COMMUNITY HOUSING CAPITAL
AND SUBSIDIARY

CONSOLIDATED FINANCIAL REPORT

SEPTEMBER 30, 2014

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MAULDIN & JENKINS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Community Housing Capital and Subsidiary, a nonprofit public benefit corporation, which comprise the consolidated statements of financial position as of September 30, 2014 and 2013, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Community Housing Capital and Subsidiary as of September 30, 2014 and 2013, 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information shown on pages 24 to 25 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is also not a required part of the 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. Such 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2014, on our consideration of Community Housing Capital and Subsidiary's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Community Housing Capital and Subsidiary's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
November 3, 2014

COMMUNITY HOUSING CAPITAL
AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2014 AND 2013

Assets	2014	2013
Cash and cash equivalents	$ 4,145,532	$ 4,953,191
Restricted cash	1,301,518	947,514
Equity securities	776,700	720,000
Receivables		
Loans - net	57,197,204	50,697,499
Interest	282,167	312,270
Origination and other fees	77,380	92,816
Premises and equipment - net	1,074,092	1,095,191
Foreclosed assets	211,189	279,799
Prepaid expenses	50,571	41,326
Deferred debt costs, net	130,691	85,496
Other assets	6,503	6,503
Total assets	$ 65,253,547	$ 59,231,605
Liabilities and Net Assets		
Accounts payable and accrued expenses	$ 245,510	$ 194,153
Interest payable	177,501	168,813
Borrower funds held in trust	1,300,223	946,811
Secured borrowings	-	224,080
Notes payable	40,612,312	37,112,312
Total liabilities	42,335,546	38,646,169
Net assets:		
Unrestricted	8,682,117	8,227,052
Temporarily restricted (Note 9)	4,369,498	4,541,998
Permanently restricted (Note 10)	9,866,386	7,816,386
Total net assets	22,918,001	20,585,436
Total liabilities and net assets	$ 65,253,547	$ 59,231,605

See Notes to Consolidated Financial Statements.

COMMUNITY HOUSING CAPITAL
AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support				
Interest income	$ 3,696,763	$ -	$ -	$ 3,696,763
Loan origination fees and other income	758,989	-	-	758,989
Contributed grant revenue	300,000	-	2,050,000	2,350,000
Net assets released from restrictions	172,500	(172,500)	-	-
Total revenue and support	4,928,252	(172,500)	2,050,000	6,805,752
Expenses				
Program services:				
Personnel	1,192,114	-	-	1,192,114
Consultants and legal services	127,860	-	-	127,860
Travel and occupancy	141,455	-	-	141,455
Advertising and promotion	84,648	-	-	84,648
Conferences and meetings	26,915	-	-	26,915
Miscellaneous	3,942	-	-	3,942
Interest	1,349,956	-	-	1,349,956
Amortization	83,346	-	-	83,346
Provision for loan losses	285,999	-	-	285,999
Foreclosed properties expense	79,389	-	-	79,389
Support services:				
Personnel	700,130	-	-	700,130
Management and general	231,723	-	-	231,723
Audit and accounting	133,046	-	-	133,046
Depreciation	32,664	-	-	32,664
Total expenses	4,473,187	-	-	4,473,187
Change in net assets	455,065	(172,500)	2,050,000	2,332,565
Net assets, beginning of year	8,227,052	4,541,998	7,816,386	20,585,436
Net assets, end of year	$ 8,682,117	$ 4,369,498	$ 9,866,386	$ 22,918,001

See Notes to Consolidated Financial Statements.

COMMUNITY HOUSING CAPITAL
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CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support				
Interest income	$ 3,226,364	$ -	$ -	$ 3,226,364
Loan origination fees and other income	513,902	-	-	513,902
Contributed grant revenue	245,205	-	2,100,000	2,345,205
Net assets released from restrictions	430,417	(430,417)	-	-
Total revenue and support	4,415,888	(430,417)	2,100,000	6,085,471
Expenses				
Program services:				
Personnel	1,046,941	-	-	1,046,941
Consultants and legal services	112,782	-	-	112,782
Travel and occupancy	152,458	-	-	152,458
Advertising and promotion	65,103	-	-	65,103
Conferences and meetings	39,333	-	-	39,333
Miscellaneous	7,335	-	-	7,335
Interest	1,242,936	-	-	1,242,936
Amortization	43,605	-	-	43,605
Provision for loan losses	487,000	-	-	487,000
Foreclosed properties expense	13,788	-	-	13,788
Support services:				
Personnel	614,867	-	-	614,867
Management and general	250,501	-	-	250,501
Audit and accounting	105,320	-	-	105,320
Depreciation	31,859	-	-	31,859
Total expenses	4,213,828	-	-	4,213,828
Change in net assets	202,060	(430,417)	2,100,000	1,871,643
Net assets, beginning of year	8,024,992	4,972,415	5,716,386	18,713,793
Net assets, end of year	$ 8,227,052	$ 4,541,998	$ 7,816,386	$ 20,585,436

See Notes to Consolidated Financial Statements.

COMMUNITY HOUSING CAPITAL
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CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	2014	2013
OPERATING ACTIVITIES		
Change in net assets	$ 2,332,565	$ 1,871,643
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	32,664	31,859
Provision for loan losses	285,999	487,000
Amortization of debt costs	83,346	43,605
Contributed grant revenue permanently restricted	(2,050,000)	(2,100,000)
Writedown of foreclosed assets	60,000	-
(Increase) decrease in assets:		
Interest receivable	30,103	118,382
Prepaid expenses	(9,245)	(2,014)
Grant receivable	-	1,453,806
Deferred debt costs	(128,541)	(41,303)
Origination and other fees receivable	15,436	(15,292)
Other assets	-	23,270
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	51,357	50,835
Interest payable	8,688	(84,105)
Borrower funds held in trust	353,412	52,088
Net cash provided by operating activities	1,065,784	1,889,774
INVESTING ACTIVITIES		
Increase in restricted cash	(354,004)	(52,790)
Increase in equity securities	(56,700)	-
Net increase in loans	(6,785,704)	(5,498,311)
Purchase of premises and equipment	(11,565)	(19,956)
Proceeds from the sale of foreclosed assets	8,610	33,511
Net cash used in investing activities	(7,199,363)	(5,537,546)
FINANCING ACTIVITIES		
Net decrease in secured borrowings	(224,080)	(3,125)
Proceeds from contributed grant revenue permanently restricted	2,050,000	2,100,000
Proceeds from notes payable	7,500,000	15,000,000
Payment of notes payable	(4,000,000)	(14,500,000)
Net cash provided by financing activities	5,325,920	2,596,875
Decrease in cash and cash equivalents	(807,659)	(1,050,897)
Cash and cash equivalents, beginning of year	4,953,191	6,004,088
Cash and cash equivalents, end of year	$ 4,145,532	$ 4,953,191
SUPPLEMENTARY INFORMATION		
Cash paid for interest	$ 1,341,268	$ 1,327,041
NONCASH INVESTING AND FINANCING ACTIVITIES		
Principal balances of loans transferred to foreclosed assets	$ -	$ 180,000

See Notes to Consolidated 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® network organizations, a national network of local not-for-profit affordable housing 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 Community Development Financial Institution ("CDFI") certification. CHC reaches this target market exclusively through the NeighborWorks® network organization customer base.

