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

CONSOLIDATED FINANCIAL STATEMENTS and SUPPLEMENTARY INFORMATION

September 30, 2023 and 2022

Table of Contents

CRI CARR RIGGS & INGRAM
CPAs and Advisors

Carr, Riggs & Ingram, LLC
3125 Central Blvd.
Brownsville, TX 78520

(956) 546-1655
(956) 546-0377 (fax)
CRIcpa.com

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

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 statement of financial position as of September 30, 2023 and 2022, and the related consolidated statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of cdcb as of September 30, 2023 and 2022, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of cdcb and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 24 to the financial statements, the Organization recorded a prior period adjustment of $380,000 to correct an understatement of investment in affiliates in prior period. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about cdcb's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 cdcb's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about cdcb’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information

Management is responsible for the other information included in the consolidated financial statements. The other information comprises the Schedules of Loan Delinquency and Aging – Unaudited 2023 and 2022 but does not include the consolidated financial statements and our auditor’s report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists; we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2023, 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 20, 2023

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

September 30,	2023	(Restated) 2022
ASSETS		
Current assets		
Cash and cash equivalents	$ 10,047,533	$ 4,461,671
Receivables		
Mortgage loans receivable	566,649	827,893
Grants	1,094,916	1,987,921
Notes receivable	-	170,000
Interest receivable	64,003	40,529
Other	1,715,194	497,322
Prepaid and other assets	579,350	948,160
Current investment in homes and land development projects	2,052,083	1,961,371
Current investment in homes and land development projects- NMTC	1,189,201	979,291
Restricted cash and cash equivalents	1,912,190	2,083,808
Total current assets	19,221,119	13,957,966
Noncurrent assets		
Mortgage loans receivable	17,547,922	12,688,072
Notes receivable	1,790,602	1,650,603
Developer fee receivable	3,843,053	3,673,647
Investment in homes and land development projects	8,087,594	12,898,457
Investment in homes and land development projects- NMTC	298,954	2,800,837
Receivables - other - long-term	392,015	323,604
Rental properties - net	5,189,176	5,307,034
Long-term investments	9,135,835	9,008,335
Property and equipment - net	702,526	769,661
Total noncurrent assets	46,987,677	49,120,250
Total assets	$ 66,208,796	$ 63,078,216

- Continued

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

Consolidated Statements of Financial Position- Continued

September 30,		2023		(Restated) 2022
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable	$	455,809	$	403,409
Accrued expenses		536,240		246,309
Refundable advances- current portion		5,905,900		4,872,595
Current portion of long-term debt		7,828,263		3,531,519
Revolving fund		899,653		874,308
Escrow deposits		786,462		557,963
Total current liabilities		16,412,327		10,486,103
Noncurrent liabilities				
Refundable advances		375,229		375,229
Long-term debt		20,534,693		24,717,065
Revolving fund		37,444		139,983
Other liabilities		7,206,082		5,316,528
Total noncurrent liabilities		28,153,448		30,548,805
Total liabilities		44,565,775		41,034,908
NET ASSETS				
Net assets without donor restrictions		21,560,423		21,962,089
Net assets with donor restrictions		82,598		81,219
Total net assets		21,643,021		22,043,308
Total liabilities and net assets	$	66,208,796	$	63,078,216

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, 2023	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Sales - home and lot	$ 9,918,366	$ -	$ 9,918,366
Net fees	252,616	-	252,616
Grants	4,874,951	4,085,612	8,960,563
Interest and investment income	809,010	1,379	810,389
Developer fee revenue	412,630	-	412,630
Management fees	498,433	-	498,433
Rental income	667,456	-	667,456
Other earned income	547,072	-	547,072
Net assets released from restrictions - restrictions satisfied by payments	4,085,612	(4,085,612)	-
Total revenue and support	22,066,146	1,379	22,067,526
Expenses			
Program services:			
Home ownership	7,982,585	-	7,982,585
Financial security	380,374	-	380,374
Youthbuild	792,834	-	792,834
Rental management	3,008,801	-	3,008,801
Real estate development	5,026,670	-	5,026,670
Special service	2,232,962	-	2,232,962
Dreambuild	1,635,907	-	1,635,907
Support services:			
General and administration expenses	1,407,679	-	1,407,679
Total expenses	22,467,812	-	22,467,812
Change in net assets	(401,666)	1,379	(400,287)
Net assets – beginning of year	21,962,089	81,219	22,043,308
Net assets – end of year	$ 21,560,423	$ 82,598	$ 21,643,021

