COMMUNITY DEVELOPMENT CORPORATION of BROWNSVILLE (dba: cdcb | come dream. come build.) AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS and SUPPLEMENTARY INFORMATION

September 30, 2020 and 2019

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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 (dba: cdcb | come dream. come build.) and Affiliates (a nonprofit organization, collectively the "cdcb"), which comprise the consolidated statements of financial position as of September 30, 2020 and 2019, 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, 2020 and 2019, 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.

Other Matters

Other 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 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements.

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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 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, L.L.C.

CARR, RIGGS & INGRAM, LLC

Brownsville, Texas
December 17, 2020

Community Development Corporation of Brownsville (dba: cdcb | come dream. come build.) and Affiliates
Consolidated Statements of Financial Position

September 30,		2020		2019
ASSETS				
Current assets				
Cash and cash equivalents	$	8,001,009	$	3,071,372
Investments in marketable securities		251,015		751,317
Receivables				
Mortgage loans receivable		654,689		811,514
Grants		776,403		997,056
Notes receivable		233,730		17,482
Prepaid and other assets		150,735		333,063
Current investment in homes and land development projects		1,670,339		2,045,824
Restricted cash and cash equivalents		939,820		1,305,105
Total current assets		12,677,740		9,332,733
Noncurrent assets				
Mortgage loans receivable		10,660,036		10,662,205
Notes receivable		1,263,603		1,499,609
Developer fee receivable		2,345,553		1,550,411
Investment in homes and land development projects		10,319,332		8,754,811
Receivables - other - long-term		443,533		592,186
Prepaid and other assets		184,450		168,040
Rental properties - net		4,305,757		4,234,510
Long-term investments		3,552,682		3,552,682
Property and equipment - net		543,600		569,217
Total noncurrent assets		33,618,546		31,583,671
Total assets	$	46,296,286	$	40,916,404

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

Consolidated Statements of Financial Position

September 30,	2020	2019
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$ 714,598	$ 426,902
Accrued expenses	200,696	139,440
Refundable advances	3,665,214	917,825
Current portion of long-term debt	2,870,767	1,589,278
Revolving fund	768,570	287,696
Other liabilities	90,935	99,778
Escrow deposits	596,344	599,189
Total current liabilities	8,907,124	4,060,108
Noncurrent liabilities		
Deferred revenue	375,229	375,229
Long-term debt	15,887,617	15,303,646
Revolving fund	96,695	529,835
Other liabilities	2,418,809	2,185,288
Total noncurrent liabilities	18,778,350	18,393,998
Total liabilities	27,685,474	22,454,106
NET ASSETS		
Net assets without donor restrictions	18,026,022	17,911,163
Net assets with donor restrictions	584,790	551,135
Total net assets	18,610,812	18,462,298
Total liabilities and net assets	$ 46,296,286	$ 40,916,404

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

Community Development Corporation of Brownsville (dba: cdcb | come dream. come build.) and Affiliates
Consolidated Statement of Activities

For the year ended September 30, 2020	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Sales - home and lot	$ 1,912,858	$ -	$ 1,912,858
Net fees	218,376	-	218,376
Grants	701,651	2,446,821	3,148,472
Contributions	17,500	-	17,500
Interest and investment income	545,450	4,258	549,708
Developer fee revenue	795,142	-	795,142
Management fees	440,452	-	440,452
Rental Income	555,299	-	555,299
Other earned income	792,050	-	792,050
SBA PPP Loan income	531,699	-	531,699
Net assets released from restrictions - restrictions satisfied by payments	2,417,424	(2,417,424)	-
Total revenue and support	8,927,901	33,655	8,961,556
Expenses			
Program services:			
Single Family	3,579,466	-	3,579,466
Youthbuild	615,909	-	615,909
Preservation	1,005,928	-	1,005,928
La Puerta	322,294	-	322,294
Multifamily	1,230,301	-	1,230,301
Special Service	623,590	-	623,590
Support services:			
General and administration expenses	1,435,554	-	1,435,554
Total expenses	8,813,042	-	8,813,042
Change in net assets	114,859	33,655	148,514
Net assets – beginning of year	17,911,163	551,135	18,462,298
Net assets – end of year	$ 18,026,022	$ 584,790	$ 18,610,812

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

Consolidated Statement of Activities

For the year ended September 30, 2019	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
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 support and revenue	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 administrative 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 consolidated financial statements.

