COMMUNITY HOUSING CAPITAL
AND SUBSIDIARY

CONSOLIDATED FINANCIAL REPORT

SEPTEMBER 30, 2015

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AND SUBSIDIARY

CONSOLIDATED FINANCIAL REPORT
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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, 2015 and 2014, 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, 2015 and 2014, 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 October 30, 2015, 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
October 30, 2015

COMMUNITY HOUSING CAPITAL AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION SEPTEMBER 30, 2015 AND 2014

Assets	2015	2014
Cash and cash equivalents	$ 8,947,749	$ 4,145,532
Restricted cash	1,753,583	1,301,518
Equity securities	789,000	776,700
Receivables		
Loans - net	61,229,934	57,197,204
Interest	316,249	282,167
Origination and other fees	241,401	77,380
Premises and equipment - net	1,056,011	1,074,092
Foreclosed assets	80,837	211,189
Prepaid expenses	35,118	50,571
Deferred debt costs, net	176,514	130,691
Other assets	13,003	6,503
Total assets	$ 74,639,399	$ 65,253,547
Liabilities and Net Assets		
Accounts payable and accrued expenses	$ 449,970	$ 245,510
Interest payable	181,440	177,501
Borrower funds held in trust	1,752,685	1,300,223
Notes payable	47,249,861	40,612,312
Total liabilities	49,633,956	42,335,546
Net assets:		
Unrestricted	9,519,559	8,682,117
Temporarily restricted (Note 9)	3,619,498	4,369,498
Permanently restricted (Note 10)	11,866,386	9,866,386
Total net assets	25,005,443	22,918,001
Total liabilities and net assets	$ 74,639,399	$ 65,253,547

See Notes to Consolidated Financial Statements.

COMMUNITY HOUSING CAPITAL
AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support				
Interest income	$ 3,988,554	$ -	$ -	$ 3,988,554
Loan origination fees and other income	998,339	-	-	998,339
Contributed grant revenue	238,000	-	2,000,000	2,238,000
Net assets released from restrictions	750,000	(750,000)	-	-
Total revenue and support	5,974,893	(750,000)	2,000,000	7,224,893
Expenses				
Program services:				
Personnel	1,573,131	-	-	1,573,131
Consultants and legal services	131,449	-	-	131,449
Travel and occupancy	149,445	-	-	149,445
Advertising and promotion	64,502	-	-	64,502
Conferences and meetings	26,485	-	-	26,485
Miscellaneous	910	-	-	910
Interest	1,483,325	-	-	1,483,325
Amortization	298,916	-	-	298,916
Provision for loan losses	68,374	-	-	68,374
Foreclosed properties expense	8,722	-	-	8,722
Support services:				
Personnel	923,903	-	-	923,903
Management and general	251,849	-	-	251,849
Audit and accounting	123,647	-	-	123,647
Depreciation	32,793	-	-	32,793
Total expenses	5,137,451	-	-	5,137,451
Change in net assets	837,442	(750,000)	2,000,000	2,087,442
Net assets, beginning of year	8,682,117	4,369,498	9,866,386	22,918,001
Net assets, end of year	$ 9,519,559	$ 3,619,498	$ 11,866,386	$ 25,005,443

See Notes to Consolidated Financial Statements.

