# COMMUNITY HOUSING CAPITAL

## FINANCIAL REPORT
### SEPTEMBER 30, 2012

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Community Housing Capital
Decatur, Georgia

We have audited the accompanying statements of financial position of Community Housing Capital, a nonprofit public benefit corporation, as of September 30, 2012 and 2011, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Housing Capital as of September 30, 2012 and 2011, and the changes in its net assets, and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated November 13, 2012, on our consideration of Community Housing Capital’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.
Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying schedules of financial position by type and of activities by type as well as the schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Mauldin & Jenkins, LLC*

Atlanta, Georgia
November 13, 2012
## COMMUNITY HOUSING CAPITAL

### STATEMENTS OF FINANCIAL POSITION

**SEPTEMBER 30, 2012 AND 2011**

<table>
<thead>
<tr>
<th>Assets</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$6,004,088</td>
<td>$8,175,467</td>
</tr>
<tr>
<td>Restricted cash</td>
<td>894,724</td>
<td>783,286</td>
</tr>
<tr>
<td>Equity securities</td>
<td>720,000</td>
<td>-</td>
</tr>
<tr>
<td>Receivables</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans - net</td>
<td>45,866,188</td>
<td>40,412,917</td>
</tr>
<tr>
<td>Interest</td>
<td>430,652</td>
<td>258,166</td>
</tr>
<tr>
<td>Origination and other fees</td>
<td>77,524</td>
<td>56,784</td>
</tr>
<tr>
<td>Grants</td>
<td>1,453,806</td>
<td>2,500,000</td>
</tr>
<tr>
<td>Premises and equipment - net</td>
<td>1,107,094</td>
<td>854,864</td>
</tr>
<tr>
<td>Foreclosed assets</td>
<td>133,310</td>
<td>275,085</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>39,312</td>
<td>51,912</td>
</tr>
<tr>
<td>Deferred loan costs, net</td>
<td>87,798</td>
<td>85,433</td>
</tr>
<tr>
<td>Other assets</td>
<td>29,775</td>
<td>400</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$56,844,271</td>
<td>$53,454,314</td>
</tr>
</tbody>
</table>

**Liabilities and Net Assets**

| Accounts payable and accrued expenses | $143,319 | $217,441 |
| Interest payable                    | 252,918  | 71,879   |
| Borrower funds held in trust        | 894,724  | 391,611  |
| Secured borrowings                  | 227,205  | 230,132  |
| Notes payable                       | 36,612,312| 38,770,466|
| **Total liabilities**               | 38,130,478| 39,681,529|

Net assets:

| Unrestricted                      | 8,024,992 | 5,901,918 |
| Temporarily restricted            | 4,972,415 | 4,897,615 |
| Permanently restricted (Note 11)  | 5,716,386 | 2,973,252 |
| **Total net assets**              | 18,713,793| 13,772,785|

**Total liabilities and net assets**

| $56,844,271                      | $53,454,314|

**See Notes to Financial Statements.**
COMMUNITY HOUSING CAPITAL

STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2012 AND 2011

<table>
<thead>
<tr>
<th>2012</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue and support</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td>$2,705,189</td>
<td>-</td>
<td>-</td>
<td>$2,705,189</td>
</tr>
<tr>
<td>Loan origination fees and other income</td>
<td>601,625</td>
<td>-</td>
<td>-</td>
<td>601,625</td>
</tr>
<tr>
<td>Contributed grant revenue</td>
<td>503,690</td>
<td>1,626,306</td>
<td>2,743,134</td>
<td>4,873,130</td>
</tr>
<tr>
<td>Non-cash contributions</td>
<td>720,000</td>
<td>-</td>
<td>-</td>
<td>720,000</td>
</tr>
<tr>
<td>Gain on purchase of loans</td>
<td>184,285</td>
<td>-</td>
<td>-</td>
<td>184,285</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>1,551,506</td>
<td>(1,551,506)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total revenue and support</td>
<td>6,266,295</td>
<td>74,800</td>
<td>2,743,134</td>
<td>9,084,229</td>
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<tr>
<td>Expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program services:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personnel</td>
<td>955,030</td>
<td>-</td>
<td>-</td>
<td>955,030</td>
</tr>
<tr>
<td>Consultants and legal services</td>
<td>138,319</td>
<td>-</td>
<td>-</td>
<td>138,319</td>
</tr>
<tr>
<td>Travel and occupancy</td>
<td>148,953</td>
<td>-</td>
<td>-</td>
<td>148,953</td>
</tr>
<tr>
<td>Advertising and promotion</td>
<td>37,815</td>
<td>-</td>
<td>-</td>
<td>37,815</td>
</tr>
<tr>
<td>Conferences and meetings</td>
<td>13,458</td>
<td>-</td>
<td>-</td>
<td>13,458</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>7,215</td>
<td>-</td>
<td>-</td>
<td>7,215</td>
</tr>
<tr>
<td>Interest</td>
<td>996,071</td>
<td>-</td>
<td>-</td>
<td>996,071</td>
</tr>
<tr>
<td>Amortization</td>
<td>111,566</td>
<td>-</td>
<td>-</td>
<td>111,566</td>
</tr>
<tr>
<td>Provision for loan losses</td>
<td>667,500</td>
<td>-</td>
<td>-</td>
<td>667,500</td>
</tr>
<tr>
<td>Loss on foreclosed properties</td>
<td>94,287</td>
<td>-</td>
<td>-</td>
<td>94,287</td>
</tr>
<tr>
<td>Support services:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personnel</td>
<td>560,890</td>
<td>-</td>
<td>-</td>
<td>560,890</td>
</tr>
<tr>
<td>Management and general</td>
<td>306,797</td>
<td>-</td>
<td>-</td>
<td>306,797</td>
</tr>
<tr>
<td>Audit and accounting</td>
<td>86,656</td>
<td>-</td>
<td>-</td>
<td>86,656</td>
</tr>
<tr>
<td>Depreciation</td>
<td>18,664</td>
<td>-</td>
<td>-</td>
<td>18,664</td>
</tr>
<tr>
<td>Total expenses</td>
<td>4,143,221</td>
<td>-</td>
<td>-</td>
<td>4,143,221</td>
</tr>
<tr>
<td>Change in net assets</td>
<td>2,123,074</td>
<td>74,800</td>
<td>2,743,134</td>
<td>4,941,008</td>
</tr>
<tr>
<td>Net assets, beginning of year</td>
<td>5,901,918</td>
<td>4,897,615</td>
<td>2,973,252</td>
<td>13,772,785</td>
</tr>
<tr>
<td>Net assets, end of year</td>
<td>$8,024,992</td>
<td>$4,972,415</td>
<td>$5,716,386</td>
<td>$18,713,793</td>
</tr>
</tbody>
</table>

See Notes to Financial Statements.
COMMUNITY HOUSING CAPITAL

STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2012 AND 2011

2011

<table>
<thead>
<tr>
<th>Revenue and support</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income</td>
<td>$ 2,472,877</td>
<td>$ -</td>
<td>-</td>
<td>$ 2,472,877</td>
</tr>
<tr>
<td>Loan origination fees and other income</td>
<td>474,957</td>
<td>-</td>
<td>-</td>
<td>474,957</td>
</tr>
<tr>
<td>Contributed grant revenue</td>
<td>500,000</td>
<td>-</td>
<td>2,000,000</td>
<td>2,500,000</td>
</tr>
<tr>
<td>Forgiveness of debt</td>
<td>500,000</td>
<td>-</td>
<td>-</td>
<td>500,000</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>2,319,295</td>
<td>(2,319,295)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total revenue and support</strong></td>
<td>6,267,129</td>
<td>(2,319,295)</td>
<td>2,000,000</td>
<td>5,947,834</td>
</tr>
</tbody>
</table>

