

The Community Preservation Corporation and Subsidiaries

Consolidated Financial Statements

June 30, 2026 and 2025

(With Independent Auditor's Report Thereon)



**Community
Preservation
Corporation**

**THE COMMUNITY PRESERVATION CORPORATION
AND SUBSIDIARIES**

Index

	<u>Page</u>
Independent Auditor's Report	2
Consolidated Financial Statements	
Consolidated Statements of Financial Position	4
Consolidated Statements of Activities (with Summarized Comparative Financial Statement Information for 2025)	5
Consolidated Statements of Activities - Continued	6
Consolidated Statements of Changes in Net Assets	7
Consolidated Statements of Functional Expenses	8
Consolidated Statements of Cash Flows	9
Notes to Consolidated Financial Statements	11

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, 2026 and 2025, 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, 2026 and 2025, 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.

A handwritten signature in black ink that reads "CohnReznick LLP".

Baltimore, Maryland
September 29, 2026

**THE COMMUNITY PRESERVATION CORPORATION
AND SUBSIDIARIES**

Consolidated Statements of Financial Position
June 30, 2026 and 2025

Assets	2026	2025
Cash and cash equivalents	\$ 44,720,803	\$ 30,075,608
Restricted cash, restricted cash equivalents, and funded reserves	516,192,140	683,141,028
Investment in mortgage loans:		
Construction loans held for investment (Note 4)	371,654,817	425,779,899
Permanent loans held for investment (Note 4)	99,426,308	84,188,705
Permanent loans held for sale (Note 4)	7,200,428	12,020,042
	478,281,553	521,988,646
Less allowance for credit losses (Note 4)	(26,866,579)	(30,690,752)
	451,414,974	491,297,894
Mortgage servicing rights (Note 8)	64,880,136	64,507,104
Investment in unconsolidated subsidiaries (Note 6)	26,079,119	27,591,000
Investment in unconsolidated subsidiaries at fair value (Note 6)	148,988,613	141,025,665
Investment in securities and hedge funds (Note 7)	313,748,441	298,962,406
Real estate owned assets	1,300,000	-
Receivables, net	4,524,032	10,211,356
Right of use assets (Note 14)	22,794,852	23,716,976
Other assets, net	25,384,729	24,207,985
Total assets	\$ 1,620,027,839	\$ 1,794,737,022
Liabilities and Net Assets		
Liabilities:		
Notes and bonds payable, net of unamortized debt issuance costs (Note 9)	\$ 555,757,775	\$ 693,014,520
Participations payable (Notes 4 and 10)	21,952,150	25,814,701
Escrow deposits and other liabilities	273,741,988	268,961,438
Participants' deposits (Note 11)	326,917,092	342,265,173
Lease liabilities (Note 14)	29,530,900	30,301,688
Due to noteholders	7,663,191	54,974,292
Unfunded commitment and risk-sharing obligations	2,298,218	3,028,459
Agency loan repurchase reserve	1,319,834	1,138,784
Deferred revenue	36,979,516	28,325,837
Other liabilities	20,142,793	20,150,615
Total liabilities	1,276,303,457	1,467,975,507
Commitments and contingencies (Note 14)		
Net assets:		
Without donor restrictions	340,311,590	323,158,693
With donor restrictions	220,979	220,979
Noncontrolling interests	3,191,813	3,381,843
Total net assets	343,724,382	326,761,515
Total liabilities and net assets	\$ 1,620,027,839	\$ 1,794,737,022

See accompanying notes to consolidated financial statements.

**THE COMMUNITY PRESERVATION CORPORATION
AND SUBSIDIARIES**

Consolidated Statements of Activities (with Summarized Comparative Financial Statement Information for 2025)
Years ended June 30, 2026 and 2025

	Without donor restrictions	With donor restrictions	2026 Total	2025 Total
Net interest income:				
Interest on construction and permanent mortgage loans	\$ 35,840,151	\$ -	\$ 35,840,151	\$ 36,197,432
Interest on participations payable	1,242,762	-	1,242,762	1,385,658
Total interest income	37,082,913	-	37,082,913	37,583,090
Interest expense (Note 12)	32,491,951	-	32,491,951	37,878,252
Interest expense on loan participations	1,242,762	-	1,242,762	1,385,658
Total interest expense	33,734,713	-	33,734,713	39,263,910
Net interest income before provision for credit losses	3,348,200	-	3,348,200	(1,680,820)
Recovery (provision) for credit losses (Note 4)	934,643	-	934,643	(2,203,032)
Recovery (provision) for grant loan (Note 4)	75,884	-	75,884	(3,053,265)
Recovery (provision) for unfunded commitments, risk-sharing obligations, and repurchase obligations	378,398	-	378,398	(1,255,354)
Net interest (expense) income	4,737,125	-	4,737,125	(8,192,471)
Other revenue:				
Servicing fee income, net (Note 8)	17,932,325	-	17,932,325	18,248,898
Commitment fee income	5,075,989	-	5,075,989	5,391,937
Interest, earnings and realized gain on unrestricted investments in securities and hedge funds (Note 7)	3,180,599	-	3,180,599	2,862,885
Interest and earnings on restricted cash and restricted investments in securities (Note 7)	21,497,243	-	21,497,243	18,810,870
Realized gain on restricted investments in securities	1,135,813	-	1,135,813	5,702,248
Realized gain on unrestricted investments in securities	7,529,609	-	7,529,609	7,505,564
Unrealized (loss) gain on restricted investments in securities	(64,591)	-	(64,591)	1,608,080
Unrealized gain on unrestricted investments in securities and hedge funds	13,633,556	-	13,633,556	5,658,657
Unrealized (loss) gain on investments in unconsolidated subsidiaries (Note 6)	(3,150,473)	-	(3,150,473)	5,438,237
Equity in earnings of unconsolidated subsidiaries (Note 6)	3,000,662	-	3,000,662	3,317,029
Distribution income of unconsolidated subsidiaries (Note 6)	6,546,985	-	6,546,985	9,480,426
CSP portfolio management fee and other income	4,828,500	-	4,828,500	4,939,069
Other revenue	3,534,694	-	3,534,694	2,969,462
Grant income (Note 17)	2,506,414	-	2,506,414	11,705,470
Total other revenue	87,187,325	-	87,187,325	103,638,832
Total revenue	91,924,450	-	91,924,450	95,446,361
Noninterest expense:				
Employee compensation and benefits (Note 15)	55,059,602	-	55,059,602	51,068,894
Office expenses	9,956,128	-	9,956,128	9,259,040
Professional fees	4,626,414	-	4,626,414	8,624,470
Depreciation	1,131,548	-	1,131,548	991,680
Other expenses	3,661,927	-	3,661,927	4,189,766
Total noninterest expense	74,435,619	-	74,435,619	74,133,850
Change in net assets from operations before income tax provision	17,488,831	-	17,488,831	21,312,511
Income tax (provision)/benefit	(525,964)	-	(525,964)	(314,448)
Net income from operations	16,962,867	-	16,962,867	20,998,063
Change in net assets from operations attributable to noncontrolling interests	(190,030)	-	(190,030)	(1,783,124)
Change in net assets from operations attributable to CPC	\$ 17,152,897	\$ -	\$ 17,152,897	\$ 22,781,187

See accompanying notes to consolidated financial statements.