COMMUNITY HOUSING CAPITAL
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CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	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 CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015	2014
OPERATING ACTIVITIES		
Change in net assets	**$ 2,087,442**	$ 2,332,565
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	**32,793**	32,664
Provision for loan losses	**68,374**	285,999
Amortization of debt costs	**298,916**	83,346
Contributed grant revenue permanently restricted	**(2,000,000)**	(2,050,000)
Writedown of foreclosed assets	**-**	60,000
Gain on sale of foreclosed assets	**(2,778)**	-
(Increase) decrease in assets:		
Interest receivable	**(34,082)**	30,103
Prepaid expenses	**15,453**	(9,245)
Deferred debt costs	**(344,739)**	(128,541)
Origination and other fees receivable	**(164,021)**	15,436
Other assets	**(6,500)**	-
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	**204,460**	51,357
Interest payable	**3,939**	8,688
Borrower funds held in trust	**452,462**	353,412
Net cash provided by operating activities	**611,719**	1,065,784
INVESTING ACTIVITIES		
Increase in restricted cash	**(452,065)**	(354,004)
Increase in equity securities	**(12,300)**	(56,700)
Net increase in loans	**(4,101,104)**	(6,785,704)
Purchase of premises and equipment	**(14,712)**	(11,565)
Proceeds from the sale of foreclosed assets	**133,130**	8,610
Net cash used in investing activities	**(4,447,051)**	(7,199,363)
FINANCING ACTIVITIES		
Net decrease in secured borrowings	**-**	(224,080)
Proceeds from contributed grant revenue permanently restricted	**2,000,000**	2,050,000
Proceeds from notes payable	**34,249,861**	7,500,000
Repayment of notes payable	**(27,612,312)**	(4,000,000)
Net cash provided by financing activities	**8,637,549**	5,325,920
Net increase (decrease) in cash and cash equivalents	**4,802,217**	(807,659)
Cash and cash equivalents, beginning of year	**4,145,532**	4,953,191
Cash and cash equivalents, end of year	**$ 8,947,749**	$ 4,145,532
SUPPLEMENTARY INFORMATION		
Cash paid for interest	**$ 1,479,386**	$ 1,341,268

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, 2015 and 2014, REL holds $0 and $120,000, 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, 2015 and 2014, 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 and may not be redeemed prior to 2019. 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, 2015 and 2014, the cost basis of this security is $69,000 and $56,700, respectively, 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. 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 payable 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. Annually and 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, 2015, all of CHC's loan participation arrangements qualify as sales of financial assets and each is sold on a nonrecourse basis.

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 2012.

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 $1,753,583 and $1,301,518, respectively as of September 30, 2015 and 2014.

NOTE 4. LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES

Portfolio Segments and Classes

The composition of loans is summarized as follows:

	September 30,	
	2015	2014
Real estate:		
Acquisition – land and buildings	**$ 38,103,901**	$ 28,538,250
Construction – 1-4 and multifamily	**8,916,550**	10,079,790
Permanent mortgage – multifamily rental	**12,539,379**	16,549,814
Permanent mortgage – 1-4 family direct serviced	**1,533,211**	2,137,432
Credit lines	**1,404,763**	1,162,831
Total loans, gross	**62,497,804**	58,468,117
Less:		
Allowance for loan losses	**1,267,870**	1,270,913
Loans, net	**$ 61,229,934**	$ 57,197,204

Loans receivable consist of notes secured by real estate with interest rates ranging from 3.0% to 7.3% as of September 30, 2015.

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 principally dependent on refinance of the loan at completion of construction, the sale of the real estate, or income generated from the real estate collateral.

- The permanent mortgage portfolio segment includes loans secured by first liens on multifamily rental properties and loans secured by first and junior liens on 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, 2015:

	Pass	Special Mention	Impaired	Total
Real estate:				
Acquisition – land and buildings	**$ 36,443,134**	**$ 300,000**	**$ 1,360,767**	**$ 38,103,901**
Construction – 1-4 and multifamily	**8,896,790**	**19,760**	**-**	**8,916,550**
Permanent mortgage – multifamily rental	**12,539,379**	**-**	**-**	**12,539,379**
Permanent mortgage – 1-4 family direct serviced	**1,295,006**	**238,205**	**-**	**1,533,211**
Credit lines	**1,404,763**	**-**	**-**	**1,404,763**
Total	**$ 60,579,072**	**$ 557,965**	**$ 1,360,767**	**$ 62,497,804**

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, 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

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, 2015 was as follows:

	Acquisition & Construction	Permanent Mortgage	Credit Lines	Total
Allowance for loan losses:				
Beginning balance	**$ 851,612**	**$ 401,510**	**$ 17,791**	**$ 1,270,913**
Provision (credit) for loan losses	**143,649**	**(75,465)**	**190**	**68,374**
Charge-offs	**-**	**(71,595)**	**-**	**(71,595)**
Recoveries	**-**	**178**	**-**	**178**
Ending balance	**$ 995,261**	**$ 254,628**	**$ 17,981**	**$ 1,267,870**
Ending balance – individually evaluated for impairment	**$ 282,206**	**$ -**	**$ -**	**$ 282,206**
Ending balance – collectively evaluated for impairment	**713,055**	**254,628**	**17,981**	**985,664**
Total ending balance	**$ 995,261**	**$ 254,628**	**$ 17,981**	**$ 1,267,870**
Loans:				
Ending balance – individually evaluated for impairment	**$ 1,360,767**	**$ -**	**$ -**	**$ 1,360,767**
Ending balance – collectively evaluated for impairment	**45,659,684**	**14,072,590**	**1,404,763**	**61,137,037**
Total ending balance	**$ 47,020,451**	**$ 14,072,590**	**$ 1,404,763**	**$ 62,497,804**

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, 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

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, 2015:

		Past Due Status (Accruing Loans)				
	Current	**30-89 Days**	**90+ Days**	**Total Past Due**	**Non-Accrual**	**Total**
Real estate:						
Acquisition – land and buildings	**$ 36,743,134**	**$ -**	**$ -**	**$**	**$ 1,360,767**	**$ 38,103,901**
Construction – 1-4 and multifamily	**8,916,550**	**-**	**-**	**-**	**-**	**8,916,550**
Permanent mortgage – multifamily rental	**12,539,379**	**-**	**-**	**-**	**-**	**12,539,379**
Permanent mortgage – 1-4 family direct serviced	**1,362,894**	**118,355**	**51,962**	**170,317**	**-**	**1,533,211**
Credit lines	**1,404,763**	**-**	**-**	**-**	**-**	**1,404,763**
Total	**$ 60,966,720**	**$ 118,355**	**$ 51,962**	**$ 170,317**	**$ 1,360,767**	**$ 62,497,804**

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, 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

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, 2015:

	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	**-**	**-**	**-**	**-**	**-**
Permanent mortgage – 1-4 family direct serviced	**-**	**-**	**-**	**-**	**-**
Credit lines	**-**	**-**	**-**	**-**	**-**
Total with no related allowance recorded	**-**	**-**	**-**	**-**	**-**
With an allowance recorded:					
Real estate:					
Acquisition – land and buildings	**1,360,767**	**1,360,767**	**282,206**	**1,360,767**	**-**
Construction – 1-4 and multifamily	**-**	**-**	**-**	**-**	**-**
Permanent mortgage – multifamily rental	**-**	**-**	**-**	**-**	**-**
Permanent mortgage – 1-4 family direct serviced	**-**	**-**	**-**	**-**	**-**
Credit lines	**-**	**-**	**-**	**-**	**-**
Total with an allowance recorded	**1,360,767**	**1,360,767**	**282,206**	**1,360,767**	**-**
Total impaired loans:	**$ 1,360,767**	**$ 1,360,767**	**$ 282,206**	**$ 1,360,767**	**$ -**

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, 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

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, 2015 and 2014.

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

Fiscal Year Ending September 30,	
2016	$ 11,609,957
2017	8,234,653
2018	24,241,197
2019	3,741,962
2020	2,649,563
Thereafter	12,020,472
	$ 62,497,804

NOTE 5. PREMISES AND EQUIPMENT

Premises and equipment are summarized as follows:

	September 30, 2015		September 30, 2014	
Land and improvements	**$**	**425,000**	$	425,000
Building and improvements		**666,694**		666,694
Furniture and equipment		**83,010**		81,711
		1,174,704		1,173,405
Less accumulated depreciation		**(118,693)**		(99,313)
	$	**1,056,011**	$	1,074,092

NOTE 6. FORECLOSED ASSETS

A summary of foreclosed assets for the years ended September 30, 2015 and 2014 is as follows:

	2015		2014	
Balance, beginning of the year	**$**	**211,189**	$	279,799
Write-downs		**-**		(60,000)
Sales proceeds		**(133,130)**		(8,610)
Gain on sale		**2,778**		-
Balance, end of the year	**$**	**80,837**	$	211,189