Expenses

Program services:
- Personnel                                               | 824,343      |
- Consultants and legal services                          | 169,102      |
- Travel and occupancy                                    | 157,908      |
- Advertising and promotion                               | 79,320       |
- Conferences and meetings                                | 16,099       |
- Miscellaneous                                           | 67,732       |
- Interest                                                | 639,722      |
- Amortization                                            | 127,635      |
- Provision for loan losses                               | 64,000       |
- **Total expenses**                                      | 2,895,938    |

Support services:
- Personnel                                               | 484,023      |
- Management and general                                  | 180,349      |
- Audit and accounting                                    | 79,139       |
- Depreciation                                            | 6,566        |
- **Total expenses**                                      | 2,895,938    |

Change in net assets                                      | 3,371,191    | (2,319,295)            | 2,000,000              | 3,051,896 |

Net assets, beginning of year                             | 2,530,727    | 7,216,910              | 973,252                | 10,720,889 |

Net assets, end of year                                    | $ 5,901,918  | $ 4,897,615            | $ 2,973,252            | $ 13,772,785 |

See Notes to Financial Statements.
### COMMUNITY HOUSING CAPITAL

#### STATEMENTS OF CASH FLOWS

**YEARS ENDED SEPTEMBER 30, 2012 AND 2011**

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<tr>
<th>OPERATING ACTIVITIES</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in net assets</td>
<td>$4,941,008</td>
<td>$3,051,896</td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets to net cash provided by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>18,664</td>
<td>6,566</td>
</tr>
<tr>
<td>Provision for loan losses</td>
<td>667,500</td>
<td>64,000</td>
</tr>
<tr>
<td>Amortization of loan fees</td>
<td>111,566</td>
<td>127,635</td>
</tr>
<tr>
<td>Contributed grant revenue permanently restricted</td>
<td>(2,743,134)</td>
<td>(2,000,000)</td>
</tr>
<tr>
<td>Writedown of other real estate owned</td>
<td>80,801</td>
<td>-</td>
</tr>
<tr>
<td><strong>(Increase) decrease in assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest receivable</td>
<td>(172,486)</td>
<td>(67,167)</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>12,600</td>
<td>(2,116)</td>
</tr>
<tr>
<td>Grant receivable</td>
<td>1,046,194</td>
<td>100,000</td>
</tr>
<tr>
<td>Deferred loan costs</td>
<td>(113,931)</td>
<td>(213,068)</td>
</tr>
<tr>
<td>Origination and other fees receivable</td>
<td>(20,740)</td>
<td>(49,424)</td>
</tr>
<tr>
<td>Other assets</td>
<td>(29,375)</td>
<td>(400)</td>
</tr>
<tr>
<td><strong>Increase (decrease) in liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable, interest payable, and accrued expenses</td>
<td>106,917</td>
<td>85,745</td>
</tr>
<tr>
<td>Grant payable</td>
<td>-</td>
<td>(3,476)</td>
</tr>
<tr>
<td>Borrower funds held in trust</td>
<td>503,113</td>
<td>(226,674)</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>4,408,697</td>
<td>873,517</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>INVESTING ACTIVITIES</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(Increase) decrease in restricted cash</td>
<td>(111,438)</td>
<td>863,475</td>
</tr>
<tr>
<td>Increase in equity securities</td>
<td>(720,000)</td>
<td>-</td>
</tr>
<tr>
<td>Net increase in loans</td>
<td>(6,120,771)</td>
<td>(1,387,697)</td>
</tr>
<tr>
<td>Purchase of property and equipment</td>
<td>(270,894)</td>
<td>(431,743)</td>
</tr>
<tr>
<td>Construction and acquisition of property and equipment</td>
<td>-</td>
<td>(415,895)</td>
</tr>
<tr>
<td>Proceeds from the sale of other real estate owned</td>
<td>60,974</td>
<td>116,753</td>
</tr>
<tr>
<td><strong>Net cash used in investing activities</strong></td>
<td>(7,162,129)</td>
<td>(1,255,107)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FINANCING ACTIVITIES</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net decrease in secured borrowings</td>
<td>(2,927)</td>
<td>(2,740)</td>
</tr>
<tr>
<td>Proceeds from contributed grant revenue permanently restricted</td>
<td>2,743,134</td>
<td>2,000,000</td>
</tr>
<tr>
<td>Proceeds from notes payable</td>
<td>14,200,000</td>
<td>28,412,312</td>
</tr>
<tr>
<td>Payment of notes payable</td>
<td>(16,358,154)</td>
<td>(24,532,511)</td>
</tr>
<tr>
<td><strong>Net cash provided by financing activities</strong></td>
<td>582,053</td>
<td>5,877,061</td>
</tr>
<tr>
<td>Increase (decrease) in cash and cash equivalents</td>
<td>(2,171,379)</td>
<td>5,495,471</td>
</tr>
<tr>
<td>Cash and cash equivalents, beginning of year</td>
<td>8,175,467</td>
<td>2,679,996</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents, end of year</strong></td>
<td>$6,004,088</td>
<td>$8,175,467</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SUPPLEMENTARY INFORMATION</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash paid for interest</td>
<td>$815,032</td>
<td>$634,106</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NONCASH INVESTING AND FINANCING ACTIVITIES</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Payment of notes payable through forgiveness of debt</td>
<td>$-</td>
<td>$500,000</td>
</tr>
<tr>
<td>Principal balances of loans transferred to other real estate owned</td>
<td>$-</td>
<td>$391,838</td>
</tr>
</tbody>
</table>

See Notes to Financial Statements.
COMMUNITY HOUSING CAPITAL
NOTES TO FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION AND NATURE OF ACTIVITIES

Community Housing Capital (CHC) was incorporated in California on November 7, 2000 and is a not-for-profit corporation that uses private and public support to make loans to NeighborWorks® organizations, a national network of local affordable housing not-for-profit organizations.

CHC’s mission is to develop and enhance the social, economic, and charitable welfare of under-served residents of inner-city neighborhoods, as well as suburban and rural communities across the country. CHC’s target market is designated as the low-income target population as defined by its CDFI certification. CHC reaches this target market exclusively through the NeighborWorks® customer base.

CHC provides primarily multifamily and interim real estate acquisition and development financing to NeighborWorks® organizations. With respect to development services, CHC provides technical assistance to NeighborWorks® organizations seeking financing.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

CHC uses the accrual method of accounting and the financial statements have been prepared on the accrual basis of accounting which recognizes income in the period earned and expenses when incurred, regardless of the timing of payments.

CHC follows the requirements of Financial Accounting Standards Board (FASB), Financial Statements of Not-for-Profit Organizations. Under FASB, CHC is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash is defined as cash in demand deposit accounts as well as cash on hand. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash.

Revenue Recognition and Donor-Imposed Restrictions

In accordance with FASB, Accounting for Contributions Received and Contributions Made, unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. All contributions and investment income are available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily or permanently restricted support that increases those net asset classes. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.
NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition and Donor-Imposed Restrictions (Continued)

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets.

Capital grants received from NeighborWorks® America are presented in a manner consistent with accounting principles generally accepted in the United States of America ("GAAP") and the grantor’s grant agreement as temporarily restricted or permanently restricted grant funds. Adjustments to the aggregate Capital Fund balance are only made with the consent of the grantor. The supplemental schedules: Financial Position by Type (page 24) and Activities by Type (page 25) provide detail reconciliations of NeighborWorks® America Capital Fund grants.

Equity Securities

CHC was the recipient of common stock in a privately held financial institution. The common stock is not publicly traded and does not have a readily determinable fair value. The stock is therefore carried at cost and is periodically reviewed for impairment of the cost basis.

Loans Receivable and Allowance for Loan Losses

Loans receivable consist of interim, permanent, and direct loans made to NeighborWorks® organizations and are carried at their outstanding principal balances, net of an allowance for loan losses. Interest income is accrued on the principal balance. Loan origination fees are recognized immediately, which management has determined is not materially different from generally accepted accounting principles. All interim, permanent and direct loans are secured by an assignment in the collateral of the underlying loans. Management has the intent and ability to hold these loans for the foreseeable future or until maturity or payoff.

