' deposits	91,225,173	44,305,254
Payments of debt issuance costs	(495,498)	(468,149)
Net cash provided by financing activities	178,619,134	207,447,581
Net (decrease) increase in cash, cash equivalents, restricted cash and cash equivalents	(2,412,356)	1,545,225
Cash, cash equivalents, restricted cash, and restricted cash equivalents, beginning of year	33,018,806	31,473,581
Cash, cash equivalents, restricted cash, and restricted cash equivalents, end of year	$ 30,606,450	$ 33,018,806
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Income taxes	$ 327,257	$ 71,557
Interest	$ 28,987,199	$ 13,000,845

See accompanying notes to consolidated financial statements.

(1) Organization and Purpose

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

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

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

On November 2, 1992, CPC Resources, Inc. (CPCR), a wholly-owned subsidiary of CPC, was incorporated under Section 402 of the Business Corporation Law of the State of New York as a for-profit corporation. On July 1, 2014, CPCR elected to change its tax status to a real estate investment trust (REIT). Concurrent with the election, CPCR transferred seven assets to a newly formed taxable real estate investment trust subsidiary, CPCR TRS LLC (TRS). In 2019, CPCR transferred its membership interest in TRS to CPC. Having no remaining assets, CPCR's sole recent purpose was to serve as guarantor to one of CCA's unconsolidated subsidiaries. That guarantor liability was released in 2023 and CPCR is now in the process of being dissolved.

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

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

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

(2) Summary of Significant Accounting Policies

a) Basis of Accounting

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

The preparation of the 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.

b) Principles of Consolidation

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

c) Net Assets

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

- <u>Net Assets Without Donor Restrictions</u> - 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 associated with noncontrolling interests are allocated to the noncontrolling interest holder.

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

d) Cash and Cash Equivalents

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

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

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

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

	2023	2022
Restricted cash and restricted cash equivalents	$ 2,077	$ 10,404
Funded reserves	339,722	424,126
	$ 341,799	$ 434,530

f) Investment in Mortgage Loans

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

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

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

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

g) Allowance for Loan Losses

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

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

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

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

- Changes in lending policies and procedures, including changes in underwriting standards and collection, charge-off, and recovery practices not considered elsewhere in estimating credit losses;

- Changes in local economic conditions that affect the collectability of the portfolio;

- Changes in the nature and volume of the portfolio;
- Changes in the volume and severity of past due loans and adversely classified loans;
- Changes in the value of underlying collateral for collateral-dependent loans; and
- The existence and changes to any concentrations of credit risk.

Each respective loan loss allowance is reviewed quarterly by management. The level of future changes to the respective loan loss allowance is based on many factors, including certain factors that are beyond management's control, such as changes in economic and local market conditions, 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) 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 8).

i) Investments in Unconsolidated Subsidiaries

Unconsolidated subsidiaries include investments over which CPC can exercise significant influence but does not control, and investments over which the Company does not exercise significant influence or control. As of June 30, 2023 and 2022, CPC holds financial interests in 22 and 17 companies, respectively, owned through its wholly-owned subsidiaries CCA, CPCI, and TRS (see Note 6).

Certain investments are considered to be VIEs for accounting purposes. If the Corporation determines that it is not the primary beneficiary of the investments because the Corporation lacks the power to direct the activities of the VIEs that most significantly impacts its economic performance, then the Corporation accounts for the investment under the equity method of accounting. The Corporation's maximum exposure to loss from these investments is limited to its investment in the entities.

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

CPC accounts for its investments in unconsolidated subsidiaries over which it does not exercise significant influence or control, as equity securities in accordance with ASC 825, *Financial Instruments*. Because the investment does not have readily determinable fair value, the Corporation has elected to measure the investment at cost, less impairment, plus or minus observable price changes. No impairment or observable price changes have been recognized by the Corporation in 2023.

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

j) Investment in Unconsolidated Subsidiaries at Fair Value

ASC 825, *Financial Instruments*, allows entities to elect to measure certain financial assets, including equity method investments, at fair value. CCA adopted fair value accounting for several of its investments in order to reflect the value created over the holding period for its investments. The accounting policies of the investments are the same as those followed by the Corporation. Under fair value accounting, CPC adjusts the carrying value of its investments to fair value at each reporting period, records an unrealized gain or loss, and recognizes cash distributions received as distribution income (see Note 6).

k) Investments in Securities and Hedge Funds

The Corporation follows ASC 958-320, *Not-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 7).

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

l) Receivables

Receivables are reported net of allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experienced and a review of the current status of account receivable. It is reasonably possible that management's estimate of the allowance will change. There is no allowance recorded as of June 30, 2023 and 2022.

m) Right of use Assets/Lease Liabilities

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

n) Other Assets

Other assets include fixed assets, advances made on behalf of borrowers, prepaid expenses, security deposits and split dollar loan receivable, net of an allowance for loan losses. The following table summarizes the amounts included in other assets on the Consolidated Statements of Financial Position at June 30, 2023 and 2022 ($000s):

	2023	2022
Fixed assets, net	$ 4,632	$ 5,473
Capitalized IT project costs	3,112	749
Split dollar loan receivable, net	5,646	5,684
Escrow advances	4,640	5,848
Prepaid expenses	673	644
Security deposit	788	788
Other assets	507	451
	$ 19,998	$ 19,637

o) Participants' Deposits

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

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 purpose of CPC. If CPC generates unrelated business net income, such unrelated business net income is subject to tax.

CPC elected to treat TRS as a taxable REIT subsidiary. In general, TRS may perform non-customary services for its tenants and may engage in any real estate or non-real estate related business. TRS is 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, 2023, which are from July 1, 2019 through June 30, 2022. 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 Corporation may be subject to certain local taxes. The City of New York levies an Unincorporated Business Tax (UBT) on certain income of the Corporation and its subsidiaries.

q) Other Liabilities

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

r) 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, 2023 and 2022.

s) Income Recognition

Interest on loans is accrued monthly based on the daily outstanding principal balance of such loans. The Corporation ceases to accrue interest income on specific loans for financial reporting purposes when required payments of interest is more than 90 days past due. The Corporation also ceases to accrue interest income for certain loans prior to 90 days that are risk-rated 9. In such circumstances, the Corporation also reverses any previously recorded unpaid interest. The Corporation resumes the accrual of interest when the borrower is less than 90 days delinquent.

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

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

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

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. Leasehold improvements are amortized over the life of the related leases.