For the years ended September 30,	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 148,514	$ (800,487)
Adjustments to reconcile change in net assets		
to net cash provided by (used in) operating activities:		
Depreciation - rental properties	150,436	138,303
Depreciation - property and equipment	60,732	56,755
(Increase) decrease:		
Receivables:		
Grants	220,653	(160,945)
Developer fee receivable	(795,142)	-
Receivables - other - long-term	148,653	(439,631)
Prepaid and other assets	165,918	32,117
Increase (decrease):		
Accounts payable	287,696	120,898
Accrued expenses	61,256	(10,925)
Refundable advances	2,747,389	2,091
Revolving fund	47,737	45,962
Escrow deposits	(2,845)	30,085
Other liabilities - NSP and Freddie Mac	224,675	74,020
Net cash provided by (used in) operating activities	3,465,672	(911,757)

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For the years ended September 30,		2020		2019
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Investment in homes and land development projects	$	11,271,189	$	8,640,476
Payments for investment in homes and land development projects		(12,460,222)		(5,840,479)
Proceeds from maturity of investments		500,302		-
Purchases of property and equipment		(35,115)		(26,337)
Purchases of rental property		(221,683)		(419,001)
Issuance of notes receivable		-		(31,923)
Collections from notes receivable		19,758		38,609
Issuance of mortgage loans		(2,067,192)		(750,075)
Collections from mortgage loans		2,226,186		521,919
Net cash (used in) provided by investing activities		(766,777)		2,133,189
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from notes payable		2,777,208		1,893,692
Payments made on notes payable		(911,748)		(2,224,594)
Net cash provided by (used in) financing activities		1,865,460		(330,902)
Net increase in cash and cash equivalents		4,564,352		890,530
Beginning cash and cash equivalents		4,376,477		3,485,947
Ending cash and cash equivalents	$	8,940,829	$	4,376,477
Supplemental Disclosures of Cash Flow Information:				
Cash paid for interest	$	373,277	$	297,472

Cash and cash equivalents and restricted cash consist of:

		September 30, 2020		September 30, 2019
Cash and cash equivalents	$	8,001,009	$	3,071,372
Restricted cash		939,820		1,305,105
	$	8,940,829	$	4,376,477

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

NOTE 1: DESCRIPTION OF THE ORGANIZATION

The Community Development Corporation of Brownsville (dba: cdcb | come dream. come build) 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 primarily to the citizens of 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 to grow wealth through the development of affordable housing for homeowners and renters, education through YouthBuild and Financial training, and lending through the origination of safe and secure lending products.

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 or Cameron County, Texas.

Affiliates (Partnerships)

The accompanying consolidated financial statements also include five 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, GP, LLC ("Los Olmos"), which was formed on September 15, 2014; Every Step Counts ("Every Step Counts"), which was formed on April 23, 2018; and Casitas Azucar, GP, LLC ("Casitas Azucar"), which was formed on August 8, 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 types 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: DESCRIPTION OF THE ORGANIZATION (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 types 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 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.

NOTE 1: DESCRIPTION OF THE ORGANIZATION (Continued)

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 8, 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 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 types 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 credits in any one year are allocated 99.99% to the Casitas Azucar limited partner and 0.01% to the general partner.

The Casitas Azucar GP, LLC's investment in the Casitas Azucar Partnership is accounted for using the equity method of accounting since the 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

Use of Estimates

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, cdcb considers cash in bank deposit accounts, certificates of deposit with original maturities of three months or less, repurchase agreements, and money market accounts to be cash and cash equivalents.

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.

Mortgage Loans, Grants, and Other Receivables

Mortgage loans, grants receivable and other receivables 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.

Receivables are stated at unpaid balances, less an allowance for doubtful accounts. The allowance for doubtful accounts is evaluated on a regular basis by management and is based on historical experience and specifically identified questionable receivables. Receivables are written off when deemed uncollectible. Subsequent recoveries, if any, are credited to the allowance. The evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available.

As of September 30, 2020, and 2019 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.

Developer Fee Receivable

The cdcb uses the percentage-of-completion method for multi-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).

Investments

cdcb reports investments in equity securities with readily determinable fair values and all investments in debt securities at their fair values in the consolidated statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying consolidated statements of activities. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends, or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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, 2020 and 2019.

PPP Loan/PPP Loan Revenue

On April 20, 2020, the Company received a loan in the amount of $531,700 under the Paycheck Protection Program (PPP) pursuant to the CARES Act and administered by the U.S. Small Business Administration (the SBA). (See Note 23).

