

COMMUNITY PARTNERS FOR AFFORDABLE HOUSING

CONSOLIDATED FINANCIAL STATEMENTS

With Independent Auditor's Report

Years ended December 31, 2022 and 2021

COMMUNITY PARTNERS FOR AFFORDABLE HOUSING
Years Ended December 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

July 25, 2023

Board of Directors
Community Partners for Affordable Housing
Tigard, Oregon

Report on the Audit of the Consolidated Financial Statements

Opinion

I have audited the accompanying consolidated financial statements of financial position of Community Partners for Affordable Housing (CPAH) (a nonprofit organization) and affiliated entities, which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of CPAH. as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in note 16 to the consolidated financial statements, there were conditional promises to give as of December 31, 2022 in the amount of \$422,210 and the conditions of the promises were not substantially met. According to Financial Accounting Standards Board ASC 958-605-25 a conditional promise to give should only be recognized as revenue when the conditions on which they depend are substantially met. The promises to give were incorrectly recognized as revenue during the year-ended December 31, 2021. The financial statements for the year-ended December 31, 2021 have been restated to decrease grants receivable \$362,297, increase refundable advances \$59,913, decrease net assets with donor restriction and also change in net assets with donor restriction \$422,210. My opinion is not modified with respect to this matter.

Basis for Opinion

I conducted my audit 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. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of CPAH and its affiliated entities and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Responsibility 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 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 CPAH's and affiliates' 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 Responsibility for the Audit of the Financial Statements

My 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 my 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*, I:

- 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 CPAH'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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CPAH's and affiliates' ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Supplementary Information

My audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Audited Supplementary Information on pages 28 to 34 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, on pages 35 to 37, I have also issued my report dated July 25, 2023 on my consideration of CPAH's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my 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 CPAH'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 CPAH's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Mark Schwing CPA PC". The signature is written in a cursive, flowing style.

Mark Schwing CPA PC

COMMUNITY PARTNERS FOR AFFORDABLE HOUSING
DECEMBER 31, 2022 and 2021

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

ASSETS

Assets	2022	2021
Cash	\$ 2,816,613	\$ 4,904,477
Cash - restricted	3,185,182	2,836,582
Receivables - operating	175,237	142,428
Receivables - grants	210,586	226,604
Prepaid expenses	136,504	50,478
Tenant security deposits held in trust	297,064	290,403
Predevelopment costs	2,349,145	1,102,087
Land held for development	2,763,505	2,763,505
Fixed assets - net	71,570,415	63,953,909
Bond fee	207,250	207,250
Benefit of interest rate SWAP	641,011	-
Tax credit fees - net	339,321	369,706
Total Assets	\$ 84,691,833	\$ 76,847,429

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable	\$ 91,994	\$ 134,067
Accounts payable-construction and project improvements	2,691,956	254,024
Refundable Advances	-	59,913
Accrued liabilities	153,536	142,733
Prepaid rents	13,781	91,535
Refundable security deposits	300,427	288,622
Mortgages and notes payable	42,422,700	35,279,627
Accrued interest	771,745	648,160
Total Liabilities	46,446,139	36,898,681
Commitments and Contingencies	-	-
Net Assets		
Without donor restriction		
Controlling interests	10,544,511	10,912,771
Board designated	450,000	450,000
Noncontrolling interests	27,023,863	28,324,396
Total without donor restriction	38,018,374	39,687,167
With donor restriction - controlling interests	227,320	261,581
Total Net Assets	38,245,694	39,948,748
Total Liabilities and Net Assets	\$ 84,691,833	\$ 76,847,429

COMMUNITY PARTNERS FOR AFFORDABLE HOUSING

Years Ended December 31, 2022 and 2022

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	2022	2021
<i>Net Assets Without Donor Restriction:</i>		
Support and Revenues		
Support		
Grants	\$ 857,049	\$ 848,591
In-Kind Contributions	-	500,000
Contributions	45,658	31,322
Total Support	902,707	1,379,913
Revenues		
Net rental revenue	5,106,752	4,892,914
Laundry and tenant charges	143,113	77,187
Interest income	2,909	2,353
Special events - net of expenses	126,489	99,605
Debt forgiveness	-	106,071
Other income	26,529	33,018
Total Revenues	5,405,792	5,211,148
Net assets released from restrictions	81,581	1,478,726
Total Support and Revenues	6,390,080	8,069,787
Expenses		
Program Services		
Property operations	4,285,645	4,229,647
Housing education and outreach	120,560	102,748
Resident services	712,410	375,872
Housing development	611,014	769,269
Asset management	96,017	183,742
Total Program Services	5,825,646	5,661,278
Support Services		
Management and general	307,103	199,700
Fundraising	100,905	43,638
Total Support Services	408,008	243,338
Total Expenses before depreciation and amortization	6,233,654	5,904,616
Change in Net Assets Without Donor Restriction before increase in fair market value of interest rate SWAP and depreciation and amortization	156,426	2,165,171
Increase in fair value of interest rate SWAP	641,011	-
Depreciation and amortization	(2,504,682)	(2,455,624)
Change in Net Assets Without Donor Restriction	\$ (1,707,245)	\$ (290,453)
<i>Net Assets With Donor Restriction:</i>		
Grants and contributions	\$ 47,320	\$ 246,586
Net assets released from restrictions	(81,581)	(1,478,726)
Change in Net Assets With Donor Restriction	\$ (34,261)	\$ (1,232,140)
Total Change in Net Assets	\$ (1,741,506)	\$ (1,522,593)

COMMUNITY PARTNERS FOR AFFORDABLE HOUSING

Years Ended December 31, 2022 and 2021

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS - CONTINUED

	<u>WITHOUT DONOR RESTRICTION</u>			<u>WITH DONOR RESTRICTION</u>		
	<u>CONTROLLING INTERESTS</u>	<u>NONCONTROLLING INTERESTS</u>	<u>TOTAL</u>	<u>CONTROLLING INTERESTS</u>	<u>TOTAL NET ASSETS</u>	
Net Assets, December 31, 2020	\$ 9,959,709	\$ 20,849,822	\$ 30,809,531	\$ 1,493,721	\$ 32,303,252	
Change in net assets for the year ended December 31, 2021	1,403,062	(1,693,515)	(290,453)	(1,232,140)	(1,522,593)	
Limited Partners capital contributions	-	9,294,447	9,294,447	-	9,294,447	
Limited Partnership syndication costs	-	(90,000)	(90,000)	-	(90,000)	
Limited Partners distributions		(36,358)	(36,358)	-	(36,358)	
Net Assets, December 31, 2021	11,362,771	28,324,396	39,687,167	261,581	39,948,748	
Change in net assets for the year ended December 31, 2022	(368,260)	(1,338,985)	(1,707,245)	(34,261)	(1,741,506)	
Limited Partners capital contributions	-	105,777	105,777	-	105,777	
Limited Partnership syndication costs	-	(7,249)	(7,249)	-	(7,249)	
Limited Partners distributions	-	(60,076)	(60,076)	-	(60,076)	
Net Assets, December 31, 2022	\$ 10,994,511	\$ 27,023,863	\$ 38,018,374	\$ 227,320	\$ 38,245,694	