Accrual of interest is discontinued on loans that become past due 90 days or more and for which collateral is inadequate to cover principal and interest, or immediately if management believes, after considering economic and business conditions and collection efforts, that a borrower’s financial condition is such that collection is doubtful. When a loan is placed on nonaccrual status, all previously accrued but uncollected interest is reversed against current period interest income. Future collections are applied first to principal and then to interest until such loans are brought current, at which time, loans may be returned to accrual status.

A loan is considered impaired when it is probable, based on current information and events, CHC will be unable to collect all principal and interest payments due in accordance with the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest when due. Loans that experience insignificant payment delays and payment shortfalls are not classified as impaired. Impaired loans are measured by either the present value of expected future cash flows discounted at the loan’s effective interest rate, the loan’s obtainable market price, or the fair value of the collateral if the loan is collateral dependent. Interest on accruing impaired loans is recognized as long as such loans do not meet the criteria for nonaccrual status.
NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans Receivable and Allowance for Loan Losses (Continued)

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to expense. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries are credited to the allowance.

The allowance for loan losses is evaluated on a quarterly basis by management and is based upon management's monthly review of the collectibility of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revisions as more information becomes available.

The allowance consists of general, specific and unallocated reserves. The general reserve applies to groups of loans with similar risk characteristics and is based on historical loss experience, adjusted for environmental and qualitative factors. The specific reserves relate to individual loans that are identified as impaired. The need for specific reserves is evaluated on all impaired loans and all loans modified in troubled debt restructurings. The specific reserves are determined on an individual loan basis based on management's evaluation of the circumstances and the value of any underlying collateral. Loans that have been identified as impaired are excluded from the calculation of general reserves. An unallocated reserve may be maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

Management believes the allowance for loan losses is adequate to absorb estimated losses relating to specifically identified loans, as well as probable credit losses inherent in the balance of the loan portfolio. While management uses available information to recognize losses on loans, future additions to the allowance may be necessary based on changes in economic conditions.

Deferred Loan Costs

Deferred loan costs are costs relating to the notes payables and are being amortized using the straight-line method over the life of the note payable. The use of the straight-line method and the interest method is not materially different for the year ended September 30, 2012. Accumulated amortization was $130,000 and $127,635, respectively, as of September 30, 2012 and 2011.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales, when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before maturity.

At September 30, 2012 and 2011, CHC has a loan participation totaling $227,205 and $230,132, respectively, which contains repurchase provisions that preclude CHC from accounting for the loan participation as a sale. This participation is classified in the liabilities section of the statements of financial position as secured borrowings.
NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Premises and Equipment

Premises and equipment is carried at cost less accumulated depreciation. CHC capitalizes significant purchases of fixed assets and all expenditures for repairs, maintenance, renewals and betterments that prolong the useful lives of assets. Depreciation is computed by the straight-line method over the estimated useful life of the assets.

Construction in Progress

Construction in progress consists of costs incurred on the new surveillance system that has not been completed and placed in service as of year-end.

Foreclosed Assets

Foreclosed assets acquired through loan foreclosure are held for sale and is initially recorded at fair value less selling costs. Any write-down to fair value at the time of transfer to other real estate owned is charged to the allowance for loan losses. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less costs to sell. Costs of improvements are capitalized, whereas costs relating to holding other real estate owned and subsequent write-downs to the value are expensed.

Income Taxes

CHC qualifies as a charitable organization as defined by Internal Revenue Code Section 501(c)(3) and, accordingly, is generally exempt from federal income taxes under Internal Revenue Code Section 501(a). CHC is however, required to file Federal Form 990 – Return of Organization Exempt from Income Tax. This is an informational return only. Accordingly, no provision for income taxes is made in the financial statements. Management evaluated CHC’s tax positions and concluded that CHC had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions on accounting for uncertainty in income taxes. With few exceptions, CHC is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2008.

Functional Expense Allocation

The cost of providing CHC’s various programs, as described in Note 1, have been summarized on a functional basis in the statement of activities on the basis of specific identification of time spent by personnel. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 3. RESTRICTED CASH

Restricted cash consists of the following:

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Farm (pledged as collateral on note payable)</td>
<td>$ -</td>
<td>$ 393,925</td>
</tr>
<tr>
<td>Borrower funds held in trust (see Note 7)</td>
<td>$894,724</td>
<td>$389,361</td>
</tr>
<tr>
<td></td>
<td>$894,724</td>
<td>$783,286</td>
</tr>
</tbody>
</table>
NOTES TO FINANCIAL STATEMENTS

NOTE 4. LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES

Loans receivable consist of notes secured by real estate with interest rates ranging from 3% to 8.5%.

The composition of loans is summarized as follows:

<table>
<thead>
<tr>
<th>September 30,</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
<td>2011</td>
</tr>
<tr>
<td>Real estate:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acquisition – land and buildings</td>
<td>$ 11,943,662</td>
<td>$ 19,012,279</td>
</tr>
<tr>
<td>Construction – 1-4 and multifamily</td>
<td>$ 14,562,926</td>
<td>$ 4,819,338</td>
</tr>
<tr>
<td>Permanent mortgage – multifamily rental</td>
<td>$ 17,447,465</td>
<td>$ 16,207,160</td>
</tr>
<tr>
<td>Permanent mortgage – 1-4 family direct serviced</td>
<td>$ 2,337,420</td>
<td>$ 559,435</td>
</tr>
<tr>
<td>Credit lines</td>
<td>$ 507,712</td>
<td>$ 1,631,708</td>
</tr>
<tr>
<td>Total loans, gross</td>
<td>$ 46,799,185</td>
<td>$ 42,229,920</td>
</tr>
<tr>
<td>Less:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Allowance for loan losses</td>
<td>$ 932,997</td>
<td>$ 1,817,003</td>
</tr>
<tr>
<td>Loans, net</td>
<td>$ 45,866,188</td>
<td>$ 40,412,917</td>
</tr>
</tbody>
</table>

For purposes of the disclosures required pursuant to ASC 310, the loan portfolio was disaggregated into segments and then further disaggregated into classes for certain disclosures. A portfolio segment is defined as the level at which an entity develops and documents a systematic method for determining its allowance for credit losses. There are three loan portfolio segments that include acquisition and construction, permanent mortgage, and credit lines. A class is generally determined based on the initial measurement attribute, risk characteristic of the loan, and CHC’s method for monitoring and assessing credit risk.

The following describe risk characteristics relevant to each of the portfolio segments:

Real estate - As discussed below, CHC offers various types of real estate loan products. All loans within this portfolio segment are particularly sensitive to the valuation of real estate:

- Loans for real estate acquisition and construction are repaid through cash flow related to the operations, sale or refinancing of the underlying property. This portfolio segment includes extensions of credit to non-profit real estate developers or investors where repayment is dependent on the sale of the real estate or income generated from the real estate collateral.

- Permanent mortgage include loans secured by first and junior liens on multifamily and 1-4 family residential properties. These loans are repaid by various means such as a borrower’s income, sale of the property, or rental income derived from the property.

- Credit lines are warehouse facilities for table funding single family mortgages for non-profit real estate developers.
NOTES TO FINANCIAL STATEMENTS

NOTE 4. LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES (Continued)

The loan committee, credit department and the executive management team as a whole are involved in the credit risk management process and assess the accuracy of loan risk ratings, the quality of the portfolio and the estimation of inherent credit losses in the loan portfolio. This process also assists in the prompt identification of problem credits. CHC has implemented many processes and procedures to manage the portfolios and reduce risk.

CHC’s credit risk management process includes defined policies, accountability and routine reporting to manage credit risk in the loan portfolio segments. Credit risk management is guided by loan policies that provide for a consistent and prudent approach to underwriting and approvals of credits. Within the loan policy, procedures exist that elevate the approval requirements as credits become larger and more complex. All loans are individually underwritten, risk-rated, approved, and monitored.