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

REL Property Holdings, LLC, ("REL") a Georgia limited liability Company, is included in the consolidated financial statements of CHC. REL was formed in March 2013 in Atlanta, GA, for the purpose of holding certain foreclosed assets of CHC. As of September 30, 2014 and 2013, REL holds $120,000 and $180,000, respectively, of the foreclosed assets recorded in the consolidated statements of financial position.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated 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. The consolidated financial statements of CHC include the accounts of REL. Intercompany accounts and all significant intercompany transactions have been eliminated in consolidation.

CHC follows the requirements of Financial Accounting Standards Board's Accounting Standards Codification (ASC) 958, *Financial Statements for Not-for-Profit Organizations*. Under ASC 958, 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 ("GAAP") 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. CHC maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. CHC has not experienced any losses in such accounts. CHC believes it is not exposed to any significant credit risk on cash.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition and Donor-Imposed Restrictions

In accordance with ASC 958-605, *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.

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 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's equity securities consist of investments in two financial institutions. The first is the result of CHC being the recipient of common stock in a privately held financial institution during 2012. 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. As of September 30, 2014 and 2013, the cost basis of this security is $720,000 and no impairment has been recognized.

The second equity security is the result of CHC joining the Federal Home Loan Bank system during 2014. Consequently, CHC is required to maintain an investment in the capital stock of the Federal Home Loan Bank of Atlanta (FHLB). Based on redemption provisions, this stock has no quoted market value and is carried at cost. At its discretion, the FHLB may declare dividends on the stock. Management reviews for impairment based on the ultimate recoverability of the cost basis in these stocks. As of September 30, 2014, the cost basis of this security is $56,700 and no impairment has been recognized.

Loans Receivable and Allowance for Loan Losses

Loans receivable consist of interim, permanent, and direct loans made to NeighborWorks® network organizations and are carried at their outstanding principal balances, net of an allowance for loan losses. Interest income is accrued on the principal balance. Origination fees and costs are recognized immediately at the time the loan is originated. With the exception of two credit facilities, all interim, permanent and direct loans are secured by an assignment in the underlying collateral. 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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans Receivable and Allowance for Loan Losses (Continued)

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.

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 Debt Costs

Deferred debt costs are costs relating to the notes payables and are being amortized using the straight-line method over the life of the note payable.

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 foreclosed assets 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 foreclosed assets and subsequent write-downs to the value are expensed.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 CHC, (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) CHC does not maintain effective control over the transferred assets through an agreement to repurchase them before maturity. As of September 30, 2014, all of CHC's loan participation arrangements qualify as sales of financial assets and each is sold on a nonrecourse basis.

At September 30, 2013, CHC had a loan participation totaling $224,080 which contained repurchase provisions that precluded CHC from accounting for the loan participation as a sale. This participation was classified in the liabilities section of the consolidated statements of financial position as secured borrowings. As of September 30, 2014, this loan had been paid off.

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.

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 2011.

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 consolidated statements 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 borrower funds held in trust (see Note 7) of $1,301,518 and $947,514, respectively as of September 30, 2014 and 2013.

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 7.4% as of September 30, 2014.

The composition of loans is summarized as follows:

	September 30, 2014	September 30, 2013
Real estate:		
Acquisition – land and buildings	**$ 28,538,250**	$ 15,570,943
Construction – 1-4 and multifamily	**10,079,790**	14,754,369
Permanent mortgage – multifamily rental	**16,549,814**	18,159,802
Permanent mortgage – 1-4 family direct serviced	**2,137,432**	2,397,877
Credit lines	**1,162,831**	809,807
Total loans, gross	**58,468,117**	51,692,798
Less:		
Allowance for loan losses	**1,270,913**	995,299
Loans, net	**$ 57,197,204**	$ 50,697,499

Portfolio Segmentation

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 loan losses. There are three loan portfolio segments that include acquisition and construction loans, 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. Acquisition loans and construction loans are separate classes within the acquisition and construction segment and multifamily rental loans and 1-4 family direct serviced loans are classes within the permanent mortgage segment. The credit line segment is not further segregated by class.

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 secured by real estate are particularly sensitive to the valuation of the related properties:

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

- The permanent mortgage portfolio segment includes loans secured by first and junior liens on multifamily rental properties and mortgage loans secured by 1-4 family residential properties. Multifamily rental properties are repaid principally from the rental income derived from the property with the borrower's income or sale of the property as a secondary source of repayment. Mortgage loans secured by 1-4 family residential properties are repaid principally from the borrower's income, with the sale of the property as a secondary source of repayment.

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

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

Credit Risk Management

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. All extensions of credit are approved by the Board of Directors.

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. All loans are individually underwritten, risk-rated, approved, and monitored.

Responsibility and accountability for adherence to underwriting policies and accurate risk ratings lies with the credit risk management function. 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 a five-point scale and reviewed monthly for compliance with the defined criteria for each grade level.

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

A description of the general characteristics of the risk grades used by CHC in its credit risk management process 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, 2014:

	Pass	Special Mention	Impaired	Total
Real estate:				
Acquisition – land and buildings	$ 25,784,212	$ 1,603,615	$ 1,150,423	$ 28,538,250
Construction – 1-4 and multifamily	9,997,161	82,629	-	10,079,790
Permanent mortgage – multifamily rental	16,371,287	-	178,527	16,549,814
Permanent mortgage – 1-4 family direct serviced	2,137,432	-	-	2,137,432
Credit lines	1,162,831	-	-	1,162,831
Total	$ 55,452,923	$ 1,686,244	$ 1,328,950	$ 58,468,117

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

Credit Risk Management (Continued)

The following table summarizes the risk category of CHC's loan portfolio by class as of September 30, 2013:

	Pass	Special Mention	Impaired	Total
Real estate:				
Acquisition – land and buildings	$ 11,412,670	$ 2,187,700	$ 1,970,573	$ 15,570,943
Construction – 1-4 and multifamily	13,994,405	759,964	-	14,754,369
Permanent mortgage – multifamily rental	18,159,802	-	-	18,159,802
Permanent mortgage – 1-4 family direct serviced	2,397,877	-	-	2,397,877
Credit lines	809,807	-	-	809,807
Total	$ 46,774,561	$ 2,947,664	$ 1,970,573	$ 51,692,798

Allowance for Loan Losses

The following table details activity in the allowance for loan losses by portfolio segment. Allocation of a portion of the reserve to one category of loans does not preclude its availability to absorb losses in other categories.

