COMMUNITY DEVELOPMENT CORPORATION of BROWNSVILLE and AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS and SUPPLEMENTARY INFORMATION

September 30, 2019 and 2018

CRI CARR RIGGS & INGRAM
CPAs and Advisors
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Community Development Corporation
of Brownsville and Affiliates
Brownsville, Texas

We have audited the accompanying consolidated financial statements of Community Development Corporation of Brownsville and Affiliates (a nonprofit organization, collectively CDCB), which comprise the consolidated statements of financial position as of September 30, 2019 and 2018, 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial position of CDCB as of September 30, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2019 Community Development Corporation of Brownsville adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profits Entities (Topic 959) – Presentation of Financial Statements for Not-for-Profit Entities.* Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Schedules of Loan Delinquency and Aging – Unaudited have not been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2020, on our consideration of CDCB'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of CDCB's 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 CDCB's internal control over financial reporting and compliance.

CARR, RIGGS & INGRAM, LLC

Carr, Riggs & Ingram, L.L.C.

Brownsville, Texas
January 20, 2020

September 30,		2019	2018
ASSETS			
Current assets			
Cash and cash equivalents	$	3,071,372	$ 2,453,804
Certificates of deposit		751,317	745,763
Receivables			
Mortgage loans receivable		811,514	683,758
Grants		997,056	836,111
Notes receivable		255,148	38,013
Prepaid and other assets		95,397	109,062
Current investment in homes and land development projects		2,045,824	3,554,741
Restricted cash and cash equivalents		1,305,105	1,032,143
Total current assets		9,332,733	9,453,395
Noncurrent assets			
Mortgage loans receivable		10,662,205	11,229,633
Notes receivable		1,536,371	1,517,687
Developer fee receivable		1,527,275	1,527,275
Investment in homes and land development projects		8,754,811	9,552,186
Receivables - other - long-term		592,186	152,555
Prepaid and other assets		154,414	172,866
Rental properties - net		4,234,510	4,062,084
Long-term investments		3,552,682	3,552,682
Property and equipment - net		569,217	599,634
Total noncurrent assets		31,583,671	32,366,602
Total assets	$	40,916,404	$ 41,819,997

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The accompanying notes are an integral part of these financial statements.

September 30,		2019		2018
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable	$	426,902	$	306,004
Accrued expenses		139,440		150,365
Deferred revenue		917,825		915,734
Notes payable		1,253,845		2,311,188
Curent portion of long-term debt		335,433		217,307
Revolving fund		287,696		239,877
Other liabilities - Neighborhood Stabilization Program		99,778		49,360
Escrow deposits		599,189		569,104
Total current liabilities		4,060,108		4,758,939
Noncurrent liabilities				
Notes payable - less current maturities		15,303,646		14,827,903
Revolving fund		905,064		859,102
Other liabilities - Neighborhood Stabilization Program		2,185,288		2,111,268
Total noncurrent liabilities		18,393,998		17,798,273
Total liabilities		22,454,106		22,557,212
NET ASSETS				
Net assets without donor restrictions		17,911,163		18,717,465
Net assets with donor restrictions		551,135		545,320
Total net assets		18,462,298		19,262,785
Total liabilities and net assets	$	40,916,404	$	41,819,997

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Activities

For the year ended September 30, 2019	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Sales - home and lot	$ 3,259,572	$ -	$ 3,259,572
Net fees	240,595	-	240,595
Grants	784,646	3,667,914	4,452,560
Interest and investment income	501,585	5,815	507,400
Management fees	499,233	-	499,233
Rental Income	496,618	-	496,618
Multifamily- Los Olmos revenue	151,224	-	151,224
Other earned income	632,526	-	632,526
Net assets released from restrictions - restrictions satisfied by payments	3,667,914	(3,667,914)	-
Total revenue and support	10,233,913	5,815	10,239,728
Expenses			
Program services:			
Single Family	5,937,508	-	5,937,508
Youthbuild	656,570	-	656,570
Preservation	1,401,307	-	1,401,307
La Puerta	316,644	-	316,644
Multifamily	1,000,782	-	1,000,782
Special Service	498,239	-	498,239
Support services:			
General and administration expenses	1,229,165	-	1,229,165
Total expenses	11,040,215	-	11,040,215
Change in net assets	(806,302)	5,815	(800,487)
Net assets – beginning of year	18,717,465	545,320	19,262,785
Net assets – end of year	$ 17,911,163	$ 551,135	$ 18,462,298

The accompanying notes are an integral part of these financial statements.

For the year ended September 30, 2018	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Sales - home and lot	$ 2,326,107	$ -	$ 2,326,107
Net fees	151,578	-	151,578
Grants	675,574	2,201,120	2,876,694
Interest and investment income	482,380	6,013	488,393
Developer fee revenue	300,579	-	300,579
Management fees	356,365	-	356,365
Multifamily - Los Olmos revenue	52,936	-	52,936
Other earned income	459,489	-	459,489
Net assets released from restrictions - restrictions satisfied by payments	2,201,120	(2,201,120)	-
Total support and revenue	7,006,128	6,013	7,012,141
Expenses			
Program services:			
Single family	3,183,719	-	3,183,719
Youthbuild	650,673	-	650,673
Preservation	1,009,700	-	1,009,700
La Puerta	305,423	-	305,423
Multifamily	303,033	-	303,033
Special service	389,166	-	389,166
Support services:			
General and administrative expenses	1,139,025	-	1,139,025
Total expenses	6,980,739	-	6,980,739
Change in net assets	25,389	6,013	31,402
Net assets – beginning of year	18,692,076	539,307	19,231,383
Net assets – end of year	$ 18,717,465	$ 545,320	$ 19,262,785

The accompanying notes are an integral part of these financial statements.

For the years ended September 30,	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (800,487)	$ 31,402
Adjustments to reconcile change in net assets to net cash(used in) provided by operating activities:		
Depreciation - rental properties	138,303	6,956
Depreciation - property and equipment	56,755	55,138
(Increase) decrease:		
Receivables:		
Grants	(160,945)	(372,081)
Developer fee	-	240,502
Other	(439,631)	426,327
Prepaid and other assets	32,117	(46,346)
Increase (decrease):		
Accounts payable	120,898	150,609
Accrued expenses	(10,925)	(46,327)
Deferred revenue	2,091	590,312
Revolving fund	45,962	381,238
Escrow depostis	30,085	(34,751)
Other liabilities	74,020	(97,024)
Net cash (used in) provided by operating activities	(911,757)	1,285,955

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The accompanying notes are an integral part of these financial statements.