Responsibility and accountability for adherence to underwriting policies and accurate risk ratings lies in each portfolio segment. The risk management process focuses on managing customers who become delinquent in their payments. To insure problem credits are identified on a timely basis, independent loan reviews are performed to assess the adversely rated credits for proper risk rating and accrual status and, if necessary, to ensure such individual credits are properly graded by management. All loans are graded on an five-point scale and reviewed periodically for compliance with the defined criteria for each grade level.

Credit quality and trends in the loan portfolio segments are measured and monitored regularly. Detailed reports by product, past due status, grade and accrual status are reviewed by executive management, loan committee and the Board of Directors.

The allowance for loan losses is a valuation reserve allowance established through provisions for loan losses charged against income. The allowance for loan losses, which is evaluated quarterly, is maintained at a level that management deems sufficient to absorb probable losses inherent in the loan portfolio. Loans deemed to be uncollectible are charged against the allowance for loan losses, while recoveries of previously charged-off amounts are credited to the allowance for loan losses. The allowance for loan losses is comprised of specific valuation allowances for loans evaluated individually for impairment, general allocations for pools of homogeneous loans with similar risk characteristics and trends, and an unallocated component that reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

The allowance for loan losses related to specific loans is based on management’s estimate of potential losses on impaired loans as determined by (1) the present value of expected future cash flows; (2) the fair value of collateral if the loan is determined to be collateral dependent or (3) the loan’s observable market price. The general allocations to these loan pools are based on the historical loss rates for specific loan types and the internal risk grade, if applicable, adjusted for both internal and external qualitative risk factors. The total allowance established for each homogenous loan pool represents the product of the historical loss ratio and the total dollar amount of the loans in the pool adjusted to reflect management’s estimate of the effect of the various qualitative factors as noted above. The only change in CHC’s allowance for loan loss methodology for the years ended September 30, 2012 and 2011 was a change in the historical loss methodology from a proxy rate in 2011 to an actual loss experience in 2012.

The following table details activity in the allowance for loan losses by portfolio segment for the year ended September 30, 2012. Allocation of a portion of the reserve to one category of loans does not preclude its availability to absorb losses in other categories.
## NOTES TO FINANCIAL STATEMENTS

### NOTE 4. LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES (Continued)

<table>
<thead>
<tr>
<th>Allowance for loan losses:</th>
<th>Acquisition &amp;</th>
<th>Permanent</th>
<th>Credit lines</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning balance</td>
<td>$1,433,796</td>
<td>$356,121</td>
<td>$27,086</td>
<td>$1,817,003</td>
</tr>
<tr>
<td>Charge-offs</td>
<td>$(1,275,201)</td>
<td>$(276,305)</td>
<td>-</td>
<td>$(1,551,506)</td>
</tr>
<tr>
<td>Provision</td>
<td>462,094</td>
<td>224,674</td>
<td>$(19,268)</td>
<td>667,500</td>
</tr>
<tr>
<td>Ending balance</td>
<td>$620,689</td>
<td>$304,490</td>
<td>$7,818</td>
<td>$932,997</td>
</tr>
</tbody>
</table>

Ending balance – individually evaluated for impairment: $149,507

Ending balance – collectively evaluated for impairment: $783,490

### Loans:

<table>
<thead>
<tr>
<th>Loans</th>
<th>Acquisition &amp;</th>
<th>Permanent</th>
<th>Credit lines</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ending balance</td>
<td>$26,506,588</td>
<td>$19,784,885</td>
<td>$507,712</td>
<td>$46,799,185</td>
</tr>
<tr>
<td>Ending balance - individually evaluated for impairment</td>
<td>$846,885</td>
<td>$203,958</td>
<td>-</td>
<td>$1,050,843</td>
</tr>
<tr>
<td>Ending balance – collectively evaluated for impairment</td>
<td>$25,659,703</td>
<td>$19,580,927</td>
<td>$507,712</td>
<td>$45,748,342</td>
</tr>
</tbody>
</table>

Activity in the allowance for loan losses for the year ended September 30, 2011 was as follows:

<table>
<thead>
<tr>
<th>Activity</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, beginning of year</td>
<td>$2,122,298</td>
</tr>
<tr>
<td>Provision for loan losses</td>
<td>64,000</td>
</tr>
<tr>
<td>Loans charged off</td>
<td>$(369,295)</td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>$1,817,003</td>
</tr>
</tbody>
</table>
NOTES TO FINANCIAL STATEMENTS

NOTE 4. LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES (Continued)

A description of the general characteristics of the risk grades used by CHC is as follows:

- Pass - includes loans with low or average risk qualities where the probability of default is considered low.

- Special Mention - includes loans which are considered collectible at present, but have credit weaknesses which, if not addressed, could deteriorate into serious credit problems. This classification signifies the first sign of a loan problem ranging from adverse financial trends to major technical deficiencies. These loans may also be designated to identify potential weaknesses associated with large, complex or early development stage credits requiring intense supervision.

- Impaired - includes loans with credit weaknesses or collateral deficiency such that repayments as originally contemplated are no longer assured. Intensive and constructive loan supervision is necessary to effect collection. The credit risk in this situation relates to the possibility of loss of principal or interest. An impairment analysis is performed and a reserve set aside as appropriate.

The following table summarizes the risk category of CHC’s loan portfolio by class as of September 30, 2012:

<table>
<thead>
<tr>
<th></th>
<th>Pass</th>
<th>Special Mention</th>
<th>Impaired</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real estate:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acquisition – land and buildings</td>
<td>$ 9,896,777</td>
<td>$ 1,200,000</td>
<td>$ 846,885</td>
<td>$ 11,943,662</td>
</tr>
<tr>
<td>Construction – 1-4 and multifamily</td>
<td>14,259,305</td>
<td>303,621</td>
<td>-</td>
<td>14,562,926</td>
</tr>
<tr>
<td>Permanent mortgage – multifamily rental</td>
<td>16,932,776</td>
<td>514,689</td>
<td>-</td>
<td>17,447,465</td>
</tr>
<tr>
<td>Permanent mortgage – 1-4 family direct serviced</td>
<td>2,133,462</td>
<td>-</td>
<td>203,958</td>
<td>2,337,420</td>
</tr>
<tr>
<td>Credit lines</td>
<td>507,712</td>
<td></td>
<td>-</td>
<td>507,712</td>
</tr>
<tr>
<td>Total</td>
<td>$ 43,730,032</td>
<td>$ 2,018,310</td>
<td>$ 1,050,843</td>
<td>$ 46,799,185</td>
</tr>
</tbody>
</table>

A loan is considered past due if any required principal and interest payments have not been received as of the date such payments were required to be made under the terms of the loan agreement. Generally, CHC places loans on non-accrual when there is a clear indication that the borrower’s cash flow may not be sufficient to meet payments as they become due, which is generally when a loan is 90 days past due. The following table presents the aging of the recorded investment in loans and leases by class as of September 30, 2012:
NOTES TO FINANCIAL STATEMENTS

NOTE 4.  LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES (Continued)

<table>
<thead>
<tr>
<th>Past Due Status (Accruing Loans)</th>
<th></th>
<th></th>
<th>Total Past Due</th>
<th>Non-Accrual</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Current</td>
<td>30-89 Days</td>
<td>90+ Days</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real estate:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acquisition – land and buildings</td>
<td>$11,096,777</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$846,885</td>
</tr>
<tr>
<td>Construction – 1-4 and multifamily</td>
<td>14,562,926</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Permanent mortgage – multifamily rental</td>
<td>17,447,465</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Permanent mortgage – 1-4 family direct serviced</td>
<td>1,652,339</td>
<td>481,123</td>
<td>-</td>
<td>481,123</td>
<td>203,958</td>
</tr>
<tr>
<td>Credit lines</td>
<td>507,712</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>$45,267,219</td>
<td>$481,123</td>
<td>$ -</td>
<td>$481,123</td>
<td>$1,050,843</td>
</tr>
</tbody>
</table>