The Company is recognizing revenue from the PPP loan following the guidance under FASB ASC 958-605, government grant model. PPP loan funds are considered a conditional contribution and recorded as a refundable advance on the consolidated statements of financial position until the barriers to entitlement are met. cdcb considers the barriers to entitlement to include the incurrence of qualifying expenses and maintaining specified levels of payroll and employment. Revenue is recognized once conditions have been substantially met or explicitly waived. cdcb does not consider the administrative process of filing for forgiveness to be a condition to recognize the PPP loan as revenue.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

The cdcb reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the cdcb, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor for resources to be maintained in perpetuity.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the consolidated financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Contributions and Grants

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 time or purpose restrictions.

cdcb recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

A portion of cdcb’s revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when cdcb has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the consolidated statements of financial position. cdcb received cost-reimbursable grants of $3,665,214 that have not been recognized at September 30, 2020 because qualifying expenditures have not yet been incurred, with an advance payment of $3,665,214 recognized in the consolidated statements of financial position as a refundable advance.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Other earned revenue generally consists 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 MultiBank (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. Expenses related to payroll, payroll taxes, and employee benefits are allocated based on actual percentages of time spent in each functional area. Expenses related to maintenance and upkeep of facilities are allocated across functional areas based on square footage.

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.

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 utilizes the accounting requirements associated with uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) ASC 740, Income Taxes. Using that guidance, tax positions initially need to be recognized in the consolidated financial statements when it is more-likely-than-not the positions will be sustained upon examination by the taxing authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of September 30, 2020, and 2019, cdcb has no uncertain tax provisions that qualify for recognition or disclosure in the consolidated financial statements. cdcb believes it is no longer subject to income tax examinations for years prior to 2016.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications

Certain reclassifications were made to prior year balances to conform with current year presentation.

Subsequent Events

Management has evaluated subsequent events through the date that the consolidated financial statements were available to be issued, December 17, 2020 and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these consolidated financial statements.

Newly Adopted Accounting Pronouncement

In June 2018, FASB issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The FASB issued this ASU to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the Scope of Topic 958, *Not-for-Profit Entities,* or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. This ASU was adopted effective October 1, 2019. However, it had no significant impact on the consolidated financial statements of the cdcb.

In November 2016, FASB Issued Accounting Standards Update (ASU) 2016-18, Statement of Cash Flows. The FASB issued this ASU in order to address diversity in practice concerning classification and presentation of 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, while others disclose those cash flows as noncash investing or financing activities. The amendments in this Update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. This ASU was adopted, effective October 1, 2019. The consolidated statement of cash flows has been modified in order to implement this ASU.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements

In May 2014, FASB issued Accounting Standards Update (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.

In February 2016, 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 consolidated statements of financial position 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 consolidated statements of activities. The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. cdcb is currently evaluating the effect the standard will have on its consolidated financial statements.

In June 2020, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities,* to defer the mandatory effective dates of ASU 2014-09, *Revenue from Contracts with Customers (Topic 606),* and ASU 2016-02, *Leases (Topic 842),* for certain entities. Organizations that have not yet issued (or made available for issuance) financial statements as of June 3, 2020, are now required to adopt ASU 2014-09 for annual reporting periods beginning after December 15, 2019, and interim reporting periods beginning after December 15, 2020.

NOTE 3: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

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

September 30,	2020	2019
Cash and cash equivalents	$ 8,001,009	$ 3,071,372
Restricted cash and cash equivalents	939,820	1,305,105
Investments in marketable securities	251,015	751,317
Receivables		
Grants	776,403	997,056
Financial assets, at year end	$ 9,968,247	$ 6,124,850
Less those not available for general expenditures within one year, due to contractual or donor-imposed restrictions		
Net assets with donor restrictions	(584,790)	(551,135)
Cash restricted for NMTC, AFI and ESC	(410,615)	(705,916)
Escrow deposits	(529,205)	(599,189)
Financial assets available to meet cash needs for general expenditures within one year	$ 8,443,637	$ 4,268,610

NOTE 4: CASH AND CASH EQUIVALENTS

A summary of cash and cash equivalents is as follows:

September 30,	2020	2019
Bank deposits	$ 1,267,028	$ 1,261,350
Certificates of deposit	1,272,753	1,263,252
Repurchase agreements	6,340,824	1,791,652
Tax guarantee reserve	60,224	60,223
Total	$ 8,940,829	$ 4,376,477

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 5: MORTGAGE LOANS RECEIVABLE

cdcb services different in-house loan products, including the Affordable Housing Loan Program ("AHLP"), the Rural and Colonia Loan Program ("RCLP"), Neighborhood Stabilization Program ("NSP2"), the MiCASiTA Loan 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 Rio Grande Valley MultiBank (RGVMB), a United States Treasury Certified Community Development Financial Institution (CDFI) through which 9 stockholder institutions provide up to 70% 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 15% to 50% depending on the loan product. 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. MiCASiTA Loans are funded through a line of credit with Texas State Affordable Housing Corporation and other public and private financing.

cdcb ensures all security loan documentation is prepared correctly by its attorney and all records of individual home mortgage loans are set up 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 RGVMB CDFI are collateralized by whole mortgage loans, or first lien mortgage loans, based on 100% of the loan amount, of which financial institutions or the RGVMB funds 70% to 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 30% to 15% is fully repayable over the full 30-year amortization of the loan.