Activity in the allowance for loan losses for the year ended September 30, 2014 was as follows:

	Acquisition & Construction	Permanent Mortgage	Credit Lines	Total
Allowance for loan losses:				
Beginning balance	$ 583,724	$ 395,977	$ 15,598	$ 995,299
Provision for loan losses	267,888	15,918	2,193	285,999
Charge-offs	-	(25,037)	-	(25,037)
Recoveries	-	14,652	-	14,652
Ending balance	$ 851,612	$ 401,510	$ 17,791	$ 1,270,913
Ending balance – individually evaluated for impairment	$ 71,863	$ -	$ -	$ 71,863
Ending balance – collectively evaluated for impairment	779,749	401,510	17,791	1,199,050
Total ending balance	$ 851,612	$ 401,510	$ 17,791	$ 1,270,913
Loans:				
Ending balance – individually evaluated for impairment	$ 1,150,423	$ 178,527	$ -	$ 1,328,950
Ending balance – collectively evaluated for impairment	37,467,617	18,508,719	1,162,831	57,139,167
Total ending balance	$ 38,618,040	$ 18,687,246	$ 1,162,831	$ 58,468,117

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

Allowance for Loan Losses (Continued)

Activity in the allowance for loan losses for the year ended September 30, 2013 was as follows:

	Acquisition & Construction	Permanent Mortgage	Credit Lines	Total
Allowance for loan losses:				
Beginning balance	$ 620,689	$ 304,490	$ 7,818	$ 932,997
Provision for loan losses	346,705	132,515	7,780	487,000
Charge-offs	(383,670)	(41,028)	-	(424,698)
Recoveries	-	-	-	-
Ending balance	$ 583,724	$ 395,977	$ 15,598	$ 995,299
Ending balance – individually evaluated for impairment	$ -	$ -	$ -	$ -
Ending balance – collectively evaluated for impairment	583,724	395,977	15,598	995,299
Total ending balance	$ 583,724	$ 395,977	$ 15,598	$ 995,299
Loans:				
Ending balance - individually evaluated for impairment	$ 1,970,573	$ -	$ -	$ 1,970,573
Ending balance – collectively evaluated for impairment	28,354,739	20,557,679	809,807	49,722,225
Total ending balance	$ 30,325,312	$ 20,557,679	$ 809,807	$ 51,692,798

Past Due Loans

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, 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.

The following table presents the aging of the recorded investment in loans by class as of September 30, 2014:

		Past Due Status (Accruing Loans)				
	Current	30-89 Days	90+ Days	Total Past Due	Non-Accrual	Total
Real estate:						
Acquisition – land and buildings	$ 27,371,027	$ 16,800	$ -	$ 16,800	$ 1,150,423	$ 28,538,250
Construction – 1-4 and multifamily	10,079,790	-	-	-	-	10,079,790
Permanent mortgage – multifamily rental	16,371,287	-	178,527	178,527	-	16,549,814
Permanent mortgage – 1-4 family direct serviced	1,634,976	203,783	298,673	502,456	-	2,137,432
Credit lines	1,162,831	-	-	-	-	1,162,831
Total	$ 56,619,911	$ 220,583	$ 477,200	$ 697,783	$ 1,150,423	$ 58,468,117

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

Past Due Loans (Continued)

The following table presents the aging of the recorded investment in loans by class as of September 30, 2013:

	Current	Past Due Status (Accruing Loans) 30-89 Days	90+ Days	Total Past Due	Non-Accrual	Total
Real estate:						
Acquisition – land and buildings	$ 14,539,903	$ -	$ -	$ -	$ 1,031,040	$ 15,570,943
Construction – 1-4 and multifamily	14,754,369	-	-	-	-	14,754,369
Permanent mortgage – multifamily rental	18,159,802	-	-	-	-	18,159,802
Permanent mortgage – 1-4 family direct serviced	2,208,166	69,245	120,466	189,711	-	2,397,877
Credit lines	809,807	-	-	-	-	809,807
Total	$ 50,472,047	$ 69,245	$ 120,466	$ 189,711	$ 1,031,040	$ 51,692,798

Impaired Loans

Impaired loans exhibit credit weaknesses or collateral deficiencies such that repayment as originally contemplated is 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 details our impaired loans, by portfolio class, as of September 30, 2014:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Real estate:					
Acquisition – land and buildings	$ -	$ -	$ -	$ -	$ -
Construction – 1-4 and multifamily	-	-	-	-	-
Permanent mortgage – multifamily rental	178,527	178,527	-	178,527	11,604
Permanent mortgage – 1-4 family direct serviced	-	-	-	-	-
Credit lines	-	-	-	-	-
Total with no related allowance recorded	178,527	178,527	-	178,527	11,604
With an allowance recorded:					
Real estate:					
Acquisition – land and buildings	1,150,423	1,150,423	71,863	1,150,423	-
Construction – 1-4 and multifamily	-	-	-	-	-
Permanent mortgage – multifamily rental	-	-	-	-	-
Permanent mortgage – 1-4 family direct serviced	-	-	-	-	-
Credit lines	-	-	-	-	-
Total with an allowance recorded	1,150,423	1,150,423	71,863	1,150,423	-
Total impaired loans:	$ 1,328,950	$ 1,328,950	$ 71,863	$ 1,328,950	$ 11,604

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

Impaired Loans (Continued)

The following table details our impaired loans, by portfolio class, as of September 30, 2013:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Real estate:					
Acquisition – land and buildings	$ 1,970,573	$ -	$ -	$ 1,970,573	$ -
Construction – 1-4 and multifamily	-	-	-	-	-
Permanent mortgage – multifamily rental	-	-	-	-	-
Permanent mortgage – 1-4 family direct serviced	-	-	-	-	-
Credit lines	-	-	-	-	-
Total with no related allowance recorded	1,970,573	-	-	1,970,573	-
With an allowance recorded:					
Real estate:					
Acquisition – land and buildings	-	-	-	-	-
Construction – 1-4 and multifamily	-	-	-	-	-
Permanent mortgage – multifamily rental	-	-	-	-	-
Permanent mortgage – 1-4 family direct serviced	-	-	-	-	-
Credit lines	-	-	-	-	-
Total with an allowance recorded	-	-	-	-	-
Total impaired loans:	$ 1,970,573	$ -	$ -	$ 1,970,573	$ -

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 and would be classified as an impaired loan. 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, 2014 and 2013.