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, 2022	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Sales - home and lot	$ 5,724,982	$ -	$ 5,724,982
Net fees	268,739	-	268,739
Grants	4,301,354	9,952,457	14,253,811
Interest and investment income	500,763	2,576	503,339
Developer fee revenue	477,483	-	477,483
Management fees	513,640	-	513,640
Rental income	652,919	-	652,919
Other earned income	796,050	10,142	806,192
Net assets released from restrictions - restrictions satisfied by payments	10,472,599	(10,472,599)	-
Total support and revenue	23,708,529	(507,424)	23,201,105
Expenses			
Program services:			
Homeownership	7,416,764	-	7,416,764
Financial security	422,014	-	422,014
Youthbuild	748,681	-	748,681
Rental management	10,075,807	-	10,075,807
Real estate development	225,206		
Special service	2,817,028	-	2,817,028
Support services:			
General and administrative expenses	1,132,139	-	1,132,139
Total expenses	22,837,639	-	22,837,639
Change in net assets	870,890	(507,424)	363,466
Net assets – beginning of year	20,711,199	588,643	21,299,842
Prior period adjustment	380,000	-	380,000
Net assets – beginning of year, as restated	21,091,199	588,643	21,679,842
Net assets – end of year	$ 21,962,089	$ 81,219	$ 22,043,308

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 Statements of Cash Flows

For the years ended September 30,	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (400,287)	$ 363,466
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation - rental properties	190,039	191,229
Depreciation - property and equipment	68,672	62,246
(Increase) decrease:		
Receivables:		
Grants	893,005	(563,437)
Developer fee receivable	(169,406)	(437,667)
Receivables - other - long-term	(1,309,757)	(472,798)
Prepaid and other assets	368,810	(271,945)
Increase (decrease):		
Accounts payable	52,400	(98,451)
Accrued expenses	289,931	25,814
Refundable advances	1,033,305	646,905
Revolving fund	(77,194)	99,771
Escrow deposits	228,499	23,285
Other liabilities	1,889,554	1,714,131
Net cash provided by operating activities	3,057,571	1,282,550

-Continued-

Community Development Corporation of Brownsville (dba: cdcb | come dream. come build.) and Affiliates
Consolidated Statements of Cash Flows - Continued

For the years ended September 30,		2023		2022
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from investment in homes and land development projects	$	9,593,837	$	27,988,317
Payments for investment in homes and land development projects		(2,581,713)		(28,152,397)
Purchases of property and equipment		(1,537)		(330,913)
Purchases of rental property		(72,181)		(1,345,780)
Purchases of investments		(127,500)		-
Issuance of notes receivable		-		(45,000)
Collections from notes receivable		30,001		-
Issuance of mortgage loans		(4,880,460)		(2,249,584)
Collections from mortgage loans		281,854		383,638
Net cash provided by (used in) investing activities		2,242,301		(3,751,719)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from notes payable		3,189,457		4,324,513
Payments made on notes payable		(3,075,085)		(7,485,657)
Net cash provided by(used in) provided by financing activities		114,372		(3,161,144)
Net increase (decrease) in cash and cash equivalents		5,414,244		(5,630,313)
Beginning cash and cash equivalents		6,545,479		12,175,792
Ending cash and cash equivalents	$	11,959,723	$	6,545,479
Supplemental Disclosures of Cash Flow Information:				
Cash paid for interest	$	1,015,848	$	549,133

Cash and cash equivalents and restricted cash consist of:

		September 30, 2023		September 30, 2022
Cash and cash equivalents	$	10,047,533	$	4,461,671
Restricted cash and cash equivalents		1,912,190		2,083,808
	$	11,959,723	$	6,545,479

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 include the following: RGV Casitas, Inc. ("RGV Casitas"), which was formed on April 25, 2012 and Every Step Counts ("Every Step Counts"), which was formed on April 23, 2018.

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.

Other affiliates accounted for using the equity method of accounting include the following:

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.

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.

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.

NOTE 1: DESCRIPTION OF THE ORGANIZATION (Continued)

Affiliates (Partnerships) (Continued)

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 Lantana GP, LLC (wholly owned by cdcb) was formed to be the general partner of Casitas Lantana, LP (the "Partnership"), which was formed on November 19, 2019. The Casitas 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 Lantana. The Casitas Lantana 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 MS Single Investor Fund VII, LLC (The Casitas Lantana investor limited partner). The Casitas Lantana 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 Lantana limited partner and 0.01% to the general partner.

The Casitas Lantana GP, LLC's investment in the Casitas Lantana 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 Lantana Partnership. Under the equity method of accounting, the Casitas Lantana Partnership's accounts are not reflected within cdcb's consolidated statements of financial position and consolidated statement of activities; however, Casitas Lantana GP, LLC's share of the earnings or losses of the Casitas Lantana Partnership is reflected as investment income (loss) in the consolidated statements of activities.