RCLP offers the borrower 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.

The MiCASiTA Loan is funded in part by a $1,000,000 line of credit with the Texas State Affordable Housing Corporation (TSAHC) for loans in the rural and colonia areas of the border. TSAHC funds up to 95% or less of each mortgage at 3% to 3.75% for 30 years.

NOTE 5: MORTGAGE LOANS RECEIVABLE (Continued)

Mortgage loans outstanding are as follows:

September 30,	2020	2019
NeighborWorks	$ 248,541	$ 246,115
AHLP	504,327	857,851
Mi Casita	562,039	262,253
Lots receivable	517,254	778,393
NSP2	1,957,559	2,059,530
CASA	7,203,646	7,449,436
Revolving loan fund	119,932	156,359
Freddie Mac	618,758	222,540
RCLP	26,203	33,426
Mortgage loans	$ 11,758,259	$ 12,065,903

NOTE 6: INVESTMENTS IN MARKETABLE SECURITIES

Investments in marketable securities consist of the following:

September 30, 2020	**Cost**	**Market Value**
Market Participation Certificates of Deposit	$ 248,000	$ 251,015

September 30, 2019	**Cost**	**Market Value**
Market Participation Certificates of Deposit	$ 746,000	$ 751,317

NOTE 7: 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.

NOTE 7: INVESTMENT IN HOMES AND LAND DEVELOPMENT PROJECTS (Continued)

Investment in home and land development projects is as follows:

September 30,	2020	2019
California Crossing	$ 437,799	$ 943,564
El Naranjal III	136,551	91,659
El Naranjal Subdivision, Section IV	507,810	421,579
French River Valley Subdivision II	1,465,184	1,381,375
Campo Real Subdivision	-	25,764
Campo Real Subdivision II	336,088	336,088
Cisneros Estates	27,603	51,744
City of Brownsville Homes	4,400	3,150
Colonias Rehabilitation	149,953	11,556
NSP3 Naranjal	40,907	84,337
Sweat Equity Program	92,755	500
Mi Casita 202	1,500	76,646
Casitas Azucar	2,338	14,260
325 W Levee	58,094	58,094
1254 E Monroe	-	37,328
HOP Homeownership Program	26,349	-
Inwood Subdivision II	56,099	55,394
Inwood Subdivision III	40,684	40,684
Mesquite Gardens Subdivision	182,911	196,238
Harlingen CHDO HMS 187	66,710	65,726
Nonassisted lending	480,007	306,332
North Austin subdivision I	195,415	119,605
Development Homes North Austin	-	34,431
OCC Homes	2,444	1,711
North Austin subdivision II	593,584	587,374
Corpus Christi Homes	79,150	322,244
Los Olmos and Tangelo Project Homes	572,629	572,629
Predevelopment Projects	766,211	391,393
Palo Alto Groves	4,923,106	3,754,171
Campo Real Phase I	18,898	18,883
TSACH Olmito Estates	253,387	340,591
Tradition Estates Subdivision	13,983	14,328
Villa Del Sur Subdivision II	51,395	50,796
Villa Del Sur Subdivision III	289,554	289,554
Commercial lots	116,173	100,907
Total Investments	$ 11,989,671	$ 10,800,635
Less current portion	1,670,339	2,045,824
Long-term Investment	$ 10,319,332	$ 8,754,811

Management has determined that $1,670,339 are homes and lots currently in the process of being sold by the year ending September 30, 2020.

NOTE 8: INVESTMENT IN PARTNERSHIPS

Pursuant to the Paloma Partnership, Los Olmos Partnership and Casitas Azucar Partnership agreements described in Note 1, cdcb did not receive a capital distribution from the Partnerships as of September 30, 2020 and 2019.

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 2020 and 2019).
- Permanent loan in the amount of $900,000 ($669,490 and $681,336, respectively, outstanding at September 30, 2020 and 2019).

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, 2020 and 2019).
- Bridge loan in the amount of $118,368 ($0 outstanding as of September 30, 2020 and 2019).
- Permanent loan in the amount of $2,525,000 ($2,431,995 and $2,461,619, respectively, outstanding at September 30, 2020 and 2019).
- NeighborWorks loan in the amount of $180,000 ($180,000 outstanding as of September 30, 2020 and 2019).
- NSP Sponsor loan in the amount of $131,800 ($131,800 outstanding at September 30, 2020 and 2019).
- Seller loan in the amount of $286,200 ($286,200 outstanding at September 30, 2020 and 2019).

