# Community Capital New York, Inc.

Financial Statements

June 30, 2023 and 2022

**Community Capital New York, Inc.**

Financial Statements
June 30, 2023 and 2022

## Table of Contents


| | Page |
|---|---|
| Independent Auditors' Report | |
| **FINANCIAL STATEMENTS** | |
| Statements of Financial Position | 3 |
| Statements of Activities and Changes in Net Assets | 4-5 |
| Statements of Functional Expenses | 6-7 |
| Statements of Cash Flows | 8 |
| Notes to Financial Statements | 9-25 |

PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

# Independent Auditors' Report

**Board of Directors**
**Community Capital New York, Inc.**

We have audited the accompanying financial statements of Community Capital New York, Inc. which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Capital New York, Inc. as of June 30, 2023 and 2022, and the changes in its net assets and its 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Community Capital New York, Inc. 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.

### Change in Accounting Policy

As discussed in Note 2 to the financial statements, Community Capital New York, Inc. adopted Financial Accounting Standards Board ("FASB") Topic 842, *Leases*, which resulted in the recognition of right of use assets and the related liabilities effective July 1, 2022. Our opinion is not modified with respect to that matter.

## Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Community Capital New York, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

PKF O'CONNOR DAVIES, LLP
500 Mamaroneck Avenue, Harrison, NY 10528 I Tel: 914.381.8900 I Fax: 914.381.8910 I www.pkfod.com

**Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 generally accepted auditing standards 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Community Capital New York, Inc.'s 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Community Capital New York, Inc.'s 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.

PKF O'Connor Davies, LLP

Harrison, New York
January 17, 2024

**Community Capital New York, Inc.**

Statements of Financial Position

| | June 30, 2023 | June 30, 2022 |
|---|---|---|
| **ASSETS** | | |
| Current Assets | | |
| Cash and cash equivalents | $ 4,818,333 | $ 3,250,598 |
| Loans receivable, current portion, net of loan loss reserve | 4,365,433 | 3,345,027 |
| Grants receivable | 334,557 | 554,394 |
| Prepaid expenses | 20,253 | 22,583 |
| Interest receivable | 37,548 | 21,149 |
| Administrative fee receivable | 104,349 | 314 |
| Total Current Assets | 9,680,473 | 7,194,065 |
| Loans receivable, noncurrent portion, net of loan loss reserve | 2,184,635 | 1,192,835 |
| Restricted cash | 4,224,601 | 6,376,659 |
| Operating lease right of use assets | 93,831 | - |
| Security deposits | 6,088 | 6,088 |
| | $ 16,189,628 | $ 14,769,647 |
| **LIABILITIES AND NET ASSETS** | | |
| Current Liabilities | | |
| Accounts payable and other current liabilities | $ 371,086 | $ 153,847 |
| Refundable advances | 2,351,469 | 1,922,699 |
| Operating lease liabilities, current portion | 27,208 | - |
| Borrowings on lines of credit, current portion | 1,248,633 | 748,633 |
| Notes payable, current portion | 418,788 | 1,190,383 |
| Total Current Liabilities | 4,417,184 | 4,015,562 |
| Long Term Liabilities | | |
| Operating lease liabilities, noncurrent portion | 67,360 | - |
| Equity equivalent investment | 300,000 | 300,000 |
| Borrowings on lines of credit, noncurrent portion | 250,000 | 750,000 |
| Notes payable, noncurrent portion | 3,070,303 | 2,471,071 |
| Total Long Term Liabilities | 3,687,663 | 3,521,071 |
| Total Liabilities | 8,104,847 | 7,536,633 |
| Net Assets | | |
| Without Donor Restrictions | | |
| Operations | 6,176,580 | 4,126,340 |
| Board Designated | | |
| Loan loss reserve | 67,820 | 67,820 |
| Loan fund capital | 1,159,643 | 1,159,643 |
| Total Without Donor Restrictions | 7,404,043 | 5,353,803 |
| With Donor Restrictions | | |
| Loan fund capital | 332,108 | 1,612,108 |
| Loan loss reserve | 159,103 | 162,103 |
| Technical assistance | 189,527 | 105,000 |
| Total With Donor Restrictions | 680,738 | 1,879,211 |
| Total Net Assets | 8,084,781 | 7,233,014 |
| | $ 16,189,628 | $ 14,769,647 |

See notes to financial statements

**Community Capital New York, Inc.**

Statement of Activities and Changes in Net Assets
Year Ended June 30, 2023

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| **SUPPORT AND REVENUE** | | | |
| Government grants | $ - | $ 688,946 | $ 688,946 |
| Grants from corporations | 250,000 | 313,500 | 563,500 |
| Contributions | 41,851 | - | 41,851 |
| Interest income on loan portfolio | 367,254 | - | 367,254 |
| Loan fee income | 49,133 | - | 49,133 |
| Administrative fees | 1,334,604 | - | 1,334,604 |
| Interest income | 8,175 | - | 8,175 |
| In-kind services | 10,880 | - | 10,880 |
| Net assets released from restrictions | 2,200,919 | (2,200,919) | - |
| Total Support and Revenue | 4,262,816 | (1,198,473) | 3,064,343 |
| **EXPENSES** | | | |
| Program | 1,742,217 | - | 1,742,217 |
| Fundraising | 56,532 | - | 56,532 |
| Management and general | 235,627 | - | 235,627 |
| Total Expenses Before Grants and Loan Loss Provision (Benefit) | 2,034,376 | - | 2,034,376 |
| Loan loss provision (benefit) | 178,200 | - | 178,200 |
| Total Expenses | 2,212,576 | - | 2,212,576 |
| Change in Net Assets | 2,050,240 | (1,198,473) | 851,767 |
| **NET ASSETS** | | | |
| Beginning of year | 5,353,803 | 1,879,211 | 7,233,014 |
| End of Year | $ 7,404,043 | $ 680,738 | $ 8,084,781 |