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).

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Restricted Cash

Amounts included in restricted cash represent those required to be set aside by contractual agreements. Restricted cash and cash equivalents are escrow accounts relating to mortgage loans and cash held for deposit for property tax assessments for the La Hacienda Casitas apartment complex.

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, 2023, and 2022, 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 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Developer Fee Receivable

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.

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, or, if donated, at the approximate fair value at the date of donation. 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, 2023 and 2022.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

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. These benefits received by the public as a result of the assets transferred is not equivalent to commensurate value received by the federal, state, or local agencies and are therefore not considered exchange transactions. Grants and contracts are analyzed for measurable performance-related barriers or other barriers. Amounts received are recognized as revenue when cdcb has incurred expenditures in compliance with specific contract or grant provisions.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions and Grants (Continued)

Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the consolidated statements of financial position. cdcb received grants with advance payments of $6,331,478 that have not been recognized at September 30, 2023 ($5,247,824 in 2022) because qualifying expenditures have not yet been incurred are recognized in the consolidated statements of financial position as refundable advances.

Revenue Recognition

Home and lot sales, net fees, management fees and payments under developer fee agreements are accounted for under ASC Topic 606, *Revenue from Contracts with Customers (ASC 606)*, recognizing revenue when performance obligations under the terms of the contracts with customers are satisfied. Prior to the adoption of ASC 606, cdcb recognized revenue when persuasive evidence of an arrangement existed, delivery of products or services had occurred, the sales price was fixed or determinable and collectability was reasonably assured. The accompanying consolidated statements of activities show those disaggregated revenue streams for the year ended September 30, 2023 and 2022.

Revenue related to home and lot sales and net fees are generally recognized when the performance obligation is met, which is considered to be satisfied at a point in time of the closing of the sale, when title to and possession of the property are transferred to the buyer. Management fees and payments under developer fee agreements are recognized when the performance obligation are met, which are considered to be satisfied over time as services are rendered.

Differences in the timing of revenue recognition and contractual billing and payment terms result in the recognition of contract assets and liabilities. Contract assets primarily result from developer fee contracts and represent revenues recognized for performance obligations that have been satisified but for which amounts have not been billed. Contract liabilities or deferred revenue primarily represent cash received that is in excess of revenues recognized and is contingent upon the satisfaction of performance obligations. Any amounts from home and lot sales, net fees, management fees and payments under various contracts that are received in advance are deferred and recognized upon satisfaction of performance obligations. No contract assets or liabilities were reported as of September 30, 2023 and 2022.

Rental income related to rent services for low-to-moderate income families is accounted for under Accounting Standards Codification (ASC) 842, *Leases*. The leases meet the classification of operating leases and rental income is recorded on a monthly basis through the terms of rental agreements.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 a fixed percentage.

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, 2023, and 2022, 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 2019.

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 20, 2023 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Newly Adopted Accounting Pronouncement

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 right to use 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, 2021, including interim periods within those fiscal years. The adoption of this standard did not have any impact on cdcb's consolidated financial statements.

NOTE 3: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects 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,	2023	2022
Cash and cash equivalents	$ 10,047,533	$ 4,461,671
Restricted cash and cash equivalents	1,912,190	2,083,808
Investments in marketable securities	-	-
Receivables		
Grants	1,094,916	1,987,921
Financial assets, at year end	$ 13,054,639	$ 8,533,400
Less those not available for general expenditures within one year, due to contractual or donor-imposed restrictions		
Net assets with donor restrictions	(82,598)	(81,219)
Cash restricted for NMTC, AFI and ESC	(1,005,231)	(1,512,692)
Escrow deposits	(219,502)	(571,116)
Financial assets available to meet cash needs for general expenditures within one year	$ 11,747,308	$ 6,368,373

NOTE 4: CASH AND CASH EQUIVALENTS

A summary of cash and cash equivalents is as follows:

September 30,	2023	2022
Bank deposits	$ 1,885,024	$ 2,640,935
Certificates of deposit	1,284,965	1,279,448
Repurchase agreements	8,729,510	2,564,872
Tax guarantee reserve	60,224	60,224
Total	$ 11,959,723	$ 6,545,479

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 AND OTHER LONG TERM RECEIVABLES

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.

NOTE 5: MORTGAGE LOANS RECEIVABLE (Continued)

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.