**THE COMMUNITY PRESERVATION CORPORATION
AND SUBSIDIARIES**

Consolidated Statements of Activities
Years ended June 30, 2025

	Without donor restrictions	With donor restrictions	2025 Total
Net interest income:			
Interest on construction and permanent mortgage loans	\$ 36,197,432	\$ -	\$ 36,197,432
Interest on participations payable	1,385,658	-	1,385,658
Total interest income	37,583,090	-	37,583,090
Interest expense (Note 12)	37,878,252	-	37,878,252
Interest expense on loan participations	1,385,658	-	1,385,658
Total interest expense	39,263,910	-	39,263,910
Net interest income before provision for credit losses	(1,680,820)	-	(1,680,820)
Recovery (provision) for credit losses (Note 4)	(2,203,032)	-	(2,203,032)
Recovery (provision) for grant loan (Note 4)	(3,053,265)	-	(3,053,265)
Recovery (provision) for unfunded commitments, risk-sharing obligations, and repurchase obligations	(1,255,354)	-	(1,255,354)
Net interest (expense) income	(8,192,471)	-	(8,192,471)
Other revenue:			
Servicing fee income, net (Note 8)	18,248,898	-	18,248,898
Commitment fee income	5,391,937	-	5,391,937
Interest, earnings and realized gain on unrestricted investments in securities and hedge funds (Note 7)	2,862,885	-	2,862,885
Interest and earnings on restricted cash and restricted investments in securities (Note 7)	18,810,870	-	18,810,870
Realized gain on restricted investments in securities	5,702,248	-	5,702,248
Realized gain on unrestricted investments in securities	7,505,564	-	7,505,564
Unrealized gain on restricted investments in securities	1,608,080	-	1,608,080
Unrealized gain on unrestricted investments in securities and hedge funds	5,658,657	-	5,658,657
Unrealized gain on investments in unconsolidated subsidiaries (Note 6)	5,438,237	-	5,438,237
Equity in earnings of unconsolidated subsidiaries (Note 6)	3,317,029	-	3,317,029
Distribution income of unconsolidated subsidiaries (Note 6)	9,480,426	-	9,480,426
CSP portfolio management fee and other income	4,939,069	-	4,939,069
Other revenue	2,969,462	-	2,969,462
Grant income (Note 17)	11,705,470	-	11,705,470
Total other revenue	103,638,832	-	103,638,832
Total revenue	95,446,361	-	95,446,361
Noninterest expense:			
Employee compensation and benefits (Note 15)	51,068,894	-	51,068,894
Office expenses	9,259,040	-	9,259,040
Professional fees	8,624,470	-	8,624,470
Depreciation	991,680	-	991,680
Other expenses	4,189,766	-	4,189,766
Total noninterest expense	74,133,850	-	74,133,850
Change in net assets from operations before income tax provision	21,312,511	-	21,312,511
Income tax (provision)/benefit	(314,448)	-	(314,448)
Net income from operations	20,998,063	-	20,998,063
Change in net assets from operations attributable to noncontrolling interests	(1,783,124)	-	(1,783,124)
Change in net assets from operations attributable to CPC	\$ 22,781,187	\$ -	\$ 22,781,187

See accompanying notes to consolidated financial statements.

**THE COMMUNITY PRESERVATION CORPORATION
AND SUBSIDIARIES**

Consolidated Statements of Changes in Net Assets
Years ended June 30, 2026 and 2025

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Noncontrolling Interests</u>	<u>Total</u>
Balance, June 30, 2024	\$ 300,377,506	\$ 220,979	\$ 3,579,028	\$ 304,177,513
Contributions	-	-	1,585,939	1,585,939
Change in net assets	<u>22,781,187</u>	<u>-</u>	<u>(1,783,124)</u>	<u>20,998,063</u>
Balance, June 30, 2025	323,158,693	220,979	3,381,843	326,761,515
Change in net assets	<u>17,152,897</u>	<u>-</u>	<u>(190,030)</u>	<u>16,962,867</u>
Balance, June 30, 2026	\$ <u>340,311,590</u>	\$ <u>220,979</u>	\$ <u>3,191,813</u>	\$ <u>343,724,382</u>

See accompanying notes to consolidated financial statements.

**THE COMMUNITY PRESERVATION CORPORATION
AND SUBSIDIARIES**

Consolidated Statements of Functional Expenses
Years ended June 30, 2026 and 2025

	2026				2025			
	Program Services	Grant Funded Program Services	Management and General	Total	Program Services	Grant Funded Program Services	Management and General	Total
Salaries and fringe benefits	\$ 45,722,754	\$ 591,302	\$ 8,745,546	\$ 55,059,602	\$ 37,384,471	\$ 5,254,175	\$ 8,430,248	\$ 51,068,894
Occupancy	668,925	-	1,678,196	2,347,121	1,740,743	-	490,669	2,231,412
Insurance	-	-	1,052,007	1,052,007	-	-	971,575	971,575
Office expenses - Other	533,779	120,000	5,903,221	6,557,000	1,659,836	736,542	3,659,675	6,056,053
Professional fees	2,665,364	-	1,961,050	4,626,414	2,865,375	3,735,709	2,023,386	8,624,470
Contributions	408,014	-	500	408,514	374,204	-	1,010	375,214
Travel and related expenses	840,469	-	256,455	1,096,924	748,812	31,441	197,915	978,168
Depreciation	928,245	-	203,303	1,131,548	803,260	-	188,420	991,680
Marketing	1,128,511	5,115	-	1,133,626	1,170,214	190,141	8,500	1,368,855
Grant expenses	-	172,252	-	172,252	79,500	126,253	-	205,753
Other expenses	827,077	-	23,533	850,610	1,261,776	-	-	1,261,776
	<u>\$ 53,723,138</u>	<u>\$ 888,669</u>	<u>\$ 19,823,811</u>	<u>\$ 74,435,619</u>	<u>\$ 48,088,191</u>	<u>\$ 10,074,261</u>	<u>\$ 15,971,398</u>	<u>\$ 74,133,850</u>

See accompanying notes to consolidated financial statements.

**THE COMMUNITY PRESERVATION CORPORATION
AND SUBSIDIARIES**

Consolidated Statements of Cash Flows
Years ended June 30, 2026 and 2025

	<u>2026</u>	<u>2025</u>
Cash flows from operating activities:		
Change in net assets	\$ 16,962,867	\$ 20,998,063
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	2,008,405	1,616,967
Straight Line rent expense	922,124	917,852
(Recovery of) provision for loan losses	(1,388,927)	6,465,258
Gain on sale of loans with servicing retained	(2,635,771)	(4,670,657)
Gain on sale of REO	-	(696,643)
Change in fair value of mortgage servicing rights	2,262,739	3,964,976
Unrealized loss (gain) on restricted investments in securities	64,591	(1,608,080)
Unrealized gain on unrestricted investments in securities and hedge funds	(13,633,556)	(5,658,657)
Realized gain on restricted investments in securities and hedge funds	(1,135,813)	(5,702,248)
Realized gain on investments in securities and hedge funds	(7,529,609)	(7,505,564)
Equity in earnings of unconsolidated subsidiaries	(3,000,662)	(3,245,407)
Gain on sale of unconsolidated subsidiaries	(1,634,158)	-
Distributions from equity investments recorded under equity method	3,504,423	2,962,603
Unrealized loss (gain) on investment in unconsolidated subsidiaries	3,150,473	(5,438,237)
Changes in:		
Accounts receivable, net	5,687,324	(2,751,237)
Other assets, net	(456,651)	(2,423,059)
Lease liabilities	(770,788)	(761,020)
Due to noteholders	(47,311,101)	48,969,076
Deferred revenue	8,653,679	24,077,031
Other liabilities	(7,822)	3,162,871
Net cash (used in) provided by operating activities	<u>(36,288,233)</u>	<u>72,673,888</u>
Cash flows from investing activities:		
Mortgage loans originated	(258,789,027)	(498,514,533)
Repayments of mortgage loans	140,935,739	232,523,635
Mortgage loans sold	169,604,971	264,072,431
Investment in securities	(437,677,624)	(496,019,731)
Proceeds from sale of securities	444,308,991	483,322,146
Contributions to unconsolidated subsidiaries	(11,209,779)	(17,337,357)
Proceeds from sale of REO	-	10,970,483
Proceeds from sale of unconsolidated subsidiaries	2,738,635	-
Purchase of furniture, fixtures and information technology	(2,013,607)	(401,338)
Increase of escrow liability	4,780,550	32,254,542
Increase of restricted investment in securities	(8,019,719)	(99,813)
Decrease (increase) of restricted cash, net	155,640,488	(237,800,206)
Net cash provided by (used in) investing activities	<u>200,299,618</u>	<u>(227,029,741)</u>

See accompanying notes to consolidated financial statements.