Capitalization of internal use software is stated at cost. Depreciation will be recorded using the straight-line method over the assets' estimated useful lives. The minimum cost used to determine the capital assets to be recorded is $25,000.

Costs of internal-use software are accounted for in accordance with ASC 350-40, *Internal Use Software*, and ASC 350-50, *Website Development Costs*. The guidance requires that the Corporation expense computer software and website development costs as they are incurred during the preliminary project stage. Once the capitalization criteria of ASC 350-40 and ASC 350-50 have been met, external direct costs of materials and services consumed in developing or obtaining internal-use software, including website development costs, payroll and payroll-related costs for employees who are directly associated with and who devote time to the internal-use computer software and associated interest costs are capitalized.

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

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

Fair values of financial assets measured at fair value on a recurring basis at June 30, 2023 and 2022 are as follows ($000s):

June 30, 2023	Level 1	Level 2	Level 3	Total
Financial assets:				
Investment in UIP	$ 123,920	$ -	$ -	$ 123,920
Investment in other securities	227,683	-	-	227,683
Investment in unconsolidated subsidiaries and equity securities at fair value	-	-	101,090	101,090
Mortgage servicing rights	-	-	44,669	44,669
Total assets	$ 351,603	$ -	$ 145,759	$ 497,362

June 30, 2022	Level 1	Level 2	Level 3	Total
Financial assets:				
Investment in UIP	$ 114,955	$ -	$ -	$ 114,955
Investment in other securities	63,706	-	-	63,706
Investment in unconsolidated subsidiaries at fair value	-	-	60,144	60,144
Mortgage servicing rights	-	-	41,071	41,071
Total assets	$ 178,661	$ -	$ 101,215	$ 279,876

(Note that the Corporation's investment in hedge funds ($18.6 million and $18.2 million as of June 30, 2023 and 2022, respectively) are measured using NAV per share as a practical expedient and are therefore not categorized within the fair value hierarchy).

w) *Functional Expenses*

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

x) *Statement of Cash Flows*

For presentation in the Consolidated Statements of Cash Flows, the Corporation considers balances held as required by certain investors to be qualifying restricted cash. The following table presents a reconciliation of the total of cash, cash equivalents, restricted cash, and restricted cash equivalents as presented in the Consolidated Statements of Cash Flows to the related captions in the Consolidated Statements of Financial Position as of June 30, 2023 and 2022 ($000s):

	2023	2022
Cash and cash equivalents	$ 28,529	$ 22,615
Restricted cash and restricted cash equivalents	2,077	10,404
	$ 30,606	$ 33,019

y) Recent Accounting Pronouncements

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

z) Reclassifications

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

(3) Lending Overview

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

Construction Lending

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

CPC primarily funds its construction loans with two syndicated lines of credit totaling $485.5 million (structured as a repurchase agreement) that is agented by Citibank and comprised of 14 lenders (Lenders) (see Note 9). CPC is also able to increase its breadth of lending by accessing additional capital by using participation agreements from banking institutions with whom CPC has long-standing relationships to invest their capital in CPC's construction loans. CPC's loans are also funded by public capital made available by HPD, New York City Housing Development Corporation (HDC), and New York State Homes and Community Renewal (HCR) through these entities' various affordable housing debt programs.

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

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

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

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

Permanent Lending

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

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

CPC's permanent loans are primarily funded through diverse sources of capital that include two warehouse lines which temporarily finance loans until sale to the pension funds of certain public employees and other institutions (collectively, the Pension Funds) or the Agencies (see Note 13). CPC has over $1.5 billion in committed capital from its various Pension Fund partners. CPC's availability for the Pension Fund products is subject to the agency’s capacity levels.

(4) Investment in Mortgage Loans

The following is a summary of mortgage loans as of June 30, 2023 and 2022 ($000s):

June 30, 2023	**Number of Loans**	**CPC Share**	**Participant Share ***	**Total**
Construction loans:				
Rental project:				
CPC wholly-owned	115	$ 322,438	$ -	$ 322,438
Pari-passu participation	21	103,240	340,641	443,881
Total rental properties	136	425,678	340,641	766,319
For Sale Project:				
CPC wholly-owned	11	9,875	-	9,875
Pari-passu participation	1	46	3,548	3,594
Total for sale projects	12	9,921	3,548	13,469
Total construction loans	148	435,599	344,189	779,788
Permanent loans:				
Mortgage loans	161	58,902	2,951	61,853
Freddie Mac loans prior to securitization	3	-	6,912	6,912
Pledged under collateral trust notes	76	29	19,627	19,656
Sold with 3% risk retained	5	58	3,011	3,069
Total permanent loans	245	58,989	32,501	91,490
Investment in construction and mortgage loans	393	494,588	376,690	871,278
Allowance for loan losses		(22,783)	(880)	(23,664)
Investment in mortgage loans, net		$ 471,805	$ 375,810	$ 847,614

June 30, 2022	**Number of Loans**	**CPC Share**	**Participant Share ***	**Total**
Construction loans:				
Rental project:				
CPC wholly-owned	118	$ 343,788	$ -	$ 343,788
Top loss participations	1	537	1,606	2,143
Pari-passu participation	19	66,584	280,560	347,144
Total rental properties	138	410,909	282,166	693,075
For Sale Project:				
CPC wholly-owned	2	4,022	-	4,022
Pari-passu participation	1	1,457	7,144	8,601
Total for sale projects	3	5,479	7,144	12,623
Total construction loans	141	416,388	289,310	705,698
Permanent loans:				
Mortgage loans	189	36,301	3,528	39,829
Freddie Mac loans prior to securitization	11	-	20,593	20,593
Pledged under collateral trust notes	82	33	21,792	21,825
Sold with 3% risk retained	6	80	4,049	4,129
Total permanent loans	288	36,414	49,962	86,376
Investment in construction and mortgage loans	429	452,802	339,272	792,074
Allowance for loan losses		(13,825)	(802)	(14,627)
Investment in mortgage loans, net		$ 438,977	$ 338,470	$ 777,447

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

The Corporation had obligations to fund loan commitments on 202 loans totaling $200.2 million at June 30, 2023 and 207 loans totaling $242.7 million at June 30, 2022.

(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 74% and 70% as of June 30, 2023 and 2022, respectively, of its construction loans for rental projects after they are converted to permanent mortgages, upon completion of administrative and other requirements (see Note 13). The weighted average interest rate on construction loans for the years ended June 30, 2023 and 2022 was 9.22% and 5.42%, respectively. Construction loans require the borrower to pay interest at a floating rate of interest on the outstanding balances, with principal due at maturity or, in the case of for sale projects, upon sale of residential units in the project.