Controlling Interest includes Board designated fund of \$450,000

COMMUNITY PARTNERS FOR AFFORDABLE HOUSING

Year Ended December 31, 2022

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

	PROGRAM SERVICES					SUPPORT SERVICES					
	PROPERTY OPERATIONS	HOUSING EDUCATION & OUTREACH	RESIDENT SERVICES	HOUSING DEVELOPMENT	ASSET MANAGEMENT	TOTAL	MANAGEMENT & GENERAL	FUND- RAISING	TOTAL	GRAND TOTALS	
Personnel costs	\$ 699,858	\$ 114,671	\$ 533,989	\$ 405,356	\$ 91,238	\$ 1,845,112	\$ 100,517	\$ 91,802	\$ 192,319	\$ 2,037,431	
Administrative expenses	171,493	760	4,774	946	352	178,325	17,247	2,344	19,591	197,916	
Bad debt expense	83,456	-	-	-	-	83,456	-	-	-	83,456	
Fees-limited partners	31,430	-	-	-	-	31,430	-	-	-	31,430	
Insurance	261,285	914	5,548	2,741	678	271,166	7,071	805	7,876	279,042	
Interest expense	789,417	777	4,179	201,232	546	996,151	345	784	1,129	997,280	
Maintenance and repairs	975,720	-	-	-	-	975,720	-	-	-	975,720	
Monitoring fees-LIHTC	18,876	-	-	-	-	18,876	-	-	-	18,876	
Professional fees	107,728	269	4,092	(7,913)	200	104,376	169,459	272	169,731	274,107	
Program supplies	-	62	140,239	634	323	141,258	(746)	-	(746)	140,512	
Property management fee	281,452	-	-	-	-	281,452	-	-	-	281,452	
Real property taxes	22,313	-	-	-	-	22,313	-	-	-	22,313	
Telephone and internet	50,080	1,879	10,458	5,649	1,209	69,275	5,126	3,608	8,734	78,009	
Travel, training and meetings	4,820	1,054	8,066	1,847	1,342	17,129	7,976	1,134	9,110	26,239	
Utilities	787,717	174	1,065	522	129	789,607	108	156	264	789,871	
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Functional Expenses before depreciation and amortization	4,285,645	120,560	712,410	611,014	96,017	5,825,646	307,103	100,905	408,008	6,233,654	
Depreciation	2,396,712	2,510	15,143	7,518	1,860	2,423,743	48,290	2,264	50,554	2,474,297	
Amortization	30,385	-	-	-	-	30,385	-	-	-	30,385	
Total Depreciation and amortization	2,427,097	2,510	15,143	7,518	1,860	2,454,128	48,290	2,264	50,554	2,504,682	
Functional Expenses before fundraising event expenses	6,712,742	123,070	727,553	618,532	97,877	8,279,774	355,393	103,169	458,562	8,738,336	
Fundraising event expenses	-	-	-	-	-	-	-	19,069	19,069	19,069	
Total Expenses	\$ 6,712,742	\$ 123,070	\$ 727,553	\$ 618,532	\$ 97,877	\$ 8,279,774	\$ 355,393	\$ 122,238	\$ 477,631	\$ 8,757,405	

COMMUNITY PARTNERS FOR AFFORDABLE HOUSING

Year Ended December 31, 2021

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

	PROGRAM SERVICES						SUPPORT SERVICES			
	PROPERTY OPERATIONS	HOUSING EDUCATION & OUTREACH	RESIDENT SERVICES	HOUSING DEVELOPMENT	ASSET MANAGEMENT	TOTAL	MANAGEMENT & GENERAL	FUND- RAISING	TOTAL	GRAND TOTALS
Personnel costs	\$ 706,394	\$ 96,328	\$ 328,320	\$ 381,315	\$ 106,420	\$ 1,618,777	\$ 67,928	\$ 40,787	\$ 108,715	\$ 1,727,492
Administrative expenses	160,222	2,624	6,016	24,701	605	194,168	5,768	338	6,106	200,274
Bad debt expense	23,000	-	-	-	-	23,000	-	-	-	23,000
Fees-limited partners	22,383	-	-	-	-	22,383	-	-	-	22,383
Grant expenditures	-	-	-	-	70,318	70,318	-	-	-	70,318
Insurance	253,707	468	2,507	5,714	908	263,304	2,479	253	2,732	266,036
Interest expense	896,790	1,767	9,137	112,347	2,237	1,022,278	5,370	998	6,368	1,028,646
Maintenance and repairs	927,190	-	-	-	-	927,190	-	-	-	927,190
Monitoring fees-LIHTC	17,618	-	-	-	-	17,618	-	-	-	17,618
Professional fees	185,943	-	7,763	240,480	1,748	435,934	102,753	-	102,753	538,687
Program supplies	845	-	13,841	-	-	14,686	-	26	26	14,712
Property management fee	251,647	-	-	-	-	251,647	-	-	-	251,647
Real property taxes	4,909	-	-	-	-	4,909	-	-	-	4,909
Telephone and internet	53,325	1,291	5,890	4,107	1,201	65,814	9,696	733	10,429	76,243
Travel, training and meetings	1,802	120	1,611	-	109	3,642	5,599	408	6,007	9,649
Utilities	723,872	150	787	605	196	725,610	107	95	202	725,812
Functional Expenses before depreciation and amortization	4,229,647	102,748	375,872	769,269	183,742	5,661,278	199,700	43,638	243,338	5,904,616
Depreciation	2,347,600	2,392	12,545	9,714	3,069	2,375,320	48,377	1,517	49,894	2,425,214
Amortization	30,410	-	-	-	-	30,410	-	-	-	30,410
Total Depreciation and amortization	2,378,010	2,392	12,545	9,714	3,069	2,405,730	48,377	1,517	49,894	2,455,624
Functional Expenses before fundraising event expenses	6,607,657	105,140	388,417	778,983	186,811	8,067,008	248,077	45,155	293,232	8,360,240
Fundraising event expenses	-	-	-	-	-	-	-	15,387	15,387	15,387
Total Expenses	\$ 6,607,657	\$ 105,140	\$ 388,417	\$ 778,983	\$ 186,811	\$ 8,067,008	\$ 248,077	\$ 60,542	\$ 308,619	\$ 8,375,627

COMMUNITY PARTNERS FOR AFFORDABLE HOUSING
Years Ended December 31, 2022 and 2021

CONSOLIDATED STATEMENTS OF CASH FLOWS

	2022	2021
Cash Flows From Operating Activities		
Change in net assets	\$ (1,741,506)	\$ (1,522,593)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	2,504,682	2,455,624
Interest-amortized debt issuance costs	59,517	99,678
Increase in fair market value of interest rate SWAP	(641,011)	-
Debt forgiveness	-	(106,071)
Changes in		
Receivables	(16,791)	1,374,712
Prepaid expenses	(86,026)	(16,440)
Accounts payable	(42,073)	88,031
Refundable Advances	(59,913)	59,913
Accrued liabilities	10,803	6,736
Prepaid rents	(77,754)	82,788
Refundable security deposits	11,805	50,053
Accrued interest	123,585	8,535
Net Cash Provided (Used) by Operating Activities	45,318	2,580,966
Cash Flows From Investing Activities		
(Increase) decrease in predevelopment costs	(1,247,058)	(508,096)
Tax credit fees paid	-	(211,127)
Bond fees paid	-	(207,250)
Purchases of land held for development	-	(759,889)
Purchases of fixed assets	(10,090,803)	(4,213,732)
Increase (decrease) in accounts payable related to construction cost and improvements	2,437,932	(2,482,165)
Net Cash Provided (Used) by Investing Activities	(8,899,929)	(8,382,259)
Cash Flows From Financing Activities		
Proceeds from mortgages and notes payable borrowings	8,110,401	10,540,975
Principal payments of mortgages and notes payable	(993,416)	(14,564,224)
Financing fees paid	(33,429)	(244,229)
Syndication costs Limited Partnership	(7,249)	(90,000)
Limited Partners distributions	(60,076)	(36,358)
Limited Partners capital contributions	105,777	9,294,447
Net Cash Provided (Used) by Financing Activities	7,122,008	4,900,611
Net Change in Cash and Restricted Cash	(1,732,603)	(900,682)
Cash and Restricted Cash at Beginning of Year	8,031,462	8,932,144
Cash and Restricted Cash at End of Year	\$ 6,298,859	\$ 8,031,462
Supplemental Cash Flows Disclosures		
Cash paid for interest charged to expense	\$ 952,379	\$ 820,934
Cash paid for capitalized interest expense	\$ 12,362	\$ 18,888

COMMUNITY PARTNERS FOR AFFORDABLE HOUSING
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022 and 2021

(1) The Organization and Nature of Activities

Community Partners for Affordable Housing (CPAH) is a nonprofit Corporation, incorporated under the laws of the State of Oregon. CPAH is focused on the development of permanent affordable housing for low-income individuals, families and seniors in Washington and Multnomah Counties. CPAH also supports CPAH residents with resident services, community building, and skill building activities to promote housing and life success.

Property Operations: CPAH and Affiliates own 466 units of affordable rental housing in ten multi-family communities and six single family homes, rented to households with income below specified limits.

Housing Education and Outreach: CPAH provides information to the community related to the role affordable housing plays in building and maintaining vibrant and resilient communities. CPAH also provides opportunities for volunteers to connect with CPAH projects and programs.

Resident Services: In order to support CPAH residents, CPAH provides eviction prevention and housing stabilization services, along with community and wellness programming, youth programs, and activities to promote health and wellness for seniors. CPAH also provides services for people who are homeless including housing navigation, case management and rapid rehousing. Additionally, CPAH supports residents in permanent supportive housing.