A loan is considered impaired when, based on current information and events, it is probable that CHC will be unable to collect all amounts due (both principal and interest) according to the terms of the loan agreement. It is implicit in these conditions that it must be probable that one or more future events will occur confirming the fact of the loss. The following table details our impaired loans, by portfolio class, as of September 30, 2012:

<table>
<thead>
<tr>
<th>With no related allowance recorded:</th>
<th>Recorded Investment</th>
<th>Unpaid Principal Balance</th>
<th>Related Allowance</th>
<th>Average Recorded Investment</th>
<th>Interest Income Recognized</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real estate:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acquisition – land and buildings</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Construction – 1-4 and multifamily</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Permanent mortgage – multifamily rental</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Permanent mortgage – 1-4 family direct serviced</td>
<td>203,958</td>
<td>203,958</td>
<td>-</td>
<td>203,958</td>
<td>4,151</td>
</tr>
<tr>
<td>Credit lines</td>
<td>507,712</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total with no related allowance recorded</td>
<td>203,958</td>
<td>203,958</td>
<td>-</td>
<td>203,958</td>
<td>4,151</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>With an allowance recorded:</th>
<th>Recorded Investment</th>
<th>Unpaid Principal Balance</th>
<th>Related Allowance</th>
<th>Average Recorded Investment</th>
<th>Interest Income Recognized</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real estate:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acquisition – land and buildings</td>
<td>846,885</td>
<td>846,885</td>
<td>149,507</td>
<td>846,885</td>
<td>-</td>
</tr>
<tr>
<td>Construction – 1-4 and multifamily</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Permanent mortgage – multifamily rental</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Permanent mortgage – 1-4 family direct serviced</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Credit lines</td>
<td>507,712</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total with an allowance recorded</td>
<td>846,885</td>
<td>846,885</td>
<td>149,507</td>
<td>846,885</td>
<td>4,151</td>
</tr>
</tbody>
</table>

Total impaired loans: $1,050,843 $1,050,843 $149,507 $1,050,843 $4,151
NOTES TO FINANCIAL STATEMENTS

NOTE 4. LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES (Continued)

The following is a summary of information pertaining to impaired, past due loans ninety days or more, and nonaccrual loans as of September 30, 2011.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impaired loans without a valuation allowance</td>
<td>$ 3,500,554</td>
</tr>
<tr>
<td>Impaired loans with a valuation allowance</td>
<td>$ 1,200,000</td>
</tr>
<tr>
<td>Total impaired loans</td>
<td>$ 4,700,554</td>
</tr>
<tr>
<td>Valuation allowance related to impaired loans</td>
<td>$ 1,120,000</td>
</tr>
<tr>
<td>Average investment in impaired loans</td>
<td>$ 3,905,506</td>
</tr>
<tr>
<td>Interest income recognized on impaired loans</td>
<td>$ 53,439</td>
</tr>
<tr>
<td>Total nonaccrual loans</td>
<td>$ 2,772,085</td>
</tr>
<tr>
<td>Total loans past due ninety days or more and still accruing</td>
<td>$ 48,831</td>
</tr>
</tbody>
</table>

The restructuring of a loan is considered a troubled debt restructuring ("TDR") if both (i) the borrower is experiencing financial difficulties and (ii) CHC has granted a concession.

In assessing whether or not a borrower is experiencing financial difficulties, CHC considers information currently available regarding the financial condition of the borrower. This information includes, but is not limited to, whether (i) the debtor is currently in payment default on any of its debt; (ii) a payment default is probable in the foreseeable future without the modification; (iii) the debtor has declared or is in the process of declaring bankruptcy and (iv) the debtor's projected cash flow is sufficient to satisfy contractual payments due under the original terms of the loan without a modification.

There were no troubled debt restructurings as of September 30, 2012 and 2011.

Future maturities on loans receivable within the next five years are as follows:

<table>
<thead>
<tr>
<th>Fiscal Year Ending September 30</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>$13,211,683</td>
</tr>
<tr>
<td>2014</td>
<td>10,339,422</td>
</tr>
<tr>
<td>2015</td>
<td>5,143,313</td>
</tr>
<tr>
<td>2016</td>
<td>1,319,260</td>
</tr>
<tr>
<td>2017</td>
<td>1,248,513</td>
</tr>
<tr>
<td>Thereafter</td>
<td>15,536,994</td>
</tr>
<tr>
<td></td>
<td>$ 46,799,185</td>
</tr>
</tbody>
</table>
NOTES TO FINANCIAL STATEMENTS

NOTE 5.  PREMISES AND EQUIPMENT

Premises and equipment are summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>September 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
</tr>
<tr>
<td>Land and improvements</td>
<td>$ 425,000</td>
</tr>
<tr>
<td>Building and improvements</td>
<td>659,329</td>
</tr>
<tr>
<td>Furniture and equipment</td>
<td>55,346</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>6,175</td>
</tr>
<tr>
<td></td>
<td>1,145,850</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>(38,756)</td>
</tr>
<tr>
<td></td>
<td>$ 1,107,094</td>
</tr>
</tbody>
</table>

NOTE 6.  FORECLOSED ASSETS

A summary of foreclosed assets as of September 30, 2012 and 2011:

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, beginning of the year</td>
<td>$ 275,085</td>
<td>$ -</td>
</tr>
<tr>
<td>Additions</td>
<td>-</td>
<td>391,838</td>
</tr>
<tr>
<td>Write-downs</td>
<td>(80,801)</td>
<td>-</td>
</tr>
<tr>
<td>Externally financed sales</td>
<td>(60,974)</td>
<td>(116,753)</td>
</tr>
<tr>
<td>Balance, end of the year</td>
<td>$ 133,310</td>
<td>$ 275,085</td>
</tr>
</tbody>
</table>

NOTE 7.  BORROWER FUNDS HELD IN TRUST

As a requirement for certain loans extended to borrowers, CHC holds a operating/debt service reserve and a replacement reserve in trust for the borrower. The reserves are required to be funded at certain levels based on the provisions of the security agreement between the borrower and CHC. The funds serve as security for the prompt payment of the borrower's indebtedness and the performance of all the terms and conditions of the loan.

NOTE 8.  UNUSED LINES OF CREDIT

On September 28, 2012, the Company entered in to a $1,000,000 revolving line of credit with Fidelity Bank that matures on October 28, 2013. Interest accrued is due monthly commencing October 28, 2012 with any outstanding principal plus accrued and unpaid interest due upon maturity. The line of credit is collateralized by the operations building of the Company. The interest rate floor is 5.50% or 0.75% plus prime. No amounts were outstanding on this committed line of credit at September 30, 2012.
## NOTES TO FINANCIAL STATEMENTS

### NOTE 9. NOTES PAYABLE

A summary of notes payable follows:

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Christus Health, in the original loan amount of $1,000,000, bears interest at 2% per annum. Interest is due and payable semi-annually on October 1 and April 1 of each calendar year, commencing on October 1, 2007. Principal and unpaid interest was due and was paid off in 2012 and the line was closed at that time. The loan is unsecured. The proceeds of the loan are used to make loans to borrowers within the Gulf Coast areas affected by hurricanes Katrina and Rita. Interest accrued was $0 and $10,000 as of September 30, 2012 and 2011, respectively, and is included in interest payable.</td>
<td>$</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>State Farm Bank, in the original loan amount of $33,000,000, bears interest at 1.71% per annum. Monthly payment of interest is due and payable on first business day of each month, commencing on August 1, 2010. Principal payments of loans funded through this facility are passed through to State Farm monthly. Principal and unpaid interest was due and was paid off in 2012 and the line was closed at that time. The loan is secured by the underlying loans receivable. Interest accrued was $0 and $21,586 as of September 30, 2012 and 2011, respectively, and is included in interest payable.</td>
<td>-</td>
<td>15,358,154</td>
</tr>
<tr>
<td>Morgan Stanley Bank, in the original line of credit amount of $20,000,000, bears interest at 2.50% plus the 30/60/90 day LIBOR Daily Floating Rate. Monthly payment of interest is due and payable on first business day of each month, commencing on October 1, 2010. Principal is due on October 1, 2013. The line of credit is secured by the underlying loans receivable. Accrued interest was $16,747 and $0 as of September 30, 2012 and 2011, respectively, and is included in interest payable.</td>
<td>10,286,436</td>
<td>7,286,436</td>
</tr>
</tbody>
</table>
NOTES TO FINANCIAL STATEMENTS