**THE COMMUNITY PRESERVATION CORPORATION
AND SUBSIDIARIES**

Consolidated Statements of Cash Flows (Continued)
Years ended June 30, 2026 and 2025

	<u>2026</u>	<u>2025</u>
Cash flows from financing activities:		
Proceeds from notes payable under credit agreements	71,064,953	245,772,907
Repayments of notes payable under credit agreements	(213,766,903)	(337,717,622)
Proceeds from bond issuance	-	200,000,000
Proceeds from On-demand Line borrowing	5,000,000	-
Proceeds from Green Bank note payable	500,000	5,000,000
Contribution from partners	-	1,585,938
Decrease in participations payable	(3,862,551)	(2,679,151)
(Decrease) Increase in participants' deposits	(15,348,081)	61,309,458
Payments of debt issuance costs	(931,651)	(2,386,410)
Net cash (used in) provided by financing activities	<u>(157,344,233)</u>	<u>170,885,120</u>
Net increase in cash, cash equivalents, restricted cash and cash equivalents	6,667,152	16,529,267
Cash, cash equivalents, restricted cash, and restricted cash equivalents, beginning of year	<u>53,867,805</u>	<u>37,338,538</u>
Cash, cash equivalents, restricted cash, and restricted cash equivalents, end of year	<u>\$ 60,534,957</u>	<u>\$ 53,867,805</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Income taxes	\$ 107,826	\$ 314,447
Interest	\$ 28,630,081	\$ 35,639,811

See accompanying notes to consolidated financial statements.

THE COMMUNITY PRESERVATION CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements
Years ended June 30, 2026 and 2025

(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 accomplished 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 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). 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.

On November 2, 2023, CPC SIG-23 (CPC SIG), a wholly-owned subsidiary of CPC, was formed under the New York Limited Liability Company Law of the State of New York. CPC SIG contributed \$21.4 million for a 10% noncontrolling equity interest in a partnership with two other members. The partnership acquired a 5% interest in two newly formed entities (SIG 23) with the Federal Deposit Insurance Corporation owning the remaining 95% interest. The entities acquired a portfolio of \$5.8 billion in permanent loans secured by 35,000 units of primarily rent-regulated multifamily housing in New York City, for which CPC is the loan servicer. CPC SIG generates revenue through servicing and management fees which are prioritized in the cash flow waterfall before any distributions of equity.

On July 15, 2024, CPC Climate Capital, LLC ("CPC Climate Capital"), a wholly-owned subsidiary of CPC, was formed under the New York Limited Liability Company Law of the State of New York. In April 2024, CPC Climate Capital was selected to receive a \$2.4 billion grant from the Environmental Protection Agency's ("EPA") National Clean Investment Fund ("NCIF") as a subrecipient of the Climate United Fund ("CUF").

**THE COMMUNITY PRESERVATION CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
June 30, 2026 and 2025**

CPC Climate Capital was established to support CPC's mission by financing initiatives that decarbonize multifamily affordable housing, while advancing energy efficiency and climate resilience within housing and community development.

In 2025, CPC Housing Central NY Fund LLC (CPC HCNY), a wholly owned subsidiary of CPC, was created under the New York Limited Liability Law to administer the \$150 million "Housing Central NY Fund." As the designated recipient of a \$30 million grant awarded by the New York State Urban Development Corporation d/b/a Empire State Development, and borrower under a master loan agreement with the lender group participating in the Fund, CPC HCNY will provide lower cost subordinate capital for the acquisition and development of mixed-income rental properties and attainable for-sale homes in the Central New York region.

(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 CCA, CPCMC, CPCI, CPC SIG, 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 as equity securities or using the equity method unless the fair value option has been elected. All intercompany balances and transactions are eliminated in consolidation and for the application of the equity method of accounting.

c) Net Assets

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

- Net Assets Without Donor Restrictions - represent expendable resources that are used to carry out the operations of the Corporation and are not subject to donor imposed restrictions. Net assets without donor restrictions associated with noncontrolling interests are allocated to the noncontrolling interest holder.
- Net Assets With Donor Restrictions - resources which contain donor-imposed restrictions that are satisfied either by the passage of time or by actions of the Corporation. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Contributions received and expended within the same year are recorded as net assets with donor restrictions and reclassified to net assets without donor restrictions when the restriction expires.

**THE COMMUNITY PRESERVATION CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
June 30, 2026 and 2025**

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):

	<u>2026</u>	<u>2025</u>
Restricted cash and restricted cash equivalents	\$ 15,814	\$ 23,792
Restricted cash for notes paydown & participants share repurchase	16,819	137,918
Funded reserves	483,559	521,431
	<u>\$ 516,192</u>	<u>\$ 683,141</u>

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

**THE COMMUNITY PRESERVATION CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
June 30, 2026 and 2025**

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) Current Expected Credit Loss (CECL)

In June 2016, the FASB (or the Board) issued Accounting Standards Update (ASU) 2016-13 (ASC 326 or Topic 326) which significantly changes the impairment model for most financial assets that are measured at amortized cost and certain other instruments from an incurred loss model to an expected loss model which will be based on an estimate of current expected credit loss over the life of a financial instrument, including certain off-balance sheet credit exposures. The estimate of expected credit losses considers not only historical information, but also current and future economic conditions and events.

The allowance for credit losses is measured on a collective basis when similar risk characteristics exist. The Corporation estimates the allowance for credit losses using the weighted-average remaining maturity (WARM) method. Loans that no longer share similar risk characteristics with loans evaluated collectively are assessed individually and removed from the collective evaluation.

When a loan is individually evaluated, the Corporation estimates expected credit losses based on the facts and circumstances specific to the loan. Methods used may include discounted cash flow analyses, observable market prices, collateral valuations, or other relevant information concerning the borrower's ability to repay. For loans determined to be collateral dependent, the Corporation has elected to apply the collateral-dependent practical expedient permitted under ASC 326. A loan is considered collateral dependent when repayment is expected to be provided substantially through the operation or sale of the collateral and the borrower is experiencing financial difficulty.

In conjunction with the adoption of ASC 326, CPC made an accounting policy election not to measure an allowance for credit losses on accrued interest receivables for the loans collectively evaluated. For the loans individually evaluated, CPC considers accrued interest receivables as a part of the amortized cost and measures an allowance for credit 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 engages a third-party valuation specialist to determine 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 Corporation does not exercise significant influence or

**THE COMMUNITY PRESERVATION CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
June 30, 2026 and 2025**

control. As of June 30, 2026 and 2025, CPC holds financial interests in 33 and 30 companies, respectively, owned through its wholly-owned subsidiaries CCA, CPCI, and CPC SIG (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 their 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 321, *Accounting for Equity Interests*. 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 2026 and 2025.

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

**THE COMMUNITY PRESERVATION CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
June 30, 2026 and 2025**

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) Real Estate Owned

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

m) Receivables

Receivables are reported net of allowance for credit losses. Management's estimate of the allowance is based on historical collection experienced and a review of the status of both account and interest receivables. It is reasonably possible that management's estimate of the allowance will change. There is no allowance recorded as of June 30, 2026 and 2025 on accounts receivable.

n) Right of use Assets/Lease Liabilities

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

**THE COMMUNITY PRESERVATION CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
June 30, 2026 and 2025**

o) 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 credit losses. The following table summarizes the amounts included in other assets on the Consolidated Statements of Financial Position at June 30, 2026 and 2025 (\$000s):

	2026	2025
Fixed assets, net	\$ 2,814	\$ 2,837
Capitalized IT project costs, net	5,210	4,305
Split dollar loan receivable, net	5,823	5,830
Escrow advances	9,307	8,878
Prepaid expenses	805	1,052
Security deposit	788	788
Other assets	638	518
	<u>\$ 25,385</u>	<u>\$ 24,208</u>

p) Participants' Deposits

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

q) Income Taxes

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

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.

r) Other Liabilities

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

**THE COMMUNITY PRESERVATION CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
June 30, 2026 and 2025**

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 are 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 its 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.

Income derived from equity method investments is recognized based on the Organization's share of the investee's net income or loss, while income from investments in securities and hedge funds is recognized as interest, dividends, and realized and unrealized gains and losses in the period earned.

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. Conditional promises to give, which depend on the existence of both performance barriers and right-of-return provisions, are recorded as deferred revenue and are not recognized as revenue until the conditions on which they depend are substantially met. Revenues from federal awards are recognized on a reimbursement basis, to the extent that eligible expenditures are incurred in accordance with the terms and conditions of the grant agreement.

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. When restrictions are met in the same reporting period as when the revenue is recognized, they are presented within net assets without 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.

**THE COMMUNITY PRESERVATION CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
June 30, 2026 and 2025**

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 MSEs 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,

**THE COMMUNITY PRESERVATION CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
June 30, 2026 and 2025**

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 6), investments in securities and hedge funds (see Note 7), and MSRs (see Note 8).