NOTE 8: INVESTMENT IN PARTNERSHIPS (Continued)

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:

- Operating Deficit Guaranty. The General Partner shall be required, upon the reduction of the Operating Reserve Account to zero, to promptly provide funds to the Partnership from time to time as needed in an amount up to the Operating Deficit Guaranty Amount for Operating Deficits occurring during the Operating Deficit Guaranty Period. Repayment of any letters of credit or other borrowings arranged by the General Partner to meet its obligations under this Section 6.4.6(ii) shall be the sole obligation of the General Partner. Subject to the last sentence of this section, funds made available by the General Partner to fulfill its obligations pursuant to this Section 6.4.6(ii) shall be accounted for as unsecured loans to the Partnership by the General Partner and may be reimbursed to the General Partner, without interest, in accordance with Section 5.1 hereof, or out of the proceeds of refinancing or sale pursuant to Section 5.2 hereof. If the Operating Deficits overruns are due to the gross negligence or willful misconduct of the General Partner, then any guaranty advances made by the General Partner to cover such costs shall be deemed to be capital contributions.

  One Hundred Sixty-Two Thousand One Hundred Twenty-One and No/100 Dollars ($162,121.00) - is the operating reserve cdcb guarantees.

- BBVA Construction loan in the amount of $4,807,837 ($3,811,229 and $536,314, respectively, outstanding as of September 30, 2020 and 2019) and TDHCA Home loan in the amount of $1,600,007 ($180,667 and $0, respectively, outstanding as of September 30, 2020 and 2019).

NOTE 9: 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 persons. 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 10: LONG-TERM INVESTMENTS

Long-term investments consist of the following:

September 30,	2020	2019
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 11: PROPERTY AND EQUIPMENT, NET AND RENTAL PROPERTIES, NET

Property and equipment, net consists of the following:

September 30,	2020	2019
Building and Improvements	$ 1,389,195	$ 1,393,495
Vehicles	135,733	146,619
Computer Equipment	267,951	228,535
Furniture and Fixtures	17,279	17,279
	1,810,158	1,785,928
Less accumulated depreciation	1,266,558	1,216,711
Property and equipment, net	$ 543,600	$ 569,217

Rental properties, net consists of the following:

September 30,	2020	2019
Building and Improvements	$ 4,198,502	$ 4,063,540
Land	394,353	365,853
Furniture and Fixtures	59,491	1,139
	4,652,346	4,430,532
Less accumulated depreciation	346,586	196,022
Rental properties, net	$ 4,305,757	$ 4,234,510

Total depreciation expense for the years ended September 30, 2020 and 2019 was $211,168 and $195,058, respectively.

NOTE 12: NOTES RECEIVABLES

In June of 2014, cdcb entered into a note receivable totaling $253,488 for the sale of commercial property. The note is due June 2020 with an interest rate of 6.00%. The balance as of September 30, 2020 totaled $233,730 ($253,488 in 2019).

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%, which is due in December of 2043. The balance as of September 30, 2020 totaled $665,603 ($665,603 in 2019).

In November of 2015, cdcb entered into a note receivable totaling $286,200 for the sale of commercial property. The note is due in December of 2057 with an interest rate of 2.57%. The balance as of September 30, 2020 totaled $286,200 ($286,200 in 2019).

In November of 2015, cdcb entered into a note receivable totaling $180,000, as part of the Los Olmos Partnership agreement with an interest rate of 0.00% and due in December of 2057. The balance as of September 30, 2020 totaled $180,000 ($180,000 in 2019).

In November of 2015, cdcb entered into a note receivable totaling $131,800 as part of the Los Olmos Partnership agreement with an interest rate of 0.00% and is due in December of 2057. The balance as of September 30, 2020 totaled $131,800 ($131,800 in 2019).

NOTE 13: DEVELOPER FEE RECEIVABLES

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, 2020 ($431,426 in 2019).

cdcb is the developer of Los Olmos Casitas apartment complex. The development had not yet reached stabilization as of September 30, 2020 and is expected to be completed stabilized in the first quarter of 2021. 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, 2020 and 2019.

cdcb is the developer of the Casitas Azucar apartment complex. Construction has been completed as of September 30, 2020. The total developer fee is $933,000, which is payable by the Casitas Azucar Partnership in accordance with the development agreement dated July 25, 2019. Total developer fee receivable was $818,278 at September 30, 2020 ($23,136 in 2019).

NOTE 14: NET ASSETS

A summary of net assets without donor restrictions follows:

September 30	2020	2019
Undesignated	$ 18,026,022	$ 17,911,163

Net assets with donor restrictions consist of the following:

September 30,	2020	2019
Time restricted	$ 29,397	$ -
Purpose restricted		
Neighbor Works capital grant	510,000	510,000
Colonia revolving	45,393	41,135
Total net assets with donor restrictions	$ 584,790	$ 551,135

Net assets released from restrictions consist of the following:

Years ended September 30,	2020	2019
Fulfillment of use restrictions	$ 2,417,424	$ 3,667,914

NOTE 15: LONG-TERM DEBT

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).