For the years ended September 30,	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Investment in homes and land development projects	$ 8,640,476	$ 1,676,762
Payments for investment in homes and land development projects	(5,840,479)	(3,397,227)
Purchases of property and equipment	(26,337)	(10,000)
Purchases of rental property	(419,001)	(3,705,312)
Issuance of notes receivable	(31,923)	(20,000)
Collections from notes receivable	38,609	17,529
Issuance of mortgage loans	(750,075)	(442,937)
Collections from mortgage loans	521,919	563,358
Net cash provided by (used in) investing activities	2,133,189	(5,317,827)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	1,893,692	4,295,491
Payments made on notes payable	(2,224,594)	(2,247,999)
Net cash (used in) provided by financing activities	(330,902)	2,047,492
Net increase (decrease) in cash and cash equivalents	890,530	(1,984,380)
Beginning cash and cash equivalents	3,485,947	5,470,327
Ending cash and cash equivalents	$ 4,376,477	$ 3,485,947
Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest	$ 297,472	$ 312,138

The accompanying notes are an integral part of these financial statements.

NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The Community Development Corporation of Brownsville and Affiliates (collectively, "CDCB") is a private, Section 501(c) (3) nonprofit community housing development organization. Founded in 1974, CDCB has been providing affordable housing to the citizens of primarily southern Cameron County, Texas. CDCB is one of the largest nonprofit producers of single-family affordable housing for homeownership in the state of Texas. CDCB is governed by 13-person community-based Board of Directors that serves on a volunteer basis to determine policy for CDCB.

CDCB assists low-income families in attaining home ownership through below-market financing, the construction and use of home designs, and targeted outreach. CDCB acquires and sells lots on which homes are built and sold by private contractors.

CDCB's mission statement reads, "CDCB is a multi-faceted affordable housing organization devoted to utilizing collaborative partnerships to create sustainable communities across the Rio Grande Valley through quality education, model financing, efficient home design, and superior construction."

CDCB is not considered a component unit of the City of Brownsville, Texas (the "City") or Cameron County, Texas.

Affiliates (Partnerships)

The accompanying consolidated financial statements also include four controlled affiliates: Paloma Living, GP, LLC ("Paloma Living"), which was formed on February 25, 2011; RGV Casitas, Inc. ("RGV Casitas"), which was formed on April 25, 2012; Los Olmos, LLC ("Los Olmos"), which was formed on September 15, 2014; and Every Step Counts ("Every Step Counts"), which was formed on April 23, 2018.

Paloma Living (wholly owned by CDCB) was formed to be the general partner of CDCB/CCHA Paloma, LC (the "Paloma Partnership"), which was formed on February 25, 2011. The Paloma Partnership was formed to develop, construct, lease, maintain, and operate a multifamily apartment complex consisting of 56 single-family homes intended for rental to persons of low and moderate income, to be known as La Hacienda Casitas. The Paloma Partnership was also formed in order to obtain housing tax credits from the Texas Department of Housing and Community Affairs. The housing tax credits are given to encourage the development and preservation of appropriate type of rental housing for households that have difficulty finding suitable, accessible, and affordable rental property in the private marketplace. The limited partners are Hudson SLP, LLC (the Paloma special limited partner); Hudson La Hacienda, LLC (the Paloma investor limited partner); and Sandra Williams (the Class A limited partner). The Paloma Partnership will operate until December 31, 2072, or until its earlier dissolution or termination. Profits and losses from operations and low-income tax credits in any one year are allocated 99.97% to the investor limited partner and 0.01% to each other partner.

NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Affiliates (Partnerships) (Continued)

Paloma Living's investment in the Paloma Partnership is accounted for using the equity method of accounting since the limited partners have substantive participating rights and, therefore, the general partner does not fully control the Paloma Partnership. Under the equity method of accounting, the Paloma Partnership's accounts are not reflected within CDCB's consolidated statements of financial position and consolidated statements of activities; however, Paloma Living's share of the earnings or losses of the Paloma Partnership is reflected as investment income (loss) in the consolidated statements of activities. Paloma Living's financial results are consolidated with CDCB's financial statements.

RGV Casitas was formed for the purpose of providing real estate brokerage services for low-to moderate-income level families. RGV Casitas is 100% owned by CDCB and its financial results are consolidated with CDCB's financial statements.

Every Step Counts was formed for the purpose of providing rent services for low-to-moderate-income level families. Every Step Counts is 100% owned by CDCB and its financial results are consolidated with CDCB's financial statements.

Los Olmos GP, LLC (wholly owned by CDCB) was formed to be the general partner of Los Olmos, LP (the "Los Olmos Partnership"), which was formed on September 15, 2014. The Los Olmos Partnership was formed to develop, construct, lease, maintain, and operate a multifamily apartment complex consisting of 80 single-family homes intended for rental to persons of low and moderate income, to be known as Casitas Los Olmos. The Los Olmos Partnership was also formed in order to obtain housing tax credits from the Texas Department of Housing and Community Affairs. The housing tax credits are given to encourage the development and preservation of appropriate type of rental housing for households that have difficulty finding suitable, accessible, and affordable rental property in the private marketplace. The limited partners are Hudson SLP LLC (the Los Olmos special limited partner) and Hudson Casitas LLC (the Los Olmos investor limited partner). The Los Olmos Partnership will operate until dissolution or termination. Profits and losses from operations and low-income tax credit in any one year are allocated 99.99% to the Los Olmos investor limited partner and 0.01% to each other partner.

Los Olmos GP, LLC's investment in the Los Olmos Partnership is accounted for using the equity method of accounting since the Los Olmos, limited partners have substantive participating rights and, therefore, the general partner does not fully control the Los Olmos Partnership. Under the equity method of accounting, the Los Olmos Partnership's accounts are not reflected within CDCB's consolidated statements of financial position and consolidated statements of activities; however, Los Olmos GP, LLC's share of the earnings or losses of the Los Olmos Partnership is reflected as investment income (loss) in the consolidated statements of activities. Los Olmos GP, LLC's financial results are consolidated with CDCB's financial statements.