CPC has sold loan participations in some of its construction loans to third-party financial institutions as well as public subsidy providers including HPD and HCR that have restrictions on the further transfer or resale of these loans by the acquirer. GAAP requires that the participated portions of these loans be retained on the Consolidated Statements of Financial Position as investment in mortgage loans due to these restrictions (Participation Loans). The sales proceeds associated with these loans are reported in liabilities as participations payable in the accompanying Consolidated Statements of Financial Position. The construction loan participations payable bear interest at a weighted average rate of 0.30% and 0.33% as of June 30, 2023 and 2022, 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 with third-party financial institutions (Top Loss Participations). CPC bears no risk of loss on individually participated loans; therefore, such risk is passed through to the participant institutions on a pari-passu basis. CPC retains first risk of loss on the Top Loss Participations. See table above for a summary of construction loans indicating CPC share and participated amounts.

(b) Permanent Mortgage Loans

Permanent mortgage loans are on completed multifamily projects and generally require the borrower to make monthly combined payments of interest and principal in a level amount until maturity. Permanent mortgage loans are normally held by the Corporation after they are converted from construction loans, pending the completion of certain administrative and other requirements, at which point the loans are held for sale or participation. Loans held for sale are reflected at the lower of cost or fair value, which is determined on an individual asset basis, in the accompanying Consolidated Statements of Financial Position. Loans held for sale as of June 30, 2023 and 2022 were approximately $23.2 million and $27.7 million, respectively. The weighted average interest rate on permanent loans for the years ended June 30, 2023 and 2022 was 4.73% and 4.29%, respectively.

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

In addition, CPCMC 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, CPCMC is required to retain risk exposure for performance of the loans until securitization. CPC retains the risk of repurchase on Freddie Mac SBL loans during the period from purchase by Freddie Mac until securitization or one year, whichever is shorter. Accordingly, CPC records allowance for loan losses on SBLs during that period. See table above for a summary of Freddie Mac loans prior to securitization.

The permanent loan participations payable bear interest at a weighted average rate of 6.02% and 5.93% as of June 30, 2023 and 2022, respectively, and are reflected as interest on participations payable in the accompanying Consolidated Statements of Activities.

(c) Allowance for Loan Losses

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

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

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

The following table presents information regarding the payment status of CPC's and participants' loans at June 30, 2023 and 2022 ($000s):

June 30, 2023	30-89 Days DQ - CPC	30-89 Days DQ - Participant	90+ Days DQ - CPC	90+ Days DQ - Participant	Total DQ Loans	Total Current Loans	Total Loan Portfolio
Construction Loan	$ 15,044	$ 26,337	$ 45,557	$ 14,604	$ 101,542	$ 678,246	$ 779,788
Permanent Loans	11	417	22,886	687	24,001	67,489	91,490
	$ 15,055	**$ 26,754**	**$ 68,443**	**$ 15,291**	**$ 125,543**	**$ 745,735**	**$ 871,278**

June 30, 2022	30-89 Days DQ - CPC	30-89 Days DQ - Participant	90+ Days DQ - CPC	90+ Days DQ - Participant	Total DQ Loans	Total Current Loans	Total Loan Portfolio
Construction Loan	$ 2,420	$ 50,818	$ 14,241	$ 8,680	$ 76,159	$ 629,540	$ 705,699
Permanent Loans	20	4,319	26	767	5,132	81,244	86,376
	$ 2,440	**$ 55,137**	**$ 14,267**	**$ 9,447**	**$ 81,291**	**$ 710,784**	**$ 792,075**

The balance of non-accrual loans (i.e., loans that are 90+ days delinquent in the above table plus loans that are risk-rated 9 (see Note 2(g)) was $88.3 million and $33.2 million at June 30, 2023 and 2022, 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, 2023	**For Sale**		**Rental**		**Perm**		**Total**	
By risk category:	**CPC**	**Participation**	**CPC**	**Participation**	**CPC**	**Participation**	**CPC**	**Participation**
Pass	$ 9,921	$ 3,548	$ 372,332	$ 318,520	$ 37,577	$ 32,501	$ 419,830	$ 354,569
Criticized	-	-	53,346	22,121	21,412	-	74,758	22,121
	$ 9,921	$ 3,548	$ 425,678	$ 340,641	$ 58,989	$ 32,501	$ 494,588	$ 376,690

June 30, 2022	**For Sale**		**Rental**		**Perm**		**Total**	
By risk category:	**CPC**	**Participation**	**CPC**	**Participation**	**CPC**	**Participation**	**CPC**	**Participation**
Pass	$ 5,479	$ 9,282	$ 355,186	$ 254,160	$ 36,414	$ 49,962	$ 397,079	$ 313,404
Criticized	-	-	55,724	25,867	-	-	55,724	25,867
	$ 5,479	$ 9,282	$ 410,910	$ 280,027	$ 36,414	$ 49,962	$ 452,803	$ 339,271

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

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

Loans at June 30, 2023	Evaluated for Impairment Individually		Evaluated for Impairment Collectively		Total	
	Unpaid Principal	Allowance	Unpaid Principal	Allowance	Unpaid Principal	Allowance
Construction loans	$ 18,112	$ (4,413)	$ 757,642	$ (4,708)	$ 775,754	$ (9,121)
Construction loans - Grants	4,034	(4,034)	-	-	4,034	(4,034)
Permanent loans	21,670	(5,460)	65,820	(1,049)	87,490	(6,509)
Permanent loans - Grants	4,000	(4,000)	-	-	4,000	(4,000)
	$ 47,816	$ (17,907)	$ 823,462	$ (5,757)	$ 871,278	$ (23,664)

Loans at June 30, 2022	Evaluated for Impairment Individually		Evaluated for Impairment Collectively		Total	
	Unpaid Principal	Allowance	Unpaid Principal	Allowance	Unpaid Principal	Allowance
Construction loans	$ 23,528	$ (1,188)	$ 678,150	$ (4,341)	$ 701,678	$ (5,529)
Construction loans - Grants	4,020	(4,020)	-	-	4,020	(4,020)
Permanent loans	307	(91)	82,069	(987)	82,376	(1,078)
Permanent loans - Grants	4,000	(4,000)	-	-	4,000	(4,000)
	$ 31,855	$ (9,299)	$ 760,219	$ (5,328)	$ 792,074	$ (14,627)

CPC does not accrue interest on loans individually evaluated for impairment (also referred to as impaired loans). Interest payment received on these loans was $1.4 million and $0.7 million, respectively, during the years ended June 30, 2023 and 2022. The Corporation's average investment in impaired loans for the years ended June 30, 2023 and 2022 is $39.8 million and $27.2 million, respectively. The Corporation's recorded investment in impaired loans as of June 30, 2023 and 2022 is $29.9 million and $22.6 million, respectively.