Housing Development: CPAH is committed to creating quality, sustainable, affordable housing in the diverse communities it serves. As part of this commitment, CPAH undertakes the development of new units as well as rehabilitation and upgrades of existing units in its portfolio. The Joyce, a substantial historic rehab in downtown Portland, opened in June 2023 adding 66 units to CPAH's portfolio. CPAH has an additional four new construction projects in its pipeline, all of which have been funded with Metro Housing Bonds and will bring 379 new units to the community. CPAH continues to pursue new affordable housing development opportunities as part of its ongoing work.

Asset Management: CPAH provides asset management for the 466 units in its portfolio, ensuring fiscal and physical compliance with local, state, and federal regulations. It also continuously assesses the physical condition of its properties and creates and executes maintenance and rehabilitation plans to maintain a high quality of life for its residents.

CPAH owns a general partnership interest in each of six Limited Partnerships as of December 31, 2022 with a total of 238 units not including the Joyce Limited Partnership that will have 66 units in 2023. These partnerships own and operate low-income housing facilities developed and managed by CPAH. The Limited Partnerships have been included in the accompanying consolidated financial statements.

(1) The Organization and Nature of Activities – continued

CPAH is affiliated with two single-asset not-for-profit Corporations with a total of 80 units. These corporations own and operate low-income housing facilities managed by CPAH. The single asset not-for-profit Corporations have been included in the accompanying consolidated financial statements.

CPAH owns The Village at Washington Square Apartments (26 units), Greenburg Oaks Apartments (84 units) formerly Villa La Paz Limited Partnership, and as of July 31, 2020, Oleson Woods LP (32 units). In addition, it owns 6 single-family low-income rental homes, and CPAH's office space.

Tax Credit Entities

Tax Credit Entities include five limited partnerships in which CPAH, or a single member LLC formed by CPAH as the general partner, holds controlling general partner interests (of 0.01%). In accordance with accounting principles generally accepted in the United States of America, the Limited Partnerships have been included in the consolidated financial statements because CPAH, as the general partner, is deemed to control the Limited Partnerships. The Tax Credit Entities are as follows:

- Bertha Senior Housing Limited Partnership (Terminated March, 2023-See Note 21)
- The Knoll at Tigard Limited Partnership
- The Barcelona at Beaverton Limited Partnership
- CPAH Cedar Grove Limited Partnership
- Red Rock Creek Commons Limited Partnership
- CPAH Joyce Limited Partnership

CPAH has the option to purchase 100% of the ownership interest in each of the Limited Partnerships at the end of their respective 15-year compliance periods.

Single Asset HUD Projects

Single Asset Housing and Urban Development (HUD) Projects include two not-for-profit corporations, each of which owns a HUD Sections 220 and 236 multi-family housing complex designed to serve low-income persons, with a total of 80 units. CPAH was approved as the HUD-designated "Project Sponsor." These entities have been included in the consolidated financial statements of CPAH because CPAH is deemed to control these entities through common board members. These entities are as follows:

- Metzger Park Apartments, Inc.
- Preserve Spencer House, Inc.

(2) Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of CPAH and its single member LLCs, Tax Credit Entities and Single Asset HUD Projects that are controlled by CPAH. CPAH's general partnership interests are 0.01% with the remainder of the partnerships' equity generally held by a limited partner and shown as non-controlling interest in the accompanying consolidated financial statements. All significant intercompany balances and transactions have been eliminated in consolidation. The Tax Credit Entities and the Single Asset HUD Projects included in the consolidated financial statements are collectively referred to as "Affiliated Entities" in these financial statements.

Non-controlling Interests

The amounts shown as non-controlling interests represent the aggregate balance of limited partner equity interests in the non-wholly owned limited partnerships that are included in the consolidated financial statements.

Basis of Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restriction – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets with Donor Restriction – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. CPAH reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

(2) Summary of Significant Accounting Policies – continued

Revenue Recognition

Rental Revenue, Laundry, and Tenant Charges

Rental revenues are recognized in the month in which the services are provided and are presented net of rent concessions and vacancy loss. Other income is recognized as the related services are provided and include laundry, application fees, late fees, and other tenant charges. Rental payments received in advance are deferred until earned.

Revenue generated by laundry machines represents exchange transactions. Revenue from laundry machines is recognized at a point in time and the amounts earned during the year are reported on the statement of activities. There were no contract assets or liabilities to these revenues at either the beginning or end of the year. There are no obligations for returns or refunds arising from these transactions.

Special Events Revenue

Special events revenue is recognized upon completion of the event.

Grants and Contributions

CPAH receives grants and contributions from private foundations and government sources. Government grants are generally treated as with donor restricted amounts until the restrictions have been satisfied, at which time they are released from restriction and treated as without donor restriction amounts. Contributions, which include unconditional promises to give, are recorded as revenue at estimated net realizable value in the period CPAH is notified of the commitment. Conditional promises to give are not included as revenue until the conditions are substantially met. Grants and contributions whose restrictions, if any, are met in the same reporting period are reported as unrestricted revenue in the period of receipt.

Development Fees

CPAH earns fees for development of properties and generally recognizes development fees as earned over the period of development in accordance with the terms of Limited Partnership agreements. Development fees earned by CPAH, which are included in development costs of consolidated low-income housing projects, have been eliminated in consolidation. In addition, CPAH provides asset management and resident services directly to the Affiliated Entities. Income is earned in accordance with the terms of the agreements and recorded as revenue when earned. All fees earned during the years ended December 31, 2022 and 2021 were intercompany revenue and have been eliminated in the consolidated financial statements.

(2) Summary of Significant Accounting Policies - continued

Revenue Recognition - continued

Donated Goods and Services

Donated goods and services are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the use of donated goods to a specific purpose. CPAH recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. No amounts have been reflected in the statements for donated services by the Board members involved in Board activities or from unpaid volunteers unless the criteria for recognition have been met.

Leases

Topic 842 Leases was issued by the Financial Accounting Standard Board and became effective for fiscal years beginning after December 15, 2021. CPAH adopted this standard effective January 1, 2022, which was the date of initial application.

Lessor

CPAH leases apartment units on a month- to- month basis. The leases include services for maintenance to common areas and apartment units on behalf of the lessees. CPAH has elected to apply the practical expedient that allows apartment leases and their associated maintenance services to be accounted for as a single combined lease component. CPAH has determined that the apartment lease is predominant in these leases and is accounting for the combined apartment and maintenance services as an operating lease under Topic 842. As a result CPAH presented apartment leases and maintenance services in the same line item in the statement of activities for the year ended December 31, 2022.

Lessee

Under topic 842 CPAH has elected not to record in the consolidated financial statements leases that are 12 months or less. Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

Functional Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the statements of activities and changes in net assets and functional expenses. Accordingly, certain costs have been allocated among the program services and supporting services based on an allocation of employees' time incurred and on usage of resources. Costs allocated to the property operations and other program services include an allocation of operating costs of CPAH and all of the expenses of the Affiliated Entities that have been included in the consolidated financial statements. Amounts allocated to support services represent allocations of the operating costs of CPAH.

(2) Summary of Significant Accounting Policies - continued

Revenue Recognition - continued

The Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fixed Assets

Fixed assets are recorded at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets, which are as follows: 27.5 to 45 years for buildings, 15 years for site and land improvements and 5 to 15 years for furnishings and equipment. Maintenance, repairs and minor replacements are charged to expense when incurred. Major replacements and betterments in excess of \$1,000 are capitalized. Management reviews fixed assets for financial impairment and will continue to evaluate assets if events or circumstances indicate the carrying amount of an asset may not be fully recoverable. Management believes there was no impairment of assets at December 31, 2022 and 2021.

Predevelopment Costs

Predevelopment costs related to Plambeck Gardens, Woodland Hearth and Sylvania projects in the amount of \$2,349,145 and \$1,102,087 are capitalized in the Consolidated Statements of Financial Position as of December 31, 2022 and 2021, respectively. Plambeck Gardens was formed as a tax credit Limited Partnership in May, 2023 and both Woodland Hearth and Sylvania are also intended to be structured as tax credit limited partnerships.

Cash and Equivalents

Cash and cash equivalents include cash-on-hand, cash deposited with banks and financial institutions, and money market funds with maturities of three months or less. Cash equivalents are recorded at cost, which approximates market value.