September 30,	2020	2019
Lines of Credit		
The cdcb maintains a line of credit agreement with BBVA Compass. Available borrowings related to the agreement are $500,000 with an interest rate based on the BBVA USA Prime Rate index less .0450 percentage points. Current interest is at 3.00%. The line of credit is secured by the real and personal property of cdcb. The credit line expires in June of each year and renews annually.	$ 26,071	$ 291,359
The cdcb maintains a line of credit agreement with Rio Grande Valley Multibank. Available borrowings related to the agreement are $8,000,000 with an interest rate at the FHLB 20-30 year rate plus 2.00%. Each advance is to be evidenced by an individual promissory note executed by cdcb and secured by the assignment of mortgage loans.	5,791,656	5,989,774
The cdcb maintains a line of credit agreement with Texas State Affordable Housing Corporation. Available borrowings related to the agreement are $1,000,000 with an interest rate of 1.50%, secured by the assignment of program loans. Interest is paid quarterly. All outstanding principal and accrued interest shall be payable on the maturity date, April 16, 2022.	559,932	262,879
The cdcb maintains a line of credit agreement with Housing Partnership Fund, Inc. Available borrowings related to the agreement are $1,500,000, with an interest rate of 4.75%. The line of credit is unsecured. All outstanding principal and interest is due and payable on March 20, 2021.	1,500,000	1,189,150
The cdcb maintains a line of credit agreement with International Bank of Commerce. Available borrowings related to the agreement are $1,000,000 with an interest rate at the New York Prime Rate as it fluctuates from time to time. The current interest rate is 4.25%. The note is collateralized by an assignment of mortgage notes receivable. The credit line expires in April 2021 and is expected to be renewed.	489,513	265,887
The cdcb maintains a line of credit agreement with Frost Bank. Available borrowings related to the agreement are $600,000 with an interest rate at the Wall Street Journal (U.S. Edition) Money Rates index as it fluctuates from time to time. The current interest rate is 5.00%. The line of credit is unsecured. The line of credit expired in July 2020.	-	446,179

NOTE 15: LONG-TERM DEBT (Continued)

September 30,		2020		2019
The cdcb maintains a line of credit agreement with Frost Bank. Available borrowings related to the agreement are $3,767,023, with an interest rate of 3.68%, secured by real property. During the nine-month period following the agreement execution date, February 10, 2020 (the "Construction Period"), interest only shall be due and payable monthly as it accrues beginning March 10, 2020, and continuing regularly and monthly thereafter until November 10, 2020, (the "Conversion Date"). On the Conversion Date, this shall convert to a "Permanent Loan". During the two-year repayment term of the Permanent Loan, interest only shall be due monthly as it accrues beginning December 10, 2020 and continuing each month thereafter. The principal balance shall be due and payable in seven quarterly payments of $471,000 each, assuming the principal balance of the Permanent Loan as of November 10, 2020 is $3,767,023, payable in February, May, August and November, beginning with a principal payment due on February 10, 2021 and continuing quarterly there after until August 10, 2022 and in a final installment due on November 10, 2022, when the entire amount of principal and interest then remaining unpaid, shall be due and payable. If the outstanding principal balance as of November 10, 2020 is less than $3,767,023, the quarterly payments of principal shall be calculated by dividing the then-outstanding principal balance by the number of quarters remaining until maturity of the Note. Cdcb has agreed to pay the lender a $28,846 partial release fee each time cdcb sells one or more of the 129 residential lots it will develop on the property. cdcb will get a dollar for dollar credit against the next accruing principal payment for all amounts cdcb pays the lender in partial release fees.		571,569		-
Total lines of credit	$	8,938,741	$	8,445,228

Notes payable

$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
$117,985 promissory note payable to Frost Bank, with interest at 3.5%. Payments are due in monthly installments through August 26, 2023. The loan is unsecured.		39,559		-
$250,000 promissory note payable to First Community Bank, with interest at 1.5%. It is secured by the certificate of deposit maintained at First Community Bank. The note matures on September 18, 2021.		250,000		250,000

NOTE 15: LONG-TERM DEBT (Continued)