The following table presents additional information regarding the Corporation's impaired loans at June 30, 2023 and 2022 ($000s):

	June 30, 2023 Unpaid principal	June 30, 2023 Related allowance	June 30, 2022 Unpaid principal	June 30, 2022 Related allowance
Impaired with no allowance				
Construction loans	$ 8,839	$ -	$ 8,806	$ -
Permanent loans	-	-	-	-
	$ 8,839	$ -	$ 8,806	$ -
Impaired loans with allowance				
Construction loans	$ 13,307	$ 8,447	$ 18,741	$ 5,208
Permanent loans	25,670	9,460	4,307	4,091
	$ 38,977	$ 17,907	$ 23,048	$ 9,299
Total impaired loans				
Construction loans	$ 22,146	$ 8,447	$ 27,547	$ 5,208
Permanent loans	25,670	9,460	4,307	4,091
	$ 47,816	$ 17,907	$ 31,854	$ 9,299

At June 30, 2023 and 2022, the allowance for loan losses relating to loans sold to pari-passu loan participants was $0.9 million and $0.8 million, respectively. There are four loans totaling $28.6 million in the process of foreclosure at June 30, 2023. There are no loans in the process of foreclosure at June 30, 2022.

For the years ended June 30, 2023 and 2022, the allowance for loan losses includes reserves for loans funded through grants to CPC and are expected to be forgiven at maturity. Such reserves are related to loans that are individually evaluated for impairment. The Corporation's policy is to fully reserve for the outstanding principal balance of such loans. The allowance for loan losses related to these grants is $8.0 million as of June 30, 2023 and 2022. The following table summarizes activity in the allowance for loan losses for the years ended June 30, 2023 and 2022 ($000s):

	2023	2022
Balance, beginning of the year	$ 14,627	$ 13,859
Provision for general loan losses	(750)	830
Provision for specific loan losses (construction loans)	4,413	288
Provision for specific loan losses (permanent loans)	5,400	-
Provision for loan losses (grants)	14	144
Charge-offs	(40)	(494)
Balance, end of the year	$ 23,664	$ 14,627

Charge-offs represent reductions in the allowance for loan losses that can arise from either forgiveness of debt related to a fully reserved loan funded through a grant to CPC or a loss experienced by CPC. There were no grant charge-offs in 2023. Grant charge-offs of $0.1 million were recorded in the year ended June 30, 2022.

(d) Troubled Debt Restructurings

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

During the year ended June 30, 2022, the Corporation forgave $1.1 million default interest on a construction loan with an unpaid principal balance of $5.2 million and accounted for this modification as a TDR. No loans were accounted for as TDRs during the year ended June 30, 2023. For the years ended June 30, 2023 and 2022, no loans were converted to real estate owned and no loans with debt forgiveness resulted in principal losses.

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

(5) Liquidity

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

Financial assets available for general expenditure within one year of the consolidated statements of financial position date consist of the following as of June 30, 2023 ($000s):

Cash and cash equivalents	$	28,529
Receivable, net		3,698
Unrestricted investment in securities and hedge funds		142,482
SPE1 voluntary paydowns		56,850
	$	231,559

The Corporation has the ability to ensure that its financial assets are available as general expenditures and other obligations come due. Cash in excess of daily requirements is invested either in short-term, interest-bearing accounts or in the UIP (see Note 7(a)) or is utilized as a voluntary paydown on the New SPE1 facility (see Note 9(a)), which allows CPC to voluntarily paydown the outstanding balance with its liquidity that can be readvanced to CPC at CPC’s request.

Additionally, the Corporation has access to an uncommitted, on-demand line of credit (up to $60.0 million), as discussed in Note 9(b), as well as the New SPE1 voluntary pay downs ($56.9 million), as discussed in Note 9(a), to fund working capital and other business needs. At June 30, 2023 and 2022, the Corporation drew $30.0 million on the on-demand line of credit.

(6) Investment in Unconsolidated Subsidiaries

A summary of investment in unconsolidated entities as of June 30, 2023 and 2022 are as follows ($000s):

(a) Equity Investments Recorded Under Equity/Cost Method

		2023		2022	
	% of ownership	Investment balance	Equity in net income (loss)	Investment balance	Equity in net income (los
CCA					
Charlotte Square Apartments LLC	30.0%	140	$ 37	$ 217	$ 91
320 Sterling LLC	11.0%	-	60	-	52
Riverdale Osborne Towers Housing Associates LL	25.0%	394	7,742	4,762	1,737
St. Ann's JV LLC	90.0%	-	(384)	654	(314)
Xenolith CCA ENY Partners LLC *	90.0%	-	-	1,080	-
Xenolith HH LLC *	90.0%	245	-	245	-
The Rise Xenolith CCA LLC *	90.0%	1,010	-	843	-
TRS					
Soundview Family Housing Associate LLC	33.0%	664	49	615	123
Soundview Senior Housing Associate LLC	33.0%	22	-	22	-
Elton Crossing Associates, L.P. *	11.0%	-	-	-	-
CPCI					
CAPC USA Fund LLC	55.0%	1,592	385	2,157	571
CPC-TruFund Bipoc Developers Equity Fund LLC	50.0%	500	-	500	-
Regain CRF Members Fund I LLC	28.0%	2,802	-	-	-
Total		**7,369**	**$ 7,889**	**$ 11,095**	**$ 2,260**

* Investment in development entity from which CCA receives cash flow distributions from developer fee earned by investee.

In May 2017, CCA purchased a 24.5% share in Riverdale Osborne Towers Housing Associates for $3.4 million. In December 2022, the debt was refinanced and CCA received a distribution of $11.1 million from refinance proceeds. Prior to the refinance, CPC's recorded investment was $4.7 million. The distribution received reduced the investment to zero and the balance of the distribution in excess of the investment value of $6.4 million is recognized as revenue under equity in earnings of unconsolidated subsidies on the Consolidated Statements of Activities.