See notes to financial statements

**Community Capital New York, Inc.**

Statement of Activities and Changes in Net Assets
Year Ended June 30, 2022

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| **SUPPORT AND REVENUE** | | | |
| Government grants | $ - | $ 3,058,654 | $ 3,058,654 |
| Grants from corporations | 34 | 358,000 | 358,034 |
| Contributions | 42,631 | - | 42,631 |
| Interest income on loan portfolio | 298,703 | - | 298,703 |
| Loan fee income | 129,890 | - | 129,890 |
| Program fees | 319,841 | - | 319,841 |
| Interest income | 4,255 | - | 4,255 |
| Net assets released from restrictions | 2,160,837 | (2,160,837) | - |
| Total Support and Revenue | 2,956,191 | 1,255,817 | 4,212,008 |
| **EXPENSES** | | | |
| Program | 1,480,481 | - | 1,480,481 |
| Fundraising | 43,508 | - | 43,508 |
| Management and general | 107,223 | - | 107,223 |
| Total Expenses Before Grants and Loan Loss Provision (Benefit) | 1,631,212 | - | 1,631,212 |
| Microenterprise grants | 30,000 | - | 30,000 |
| Loan loss provision (benefit) | (190,835) | - | (190,835) |
| Total Expenses | 1,470,377 | - | 1,470,377 |
| Change in Net Assets | 1,485,814 | 1,255,817 | 2,741,631 |
| **NET ASSETS** | | | |
| Beginning of year | 3,867,989 | 623,394 | 4,491,383 |
| End of Year | $ 5,353,803 | $ 1,879,211 | $ 7,233,014 |

See notes to financial statements

**Community Capital New York, Inc.**

Statement of Functional Expenses
Year Ended June 30, 2023

| | Program | | | | | |
|---|---|---|---|---|---|---|
| | Affordable Housing Program | Small Business Program | Total | Fundraising | Management and General | Total Expenses |
| **PERSONNEL COSTS** | | | | | | |
| Salaries | $ 151,817 | $ 726,457 | $ 878,274 | $ 23,314 | $ 33,296 | $ 934,884 |
| Payroll taxes | 9,895 | 57,009 | 66,904 | 1,480 | 2,279 | 70,663 |
| Employee benefits | 4,209 | 40,038 | 44,247 | 1,813 | 18,200 | 64,260 |
| Total Personnel Costs | 165,921 | 823,504 | 989,425 | 26,607 | 53,775 | 1,069,807 |
| **OTHER THAN PERSONNEL COSTS** | | | | | | |
| Office expense | 7,312 | 46,904 | 54,216 | 2,429 | 27,441 | 84,086 |
| Occupancy costs | 2,311 | 33,073 | 35,384 | 1,926 | 2,662 | 39,972 |
| Loan expenses | 1,000 | 19,535 | 20,535 | - | - | 20,535 |
| Professional fees | 1,677 | 23,478 | 25,155 | 1,365 | 127,916 | 154,436 |
| Insurance | 925 | 12,945 | 13,870 | 771 | 2,256 | 16,897 |
| Education and training | 689 | 19,966 | 20,655 | 574 | 2,886 | 24,115 |
| Consultant fees | 29,751 | 320,408 | 350,159 | 11,910 | 11,910 | 373,979 |
| Telephone | 683 | 9,424 | 10,107 | 556 | 2,247 | 12,910 |
| Technical | 4,572 | 87,384 | 91,956 | 3,806 | 4,103 | 99,865 |
| Development and fundraising | - | - | - | 4,448 | - | 4,448 |
| Marketing | 543 | 14,802 | 15,345 | 2,140 | 431 | 17,916 |
| Interest | 68,912 | 46,498 | 115,410 | - | - | 115,410 |
| Total Expenses Before Grants and Loan Loss Provision (Benefit) | 284,296 | 1,457,921 | 1,742,217 | 56,532 | 235,627 | 2,034,376 |
| Loan loss provision (benefit) | 57,611 | 120,589 | 178,200 | - | - | 178,200 |
| Total Expenses | $ 341,907 | $ 1,578,510 | $ 1,920,417 | $ 56,532 | $ 235,627 | $ 2,212,576 |