NOTE 9.  NOTES PAYABLE (Continued)

Deutsche Bank, in the original line of credit amount of $5,000,000, bears interest at 30, 60 or 90 day LIBOR plus 2.00% per annum. Interest is due monthly with any outstanding principal plus accrued and unpaid interest due upon maturity. The line of credit is unsecured. Principal is due on September 17, 2013. Accrued interest was $0 as of September 30, 2012 and 2011.  

10,000,000  5,000,000

Bank of America, in the original loan amount of $10,000,000, bears interest 4.00% per annum. Monthly payments of interest are due and payable at the end of each calendar quarter. Principal is due in $2,000,000 installments on June 28, 2014 and June 28, 2015, and $6,000,000 at maturity on June 28, 2016. The loan is secured by the underlying loans receivable. Accrued interest was $100,442 and $0 as of September 30, 2012 and 2011, respectively, and is included in interest payable.  

9,825,876  9,825,876

Calvert Foundation, in the original loan amount of $1,500,000, bears interest 4.50% per annum. Payments of interest are due semi-annually. Principal is due on October 1, 2016. The loan is unsecured. Accrued interest was $10,200 and $37 as of September 30, 2012 and 2011, respectively, and is included in interest payable.  

1,500,000  300,000

PNC Community Development Banking, in the original amount of $5,000,000, bears interest at 3.50% annum, payable on the Interest accrued is due quarterly with any outstanding principal plus accrued and unpaid interest due upon maturity. Principal is due on August 31, 2014. The loan is secured by the underlying loans receivable. Accrued interest was $44,236 and $0 as of September 30, 2012 and 2011, respectively, and is included in interest payable.  

5,000,000  

Total  

$ 36,612,312  $ 38,770,466

The proceeds from these notes are for interim and permanent development loans to NeighborWorks® organizations. The notes payable are either secured or unsecured depending on the specific investors’ requirements and various debt covenants.

The note payable with State Farm Fire and Casualty Company of $1,000,000 as of September 30, 2010 had $503,476 of debt forgiven on December 13, 2010. Of this $500,000 was the principal amount that was forgiven and is included in the Statement of Activities for the year ended September 30, 2011.

Scheduled principal repayments on notes payable for the next five years are as follows:

<table>
<thead>
<tr>
<th>Fiscal Year Ending September 30,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>$</td>
</tr>
<tr>
<td>2014</td>
<td>17,286,436</td>
</tr>
<tr>
<td>2015</td>
<td>12,000,000</td>
</tr>
<tr>
<td>2016</td>
<td>5,825,876</td>
</tr>
<tr>
<td>2017</td>
<td>1,500,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 36,612,312</strong></td>
</tr>
</tbody>
</table>
NOTES TO FINANCIAL STATEMENTS

NOTE 10. TEMPORARILY RESTRICTED NET ASSETS

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Department of Treasury&lt;sup&gt;(1)&lt;/sup&gt;</td>
<td>$750,000</td>
<td>$750,000</td>
</tr>
<tr>
<td>NeighborWorks® America capital grant&lt;sup&gt;(2)&lt;/sup&gt;</td>
<td>2,596,109</td>
<td>4,147,615</td>
</tr>
<tr>
<td>Community Development Financial Institutions Fund&lt;sup&gt;(3)&lt;/sup&gt;</td>
<td>1,453,806</td>
<td>-</td>
</tr>
<tr>
<td>Opportunity Finance Network&lt;sup&gt;(4)&lt;/sup&gt;</td>
<td>172,500</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$4,972,415</strong></td>
<td><strong>$4,897,615</strong></td>
</tr>
</tbody>
</table>

<sup>(1)</sup> These grant funds are provided through the CDFI program and are designated for the origination of affordable housing loans and for further strengthening CHC’s balance sheet and net asset position. The funds are included in loans receivable on the Statement of Financial Position.

<sup>(2)</sup> These grant funds are to be used for the purpose of being loaned as end borrower loans, recourse loan purchases, credit enhancements, interest rate write downs or for use as a loan loss reserve all in accordance with CHC’s business plan and mission. The funds are included in loans receivable on the Statement of Financial Position.

<sup>(3)</sup> These grant funds are provided through the CDFI program and are designated for the origination of affordable housing loans and for further strengthening CHC’s balance sheet and net asset position. The funds are included in grants receivable on the Statement of Financial Position.

<sup>(4)</sup> These grant funds are to be used for the purpose of making loans to Community Businesses to assist in job creation and retention, consistent with CHC’s tax-exempt status and stated charitable purpose. The grants cannot be used to fund CHC’s operations, including loans loss reserve expenses. The funds are included in loans receivable on the Statement of Financial Position.

NOTE 11. PERMANENTLY RESTRICTED NET ASSETS

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>NeighborWorks® America capital grant&lt;sup&gt;(1)&lt;/sup&gt;</td>
<td>$973,252</td>
<td>$973,252</td>
</tr>
<tr>
<td>NeighborWorks® America capital grant&lt;sup&gt;(2)&lt;/sup&gt;</td>
<td>2,000,000</td>
<td>2,000,000</td>
</tr>
<tr>
<td>NeighborWorks® America capital grant&lt;sup&gt;(2)&lt;/sup&gt;</td>
<td>2,000,000</td>
<td>-</td>
</tr>
<tr>
<td>NeighborWorks® America capital grant&lt;sup&gt;(3)&lt;/sup&gt;</td>
<td>743,134</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$5,716,386</strong></td>
<td><strong>$2,973,252</strong></td>
</tr>
</tbody>
</table>

<sup>(1)</sup> These grant funds are to be used for purposes that will build assets for CHC and support rehabilitation lending of affordable housing units. These funds cannot be used to absorb loan losses or for any other operational purpose. The funds are included in loans receivable on the Statement of Financial Position.

<sup>(2)</sup> These grant funds are to be used for the purpose of being loaned as end borrower loans, recourse loan purchases, credit enhancements, interest rate write downs or for use as a loan loss reserve all in accordance with CHC’s business plan and mission. In accordance with the master fund agreement, these funds are subordinated to investments in CHC made by third party investors and can also be used to absorb loan losses. The funds are included in loans receivable on the Statement of Financial Position.

<sup>(3)</sup> These grant funds are in the form of outstanding single family mortgages which were originally funded by NeighborWorks® America through a grant to Wichita / Sedgewick County NHS and transferred to CHC when that entity dissolved.
NOTES TO FINANCIAL STATEMENTS

NOTE 12. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions during the years ended September 30, 2012 and 2011 by incurring expenses or fulfilling use requirements thereby satisfying the restrictions specified by the indicated donors are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access Strategies</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>NeighborWorks® America</td>
<td>1,551,506</td>
<td>369,295</td>
</tr>
<tr>
<td>Treasury CDFI Fund</td>
<td>$</td>
<td>1,750,000</td>
</tr>
<tr>
<td></td>
<td>$ 1,551,506</td>
<td>$ 2,319,295</td>
</tr>
</tbody>
</table>

NOTE 13. COMMITMENTS AND CONTINGENCIES

Concentrations of Credit Risk

Financial instruments that potentially subject CHC to concentrations of credit risk consist principally of cash and cash equivalents. CHC places its cash and cash equivalents and restricted cash with several high credit quality financial institutions. Cash balances are federally insured up to FDIC limits based on the type of account. All of the Company’s cash accounts are fully insured by the FDIC as of September 30, 2012 and 2011.