Casitas Azucar GP, LLC (wholly owned by CDCB) was formed to be the general partner of Casitas Azucar, LP (the "Casitas Azucar Partnership"), which was formed on August 8th, 2018. The Casitas Azucar Partnership was formed to develop, construct, lease, maintain, and operate a multifamily apartment complex consisting of 50 single-family homes intended for rental to persons of low and moderate

NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

income, to be known as Casitas Azucar. The Casitas Azucar Partnership was also formed in order to obtain housing tax credits from the Texas Department of Housing and Community Affairs. The housing tax credits are given to encourage the development and preservation of appropriate type of rental housing for households that have difficulty finding suitable, accessible, and affordable rental property in the private marketplace. The limited partner is NEF Assignment Corporation (the Casitas Azucar limited partner). The Casitas Azucar Partnership will operate until dissolution or termination. Profits and losses from operations and low-income tax credit in any one year are allocated 99.99% to the Casitas Azucar limited partner and 0.01% to each other partner.

The Casitas Azucar limited partner GP, LLC's investment in the Casitas Azucar Partnership is accounted for using the equity method of accounting since the Casitas Azucar limited partner has substantive participating rights and, therefore, the general partner does not fully control the Casitas Azucar Partnership. Under the equity method of accounting, the Casitas Azucar Partnership's accounts are not reflected within CDCB's consolidated statements of financial position and consolidated statement of activities; however, Casitas Azucar GP, LLC's share of the earnings or losses of the Casitas Azucar Partnership is reflected as investment income (loss) in the consolidated statements of activities. Casitas Azucar GP, LLC's financial results are consolidated with CDCB's financial statements

A summary of the significant accounting policies followed by CDCB in the preparation of the accompanying consolidated financial statements is set forth below.

Change in Accounting Principle

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities.* The CDCB had adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented.

The new standard changes the following aspects of CDCB's financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined in a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a new disclosure about liquidity and availability of resources.

NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The changes have the following effect on net assets at October 1, 2018:

For the year ended September 30, 2019	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted Net Assets	$ 17,911,163	$ -
Temporarily Restricted Net Assets	41,135	-
Permanently Restricted Net Assets	510,000	-
Net assets without donor restrictions	-	17,911,163
Net assets with donor restrictions	-	551,135
	-	
Total Net Assets	18,462,298	18,462,298

For the year ended September 30, 2018	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted Net Assets	$ 18,717,465	$ -
Temporarily Restricted Net Assets	35,320	-
Permanently Restricted Net Assets	510,000	-
Net assets without donor restrictions	-	18,717,465
Net assets with donor restrictions	-	545,320
Total Net Assets	$ 19,262,785	$ 19,262,785

The accompanying information for the 2018 consolidated financial statements has been restated to conform to the 2019 presentation and disclosure requirements of ASU 2016-14.

Contributions

In accordance with the *Not-for-Profit Entities* topic of the ASC, contributions received are recorded as support with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions upon satisfaction of the time or purpose restrictions.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, CDCB considers cash in bank deposit accounts, certificates of deposit, repurchase agreements, and money market accounts to be cash and cash equivalents.

NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CDCB entered into agreements with various banks, which allow excess cash funds to be transferred from CDCB's deposit accounts at the banks into overnight repurchase agreements. Transactions under these agreements are completed by the next business morning. As these short-term investments have original maturities of three months or less, these investments are considered to be cash equivalents.

Fair Value Measurements and Disclosures

The requirements of *Fair Value Measurements and Disclosures* of the ASC apply to all financial instruments and all nonfinancial assets and nonfinancial liabilities that are being measured and reported on a fair value basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. *Fair Value Measurement and Disclosures* also establishes a fair value hierarchy that prioritizes the inputs used in valuation methodologies into the following three levels:

- Level 1 Inputs – Unadjusted quoted prices in active markets for identical assets or liabilities.

- Level 2 Inputs – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, or other inputs that can be corroborated by observable market data for substantially the full term of the assets or liabilities.

- Level 3 Inputs – 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 other valuation techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

At September 30, 2019 and 2018, all short-term investments are money market accounts and CDs and are classified as Level 1.

Mortgage Loans, Grants, and Other Receivables

Mortgage loans and grants receivable are stated at the amount management expects to collect from outstanding balances. All mortgage loans are secured by first and/or second liens on the properties.

The allowance for doubtful accounts is established as losses are estimated to have occurred through a provision for doubtful charged to earnings. Losses are charged against the allowance when management believes the uncollectibility of a receivable is confirmed. Subsequent recoveries, if any, are credited to the allowance. The allowance for doubtful accounts is evaluated on a regular basis by management and is based on historical experience and specifically identified questionable receivables. The evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available.

At September 30, 2019, and 2018 an allowance for doubtful accounts was not established for mortgage loans, grants, and other receivables outstanding as management believes these amounts to be fully collectible.

NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Developer Fee Receivable

The CDCB uses the percentage-of-completion method for multi-family and single family construction projects. The company recognizes revenues, expenses, and profit each period during the life of the contract in proportion to the amount of the contract completed during the period. It also increases the value of the inventory, so that inventory is reported at the costs incurred plus the profit recognized to date (minus any partial billings).

Property and Equipment

Property and equipment acquisitions are capitalized at cost when purchased. Depreciation is calculated on the straight-line method based on the following estimated useful lives: building and improvements – 25 to 30 years; vehicles – 3 years; computer equipment – 3 to 5 years; and furniture and fixtures – 3 to 10 years. CDCB follows a capitalization policy for fixed assets of $5,000.

Investment in Homes and Land Development Projects

Investment in homes and land development projects is reported at cost. A substantial portion of the costs capitalized pertain to the cost paid to acquire and develop the land. Other costs include interest capitalized during the development period and interim construction advances to homebuilders for home construction.

Impairment of Long-Lived Assets

CDCB reviews the carrying value of assets for impairment whenever events and circumstances indicate the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected cash flows are less than the carrying value, impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, and the effects of obsolescence, demand, completion, and other economic factors. CDCB did not recognize an impairment loss during the years ended September 30, 2019 and 2018.

Annual and Personal Leave

Annual and personal leave is provided to all full-time employees. The amount of annual and personal days earned by and paid to the employee is based upon the number of years of service. Annual leave days earned range from 5 to 15 days. Personal leave days earned range from 0 to 8 days. At the end of each fiscal year, CDCB will pay the employee for any unused annual leave up to a maximum of 10 days and unused personal leave up to a maximum of 8 days. Accordingly, no accrual is reflected in the accompanying consolidated financial statements.

NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Federal Income Taxes

CDCB is exempt from federal income taxes pursuant to provisions of Section 501(c)(3) of the Internal Revenue Code ("IRC"). Therefore, no provision for income taxes has been made in the consolidated financial statements. CDCB is no longer subject to income tax examinations for years prior to 2015 and has identified no uncertain tax positions.