NOTE 7. BORROWER FUNDS HELD IN TRUST

As a requirement for certain interim and multifamily permanent mortgage loans extended to borrowers, CHC may hold an operating/debt service reserve, including escrow reserves, and a replacement reserve in trust. As a requirement for single family mortgages to borrowers, CHC will typically require escrow reserves for insurance and property taxes. The reserves are required to be funded at certain levels based on the provisions of the security agreement between the borrower and CHC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8. NOTES PAYABLE

A summary of notes payable follows:

	September 30,	
	2015	2014
Morgan Stanley Senior Funding, Inc., multi-bank syndicated revolving line of credit facility dated June 30, 2015 in the amount of $100,000,000 with current commitments by the participants in the syndication of $93,000,000. Line of credit bears interest at the one month LIBOR plus 2.50% per annum. Interest is due on the fifth business day of each month. The line of credit period ends on June 30, 2017 and any funds advanced at that date will convert to a three-year term loan due on June 30, 2020. However, the credit facility is reviewed annually and the line of credit availability period may be extended annually for an additional twelve month period with conversion to the three-year term loan at the end of such line of credit period. The loan is secured by the underlying loans receivable funded with the proceeds of the facility. Accrued interest was $32,932 and $0 as of September 30, 2015 and 2014, respectively, and is included in interest payable. Current participants in the syndication include Morgan Stanley Bank, Bank of America, Branch Banking & Trust, Deutsche Bank, Wells Fargo Bank, JP Morgan Chase, HSBC Bank, Charles Schwab Bank and Carver Bank.	**$ 31,939,875**	$ -
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 $53,667 as of September 30, 2015 and 2014, respectively, and is included in interest payable.	**7,000,000**	7,000,000
Calvert Foundation, in the original loan amount of $1,500,000, dated September 30, 2011 and increased to $3,000,000 on September 28, 2015. Note bears interest at 4.50% per annum and payments of interest are due semi-annually. Principal is due on October 1, 2020. The loan is unsecured. Accrued interest was $0 as of September 30, 2015 and 2014.	**3,000,000**	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 $26,688 as of September 30, 2015 and 2014, respectively, and is included in interest payable.	**3,500,000**	3,500,000
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 $5,000 as of September 30, 2015 and 2014, respectively, and is included in interest payable.	**1,000,000**	1,000,000

NOTE 8. NOTES PAYABLE (Continued)

	September 30, 2015	September 30, 2014
TD Bank, N.A., revolving line of credit facility dated November 24, 2014, in the original amount of $5,000,000. Line bears interest at the one month LIBOR plus 2.75% per annum (subject to a floor of 3%), payment of interest accrued is due quarterly. The line of credit availability expires on November 24, 2015 and any funds advanced at that date are subject to the maturity of the underlying loans receivable, which may be up to forty-two (42) months after fund date. The line of credit availability period may be extended for up to two (2) successive one year periods, subject to approval. The loan is secured by the underlying loans receivable funded with the proceeds of the facility. Accrued interest was $5,602 and $0 as of September 30, 2015 and 2014, respectively, and is included in interest payable. On October 23, 2015, the line of credit availability period was extended to November 24, 2016.	**$ 809,986**	$ -
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. The line of credit was repaid and closed on September 22, 2015. Accrued interest was $0 as of September 30, 2015 and 2014.	**-**	12,000,000
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. The loan is secured by the underlying loans receivable. The line of credit was repaid and closed on September 22, 2015. Accrued interest was $0 as of September 30, 2015 and 2014.	**-**	7,825,876
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. The loan is secured by the underlying loans receivable. The line of credit was repaid and closed on September 22, 2015. Accrued interest was $0 and $4,833 as of September 30, 2015 and 2014, respectively, and is included in interest payable.	**-**	2,000,000
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 loan is secured by the underlying loans receivable. The line of credit was repaid and closed on September 22, 2015. Accrued interest was $0 and $11,017 as of September 30, 2015 and 2014, respectively, and is included in interest payable.	**-**	5,286,436
Everence Community Investments, Inc., dated December 6, 2013 in the original amount of $500,000, bears interest at 4.50% per annum, payment of interest accrued is due semi-annually with any outstanding principal plus accrued and unpaid interest due upon maturity. The loan was unsecured and the principal was repaid and the credit facility was closed on June 5, 2015. Accrued interest was $0 and $5,750 as of September 30, 2015 and 2014, respectively, and is included in interest payable.	**-**	500,000
Total	**$ 47,249,861**	$ 40,612,312

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.