(b) Equity Security Investments Recorded at Fair Value

CCA	% of ownership	Investment balance 2023	Investment balance 2022
Equitable Housing Solutions Fud I, LP	subscription based	$ 1,358	$ 645
L+M Workforce Housing Fund II, LP	subscription based	3,397	1,673
Shift Catalyst LLC	subscription based	918	-
CPCI			
Bright Power, Inc.	subscription based	500	500
Total		**$ 6,173**	**$ 2,818**

(c) Equity Investments Recorded at fair value under the fair value option

The fair value of the Corporation's equity interests accounted for under the fair value option are determined using income capitalization methods, which include either direct capitalization or yield capitalization, depending on the investment. The yield capitalization method utilizes a discounted cash flow analysis, which estimates the present worth through the process of discounting the expected normalized distributions of cash flows from operations of the underlying properties, as well as their respective hypothetical terminal values. The direct capitalization approach values the underlying leasehold interest by converting a single year's stabilized net operating income into an indication of value. Fair value determinations also consider other factors, such as ownership percentage, ownership rights, buy/sell agreements, distribution provisions, capital call obligations, property risk, and underlying debt. Additionally, any lack of control over decisions of the real estate holding partnership and intermediary entities, as well as any lack of marketability of the interest, are also considered. For investments acquired within the past year or within the initial phases of their investment cycle, the Corporation estimates that the cost of the investment approximates fair value.

The following table presents the fair values of the equity investments accounted for at fair value under the fair value option, and the significant unobservable inputs used in determining the fair value of the investments:

		2023				2022		
CCA	% of ownership	Fair value		Cap rate	Discount rate	Fair value	Cap rate	Discount rate
Pact Renaissance Collaborative LLC	28.00%	$ 67,780		5.75%	N/A	$ 42,326	5.75%	N/A
Triboro Portfolio (consists of 13 properties)	40.00% **	18,891		5.00%	7.75%	17,817	5.00%	7.75%
RDN James LLC	50.00%	730	***	N/A	N/A	**$ 60,143**		
MHM Investor LLC	46.85%	5,016	***	N/A	N/A			
Oakland Heights Investor LLC	47.60%	2,500	***	N/A	N/A			
Total		**$ 94,917**						

** These are LIHTC projects, ownership percentage represents the CCA's economic interest based on the allocation of distributable cash flow.

*** Recorded at cost as an estimate of fair value.

Summarized combined unaudited financial information related to the Corporation's investment in unconsolidated subsidiaries (for individual investment exceeding $5 million) as of June 30, 2023 and 2022 and for the years then ended is as follows ($000s):

	June 30, 2023	June 30, 2022
Total Assets	$ 704,405	$ 528,837
Total Liabilities	$ 545,623	$ 501,501
Partner's Equity	158,782	144,749
Total Liabilities and Partner's Equity	$ 704,405	$ 646,250
Total Revenue	$ 59,374	$ 41,754
Total Expense	78,241	52,337
Net Loss	$ (18,867)	$ (10,583)

(7) Investment in Securities and Hedge Funds

The allocation of these funds is governed by a CPC Board-approved Investment Policy Statement in accordance with New York State law.

(a) Unrestricted Investment Portfolio

In August 2019, CPC set up an Unrestricted Investment Portfolio (UIP) of $115.0 million. Given the size of the portfolio, CPC engaged the Endowments and Foundations division of Citibank's Private Bank as investment advisors, to advise on and implement the approved investment strategy for these funds.

At June 30, 2023 and 2022, the UIP is valued at $145.7 million and $136.2 million, respectively, and includes $142.5 million and $133.3 million, respectively, in securities and $3.2 million and $2.9 million in cash, respectively. Securities are carried at fair value and consist of the following as of June 30, 2023 and 2022 ($000s):

	2023	2022
Fixed income	$ 53,310	$ 24,787
Equities	70,610	86,968
Hedge Funds	18,562	18,159
Opportunistic	-	3,433
	$ 142,482	$ 133,347

The following is a summary of the hedge fund investments whose NAV approximates fair value and the expected liquidation periods associated with each major category at June 30, 2023 ($000s):

Description	Ending balance	Redemption frequency	Redemption period notice
Equity Long/Short	$ 4,179	Monthly; Quarterly	60 days
Event-Driven/Credit	4,741	Monthly; Quarterly	60 - 95 days
Multi-Strategy and Relative Value	9,642	Monthly; Quarterly	30 - 45 days
Total	$ 18,562		

The following summarizes the investment return on the UIP included in interest and earnings on unrestricted investments in securities and hedge funds for the years ended June 30, 2023 and 2022 ($000s):

	2023	2022
Interest and dividends	$ 3,037	$ 3,102
Investment expenses	(643)	(777)
	$ 2,394	$ 2,325

Unrealized gain (loss) on the UIP is $0.6 million and ($25.2) million for the years ended June 30, 2023 and 2022, respectively.

(b) Investment of Restricted Cash

Since April 2016, the Corporation has invested a portion of its restricted cash accounts in government securities and corporate bonds with a nationally ranked financial institution. Investments are carried at fair value and consist of the following as of June 30, 2023 and 2022 ($000s):

	2023	2022
Government securities	$ 217,041	$ 52,473
Corporate bonds	10,040	10,939
Accrued interest	602	294
	$ 227,683	$ 63,706

The following summarizes the investment return on all restricted cash (including both restricted cash and restricted cash investments) included in interest and earnings on restricted investments in securities for the years ended June 30, 2023 and 2022 ($000s):

	2023	2022
Interest and dividends	$ 9,984	$ 1,445
Investment expenses	(287)	(131)
	$ 9,697	$ 1,314

Unrealized gain (loss) on investments of restricted cash is $0.3 million and ($4.1) million for the years ended June 30, 2023 and 2022, respectively.