See notes to financial statements

**Community Capital New York, Inc.**

Statement of Functional Expenses
Year Ended June 30, 2022

| | Program | | | | | |
|---|---|---|---|---|---|---|
| | Affordable Housing Program | Small Business Program | Total | Fundraising | Management and General | Total Expenses |
| **PERSONNEL COSTS** | | | | | | |
| Salaries | $ 134,596 | $ 445,076 | $ 579,672 | $ 14,169 | $ 21,906 | $ 615,747 |
| Payroll taxes | 8,869 | 38,988 | 47,857 | 1,188 | 1,394 | 50,439 |
| Employee benefits | 3,216 | 23,055 | 26,271 | 7 | 21 | 26,299 |
| Total Personnel Costs | 146,681 | 507,119 | 653,800 | 15,364 | 23,321 | 692,485 |
| **OTHER THAN PERSONNEL COSTS** | | | | | | |
| Office expense | 2,363 | 33,954 | 36,317 | 678 | 4,866 | 41,861 |
| Occupancy costs | 4,222 | 35,049 | 39,271 | 1,256 | 1,356 | 41,883 |
| Loan expenses | - | 34,159 | 34,159 | - | - | 34,159 |
| Professional fees | 6,330 | 59,172 | 65,502 | 1,899 | 1,899 | 69,300 |
| Insurance | 1,288 | 10,823 | 12,111 | 387 | 387 | 12,885 |
| Education and training | - | 15,606 | 15,606 | - | 75 | 15,681 |
| Consultant fees | 33,763 | 389,664 | 423,427 | 15,545 | 65,722 | 504,694 |
| Telephone | 1,393 | 8,141 | 9,534 | 175 | 175 | 9,884 |
| Travel | - | 329 | 329 | - | - | 329 |
| Printing | - | 100 | 100 | - | 753 | 853 |
| Postage and delivery | - | 413 | 413 | - | 7 | 420 |
| Technical | 8,510 | 78,428 | 86,938 | 2,553 | 3,043 | 92,534 |
| Development and fundraising | - | - | - | 3,007 | - | 3,007 |
| Marketing | 477 | 14,963 | 15,440 | 2,644 | 4,369 | 22,453 |
| Amortization | - | - | - | - | 1,250 | 1,250 |
| Interest | 51,859 | 35,675 | 87,534 | - | - | 87,534 |
| Total Expenses Before Grants and Loan Loss Provision (Benefit) | 256,886 | 1,223,595 | 1,480,481 | 43,508 | 107,223 | 1,631,212 |
| Microenterprise grants | - | 30,000 | 30,000 | - | - | 30,000 |
| Loan loss provision (benefit) | (68,361) | (122,474) | (190,835) | - | - | (190,835) |
| Total Expenses | $ 188,525 | $ 1,131,121 | $ 1,319,646 | $ 43,508 | $ 107,223 | $ 1,470,377 |

See notes to the financial statements

**Community Capital New York, Inc.**

Statements of Cash Flows

| | Year Ended June 30, 2023 | 2022 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Change in Net Assets | $ 851,767 | $ 2,741,631 |
| Adjustments to reconcile change in net assets to net cash from operating activities | | |
| Amortization | - | 1,250 |
| Amortization of operating lease right of use asset | 27,177 | - |
| Provision (benefit) for loan loss | 178,200 | (190,835) |
| Changes in operating assets and liabilities | | |
| Loans originated | (2,939,816) | (2,083,335) |
| Repayment of loans | 749,410 | 3,263,493 |
| Grants receivable | 219,837 | 81,010 |
| Prepaid expenses | 2,330 | (15,796) |
| Interest receivable | (16,399) | 4,910 |
| Administrative fees receivables | (104,035) | 2,054 |
| Other assets | - | (2,300) |
| Accounts payable and other current liabilities | 217,239 | 38,025 |
| Change in operating lease liability | (26,440) | - |
| Refundable advances | 428,770 | 95,718 |
| Net Cash from Operating Activities | (411,960) | 3,935,825 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Repayment of line of credit | - | (373) |
| Proceeds from notes payable | 1,100,000 | 795,356 |
| Repayment of notes payable | (1,272,363) | (1,976,862) |
| Net Cash from Financing Activities | (172,363) | (1,181,879) |
| Change in Cash, Cash Equivalents, and Restricted Cash | (584,323) | 2,753,946 |
| **CASH, CASH EQUIVALENTS, AND RESTRICTED CASH** | | |
| Beginning of year | 9,627,257 | 6,873,311 |
| End of year | $ 9,042,934 | $ 9,627,257 |
| **SUPPLEMENTARY CASH FLOW INFORMATION** | | |
| Cash paid for interest | $ 106,548 | $ 88,128 |

See notes to financial statements

## 1. Organization

Community Capital New York, Inc. (the “Corporation”) was incorporated as a not for profit corporation organized under the laws of New York State on March 27, 1989 and was originally known as the Westchester Housing Fund, Inc. The Corporation changed its name in 2013. The Corporation is certified by the U.S. Department of Treasury as a Community Development Financial Institution (“CDFI”) and is a Small Business Administration lender. The Corporation creates economic opportunities for under-served, historically disadvantaged individuals and communities by funding the development of critically needed affordable housing throughout New York State and providing flexible loans and technical assistance to small business entrepreneurs in the Hudson Valley.

*Affordable Housing Program*

Funded with the support of a revolving loan fund supported by the CDFI Fund, financial institution lines of credit and equity investments, the Corporation makes pre-development, bridge, acquisition, and construction loans to both non-profit and for-profit developers of affordable housing to close project funding “gaps”. Pre-development loans provide the affordable housing developers with funding for early-stage expenses such as appraisals, surveys, soil boring, preliminary architectural and engineering expenses, legal, consulting and permit fees.

The Corporation administers a “Feasibility” loan pool from which developers can borrow to assess the viability of a potential affordable housing project. These loans differ from the regular portfolio in that they may be forgiven and treated as grants by action of the Loan Committee if the project proves to be infeasible.

*Small Business Program*

The Small Business program provides loan capital to small start-ups and emerging entrepreneurs throughout the Hudson Valley. Loans are primarily marketed to low-income, women, minority and disabled business owners.

While the Corporation has equity in the loan pool, the majority of the loan capital is borrowed from the U.S. Small Business Administration (“SBA”) and the State of New York’s Empire State Development Corporation (“ESDC”). These funds are shown on the statements of financial position as notes payable. As a condition of borrowing, the SBA and ESDC require the Corporation to establish and fund a loan loss reserve of various amounts up to 15% of the value of the loans made with funds borrowed from them. The funds are included in restricted cash accounts.

The Corporation utilizes the SBA’s Community Advantage Program, which allows mission-oriented access to its 7(a) Loan Guaranty Program. The SBA provides a loan guaranty to a lending partner which is a partial refund (up to 85% of each loan made) for a failed loan.

In addition to its lending program, the Corporation also provides one-on-one technical assistance to and training workshops for small business owners and potential business owners.

## 2. Summary of Significant Accounting Policies

***Basis of Presentation and Use of Estimates***

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expense during the reporting periods. Actual results could differ from those estimates.