Receivables and Bad Debts

Receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

(2) Summary of Significant Accounting Policies – continued

Tax Credit Fees

Certain of the Tax Credit Entities have received an allocation of Low-Income Housing Tax Credits (“LIHTC”) for their qualifying rental property. The benefits of the LIHTC are provided to the Tax Credit Entities’ owners through the Tax Credit Entities’ annual federal income tax return filing and are not reflected in the accompanying consolidated financial statements.

The LIHTC is a 15-year credit that is generally claimed by the Tax Credit Entities over a 10-year period. The credit is a certain percentage (as determined by the Internal Revenue Service) of the qualified basis of the property. The Tax Credit Entities may only lease qualified units to tenants who meet certain income limits and whose rent payments also are restricted under guidelines set by the Internal Revenue Service.

Tax Credit Fees are recorded at cost and are amortized over a 15-year period. Accumulated amortization was \$243,214 and \$212,829 at December 31, 2022 and 2021, respectively. Amortization expense was \$30,385 and \$30,410 for the years ended December 31, 2022 and 2021, respectively.

Bond Fees

Bond Fees related to debt financing of the CPAH Joyce Limited Partnership project are being used over the life of the bond funds that will be used to finance construction of the project.

Cash – Restricted

Restricted deposits at December 31 include the following:

	<u>2022</u>	<u>2021</u>
Operating reserves	\$ 1,220,386	\$ 1,236,786
Replacement reserves	1,254,803	1,231,414
Residual receipts reserve	46,919	16,502
Mortgage escrow and earnest money deposits	253,074	241,880
Collateral reserve	300,000	-
Other reserves	<u>110,000</u>	<u>110,000</u>
	<u>\$ 3,185,182</u>	<u>\$ 2,836,582</u>

Operating reserves are required by certain limited partnership agreements. Such funds are available to pay operating expenses to the extent that collected gross revenues are insufficient for such purposes. Withdrawals from operating reserves generally require the approval and consent of the Investor Limited Partner.

(2) Summary of Significant Accounting Policies - continued

Cash - Restricted - continued

Replacement reserves are required by various loan and regulatory agreements and are to be used for the replacement or repair of capital assets.

Residual receipts reserve is the accumulation of surplus cash, which is calculated annually and transferred to the account from operating cash after the year end for the two single-asset HUD projects. Disbursements from the reserve require approval of HUD.

Mortgage escrow deposits sufficient to pay annual property taxes and insurance when due are required by certain loan and regulatory agreements. Included is an earnest money deposit for the purchase of land.

Collateral reserve was established by CPAH Joyce Limited Partnership to comply with the terms and conditions of the construction and term loan agreement as additional collateral to secure the loan.

Other reserves include funds set aside by tax credit entities in anticipation of required future secondary debt payments and also for any potential revenue deficits.

Concentration of Credit Risk

CPAH and Affiliated Entities maintain cash balances with banks and other financial institutions which may exceed federal depository insurance limits. CPAH and Affiliated Entities have not experienced any losses from these accounts and do not believe that they are exposed to significant credit risk.

Fair Value of Financial Instruments

Generally accepted accounting principles require disclosure of fair value information about financial instruments when it is practicable to estimate that value. The operations generated by the investment in real estate are subject to various government rules, regulations, and restrictions which make it impractical to estimate the fair value of the notes payable and related accrued interest. The carrying amount of other assets and liabilities reported on the statement of financial position that requires such disclosure approximates fair value.

The Financial Accounting Standards Board (FASB) Accounting Standards Codification established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

(2) Summary of Significant Accounting Policies - continued

Fair Value of Financial Instruments - continued

Level 1 – Valuation is based upon quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – Valuation is based upon quoted prices for similar assets and liabilities in active markets, or other inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 – Valuation is based upon other unobservable inputs that are significant to the fair value measurement.

The carrying amounts for cash, receivables, prepaid expenses, restricted cash, accounts payable and other accrued liabilities approximate their fair value due to their short maturities. It is impractical to estimate the fair value of financing fees, tax credit fees, and mortgages and notes payable because there are no quoted market prices for transactions that are similar in nature. Benefit of interest rate SWAP for the year ended December 31, 2022 in the amount of \$641,011 was recorded based on the lenders forecasted levels of SOFR, which is level 3. In-kind donation of land during the year ended December 31, 2021 in the amount of \$500,000 was recorded at its appraised value net of estimated cost of demolition of an existing structure, which is Level 3.

Federal and State Taxes

No provision for income taxes has been provided because CPAH is exempt from paying income taxes under Internal Revenue Code 501(c)(3) and is not classified as a private foundation. The income or loss from Limited Partnerships is reported by the partners on their income tax returns.

CPAH and its affiliates file returns in the U.S. federal jurisdiction as well as the state of Oregon jurisdiction. Generally, tax filings are subject to federal and state examination for three years after they are filed. The returns filed for periods prior to December 31, 2019 are considered closed and management believes those returns are no longer subject to income tax examination. In the event penalties and interest are assessed by income taxing authorities, it is CPAH's policy to include these in operating expenses. No penalties and interest were assessed for the years ended December 31, 2022 and 2021.

Compensated Absences

Compensated absences for vacation pay are charged to expense when earned by the employee.

Advertising Expenses

Advertising costs are charged to expense as they are incurred.

(3) Reclassifications

Certain accounts in the prior year's financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. Except for the restatement referred to in note 15, these reclassifications did not change the total in net assets for the year ended December 31, 2021 as previously reported.

(4) Cash and Restricted Cash

Cash and restricted cash in the Statement of Cash Flows consist of the following:

	<u>2022</u>	<u>2021</u>
Cash	<u>\$ 2,816,613</u>	<u>\$ 4,904,477</u>
Tenant security deposits	297,064	290,403
Cash restricted		
Operating reserves	1,220,386	1,236,786
Replacement reserves	1,254,803	1,231,414
Residual receipts reserve	46,919	16,502
Mortgage escrow deposits	253,074	241,880
Collateral reserve	300,000	-
Other reserves	<u>110,000</u>	<u>110,000</u>
Total tenant security deposit and restricted cash	<u>3,482,246</u>	<u>3,126,985</u>
Total cash and restricted cash	<u>\$ 6,298,859</u>	<u>\$ 8,031,462</u>

(5) Liquidity and Availability of Financial Assets

Financial assets available for general expenditures, that is without donor or other restrictions limiting their use, within one year of the Statement of Financial Position date, comprise the following:

	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash	\$ 2,816,613	\$ 4,904,477
Receivables - operating	175,237	142,428
Receivables - grants	<u>210,586</u>	<u>226,604</u>
Total financial assets	<u>3,202,436</u>	<u>5,273,509</u>
Less amounts not available to be used within one year:		
With donor restriction	227,320	261,581
Board designated net assets	<u>450,000</u>	<u>450,000</u>
Total amounts not available	<u>677,320</u>	<u>711,581</u>
Financial assets available to meet general expenditures within one year:	<u>\$ 2,525,116</u>	<u>\$ 4,561,928</u>

(5) Liquidity and Availability of Financial Assets - continued

CPAH regularly monitors liquidity required to meet its operating needs and other contractual commitments while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period CPAH considers all expenditures related to its ongoing activities of property operations, housing education and outreach, resident services, housing development and asset management, as well as the conduct of services undertaken to support those activities, to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, CPAH budgets expenses considering available cash flow to cover them. Due to the multi-year developer fee cycle, earned income varies widely from year to year, and CPAH uses the cash received in one year to cover operating deficits in following years. Refer to the statements of cash flows, which identify the sources and uses of CPAH's cash flows and shows positive cash provided by operating activities for both 2022 and 2021.

(6) Receivables - Grants

Grants receivable at December 31, 2022 and 2021 consists of the following:

	<u>2022</u>	<u>2021</u>
Oregon Housing Community Services		
Village Washington Square improvements	\$ -	\$ 167,500
City of Beaverton		
Community Development Block Grant	6,480	-
Meyer Memorial Trust		
Fund Development Grant	-	59,104
Washington County		
Community Development Block Grant	10,297	-
Community Housing Development Organization	28,553	-
Housing	36,687	-
Resident Services	111,069	-
Marie Lamfrom Foundation		
Resident Services	17,500	-
	<u>\$ 210,586</u>	<u>\$ 226,604</u>

(7) Conditional Promises to Give

As of December 31, 2022, CPAH received restricted government grants totaling \$683,606 that contained donor conditions (primarily housing services). Since these grants represent conditional promises to give, they are not recorded as grant revenue until conditions are met. Any funds received in advance of the conditions being met will be recorded as refundable advances. There were no refundable advances as of December 31, 2022.