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 receivable and a corresponding liability. The mortgage loans receivable on these homes as of September 30, 2023 totaled $2,034,127 ($1,664,550 in 2022). During 2020, cdcb was approved as a seller/servicer to sell and service mortgages for Fannie Mae. Accordingly, cdcb has recorded these as mortgage loans receivable and a corresponding liability. The mortgage loans receivable on these homes as of September 30, 2023 totaled $3,424,758 ($1,641,342 in 2022).

Mortgage loans and other long term receivables outstanding are as follows:

September 30,	2023	2022
NeighborWorks	$ 299,551	$ 279,551
Capital Magnet	68,645	28,985
DAP	35,751	17,850
AHLP	23,747	58,288
Mi Casita	932,886	749,741
Fannie Mae	3,424,758	1,641,342
Lots receivable	185,554	252,364
NSP2	1,621,042	1,725,491
CASA	9,838,960	7,342,325
Revolving loan fund	32,444	66,919
Freddie Mac	2,034,127	1,664,550
RCLP	9,121	12,163
Mortgage loans	$ 18,506,586	$ 13,839,569

NOTE 6: 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 6: INVESTMENT IN HOMES AND LAND DEVELOPMENT PROJECTS (Continued)

Investment in home and land development projects is as follows:

September 30,	2023	2022
California Crossing	$ 469,887	$ 477,582
Caterpillar Grove	-	906,362
Cicada Grove	-	872,822
El Naranjal III	84,996	84,063
El Naranjal Subdivision, Section IV	204,753	427,063
French River Valley Subdivision II	1,177,296	2,297,773
Campo Real Subdivision II	336,088	336,088
Cisneros Estates	67,871	65,577
Colonias Rehabilitation	-	13,953
Mi Casita 202	882,760	485,930
Casitas Azucar	37,070	36,327
Casitas Lantana	-	21,442
Casitas Acacia	61,611	48,356
HOP Homeownership Program	30,962	28,932
Inwood Subdivision II	57,358	56,954
Inwood Subdivision III	35,938	35,938
Mesquite Gardens Subdivision	28,132	41,371
Harlingen CHDO HMS 187	69,748	68,764
Nonassisted lending	206,882	323,559
North Austin subdivision I	150,355	176,827
North Austin subdivision II	703,999	550,365
Corpus Christi Homes	98,341	87,345
Los Olmos and Tangelo Project Homes	572,629	572,629
Predevelopment Projects	2,173,528	2,159,805
Butterfly Groves	611	(3,600)
Campo Real Phase I	19,273	19,138
TSACH Olmito Estates	866,814	533,623
Villa Del Sur Subdivision II	23,451	405
Villa Del Sur Subdivision III	289,554	289,554
Commercial lots	69,772	58,747
Dragonfly	-	1,285,069
Grasshopper Grove	-	655,954
Honeybee Grove	-	605,435
Palo Alto Casitas	628,791	586,336
Palo Alto Reserve	666,983	654,175
Other	124,224	(835)
Total Investments	10,139,677	14,859,828
Less current portion	2,052,083	1,961,371
Long-term Investment	$ 8,087,594	$ 12,898,457

NOTE 6: INVESTMENT IN HOMES AND LAND DEVELOPMENT PROJECTS (Continued)

Management has determined that $2,052,083 and $1,961,371 are homes and lots currently in the process of being sold by the year ending September 30, 2023 and 2022, respectively.

Pre development costs of $1,488,155 and $3,780,128 2022 represent homes and land development projects funded under the New Market Tax Credit for the year ending September 30, 2023 and 2022, respectively. Management has determined that $1,189,201 and $979,291 are homes and lots currently in the process of being sold by the year ending September 30, 2023 and 2022, respectively.

NOTE 7: INVESTMENT IN PARTNERSHIPS

Pursuant to the Paloma Partnership, Los Olmos Partnership, Casitas Azucar Partnership, and Casitas Lantana Partnership agreements described in Note 1, cdcb did not receive a capital distribution from the Partnerships as of September 30, 2023 and 2022.

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 2023 and 2022).
- Permanent loan in the amount of $900,000 ($628,390 and $644,801, respectively, outstanding at September 30, 2023 and 2022).

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 ($192,737 outstanding as of September 30, 2023 and 2022).
- Bridge loan in the amount of $118,368 ($0 outstanding as of September 30, 2023 and 2022).
- Permanent loan in the amount of $2,525,000 ($2,245,185 and $2,368,483, respectively, outstanding at September 30, 2023 and 2022).
- NeighborWorks loan in the amount of $180,000 ($180,000 outstanding as of September 30, 2023 and 2022).
- NSP Sponsor loan in the amount of $131,800 ($131,800 outstanding at September 30, 2023 and 2022).
- Seller loan in the amount of $286,200 ($286,200 outstanding at September 30, 2023 and 2022).