(8) Mortgage Servicing Rights and Servicing Fee Income

The Corporation's servicing income for the years ended June 30, 2023 and 2022 was ($000s):

	2023	2022
Servicing income		
Contractual fees	$ 10,009	$ 10,973
Late charges, prepayment penalties, and other	1,274	977
Total servicing and penalty fees	11,283	11,950
Mortgage servicing rights (MSRs)		
Gain on sale of loans with servicing retained	2,755	5,589
Change in fair value of MSRs	343	(6,898)
Total MSRs income (loss)	3,098	(1,309)
Total servicing income	$ 14,381	$ 10,641

The Corporation performs loan servicing for construction and permanent loans, which it originates, participates, or sells for the CTNs payable. The Corporation receives annual servicing fees from various Agencies and other entities at rates ranging between 0% and 5.03%, with the predominate rate of approximately 0.25%. The Corporation's loan servicing portfolio aggregated $4.3 billion and $4.6 billion at June 30, 2023 and 2022, 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, 2021	$	42,380
Gain on sale of loans with servicing retained		5,589
Change in fair value		(6,898)
Fair value as of June 30, 2022	$	41,071
Purchase of servicing portfolio	$	500
Gain on sale of loans with servicing retained		2,755
Change in fair value		343
Fair value as of June 30, 2023	$	44,669

Mortgage servicing assets totaled $45.6 million and $42.4 million at June 30, 2023 and 2022, respectively. Mortgage servicing liabilities totaled $0.9 million and $1.3 million at June 30, 2023 and 2022, 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, 2023	June 30, 2022
Prepayment speeds		
During lockout period	0	0
After lockout period	4% - 11.25%	4% - 11.25%
Discount rate	12% - 31%	12% - 29%
Remaining payment terms	from 1-923 months	from 1-935 months

(9) Notes and Bonds Payable

(a) Construction Loan Credit Facilities

CPC maintains two credit facilities structured as Master Repurchase and Securities Contract Agreements that are funded by Lenders and agented by Citibank. CPC Funding SPE 1 LLC (SPE 1) and CPC Funding SPE 2 LLC (SPE 2), wholly-owned special purpose entities of the Corporation, are the seller (borrower in effect) under the facility. The SPE 1 and the SPE 2 provide the Corporation with a $455.6 million and a $29.9 million line of committed capital to originate and fund construction and bridge loans at an interest rate of one-month LIBOR plus 250 basis points. The Corporation is also required to pay an origination fee of 15 basis points of new commitments and an administrative fee of 15 basis points of the outstanding debt balances. The SPE 1 finances loans in New York State and the SPE 2 finances loans in New Jersey and Connecticut.

The SPE 1 and the SPE 2 are guaranteed by CPC and the Lenders hold legal ownership of the senior mortgage loans outstanding in each facility. The facility has financial covenants that CPC must maintain, including a minimum of $25 million of equity applied as a debt pay-down at all times, minimum Net Assets of $175 million, minimum liquidity of $35 million, and maximum permitted leverage of 75%.

The facilities have a 4.5-year origination term and a 2-year repayment term. Purchases of new commitments can be made through the Origination Period Termination Date (July 18, 2023). Purchases of commitments issued prior to the Origination Period Termination Date can be made through the Final Origination Date (January 18, 2024). Ongoing advances of previously-purchased commitments can be made through the Outside Repurchase Date (January 18, 2026) at which time all outstanding debt must be repaid.

On July 20, 2023, CPC amended and restated the SPE 1 and the SPE 2 Agreements with the same Lenders. The Amendment includes an elongated origination term of 5.5-years and a 1-year repayment term. The Origination Period Termination Date has been extended to June 30, 2028, the Final Origination Date has been extended to December 31, 2028, and the Outside Repurchase Date has been extended to December 31, 2029. Key changes in the Amended and Restated Agreement include:

- Committed capital between the two facilities was modified to $414.2 million (SPE 1) and $68.0 million (SPE 2).
- The interest rate is one-month Term-SOFR plus 261 basis points.
- The SPE 1 finances loans in New York State and the SPE 2 finances loans nationally.
- The minimum equity requirement increased by $25 million to $50 million.

Debt outstanding for the SPE 1 and the SPE 2 was $364.6 million and $10.6 million, respectively, at June 30, 2023; compared to $316.0 million and $6.1 million, respectively, at June 30, 2022. The interest rate in place for SPE 1 and SPE 2 as of June 30, 2023 and 2022 was 7.73% and 3.56%, respectively. Since inception of the facility, management has provided representations and warranties each quarter that CPC maintains compliance with the agreement's financial covenants.

(b) Permanent Loan Credit Facility

On March 29, 2018, the Corporation executed a warehouse credit facility structured as two master loan repurchase agreements (one agreement covering originations in the New York City region and the other covering originations outside that region) with a total cumulative commitment of $500.0 million. The two agreements can have up to $50.0 million of loans outstanding in total at one time at an interest rate of one-month LIBOR plus 175 basis points. The interest rate in place as of June 30, 2022 was 3.54%. The lender holds legal ownership of the mortgage loans outstanding under the facility. The two facilities were subsequently amended in July 2018 to add CPCMC as an eligible seller thereunder, and to add Fannie Mae as an eligible subsequent buyer of the facility loans. On March 29, 2021, the two agreements were amended to increase the maximum amount outstanding in total at one time to $180.0 million with a cumulative commitment of $750.0 million. The outstanding balance of this facility was $0.6 million at June 30, 2022. The unused remaining commitment with Citibank was $38.5 million at

June 30, 2022. The agreement terminated on March 29, 2023 and was replaced with the master loan purchase and sale agreement with Citibank (see Note 13).

(c) On-Demand Line of Credit

In conjunction with the establishment of the UIP (see Note 7), the Corporation obtained an uncommitted (on-demand) line of credit with Citibank on November 6, 2019. This on-demand line of credit is secured by the assets in the UIP and is subject to collateral coverage based on the current UIP borrowing base as defined in the agreement with Citibank. Due to the uncommitted nature of the line of credit, Citibank may demand repayment at any time. Borrowings under the on-demand line of credit cannot exceed $60 million. If there is an outstanding balance on the on-demand line of credit and the amount outstanding exceeds the calculated borrowing base reflecting the current UIP account value, CPC is required to remedy the shortfall. Interest accrues at rates tied to one-month LIBOR plus 100 basis points and payments are due monthly. The interest rate in place as of June 30, 2023 and 2022 was 6.27% and 2.79%, respectively. As of June 30, 2023 and 2022, the Corporation has drawn $30.0 million and $30.0 on the on-demand line of credit, respectively.

(d) Bonds Payable

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

Interest-only payments at a rate of 2.867% are payable on each February and August 1, commencing August 1, 2020. The maturity date of the bonds is February 1, 2030. As of June 30, 2023 and 2022, the bonds payable have an outstanding balance of $150.0 million.