Uses of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Revenue from home and lot sales used to fund home construction is recognized under the full accrual method when the sales are closed, title passes to the new owner, and the collectability of the remaining portion of the sales price is reasonably assured. Interest income revenue is recognized when earned. Grant revenues are considered to be earned to the extent of expenses made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenses have been made. Other earned revenue generally consist of other fees related to home sales and other miscellaneous income and is recognized as revenue based on the terms and conditions of the agreements or requirements. Management fees are earned on a monthly basis for fees charged to Rio Grande Valley Multi Bank ("RGVMB") and Community Loan Center for salaries, fringe, and overhead. Developer fee revenue is recognized based on the percentage of completion of the multifamily apartment units.

Functional Allocation of Costs

The costs of providing the program and other activities have been summarized based on programs administered by CDCB in the consolidated statements of activities. Accordingly, costs are allocated based on actual use, or estimated use, if actual use is not readily determinable.

Deferred Revenue

Deferred revenue represents grants for which the related grant expense has not been incurred during 2019. Deferred revenue at September 30, 2019 totaled $917,825 ($915,734 in 2018).

NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Commitments and Contingencies

General – In the ordinary course of business, CDCB may be subject to asserted and unasserted claims by third-party borrowers, vendors, and grantors. Should these matters arise, management will consult with legal counsel to determine the effects, if any, these claims may have on the consolidated financial statements. Further, liabilities for loss contingencies arising from claims, assessments, litigation, fines and penalties, and other sources are recorded when it is probable a liability has been incurred and the amount can be reasonably estimated. Management is of the opinion that no material liability will result from any unasserted or asserted claims.

Grants – CDCB receives a portion of its funding from federal programs that are governed by various rules and regulations of the grantors. The ultimate determination of amounts received under these programs is generally based upon allowable costs reported to the government. Until such reviews have been completed and final settlement reached, there exists a contingency to refund and amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such reviews.

Other – As of September 30, 2019, CDCB has $11,473,718 in mortgage loans receivable outstanding ($11,913,391 in 2018) and $10,800,635 in investment in homes and land development projects ($13,106,927 in 2018). Management is of the opinion that the net realizable values have not been impaired.

Subsequent Events

In preparing the consolidated financial statements, CDCB has evaluated events and transactions for potential recognition through January 20, 2020 the date the consolidated financial statements were available to be issued.

Recent Accounting Pronouncements

Pending Adoption of Accounting Standards Update ("ASU") No. 2016-02, Leases (Topic 842)

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. CDCB did not elect to early adopt this standard.

ASU No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash (a Consensus of FASB Emerging Issues Task Force)

In November 2016, FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a Consensus of the FASB Emerging Issues Task Force)*. Stakeholders indicated that diversity exists in the

NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

classification and presentation of changes in restricted cash on the statement of cash flows under *Topic 230, Statement of Cash Flows*. Entities classify transfers between cash and restricted cash as operating, investing, or financing activities, or as a combination of those activities, in the statement of cash flows. Also, some entities present direct cash receipts into, and direct cash payments made from, a bank account that holds restricted cash as cash inflows and cash outflows, which others disclose those cash flows as noncash investing or financing activities. This ASU addresses that diversity. The amendments in this ASU apply to all entities that have restricted cash or restricted cash equivalents and are required to present a statement of cash flows under Topic 230.

Pending Adoption of ASU No. 2014-09, Revenue From Contracts With Customers (Topic 606)

In May 2014, FASB issued ASU No. 2014-09, *Revenue From Contracts With Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standards will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, FASB issued ASU No. 2015-14 which defers the effective date of ASU No. 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. CDCB has not yet selected a transition method and is currently evaluating the effect the standard will have on its consolidated financial statements.

Pending Adoption of Accounting Standards Update ("ASU") No. 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)

On June 21, 2018, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) intended to clarify and improve the scope and the accounting guidance for contributions received and made, primarily by not-for-profit organizations. Stakeholder, including those on the Not-for-Profit Advisory Committee and the AICPA Expert Panels, indicated that there is a difficulty and diversity in practice among not-for-profits with characterizing grants and similar contracts with government agencies and others as reciprocal transactions (exchanges) and nonreciprocal transactions (contributions) and distinguishing between conditional and unconditional contributions. A not-for-profit organization that has issued, or is a conduit bond obligor for, securities that are traded, listed or quoted on an exchange or an over-the-counter market would apply the new standard for transactions in which the entity serves as a resource provider to annual reporting periods beginning after December 15, 2018, including interim periods within that annual period. Other organizations would apply the standard to annual reporting periods beginning after December 15, 2019 and interim periods within annual periods beginning after December 15, 2020. The CDCB has chosen not to early implement.

NOTE 2: CASH AND CASH EQUIVALENTS

A summary of cash and cash equivalents is as follows:

September 30,	2019	2018
Bank deposits	$ 1,261,350	$ 947,596
Certificates of deposit	1,263,252	1,518,695
Repurchase agreements	1,791,652	959,433
Tax guarantee reserve	60,223	60,223
Total	$ 4,376,477	$ 3,485,947

Restricted cash and cash equivalents represent escrow accounts relating to mortgage loans and cash held for deposit for property tax assessments for the La Hacienda Casitas apartment complex.

NOTE 3: MORTGAGE LOANS RECEIVABLE

CDCB services different in-house loan products, the Affordable Housing Loan Program ("AHLP"), the Rural and Colonia Loan Program ("RCLP"), Neighborhood Stabilization Program ("NSP2"), and the CASA Loan ("CASA"). AHLP, CASA, and RCLP loan products are made to low-income individuals seeking new or replacement housing in conjunction with RGVMB, a United States Treasury Certified Community Development Financial Institution through which 9 stockholder institutions provide up to 80% to 85% of the permanent mortgage financing for each AHLP and CASA loan and 50% for each RCLP loan originated, with public funds providing the remaining 20%, 15%, and 50%, respectively. NSP2 loans are 0%, 30-year loans originated by CDCB utilizing NSP2 funds. All loans were for clients earning less than 50% of the area median family income.

CDCB prepares all security loan documentation, records, and sets up individual home mortgage loans on its computerized loan ledger system. All loan servicing, including receiving/recording payments, escrow collection, escrow tax and insurance payments, assessments, statements, and reconciliations are performed by CDCB. In addition, a Loan Servicing Administrator of CDCB, in conjunction with a HUD-certified housing counselor, issues letters of delinquency and negotiates special circumstance payment situations.