NOTE 7: 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.
- $161,121 - is the operating reserve cdcb guarantees.
- BBVA Construction loan in the amount of $4,807,837 ($4,807,837 and $4,807,837, respectively, outstanding as of September 30, 2023 and 2022) and TDHCA Home loan in the amount of $1,600,000 ($837,394 and $618,468, respectively, outstanding as of September 30, 2023 and 2022).

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

- Sponsor loan in the amount of $387,000 ($387,000 outstanding at September 30, 2023).
- Payment of excess development costs
- Funds necessary to pay operating deficits of no more than $306,508 ($91,867 outstanding as of September 30, 2023 and 2022.
- Permanent loan in the amount of $9,738,000 ($9,124,186 and $0, respectively, outstanding as of September 30, 2023 and 2022)

NOTE 8: INVESTMENT IN JOINT VENTURES

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 8: INVESTMENT IN JOINT VENTURES (Continued)

Community Development Corporation of Brownsville invested, along with three other Housing Partnership Network, Inc. members, in a partnership (HPN Leverage VII, LLC) with 25% 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 markets tax credits to be applied against their federal tax liability. As a result, the cdcb has invested $5,075,653 and was able to secure two 20-year loans each in the amount of $3,412,500 payable to a community development entity. The qualified census tract (QCT) loan proceeds are to be used solely for the purpose of acquiring, rehabbing and/or constructing single-family homes in QCTs and selling at least 20% of such homes to low-income persons. The targeted population (TP) loan proceeds are to be used solely for the purpose of acquiring, rehabbing and/or constructing single-family homes 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 0.743760% 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 0.743760%.

Investment in HPN Leverage VII, LLC

In 2021 cdcb participated in a New Markets Tax Credit (NMTC) program. The program provides funds to eligible organizations for investment in “qualified low-income community investment”. Program compliance requirements included creation of a promissory note and investment in a qualified community development entity (CDE). Tax credit recapture is required if compliance requirements are not met over a seven-year period.

In 2021 cdcb has recorded its 25% investment in HPN Leverage VII, LLC at the cost of $5,075,653. In June 2028, Twain Investment Fund 554, LLC (the Fund), and the upstream effective owner of HPN NMTC VII, LLC (holder of the promissory note due from cdcb) is expected to exercise its put option. Under the terms of the put option agreement HPN Leverage VII, LLC is expected to purchase the ownership interest of the Fund. Exercise of the option will effectively allow cdcb to extinguish its outstanding debt owed to the Fund.

NOTE 9: LONG-TERM INVESTMENTS

Long-term investments consist of the following:

September 30,	2023	2022
Investment in HPN Leverage II, L.L.C.		
(New Market Tax Credit Joint Venture)	$ 3,352,682	$ 3,352,682
Investment in HPN Leverage VII, L.L.C.		
(New Market Tax Credit Joint Venture)	5,075,653	5,075,653
Investment in Casitas Azucar		
(Multi Family Developments)	127,500	-
RGV Multibank Stock 95,538 shares	200,000	200,000
Long-term investments	$ 8,755,835	$ 8,628,335

NOTE 10: PROPERTY AND EQUIPMENT, NET AND RENTAL PROPERTIES, NET

Property and equipment, net consists of the following:

September 30,	2023	2022
Building and Improvements	$ 1,539,732	$ 1,632,114
Land	66,000	66,000
Vehicles	136,091	163,155
Computer Equipment	335,951	267,951
Furniture and Fixtures	17,279	17,279
	2,095,053	2,146,499
Less accumulated depreciation	1,392,527	1,376,838
Property and equipment, net	$ 702,526	$ 769,661

Rental properties, net consists of the following:

September 30,	2023	2022
Building and Improvements	$ 5,397,320	$ 5,330,856
Land	546,753	546,753
Furniture and Fixtures	84,272	78,554
	6,028,345	5,956,163
Less accumulated depreciation	839,169	649,129
Rental properties, net	$ 5,189,176	$ 5,307,034

Total depreciation expense for the years ended September 30, 2023 and 2022 was $258,711 and $253,475, respectively.

NOTE 11: NOTES RECEIVABLES

At December 31, 2013, cdcb entered into a note receivable totaling $665,602 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, 2023 totaled $665,602 ($665,602 in 2022).

In November of 2015, cdcb entered into a note receivable totaling $286,200, as part of the Los Olmos Partnership agreement. The note is due in December of 2057 with an interest rate of 2.57%. The balance as of September 30, 2023 totaled $286,200 ($286,200 in 2022).