(8) Fixed Assets

Fixed assets at December 31, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
Land and improvements	\$ 6,625,649	\$ 6,625,649
Site improvements	4,087,722	4,087,722
Building and improvements	72,450,386	72,382,587
Furnishings and equipment	2,135,891	2,090,683
Construction in progress	<u>11,870,107</u>	<u>1,892,310</u>
Total fixed assets	97,169,755	87,078,951
Less accumulated depreciation	<u>25,599,340</u>	<u>23,125,042</u>
Fixed assets – net	<u>\$ 71,570,415</u>	<u>\$ 63,953,909</u>

(9) Mortgages and Notes Payable

Mortgages and notes payable at December 31, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
Washington County		
Mortgages payable generally out of project cash flow, interest ranging from 0% to 3%, maturing 2023 - 2053	\$ 8,181,640	\$ 8,181,640
Portland Housing Bureau		
Mortgage payable out of project cash flow, interest ranging 0% - 0.5%, maturing 2058 - 2078	6,985,302	2,854,875
Heritage Bank		
Mortgages payable including interest rate swap mentioned in note 10 aggregate monthly installment of \$25,717, interest ranging from 3.75% to 4.87% maturing 2032	5,771,094	5,000,000
Network for Oregon Affordable Housing		
Mortgages payable in aggregate monthly installments of \$22,629, interest ranging from 4.6% - 5.25%, \$1,782,500 of this was paid-off by a construction loan in May, 2023 that will eventually be converted to a permanent loan and is therefore not treated as a current maturity, maturing 2023 - 2042	5,447,433	5,555,379
JP Morgan Chase Bank		
Mortgage payable monthly installments of \$16,641, interest 3.61%, maturing 2039.	3,895,212	3,951,218
Oregon Housing and Community Services		
Mortgages payable 0% interest, maturing 2051 - 2061	3,764,917	3,764,917

(9) Mortgages and Notes Payable - continued

	<u>2022</u>	<u>2021</u>
Umpqua Bank		
Construction loan payable (financed with Private Activity bonds through Oregon Housing and Community services, 2021 Series DD) interest rate adjustable as the SOFR Rate plus 1.97%, with a floor rate of 2.47%. Matures in December 2023 with optional extension through June 1, 2024. Utilization as of 12/31/2022 was \$1,611,617 out of a total construction loan of \$11,150,000.	\$ 1,611,617	\$ 51,000
Mortgage payable monthly installment of \$3,626, interest 4.25%, maturing January, 2026	698,712	718,695
CJD Holdings		
Note payable interest 6.0% maturing 2024	2,088,784	698,215
Walker & Dunlop		
Mortgage payable in monthly installments of \$8,276, interest 3.95%, maturing 2053	1,773,785	1,802,416
Banner Bank		
Mortgages payable in aggregate monthly installments of \$7,048, interest ranging from 3.25% to 4.5%, maturing 2028-2032	1,155,599	1,201,420
PNC Bank, N.A.		
Mortgage payable in monthly installments of \$9,989, interest 7.31%, maturing 2038	1,113,030	1,150,049
Town Center Development Agency of the City of Tigard		
Note payable interest 2.0% maturing 2026	500,000	500,000
Walter Aman		
Note payable interest 5.5% maturing 2025	180,782	200,000
Bank of the West		
Mortgages payable in aggregate monthly installments of \$3,314, interest 4.94%, maturing 2022	-	421,099
	43,167,907	36,050,923
Less: unamortized debt issuance costs	745,207	771,296
	<u>\$ 42,422,700</u>	<u>\$ 35,279,627</u>

Debt issuance costs are being amortized to interest expense over the terms of the loans. Amortization expense for debt issuance costs during 2022 and 2021 was \$59,517 and \$99,678, respectively.

(9) Mortgages and Notes Payable - continued

The above mortgages and notes payable are substantially collateralized by investments in real estate. A summary of mortgages and notes payable, net of unamortized debt issuance costs, by group of entities at December 31, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
CPAH	\$ 13,196,387	\$ 11,534,913
Tax Credit Entities	26,149,528	20,623,784
Single Asset HUD Projects	<u>3,076,785</u>	<u>3,120,930</u>
	<u>\$ 42,422,700</u>	<u>\$ 35,279,627</u>

Annual maturities of mortgages and notes payable for years subsequent to December 31, 2022 are as follows:

Year ending December 31,

2023	\$ 513,714
2024	5,968,802
2025	687,461
2026	1,638,753
2027	527,031
Thereafter	<u>33,832,146</u>
	<u>\$ 43,167,907</u>

(10) Refundable Advances

Grants or contributions received with barriers and a right of return and the barrier has not been overcome are held in a refundable advance liability account.

Refundable advances at December 31, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
Washington County Resident Services	\$ -	\$ 54,107
City of Beaverton – CDBG Grant	-	<u>5,806</u>
	<u>\$ -</u>	<u>\$ 59,913</u>

(11) Derivative Financial Instrument

CPAH has entered into an interest rate swap agreement to reduce the impact of changes in interest rates on a floating rate (Prime) long term debt. At December 31, 2022 and 2021, CPAH had an outstanding interest rate swap agreement with Heritage Bank, having unpaid principal balances of \$4,887,442 and \$5,000,000, respectively. During 2022 the agreement changed CPAH's interest rate exposure on the floating rate loan to a fixed rate of 3.75%. The interest rate swap agreement matures at the time the loan matures on January 1, 2032. CPAH is exposed to credit loss in the event of nonperformance by the other parties to the interest rate swap agreement. However, CPAH does not anticipate nonperformance by the counterparties.

The SWAP was issued at market terms so that it had no fair value at its inception in December, 2021. For the year ended December 31, 2022 the carrying amount of the SWAP has been adjusted to its fair value, because of changes in forecasted levels of SOFR which resulted in reporting an asset for the fair value of the future net payments forecasted under the SWAP. In addition an increase in net assets is reported for the year ended December 31, 2022 due to the increase in fair value of the interest rate SWAP.

(11) Derivative Financial Instrument - continued

Fair value of derivative financial instrument at December 31, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Statement of Financial Position		
Benefit of Interest Rate Swap	\$ 641,011	\$ -
Statement of Activities		
Increase in Fair Value or Interest Rate Swap	641,011	-

(12) In-Kind Contribution

In December 2021 CPAH received land donated by the city of Portland. The land was recorded at its appraised value less the estimated cost of demolishing an existing structure, in the amount of \$500,000. The land was then sold in December 2021 for \$500,000 to CPAH Joyce Limited Partnership, of which CPAH is the General Partner.

(13) Board Designated Net Assets

The Board of Directors established an operating reserve fund in the amount of \$450,000.

(14) Net Assets with Donor Restriction

Net assets at December 31, 2022 and 2021 are available for the following purposes:

	<u>2022</u>	<u>2021</u>
City of Beaverton	\$ 180,000	190,000
Meyer Memorial Trust	-	59,104
Oregon Community Foundation	19,820	-
Marie Lamfrom Foundation	17,500	-
Unite Oregon	10,000	-
Others	-	12,477
	<u>\$ 227,320</u>	<u>\$ 261,581</u>

For 2022, the amounts for City of Beaverton, Oregon Community Foundation, Marie Lamfrom are restricted for resident and nonresident services and Unite Oregon is restricted for housing development.

For 2021, the amount for City of Beaverton was restricted to resident and non-resident services and Meyer Memorial Trust was restricted to fundraising manager's payroll costs.

(15) Paycheck Protection Program Loan

The Paycheck Protection Program ("PPP"), which was established under the Coronavirus Aid, Relief and Economic Security Act ("the CARES Act"), provides for loans to qualifying businesses and not-for-profit organizations for amounts up to 2.5 times certain average monthly payroll expenses of the qualifying business.

(15) Paycheck Protection Program Loan - continued

The loan and accrued interest, or a portion thereof, may be forgiven after 24 weeks so long as the borrower uses the loan proceeds for eligible purposes including payroll, benefits, rent, mortgage interest and utilities, and maintains its payroll levels, as defined by the PPP. At least 60% of the amount forgiven must be attributable to payroll costs, as defined by the PPP. CPAH is permitted to prepay or partially prepay the PPP loan at any time with no prepayment penalties. Under the terms of the CARES Act, PPP loan recipients can apply for, and be granted, forgiveness for all or a portion of loans granted under the PPP. Such forgiveness will be determined, subject to limitations and ongoing rulemaking by the SBA, based on the use of loan proceeds for payroll costs and mortgage interest, rent or utility cost and the maintenance of employee and compensation levels.