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

Fiscal Year Ending September 30,	
2015	$ 12,936,917
2016	15,578,791
2017	3,890,230
2018	9,231,249
2019	892,756
Thereafter	15,938,174
	$ 58,468,117

NOTE 5. PREMISES AND EQUIPMENT

Premises and equipment are summarized as follows:

	September 30, 2014	September 30, 2013
Land and improvements	**$ 425,000**	$ 425,000
Building and improvements	**666,694**	666,694
Furniture and equipment	**81,711**	74,112
	1,173,405	1,165,806
Less accumulated depreciation	**(99,313)**	(70,615)
	$ 1,074,092	$ 1,095,191

NOTE 6. FORECLOSED ASSETS

A summary of foreclosed assets for the years ended September 30, 2014 and 2013 is as follows:

	2014	2013
Balance, beginning of the year	**$ 279,799**	$ 133,310
Additions	**-**	180,000
Write-downs	**(60,000)**	-
Externally financed sales	**(8,610)**	(33,511)
Balance, end of the year	**$ 211,189**	$ 279,799

NOTE 7. BORROWER FUNDS HELD IN TRUST

As a requirement for certain loans extended to borrowers, CHC holds an operating/debt service reserve, a replacement reserve in trust or escrows for single family mortgages for the borrowers. The reserves are required to be funded at certain levels based on the provisions of the security agreement between the borrower and CHC.

NOTE 8. NOTES PAYABLE

A summary of notes payable follows:

	September 30, 2014	September 30, 2013
Morgan Stanley Bank, revolving line of credit dated September 30, 2010 with an original line of credit amount of $20,000,000, bears interest at the 30/60/90 day LIBOR Daily Floating Rate plus 2.50% per annum. Interest is due on the first business day of each month. The line of credit expires on October 1, 2015 and any funds advanced are subject to the maturity of the underlying notes, which may be up to forty-two (42) months after fund date. The loan is secured by the underlying loans receivable. Accrued interest was $11,017 and $12,163 as of September 30, 2014 and 2013, respectively, and is included in interest payable.	**$ 5,286,436**	$ 5,786,436

NOTE 8. NOTES PAYABLE (Continued)

	September 30, 2014	September 30, 2013
Deutsche Bank, revolving line of credit dated September 17, 2010 with an original line of credit amount of $10,000,000, subsequently increased to $15,000,000, bears interest at the 30/60/90 day LIBOR Daily Floating Rate plus 2.00% per annum. Interest is due quarterly with any outstanding principal plus accrued and unpaid interest due upon maturity. The loan is secured by the underlying loans receivable. Principal is due on October 1, 2015. Accrued interest was $0 as of September 30, 2014 and 2013.	**$ 12,000,000**	$ 10,000,000
Bank of America, in the original loan amount of $10,000,000, dated September 30, 2010, bears interest at 4.00% per annum. Interest is due and payable at the end of each calendar quarter. Principal is due in a $2,000,000 installment on June 28, 2015, and the remaining balance at maturity on June 28, 2016. The loan is secured by the underlying loans receivable. Accrued interest was $0 and $0 as of September 30, 2014 and 2013, respectively, and is included in interest payable.	**7,825,876**	9,825,876
Calvert Foundation, in the original loan amount of $1,500,000, dated September 30, 2011, bears interest at 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 $0 and $0 as of September 30, 2014 and 2013, respectively, and is included in interest payable.	**1,500,000**	1,500,000
Calvert Foundation, in the original loan amount of $3,500,000, dated August 9, 2013, bears interest at 4.50% per annum. Payments of interest are due semi-annually. Principal is due on July 31, 2018. The loan is unsecured. Accrued interest was $26,688 and $21,000 as of September 30, 2014 and 2013, respectively, and is included in interest payable.	**3,500,000**	3,500,000
PNC Community Development Banking, dated September 15, 2011, in the original amount of $5,000,000, subsequently increased to $7,000,000, bears interest at 3.00% per annum, payment of interest accrued is due quarterly with any outstanding principal plus accrued and unpaid interest due upon maturity. Principal is due on October 18, 2016. The loan is unsecured. Accrued interest was $53,667 and $0 as of September 30, 2014 and 2013, respectively, and is included in interest payable.	**7,000,000**	5,000,000
Everence Community Investments, Inc., dated December 6, 2013 in the original amount of $500,000, bears interest at 4.50% annum, payment of interest accrued is due semi-annually with any outstanding principal plus accrued and unpaid interest due upon maturity. Principal is due on December 31, 2016. The loan is unsecured. Accrued interest was $5,750 and $0 as of September 30, 2014 and 2013, respectively, and is included in interest payable.	**500,000**	-
Wells Fargo Bank, revolving line of credit dated March 31, 2014 with an original line of credit amount of $6,000,000, bears interest at 30 day LIBOR plus 2.65% per annum, payment of interest accrued is due quarterly with any outstanding principal plus accrued and unpaid interest due upon maturity. Principal is due on March 31, 2018. The loan is secured by the underlying loans receivable. Accrued interest was $4,833 and $0 as of September 30, 2014 and 2013, respectively, and is included in interest payable.	**2,000,000**	-

NOTE 8. NOTES PAYABLE (Continued)

	September 30, 2014	September 30, 2013
Wells Fargo Community Investment Holdings, LLC, Equity Equivalent Investment, dated December 20, 2013 in the original amount of $1,000,000, bears interest at 2.00% annum, payment of interest accrued is due quarterly with any outstanding principal plus accrued and unpaid interest due upon maturity. Principal is due on December 23, 2025. The loan is unsecured. Accrued interest was $5,000 and $0 as of September 30, 2014 and 2013, respectively, and is included in interest payable.	**$ 1,000,000**	$ -
Fidelity Bank, revolving line of credit in the original amount of $1,000,000 dated September 28, 2012, bears interest at 5.5% per annum, payment of interest accrued is due monthly with any outstanding principal plus accrued and unpaid interest due upon maturity. The line of credit expired on October 28, 2014. The line is secured by CHC's office and an additional CHC loan receivable. There were no amounts drawn under the line of credit during the years ended September 30, 2014 and 2013.	**-**	-
Branch Banking and Trust Company, revolving line of credit dated August 29, 2014 with an original line of credit amount of $5,000,000, bears interest at 30 day LIBOR plus 2.65% per annum, payment of interest accrued is due quarterly with any outstanding principal plus accrued and unpaid interest due upon maturity. The line of credit expires on August 29, 2015 and any funds advanced are subject to the maturity of the underlying notes, which may be up to forty-two (42) months after fund date. The loan is secured by the underlying loans receivable. There were no amounts drawn under the line of credit during the year ended September 30, 2014.	**-**	-
Opportunity Finance Network, in the original loan amount of $1,500,000 dated August 22, 2013, bears interest at 4.25% per annum. The line was repaid and closed on September 8, 2014.	**-**	1,500,000
Total	**$ 40,612,312**	$ 37,112,312

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

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

Fiscal Year Ending September 30,	
2015	$ 2,000,000
2016	17,825,876
2017	9,000,000
2018	10,786,436
2019 and thereafter	1,000,000
	$ 40,612,312

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9. TEMPORARILY RESTRICTED NET ASSETS

	September 30, 2014	September 30, 2013
U.S. Department of Treasury CDFI Fund [1]	**$ 750,000**	$ 750,000
NeighborWorks® America capital grant [2]	**2,171,412**	2,171,412
U.S. Department of Treasury CDFI Fund [3]	**1,448,086**	1,448,086
Opportunity Finance Network [4]	**-**	172,500
	$ 4,369,498	$ 4,541,998

(1) 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.