AHLP and CASA notes payable to participating financial institutions or the Federal Home Loan Bank ("FHLB") of Dallas are collateralized by whole mortgage loans, or first lien mortgage loans, based on 100% of the loan amount, of which financial institutions or the FHLB funds a maximum of 85% of the loan amount. On AHLP and RCLP, the federal, state, or local funds that provide for the other 20% of the mortgage to 50% of the mortgage funds is repayable, but the repayment is deferred until the financial institution has been paid. The financial institution receives all principal and interest from the payment stream first and an assignment of all collateral. Upon payoff of the financial institution's interest, the collateral is transferred back to CDCB for collection of the remaining balance. On the CASA, the 15% is fully repayable over the full 30-year amortization of the loan.

NOTE 3: MORTGAGE LOANS RECEIVABLE (Continued)

RCLP offers the client a 3.5%, twenty-year, fixed-rate loan. Four financial institutions, through RGVMB, each purchase participation shares in each loan pool, equal to 12.5% of the 50.0% of each loan pool.

Each loan pool is secured by the real estate collateral. In addition, each loan pool carries a fully funded "loan loss reserve" equal to 12% of the 50% of the financial institution's share in each pool, as well as a "payment reserve" equal to three months of principal and interest on each individual loan held in the pool. These reserves are held by RGVMB, as detailed in the program agreement.
Mortgage loans outstanding are as follows:

September 30,	2019	2018
NeighborkWorks	$ 246,115	$ 123,345
AHLP	857,851	1,261,971
Mi Casita	262,253	-
Lots receivable	778,393	513,112
NSP2	2,059,530	2,157,963
CASA	7,449,436	7,583,498
Revolving loan fund	156,359	223,536
Freddie Mac	222,540	-
RCLP	33,426	49,966
Mortgage loans	$ 12,065,903	$ 11,913,391

NOTE 4: INVESTMENT IN HOMES AND LAND DEVELOPMENT PROJECTS

Rural and urban affordable housing subdivisions are developed by CDCB through raw land acquisition and infrastructure development, or CDCB acquiring improved lots from private-sector developers through multiphase purchase agreements.

Interim construction financing made available to CDCB is re-loaned by CDCB to its subdivision homebuilders at CDCB's pass-through interest rate. Investment in homes and land development projects is reported at cost. A substantial portion of the costs capitalized pertain to the cost paid to acquire and develop the land. Other costs include interest capitalized during the development period, grant advances, and interim construction advances to homebuilders for home construction.

Investment in home and land development projects is as follows:

September 30,	2019	2018
Total Investments	$ 10,800,635	$ 13,106,927
Less current portion	2,045,824	3,554,741
Long-term Investment	$ 8,754,811	$ 9,552,186

NOTE 4: INVESTMENT IN HOMES AND LAND DEVELOPMENT PROJECTS (Continued)

Management has determined that $2,045,824 are homes and lots currently in the process of being sold by year ending September 30, 2019.

NOTE 5: INVESTMENT IN PARTNERSHIPS

Pursuant to the Paloma Partnership and Los Olmos Partnership agreements described in Note 1, CDCB did not receive a capital distribution from the Partnership as of September 30, 2019 and 2018.

Investment in partnerships is accounted for under the equity method, the investment is initially recorded at cost, and is then increased or decreased by the proportionate share of the partnership's net earnings or losses.

Guarantees

As also described in Note 1, CDCB is the sole member of Paloma Living. In accordance with the Paloma Partnership agreement, CDCB has the following guarantees:

- Funds necessary to pay operating deficits of no more than $200,000 ($0 in 2019 and 2018).
- Permanent loan in the amount of $900,000 ($681,336 and $692,522, respectively, outstanding at September 30, 2019 and 2018).

As also described in Note 1, CDCB is the sole member of Los Olmos Partnership. In accordance with the Los Olmos Partnership agreement, CDCB has the following guarantees:

- Payment of excess development costs.
- Funds necessary to pay operating deficits of no more than $352,353 ($0 outstanding as of September 30, 2019 and 2018).
- Bridge loan in the amount of $118,368 ($0 outstanding as of September 30, 2019 and 2018).
- Permanent loan in the amount of $2,525,000 ($2,461,619 and $2,487,780, respectively, outstanding at September 30, 2019 and 2018).
- NeighborWorks in the amount of $180,000 ($180,000 outstanding as of September 30, 2019 and 2018).
- NSP Sponsor Loan in the amount of $131,800 ($131,800 outstanding at September 30, 2019 and 2018).
- Seller loan in the amount of $286,200 ($286,200 outstanding at September 30, 2019 and 2019).

As also described in Note 1, CDCB is the sole member of Casitas Azucar. In accordance with the Casita Azucar Partnership Agreement, CDCB has the following guarantees:

- Funds necessary to pay operating deficits of no more than $162,121. The Guarantee period begins with the date on which the Project achieves Stabilized Occupancy and ending on the date on which the Partnership has achieved a Debt Service Coverage Ratio of 1.20 or better, measured on an

NOTE 5: INVESTMENT IN PARTNERSHIPS (Continued)

annualized basis, for a period of two (2) consecutive years commencing on or after the third (3rd) anniversary of achievement of Stabilized Occupancy.

- BBVA Construction loan in the amount of $4,807,837 ($536,314 outsanding as of September 30, 2019) and TDHCA Home loan in the amount of $1,600,007 ($0 outstanding as of September 30, 2019.)

NOTE 6: INVESTMENT IN JOINT VENTURE

Community Development Corporation of Brownsville invested, along with two other Housing Partnership Network, Inc. members, in a partnership (HPN Leverage II, LLC) with 33.33% ownership to take advantage of New Market Tax Credit (NMTC) financing. NMTC financing allows an entity to receive a loan or investment capital from outside investors, who will receive new market tax credits to be applied against their federal tax liability. As a result, the CDCB has invested $3,352,682 and was able to secure a 20-year loan in the amount of $4,875,000 payable to a community development entity. The loan proceeds are to be used solely for the purpose of acquiring, rehabbing, and/or constructing single-family homes in qualified census tracts and selling at least 60% of such homes to low-income person. The loan accrues interest only for years 1 through 7 at a reduced rate of 0.688% per year. Beginning in year 8 through year 20, the principal balance of the loan is reduced by a twelve-year amortization at the same rate of 0.688%.