During the year ended December 31, 2020 CPAH received loan proceeds under the PPP in the amount of \$106,071. The loan carried a fixed interest rate of 1% per annum. No payments were due under the loan for six months from the date of the first disbursement under the loan ("deferral period"), and interest continued to accrue during the deferral period. CPAH applied for forgiveness of the loan and was granted full forgiveness of the loan during the year ended December 31, 2021. Proceeds from the loan have been recorded as a financing activity on the Statements of Cash Flows during the year ended December 31, 2020. The loan forgiveness was recorded as operating activity on the Statements of Cash Flows during the year ended December 31, 2021.

(16) Restatement of Financial Statements for The Year Ended December 31, 2021

As of December 31, 2021 there were conditional promises to give in the amount of \$422,210 and the conditions of the promises were not substantially met. According to Financial Accounting Standards Board ASC 958-605-25 a conditional promise to give should only be recognized as revenue when the conditions on which they depend are substantially met. The promises to give were incorrectly recognized as revenue during the year-ended December 31, 2021. The financial statements for the year-ended December 31, 2021 have been restated as follows:

	<u>Restated</u>	<u>Original</u>	<u>Change</u>
Statement of Financial Position			
Receivable - grants	\$ 226,604	\$ 588,901	\$ (362,297)
Refundable advances	59,913	-	59,913
Net assets with donor restriction	261,581	683,791	(422,210)
Statement of Activities			
Grants and contributions with donor restriction	246,586	668,796	(422,210)
Change in net assets with donor restriction	(1,232,140)	(809,930)	(422,210)
Total change in net assets	(1,522,593)	(1,100,383)	(422,210)
Statement of Cash Flows			
Change in net assets	(1,522,593)	(1,100,383)	(422,210)
Change in receivable	1,374,712	1,012,415	362,297
Change in refundable advances	59,913	-	59,913

(17) Commitments and Contingencies

Lease Commitment

The Barcelona at Beaverton project leases land and parking under the terms of a non-cancellable operating lease. The term of the lease is seventy-five years beginning October 2014 and ending October 2089. There is an option to extend for an additional twenty-four years. The lease calls for annual payments of \$30. If at any time the land ceases to be used as multifamily housing, primarily for persons of lower income, the minimum rent shall increase to \$12,000 per year in 2015 dollars adjusted annually to reflect changes in the Portland consumer price index, increasing 3% per year for the remainder of the lease term.

Grant and Property Use Restrictions

Certain of the properties operated by CPAH and Affiliated Entities were developed using funds provided by grants and low-interest rate loans. The terms of these grants and loans restrict the use of the property and generally require the property to be rented to low-income qualified tenants for the period of the grant or related loan term. Failure to comply with the terms of the grants or the loans may result in a requirement to repay a portion or all of the proceeds received.

Rental Assistance Contracts

Certain of the properties have entered into rental assistance contracts with HUD. The rental assistance contracts require that the property be operated as low-income housing and that any rent increases be approved by HUD.

Construction Commitments

CPAH Joyce Limited Partnership entered into construction contracts for the total amount of \$13,837,545 related to the construction of the Joyce project. As of December 31, 2022 \$9,008,791 has been completed, leaving estimated commitments of \$4,828,754.

Other

As the general partner in various Limited Partnerships, CPAH may be subject to other liabilities should an affected partnership's assets become insufficient to meet its obligations. This includes guarantees to fund future operating deficits of certain Tax Credit Entities over the periods as defined under the limited partnership agreements. The operating deficit guarantee periods typically require the Limited Partnerships to meet certain conditions based on the operational results. CPAH has not been required to fund any amounts associated with the operating deficit guarantees to date.

(18) Property Tax Exemption

All of the affiliates' low-income housing projects have been granted exemption from real property taxes. Property tax exemptions are generally granted annually and there is no assurance the exemption will continue in future years. The savings from the property tax exemptions has not been determined. In the opinion of management, the projects will continue to be granted exemption from real property taxes.

(19) Current Vulnerability Due To Certain Concentrations

CPAH's operations are concentrated in the multifamily real estate market. Operations of the projects are in a heavily regulated environment. The operations of the projects are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

(20) Retirement Plan

CPAH established a 403(b) retirement plan covering substantially all employees. Under the plan, CPAH's employees can elect to defer compensation up to limits established by the Internal Revenue Code. CPAH contributes 5% of an employee's salary to the plan. Contributions made by CPAH amounted to \$43,209 and \$37,785 during the years ended December 31, 2022 and 2021, respectively.

(21) Tax Credit Entity Termination

On March 31, 2023 the Limited Partner of Bertha Senior Housing Limited Partnership agreed to assign its interest in the Partnership to CPAH in consideration for \$167,444. As a part of the agreement CPAH will retain all records related to low-income housing tax credits for each year of the compliance period applicable to the Credits. In addition CPAH agreed to hold harmless the Limited Partner from any claims made against the Limited Partner by the Partnership.

(22) Subsequent Events

Management of CPAH has evaluated events and transactions occurring after December 31, 2022 through July 25, 2023, the date the consolidated financial statements were available for issuance, for potential recognition or disclosure in the consolidated financial statements and has concluded, with the exception of note 21 tax credit entity termination, that no subsequent events have occurred that would require recognition in the consolidated financial statements or disclosure in the notes to the consolidated financial statements.

AUDITED SUPPLEMENTARY INFORMATION

COMMUNITY PARTNERS FOR AFFORDABLE HOUSING

December 31, 2022

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

ASSETS	CPAH	TAX CREDIT ENTITIES	SINGLE ASSET HUD PROJECTS	ELIMINATIONS	CONSOLIDATED
Cash	\$ 2,104,452	\$ 642,845	\$ 69,316		\$ 2,816,613
Cash - restricted	564,933	2,203,254	416,995		3,185,182
Receivables - operating	121,874	26,255	27,108		175,237
Receivables - grants	210,586	-	-		210,586
Prepaid expenses	24,493	100,200	11,811		136,504
Tenant security deposits	120,518	143,165	33,381		297,064
Predevelopment costs	2,349,145	-	-		2,349,145
Land held for development	2,763,505	-	-		2,763,505
Bond fee	-	207,250	-		207,250
Benefit of interest rate SWAP	641,011				641,011
Tax credit fees - net	-	339,321	-		339,321
Receivables from affiliates	10,140,096	-	-	(10,140,096)	-
Investments in affiliates	653,687	-	-	(653,687)	-
Subtotal	19,694,300	3,662,290	558,611	(10,793,783)	13,121,418
Fixed assets					
Land and improvements	1,664,333	5,311,065	323,603	(673,352)	6,625,649
Site improvements	1,571,457	2,241,807	274,458		4,087,722
Buildings and improvements	19,139,272	51,671,345	8,446,185	(6,806,416)	72,450,386
Furnishings and equipment	521,529	1,354,241	260,121		2,135,891
Construction in progress	617,282	12,672,825	-	(1,420,000)	11,870,107
Total fixed assets	23,513,873	73,251,283	9,304,367	(8,899,768)	97,169,755
Less accumulated depreciation	12,177,205	11,174,893	3,320,292	(1,073,050)	25,599,340
Fixed assets - net	11,336,668	62,076,390	5,984,075	(7,826,718)	71,570,415
Total Assets	\$ 31,030,968	\$ 65,738,680	\$ 6,542,686	\$ (18,620,501)	\$ 84,691,833