(e) Debt Issuance Costs

Debt issuance costs related to all facilities and bonds, net of accumulated amortization, totaled $1.3 million and $1.4 million as of June 30, 2023 and 2022, respectively. Amortization expense as of June 30, 2023 and 2022 was $0.5 million and $0.8 million, respectively, at an effective rate of 2.89%, and is included in interest expense.

(10) Collateral Trust Notes Payable

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

At June 30, 2023 and 2022, the outstanding principal balances on these notes ($19.6 million and $21.8 million, respectively) is 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, 2023 and 2022, the interest rates on these notes ranged from 2.38% to 8.05%. Included in interest income on participations payable and interest expense on loan participations on the Consolidated Statements of Activities for the years ended June 30, 2023 and 2022 is approximately $1.1 million and $1.4 million, respectively, of interest expense related to these notes and interest income related to the mortgages pledged as collateral for these notes, respectively.

(11) Participants' Deposits

At June 30, 2023 and 2022, participants' deposits consisted of the following ($000s):

	2023	2022
Unadvanced loan commitments and accumulated interest on short-term investments		
HPD	$ 278,055	$ 205,852
Other Participants	28,383	9,361
Total participants' deposits	$ 306,438	$ 215,213

(12) Interest Expense

Interest expense consisted of the following for the years ended June 30, 2023 and 2022 ($000s):

	2023	2022
Interest expense on escrows and participant deposits	$ 1,687	$ 131
Interest on notes payable	22,858	8,660
Interest on bonds payable	4,300	4,300
Interest on on-demand line of credit	1,546	257
Amortization expense	498	804
Total interest expense	$ 30,889	$ 14,152

(13) Mortgage Loans Sold and Warehouse Debit Financing

The Corporation is a party to buy/sell agreements with the Pension Funds. These agreements, as amended, provide, among other things, for the Pension Funds to purchase certain permanent mortgages originated by the Corporation or participations in such mortgages in an aggregate amount up to $1.5 billion, as amended. The agreements have no specific expiration date, but certain of the agreements can be terminated with six months' notice by either party. The unused remaining commitment of the Pension Funds at June 30, 2023 and 2022 was approximately $374.9 million and $402.3 million, respectively.

CPC and CPCMC are parties to a master loan purchase and sale agreement with Valley National Bank (VNB) which provides short-term interim capital for closing permanent loans intended to be sold to Freddie Mac, Fannie Mae, other investors, and for closing certain construction loans that are 90% advanced. The interest rate is 1-month Term SOFR plus 210 basis points for non-construction loans, and 1-month Term SOFR plus 225 basis points for eligible construction loans. The agreement has a maturity date of February 22, 2025. The maximum amount of the facility is $50.0 million, but can be increased to $100.0 million up to three times per calendar year for a period of 90 days.

CPC and CPCMC are parties to a master loan purchase and sale agreement with Citibank, N.A. which provides short-term interim capital for closing permanent loans intended to be sold to Freddie Mac, Fannie Mae, and other investors. The interest rate is the applicable interest rate on the underlying loan less 1-month Term SOFR plus (i) 211 basis points for loans secured by properties in New York City and certain contiguous counties located in New York State and New Jersey, and (ii) 235 basis points for loans secured by properties not located in New York City and the contiguous counties referenced in (i). The agreement has a maturity date of March 31, 2026. The maximum amount of the facility is $50.0 million, but can be increased to $180.0 million up to three times per calendar year for a period of 90 days. The agreement requires CPC, on a consolidated basis, to maintain certain financial covenants, which it was in compliance with as of June 30, 2023.

During 2023 and 2022, loans sold to the Pension Funds, Citibank, VNB, and other financial institutions, including Freddie Mac, were approximately $337.1 million and $569.3 million, respectively. The Corporation is obligated to sell such loans at face value.

The Corporation is exposed to risks related to loan repurchases and indemnifications provided in representation and warranty provisions through its origination activities. On September 28, 2022, CPC repurchased from Freddie Mac three SBL loans that were originated by CPC and sold to and securitized by Freddie Mac in 2018. The loans had performed for 2-3 years but became delinquent during the pandemic; foreclosures were commenced by the mortgage holders in 2021. Subsequently, a determination was made by the mortgage holders that the Borrower made certain misrepresentations in connection with the loan closing which were not discovered until after the loans became delinquent. Although CPC and Freddie Mac procedures had been followed, the holders of the loans required Freddie Mac to repurchase the loans, and Freddie Mac in turn required CPC to repurchase the loans. The total repurchase price was approximately $24.2 million, inclusive of unpaid interest, legal fees and property protection advances. Foreclosure sales are scheduled for September 28, 2023. CPC's current loan loss reserve for these loans is $5.4 million.

(14) Commitments and Contingencies

(a) Office Lease

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

Operating leases are reflected on the Consolidated Statements of Financial Position as a right of use asset and a related right of use liability. Right of use assets represent the right to use an underlying asset for the lease term and were $25.6 million and $26.6 million as of June 30, 2023 and 2022, respectively, and the right of use liability was $31.8 million and $32.4 million as of June 30, 2023 and 2022, respectively, and represents the obligation to make lease payments arising from the lease agreement which are discounted using the Corporation's incremental borrowing rate, rates ranging from 2.81% to 3.69%. The weighted-average lease remaining lease term and weighted-average discount rate is 25.2 years and 3.65%, respectively, as of June 30, 2023. Operating lease right of use assets and liabilities are recognized at the commencement date, or the date on which the lessor makes the underlying asset available for use, based upon present value of the lease payments over the respective lease term. Lease expense is recognized on a straight-line basis over the lease term. Any renewal options are excluded from the calculation of lease liabilities unless exercising the renewal option is reasonably assured. The lease agreements do not contain residual value guarantees or material restrictive covenants.

Lease and rental expense was approximately $2.4 million for each of the years ended June 30, 2023 and 2022, and is included in office expenses in the accompanying consolidated financial statements. The Corporation has elected the practical expedient of not separating lease components from non-lease components. The components of lease expense were as follows ($000s):

	2023	2022
Operating lease cost - Fixed	1,585	1,623
Operating lease cost - Variable	782	782

Minimum rental commitments under non-cancelable operating real estate leases in effect at June 30, 2023 and expiring at various dates through 2049 totaled $49.9 million. The future minimum annual rentals under non-cancelable leases are due as follows ($000s):

Years Ending June 30:		
2024	$	1,840
2025		1,881
2026		1,865
2027		1,862
2028		1,823
Thereafter		40,661
Subtotal		49,932
Less: effects of discounting		(18,174)
Total	$	31,758

(b) Litigation

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

(c) Loss Sharing

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

(d) Loan Sales

The Corporation reviews historical repurchase and indemnification activity for sold loans and estimates a liability for potential representation and warranty exposure, using historical trends. The Corporation has determined that there is no liability as of June 30, 2023.