**THE COMMUNITY PRESERVATION CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
June 30, 2026 and 2025**

Fair values of financial assets measured at fair value on a recurring basis at June 30, 2026 and 2025 are as follows (\$000s):

June 30, 2026	Level 1	Level 2	Level 3	Total
Financial assets:				
Investment in UIP	\$ 161,189	\$ -		\$ 161,189
Investment in other securities	132,164	-		132,164
Investment in unconsolidated subsidiaries at fair value	-	-	148,989	148,989
Mortgage servicing rights	-	-	64,880	64,880
Total assets	<u>\$ 293,353</u>	<u>\$ -</u>	<u>\$ 213,869</u>	<u>\$ 507,222</u>

June 30, 2025	Level 1	Level 2	Level 3	Total
Financial assets:				
Investment in UIP	\$ 133,803	\$ -	\$ -	\$ 133,803
Investment in other securities	147,368	-	-	147,368
Investment in unconsolidated subsidiaries at fair value	-	-	141,026	141,026
Mortgage servicing rights	-	-	64,507	64,507
Total assets	<u>\$ 281,171</u>	<u>\$ -</u>	<u>\$ 205,533</u>	<u>\$ 486,704</u>

Note that the Corporation's investment in hedge funds \$20.4 million and \$17.8 million as of June 30, 2026 and 2025, 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) Statements 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, 2026 and 2025 (\$000s):

	<u>2026</u>	<u>2025</u>
Cash and cash equivalents	\$ 44,721	\$ 30,076
Restricted cash and restricted cash equivalents	15,814	23,792
	<u>\$ 60,535</u>	<u>\$ 53,868</u>

y) Reclassifications

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

**THE COMMUNITY PRESERVATION CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
June 30, 2026 and 2025**

z) Unfunded commitments and risk-sharing obligations

CPC is a party to certain financial instruments with off-balance sheet risk. These financial instruments and arrangements include risk-sharing obligations and unfunded loan commitments. These transactions and arrangements involve elements of credit risk. CPC uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments. Financial exposure related to these commitments is calculated in the same manner as the allowance for credit losses described in Note 2(g) and is reported as unfunded commitments and risk-sharing obligations on the Consolidated Statement of Financial Position and provision for unfunded commitments and risk-sharing obligations on the Consolidated Statement of Activities, respectively.

Loan commitments are agreements to lend as long as there is no violation of any condition established in the contract. In return for Fannie Mae's delegation of the responsibility for underwriting and servicing loans as an Affordable Lender, CPCMC entered into a risk-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.

(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 refinancing 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 is also able to increase its breadth of lending by accessing additional capital by using participation agreements from banking institutions with whom CPC has long-standing relationships to invest their capital in CPC's construction loans. CPC's loans are also funded by public capital made available by New York City 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. As noted above, loans are structured through the combination of various private and public sources of funds to cover the project costs.

**THE COMMUNITY PRESERVATION CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
June 30, 2026 and 2025**

CPC then oversees construction completion and administers the construction loan through repayment, which includes the administration of 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 available to CPC.

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 which have been modeled after banking standards.

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 or refinance of 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 and in most cases, retains the servicing for those loans.

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 including federal grants, 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.

**THE COMMUNITY PRESERVATION CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
June 30, 2026 and 2025**

(4) Investment in Mortgage Loans

The following is a summary of mortgage loans as of June 30, 2026 and 2025 (\$000s):

		Number of Loans	CPC Share	Participant Share	Total
June 30, 2026					
Construction loans:					
<i>Rental project:</i>					
CPC wholly-owned		71	\$ 237,579	\$ -	\$ 237,579
Pari-passu participation		19	77,566	-	77,566
CFHF grant loans		36	21,841	-	21,841
Total rental properties		126	336,986	-	336,986
<i>For Sale Project:</i>					
CPC wholly-owned		17	28,278	-	28,278
Pari-passu participation		2	6,391	-	6,391
Total for sale projects		19	34,669	-	34,669
Total construction loans		145	371,655	-	371,655
Permanent loans:					
Mortgage loans		70	81,639	1,102	82,741
Climate Capital grant loans		1	2,977	-	2,977
Freddie Mac loans prior to securitization		3	-	6,598	6,598
Pledged under collateral trust notes		56	18	12,251	12,269
Sold with 3% risk retained		4	39	2,001	2,040
Total permanent loans		134	84,675	21,952	106,627
Investment in construction and mortgage loans		279	456,330	21,952	478,282
Allowance for credit losses			(26,864)	(3)	(26,867)
Investment in mortgage loans, net			\$ 429,466	\$ 21,949	\$ 451,415
June 30, 2025					
Construction loans:					
<i>Rental project:</i>					
CPC wholly-owned		83	\$ 314,127	\$ -	\$ 314,127
Pari-passu participation		21	82,158	-	82,158
CFHF grant loans		19	9,675	-	9,675
Total rental properties		123	405,960	-	405,960
<i>For Sale Project:</i>					
CPC wholly-owned		14	19,373	-	19,373
Pari-passu participation		1	447	-	447
Total for sale projects		15	19,820	-	19,820
Total construction loans		138	425,780	-	425,780
Permanent loans:					
Mortgage loans		150	67,274	1,994	69,268
Climate Capital grant loans		1	3,053	-	3,053
Freddie Mac loans prior to securitization		3	-	6,654	6,654
Pledged under collateral trust notes		64	19	14,669	14,688
Sold with 3% risk retained		5	48	2,498	2,546
Total permanent loans		223	70,394	25,815	96,209
Investment in construction and mortgage loans		361	496,174	25,815	521,989
Allowance for credit losses			(30,683)	(8)	(30,691)
Investment in mortgage loans, net			\$ 465,491	\$ 25,807	\$ 491,298

The Corporation had obligations to fund loan commitments on 152 loans totaling \$109 million at June 30, 2026 and 159 loans totaling \$140 million at June 30, 2025.

**THE COMMUNITY PRESERVATION CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
June 30, 2026 and 2025**

(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 86% and 86% as of June 30, 2026 and 2025, 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, 2026 and 2025 was 8.0% and 8.4%, 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 sells loan participations of its construction and permanent mortgage loans on an individual basis with third-party financial institutions well as public subsidy providers that have restrictions on the further transfer or resale of these loans by the acquirer. For the majority of participated loans, CPC bears no risk of loss; therefore, such risk is passed through to the participant institutions on a pari-passu basis. 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, 2026 and 2025 were approximately \$7.2 million and \$12.0 million, respectively. The weighted average interest rate on permanent loans for the years ended June 30, 2026 and 2025 was 4.09% and 4.81%, 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 credit losses on such loans. See table above for a summary of permanent loans indicating CPC share and participated amounts.

The permanent loan participations payable bear interest at a weighted average rate of 6.67% and 6.39% as of June 30, 2026 and 2025, respectively, and are reflected as interest on participations payable in the accompanying Consolidated Statements of Activities.

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 exposure for performance of the loans until securitization. CPC retains the obligation to repurchase Freddie Mac SBL loans during the period from purchase by Freddie Mac until securitization or one year, whichever is shorter. In addition, under the program, limited repurchase obligations may continue after

**THE COMMUNITY PRESERVATION CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
June 30, 2026 and 2025**

securitization. Since program inception, Freddie Mac has required CPCMC to repurchase two loans. As of June 30, 2026 and 2025, the Company recorded a \$1.3 million and \$1.1 million reserve for potential future repurchase obligations, respectively.

(c) Loan Monitoring

There are 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. The permanent loan portfolio is subject to performance risk (under 1 debt service coverage ratio) which is impacted by general market and economic conditions. Because CPC sells the majority of its permanent loans to secondary market investors, CPC has limited balance sheet exposure, which is reserved according to our CECL reserve policies.

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 credit losses.

