Community Investment Corporation

Financial Statements and Single Audit Reports

Year ended December 31, 2021

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Independent Auditor's Report

To the Board of Directors and Management
Community Investment Corporation
Tucson, Arizona

Opinion

We have audited the accompanying financial statements of Community Investment Corporation (a nonprofit corporation) which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Investment Corporation as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Community Investment Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Community Investment Corporation's ability to continue as a going concern within one year after the date that the 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 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 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, including omissions, 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Community Investment Corporation '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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Community Investment Corporation '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 Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2022, on our consideration of Community Investment Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Community Investment Corporation'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 Community Investment Corporation's internal control over financial reporting and compliance.

Walker & Armstrong, LLP

Tucson, Arizona
September 29, 2022

Community Investment Corporation
Statement of Financial Position
December 31, 2021

Assets	
Current assets	
Cash and cash equivalents	$ 4,367,972
Restricted cash - Pima Tucson Homebuyer's Solution (PTHS) Program	812,735
Investments	1,436,553
Accounts receivable	188,814
Grants receivable	1,568,474
Notes receivable - direct loan program, current portion	490,359
Amounts owed per the PTHS program	1,294,452
Prepaid expenses and other assets	27,758
Total current assets	10,187,117
Property and equipment , net	369,821
Other assets	
Internally developed software, net	333,200
Restricted cash reserve funds	7,007
Notes receivable - direct loan program, less current portion	1,144,213
Total assets	$ 12,041,358
Liabilities and Net Assets	
Liabilities	
Current liabilities	
Accounts payable	$ 208,919
Accrued salaries and related expenses	94,322
Other accrued expenses	82,311
Deferred revenue	149,446
Lease obligation, current portion	1,723
Line of credit	1,000,000
Amounts due per the PTHS Program	2,107,187
Notes payable, current portion	1,007,256
Total current liabilities	4,651,164
Long-term liabilities	
Lease obligation, less current portion	952
Notes payable - related parties	1,122,852
Total long-term liabilities	1,123,804
Total liabilities	5,774,968
Net Assets	
Net assets without donor restrictions	6,207,950
Net assets with donor restrictions	58,440
Total net assets	6,266,390
Total liabilities and net assets	$ 12,041,358

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

Community Investment Corporation
Statement of Activities
Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Totals
Operating Activities:			
Operating Revenues and Support			
Program service revenue and interest on notes receivable	$ 645,500	$ -	$ 645,500
Grant revenue	39,520,004	-	39,520,004
Contributions	130,950	36,860	167,810
Other income	52,790	-	52,790
Total operating revenues and support before net assets released from restrictions	40,349,244	36,860	40,386,104
Net assets released from restrictions	23,560	(23,560)	-
Total operating revenue and support	40,372,804	13,300	40,386,104
Operating Expenses			
Program Services			
Social impact	375,912	-	375,912
Housing assistance	37,683,302	-	37,683,302
School services	358,125	-	358,125
Total program services	38,417,339	-	38,417,339
Supporting Services			
Management and general	422,360	-	422,360
Total supporting services	422,360	-	422,360
Total operating expenses	38,839,699	-	38,839,699
Change in net assets from operating activities	1,533,105	13,300	1,546,405
Nonoperating Activity:			
Net investment income	121,206	-	121,206
Change in net assets	1,654,311	13,300	1,667,611
Net assets, beginning of year	4,553,639	45,140	4,598,779
Net assets, end of year	$ 6,207,950	$ 58,440	$ 6,266,390

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

Community Investment Corporation
Statement of Functional Expenses
Year Ended December 31, 2021

	Program Services			Supporting Services	
	Social Impact Lending	Housing Assistance	School Services	Management and General	Total Expenses
Operating Expenses					
Salaries and wages	$ 209,120	$ 891,705	$ 196,925	$ 150,380	$ 1,448,130
Payroll taxes	20,423	72,061	18,695	2,313	113,492
Employee benefits	39,939	52,345	37,728	14,542	144,554
Total personnel costs	269,482	1,016,111	253,348	167,235	1,706,176
Computer expense	9,178	421,419	6,162	3,747	440,506
Professional services	11,638	10,011	5,000	24,230	50,879
Consulting services	10,220	1,594,313	50,000	70,676	1,725,209
Telephone	5,188	8,677	1,335	1,927	17,127
Building expense	8,270	22,127	7,802	4,417	42,616
Interest expense	463	27,406	-	42,562	70,431
Advertising and promotion	20,868	17,465	9,039	12,997	60,369
Office expense	4,857	10,785	4,424	2,989	23,055
Auto expense	246	246	723	3,617	4,832
Tenant assistance	-	34,438,375	-	-	34,438,375
Travel	2,122	1,404	1,466	877	5,869
Meals and entertainment	-	20	68	8,764	8,852
Insurance	7,444	9,756	7,032	4,276	28,508
Dues and subscriptions	3,968	75	300	8,210	12,553
Other expense	13,439	93,513	2,556	60,719	170,227
Total operating expenses before depreciation	367,383	37,671,703	349,255	417,243	38,805,584
Depreciation	8,529	11,599	8,870	5,117	34,115
Total operating expenses	$ 375,912	$ 37,683,302	$ 358,125	$ 422,360	$38,839,699