(e) Regulations

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

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

The Corporation is in compliance with the regulatory requirements as of June 30, 2023 and 2022.

(f) Phase-out of LIBOR

The Corporation is a party to debt instruments the interest rates on which were indexed to LIBOR. Governmental authorities regulating LIBOR announced that LIBOR rates would be phased out beginning after December 31, 2021, which was then extended to June 30, 2023. In response, the Federal Reserve Board and the Federal Reserve Bank of New York organized the Alternative Reference Rates Committee (ARRC), which identified the Secured Overnight Financing Rate (SOFR) as its preferred alternative rate for USD LIBOR in derivatives and other financial contracts.

Over the course of the year ended June 30, 2023, the market started transitioning lending and debt instruments to SOFR. CPC continued to monitor and evaluate the risks to it from the phase-out of LIBOR and the transition to a new interest rate index or indices. These risks include (but are not limited to): interest rate risks on loans, valuation adjustment risks to the financial instruments affected, continuing to match fund its lending and debt instruments, and the precise timing of when the credit facilities transitioned away from LIBOR.

CPC transitioned its loans receivable to Term-SOFR on August 1, 2022.

(g) Letters of Credit

During the year ended June 2021, CPC procured a letter of credit from Citibank, N.A. in favor of Freddie Mac SBLs, in the amount of $5.0 million in connection with its risk of repurchase. During the year ended June 2022, CPC procured a letter of credit from Citibank, N.A. in favor of District of Columbia, in the amount of $0.1 million, on behalf of one of investor in the PRC investment. This letter of credit was closed out as of August 2, 2023.

(15) 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, 2023 and 2022 was approximately $2.1 million, and is included in employee compensation and benefits expense in the Consolidated Statements of Activities. There was no accrued retirement expense at June 30, 2023 and 2022.

(16) Life Insurance Plan

On April 27, 2022, CPC and an employee entered into a Split Dollar Agreement (SDA), approved by CPC's Board of Directors, whereby CPC funds the premiums on a life insurance policy to be jointly owned by CPC and the employee under what is commonly known as a Loan Regime Split Dollar insurance arrangement, with the employee being the first named owner of the policy and collaterally assigning his interests in the policy to CPC. Under the SDA, the employee may borrow amounts against the policy during Borrowing Years and subject to a Borrowing Cap, each as defined, while the ultimate proceeds of the policy are intended to be used to repay CPC for its funding of the premiums. The outstanding principal of the policy is $6.6 million and $6.4 million as of June 30, 2023 and 2022, respectively, and is reported net of an allowance of $0.9 million and $0.7 million at June 30, 2023 and 2022, respectively, and is included in other assets on the Consolidated Statements of Financial Position at June 30, 2023.

(17) Income Taxes

The Corporation recorded an income tax provision of $0.3 million in June 30, 2023 and 2022.

The deferred tax liability at June 30, 2023 and 2022 is approximately $0.3 million which is related to unrealized gain from TRS's investment in Soundview.

(18) Grants

(a) Climate Friendly Home Funds

On February 10, 2023, CPC entered into a Grant Agreement with the State of New York to administer the Climate Friendly Homes Fund (CFHF), a $250 million grant program for the electrification of 10,000 units over five years.

The CFHF program provides financing for existing small buildings in New York State in order to replace older and less energy-efficient systems with all-electric, high-performance heating, cooling, and hot water heating systems. By providing funds for the adoption of new energy-efficient technologies, this program will advance New York State and CPC's commitment to supporting multifamily building owners in their transition to a green economy and delivering the benefits of climate friendly homes to underserved communities.

Of the total $250 million grant, approximately $8 million is designated for reimbursement of administration costs and $242 million is designated for the making of forgivable loans and/or grants to eligible owners. As of June 30, 2023, CPC has received approximately $1 million for reimbursement of program administration costs.

(b) Goldman Grants

In December 2016, the Corporation received $10.0 million from Goldman, Sachs & Co. to be used to fund mortgage loans to specified borrowers identified in the grant agreements; the full grant was received during the year ended June 30, 2017. As of June 30, 2023 and 2022, $0.2 million is to be funded and is included in net assets with donor restrictions on the Consolidated Statements of Financial Position.

(c) Wells Fargo Grant

In December 2021, the Corporation received $0.4 million grant from Wells Fargo to be used to develop an innovative new software tool which will be integrated into the underwriting process for sustainable loans. The work will be performed by our partner in one of the CPCI projects, as well as a third-party software developer. The goal of this new software is to translate energy usage and sustainability standards into financial data to more accurately inform real estate project underwriting. By doing so, capital can be unlocked to finance new construction and retrofit projects, speeding adoption of high-performance design, which is critical to ensuring healthy and resilient communities. As of June 30, 2023, the entire grant has been disbursed.

(19) Concentrations and Other Risks

(a) Credit Risk

The Corporation maintains its cash, cash equivalents, restricted cash, and restricted cash equivalents balances in several accounts with various banks. At times, these balances may exceed the federal insurance limits. However, the Corporation has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these balances as of June 30, 2023 and 2022.

(b) Geographic

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

(c) Business

At June 30, 2023, CPC had commitments to sell its permanent mortgages held for sale to two investors.

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

(d) Interest Rate Risk

The Corporation is exposed to interest rate risk. Since the Corporation's borrowings have been linked to the Secured Overnight Financing Rate (SOFR) and its construction lending is linked to one-month SOFR, 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.

(20) Subsequent Events

Events that occur after the Consolidated Statements of Financial Position date but before the consolidated financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Consolidated Statements of Financial Position date are recognized in the accompanying consolidated financial statements. Subsequent events which provide evidence about conditions that existed after the Consolidated Statements of Financial Position date require disclosure in the accompanying notes. Management evaluated the activity through September 28, 2023 (the date the consolidated financial statements were available to be issued) and determined that except as disclosed in Notes 9(a) and 14(g), no subsequent events have occurred that would require recognition in the consolidated financial statements or disclosure in the Notes to the Consolidated Financial Statements.

.

CohnReznick
ADVISORY • ASSURANCE • TAX

Independent Member of Nexia International

cohnreznick.com