NOTE 7: LONG-TERM INVESTMENTS

Long-term investments consist of the following:

September 30,	2019	2018
Investment in HPN Leverage II, L.L.C.		
(New Market Tax Credit Joint Venture)	$ 3,352,682	$ 3,352,682
RGV Multibank Stock 95,538 shares	200,000	200,000
Long-term investments	$ 3,552,682	$ 3,552,682

NOTE 8: PROPERTY AND EQUIPMENT – NET

Property and equipment – net consist of the following:

September 30,	2019	2018
Building and Improvements	$ 1,393,495	$ 1,373,596
Vehicles	146,619	140,186
Computer Equipment	228,535	228,535
Funiture and Fixtures	17,279	17,279
	1,785,928	1,759,596
Less accumulated depreciation	1,216,711	1,159,962
Property and equipment, net	$ 569,217	$ 599,634

Rental Properties:

September 30,	2019	2018
Building and Improvements	$ 4,037,691	$ 3,767,103
Land	365,853	325,710
	4,403,544	4,092,813
Less accumulated depreciation	169,031	30,729
Property and equipment, net	$ 4,234,510	$ 4,062,084

CDCB had depreciation expense of $195,058 and $62,097 for the years ended September 30, 2019 and 2018, respectively.

NOTE 9: RECEIVABLES

Notes Receivable

In June 2014, CDCB entered into a note receivable totaling $253,487 for the sale of commercial property. The note is due June 2020 with an interest rate of 6.00%. At December 31, 2013, CDCB entered into a note receivable totaling $665,603 as part of a match for a Community Development Financial Institution Program with an interest rate of 0.00% and is due in December 2043. In November 2015, CDCB entered into a note receivable totaling $286,200 for the sale of commercial property. The note is due in December 2057 with an interest rate of 2.57%.

NOTE 9: RECEIVABLES (Continued)

In November 2015, CDCB entered into a note receivable totaling $180,000, as part of the Los Olmos Partnership agreement with interest rate of 0.00% and due in December 2057. In November 2015, CDCB entered into a note receivable totaling $131,800 as part of the Los Olmos Partnership agreement with interest rate of 0.00% and is due in December 2057. The balance as of September 30, 2019 totaled $1,791,591 ($1,555,700 in 2018).

Developer Fee Receivable

CDCB was the developer of La Hacienda Casitas apartment complex. The total developer fee was $926,733, which is payable by the Paloma Partnership in accordance with the development agreement dated September 12, 2012. Total developer fee receivable was $431,426 at September 30, 2019 ($431,426 in 2018).

CDCB is the developer of Los Olmos Casitas apartment complex. The development had not yet reached stabilization as of September 30, 2019 and is expected to be completed stabilized in the first quarter of 2020. The total developer fee is $1,095,849, which is payable by the Los Olmos Partnership in accordance with the development agreement dated September 15, 2014. Total developer fee receivable was $1,095,849 at September 30, 2019 and 2018.

CDCB is the developer of the Casitas Azucar apartment complex. The development was still under construction as of September 30, 2019 and is expected to be complete by July 30, 2020. The total develop fee is $933,000, which is payable by the Casitas Azucar Partnership, in accordance with the development agreement July 25, 2019. Total developer fee receivable was $933,000 at September 30, 2019.

NOTE 10: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following:

September 30,	2019	2018
Neighbor Works capital grant	$ 510,000	$ 510,000
Colonia revolving	41,135	35,320
Net assets with donor restrictions	$ 551,135	$ 545,320

Net assets released from restrictions consist of the following:

Years ended September 30,	2019	2018
Grants	$ 3,667,914	$ 2,201,120
	$ 3,667,914	$ 2,201,120

NOTE 11: NOTES PAYABLE

Area banks and RGVMB supply CDCB with various types of financing for its housing programs. For land acquisition of raw land or improved lots, the financial institutions provide funds for land/lot purchase (acquisition notes payable). For infrastructure development on raw land, the financial institutions provide infrastructure development financing (development notes payable), and for interim construction financing for the construction of new, single-family homes, the financial institutions provide interim construction financing (interim construction notes payable).

Notes payable consist of the following:

September 30,	2019	2018
Lines of Credit		
$500,000 line of credit payable to BBVA Compass interest at Compass Bank prime rate less .45%(4.80%), principal is due June 27, 2020 and interest is due monthly, starting on July 27, 2018	$ 291,359	$ 385,736
$8,000,000 line of credit payable to RGVMB, principal and interest at the FHLB 20-30 year rate plus 2.00%; due March 8, 2036	5,989,774	6,152,600
$1,000,000 line of credit payable to Frost Bank, principal and interest at 2.100% per annum based on a year of 360 days, paid off during fiscal year 2019.	-	246,226
$1,500,000 line of credit payable to Housing Partnership Fund, Inc. principal and interest at 4.75% per annum, due and payable March 20, 2021.	881,062	1,000,000
$250,000 line of credit payable to First Community Bank, principal and interest at 3.290% per annum. is due on February 18, 2020.	250,000	-
$1,000,000 warehouse line of credit payable to International Bank of Commerce, principal and interest at the Wall Street Journal prime rate (3.25%) due December 23, 2019, collaterized by assignment of notes	265,887	99,522
Total lines of credit	$ 7,428,082	$ 7,884,084

NOTE 11: NOTES PAYABLE (Continued)

September 30,	2019	2018
Notes payable		
Various notes payable to RGVMB, due in monthly installments ranging from $8,309 to $10,510, interest at 7.00%, collateralized by mortgage loans receivable and a first lien against the underlying collateral was paid off during fiscal year 2019.	$ -	$ 60,895
$1,300,000 note payable to Frost Bank, interest at the Wall Street Journal prime rate, principal is due July 23, 2020 and interest is due monthly, collateralized by assignment of notes, starting on October 7, 2017.	446,179	516,083
$2,368,800 secured promissory note to Rhodes Enterprises, interest shall accrue only upon occurrence of a default, collateralized by Deed of Trust, first payment due 5 days after HPN Leverage II, LLC is approved and remaining principal due 10 days after Esperanza Homes of Brownsville has commenced foundation work. Principal was paid off during fiscal year 2019.	422	1,063,622
Note payable HPN NMTC II, LLC, due August 2037, interest only through August 2024 at 0.6877985%. Collateralized by all assets acquired by CDCB through the New Market Tax Credit Program. (See Note 6 and 12 for further details.)	4,875,000	4,875,000
$262,879 Note payable TSHAC, prinicpal and interest at 1.50% is due on April 16, 2022, collateralized by assignment of notes.	262,879	-
$410,000 Note payable to Neighborworks Capital for purchase of Vista Luna apartment building, principal and interest at 6.0%, principal and interest will be due May 10, 2049, collateralized by assignment of notes.	401,451	-
$222,655 Note payable Freddie Mac, principal and interest at 4-4.5% matures on September 1, 2049. The CDCB became a service provider for Freddie Mac during thefiscal year. Note payable consists of 3 separate loans.	222,655	-