NOTE 8. NOTES PAYABLE (Continued)

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

Fiscal Year Ending September 30,	
2016	$ -
2017	7,000,000
2018	3,500,000
2019	809,986
2020	31,939,875
Thereafter	4,000,000
	$ 47,249,861

NOTE 9. TEMPORARILY RESTRICTED NET ASSETS

	September 30, 2015	2014
U.S. Department of Treasury CDFI Fund [1]	**$ -**	$ 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
	$ 3,619,498	$ 4,369,498

[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. During the year ended September 30, 2015, these funds were released from restriction.

[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.

NOTE 10. PERMANENTLY RESTRICTED NET ASSETS

	September 30, 2015	2014
2010 NeighborWorks® America capital grant [1]	**$ 973,252**	$ 973,252
2011 NeighborWorks® America capital grant [2]	**2,000,000**	2,000,000
2012 NeighborWorks® America capital grant [2]	**2,000,000**	2,000,000
2012 NeighborWorks® America capital grant [2]	**743,134**	743,134
2013 NeighborWorks® America capital grant [2]	**2,100,000**	2,100,000
2014 NeighborWorks® America capital grant [2]	**2,050,000**	2,050,000
2015 NeighborWorks® America capital grant [2]	**2,000,000**	-
	$ 11,866,386	$ 9,866,386

[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, which was renewed during 2015 for the period from October 1, 2015 to September 30, 2020, 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 $750,000 and $172,500 and, respectively, were released from CDFI Fund restrictions during the year ended September 30, 2015 and Opportunity Finance Network donor restrictions during the year ended September 30, 2014 by fulfilling use requirements thereby satisfying the restrictions specified by the donors.

NOTE 12. EMPLOYEE BENEFIT PLANS

CHC sponsors a 401(k) retirement plan covering substantially all employees subject to certain age and minimum service requirements. Contributions to the plan charged to expense totaled $122,292 and $108,442 for the years ended September 30, 2015 and 2014, respectively.

NOTE 13. COMMITMENTS AND CONTINGENCIES

Concentrations of Credit Risk

Financial instruments that potentially subject CHC to concentrations of credit risk consist principally of cash and cash equivalents 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, 2015 and 2014, CHC has commitments to fund approximately $40,200,000 and $28,900,000 in loans, respectively.

NOTE 14. 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 14. 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 30,2015:				
Impaired loans	**$ -**	**$ -**	**$ 1,078,560**	**$ (210,343)**
Foreclosed assets	**-**	**80,837**	**-**	**2,778**
September 30, 2014:				
Impaired loans	$ -	$ -	$ 1,078,560	$ (71,863)
Foreclosed assets	-	91,189	120,000	(60,000)

NOTE 14. 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 $210,343 consist of $0 of confirmed losses and $210,343 of allocations of the allowance for loan losses for the year ended September 30, 2015. 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 for the year ended September 30, 2014.

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.

Quantitative Disclosures for Level 3 Fair Value Measurements

For Level 3 assets measured at fair value on a non-recurring basis as of September 30, 2015, the significant unobservable inputs used in the fair value measurements are presented below.

	Carrying Amount	Valuation Technique	Significant Unobservable Input	Weighted Average of Input
Nonrecurring:				
Impaired loans	$ 1,078,560	Appraisal	Appraisal discounts (%)	15-20 %