***Change in Accounting Policy***

The Corporation adopted Financial Accounting Standards Board ("FASB") Topic 842, *Leases*, using the effective date method with July 1, 2022 as the date of initial adoption, with certain practical expedients available.

The Corporation elected the available practical expedients to account for its existing operating leases as operating leases, under the new guidance, without reassessing whether the contracts contain leases under the new standard, whether classification of capital leases or operating leases would be different in accordance with the new guidance, or whether the unamortized initial directs costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, on July 1, 2022 the Corporation recognized operating lease liabilities of $121,008, that represent the present value of the remaining operating lease payments of $128,491, discounted using the risk-free interest rate as determined by treasury bond rates for periods ranging from 3.25 years averaging 2.87%, and operating right-of-use assets ("ROU assets") of $121,008.

The standard did not have a material impact on the Corporation's statement of financial position, statement of activities and changes in net assets and cash flows. The most significant impact was the recognition of ROU assets and leases liabilities for operating and finance leases.

***Cash, Cash Equivalents, and Restricted Cash***

The Corporation considers all highly liquid debt instruments with a maturity of three months or less at the time of purchase to be cash equivalents. Certain assets are classified as restricted cash because their use is limited (See Note 6). The following is a reconciliation of the cash, cash equivalents, and restricted cash reported on the statements of cash flows at June 30,

| | 2023 | 2022 |
|---|---|---|
| Cash and cash equivalents | $ 4,818,333 | $ 3,250,598 |
| Restricted cash accounts | 4,224,601 | 6,376,659 |
| | $ 9,042,934 | $ 9,627,257 |

## 2. Summary of Significant Accounting Policies *(continued)*

### *Loans Receivable and Payable*

The Corporation both receives and makes loans with stated rates of interest that vary from the prevailing market rates for commercial loans. The Corporation accounts for these loans at the stated rates. U.S. GAAP guidance generally requires that loans with below market interest rates be stated for financial reporting purposes at amounts that reflect the expected cash flows discounted at market rates. The guidance includes several exceptions to this rule, including the customary lending activities of financial institutions whose primary business is lending money. Management of the Corporation believes that this exception is applicable to the Corporation. Accordingly, the loans have not been discounted.

### *Loan Loss Reserve*

The loan loss reserve represents management's estimates of losses inherent in the loan portfolio. Loan losses are charged against the loan loss reserve when management believes that the future collection of principal is unlikely. The loan loss reserve is established through periodic charges to income. Subsequent recoveries, if any, are credited to the loan loss reserve.

Management's determination of the adequacy of the reserve is based on periodic evaluations of specific borrowers and other relevant factors. Evaluations, using a management established risk rating system, are subjective as they require material estimates including such factors as historical trends, known and inherent risks in the loan portfolio, adverse situations that may affect the borrowers' ability to repay, estimated value of any government loan guarantee programs, and underlying loan collateral, and current economic conditions. Recovery of the carrying value of such loans may be dependent on conditions that may be beyond management's control.

The risk rating system for the business loan portfolio is categorized into like pools based on risk ratings that range from level 1 representing the highest quality/lowest credit risk to level 7 which represent the lowest quality/highest risk category. The criteria for levels 1 through 4 is largely based on the size of the loan, payment history and period that the loan has been outstanding.

The risk rating system for the affordable housing loans is done on a loan by loan basis, with feasibility loans being assigned a reserve equal to either 50% or 100% of the outstanding principal amount.

Any combination of the aforementioned factors may adversely affect the loan portfolio resulting in increased delinquencies and loan losses and could require additional provisions for bad debts which could adversely impact income in future periods. In the opinion of management, the Corporation has made adequate loss provisions based on all available and relevant information affecting specific borrowers and the overall loan portfolio.

**2. Summary of Significant Accounting Policies *(continued)***

***Leases***

At July 1, 2022, the Corporation leases office space and determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use assets and finance lease right-of-use assets ("ROU assets"), operating lease liabilities and finance lease liabilities on the accompanying statement of financial position.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The leases do not provide an implicit borrowing rate. The Corporation uses a risk-free rate based on the information available at the commencement date in determining the present value of lease payments. The ROU assets includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when its reasonably certain that the Corporation will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Corporation's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

***Net Asset Presentation***

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. Included in the without donor restrictions net asset category are net assets that are designated by the Board of Directors for activities related to lending but which are not otherwise subject to donor-imposed restriction.

Net Assets With Donor Restrictions – Net assets subject to donor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. 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.

***Marketing Costs***

The Corporation expenses marketing costs as incurred, which aggregated $17,916 and $22,453 for the years ended June 30, 2023 and 2022.

## 2. Summary of Significant Accounting Policies *(continued)*

### *Revenue Recognition*

*Grants and Contributions*

Unconditional grants and contributions, including promises to give cash and other assets, are reported at fair value at the date the grant or contribution is received. The gifts are reported as donor restricted support if they are received with donor restrictions. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been substantially met.

*Government Contracts*

Revenue from expense reimbursement-based government contracts is recognized when reimbursable expenses are incurred under the terms of the contracts. Revenue from performance based government contracts is recognized when performance objectives pursuant to the contract have been accomplished. Contract payments in excess of qualified expenses or performance are accounted for as refundable advances.

*Interest Income*

Interest on loans is computed using the effective interest method. Interest earned on loans is considered revenue without donor restriction and can be used for general operations. The Corporation ceases to accrue interest income on specific loans for financial reporting purposes when required payments of principal and/or interest have not been received for a period of more than 90 days. The Corporation reverses any previously recorded unpaid interest.

*Loan Fee Income*

The Corporation charges fees associated with entering into financing arrangements. These fees are recognized when the process of originating, refinancing, or restructuring of a loan is completed. The performance obligation is identified at the contract level which represents the Corporation’s promise to provide the specified services at a fixed rate. The performance obligation is satisfied at a point in time when the services are rendered.