The following table presents information regarding the payment status of CPC's and participants' loans at June 30, 2026 and 2025 (\$000s):

June 30, 2026

	<u>30-89 Days DO -</u>	<u>30-89 Days DO -</u>	<u>90+ Days DO -</u>	<u>90+ Days DO -</u>	<u>Total DO Loans</u>	<u>Total Current</u>	<u>Total Loan</u>
	<u>CPC</u>	<u>Participant</u>	<u>CPC</u>	<u>Participant</u>		<u>Loans</u>	<u>Portfolio</u>
Construction Loan	\$ 22,303	\$ -	\$ 2,675	\$ -	\$ 24,978	\$ 170,306	\$ 195,284
Construction Loans with Agency component	10,876	-	35,517	-	46,393	132,103	178,496
Permanent Loans	614	339	817	3,479	5,249	99,253	104,502
	<u>\$ 33,793</u>	<u>\$ 339</u>	<u>\$ 39,009</u>	<u>\$ 3,479</u>	<u>\$ 76,620</u>	<u>\$ 401,662</u>	<u>\$ 478,282</u>

June 30, 2025

	<u>30-89 Days DO -</u>	<u>30-89 Days DO -</u>	<u>90+ Days DO -</u>	<u>90+ Days DO -</u>	<u>Total DO Loans</u>	<u>Total Current</u>	<u>Total Loan</u>
	<u>CPC</u>	<u>Participant</u>	<u>CPC</u>	<u>Participant</u>		<u>Loans</u>	<u>Portfolio</u>
Construction Loan	\$ 41,922	\$ -	\$ 3,489	\$ -	\$ 45,411	\$ 181,384	\$ 226,795
Construction Loans with Agency component	15,883	-	52,194	-	68,077	130,908	198,985
Permanent Loans	3,978	4,445	5,432	155	14,010	82,199	96,209
	<u>\$ 61,783</u>	<u>\$ 4,445</u>	<u>\$ 61,115</u>	<u>\$ 155</u>	<u>\$ 127,498</u>	<u>\$ 394,491</u>	<u>\$ 521,989</u>

For loans categorized as 30-89 days delinquent, the balance of CPC loans that are more than 59 days past due was \$11.8 million and \$36.9 million as of June 30, 2026 and 2025, respectively. For participant loans categorized as 30-89 days delinquent, the balance of participant loans that are more than 59 days delinquent was \$0.058 million and \$0.7 million as of June 30, 2026 and 2025, respectively.

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 \$69.3 million and \$70.0 million at June 30, 2026 and 2025,

**THE COMMUNITY PRESERVATION CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
June 30, 2026 and 2025**

respectively. Interest on nonaccrual loans was \$1.2 million and \$1.4 million, respectively, during the years ended June 30, 2026, and 2025.

Management monitors credit quality on a quarterly basis, based on a variety of factors including loan performance, asset quality, and changes in market and sponsor conditions and utilizes such information in evaluating the appropriateness of risk ratings and the allowance for credit losses. Generally, loans are subject to individual risk assessment using CPC's internal sponsor, market, 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. For purposes of this disclosure, the Criticized category includes loans classified as substandard and nonaccrual. The following table provides a breakdown of outstanding loans by risk category (\$000's):

June 30, 2026		For Sale		Rental		Perm		Total	
By risk category:		CPC	Participation	CPC	Participation	CPC	Participation	CPC	Participation
Pass	\$	34,668	\$ -	\$ 310,923	\$ -	\$ 63,532	\$ 19,970	\$ 409,123	\$ 19,970
Criticized		-	-	47,064	-	2,125	-	49,189	-
	\$	34,668	\$ -	\$ 357,987	\$ -	\$ 65,657	\$ 19,970	\$ 458,312	\$ 19,970

June 30, 2025		For Sale		Rental		Perm		Total	
By risk category:		CPC	Participation	CPC	Participation	CPC	Participation	CPC	Participation
Pass	\$	19,820	\$ -	\$ 333,083	\$ -	\$ 63,947	\$ 25,815	\$ 416,850	\$ 25,815
Criticized		-	-	72,877	-	6,447	-	79,324	-
	\$	19,820	\$ -	\$ 405,960	\$ -	\$ 70,394	\$ 25,815	\$ 496,174	\$ 25,815

(d) Allowance for Credit Losses

The Corporation maintains an allowance for credit 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

As noted in Note 2(g), CPC's allowance for credit 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 an allowance on loans evaluated based on common risk characteristics (i.e. pooled loans) and an allowance on loans evaluated individually.

**THE COMMUNITY PRESERVATION CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
June 30, 2026 and 2025**

The following table summarizes activity in the allowance for credit losses for the years ended June 30, 2026 and 2025 (\$000s):

	<u>2026</u>	<u>2025</u>
Balance, beginning of the year	\$ 30,691	\$ 21,283
(Recovery) provision for general credit losses	(1,063)	315
Provision (recovery) for specific credit losses (construction loans)	250	(302)
(Recovery) provision for specific credit losses (permanent loans)	(189)	2,200
Provision for credit losses (grants)	-	3,053
Reserve for purchased credit deteriorated asset	-	4,653
Charge-offs	(2,822)	(511)
Balance, end of the year	<u>\$ 26,867</u>	<u>\$ 30,691</u>

For the years ended June 30, 2026 and 2025, the allowance for credit losses includes reserves for loans funded through grants to CPC and are expected to be forgiven at maturity. The Corporation's policy is to fully reserve for the outstanding principal balance of such loans. The allowance for credit losses related to these grants is \$7.3 million and \$8.1 million as of June 30, 2026 and 2025, respectively.

A purchased credit deteriorated asset is included in the allowance for individually evaluated construction loans of \$7.4 million for the years ending June 30, 2026, and 2025, respectively, reflecting acquisitions of a restructured loan purchased at a discount from a former participant. This reserve captures a credit to the amount of potential recovery at loan resolution up to the purchase price.

Charge-offs represent reductions in the allowance for credit 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 2026 and 2025.

The allowance for credit losses as of June 30, 2026 and 2025 includes a \$2.9 and \$3.1 million reserve, respectively, related to a loan originated by CPC Climate Capital, a wholly-owned subsidiary of CPC. Management's policy is to fully reserve loans funded under this program given their expected risk profile and repayment structure. Accordingly, the loan has been reserved in full at inception.

(e) *Unfunded commitments and risk-sharing obligations*

The following represents the composition of financial instruments with off-balance sheet risk as of June 30, 2026 (\$000s):

	<u>Contract amount</u>	<u>Reserve amount</u>
Financial instruments whose contract amounts represent credit risk:		
Allowance for risk-sharing obligations	\$ 316,458	\$ 949
Unfunded construction loan commitments	109,118	1,349
Total	<u>\$ 425,576</u>	<u>\$ 2,298</u>

**THE COMMUNITY PRESERVATION CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
June 30, 2026 and 2025**

The following represents the composition of financial instruments with off-balance sheet risk as of June 30, 2025 (\$000s):

	Contract amount	Reserve amount
Financial instruments whose contract amounts represent credit risk:		
Allowance for risk-sharing obligations	\$ 325,304	\$ 1,301
Unfunded construction loan commitments	139,818	1,727
Total	<u>\$ 465,122</u>	<u>\$ 3,028</u>

The following table summarizes reserve activity of financial instruments whose contract amounts represent credit risk for the years ended June 30, 2026 and 2025 (\$000s):

Allowance for Risk-Sharing Obligation

	2026	2025
Balance, beginning of the year	\$ 1,301	\$ 1,184
(Recovery) provision for off balance sheet risk sharing loan losses	(352)	117
Balance, end of the year	<u>\$ 949</u>	<u>\$ 1,301</u>

Allowance for Unfunded Construction Loan Commitments

	2026	2025
Balance, beginning of the year	\$ 1,727	\$ 1,783
Recovery for unfunded construction loan commitments	(378)	(56)
Balance, end of the year	<u>\$ 1,349</u>	<u>\$ 1,727</u>

(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.

**THE COMMUNITY PRESERVATION CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
June 30, 2026 and 2025**

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, 2026 (\$000s):

Cash and cash equivalents	\$ 44,721
Receivable, net	4,524
Unrestricted investment in securities and hedge funds	181,585
SPE1 voluntary paydown	179,452
	<u>\$ 410,282</u>

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

Additionally, the Corporation has access to an uncommitted, on-demand line of credit (up to \$85.0 million), as discussed in Note 9(b).