(2) 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.

(3) 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.

(4) 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. During the year ended September 30, 2014, these funds were released from restriction.

NOTE 10. PERMANENTLY RESTRICTED NET ASSETS

	September 30, 2014	September 30, 2013
NeighborWorks® America capital grant [1]	**$ 973,252**	$ 973,252
NeighborWorks® America capital grant [2]	**2,000,000**	2,000,000
NeighborWorks® America capital grant [2]	**2,000,000**	2,000,000
NeighborWorks® America capital grant [2]	**2,100,000**	2,100,000
NeighborWorks® America capital grant [2]	**2,050,000**	-
NeighborWorks® America capital grant [2]	**743,134**	743,134
	$ 9,866,386	$ 7,816,386

(1) 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.

(2) 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.

NOTE 11. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions of $172,500 and $430,417, respectively, were released from Opportunity Finance Network donor restrictions during the year ended September 30, 2014 and NeighborWorks® America donor restrictions during the year ended September 30, 2013 by incurring expenses or fulfilling use requirements thereby satisfying the restrictions specified by the donors.

NOTE 12. 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 and loans. CHC places its cash and cash equivalents and restricted cash with several high-credit quality financial institutions all of which are "well-capitalized" under federal regulatory standards. Cash balances are federally insured up to FDIC limits based on the type of account. CHC maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. CHC has not experienced any losses in such accounts. CHC believes it is not exposed to any significant credit risk on cash.

To limit CHC's exposure to concentrations of credit risk within the loan portfolio, CHC maintains internal lending policies that restrict the amount of loans to one borrower or a group of related borrowers. CHC generally does not extend credit to any single NeighborWorks borrower in excess of the lesser of $6,000,000 or 25% of net assets.

Loan Commitments

At September 30, 2014 and 2013, CHC has commitments to fund approximately $28,900,000 and $23,600,000 in loans, respectively.

Leases

Rental expense amounted to $22,132 and $28,329 for the years ended September 30, 2014 and 2013, respectively and related to CHC's former office facility that was leased under a non-cancelable operating lease agreement. The lease term ended on June 30, 2014 and there is no remaining lease obligation under that lease as CHC now owns and occupies its operating facility which is disclosed more fully in Note 5.

NOTE 13. FAIR VALUES OF ASSETS AND LIABILITIES

Determination of Fair Value

CHC 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 (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 CHC'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.

NOTE 13. FAIR VALUES OF ASSETS AND LIABILITIES (Continued)

Determination of Fair Value (Continued)

The 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, CHC 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.

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 a recurring 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:

	Fair Value Measurements Using			
	Quoted Prices In Active Markets for Identical Assets (Level 1)	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total Gains (Losses)**
September 30,2014:				
Impaired loans	**$ -**	**$ -**	**$ 1,078,560**	**$ (71,863)**
Foreclosed assets	**-**	**91,189**	**120,000**	**(60,000)**
September 30, 2013:				
Impaired loans	$ -	$ -	$ 1,031,040	$ (174,095)
Foreclosed assets	-	99,799	180,000	-

NOTE 13. FAIR VALUES OF ASSETS AND LIABILITIES (Continued)

Assets Measured at Fair Value on a Nonrecurring Basis (Continued)

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 on impaired loans of $71,863 consist of $0 of confirmed losses and $71,863 of allocations of the allowance for loan losses at September 30, 2014. The total losses on impaired loans of $174,095 consist of $174,095 of confirmed losses and $0 of allocations of the allowance for loan losses at September 30, 2013.

Nonrecurring fair value adjustments to foreclosed assets are based on the current appraised value of the property and may be classified as Level 2 or Level 3 depending on the type of property 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 foreclosed assets 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.

NOTE 14. SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 3, 2014, the date the consolidated financial statements were available to be issued, and no additional disclosures are necessary.

SUPPLEMENTARY INFORMATION

COMMUNITY HOUSING CAPITAL
AND SUBSIDIARY

CONSOLIDATED SCHEDULE OF FINANCIAL POSITION BY TYPE
SEPTEMBER 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
ASSETS				
Total cash	$ 5,447,050	$ -	$ -	$ 5,447,050
Equity securities	776,700	-	-	776,700
Receivables:				
Loans - net	42,961,320	4,369,498	9,866,386	57,197,204
Interest	282,167	-	-	282,167
Origination and other fees	77,380	-	-	77,380
Premises and equipment - net	1,074,092	-	-	1,074,092
Foreclosed assets	211,189	-	-	211,189
Prepaid expenses	50,571	-	-	50,571
Deferred debt costs, net	130,691	-	-	130,691
Other assets	6,503	-	-	6,503
Total assets	$ 51,017,663	$ 4,369,498	$ 9,866,386	$ 65,253,547
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable and accrued expenses	$ 245,510	$ -	$ -	$ 245,510
Interest payable	177,501	-	-	177,501
Borrower funds held in trust	1,300,223	-	-	1,300,223
Notes payable	40,612,312	-	-	40,612,312
Total liabilities	42,335,546	-	-	42,335,546
Net assets:				
Unrestricted	8,682,117	-	-	8,682,117
Temporarily restricted	-	4,369,498	-	4,369,498
Permanently restricted	-	-	9,866,386	9,866,386
Total net assets	8,682,117	4,369,498	9,866,386	22,918,001
Total liabilities and net assets	$ 51,017,663	$ 4,369,498	$ 9,866,386	$ 65,253,547