COMMUNITY PARTNERS FOR AFFORDABLE HOUSING

December 31, 2022

CONSOLIDATING STATEMENT OF FINANCIAL POSITION - CONTINUED

LIABILITIES AND NET ASSETS	CPAH	TAX CREDIT ENTITIES	SINGLE ASSET HUD PROJECTS	ELIMINATIONS	CONSOLIDATED
Liabilities					
Accounts payable	50,070	\$ 32,155	\$ 9,769		\$ 91,994
Accounts payable- construction and improvements	177,810	2,514,146	-		2,691,956
Accrued liabilities	140,225	13,311	-		153,536
Prepaid rents	2,512	9,128	2,141		13,781
Refundable security deposits	120,518	146,366	33,543		300,427
Mortgages and notes payable	13,196,387	26,149,528	3,076,785		42,422,700
Accrued interest	524,352	160,978	86,415		771,745
Deferred revenue	220,000	-	-	(220,000)	-
Payables to affiliates	-	10,108,568	31,528	(10,140,096)	-
Total Liabilities	14,431,874	39,134,180	3,240,181	(10,360,096)	46,446,139
Net Assets					
Without donor restriction					
Controlling interests	15,921,774	653,687	3,302,505	(9,333,455)	10,544,511
Board designated	450,000	-	-		450,000
Noncontrolling interests	-	25,950,813	-	1,073,050	27,023,863
Total Without donor restriction	16,371,774	26,604,500	3,302,505	(8,260,405)	38,018,374
With donor restriction - controlling	227,320	-	-	-	227,320
Total Net Assets	16,599,094	26,604,500	3,302,505	(8,260,405)	38,245,694
Total Liabilities and Net Assets	\$ 31,030,968	\$ 65,738,680	\$ 6,542,686	\$ (18,620,501)	\$ 84,691,833

COMMUNITY PARTNERS FOR AFFORDABLE HOUSING
Year Ended December 31, 2022

CONSOLIDATING STATEMENT OF ACTIVITIES

	CPAH	TAX CREDIT ENTITIES	SINGLE ASSET HUD PROJECTS	ELIMINATIONS	CONSOLIDATED
Support and Revenues					
Support					
Grants	\$ 904,369	\$ -	\$ -		\$ 904,369
In-Kind Contributions	-	-	-		-
Contributions	45,658	-	-		45,658
Total Support	950,027	-	-	-	950,027
Revenues					
Net rental revenue	1,631,639	2,705,163	769,950		5,106,752
Laundry and tenant charges	51,980	81,761	9,372		143,113
Fees and losses - affiliates	187,119	-	-	(187,119)	-
Interest income	1,519	1,316	74		2,909
Interest income - affiliates	239,212	-	-	(239,212)	-
Special events - net of expenses	126,489	-	-		126,489
Increase in FMV of interest rate SWAP	641,011	-	-		641,011
Other revenue	17,774	-	8,755	-	26,529
Total Revenues	2,896,743	2,788,240	788,151	(426,331)	6,046,803
Total Support and Revenues	3,846,770	2,788,240	788,151	(426,331)	6,996,830
Expenses					
Personnel costs	1,565,337	336,680	135,414		2,037,431
Administrative expenses	60,999	93,363	43,554		197,916
Bad Debt expense	37,067	24,099	22,290		83,456
Fees- affiliates	-	165,231	22,040	(187,271)	-
Fees-limited partners	-	31,430	-		31,430
Grant expenditures	-	-	-		-
Insurance	103,317	112,232	63,492		279,041
Interest expense	440,390	450,371	106,519		997,280
Interest expense - affiliates	-	239,212	-	(239,212)	-
Maintenance and repairs	366,216	454,854	154,658		975,728
Monitoring fees-LIHTC	6,335	12,541	-		18,876
Professional fees	170,747	82,498	20,862		274,107
Program supplies	140,512	-	-		140,512
Property management fee	81,698	151,581	48,173		281,452
Real property taxes	22,303	-	-		22,303
Telephone and internet	42,643	29,871	5,495		78,009
Travel, training and meetings	23,650	2,590	-		26,240
Utilities	296,181	365,922	127,770		789,873
Total Expenses before depreciation and amortization	3,357,395	2,552,475	750,267	(426,483)	6,233,654
Change in Net Assets before depreciation and amortization	489,375	235,765	37,884	152	763,176
Depreciation and Amortization					
Depreciation	708,261	1,722,211	221,519	(177,694)	2,474,297
Amortization	-	30,385	-		30,385
Total Depreciation and Amortization	708,261	1,752,596	221,519	(177,694)	2,504,682
Change in Net Assets	\$ (218,886)	\$ (1,516,831)	\$ (183,635)	\$ 177,846	\$ (1,741,506)

COMMUNITY PARTNERS FOR AFFORDABLE HOUSING
Year Ended December 31, 2022

CPAH STATEMENT OF FUNCTIONAL EXPENSES

	PROGRAM SERVICES						SUPPORT SERVICES				
	PROPERTY OPERATIONS	HOUSING EDUCATION & OUTREACH	RESIDENT SERVICES	HOUSING DEVELOPMENT	ASSET MANAGEMENT	TOTAL	MANAGEMENT & GENERAL	FUND- RAISING	TOTAL	GRAND TOTALS	
Personnel costs	\$ 227,764	\$ 114,671	\$ 533,989	\$ 405,356	\$ 91,238	\$ 1,373,018	\$ 100,517	\$ 91,802	\$ 192,319	\$ 1,565,337	
Administrative expenses	34,576	760	4,774	946	352	41,408	17,247	2,344	19,591	60,999	
Bad debt expense	37,067	-	-	-	-	37,067	-	-	-	37,067	
Grant expenditures	-	-	-	-	-	-	-	-	-	-	
Insurance	85,561	914	5,548	2,741	678	95,442	7,071	805	7,876	103,318	
Interest expense	232,527	777	4,179	201,232	546	439,261	345	784	1,129	440,390	
Maintenance and repairs	366,208	-	-	-	-	366,208	-	-	-	366,208	
Monitoring fees	6,335	-	-	-	-	6,335	-	-	-	6,335	
Professional fees	4,368	269	4,092	(7,913)	200	1,016	169,459	272	169,731	170,747	
Program supplies		62	140,239	634	323	141,258	(746)	-	(746)	140,512	
Property management fee	81,698	-	-	-	-	81,698	-	-	-	81,698	
Real property taxes	22,313	-	-	-	-	22,313	-	-	-	22,313	
Telephone and internet	14,714	1,879	10,458	5,649	1,209	33,909	5,126	3,608	8,734	42,643	
Travel, training and meetings	2,230	1,054	8,066	1,847	1,342	14,539	7,976	1,134	9,110	23,649	
Utilities	294,025	174	1,065	522	129	295,915	108	156	264	296,179	
Functional Expenses before depreciation	1,409,386	120,560	712,410	611,014	96,017	2,949,387	307,103	100,905	408,008	3,357,395	
Depreciation	630,676	2,510	15,143	7,518	1,860	657,707	48,290	2,264	50,554	708,261	
Totals before fundraising event expenses	2,040,062	123,070	727,553	618,532	97,877	3,607,094	355,393	103,169	458,562	4,065,656	
Fundraising event expenses	-	-	-	-	-	-	-	19,069	19,069	19,069	
Total Expenses	\$ 2,040,062	\$ 123,070	\$ 727,553	\$ 618,532	\$ 97,877	\$ 3,607,094	\$ 355,393	\$ 122,238	\$ 477,631	\$ 4,084,725	
Percentage of 2021 Grand Totals	49.9%	3.0%	17.8%	15.1%	2.4%	88.3%	8.7%	3.0%	11.7%	100.0%	

COMMUNITY PARTNERS FOR AFFORDABLE HOUSING

December 31, 2022

CPAH STATEMENT OF FINANCIAL POSITION

ASSETS	CPAH	PLAMBECK GARDENS	SINGLE FAMILY	GREENBURG OAKS	OLESON WOODS	VILLAGE @ WASH SQUARE	ELIMINATIONS	CPAH TOTAL
Cash	\$ 1,333,318	\$ 3,865	\$ 113,919	\$ 555,402	\$ 31,790	\$ 66,158		\$ 2,104,452
Time certificate of deposit	-	-	-	-	-	-		-
Cash - restricted	-	-	-	237,331	150,460	177,142		564,933
Receivables - operating-net	61,029	800	-	39,335	3,900	16,810		121,874
Receivables - grants	210,586	-	-	-	-	-		210,586
Prepaid expenses	14,714	1,303	-	4,315	2,081	2,080		24,493
Tenant security deposits	-	-	4,616	69,481	26,487	19,934		120,518
Predevelopment costs	2,349,145	-	-	-	-	-		2,349,145
Land held for development	2,763,505	-	-	-	-	-		2,763,505
Benefit of interest rate SWAP				509,604		131,407		641,011
Receivables from affiliates	12,499,779	-	-	1,829,326	-	-	(4,189,009)	10,140,096
Investments in affiliates	615,474	-	-	-			38,213	653,687
Subtotal	19,847,550	5,968	118,535	3,244,794	214,718	413,531	(4,150,796)	19,694,300
Fixed assets								
Land and improvements	11,865	-	309,376	406,000	518,475	418,617		1,664,333
Site improvements	700,044	-	-	312,082	559,331	-		1,571,457
Buildings and improvements	1,375,119	-	458,077	8,676,692	4,309,821	6,153,820	(1,834,257)	19,139,272
Furnishings and equipment	60,360	-	4,801	123,737	233,418	99,213		521,529
Construction in progress	561,902	-	-	55,380	-	-		617,282
Total fixed assets	2,709,290	-	772,254	9,573,891	5,621,045	6,671,650	(1,834,257)	23,513,873
Less accumulated depreciation	925,969	-	183,199	6,949,053	2,623,109	2,238,017	(742,142)	12,177,205
Fixed assets - net	1,783,321	-	589,055	2,624,838	2,997,936	4,433,633	(1,092,115)	11,336,668
Total Assets	\$ 21,630,871	\$ 5,968	\$ 707,590	\$ 5,869,632	\$ 3,212,654	\$ 4,847,164	\$ (5,242,911)	\$ 31,030,968