**THE COMMUNITY PRESERVATION CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
June 30, 2026 and 2025**

(6) Investment in Unconsolidated Subsidiaries

A summary of investment in unconsolidated entities as of June 30, 2026 and 2025 are as follows (\$000s):

(a) Equity Investments Recorded Under Equity Method

			2026		2025	
	% of ownership		Investment balance	Equity in net income (loss)	Investment balance	Equity in net income (loss)
<u>CPC</u>						
Sig-23 Private Owner	10.00%	***	\$ 16,534	\$ 1,415	\$ 16,305	\$ 1,544
Sig-23 Private Owner II	10.00%	***	5,481	511	5,217	308
<u>CCA</u>						
Charlotte Square Apartments LLC	30.00%		-	(27)	30	(14)
Riverdale Osborne Towers Housing Associates LLC	24.50%		-	1,027	84	721
St. Ann's JV LLC	90.00%		-	-	-	-
The Xenolith Portfolio	90.00%		-	20	937	-
<u>TRS</u>						
Soundview Family Housing Associate LLC	33.33%	**	-	(121)	648	(80)
Soundview Senior Housing Associate LLC	33.33%	**	-	176	401	599
Elton Crossing Associates, L.P. *	10.60%		-	-	-	-
<u>CPCI</u>						
CAPC USA Fund LLC	55.00%		-	-	-	167
CPC-TruFund Bipoc Developers Equity Fund LLC	50.00%		1,262	-	1,167	72
Regain CRF Members Fund I LLC	27.50%		2,802	-	2,802	-
Total			\$ 26,079	\$ 3,001	\$ 27,591	\$ 3,317

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

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

***The Corporation, through its wholly owned subsidiary CPC SIG-23 LLC, holds a 10% membership interest in SIG-23 Private Owner LLC and SIG-23 Private Owner II LLC. Although ownership is below 20%, CPC SIG-23 LLC serves as managing member of each entity, appoints three of the six investment committee representatives, and no major decision may be taken without its approval. The Corporation has therefore concluded that it has the ability to exercise significant influence over the operating and financial policies of these entities and accounts for the investments under the equity method.

**THE COMMUNITY PRESERVATION CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
June 30, 2026 and 2025**

(b) Equity Security Investments Recorded at Fair Value

		Investment balance 2026	Investment balance 2025
<u>CCA</u>	<u>% of ownership</u>		
Equitable Housing Solutions Fund I, LP	subscription based	\$ 4,651	\$ 4,385
Equitable Housing Solutions Fund II, LP	subscription based	1,206	-
L+M Workforce Housing Fund II, LP	subscription based	4,552	4,535
Shift Catalyst LLC	subscription based	4,467	4,165
Aker Fund I, LP	subscription based	274	-
<u>CPCI</u>			
Bright Power, Inc.	subscription based	500	500
Total		<u>\$ 15,650</u>	<u>\$ 13,585</u>

(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 terminal capitalization rate, income capitalization rate, and discount rate are significant inputs to these valuations. The terminal capitalization rates used at June 30, 2026 and 2025 ranged from 5.50% to 8.00% and 5.50% to 8.50%, respectively. The income capitalization rate used at June 30, 2026 was 6.50%. The discount rates used at June 30, 2026 and 2025 ranged from 9.00% to 12.75% and 7.75% to 8.75%, respectively.

**THE COMMUNITY PRESERVATION CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
June 30, 2026 and 2025**

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:

			2026			2025		
			Unrealized gain (loss) on fair value adjustment	Distribution income	Fair value	Unrealized gain (loss) on fair value adjustment	Distribution income	Fair value
CCA	% of ownership							
Pact Renaissance Collaborative LLC	28.00% *	\$ 78,891	\$ 7,593	\$ 4,720	\$ 71,299	\$ 2,195	\$ 7,627	
Triboro Portfolio (consists of 13 properties)	40.00% **	9,303	(6,944)	325	16,247	(3,129)	941	
RDN James LLC	50.00% ***	1,356	-	106	1,356	-	-	
MHM Investor LLC	46.85%	5,153	(718)	255	5,870	855	162	
Oakland Heights Investor LLC	47.60%	2,179	(790)	-	2,970	470	114	
Rosecroft Investor LLC	78.02%	4,168	(212)	195	4,380	1,885	251	
Cambridge Park Investor LLC	90.00%	4,367	(3,053)	53	7,421	2,339	221	
CCA-AW Capitol Square	50.00%	1,014	(2,104)	-	2,964	453	-	
Tunlaw Courts Investor LLC	85.00%	1,419	(156)	-	1,575	371	-	
Hamlet Holdings LLC	11.07%	2,116	115	243	2,000 ***	-	123	
Kingston Waterfront Holdco, LLC	23.05%	1,100	-	142	1,100 ***	-	41	
Beverly Portfolio Investor LLC	90.00%	6,364	1,105	-	5,259 ***	-	-	
LAP-CP II LLC	80.00%	3,579	(1,521)	-	5,000 ***	-	-	
Dobbs Crossing Investor LLC	90.19%	5,394	2,993	-	-	-	-	
Pacific Trails Investor LLC	81.36%	6,936	542	47	-	-	-	
Total		\$ 133,339	\$ (3,150)	\$ 6,086	\$ 127,441	\$ 5,439	\$ 9,480	

*Fair value at June 30, 2026 was determined using the direct capitalization method. In the prior year, fair value was determined using the yield capitalization method. The change reflects the availability of market-derived capitalization rate data for the underlying property and was applied prospectively.

** 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.

**THE COMMUNITY PRESERVATION CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
June 30, 2026 and 2025**

Summarized combined unaudited financial information related to the Corporation's significant investments in unconsolidated subsidiaries as of June 30, 2026 and 2025 and for the years then ended is as follows (\$000s):

	June 30, 2026	June 30, 2025
Total Assets	\$ 868,117	\$ 928,964
Total Liabilities	\$ 533,431	\$ 584,155
Partner's Equity	334,686	344,809
Total Liabilities and Partner's Equity	\$ 868,117	\$ 928,964
Total Revenue	\$ 144,727	\$ 103,570
Total Expense	88,301	83,032
Net Income	\$ 56,426	\$ 20,538

(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, 2026 and 2025, the UIP is valued at \$185.7 million and \$154.3 million, respectively, and includes \$181.6 million and \$151.6 million, respectively, in securities and commodities and \$4.1 million and \$2.7 million in cash, respectively. Securities are carried at fair value and consist of the following as of June 30, 2026 and 2025 (\$000s):

	2026	2025
Fixed income	\$ 47,871	\$ 42,477
Equities	108,857	88,406
Hedge Funds	20,393	17,789
Commodities	4,464	2,923
	\$ 181,585	\$ 151,595

**THE COMMUNITY PRESERVATION CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
June 30, 2026 and 2025**

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, 2026 and 2025 (\$000s):

	2026	2025		
Description	Ending balance	Ending balance	Redemption frequency	Redemption period notice
Equity Long/Short	\$ 5,276	\$ 4,692	Monthly; Quarterly	60 days
Event-Driven/Credit	6,108	5,384	Monthly; Quarterly	60 - 95 days
Multi-Strategy and Relative Value	9,009	7,713	Monthly; Quarterly	30 - 45 days
Total	<u>\$ 20,393</u>	<u>\$ 17,789</u>		

The following summarizes the investment return on the UIP included in interest and earnings on unrestricted investments in securities and hedge funds for the years ended June 30, 2026 and 2025 (\$000s):

	2026	2025
Interest and dividends	\$ 4,046	\$ 3,548
Investment expenses	<u>(865)</u>	<u>(686)</u>
	<u>\$ 3,181</u>	<u>\$ 2,862</u>

Unrealized gain (loss) on the UIP is \$13.6 million and \$5.7 million for the years ended June 30, 2026 and 2025, 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, 2026 and 2025 (\$000s):

	2026	2025
Government securities	\$ 102,338	\$ 127,484
Corporate bonds	29,058	19,272
Accrued interest	768	613
	<u>\$ 132,164</u>	<u>\$ 147,369</u>

**THE COMMUNITY PRESERVATION CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
June 30, 2026 and 2025**

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, 2026 and 2025 (\$000s):

	<u>2026</u>	<u>2025</u>
Interest and dividends	\$ 21,821	\$ 19,135
Investment expenses	(324)	(325)
	<u>\$ 21,497</u>	<u>\$ 18,810</u>

Unrealized gain (loss) on investments of restricted cash is \$(64.6) thousand and \$1.6 million for the years ended June 30, 2026 and 2025, respectively.

(8) Mortgage Servicing Rights and Servicing Fee Income

The Corporation performs loan servicing for construction and permanent loans, which it originates, participates, or sells. The Corporation receives annual servicing fees from various agencies and other entities at rates ranging between 0% and 4.21 %, with the predominant rate of approximately 0.25%. The Corporation's loan servicing portfolio aggregated \$4.6 billion and \$4.5 billion at June 30, 2026 and 2025, respectively.