NOTE 11: NOTES PAYABLE (Continued)

$380,000 permanent Loan for Las Posada Apartments, 1356 La Posada Dr. The outstanding loan bears an interest rate of 5.75%. Payments are calculated based on a 30 year amortization of loan principal. Principal and interest are due and payable in monthly installments on the first day of each month until maturity. Principal is due 120 months following the closing of the Loan, June 27, 2028. It is collateralized by the first position Deed of Trust and assignment of rents on La Posada Apartments.	$ 374,615	$ 378,715
$2,578,000 permanent Loan for La Ceiba Apartments, 48-58 Rentfro Blvd. The outstanding loan bears an interest of 5.75%. Principal and interest are due and payable in monthly installments first day of each month. Payments are calculated based on a 30 year amortization of loan principal. Principal is due 120 months following the closing of the Loan, August 22, 2018. It is collateralized by the first position Deed of Trust and assignment of rents on La Ceiba Apartments.	2,546,209	2,578,000
Total notes payable	16,557,491	17,356,398
Less current maturities	1,253,845	2,393,082
Long-term portion of notes payable	$ 15,303,646	$ 14,963,316

Aggregate maturities required on notes payable at September 30, 2019 are as follows:

Year ending September 30,	
2020	$ 1,253,845
2021	1,189,150
2022	-
2023	-
2024	-
Thereafter	14,114,496
	$ 16,557,491

NOTE 12: NOTE PAYABLE HPN NMTC II, LLC

Included in long-term debt in Note 11 is the note to HPN NMTC II, LLC, $4,875,000. This debt requires interest only payments until August 2024 at 0.6877985%. The loan matures in August 2037. The loan is secured by substantially all the assets acquired by the CDCB from the project loan proceeds. Debt has a put option feature that is exercisable August 2024.

NOTE 13: RETIREMENT PLAN

CDCB has a defined contribution plan that covers all employees who have completed two years of service, as defined in the plan agreement. Contributions to the plan are at the discretion of the Board of Directors, subject to the maximum amount allowable pursuant to the provisions of the IRC. During the year ended September 30, 2019, contributions to the plan totaled $167,697 ($149,213 in 2018).

NOTE 14: CONCENTRATION OF CREDIT RISK

Cash balances are maintained by CDCB at several banks. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to a maximum of $250,000. At September 30, 2019, cash deposits exceeded this coverage limit by approximately $250,000 (approximately $250,000 in 2018).

Mortgage loans to purchase homes are made to low-income families located in Cameron County and Willacy County, Texas. To secure the mortgage loans, CDCB will accept a lien against the home. The borrower's ability to repay the mortgage loans and the value of the collateral are contingent upon a variety of economic factors affecting the area.

NOTE 15: REVOLVING FUND

CDCB received monies from various sources, which were originally recorded as grant income. These monies were subsequently loaned to CDCB clients and recorded as mortgage loans and other liabilities in accordance with CDCB's RCLP. RCLP provides mortgage financing for low-income persons residing in rural and Colonia areas in combination with funds provided through RGVMB. Collection of these mortgage loans will commence after RGVMB's participation debt has been satisfied. Revolving fund liabilities for this program at September 30, 2019 totaled $311,531 ($215,857 for 2018).

CDCB received a Community Development Block Grant – State of Texas passed through Cameron County, Texas to fund minor repairs of homes for low-income families living in colonia areas. The funds were subsequently granted or loaned, with the loan amounts to be repaid over various maturities (five to ten years), interest-free. These funds, when repaid, are recorded in a revolving fund account. Accordingly, CDCB has recorded these as mortgage loans and a corresponding liability. Revolving fund liabilities at September 30, 2019 totaled $189,805 ($195,305 for 2018).

NOTE 16: OTHER LIABILITIES – NSP2

CDCB received NSP2 monies for acquisition and rehabilitation of foreclosed homes. These NSP2 funds then provide mortgage financing for low-income families. Accordingly, CDCB has recorded these as mortgage loans and a corresponding liability. The other liabilities on these homes as of September 30, 2019 totaled $2,285,066 ($2,160,628 in 2018).

NOTE 17: RELATED PARTY TRANSACTIONS

On March 9, 2017, CDCB purchased 95,538 shares of RGV Multibank, essentially purchasing 6.7% of the company for $200,000.

The CDCB services the loans the RGV Multibank owns and receives a servicing fee during the year for that service. In 2019, CDCB received a total of $499,233 for servicing fees from RGV Multibank ($356,365 for 2018).

NOTE 18: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the CDCB's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions, within one year of the balance sheet date.

Financial Assets at Year-End	$ 6,124,856
Less Those Unavailable for General Expenditures	
Within one year, due to -	
Net assets with donor restrictions	(551,135)
Cash restricted for NMTC & AFI	(705,916)
Escrow deposits	(599,189)
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	$ 4,268,616.00

NOTE 19: RECLASSIFICATIONS

Reclassifications were made to certain September 30, 2018 reported amounts to provide consistency with the September 30, 2019.

NOTE 20: STATEMENT OF FUNCTIONAL EXPENSES

The costs of providing the various programs and supporting activities have been summarized on a functional basis below. Accordingly, costs have been allocated among the programs and supporting services benefitted. The expenses that are allocated are compensation, which are allocated on the basis of actual time and effort, travel, equipment, supplies, contractual work, depreciation and costs of homes and lots.