COMMUNITY PARTNERS FOR AFFORDABLE HOUSING

December 31, 2022

CPAH STATEMENT OF FINANCIAL POSITION - CONTINUED

LIABILITIES AND NET ASSETS	CPAH	PLAMBECK GARDENS	SINGLE FAMILY	GREENBURG OAKS	OLESON WOODS	VILLAGE @ WASH SQUARE	ELIMINATIONS	CPAH TOTAL
Liabilities								
Accounts payable	\$ 41,944	\$ -	\$ -	\$ 3,902	\$ 637	\$ 3,587		\$ 50,070
Accounts payable- project improvements	177,810	-	-	-	-	-		177,810
Accrued liabilities	138,991	-	-	-	1,234	-		140,225
Prepaid rents	-	-	-	207	2,296	9		2,512
Refundable security deposits	-	-	4,616	69,481	26,487	19,934		120,518
Mortgages and notes payable	5,407,373	-	26,159	4,752,773	1,569,154	1,440,928		13,196,387
Accrued interest	198,534	-	-	206,854	3,763	115,201		524,352
Deferred revenue	220,000	-	-	-	-	-		220,000
Payables to affiliates	-	-	-	55,380	672,520	3,461,109	(4,189,009)	-
Total Liabilities	6,184,652	-	30,775	5,088,597	2,276,091	5,040,768	(4,189,009)	14,431,874
Net Assets								
Without donor restriction								
Controlling interests	14,768,899	5,968	676,815	781,035	936,563	(193,604)	(1,053,902)	15,921,774
Board designated	450,000	-	-	-	-	-		450,000
Noncontrolling interests	-	-	-	-	-			-
Total Without donor restriction	15,218,899	5,968	676,815	781,035	936,563	(193,604)	(1,053,902)	16,371,774
With donor restriction - controlling	227,320	-						227,320
Total Net Assets	15,446,219	5,968	676,815	781,035	936,563	(193,604)	(1,053,902)	16,599,094
Total Liabilities and Net Assets	\$ 21,630,871	\$ 5,968	\$ 707,590	\$ 5,869,632	\$ 3,212,654	\$ 4,847,164	\$ (5,242,911)	\$ 31,030,968

COMMUNITY PARTNERS FOR AFFORDABLE HOUSING
Year Ended December 31, 2022

CPAH STATEMENT OF ACTIVITIES

	CPAH	PLAMBECK GARDENS	SINGLE FAMILY	GREENBURG OAKS	OLESON WOODS	VILLAGE @ WASH SQUARE	ELIMINATIONS	CPAH TOTAL
Support and Revenues								
Support								
Grants	\$ 904,369	\$ -	\$ -	\$ -	\$ -	\$ -		\$ 904,369
Contributions	45,658	-	-	-	-	-		45,658
In-kind contributions	-	-	-	-	-	-		-
Total Support	950,027	-	-	-	-	-	-	950,027
Revenues								
Net rental revenue	-	20,325	48,977	955,753	340,504	266,080		1,631,639
Laundry and tenant charges	-	-	445	37,508	4,874	9,153		51,980
Fees and losses - affiliates	329,545	-	-	-	-	-	(142,426)	187,119
Interest income	1,087	-	12	299	13	108		1,519
Interest income - affiliates	257,584	-	-	-	-	-	(18,372)	239,212
Debt forgiveness	-	-	-	-	-	-		-
Special events - net of expenses	126,489	-	-	-	-	-		126,489
Increase in FMV of interest rate SWAP	-	-	-	509,604	-	131,407		641,011
Other revenue	15,393	-	-	-	-	2,381		17,774
Total Revenues	730,098	20,325	49,434	1,503,164	345,391	409,129	(160,798)	2,896,743
Total Support and Revenues	1,680,125	20,325	49,434	1,503,164	345,391	409,129	(160,798)	3,846,770
Expenses								
Personnel costs	1,337,573	148	-	144,462	52,992	30,162		1,565,337
Administrative expenses	26,423	331	4,110	16,391	7,273	6,471		60,999
Bad Debt expense	-	12,808	-	12,814	2,991	8,454		37,067
Fees- affiliates	-	-	-	20,004	-	3,333	(23,337)	-
Fees-limited partners	-	-	-	-	-	-		-
Grant expenditures	-	-	-	-	-	-		-
Insurance	17,756	1,267	3,397	58,774	9,832	12,291		103,317
Interest expense	220,441	-	1,609	139,071	43,409	35,860		440,390
Interest expense - affiliates	-	-	-	-	18,372	-	(18,372)	-
Maintenance and repairs	-	-	25,009	177,865	85,890	90,953	(13,501)	366,216
Monitoring fees-LIHTC	-	-	-	3,360	2,195	780		6,335
Professional fees	166,379	-	-	2,593	961	814		170,747
Program supplies	140,512	-	-	-	-	-		140,512
Property management fee	-	529	3,600	47,208	17,276	13,085		81,698
Real property taxes	5,057	17,246	-	-	-	-		22,303
Telephone and internet	27,929	-	-	4,433	6,464	3,817		42,643
Travel, training and meetings	21,420	-	-	1,258	549	423		23,650
Utilities	2,156	-	-	151,718	82,448	59,859		296,181
Total Expenses before depreciation and amortization	1,965,646	32,329	37,725	779,951	330,652	266,302	(55,210)	3,357,395
Change in Net Assets before depreciation and amortization	(285,521)	(12,004)	11,709	723,213	14,739	142,827	(105,588)	489,375
Depreciation and Amortization								
Depreciation	84,086	-	12,692	330,720	111,254	222,827	(53,318)	708,261
Amortization	-	-	-	-	-	-	-	-
Total Depreciation and Amortization	84,086	-	12,692	330,720	111,254	222,827	(53,318)	708,261
Change in Net Assets	\$ (369,607)	\$ (12,004)	\$ (983)	\$ 392,493	\$ (96,515)	\$ (80,000)	\$ (52,270)	\$ (218,886)

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

July 25, 2023

Board of Directors
Community Partners for Affordable Housing
Tigard, Oregon

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the consolidated financial statements of Community Partners for Affordable Housing (CPAH) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued my report thereon dated July 25, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing my audit of the consolidated financial statements, I considered CPAH's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of CPAH's internal control. Accordingly, I do not express an opinion on the effectiveness of CPAH's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that I consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether CPAH's consolidated financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Mark Schwing CPA PC". The signature is written in a cursive, flowing style.

Mark Schwing CPA PC

FINDING – FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCY

2022-001 Reconciliation of Intercompany Transactions and Account Balances

Condition: For purposes of preparing consolidated financial statements certain intercompany transactions and account balances were not properly reconciled.

Criteria: Internal control should be in place that provides reasonable assurance that intercompany transactions and account balances are reconciled and approved by management.

Cause: Due to turn-over in the accounting department, the reconciliation of intercompany transactions and account balances were not appropriately monitored.

Effect: Certain significant intercompany transactions were not properly recorded resulting in intercompany account balances that did not reconcile. With direction from the auditor, CPAH was able to identify those transactions and record them.

Recommendation: Procedures should be implemented to require reconciliation and approval by management of intercompany transactions and account balances periodically during the year and especially at year end.

Views of responsible officials and planned corrective action: CPAH agrees with the finding and the recommended procedures and will implement them immediately.