The Corporation's servicing income for the years ended June 30, 2026 and 2025 was as follows (\$000s):

	<u>2026</u>	<u>2025</u>
Servicing income		
Contractual fees	\$ 12,036	\$ 11,304
Late charges, prepayment penalties, and other	5,523	6,239
Total servicing and penalty fees	<u>17,559</u>	<u>17,543</u>
Mortgage servicing rights (MSRs)		
Gain on sale of loans with servicing retained	2,636	4,671
Change in fair value of MSRs	(2,263)	(3,965)
Total MSRs income	<u>373</u>	<u>706</u>
Total servicing income	<u>\$ 17,932</u>	<u>\$ 18,249</u>

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

**THE COMMUNITY PRESERVATION CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
June 30, 2026 and 2025**

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

Fair value as of June 30, 2024	\$ 63,801
Gain on sale of loans with servicing retained	4,671
Change in fair value	<u>(3,965)</u>
Fair value as of June 30, 2025	<u>64,507</u>
Gain on sale of loans with servicing retained	2,636
Change in fair value	<u>(2,263)</u>
Fair value as of June 30, 2026	<u>\$ 64,880</u>

Mortgage servicing assets totaled \$65.7 million and \$65.4 million at June 30, 2026 and 2025, respectively. Mortgage servicing liabilities totaled \$0.8 million and \$0.9 million at June 30, 2026 and 2025, respectively.

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:

	<u>June 30, 2026</u>	<u>June 30, 2025</u>
Prepayment speeds		
During lockout period	0	0
After lockout period	4% - 11.25%	4% - 11.25%
Discount rate	12% - 31%	12% - 33%
Remaining payment terms	from 1-965 months	from 1-359 months

**THE COMMUNITY PRESERVATION CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
June 30, 2026 and 2025**

On December 15, 2023, CPC entered into a servicing agreement with Sig-23 as the servicer of Sig-23's entire permanent loan portfolio. CPC is entitled to receive the servicing fee of 8 bps of the aggregate unpaid principal balance. The Sig-23 loan servicing portfolio aggregated \$5.4 billion and \$5.5 billion at June 30, 2026 and 2025, respectively. During the years ended June 30, 2026 and 2025, CPC received \$3.3 million and \$4.6 million servicing income, respectively. As of June 30, 2026 and 2025, mortgage servicing assets totaled \$7.8 million and \$8.4 million and mortgage servicing liabilities totaled \$0.2 million and \$0.2 million, respectively. In addition to the servicing fee income, CPC received approximately \$4.8 million and \$4.9 million management fee income during the years ended June 30, 2026 and 2025. These fee incomes are recorded under other revenue in the consolidated statements of activities. Major assumptions used in determining fair value of the Sig -23 mortgage servicing rights portfolio are:

	June 30, 2026	June 30, 2025
Prepayment speeds		
During lockout period	0	0
After lockout period	2.5% - 6.9%	2.3% - 6.4%
Discount rate	12% - 16%	12% - 14%
Remaining payment terms	from 0-120 months	from 0-120 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 provided the Corporation with a \$414.2 million and a \$68.0 million line of committed capital to originate and fund construction and bridge loans at an interest rate of one-month SOFR plus 261 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 nationally.

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 \$50 million of mandatory paydowns 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 5.5-year origination term and a 1-year repayment term. Purchases of new commitments can be made through the Origination Period Termination Date (June 30, 2028). Purchases of commitments issued prior to the Origination Period Termination Date can be made through the Final Origination Date (December 31, 2028).

In March 2025, CPC Conversion SPV LLC (SPV), a wholly owned subsidiary of CPC, was formed under the New York Limited Liability Company law of the State of New York. The SPV was established to hold a portfolio of mature construction loans by acquiring 22 loans totaling \$102.6 million from SPE 1, thereby providing additional capacity for CPC to fund new loans. The transaction took place on June 30,

**THE COMMUNITY PRESERVATION CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
June 30, 2026 and 2025**

2025 with Citibank providing a third debt facility in an amount of \$102.6 million at an interest rate of one-month SOFR plus 195 bps. CPC provided full repayment guarantee as well as \$15.8 million cash collateral which was set aside from the UIP investment. On July 1, 2025, SPV paid SPE1 a purchase price of \$102.6 million. SPE1 used the proceeds to repay \$79.3 million on its Citibank credit facility and to repurchase \$23.3 million of the participant share. Because the loan repayment occurred on July 1 rather than June 30, the Company's reported debt balance at June 30, 2025, was temporarily elevated by \$79.3 million.

Debt outstanding for the SPE 1, SPE 2 and SPV was \$70.5 million, \$18.8 million and \$52.1 million, respectively, at June 30, 2026; compared to \$155.2 million, \$26.2 million and \$102.6, respectively, at June 30, 2025. The interest rate in place for SPE 1 and SPE 2 as of June 30, 2026 was 6.34% compared to 6.93% for both SPE1 and SPE2 as of June 30, 2025. Interest rate in place for SPV as of June 30, 2026 and 2025, was 5.68% and 6.38%, 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) *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. On February 10, 2025, the on-demand line of credit increased to \$85 million. If there is an outstanding balance on the on-demand line of credit and the outstanding amount 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 SOFR plus 1.10% and payments are due monthly. The interest rate in place as of June 30, 2026 and 2025 was 4.83% and 6.38%, respectively. As of June 30, 2026 and 2025, the Corporation has drawn \$42.5 million and \$37.5 million on the on-demand line of credit, respectively.

(c) *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, 2026 and 2025, the bonds payable have an outstanding balance of \$150.0 million.

**THE COMMUNITY PRESERVATION CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
June 30, 2026 and 2025**

(d) *New York Green Bank Loan Facility*

On December 13, 2023, CPC closed on a \$25 million loan facility with New York Green Bank under its Community Decarbonization Fund (“CDF”). The CDF was set up by New York Green Bank to deploy low-cost capital into efficiency-first decarbonization projects that consider energy affordability and benefit disadvantaged communities and affordable housing in NY State. Under the terms of the CDF, the maximum allowed to be allocated to any individual CDFI is \$25 million. The allocation comes in the form of a 12-year loan at a fixed-rate 1.5%. The funds can only be deployed in eligible projects as defined in the agreement between CPC and New York Green Bank and need to be deployed in these projects within 30 days of draw down by CPC. The loan can be repaid at any stage during the 12-year term without penalty but cannot be re-drawn post repayment. As of June 30, 2026 and 2025, CPC has drawn \$25 million and \$24.5 million, respectively.

(e) *Senior Unsecured Notes – Private Placement due 2034*

On October 29, 2024, the Corporation issued \$200 million of senior unsecured notes in a private placement. The notes bear interest at 5.73%, payable semiannually on April 1 and October 1, and mature on October 1, 2034. The notes are redeemable at par on or after April 1, 2034 and prior to that date are subject to a make-whole premium. The notes are presented net of unamortized debt issuance costs, which are amortized to interest expense using the effective interest method. As of June 30, 2026 and 2025, the unsecured notes have an outstanding balance of \$200 million, respectively. Management has provided representations and warranties maintaining compliance of financial covenants.

(f) *MOCO Bridge Facility*

On September 25, 2025, CPCMC Bridge LLC, a wholly owned subsidiary of CPCMC entered into a master repurchase and securities contract agreement with VNB New York, LLC. The facility provides up to \$50.0 million of committed capital to originate and fund affordable multifamily bridge loans at an interest rate of one-month SOFR plus 250 basis points. The facility has a two-year origination period ending September 25, 2027 and an outside repurchase date of September 25, 2028. The facility is guaranteed by The Community Preservation Corporation and CPC Mortgage Company LLC and requires compliance with certain financial covenants. As of June 30, 2026, there were no outstanding borrowings under the facility.

(g) *Debt Issuance Costs*

Debt issuance costs related to all facilities and bonds, net of accumulated amortization, totaled \$3.1 million and \$3.0 million as of June 30, 2026 and 2025, respectively. Amortization expense as of June 30, 2026 and 2025 was \$0.9 million and \$0.6 million, respectively, at an effective rate of 2.89%, and is included in interest expense.