COMMUNITY HOUSING CAPITAL
AND SUBSIDIARY

CONSOLIDATED SCHEDULE OF ACTIVITIES BY TYPE
YEAR ENDED SEPTEMBER 30, 2014

	Unrestricted - Expendable Grant	Unrestricted - Other	Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and other support:						
Interest income	$ -	$ 3,696,763	$ 3,696,763	$ -	$ -	$ 3,696,763
Loan origination fees and other income	-	758,989	758,989	-	-	758,989
Contributed grant revenue	300,000	-	300,000	-	2,050,000	2,350,000
Net assets released from restrictions	-	172,500	172,500	(172,500)	-	-
Total revenues and other support	300,000	4,628,252	4,928,252	(172,500)	2,050,000	6,805,752
Expenses:						
Personnel	142,210	1,750,034	1,892,244	-	-	1,892,244
Consultants and legal services	9,609	118,251	127,860	-	-	127,860
Travel and occupancy	10,631	130,824	141,455	-	-	141,455
Advertising and promotion	6,362	78,286	84,648	-	-	84,648
Conferences and meetings	2,023	24,892	26,915	-	-	26,915
Miscellaneous	296	3,646	3,942	-	-	3,942
Interest	101,455	1,248,501	1,349,956	-	-	1,349,956
Amortization	-	83,346	83,346	-	-	83,346
Provision for loan losses	-	285,999	285,999	-	-	285,999
Foreclosed properties expense	-	79,389	79,389	-	-	79,389
Management and general	17,415	214,308	231,723	-	-	231,723
Audit and accounting	9,999	123,047	133,046	-	-	133,046
Depreciation	-	32,664	32,664	-	-	32,664
Total expenses	300,000	4,173,187	4,473,187	-	-	4,473,187
Change in net assets	-	455,065	455,065	(172,500)	2,050,000	2,332,565
Net assets, beginning of year	1,699,769	6,527,283	8,227,052	4,541,998	7,816,386	20,585,436
Net assets, end of year	$ 1,699,769	$ 6,982,348	$ 8,682,117	$ 4,369,498	$ 9,866,386	$ 22,918,001

INDEPENDENT AUDITOR'S 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 and Subsidiary
Decatur, Georgia

We have audited, in accordance with the 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, the consolidated financial statements of Community Housing Capital and Subsidiary, a nonprofit public benefit corporation, which comprise the consolidated statement of financial position as of September 30, 2014, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 3, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Community Housing Capital and Subsidiary's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 and Subsidiary's internal control. Accordingly, we do not express an opinion on the effectiveness of Community Housing Capital and Subsidiary's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Community Housing Capital and Subsidiary's consolidated financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Atlanta, Georgia
November 3, 2014

MAULDIN & JENKINS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited Community Housing Capital and Subsidiary's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Community Housing Capital and Subsidiary's major federal programs for the year ended September 30, 2014. Community Housing Capital and Subsidiary's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Community Housing Capital and Subsidiary's major federal programs based on our audit of the types of compliance requirements referred to above. 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 and Subsidiary'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 on compliance for each major federal program. However, our audit does not provide a legal determination of Community Housing Capital and Subsidiary's compliance.

Opinion on Each Major Federal Program

In our opinion, Community Housing Capital and Subsidiary complied, in all material respects, with the types of compliance 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, 2014.

200 GALLERIA PARKWAY S.E., SUITE 1700 • ATLANTA, GA 30339-5946 • 770-955-8600 • 800-277-0080 • FAX 770-980-4489 • www.mjcpa.com
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Report on Internal Control Over Compliance

Management of Community Housing Capital and Subsidiary is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Community Housing Capital and Subsidiary's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 and Subsidiary'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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Atlanta, Georgia
November 3, 2014

COMMUNITY HOUSING CAPITAL
AND SUBSIDIARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2014

Federal Grantor/Pass-Through Grantor/Federal CFDA Program Title	*Federal CFDA Number*	*Authorized Disbursements/ Expenditures*
U.S. Department of Treasury:		
Community Development Financial Institutions Program (CDFI):		
Awards made in prior years with continuing compliance:		
Direct-funded awards:		
CDFI Grant Program - Award No. 101FA008976	21.020	$ 750,000
CDFI Grant Program - Award No. 121AF010850	21.020	1,448,086
NeighborWorks® America:		
Awards made in current year with non-continuing compliance:		
Direct-funded awards	21.020	300,000
Awards made in current year with continuing compliance:		
Direct-funded awards	21.020	2,050,000
Awards made in prior years with continuing compliance:		
Direct-funded awards	21.020	11,575,272
TOTAL FEDERAL AWARDS		$ 16,123,358

COMMUNITY HOUSING CAPITAL
AND SUBSIDIARY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2014

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 $13,773,358 in expenditures from prior years for which continuing compliance is required.

NOTE 3. EXPENDITURES RELEASED FROM RESTRICTIONS

As of September 30, 2014, awards made in prior years by NeighborWorks® America with continuing compliance that have been removed in the fiscal year that CHC fulfilled the use of the requirements and thereby satisfied the restrictions had a cumulative total to date of $3,678,589.

COMMUNITY HOUSING CAPITAL
AND SUBSIDIARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2014

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	_____Yes	__X__No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____Yes	__X__No
Noncompliance material to financial statements noted?	_____Yes	__X__No

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	_____Yes	__X__No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____Yes	__X__No
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	_____Yes	__X__No
Identification of major programs	*Name of Federal Program of Cluster*	
CFDA #21.020	U.S. Department of Treasury - Community Development Financial Institutions Program	
	NeighborWorks® America	
Dollar threshold used to distinguish between Type A and Type B programs:	$483,701	
Auditee qualified as low-risk auditee?	____Yes	__X__No

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

COMMUNITY HOUSING CAPITAL
AND SUBSIDIARY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

I. FINANCIAL STATEMENT FINDINGS:

NONE REPORTED

II. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE REPORTED

November 11, 2014

To the Board of Directors
Community Housing Capital and Subsidiary
402 E. Howard Avenue
Decatur, Georgia 30032

We have audited the consolidated financial statements of Community Housing Capital and Subsidiary (the "Organization") for the year ended September 30, 2014, and have issued our report thereon dated November 3, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 22, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Organization are described in Note 2 to the consolidated financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2014. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the consolidated financial statements in the proper period.

Accounting estimates are an integral part of the consolidated financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the consolidated financial statements was:

- Management's estimate of the allowance for loan losses is based on historical loss levels, adjusted for qualitative factors, and an analysis of the collectability of individual accounts. We evaluated the key factors and assumptions used to develop the allowance for loan losses in determining that it is reasonable in relation to the consolidated financial statements taken as a whole.

- Management's estimate of fair value is based on using relevant market information and other assumptions of the asset being valued. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. We evaluated the key factors and assumptions used to develop the fair value estimates in determining that it is reasonable in relation to the consolidated financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We made no corrections to the consolidated financial statements presented to us to begin our audit. In addition, there were no uncorrected misstatements accumulated by us as of September 30, 2014.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the attached management representation letter dated November 3, 2014.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the consolidated financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the consolidated financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the consolidated financial statements or to the consolidated financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of Community Housing Capital and Subsidiary and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

MAULDIN & JENKINS, LLC

Hanson Borders

COMMUNITY
HOUSING CAPITAL
WHEN THE MISSING PIECE IS CAPITAL

402 E. Howard Avenue
Decatur, GA 30030
(866) 477-4215

November 3, 2014

Mauldin & Jenkins, LLC
200 Galleria Parkway, SE
Suite 1700
Atlanta, GA 30339

This representation letter is provided in connection with your audit of the consolidated financial statements of Community Housing Capital (CHC), which comprise the consolidated statements of financial position as of September 30, 2014 and 2013, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of November 3, 2014, the following representations made to you during your audit.