*Administrative Fee Income*

In fiscal year 2023 and 2022, the Corporation earned fees for administering grant and loan programs on behalf of various municipalities. Such grant and loan funds are accounted for as refundable advances until they are disbursed. The fees were earned at the time the grants and loans were disbursed. There were no amounts receivable at July 1, 2021.

## 2. Summary of Significant Accounting Policies *(continued)*

### *Allocation of Expenses*

The financial statements report certain categories of expenses that are attributable to one or more program and supporting services of the Corporation. Therefore, expenses require allocation on a reasonable and consistent basis. The more significant expense allocations include salaries and related personnel costs, consultant fees and occupancy. Personnel costs and consultant fees have been allocated based on estimates of time and effort. Other expenses, such as occupancy, are allocated based on the personnel cost allocation percentages.

### *Income Tax Status*

The Corporation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and is not considered a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

The Corporation recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Corporation had no uncertain tax positions that would require financial statement recognition or disclosure. The Corporation is no longer subject to examinations by the applicable taxing jurisdictions for years prior to June 30, 2020.

### *Future Adoption of Credit Losses Guidance*

In June 2016, the Financial Accounting Standard Board (“FASB”) issued Accounting Standards Board (“ASU”) 2016-13, *Financial Instrument - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This ASU requires entities to use a new method, referred to as the current expected credit loss (“CECL”) method, to recognize credit losses on loans and other receivables. The CECL method broadens the information an entity must consider when estimating its credit losses. Specifically, it reflects an entity’s current estimate of all expected credit losses using relevant information about past events, including historical experience, current conditions and reasonable and supportable forecasts. CECL expands the loss to be recorded to include not only those that have occurred but also those expected to incur in the future as transactions occur. The ASU is effective for years beginning after December 15, 2022, including interim periods within those fiscal years and early application is permitted. Management continues to evaluate the potential impact of this ASU on the financial statements and related disclosures.

### *Subsequent Events*

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date the financial statements were available to be issued, which date is January 17, 2024.

## 3. Concentration of Credit Risk

Financial instruments that potentially subject the Corporation to concentrations of credit and market risk consist principally of cash, cash equivalents, and restricted cash on deposit with financial institutions, investments held at financial institutions and loan receivables. Deposits held at financial institutions insured by the Federal Deposit Insurance Corporation ("FDIC") are insured up to $250,000. At times, cash balances may exceed the FDIC limit. At June 30, 2023 and 2022, the Organization's uninsured cash, cash equivalents, and restricted cash balances on deposit totaled approximately $7,558,000 and $9,224,000.

The Corporation's loans receivable are primarily from loans made to developers of affordable housing and to small business owners. The ability of these borrowers to repay their loans may be affected by adverse economic conditions or other financial constraints.

## 4. Loans Receivable

Loans receivable consist of affordable housing loans with terms ranging from one to two years to qualified developers in New York State and business loans of one to five years for start-up and emerging businesses whose owners do not have access to other affordable funding sources in the lower Hudson Valley region. In addition, some business loans have been made to not for profit businesses which are included in the business loan data. Finally, on a limited basis, the Corporation provides Credit Builder loans to help clients build a credit profile. These loans are for one to two years.

For affordable housing and business loans, interest rates vary from 0% to 9.25% per annum. For consumer loans interest rates are from 0% to 6%. Feasibility loans carry no interest.

| | Current | Long Term | Balance at June 30, | |
|---|---|---|---|---|
| Borrower | Receivable | Receivable | 2023 | 2022 |
| Feasibility Loans | $ 30,000 | $ 25,000 | $ 55,000 | $ 55,000 |
| Affordable Housing Loans | 4,299,787 | 1,058,163 | 5,357,950 | 2,959,144 |
| Consumer Loans | 6,208 | 12,929 | 19,137 | 19,987 |
| Business Loan Program | 428,845 | 1,288,209 | 1,717,054 | 1,926,109 |
| Gross Loans Receivable | 4,764,840 | 2,384,301 | 7,149,141 | 4,960,240 |
| Loan loss reserve | (399,407) | (199,666) | (599,073) | (422,378) |
| Net Loans Receivable | $ 4,365,433 | $ 2,184,635 | $ 6,550,068 | $ 4,537,862 |

## 4. Loans Receivable *(continued)*

Scheduled collection on the outstanding loans, before application of loan loss reserve, to be received for the years ending June 30, is as follows:

| | |
|---|---|
| 2024 | $ 4,764,840 |
| 2025 | 1,382,046 |
| 2026 | 532,026 |
| 2027 | 269,089 |
| 2028 | 201,140 |
| | $ 7,149,141 |

The following table presents information regarding the Corporation's nonaccrual loans at June 30:

| | 2023 | 2022 |
|---|---|---|
| Affordable Housing Loans | $ 150,000 | $ - |
| Micro Loan Program | 21,624 | - |
| Business Loan Program | - | 35,259 |
| | $ 171,624 | $ 35,259 |

At June 30, 2023, there was approximately $3,018,500 of unfunded commitments to borrowers.

### *Loan Loss Reserve*

As discussed in Note 2, the Corporation uses a combination of a loan-by-loan portfolio analysis as well as a more global review of the portfolios and the effect of external economic conditions, risk concentration, industry concentrations and other relevant factors to estimate the loan loss reserve. When deemed necessary, a specific reserve will be assigned to loans that are assessed as being at higher risk.