**THE COMMUNITY PRESERVATION CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
June 30, 2026 and 2025**

(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, 2026 and 2025, the outstanding principal balances on these notes (\$12.3 million and \$14.7 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, 2026 and 2025, the interest rates on these notes ranged from 2.96% to 8.05% and 2.38% to 8.05%, respectively. 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, 2026 and 2025 is approximately \$0.8 million and \$0.9 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, 2026 and 2025, participants' deposits consisted of the following (\$000s):

	2026	2025
HPD	\$ 284,676	\$ 300,851
Other Participants	42,241	41,414
Total participants' deposits	<u>\$ 326,917</u>	<u>\$ 342,265</u>

(12) Interest Expense

Interest expense consisted of the following for the years ended June 30, 2026 and 2025 (\$000s):

	2026	2025
Interest expense on escrows and participant deposits	\$ 3,017	\$ 3,427
Interest on notes payable	10,701	19,425
Interest on bonds payable	15,759	12,004
Interest on on-demand line of credit	2,138	2,397
Amortization expense	877	625
Total interest expense	<u>\$ 32,492</u>	<u>\$ 37,878</u>

**THE COMMUNITY PRESERVATION CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
June 30, 2026 and 2025**

(13) Mortgage Loans Sold and Warehouse Debt 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, 2026 and 2025 was approximately \$524.3 million and \$488.2 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 one-month Term Secured Overnight Financing Rate (SOFR) plus 210 basis points for non-construction loans, and one-month Term SOFR plus 225 basis points for eligible construction loans. The agreement has a maturity date of May 22, 2027. 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 and financial covenants.

CPC and CPCMC are parties to a master loan purchase and sale agreement with Citibank, 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 one-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 June 30, 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, of which it was in compliance with as of June 30, 2026.

Transfers of loans under these agreements are accounted for as sales; accordingly, loans funded pursuant to the arrangements are derecognized upon transfer and no related assets, liabilities, or amounts due to VNB or Citibank were outstanding on the consolidated balance sheet as of June 30, 2026.

Subsequent to year-end, the agreement reached its contractual maturity date. CPC is currently negotiating an extension or replacement facility and believes existing capacity under the Valley National Bank warehouse facility is sufficient to support ongoing operations and lending activity.

During 2026 and 2025, loans sold to the Pension Funds, Citibank, VNB, and other financial institutions, including Freddie Mac, were approximately \$220.2 million and \$264.1 million, respectively. The Corporation is obligated to sell such loans at face value.

(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

**THE COMMUNITY PRESERVATION CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
June 30, 2026 and 2025**

lease term and were \$22.8 million and \$23.7 million as of June 30, 2026 and 2025, respectively, and the right of use liability was \$29.5 million and \$30.3 million as of June 30, 2026 and 2025, respectively, and represents the obligation to make lease payments arising from the lease agreement which are discounted using the Corporation's incremental borrowing rates ranging from 2.81% to 3.69%. The weighted-average lease remaining lease term and weighted-average discount rate is 22.52 years and 3.67%, respectively, as of June 30, 2026. The weighted-average remaining lease term and weighted-average discount rate is 23.4 years and 3.66%, respectively, as of June 30, 2025. Operating lease right of use assets and liabilities are recognized at the commencement date, or the date on which the lessor makes the underlying asset available for use, based upon present value of the lease payments over the respective lease term. Lease expense is recognized on a straight-line basis over the lease term. Any renewal options are excluded from the calculation of lease liabilities unless exercising the renewal option is reasonably assured. The lease agreements do not contain residual value guarantees or material restrictive covenants.

Lease and rental expense was approximately \$2.3 million and \$2.2 million for years ended June 30, 2026 and 2025, respectively, and is included in office expenses in the accompanying consolidated financial statements. The Corporation has elected the practical expedient of not separating lease components from non-lease components. The components of lease expense were as follows (\$000s):

	<u>2026</u>	<u>2025</u>
Operating lease cost - Fixed	\$ 1,565	\$ 1,450
Operating lease cost - Variable	782	782

Minimum rental commitments under non-cancelable operating real estate leases in effect at June 30, 2027 and expiring at various dates through 2049 totaled \$44.3 million. The future minimum annual rentals under non-cancelable leases are due as follows (\$000s):

Years Ending June 30:

2027	\$ 1,862
2028	1,823
2029	1,878
2030	1,983
2031	1,706
Thereafter	<u>35,094</u>
Subtotal	<u>44,346</u>
Less: effects of discounting	<u>(14,815)</u>
Total	<u>\$ 29,531</u>

**THE COMMUNITY PRESERVATION CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
June 30, 2026 and 2025**

(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) *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. As of June 30, 2026 and 2025, the Corporation has determined the liability to be \$1.3 million and \$1.1 million.

(d) *Regulations*

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

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, 2026 and 2025.

(e) *Letters of Credit*

On December 15, 2023, CPC procured a letter of credit from Citibank, in favor of FDIC, in the amount of \$7.5 million in connection with its acquisition of Sig-23. This letter matures annually and is subject to automatic renewal at Citibank's discretion.

(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 the years ended June 30, 2026 and 2025 was approximately \$3.0 million and \$2.7 million, respectively, and is included in employee compensation and benefits expense in the Consolidated Statements of Activities. There was no accrued retirement expense at June 30, 2026 and 2025.

(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

**THE COMMUNITY PRESERVATION CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
June 30, 2026 and 2025**

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 \$7.0 million and \$6.9 million as of June 30, 2026 and 2025, respectively, and is reported net of an allowance of \$1.2 million and \$1.0 million for the years ended June 30, 2026 and 2025, respectively, and is included in other assets on the Consolidated Statements of Financial Position.

(17) Grants

(a) Climate Friendly Home Funds

On February 10, 2023, CPC entered into a Grant Agreement with the HCR 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. During the years ended June 30, 2026 and June 30, 2025, CPC received approximately \$1.2 million and \$3 million, respectively, in reimbursements for program administration costs. During the same periods, CPC closed 25 loans with total commitments of \$47.9 million in 2026 compared to 19 loans totaling \$14.8 million in 2025.

In April 2025, HCR reallocated \$100 million from the CFHF program, making it a \$150 million grant program for the electrification of 5,000 units over the same time period (by March 2027). Of the total \$150 million grant, \$8 million remains designated for reimbursement of administration costs.

(b) Climate Capital

In April 2024, CPC Climate Capital, was selected to receive a \$2.4 billion grant from the EPA's NCIF as a subrecipient of CUF in order to decarbonize multifamily affordable housing projects. The Subgrant Agreement between CPC Climate Capital and CUF was entered into on November 25, 2024. The last disbursement of grant funds was received on February 12, 2025. As of June 30, 2026 and 2025, \$0.0 million and \$8.5 million in grant revenue was recognized, respectively. On March 11, 2025, CUF received written notification from the EPA that its NCIF grant had been terminated. The resulting litigation between the EPA and CUF remains ongoing.

(c) Community Foundation of New Jersey

On June 26, 2025, CPC entered into a grant agreement with the Community Foundation of New Jersey Grant for a total award amount of \$1.5 million. The grant supports the reduction of greenhouse gas

**THE COMMUNITY PRESERVATION CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
June 30, 2026 and 2025**

emissions through deep decarbonization retrofits in affordable housing and enables CPC to retain its core Climate Capital team as outlined in the agreement between the parties.

CPC recognizes grant revenue only to the extent that qualifying expenses are incurred or progress is made toward fulfilling the Grant Purpose, thereby satisfying the conditions of the grant. As of June 30, 2026 and 2025, CPC has recognized \$1.3 million and \$295 thousand in grant revenue related to this agreement, respectively, corresponding to the expenditures incurred and progress achieved toward the specified objectives.

(18) 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, 2026.

(b) Geographic

The Corporation's lending and servicing portfolios are concentrated in New York, New Jersey, and Connecticut, with additional activity across the United States.

(c) Business

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.

**THE COMMUNITY PRESERVATION CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
June 30, 2026 and 2025**

(19) Subsequent Events

Events that occur after the Consolidated Statement of Financial Position date but before the consolidated financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Consolidated Statement of Financial Position date are recognized in the accompanying consolidated financial statements. Subsequent events which provide evidence about conditions that existed after the Consolidated Statement of Financial Position date require disclosure in the accompanying notes. Management evaluated the activity through September 29, 2026 (the date the consolidated financial statements were available to be issued) and determined that except as disclosed no subsequent events have occurred that would require recognition in the consolidated financial statements or disclosure in the Notes to the Consolidated Financial Statements.