NOTE 15. SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 30, 2015, 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, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
ASSETS				
Total cash	$ 10,701,332	$ -	$ -	$ 10,701,332
Equity securities	789,000	-	-	789,000
Receivables:				
Loans - net	45,744,050	3,619,498	11,866,386	61,229,934
Interest	316,249	-	-	316,249
Origination and other fees	241,401	-	-	241,401
Premises and equipment - net	1,056,011	-	-	1,056,011
Foreclosed assets	80,837	-	-	80,837
Prepaid expenses	35,118	-	-	35,118
Deferred debt costs, net	176,514	-	-	176,514
Other assets	13,003	-	-	13,003
Total assets	$ 59,153,515	$ 3,619,498	$ 11,866,386	$ 74,639,399
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable and accrued expenses	$ 449,970	$ -	$ -	$ 449,970
Interest payable	181,440	-	-	181,440
Borrower funds held in trust	1,752,685	-	-	1,752,685
Notes payable	47,249,861	-	-	47,249,861
Total liabilities	49,633,956	-	-	49,633,956
Net assets:				
Unrestricted	9,519,559	-	-	9,519,559
Temporarily restricted	-	3,619,498	-	3,619,498
Permanently restricted	-	-	11,866,386	11,866,386
Total net assets	9,519,559	3,619,498	11,866,386	25,005,443
Total liabilities and net assets	$ 59,153,515	$ 3,619,498	$ 11,866,386	$ 74,639,399

COMMUNITY HOUSING CAPITAL
AND SUBSIDIARY

CONSOLIDATED SCHEDULE OF ACTIVITIES BY TYPE
YEAR ENDED SEPTEMBER 30, 2015

	Unrestricted - Expendable Grant	Unrestricted - Other	Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and other support:						
Interest income	$ -	$ 3,988,554	$ 3,988,554	$ -	$ -	$ 3,988,554
Loan origination fees and other income	-	998,339	998,339	-	-	998,339
Contributed grant revenue	238,000	-	238,000	-	2,000,000	2,238,000
Net assets released from restrictions	-	750,000	750,000	(750,000)	-	-
Total revenues and other support	238,000	5,736,893	5,974,893	(750,000)	2,000,000	7,224,893
Expenses:						
Personnel	125,680	2,371,354	2,497,034	-	-	2,497,034
Consultants and legal services	6,616	124,833	131,449	-	-	131,449
Travel and occupancy	7,522	141,923	149,445	-	-	149,445
Advertising and promotion	3,246	61,256	64,502	-	-	64,502
Conferences and meetings	1,333	25,152	26,485	-	-	26,485
Miscellaneous	46	864	910	-	-	910
Interest	74,658	1,408,667	1,483,325	-	-	1,483,325
Amortization	-	298,916	298,916	-	-	298,916
Provision for loan losses	-	68,374	68,374	-	-	68,374
Foreclosed properties expense	-	8,722	8,722	-	-	8,722
Management and general	12,676	239,173	251,849	-	-	251,849
Audit and accounting	6,223	117,424	123,647	-	-	123,647
Depreciation	-	32,793	32,793	-	-	32,793
Total expenses	238,000	4,899,451	5,137,451	-	-	5,137,451
Change in net assets	-	837,442	837,442	(750,000)	2,000,000	2,087,442
Net assets, beginning of year	1,699,769	6,982,348	8,682,117	4,369,498	9,866,386	22,918,001
Net assets, end of year	$ 1,699,769	$ 7,819,790	$ 9,519,559	$ 3,619,498	$ 11,866,386	$ 25,005,443

MAULDIN & JENKINS

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, 2015, 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 October 30, 2015.

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
October 30, 2015

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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, 2015. 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, 2015.

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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
October 30, 2015

COMMUNITY HOUSING CAPITAL
AND SUBSIDIARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2015

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. 121AF010850	21.020	$ 1,448,086
NeighborWorks® America:		
Awards made in current year with non-continuing compliance:		
Direct-funded awards	21.020	238,000
Awards made in current year with continuing compliance:		
Direct-funded awards	21.020	2,000,000
Awards made in prior years with continuing compliance:		
Direct-funded awards	21.020	13,625,272
TOTAL FEDERAL AWARDS		$ 17,311,358

COMMUNITY HOUSING CAPITAL
AND SUBSIDIARY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2015

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 $15,073,358 in expenditures from prior years for which continuing compliance is required.

NOTE 3. EXPENDITURES RELEASED FROM RESTRICTIONS

As of September 30, 2015, 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, 2015

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__ None Reported
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__ None Reported
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:	$519,340
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, 2015

I. FINANCIAL STATEMENT FINDINGS:

NONE REPORTED

II. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE REPORTED