Changes in the allowance for loan losses are summarized as follows for the years ended June 30:

| | 2023 | | | |
|---|---|---|---|---|
| | Affordable Housing Portfolio | Business Loan Portfolio | Total | 2022 Total |
| Balance, beginning of year | $ 69,632 | $ 352,746 | $ 422,378 | $ 637,326 |
| Current year write-offs | - | (6,039) | (6,039) | (28,319) |
| Current year provision (benefit) | 57,611 | 120,587 | 178,198 | (190,835) |
| Current year recoveries | - | 4,536 | 4,536 | 4,206 |
| Balance, end of year | $ 127,243 | $ 471,830 | $ 599,073 | $ 422,378 |

## 5. Grants Receivable

Grants receivable consist primarily of amounts due for expenditures made under agreements with various federal, state and county agencies for technical assistance and financial assistance. Management has deemed these amounts to be fully collectible.

## 6. Restricted Cash

In accordance with its agreement with the SBA, the Corporation is required to maintain Loan Loss Reserve Fund ("LLRF") cash accounts equivalent to 15% of outstanding Microloan balances. In addition, undisbursed funds borrowed from the SBA, and repayments of principal by Microloan borrowers, are required to be held in a Microloan Revolving Fund ("MRF") cash account. In the event of default on a financial assistance loan, the SBA has the right to draw out of the Microloan Reserve cash accounts an amount equal to the unpaid loan balance. The Corporation must maintain collateral that is 115% of the debt owed to the SBA. Collateral is comprised of cash available in MRF and LLRF accounts plus the principal balance of outstanding Microloans made. If the collateral is above the 115%, the Corporation may request permission to withdraw the excess funds from the MRF or LLRF accounts. The cash balances in the MRF accounts were $965,896 and $1,374,254 at June 30, 2023 and 2022. The cash balances in the LLRF accounts were $430,009 and $478,775 at June 30, 2023 and 2022.

Additionally, the Corporation is required to maintain a minimum reserve amount as directed by the SBA for all loans funded under the SBA 7(a) Community Advantage Program ("CA"). The Corporation is required to maintain a loan loss reserve bank account of a minimum of 5% of the unguaranteed portion of the CA loan portfolio. The deposits in the loan loss reserve account are required to be maintained in a separate bank account. At June 30, 2023 and 2022, the unguaranteed CA loan portfolio was $63,172 and $63,845. The balance in the loan loss reserve account was $6,202 and $6,223 at June 30, 2023 and 2022.

## 6. Restricted Cash *(continued)*

The ESDC requires the Corporation to maintain separate cash accounts for the following:

1. In connection with the Small Business Revolving Loan Fund designated for the Capital Access Program for loan capital (see Note 11 – original amount was $1,200,000), the balance of the restricted cash at June 30, 2022 was $498,383. In addition, the amount of cash that is restricted for loan loss reserve is required to be the equivalent of 3-10% of the outstanding loan receivable balances of small businesses participating in the program. The restricted cash set aside for the loan loss reserve requirements was $310,246 at June 30, 2022. There were no restricted balances at June 30, 2023 as the loan was paid in full.

2. In connection with the Regional Revolving Loan Trust Fund Award and related Revolving Loan Fund: the balance of this restricted account was $165,955 and $162,848 at June 30, 2023 and 2022.

3. In Connection with the Metropolitan Economic Revitalization Fund (“MERF”) for loan capital (see Note 11 – original amount available up to $1,000,000) the balance of this restricted account was $156,712 and $121,621 at June 30, 2023 and 2022.

In connection with the disbursement of funds related to Community Development Financial Institutions financial assistance loan program, the Corporation has restricted cash of $163,843 and $436,802 at June 30, 2023 and 2022.

In connection with the disbursement of funds related to Community Development Financial Institutions Rapid Response grant, the Corporation has restricted cash of $1,014,120 at June 30, 2022. All grant funds were disbursed at June 30, 2023.

In its capacity as the administrator of the Westchester County Business First and Launch 1000 grant program, Westchester County transferred cash to the Corporation which has a restricted balance of $1,811,009 and $1,837,172 at June 30, 2023 and 2022 and is also included in refundable advances.

In its capacity as the administrator of the Westchester County Industrial Development Agency Disaster Emergency Loan and Grant program, the Corporation has a restricted balance of $350 and $31,000 at June 30, 2023 and 2022.

The loan payable from Wells Fargo Bank requires the Corporation to maintain a separate cash account for the loan capital fund established to promote affordable housing (see Note 11). The balance of this restricted account was $45,332 and $45,845 at June 30, 2023 and 2022.

The revolving line of credit established with Valley Bank in January 2015 requires the Corporation to maintain a separate cash account for the purposes of disbursing loan proceeds and repayment of principal and interest to the bank. The balance of this restricted account was $233,368 and $38,430 at June 30, 2023 and 2022.

## 6. Restricted Cash *(continued)*

The revolving line of credit established with Tompkins in October 2016 requires the Corporation to maintain a separate cash account for the purposes of disbursing loan proceeds and repayment of principal and interest to the bank. The balance of this restricted account was $245,925 and $20,940 at June 30, 2023 and 2022.