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated July 22, 2014.
- The financial statements referred to above are fairly presented in conformity with U.S. GAAP.
- We acknowledge our responsibility 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.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- As part of your audit, you prepared the draft financial statements and related notes and schedule of expenditures of federal awards. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have assumed all management responsibilities. We have reviewed, approved, and accepted responsibility for those financial statements and related notes and schedule of expenditures of federal awards.
- Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
    - The appropriateness and consistency of the measurement processes used by management in determining accounting estimates.
    - That the assumptions appropriately reflect management's intent and ability to carry out specific courses of action.

    - That the disclosures related to accounting estimates are complete and appropriate.
    - That no subsequent event has occurred that would require adjustment to the accounting estimates or disclosures included in the financial statements.

- Related party relationships, if any, and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- All of the following have been properly recorded or disclosed in the financial statements as applicable:
    - Related party relationships and transactions and related amounts receivable or payable, including loans, sales, purchases, transfers, leasing arrangements, and guarantees.
    - Contingent assets and liabilities, including loans charged off and commitments to extend credit.
    - Commitments to originate, purchase, or sell loans and participations.
    - Sales of loans or other transfers of financial assets.
    - The following information about financial instruments with concentrations of credit risk:
        - The common activity, region, or characteristic that identifies the concentration.
        - The maximum loss that could result if the counterparties completely failed to perform their obligations and any collateral for the amounts due were worthless to CHC.
        - CHC's policy of requiring collateral to minimize the risk, the nature of this collateral, and information about CHC's access to the collateral.
- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- We have disclosed to you all of our—
    - Nonperforming assets.
    - Intentions to foreclose or repossess property.
- If applicable, provision has been made for:
    - Losses, costs, or expenses that may be incurred in the collection of securities, loans, leases, and real estate.
    - Losses, costs, or expenses that may be incurred in the disposition of other real estate owned.
    - Liabilities for interest on notes payable and participation loans.
    - Other than temporary declines in the value of investment securities and other investment assets.
- We agree with the findings of appraisers used and have adequately considered the qualifications of the appraisers in determining the amounts and disclosures in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to appraisers regarding the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the appraisers.
- The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP, if applicable.
- Material concentrations have been appropriately disclosed in accordance with U.S. GAAP.
- Guarantees, whether written or oral, under which the organization is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.
- CHC has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

Information Provided

- We have provided you with:
  - o Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
  - o Additional information that you have requested from us for the purpose of the audit.
  - o Unrestricted access to persons within CHC from whom you determined it necessary to obtain audit evidence.
  - o Completeness and availability of all minutes of the meetings of the governing board and related committees, or summaries of actions of recent meetings for which minutes were not yet prepared.
- All material transactions have been recorded in the accounting records and are reflected in the financial statements or the schedule of federal awards.
- We have no knowledge of any fraud or suspected fraud that affects the organization and involves:
  - o Management,
  - o Employees who have significant roles in internal control, or
  - o Others where the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud or suspected fraud affecting CHC's financial statements communicated by employees, former employees, grantors, or others.
- We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
- We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- CHC has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- CHC is an exempt organization under Section 501(c)3 of the Internal Revenue Code. Any activities of which we are aware that would jeopardize CHC's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.
- We acknowledge our responsibility for presenting the supplementary information required by *Government Auditing Standards* and in accordance with U.S. GAAP, and we believe the supplementary information required by *Government Auditing Standards*, including its form and content, is fairly presented in accordance with U.S. GAAP. The methods of measurement and presentation of the supplementary information required by *Government Auditing Standards* have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
- Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, lines of credit, or similar arrangements have been properly disclosed.

- CHC's Federal tax returns for 2011, 2012 and 2013 are subject to examination by the IRS, generally for three years after they were filed. The Organization recognizes tax benefits only to the extent the Organization believes it is "more likely than not" that its tax positions will be sustained upon IRS examination.
- With respect to federal award programs:
    - We are responsible for understanding and complying with, and have complied with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, including requirements relating to preparation of the schedule of expenditures of federal awards.
    - We acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFA) in accordance with the requirements of OMB Circular A-133 §310.b, and we believe the SEFA, including its form and content, is fairly presented in accordance with OMB Circular A-133 §310.b. The methods of measurement or presentation of the SEFA have not changed from those used in the prior period, and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA.
    - If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issue the SEFA and the auditor's report thereon.
    - We have identified and disclosed to you all of our government programs and related activities subject to OMB Circular A-133 and included in the SEFA expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
    - We are responsible for understanding and complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.
    - We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance requirements applicable to federal programs that provides reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.
    - We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.
    - We have received no requests from a federal agency to audit one or more specific programs as a major program.
    - We have complied with the direct and material compliance requirements (except for noncompliance disclosed to you), including when applicable, those set forth in the *OMB Circular A-133 Compliance Supplement*, relating to federal awards and have identified and disclosed to you all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal awards.

- We have disclosed any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB Circular A-122, *Cost Principles for Nonprofit Organizations*, and Subpart C, *Cost Sharing and Matching*, of OMB Circular A-110, *Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations.*
- We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.
- No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies in internal control over compliance (including material weaknesses in internal control over compliance), have occurred subsequent to the date as of which compliance was audited.
- Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.
- The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- We have charged costs to federal awards in accordance with applicable cost principles.
- We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by OMB Circular A-133, and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by OMB Circular A-133.
- We are responsible for preparing and implementing a corrective action plan for each audit finding.

• We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

- We have evaluated and classified any subsequent events as recognized or nonrecognized and disclosed the date through which this determination was made. No events, including instances of noncompliance, have occurred subsequent to the statement of financial position date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements or in the schedule of findings and questioned costs.

Jack Gilbert, President: Jack Gilbert

David U. Landis, II, COO:

J. Brent Lee, CFO:

MAULDIN
&JENKINS

July 22, 2014

The Audit & Risk Management Committee
Community Housing Capital
402 E. Howard Avenue
Decatur, GA 30030

We are pleased to confirm our understanding of the services we are to provide for Community Housing Capital and Subsidiary (the "Organization") for the year ended September 30, 2014.

We will audit the financial statements of the Organization, which comprise the consolidated statement(s) of financial position as of September 30, 2014, the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the financial statements. Also, the following supplementary information accompanying the financial statements will be subjected to the auditing procedures applied in our 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, in accordance with auditing standards generally accepted in the United States of America, and we will provide an opinion on it in relation to the financial statements as a whole:

1) Schedule of expenditures of federal awards.
2) Consolidated schedule of financial position by type.
3) Consolidated schedule of activities by type.