For the year ended September 30, 2019	Single Family	Youthbuild	Preservation	La Puerta	Multi-Family	Special Service	General and Administrative	Total
REVENUES								
Grants	$ 126,104	$ 544,614	$ 161,012	$ 374,032	$ -	$ -	$ 407,287	$ 1,613,049
Grants - Homes	1,678,920	-	1,160,591	-	-	-	-	2,839,511
Home & Lot Sales	3,259,572	-	-	-	-	-	-	3,259,572
Net Fees	240,595		-		-	-	-	240,595
Interest income	-	-	5,815	-	-	-	501,585	507,400
Rental income	-	-	-	-	496,618	-	-	496,618
Multi-Family Revenue	-		-		151,224	-	-	151,224
Multi-Bank Management Fees	-	-	-	-	-	499,233	-	499,233
NSPII Earned Income	-	-	-	-	-	45,575	-	45,575
Other Earned Income	102,542	7,226	3,775	111,584	116,726	33,981	177,590	553,424
NMTC Equity Income in HPN	-	-	-	-	-	-	33,527	33,527
TOTAL REVENUES	$ 5,407,733	$ 551,840	$ 1,331,193	$ 485,616	$ 764,568	$ 578,789	$ 1,119,989	$ 10,239,728
EXPENSES								
Salaries	389,729	387,681	107,716	181,940	280,475	287,954	420,057	2,055,552
Student salaries & stipends	-	2,087	-	-	-	-	3,300	5,387
Fringe benefits	122,546	121,407	41,930	64,444	82,652	94,567	117,607	645,153
Travel	14,002	15,459	1,484	7,057	8,342	-	32,978	79,322
Equipment	341	21,011	38	407	885	-	4,632	27,314
Supplies	5,262	5,899	1,088	2,650	2,078	6,512	7,687	31,176
Contractual	35,821	15,143	9,217	7,511	13,145	12,310	25,995	119,142
Other	260,918	87,883	79,243	52,635	474,902	96,896	262,682	1,315,159
Interest Expense	-	-	-	-	-	-	297,472	297,472
Cost of Home & Lot Sales	3,429,969	-	-	-	-	-	-	3,429,969
Grants - Homes	1,678,920	-	1,160,591	-	-	-	-	2,839,511
Depreciation Expense	-	-	-	-	138,303	-	56,755	195,058
TOTAL EXPENSES	5,937,508	656,570	1,401,307	316,644	1,000,782	498,239	1,229,165	11,040,215
NET CHANGE	$ (529,775)	$ (104,730)	$ (70,114)	$ 168,972	$ (236,214)	$ 80,550	$ (109,176)	$ (800,487)

NOTE 20: STATEMENT OF FUNCTIONAL EXPENSES (Continued)

For the year ended September 30, 2018	Single Family	Youthbuild	Preservation	La Puerta	Multi-Family	Special Service	General and Administrative	Total
REVENUES								
Grants	$ 315,149	$ 437,005	$ 131,760	$ 264,891	$ -	$ 2,593	$ 206,623	$ 1,358,021
Grants - Homes	643,834	-	874,839	-	-	-	-	1,518,673
Home & Lot Sales	1,826,820	-	-	-	-	-	499,287	2,326,107
Net Fees	151,578	-	-	-	-	-	-	151,578
Interest income	-	-	6,013	-	-	-	482,380	488,393
Developer Fee	300,579	-	-	-	-	-	-	300,579
Multi-Family Revenue	-	-	-	-	52,936	-	-	52,936
Multi-Bank Management Fees	-	-	-	-	-	356,365	-	356,365
NSPII Earned Income	-	-	-	-	-	43,463	-	43,463
Other Earned Income	80,549	28,426	-	12,297	113,075	23,729	121,629	379,705
NMTC Equity Income in HPN	-	-	-	-	-	-	36,321	36,321
TOTAL REVENUES	$ 3,318,509	$ 465,431	$ 1,012,612	$ 277,188	$ 166,011	$ 426,150	$ 1,346,240	$ 7,012,141
EXPENSES								
Salaries	395,838	357,226	80,613	181,418	177,179	244,513	380,242	1,817,029
Student salaries & stipends	-	2,814	-	-	-	-	1,450	4,264
Fringe benefits	118,626	100,667	25,431	56,305	45,935	74,247	101,072	522,283
Travel	11,989	5,133	-	4,867	868	1,418	17,643	41,918
Equipment	889	31,178	1,165	17	3,634	24	1,825	38,732
Supplies	6,199	8,102	926	2,888	1,758	3,462	6,086	29,421
Contractual	44,626	17,503	4,764	7,208	6,613	8,934	23,532	113,180
Other	245,288	128,050	21,962	52,720	67,046	56,568	559,477	1,131,111
Interest Expense	39,668	-	-	-	-	-	47,698	87,366
Cost of Home & Lot Sales	1,676,762	-	-	-	-	-	-	1,676,762
Grants - Homes	643,834	-	874,839	-	-	-	-	1,518,673
TOTAL EXPENSES	3,183,719	650,673	1,009,700	305,423	303,033	389,166	1,139,025	6,980,739
NET CHANGE	$ 134,790	$ (185,242)	$ 2,912	$ (28,235)	$ (137,022)	$ 36,984	$ 207,215	$ 31,402

SUPPLEMENTARY INFORMATION

Community Development Corporation of Brownsville and Affiliates
Schedule of Loan Delinquency and Aging
Year Ended September 30, 2019

Loan Portfolio Products		Outstanding Principal Balance		Amount Delinquent	Percent Delinquent
AHLP	$	722,620	$	104,026	14.40%
CASA loan		7,444,674		521,995	7.01%
RCLP		207,077		7,511	3.63%
COLONIA		2,301		-	0.00%
MICASITA		262,254		-	0.00%
FREDDIE MAC		222,541		-	0.00%
NSP2		2,059,530		87,302	4.24%
Lots/other		832,574		65,703	7.89%
Commercial property		253,488		-	0.00%
Totals	$	12,007,059	$	786,537	6.55%

Bucket	Loan Count		Current Principal Amount	Delinquency Percent
Current loans	321	$	11,220,521	N/A
Over 30 days delinquent	15		597,222	4.97%
Over 60 days delinquent	6		89,798	0.75%
Over 90 days delinquent	3		99,518	0.83%
Totals	345	$	12,007,059	6.55%

See independent auditors' report.

Community Development Corporation of Brownsville and Affiliates
Schedule of Loan Delinquency and Aging
Year Ended September 30, 2018

Loan Portfolio Products	Outstanding Principal Balance	Amount Delinquent	Percent Delinquent
AHLP	$ 749,122	$ 107,743	14.38%
CASA loan	7,583,498	639,603	8.43%
RCLP	291,757	14,889	5.10%
COLONIA	9,755	-	0.00%
NSP2	2,157,963	235,057	10.89%
Lots/other	553,655	56,290	10.17%
Commercial property	272,097	-	0.00%
Totals	$ 11,617,847	$ 1,053,582	9.07%

Bucket	Loan Count	Current Principal Amount	Delinquency Percent
Current loans	284	$ 10,564,266	N/A
Over 30 days delinquent	21	651,660	5.61%
Over 60 days delinquent	9	336,067	2.89%
Over 90 days delinquent	2	65,854	0.57%
Totals	316	$ 11,617,847	9.07%

See independent auditors' report.