## 7. Refundable Advances

Refundable advances consisted of the following at June 30:

| | 2023 | 2022 |
|---|---|---|
| Westchester County Biz First and Launch 1000 Grant Program | $ 2,338,463 | $ 1,837,172 |
| Westchester County IDA Loan program | 350 | 31,000 |
| CDFI Assistance Program | 12,656 | 54,527 |
| | $ 2,351,469 | $ 1,922,699 |

## 8. Liquidity and Availability of Financial Assets

Financial assets available for general expenditure, without restrictions limiting their use, within one year of June 30, 2023 and 2022 are as follows:

| | 2023 | 2022 |
|---|---|---|
| Cash and cash equivalents | $ 4,818,333 | $ 3,250,598 |
| Restricted cash | 4,224,601 | 6,376,659 |
| Administrative fee receivable | 104,349 | 314 |
| Grants receivable | 334,557 | 554,394 |
| Loans receivable, net | 6,550,068 | 4,537,862 |
| Interest receivable | 37,548 | 21,149 |
| Total financial assets | 16,069,456 | 14,740,976 |
| Less financial assets unavailable for general expenditure within one year, due to: | | |
| Board designations: | | |
| Board designated for loan loss reserve | 67,820 | 67,820 |
| Board designated for loan fund capital | 1,159,643 | 1,159,643 |
| Contractual or donor imposed restricted amounts: | | |
| Loans receivable, net due for collection after June 30, 2023 and 2022 | 2,184,635 | 1,192,835 |
| Cash required to be held in separate accounts or restricted for a specific purpose | 4,224,601 | 6,376,659 |
| Restricted by donor with time or purpose restrictions | 680,738 | 1,879,211 |
| | 8,317,437 | 10,676,168 |
| Financial assets available to meet general expenditures over the next twelve months | $ 7,752,019 | $ 4,064,808 |

The Corporation manages its financial assets to be available as its operating expenditures, liabilities and other obligations come due. It is the Corporation's policy to maintain adequate cash balances to meet 90 days of operating expenses and 90 days of unfunded loan commitments. The Board of Directors can release board designations if a liquidity event arises.

## 9. Equity Equivalent Investment

In 2019, the Corporation received approval for an Equity Equivalent Investment from Good to Grow CDFI Investment Fund LLC in the amount of $300,000 for a term of ten years, at 3% interest per annum, to be used to provide Community Development loans in the Hudson Valley. The balance outstanding at June 30, 2023 and 2022 was $300,000 and is payable on September 30, 2029.

## 10. Lines of Credit

Outstanding balances on the Corporation's available lines of credit at June 30, are:

| | 2023 | 2022 |
|---|---|---|
| $150,000 revolving line of credit with Key Bank, annualized interest rate charged on borrowings is 3%. The line is payable on demand. | $ 148,633 | $ 148,633 |
| $500,000 revolving line of credit with Valley Bank, annualized interest rate charged on borrowings is 3% and the line expires in January 31, 2024. | 500,000 | 500,000 |
| $400,000 revolving line of credit with Signature Bank, annualized interest rate charged on borrowings is 4%. The line expires on June 30, 2024. | 350,000 | 350,000 |
| $350,000 revolving line of credit with Deutsche Bank, annualized interest rate charged on borrowings is 2.5%. The line expired in May 2018. | - | - |
| $250,000 revolving line of credit with Tompkins Bank, annualized interest rate charged on borrowing of 3%. The line expires on November 21, 2025. | - | - |
| $250,000 revolving line of credit with Apple Bank, annualized interest rate charged on borrowing of 5%, with a 2% credit issued if no default for an effective rate of 3%. The line expires on July 30, 2024. | 250,000 | 250,000 |
| $250,000 revolving line of credit with Apple Bank, annualized interest rate charged on borrowing of 5%, with a 2% credit issued if no default for an effective rate of 3%. The line expires on July 30, 2024. | - | - |
| $250,000 revolving line of credit with Lakeland Bank, annualized interest rate charged on borrowing of 3%. The line is payable on demand. | 250,000 | 250,000 |
| Total | $ 1,498,633 | $ 1,498,633 |

## 11. Notes Payable

The Corporation had the following notes payable at June 30,

| | 2023 | 2022 |
|---|---|---|
| Note payable to SBA in the original amount of $1,000,000. Payments are as follows: Interest accrued during the first year was divided into 108 equal installments and added to the calculated payments of principal and interest during the 13th through the 120th month of the note, due July 11, 2024. Interest is calculated at a current rate of .375% (1.625% less 1.25% buy down). Monthly principal and interest payments of $10,099 began in August 2015. The note is secured by funds held (see Note 6) and a lien on the loans receivable arising under the Microloan Program. | $ 11 | $ 251,285 |
| Note payable to SBA in the original amount of $1,000,000. Payments are as follows: Interest accrued during the first year was divided into 108 equal installments and added to the calculated payments of principal and interest during the 13th through the 120th month of the note, due June 22, 2027. Interest is calculated at a current rate of .75% (2.00% less 1.25% buy down). Monthly principal and interest payments of $4,814 began in August 2018 and continued through February 2020 at which time they were increased to $10,716 to fully amortize the loan upon maturity. The note is secured by funds held (see Note 6) and a lien on the loans receivable arising under the Microloan Program. | 506,489 | 630,114 |
| Note payable to SBA in the original amount of $1,000,000. Payments are as follows: Interest accrued during the first year was divided into 108 equal installments and added to the calculated payments of principal and interest during the 13th through the 120th month of the note, due July 2029. Interest is calculated at a current rate of .625% (1.875% less 1.25% buy down). Monthly principal and interest payments of $9,552 began in September 2020. The note is secured by funds held (see Note 6) and a lien on the loans receivable arising under the Microloan Program. | 691,208 | 800,710 |
| Note payable to SBA in the original amount of $1,000,000. Payments are as follows: Interest accrued during the first year was divided into 108 equal installments and added to the calculated payments of principal and interest during the 13th through the 120th month of the note, due July 2030. Interest is calculated at a current rate of 0% (.375% less 1.25% buy down). Monthly principal and interest payments of $9,259 began in September 2021. The note is secured by funds held (see Note 6) and a lien on the loans receivable arising under the Microloan Program. | 265,116 | 300,000 |