NOTE 11: NOTES RECEIVABLES (Continued)

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, 2023 totaled $180,000 ($180,000 in 2022).

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, 2023 totaled $131,800 ($131,800 in 2022).

In October of 2020, cdcb entered into a note receivable totaling $387,000 as part of the Casitas Lantana Partnership agreement with an interest rate of 0.00% and is due in October of 2040. The balance as of September 30, 2023 totaled $387,000 ($387,000 in 2022).

In February of 2022, cdcb entered into a revolving line of credit totaling $170,000 for purposes of providing working capital to borrower with an interest rate of prime with a 4.25% ceiling and a floor of 2% and is due in February 2025. The balance as of September 30, 2023 totaled $140,000 ($170,000 in 2022).

NOTE 12: DEVELOPER FEE RECEIVABLES

cdcb was the developer of La Hacienda Casitas apartment complex. Construction has been completed as of September 30, 2023. 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, 2023 ($431,426 in 2022).

cdcb is the developer of Los Olmos Casitas apartment complex. Construction has been completed as of September 30, 2023. 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, 2023 and 2022.

cdcb is the developer of the Casitas Azucar apartment complex. Construction has been completed as of September 30, 2023. 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 $690,778 at September 30, 2023 ($818,278 in 2022).

cdcb is the developer of the Casitas Lantana apartment complex. Construction has not been completed as of September 30, 2023. The total developer fee is $1,625,000, which is payable by the Casitas Lantana Partnership in accordance with the development agreement dated October 1, 2020. Total developer fee receivable was $1,625,000 at September 30, 2023 ($1,328,094 in 2022).

NOTE 13: OTHER ASSETS

Other assets consists of the following as of September 30:

September 30,	2023	2022
Prepaid expenses	$ 155,359	$ 13,271
Other	63,909	397,709
New Market Tax Credits:		
Affiliate guarantee fee, net	239,652	266,158
Transaction costs, net	(95,570)	55,022
Recapture guaranty, net	216,000	216,000
Total	$ 579,350	$ 948,160

Other assets related to the new market tax credit transactions are amortized, straight-line over the life of the new market tax credit compliance period. The total accumulated amortization at September 30, 2023 and 2022 was $390,086 and $293,309 respectively.

NOTE 14: NET ASSETS

A summary of net assets without donor restrictions follows:

September 30,	2023	2022
Undesignated	$ 21,560,423	$ 21,582,089

Net assets with donor restrictions consist of the following:

September 30,	2023	2022
Time restricted	$ 29,397	$ 29,397
Purpose restricted		
Colonia revolving	53,201	51,822
Total net assets with donor restrictions	$ 82,598	$ 81,219

Net assets released from restrictions consist of the following:

Years ended September 30,	2023	2022
Fulfillment of use restrictions	$ 4,085,612	$ 10,472,599

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,	2023	2022
Lines of Credit		
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.	$ 8,464,748	$ 5,890,875
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, 2023.	923,073	747,546
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 May 20, 2025.	1,500,000	1,500,000
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 on October 23, 2022.	95,029	318,291
Total lines of credit	$ 10,982,850	$ 8,456,712

NOTE 15: LONG-TERM DEBT (Continued)

September 30,	2023	2022
Notes payable		
$466,866 promissory note payable to TDHCA, at no interest. Payments are due in monthly installments through May 1, 2024, when the note matures. The loan is unsecured.	$ 345,369	$ 369,312
$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 July 18, 2023.	250,000	250,000
$487,342 promissory note payable to TDHCA, at no interest. Payments due as properties are sold under the note agreement. Note is secured by a Deed of Trust. Note matures on August 31, 2023.	287,407	299,903
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 17 for further details.)	4,875,000	4,875,000
Note payable HPN NMTC VII, LLC QCT loan due June 2041, interest only through June 2028 at 0.743760%. Collateralized by all assets acquired by cdcb through the New Market Tax Credit Program. (See Note 9 and 17 for further details.)	3,412,500	3,412,500
Note payable HPN NMTC VII, LLC TP loan due June 2041, interest only through June 2028 at 0.743760%. Collateralized by all assets acquired by cdcb through the New Market Tax Credit Program. (See Note 9 and 17 for further details.)	3,412,500	3,412,500
$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.	1,286,402	1,317,531
$2,036,892 promissory note payable to Rhodes Enterprises, Inc, with interest at 3.5%. Principal and interest are due in 6 monthly installements starting January 31, 2023 through June 31, 2023. Loan is collateralized by the security described in a the Deed of Trust, Pledge Agreement, and Secured Promissory Note.	-	2,036,892

NOTE 15: LONG-TERM DEBT (Continued)