Loan Commitments

At September 30, 2012, CHC has commitments to fund approximately $20,208,000 in loans.

Leases

The Company leased its former office facility under a noncancelable operating lease agreement. The lease has a current lease term ending June 30, 2014.

Rental expense amounted to $42,844 and $62,161 for the years ended September 30, 2012 and 2011, respectively. The September 30, 2012 rental expense includes rental receipts during the year.

Future minimum lease commitments on noncancelable operating leases, excluding any renewal options, are summarized as follows:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>$ 62,668</td>
</tr>
<tr>
<td>2014</td>
<td>$ 47,903</td>
</tr>
<tr>
<td></td>
<td>$ 110,571</td>
</tr>
</tbody>
</table>

On April 1, 2012, CHC entered into a sublease agreement through the remaining lease term in 2014.

Future minimum lease receipts on noncancelable operating leases, excluding any renewal options, are summarized as follows:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>$ 33,324</td>
</tr>
<tr>
<td>2014</td>
<td>$ 24,993</td>
</tr>
<tr>
<td></td>
<td>$ 58,317</td>
</tr>
</tbody>
</table>
NOTES TO FINANCIAL STATEMENTS

NOTE 14. GRANTS RECEIVABLE

During fiscal year 2012, CHC was the direct recipient of a temporarily restricted grant in the amount of $1,453,806 from the Community Development Financial Institutions Fund (CDFI).

NOTE 15. FAIR VALUES OF ASSETS AND LIABILITIES

Determination of Fair Value

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with the Fair Value Measurements and Disclosures topic (FASB ASC 820), the fair value of a financial instrument is 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. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Company’s various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

The recent fair value guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

Fair Value Hierarchy

In accordance with this guidance, the Company groups its financial assets and financial liabilities generally measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

Level 1 - Valuation is based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuation is based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3 - Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

A financial instrument’s categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.
NOTES TO FINANCIAL STATEMENTS

NOTE 15. FAIR VALUES OF ASSETS AND LIABILITIES (Continued)

Assets Measured at Fair Value on a Nonrecurring Basis: Under certain circumstances we make adjustments to fair value for our assets although they are not measured at fair value on an ongoing basis. The following table presents the financial instruments carried on the statement of financial position by caption and by level in the fair value hierarchy for which a nonrecurring change in fair value has been recorded:

<table>
<thead>
<tr>
<th>Fair Value Measurements Using</th>
<th>Quoted Prices In Active Markets for Identical Assets (Level 1)</th>
<th>Significant Other Observable Inputs (Level 2)</th>
<th>Significant Unobservable Inputs (Level 3)</th>
<th>Total Gains (Losses)</th>
</tr>
</thead>
<tbody>
<tr>
<td>September 30, 2012</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impaired loans</td>
<td>$</td>
<td>$</td>
<td>$1,050,843</td>
<td>$(149,507)</td>
</tr>
<tr>
<td>Foreclosed assets</td>
<td>-</td>
<td>-</td>
<td>133,310</td>
<td>$(80,801)</td>
</tr>
<tr>
<td>Equity securities</td>
<td>-</td>
<td>-</td>
<td>720,000</td>
<td>-</td>
</tr>
<tr>
<td>September 30, 2011</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impaired loans</td>
<td>$</td>
<td>-</td>
<td>$3,500,554</td>
<td>$(461,195)</td>
</tr>
<tr>
<td>Foreclosed assets</td>
<td>-</td>
<td>-</td>
<td>275,085</td>
<td>275,085</td>
</tr>
</tbody>
</table>

Nonrecurring fair value adjustments to impaired loans reflect full or partial write-downs or an allocation of the allowance for loan losses that are based on the loan's observable market price or current appraised value of the collateral. Loans subjected to nonrecurring fair value adjustments based on the current appraised value of the collateral may be classified as Level 2 or Level 3 depending on the type of asset and the inputs to the valuation. When appraisals are used to determine impairment, and these appraisals require significant adjustments to market-based valuation inputs or apply an income approach based on unobservable cash flows to measure fair value, the related loans subjected to nonrecurring fair value adjustments are typically classified as Level 3 due to the fact that Level 3 inputs are significant to the fair value measurement. The total losses of $149,507 consist of $0 of confirmed losses and $149,507 of allocations of the allowance for loan losses at September 30, 2012.

NOTE 16. SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 13, 2012, the date the financial statements were available to be issued.
SUPPLEMENTARY INFORMATION
COMMUNITY HOUSING CAPITAL

SCHEDULE OF FINANCIAL POSITION BY TYPE
YEAR ENDED SEPTEMBER 30, 2012

<table>
<thead>
<tr>
<th>Unrestricted - Expendable</th>
<th>Unrestricted - Other</th>
<th>Total Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grant</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity securities</td>
<td>$6,898,812</td>
<td>$6,898,812</td>
<td>$</td>
<td>$</td>
<td>$6,898,812</td>
</tr>
<tr>
<td>Receivables:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans - net</td>
<td>36,631,193</td>
<td>36,631,193</td>
<td>3,518,609</td>
<td>5,716,386</td>
<td>45,866,188</td>
</tr>
<tr>
<td>Interest</td>
<td>430,652</td>
<td>430,652</td>
<td>-</td>
<td>-</td>
<td>430,652</td>
</tr>
<tr>
<td>Origination and other fees</td>
<td>77,524</td>
<td>77,524</td>
<td>-</td>
<td>-</td>
<td>77,524</td>
</tr>
<tr>
<td>Grants</td>
<td>-</td>
<td>-</td>
<td>1,453,806</td>
<td>-</td>
<td>1,453,806</td>
</tr>
<tr>
<td>Premises and equipment</td>
<td>1,107,094</td>
<td>1,107,094</td>
<td>-</td>
<td>-</td>
<td>1,107,094</td>
</tr>
<tr>
<td>Foreclosed assets</td>
<td>133,310</td>
<td>133,310</td>
<td>-</td>
<td>-</td>
<td>133,310</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>39,312</td>
<td>39,312</td>
<td>-</td>
<td>-</td>
<td>39,312</td>
</tr>
<tr>
<td>Deferred loan costs, net</td>
<td>87,798</td>
<td>87,798</td>
<td>-</td>
<td>-</td>
<td>87,798</td>
</tr>
<tr>
<td>Other assets</td>
<td>29,775</td>
<td>29,775</td>
<td>-</td>
<td>-</td>
<td>29,775</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$46,155,470</td>
<td>$46,155,470</td>
<td>$4,972,415</td>
<td>$5,716,386</td>
<td>$56,844,271</td>
</tr>
</tbody>
</table>

LIABILITIES AND NET ASSETS

| Liabilities:                        |                     |                    |                        |                        |       |
| Accounts payable and accrued expenses | $143,319          | $143,319           | $                      | $                      | $143,319 |
| Interest payable                   | 252,918             | 252,918            | -                      | -                      | 252,918 |
| Notes payable                      | 36,612,312          | 36,612,312         | -                      | -                      | 36,612,312 |
| Secured borrowings                 | 227,205             | 227,205            | -                      | -                      | 227,205 |
| Borrower funds held in trust       | 894,724             | 894,724            | -                      | -                      | 894,724 |
| **Total liabilities**              | 38,130,478          | 38,130,478         | -                      | -                      | 38,130,478 |