## 11. Notes Payable *(continued)*

| | 2023 | 2022 |
|---|---|---|
| Note payable to the Dominican Sisters of Hope in the amount of $35,000. Payments are as follows: Interest only at a rate of .5% per annum is payable quarterly on March 31, June 30, September 30 and December 31. Principal is due at maturity which is February 10, 2022. | $ 35,000 | $ 35,000 |
| Note payable to CNOTE in the amount of $495,356. Payments are as follows: Interest only at a rate of 3% per annum is payable monthly. Principal is due at maturity which is August 25, 2024. | 495,356 | 495,356 |
| Note payable to ESDC in the original amount of $1,200,000. Payments are as follows: Interest only is payable semi-annually on June 30 and December 31 on the unpaid principal balance following initial disbursement through March 31, 2019. Interest is calculated at a current rate of 1% per annum. Annual principal installments in an amount equal to 33.33% of the principal outstanding are due March 31, 2020 and 2021 with a final payment due on March 31, 2023. The note is secured by funds held (see Note 6) and designated loans receivable under the Business Loan Program. | - | 556,906 |
| Note payable to ESDC on the disbursed amount up to $1,000,000. Payments are as follows: Interest only is payable semi-annually on June 30 and December 31 on the unpaid principal balance following the initial disbursement and ends on February 1, 2024. After the initial five year term, the Corporation may fully amortize the loan for five years ending on February 1, 2029. Interest is calculated at a current rate of 1% per annum. The note is secured by funds held (see Note 6) and the designated Business Loans receivable. | 333,333 | 333,333 |
| Note payable to Wells Fargo Bank in the amount of $350,000. Payments are as follows: interest only is payable monthly. Principal is due at maturity which is July 8, 2023. Interest is calculated at 2% per annum. (see Note 6). | 42,578 | 218,750 |
| Note payable to Community Builders Alliance in the amount of $60,000. Payments are as follows: interest only at a rate of 0% per annum is payable monthly. Principal installments of $20,000 each are due October 1, 2021, 2022 and at maturity which is October 1, 2023. | 20,000 | 40,000 |

## 11. Notes Payable *(continued)*

| | 2023 | 2022 |
|---|---|---|
| Note payable to Community Builders Alliance in the amount of $100,000. Payments are as follows: interest only at a rate of 0% per annum is payable monthly. Principal installments of $50,000 each are due December 1, 2023, and at maturity which is December 1, 2024. | $ 100,000 | $ - |
| Note payable to Opportunity Finance Network in the amount of $1,000,000. Payments are as follows: interest only at a rate of 3% per annum is payable quarterly. Principal installments in three annual installments due September 8, 2030, 2031, and at maturity which is September 30, 2032. | 1,000,000 | - |
| | 3,489,091 | 3,661,454 |
| Current portion | (418,788) | (1,190,383) |
| Long-term debt | $ 3,070,303 | $ 2,471,071 |

Minimum future principal payments of all notes payable are as follows for the years ending June 30:

| | |
|---|---|
| 2024 | $ 418,788 |
| 2025 | 818,337 |
| 2026 | 301,921 |
| 2027 | 342,112 |
| 2028 | 215,637 |
| Thereafter | 1,392,296 |
| | $ 3,489,091 |

## 12. Net Assets With Donor Restrictions

Net assets released from restriction during the years ended June 30, were as follows:

| | 2023 | 2022 |
|---|---|---|
| Loan fund capital | $ 1,280,000 | $ 1,072,900 |
| Loan loss reserve | 3,000 | - |
| Technical assistance | 917,919 | 980,447 |
| Feasibility program | - | 75,000 |
| Microenterprise grants program | - | 32,490 |
| | $ 2,200,919 | $ 2,160,837 |

## 13. Lease Obligations

The Corporation leases its office space under an operating lease expiring September 2026. The lease has a remaining lease term of 3.25 years.

The components of lease costs were as follows for the year ended June 30, 2023:

| | |
|---|---|
| Lease expense | |
| Operating lease costs | $ 30,233 |

Information associated with the measurement of the Corporation's operating lease obligations as of June 30, 2023 is as follows:

| | |
|---|---|
| Weighted-average remaining lease term in years for the operating lease | 3.25 |
| Weighted-average discount rate for operating leases | 2.87% |

At June 30, 2023, maturities for operating lease liabilities were as follows for the years ending June 30:

| | |
|---|---|
| 2024 | $ 29,496 |
| 2025 | 30,270 |
| 2026 | 31,330 |
| 2027 | 7,899 |
| Total undiscounted cash flows | 98,995 |
| Present value discount | (4,427) |
| Total lease liabilities | $ 94,568 |

Supplemental cash flow information related to the operating lease was as follows for the year ended June 30, 2023:

| | |
|---|---|
| Cash paid for amounts included in the measurement of the lease liability | |
| Operating cash flows from operating lease | $ 29,496 |

For the year ended June 30, 2022, office rental expense was $39,543.

## 14. Retirement Plan

The Corporation established a 403(b) Defined Contribution Retirement Plan (the "Plan") effective in 2007. All employees are eligible to participate. Under the Plan, a participant may elect to defer pre-tax salary into the Plan. The Corporation makes matching contributions, only to full-time employees who work 30 hours or more per week, at a one-to-one match for the first 3% of a participant's salary and a .5-to-one match for the next 2% of a participant's salary. All contributions by participants and employer are immediately 100% vested. The Corporation contributed $29,525 and $18,108 in 2023 and 2022. The Plan is administered by a third party.

## 15. In-Kind Contributions

During the year ended June 30, 2023, the Corporation recognized in-kind contributions in the amount of $10,880 in the statements of activities and changes in net assets. These contributions consisted of donated legal services. The value of donated services were recorded at estimated fair value at the time the service was provided based on current rates for similar legal services. There were no restrictions on these contributions and the in-kind expense is recorded as management and general expense in the statements of functional expense.

## 16. Contingencies

Financial awards from federal, state, and local governmental entities in the form of grants and/or loans are subject to audit. Such audits could result in claims against the Corporation for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

* * * * *