$2,214,000 promissory note payable to The Housing Partnership Fund, Inc , with interest at 4.25%. Principal and interest are due in monthly installments starting July 1, 2021 through July 1, 2023, maturity date. Loan is secured by the Security agreement and UCC Financing Statements filed with the State of Texas.	$ -	$ 527,957
$3,290,277 promissory note payable to Texas Regional Bank, with interest at 3.25%. Principal and interest are due in monthly installments starting February 23, 2022 through February 23, 2032, maturity date. Loan is secured by Deed of Trust.	3,260,928	3,290,277
$250,000 promissory note payable to Cameron County Housing Finance Corporation, with interest at 1%. Principal and interest are due in monthly installments starting November 1, 2019 through November 1, 2029, maturity date. Loan is secured by Deed of Trust.	250,000	-
Total notes payable	17,380,106	19,791,872
Total long-term debt	28,362,956	28,248,584
Less current maturities	7,828,263	3,531,519
Total long-term portion of lines of credit and notes payable	$ 20,534,693	$ 24,717,065

Aggregate maturities required on long-term debt at September 30, 2022 are as follows:

Year ending September 30,	
2024	$ 7,828,263
2025	1,073,275
2026	323,275
2027	323,275
2028	7,148,275
Thereafter	11,666,593
	$ 28,362,956

NOTE 16: NOTES 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.

Included in long-term debt in Note 15 is the note to HPN NMTC VII, LLC, QCT Loan of $3,412,500 and TP loan of $3,412,500. This debt requires interest only payments until June of 2028 at 0.743760%. The loan matures in June of 2041. 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 June of 2028.

NOTE 17: OTHER LIABILITIES

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, 2023 totaled $1,623,923 ($1,728,372 in 2022).

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, 2023 totaled $2,036,926 ($1,673,103 in 2022).

During 2020, cdcb was approved as a seller/servicer to sell and service mortgages for Fannie Mae. Accordingly, cdcb has recorded these as mortgage loans and a corresponding liability. The other liabilities on these homes as of September 30, 2023 totaled $3,381,618 ($1,648,895 in 2022).

Other liabilities of $163,615 as of September 30, 2023 ($266,158 in 2022) consist of unamortized guarantee fees paid by tax credit entities under the NMTC transactions entered into by cdcb. These fees are amortized over the life of the loan.

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, 2023 totaled $525,267 ($607,706 for 2022).

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, 2023 totaled $411,830 ($406,585 for 2022).

NOTE 19: 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, 2023, contributions to the plan totaled $206,359 ($193,542 in 2022).

NOTE 20: 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, 2023, cash deposits exceeded this coverage limit.

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 21: 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, 2023, cdcb has $18,114,571 in mortgage loans receivable outstanding ($13,515,965 in 2022), $10,139,677 in investment in homes and land development projects ($14,859,828 in 2022) and $1,488,155 in investment in homes and land development projects- NMTC ($3,780,128 in 2022). Management is of the opinion that the net realizable values have not been impaired.

NOTE 22: 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 2023, cdcb received a total of $498,433 for and fees from RGVMB ($513,640 for 2022).

NOTE 23: 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, 2023	Home Ownership	Financial Security	Youthbuild	Rental Management	Real Estate Development	Special Service	Dreambuild	General and Administrative	Total
EXPENSES									
Salaries	$ 567,468	$ 197,389	$ 468,801	$ 225,452	$ 120,858	$ 493,949	$ 390,284	$ 625,147	$ 3,089,348
Fringe benefits	160,797	54,297	134,252	67,289	34,469	132,178	107,967	139,969	831,218
Travel	20,771	1,573	15,003	10,618	7,188	22,334	33,074	44,896	155,457
Equipment	8,951	3,087	14,089	-	-	1,048	12,571	10,527	50,273
Supplies	8,374	3,875	4,583	3,280	1,173	2,166	2,194	5,818	31,463
Contractual	80,573	16,273	15,085	158,934	63,500	1,536,971	747,572	129,174	2,748,082
Other	468,264	103,880	141,021	74,363	43,530	44,316	73,993	314,047	1,263,414
Interest Expense	619,062	-	-	40,749	286,608	-	-	69,429	1,015,848
Cost of Home & Lot Sales	4,798,542	-	-	-	4,469,344	-	268,252	-	9,536,138
Grants - Homes	1,249,188	-	-	1,649,746	-	-	-	-	2,898,934
Subsidaries Direct Expense	595	-		588,331	-	-	-	-	588,926
Depreciation Expense	-	-	-	190,039	-	-	-	68,672	258,711
TOTAL EXPENSES	$ 7,982,585	$ 380,374	$ 792,834	$ 3,008,801	$ 5,026,670	$ 2,232,962	$ 1,635,907	$ 1,407,679	$ 22,467,812