September 30,	2020	2019
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 9 and 16 for further details.)	$ 4,875,000	$ 4,875,000
$410,000 permanent loan for Vista Luna Apartments, 605 East Price Road. The outstanding loan bears an interest rate of 5.75%. Payments 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, May 10, 2019. It is collateralized by the first position Deed of Trust and assignment of rents on La Vista Apartments.	397,248	401,451
$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.	369,339	374,615
$2,578,000 permanent Loan for La Ceiba Apartments, 4858 Rentfro Blvd. The outstanding loan bears an interest rate of 5.75%. Principal and interest are due and payable in monthly installments on the 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.	2,512,931	2,546,208
$1,395,960 promissory note payable to Rio Grande Valley Multibank Corporation. The annual interest rate is 4.78%. Principal and interest are due and payable in three hundred twenty-one (321) monthly installments. The first three hundred twenty (320) installments are in the amount of $7,710 each, and one last and final installment in the amount of all principal and accrued interest remaining unpaid. The first installment of principal and accrued interest is due and payable on January 24, 2020 and a like installment will be due and payable on the same day of each succeeding calendar month thereafter until the maturity date. The note is collateralized by an assignment of mortgage notes receivable.	1,375,566	-
Total notes payable	9,819,643	8,447,696
Total long-term debt	18,758,384	16,892,924
Less current maturities	2,870,767	1,589,278
Total long-term portion of lines of credit and notes payable	$ 15,887,617	$ 15,303,646

NOTE 15: LONG-TERM DEBT (Continued)

Aggregate maturities required on long-term debt at September 30, 2020 are as follows:

Year ending September 30,	
2021	$ 2,870,767
2022	566,986
2023	282,631
2024	5,159,129
2025	284,129
Thereafter	9,594,742
	$ 18,758,384

NOTE 16: NOTE PAYABLE HPN NMTC II, LLC

Included in long-term debt in Note 15 is the note to HPN NMTC II, LLC, of $4,875,000. This debt requires interest only payments until August of 2024 at 0.6877985%. The loan matures in August of 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 in August of 2024.

NOTE 17: OTHER LIABILITIES – NSP2 AND FREDDIE MAC

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, 2020 totaled $1,960,439 ($2,062,411 in 2019).

During 2018, cdcb was approved as a seller/servicer to sell and service mortgages for Freddie Mac. Accordingly, cdcb has recorded these as mortgage loans and a corresponding liability. The other liabilities on these homes as of September 30, 2020 totaled $549,305 ($222,655 in 2019).

NOTE 18: 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, 2020 totaled $328,910 ($311,531 for 2019).

NOTE 18: REVOLVING FUND (Continued)

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, 2020 totaled $189,805 ($189,805 for 2019).

NOTE 19: FAIR VALUE MEASUREMENTS

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that be used to measure fair values:

Level 1 Inputs – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 Inputs – Significant other observable inputs other than Level 1 prices, such as

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs, other than quoted prices, that are:
    - Observable; or
    - Can be corroborated by observable market data

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2020 and 2019.

Market Participation Certificates of Deposit: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

NOTE 19: FAIR VALUE MEASUREMENTS (Continued)

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although cdcb believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in different fair value measurements at the reporting date.

Assets and liabilities measured at fair value on a recurring basis, are summarized for the years ended September 30, 2020 and 2019:

September 30, 2020	Level 1	Level 2	Level 3	Total
Market Participation Certificates of Deposit	$ -	$ 251,015	$ -	$ 251,015

September 30, 2019	Level 1	Level 2	Level 3	Total
Market Participation Certificates of Deposit	$ -	$ 751,317	$ -	$ 751,317

Changes in Fair Value Levels

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

Management evaluated the significance of transfer between levels based upon the nature of the financial instrument and size of the transfer relative to total assets. For the year ended September 30 2020, there were no significant transfers in or out of Levels 1, 2 or 3.

NOTE 20: 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, 2020, contributions to the plan totaled $166,039 ($167,697 in 2019).

NOTE 21: 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, 2020, cash deposits exceeded this coverage limit by approximately $250,000 (approximately $250,000 in 2019).

NOTE 21: CONCENTRATION OF CREDIT RISK (Continued)

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 22: 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 an 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, 2020, cdcb has $11,758,258 in mortgage loans receivable outstanding ($11,473,718 in 2019) and $11,989,671 in investment in homes and land development projects ($10,800,635 in 2019). Management is of the opinion that the net realizable values have not been impaired.

NOTE 23: PPP LOAN REVENUE

On April 20, 2020 the cdcb received a loan in the amount of $531,700 under the PPP pursuant to the CARES Act and administered by the SBA. The PPP provides for forgivable loans to qualifying businesses. The loan and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll costs, rent and utilities and the borrower maintains specified levels of payroll and employment.

Any unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. According to terms of the promissory note, the first payment of principal and interest is due in November 2020, with subsequent payments due each month through the loan maturity date of April 2022.

NOTE 23: PPP LOAN REVENUE (Continued)

The cdcb is using the PPP loan funds for its payroll and benefits costs, rent, and utilities, purposes consistent with the PPP. While the cdcb currently believes that its use of the PPP funds are meeting the conditions for forgiveness of the PPP loan and is in the process of preparing the SBA's forgiveness application, no assurance can be provided that the cdcb will obtain forgiveness of the loan, in whole or in part.