Net assets:

| Unrestricted                   | 8,024,992           | 8,024,992          | -                      | -                      | 8,024,992 |
| Temporarily restricted         | -                   | -                  | 4,972,415              | -                      | 4,972,415 |
| Permanently restricted         | -                   | -                  | -                      | 5,716,386              | 5,716,386 |
| **Total net assets**           | 8,024,992           | 8,024,992          | 4,972,415              | 5,716,386              | 18,713,793 |

| Total liabilities and net assets | $46,155,470         | $46,155,470        | $4,972,415             | $5,716,386             | $56,844,271 |
# COMMUNITY HOUSING CAPITAL

## SCHEDULE OF ACTIVITIES BY TYPE

**YEAR ENDED SEPTEMBER 30, 2012**

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted - Expendable Grant</th>
<th>Unrestricted - Other</th>
<th>Total Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues and other support:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td>$</td>
<td>$ 2,705,189</td>
<td>$ 2,705,189</td>
<td>$</td>
<td>$</td>
<td>$ 2,705,189</td>
</tr>
<tr>
<td>Loan origination fees and other income</td>
<td>-</td>
<td>601,625</td>
<td>601,625</td>
<td>-</td>
<td>-</td>
<td>601,625</td>
</tr>
<tr>
<td>Contributed revenue</td>
<td>503,690</td>
<td>-</td>
<td>503,690</td>
<td>1,626,306</td>
<td>2,743,134</td>
<td>4,873,330</td>
</tr>
<tr>
<td>Non-cash contributions</td>
<td>-</td>
<td>720,000</td>
<td>720,000</td>
<td>-</td>
<td>-</td>
<td>720,000</td>
</tr>
<tr>
<td>Gain on purchase of loans</td>
<td>-</td>
<td>184,285</td>
<td>184,285</td>
<td>-</td>
<td>-</td>
<td>184,285</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>-</td>
<td>1,551,506</td>
<td>1,551,506</td>
<td>(1,551,506)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total revenues and other support</strong></td>
<td>503,690</td>
<td>5,762,605</td>
<td>6,266,295</td>
<td>74,800</td>
<td>2,743,134</td>
<td>9,084,229</td>
</tr>
</tbody>
</table>

| **Expenses:**             |                                |                      |                    |                        |                        |       |
| Interest expense          | 148,868                        | 847,203              | 996,071            | -                      | -                      | 996,071 |
| Personnel cost            | 226,562                        | 1,289,258            | 1,515,920          | -                      | -                      | 1,515,920 |
| Consulting and legal services | 33,624                         | 104,695              | 138,319            | -                      | -                      | 138,319 |
| Travel and occupancy     | 15,859                         | 133,094              | 148,953            | -                      | -                      | 148,953 |
| Equipment                 | 10,493                         | 16,871               | 27,364             | -                      | -                      | 27,364 |
| Telecommunications        | 5,792                          | 32,959               | 38,751             | -                      | -                      | 38,751 |
| Other operating and administrative | 40,111                         | 314,924              | 355,035            | -                      | -                      | 355,035 |
| Supplies                  | 4,602                          | 26,189               | 30,791             | -                      | -                      | 30,791 |
| Provision for loan losses | -                              | 667,500              | 667,500            | -                      | -                      | 667,500 |
| Loss on foreclosed properties | -                              | 94,287               | 94,287             | -                      | -                      | 94,287 |
| Amortization              | -                              | 111,566              | 111,566            | -                      | -                      | 111,566 |
| Depreciation              | -                              | 18,664               | 18,664             | -                      | -                      | 18,664 |
| **Total expenses**        | 485,911                        | 5,657,510            | 4,143,221          | -                      | -                      | 4,143,221 |

| **Change in net assets**  | 17,779                         | 2,105,295            | 2,123,074          | 74,800                 | 2,743,134              | 4,941,008 |

| **Net assets, beginning of year** | 1,940,475                      | 3,961,443            | 5,901,918          | 4,897,615              | 2,973,252              | 13,772,785 |

| **Net assets, end of year**   | $ 1,958,254                    | $ 6,066,738          | $ 8,024,992        | $ 4,972,415            | $ 5,716,386            | $ 18,713,793 |
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Community Housing Capital
Decatur, Georgia

We have audited the financial statements of Community Housing Capital (a nonprofit organization) as of and for the year ended September 30, 2012, and have issued our report thereon dated November 13, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of Community Housing Capital is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Community Housing Capital’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Community Housing Capital’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization’s internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Community Housing Capital’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.
This report is intended solely for the information and use of management, the Board of Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mauldin & Jenkins, LLC

Atlanta, Georgia
November 13, 2012
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors of
Community Housing Capital
Decatur, Georgia

Compliance

We have audited the compliance of Community Housing Capital (a nonprofit organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012. Community Housing Capital’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Community Housing Capital’s management. Our responsibility is to express an opinion on Community Housing Capital’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Community Housing Capital’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Community Housing Capital’s compliance with those requirements.

In our opinion, Community Housing Capital complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012.

Internal Control Over Compliance

Management of Community Housing Capital is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program. In planning and performing our audit, we considered Community Housing Capital’s internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Community Housing Capital’s internal control over compliance.
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mauldin & Jenkins, LLC

Atlanta, Georgia
November 13, 2012
## COMMUNITY HOUSING CAPITAL
### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
#### YEAR ENDED SEPTEMBER 30, 2012

<table>
<thead>
<tr>
<th>Federal Grantor/Program Title/Pass-Through Grantor</th>
<th>Federal CFDA Number</th>
<th>Authorized Disbursements/Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>U.S. Department of Treasury:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community Development Financial Institutions Program (CDFI):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Awards made in current year with continuing compliance:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct-funded awards:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CDFI Grant Program - Award No. 121AF010850</td>
<td>21.020</td>
<td>$1,453,806</td>
</tr>
<tr>
<td>Awards made in prior years with continuing compliance:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct-funded awards:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CDFI Grant Program - Award No. 101FA008976</td>
<td>21.020</td>
<td>$750,000</td>
</tr>
<tr>
<td><strong>NeighborWorks® America:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Awards made in current year with continuing compliance:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct-funded awards</td>
<td>21.020</td>
<td>$2,000,000</td>
</tr>
<tr>
<td>Direct-funded awards</td>
<td>21.020</td>
<td>$743,134</td>
</tr>
<tr>
<td>Awards made in prior years with continuing compliance:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct-funded awards</td>
<td>21.020</td>
<td>$2,000,000</td>
</tr>
<tr>
<td>Direct-funded awards</td>
<td>21.020</td>
<td>$3,569,560</td>
</tr>
<tr>
<td>Awards made in prior years with continuing compliance:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pass-through program from:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Neighborhood Housing Services of America</td>
<td>21.020</td>
<td>$1,587,475</td>
</tr>
</tbody>
</table>

**TOTAL FEDERAL AWARDS**  

| $12,103,975 |
COMMUNITY HOUSING CAPITAL
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2012

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

NOTE 2. PRIOR YEARS' EXPENDITURES

The accompanying schedule of expenditures of federal awards includes $7,907,035 in expenditures from prior years for which continuing compliance is required.
COMMUNITY HOUSING CAPITAL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2012

Section I - Summary of Auditor’s Results

Financial Statements
Type of auditor’s report issued: Unqualified
Internal control over financial reporting:
    Material weakness(es) identified? Yes No
    Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes No
Noncompliance material to financial statements noted? Yes No

Federal Awards
Internal control over major programs:
    Material weakness(es) identified? Yes No
    Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes No
Type of auditor’s report issued on compliance for major programs: Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes No
Identification of major programs
    CFDA #21.020

Name of Federal Program of Cluster
U.S. Department of Treasury - Community Development Financial Institutions Program
NeighborWorks® America

Dollar threshold used to distinguish between Type A and Type B programs:
    $300,000
Auditee qualified as low-risk auditee? Yes No

Section II - Financial Statement Findings
None

Section III - Federal Award Findings and Questioned Costs
None
COMMUNITY HOUSING CAPITAL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

I. FINANCIAL STATEMENT FINDINGS:
   NONE REPORTED

II. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
   NONE REPORTED