For the year ended September 30, 2022	Home Ownership	Financial Security	Youthbuild	Rental Management	Real Estate Development	Special Service	General and Administrative	Total
EXPENSES								
Salaries	$ 459,107	$ 195,527	$ 404,151	$ 211,727	$ 157,884	$ 496,733	$ 504,108	$ 2,429,237
Fringe benefits	135,227	55,745	154,859	62,958	39,988	147,969	114,379	711,125
Travel	6,987	5,856	4,877	3,719	2,603	37,396	21,938	83,376
Equipment	377	8,959	32,026	8,339	-	11,964	22,002	83,667
Supplies	7,972	3,039	4,826	6,086	1,285	4,174	7,511	34,893
Contractual	58,628	71,472	14,080	322,415	7,471	1,955,136	112,520	2,541,722
Other	513,608	81,416	133,862	677,982	15,975	163,644	249,749	1,836,236
Interest Expense	500,978	-	-	10,457	-	12	37,686	549,133
Cost of Home & Lot Sales	5,137,546	-	-	-	-	-	-	5,137,546
Grants - Homes	596,334	-	-	8,580,895	-	-	-	9,177,229
Depreciation Expense	-	-	-	191,229	-	-	62,246	253,475
TOTAL EXPENSES	$ 7,416,764	$ 422,014	$ 748,681	$ 10,075,807	$ 225,206	$ 2,817,028	$ 1,132,139	$ 22,837,639

The cdcb added DreamBuild line of business in 2023 fiscal year. DreamBuild is a volumetric module housing manufacturing program. DreamBuild creates affordable housing opportunities for families buying a new home, living in dilapidated housing and derelict trailers earning as little as 60% of the AMFI.

NOTE 24: PRIOR PERIOD ADJUSTMENT

During the current year, management discovered a financial statement error that caused an understatement of previously reported investment in affiliates and related net assets, without donor restrictions. The understatement related to investment in affiliate transaction regarding the capital contribution credit for the difference between the fair market value of land in the Casitas Lantana project and the amount paid to the General Partner. The effect on net assets with donor restrictions totaled $380,000.

Community Development Corporation of Brownsville (dba: cdcb | come dream. come build.) and Affiliates
Schedule of Loan Delinquency and Aging - Unaudited
Year Ended September 30, 2023

Loan Portfolio Products	Outstanding Principal Balance	Amount Delinquent	Percent Delinquent
AHLP	$ 21,784	$ 9,938	45.62%
CASA loan	9,834,199	480,358	4.88%
COLONIA	36,564	11,941	32.66%
MICASITA	932,886	57,814	6.20%
FREDDIE MAC	1,936,159	-	0.00%
FANNIE MAE	3,424,758	-	0.00%
NSP2	1,621,042	126,689	7.82%
Lots/other	185,554	37,330	20.12%
cdcb	32,001	32,001	100.00%
Totals	$ 18,024,947	$ 756,071	4.19%

Bucket	Loan Count	Current Principal Amount	Delinquency Percent
Current loans	258	$ 17,268,875	N/A
Over 30 days delinquent	5	100,257	0.56%
Over 60 days delinquent	11	374,240	2.08%
Over 90 days delinquent	12	281,575	1.56%
Totals	286	$ 18,024,947	4.19%

Community Development Corporation of Brownsville (dba: cdcb | come dream. come build.) and Affiliates
Schedule of Loan Delinquency and Aging - Unaudited
Year Ended September 30, 2022

Loan Portfolio Products	Outstanding Principal Balance	Amount Delinquent	Percent Delinquent
AHLP	$ 58,542	$ 10,467	17.88%
CASA loan	7,233,958	467,252	6.46%
COLONIA	74,083	18,693	25.23%
MICASITA	749,741	-	0.00%
FREDDIE MAC	1,664,550	-	0.00%
FANNIE MAE	1,641,342	-	0.00%
NSP2	1,725,491	199,989	11.59%
Lots/other	252,364	20,089	7.96%
cdcb	33,964	33,964	100.00%
Totals	$ 13,434,035	$ 750,454	5.59%

Bucket	Loan Count	Current Principal Amount	Delinquency Percent
Current loans	240	$ 12,683,581	N/A
Over 30 days delinquent	8	291,730	2.17%
Over 60 days delinquent	8	266,860	1.99%
Over 90 days delinquent	6	191,864	1.43%
Totals	262	$ 13,434,035	5.59%