As of September 30, 2020, the cdcb has incurred $531,700 of qualified expenses under the PPP loan and has recognized PPP loan revenue related to these qualifying expenses.

NOTE 24: RELATED PARTY TRANSACTIONS

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

The cdcb services the loans the RGVMB owns and receives management and servicing fees during the year for that service. In 2020, cdcb received a total of $440,452 for management and servicing fees from RGVMB ($499,233 for 2019).

NOTE 25: 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.

NOTE 25: STATEMENT OF FUNCTIONAL EXPENSES (Continued)

For the year ended September 30, 2020	Single Family	Youthbuild	Preservation	La Puerta	Multi-Family	Special Service	General and Administrative	Total
REVENUES								
Grants	$ 95,040	$ 644,850	$ 164,818	$ 91,720	$ 45,719	$ -	$ 506,045	$ 1,548,192
Grants - Homes	669,481	-	755,936	-	174,863	-	-	1,600,280
Home & Lot Sales	1,912,858	-	-	-	-	-	-	1,912,858
Net Fees	218,376		-		-	-	-	218,376
Interest income	-	-	4,258	-	-	-	545,450	549,708
SBA PPP Loan	138,538	489	9,736	42,718	113,347	107,094	119,777	531,699
Developer Fee	-	-	-	-	795,142	-	-	795,142
Rental income	-	-	-	-	555,299	-	-	555,299
Multi-Bank Management Fees	-	-	-	-	-	440,452	-	440,452
NSPII Earned Income	-	-	-	-	-	45,685	-	45,685
Lot Contribution	-	-	-	-	-	-	17,500	17,500
Other Earned Income	66,928	6,601	5,000	310,520	107,529	25,720	201,716	724,014
NMTC Equity Income in HPN	-	-	-	-	-	-	22,351	22,351
TOTAL REVENUES	$ 3,101,221	$ 651,940	$ 939,748	$ 444,958	$ 1,791,899	$ 618,951	$ 1,412,839	$ 8,961,556
EXPENSES								
Salaries	365,648	338,299	133,994	195,473	287,132	377,707	513,496	2,211,749
Student salaries & stipends	-	46,540	-	-	-	-	-	46,540
Fringe benefits	111,046	110,062	43,323	61,878	84,380	100,383	132,271	643,343
Travel	7,356	660	3,182	1,826	2,633	-	8,220	23,877
Equipment	4,373	9,426	-	1,686	-	318	7,398	23,201
Supplies	6,176	3,316	1,095	2,336	1,178	4,565	5,596	24,262
Contractual	39,011	13,783	8,242	6,921	12,480	13,253	30,799	124,489
Other	306,024	93,823	60,156	52,174	517,199	127,364	303,765	1,460,505
Interest Expense	-	-	-	-	-	-	373,277	373,277
Cost of Home & Lot Sales	2,070,351	-	-	-	-	-	-	2,070,351
Grants - Homes	669,481	-	755,936	-	174,863	-	-	1,600,280
Depreciation Expense	-	-	-	-	150,436	-	60,732	211,168
TOTAL EXPENSES	3,579,466	615,909	1,005,928	322,294	1,230,301	623,590	1,435,554	8,813,042
NET CHANGE	$ (478,245)	$ 36,031	$ (66,180)	$ 122,664	$ 561,598	$ (4,639)	$ (22,715)	$ 148,514

NOTE 25: STATEMENT OF FUNCTIONAL EXPENSES (Continued)

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)

Schedule of Loan Delinquency and Aging - Unaudited
Year Ended September 30, 2020

Loan Portfolio Products	Outstanding Principal Balance	Amount Delinquent	Percent Delinquent
AHLP	$ 433,987	$ 53,774	12.39%
CASA loan	7,198,883	597,300	8.30%
RCLP	162,069	34,214	21.11%
COLONIA	118	-	0.00%
MICASITA	562,039	-	0.00%
FREDDIE MAC	618,758	-	0.00%
NSP2	1,957,559	168,001	8.58%
Lots/other	554,553	47,435	8.55%
Commercial property	233,730	-	0.00%
Totals	$ 11,721,696	$ 900,724	7.68%

Bucket	Loan Count	Current Principal Amount	Delinquency Percent
Current loans	294	$ 10,820,972	N/A
Over 30 days delinquent	17	589,835	5.03%
Over 60 days delinquent	7	118,608	1.01%
Over 90 days delinquent	8	192,281	1.64%
Totals	326	$ 11,721,696	7.68%

See independent auditors' report.

Community Development Corporation of Brownsville (dba: cdcb | come dream. come build.) and Affiliates
Schedule of Loan Delinquency and Aging - Unaudited
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.