We will also prepare the Organization's federal and state information returns for the year ended September 30, 2014, the terms of which will be provided in a separate arrangement letter.

Audit Objectives

The objective of our audit is the expression of an opinion about whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. The objective also includes reporting on:

- Internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control related to major programs and an opinion (or disclaimer of opinion) on compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters will include a paragraph that states that the purpose of the report is solely to (1) describe the scope of testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance, and (2) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The OMB Circular A-133 report on internal control over compliance will include a paragraph that states that the purpose of the report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Both reports will state that the report is not suitable for any other purpose.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of OMB Circular A-133, and will include tests of accounting records, a determination of major program(s) in accordance with OMB Circular A-133, and other procedures we consider necessary to enable us to express such an opinion. We will issue written reports upon completion of our Single Audit. Our reports will be addressed to the Board of Directors of the Organization. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or add an emphasis-of-matter or other-matter paragraph. If our opinion on the financial statements or the Single Audit compliance opinion is other than unmodified, we will discuss the reasons with management in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or issue a report, or we may withdraw from this engagement.

Management Responsibilities

Management is responsible for the financial statements, schedule of expenditures of federal awards, and all accompanying information as well as all representations contained therein. Management is also responsible for identifying federal awards received and understanding and complying with the compliance requirements, and for preparation of the schedule of expenditures of federal awards (including notes and noncash assistance received) in accordance with the requirements of OMB Circular A-133. As part of the audit, we will provide tax services and assist with preparation of your financial statements, schedule of expenditures of federal awards, and related notes. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*. Management agrees to assume all management responsibilities relating to the financial statements, schedule of expenditures of federal awards, and related notes, and any other nonaudit services we provide. Management will be required to acknowledge in the management representation letter the tax services provided and our assistance with preparation of the financial statements, the schedule of expenditures of federal awards, and related notes and that they have evaluated the adequacy of our services and have reviewed and approved the results of the services, the financial statements, the schedule of expenditures of federal awards, and related notes prior to their issuance and have accepted responsibility for them. Further, management agrees to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

Management is responsible (1) for establishing and maintaining effective internal controls, including internal controls over compliance, and for evaluating and monitoring ongoing activities; to help ensure that appropriate goals and objectives are met; (2) following laws and regulations; (3) ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements; and (4) ensuring that management is reliable and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. Management is also responsible for the selection and application of accounting principles; and for the preparation and fair presentation of the financial statements in conformity with U.S. generally accepted accounting principles; and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us, and for the accuracy and completeness of that information. Management is also responsible for providing us with (1) access to all information of which they are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the organization from whom we determine it necessary to obtain audit evidence.

Management's responsibilities also include identifying significant vendor relationships in which the vendor has responsibility for program compliance and for the accuracy and completeness of that information. Management's responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Management is responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the Organization involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. The Audit & Risk Management Committee's and management's responsibilities include informing us of their knowledge of any allegations of fraud or suspected fraud affecting the Organization received in communications from employees, former employees, grantors, regulators, or others. In addition, management is responsible for identifying and ensuring that the Organization complies with applicable laws, regulations, contracts, agreements, and grants. Management is also responsible for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse that we report. Additionally, as required by OMB Circular A-133, it is management's responsibility to follow up and take corrective action on reported audit findings and to prepare a summary schedule of prior audit findings and a corrective action plan.

Management is responsible for preparation of the schedule of expenditures of federal awards (including notes and noncash assistance received) in conformity with OMB Circular A-133. Management agrees to include our report on the schedule of expenditures of federal awards in any document that contains and indicates that we reported on the schedule of expenditures of federal awards. Management also agrees to include the audited financial statements with any presentation of the schedule of expenditures of federal awards that includes our report thereon. Management's responsibilities include acknowledging to us in the management representation letter that (1) they are responsible for presentation of the schedule of expenditures of federal awards in accordance with OMB Circular A-133; (2) they believe the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with OMB Circular A-133; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) they have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards.

Management is also responsible for the preparation of the other supplementary information, which we have been engaged to report on, in conformity with U.S. generally accepted accounting principles. Management agrees to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. Management also agrees to include the audited financial statements with any presentation of the supplementary information that includes our report thereon. Management's responsibilities include acknowledging to us in the management representation letter that (1) they are responsible for presentation of the supplementary information in accordance with GAAP; (2) they believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) they have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us, previous financial audits attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. Management is also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as their planned corrective actions for the report, and for the timing and format for providing that information.

Audit Procedures—General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the Organization or to acts by management or employees acting on behalf of the Organization. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or on major programs. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. We will include such matters in the reports required for a Single Audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will also request written representations from the Organization's attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from management about their responsibilities for the financial statements; schedule of expenditures of federal awards; federal award programs; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

Audit Procedures—Internal Control

Our audit will include obtaining an understanding of the Organization and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

As required by OMB Circular A-133, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to OMB Circular A-133.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards*, and OMB Circular A-133.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Organization's compliance with provisions of applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance, and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards.*

OMB Circular A-133 requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the "OMB Circular A-133 Compliance Supplement" for the types of compliance requirements that could have a direct and material effect on each of the Organization's major programs. The purpose of these procedures will be to express an opinion on the Organization's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to OMB Circular A-133.

Engagement Administration, Fees, and Other

We understand that your employees will prepare all cash, accounts receivable, and other confirmations and schedules we request and will locate any documents selected by us for testing.

At the conclusion of the engagement, we will complete the appropriate sections of the Data Collection Form that summarizes our audit findings. It is management's responsibility to submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditor's reports, and corrective action plan) along with the Data Collection Form to the federal audit clearinghouse. We will coordinate with you the electronic submission and certification. If applicable, we will provide copies of our report for you to include with the reporting package you will submit to pass-through entities. The Data Collection Form and the reporting package must be submitted within the earlier of 30 days after receipt of the auditor's reports or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

We will provide copies of our reports to the Organization; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Mauldin & Jenkins, LLC and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to any federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Mauldin & Jenkins, LLC personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by a regulatory authority. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

Hanson Borders is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them. We expect to begin our audit during the third quarter of 2014 and to complete and issue our reports no later than November 30, 2014.

Our fees are summarized in the attached fee summary letter. The fee estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us. You have requested that we provide you with a copy of our most recent external peer review report and any subsequent reports received during the contract period. Accordingly, our 2011 peer review report accompanies this letter.

Sincerely,

MAULDIN & JENKINS, LLC

Hanson Borders,
Engagement Partner

RESPONSE:

This letter correctly sets forth the understanding of Community Housing Capital.

Hugh J. Shaw
Audit & Risk Management Committee Chairman

AUGUST 18, 2014

Management's Acknowledgement of Terms:

David U. Landis, II
Senior Vice President & Chief Operating Officer

JULY 30, 2014