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

Community Investment Corporation
Statement of Cash Flows
Year Ended December 31, 2021

Cash Flows from Operating Activities:	
Cash received from grants and program participants	$ 38,936,777
Cash paid to suppliers and employees	(38,394,340)
Interest and dividend income received	1,523
Interest paid	(70,431)
Net cash provided by operating activities	473,529
Cash Flows from Investing Activities:	
Payments received on loans	821,094
Issuance of loans	(783,910)
Funds received for Pima Tucson Homebuyer Solution funds	788,003
Funds paid from Pima Tucson Homebuyer Solution funds	(832,331)
Proceeds from assets held for sale	434,723
Payments for internally developed software	(253,004)
Net cash provided by investing activities	174,575
Cash Flows from Financing Activities:	
Proceeds from notes payable	1,000,000
Payments on notes payable	(6,696)
Payments on capital lease	(1,107)
Net cash provided by financing activities	992,197
Net increase in cash and cash equivalents	1,640,301
Cash and cash equivalents, beginning of year	3,547,413
Cash and cash equivalents, end of year	$ 5,187,714

Cash and cash equivalents is comprised of:	
Unrestricted cash and cash equivalents	$ 4,367,972
Restricted cash - agency funds	812,735
Restricted cash - reserve funds	7,007
Total cash and cash equivalents	$ 5,187,714

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

Community Investment Corporation
Statement of Cash Flows - Continued
Year Ended December 31, 2021

Reconciliation of change in net assets to net cash provided by operating activities		
Changes in net assets	$	1,667,611
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense		34,115
Provision for loan losses		51,284
Realized gain on sale of assets		(9,988)
Unrealized gain on investments		(119,683)
Decrease (increase) in:		
Accounts receivable		(66,893)
Grants receivable		(1,382,434)
Prepaid expenses and other assets		24,885
Increase (decrease) in:		
Accounts payable		199,627
Accrued salaries and related expenses		61,416
Other accrued expenses		13,589
Net cash provided by operating activities	$	473,529

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

Note 1 – Organization Purpose and Nature of Activities

Community Investment Corporation (CIC) is a non-profit tax-exempt corporation organized under the laws of the State of Arizona. CIC was formed to support the economic development activities of the Industrial Development Authority of Pima County (IDA). To achieve that objective, CIC conducts programs which encourage economic activities lending to the creation of local assets, businesses, and well-paying jobs for Pima County, Arizona.

CIC secures strategic investments in the local southern Arizona communities through programs such as bond compliance post issuance and other related services under the Charter School Bond Compliance Program; loan programs for nonprofit organizations and small businesses, as a fiscal agent for the City of Tucson and Pima County Housing Assistance Programs; and financial education and counseling related to small business capital access. CIC offers the following programs:

Social Impact Lending and Alternative Business Funding – CIC manages a revolving loan program which lends to businesses and nonprofit organizations throughout Arizona. The loan portfolios are relatively small and rely on borrower's payments to fund future loans. In addition, CIC has partnered with WeFunder to extend crowd-funded equity financing opportunities and Kiva U.S. (through local nonprofit partner Growth Partners Arizona) to provide crowd funded zero interest loans to the southern Arizona business community.

Housing Assistance – CIC participates in a variety of programs to help Arizona families secure safe, affordable homes. The Pima Tucson Homebuyer's Solution and HOME programs provide two types of down payment assistance programs aimed at helping buyers with the cost of home purchases. The Mortgage Credit Certificate program helps qualified first-time homebuyers reduce their federal tax liability by providing annual tax credits of up to $2,000 for as long as they own and remain at their purchased home. CIC is also a program administrator for federally funded COVID-19 relief related to eviction prevention in Pima County, Arizona.

School Services – CIC offers services designed to help issuers, trustees, charter school borrowers and underwriters comply with continuing disclosure obligations related to SEC Rule 15c2-12. Additionally, CIC is building a parent and school engagement program aimed at providing easily accessible information on area schools to help families find the right school fit for their K-12 children via open enrollment.

Note 2 – Summary of Significant Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Note 2 – Summary of Significant Accounting Policies – Continued

Basis of Accounting and Presentation - CIC's financial statements have been prepared on the accrual basis of accounting and presented in accordance with U.S. generally accepted accounting principles. Revenues and expenses are recognized and recorded when earned and incurred, respectively. CIC reports information regarding the financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets without Donor Restrictions - Net assets without donor restrictions are those currently available at the discretion of the board of directors for use in CIC's operations, in accordance with its bylaws. CIC reports its revenue and other support as net assets without donor restrictions if there are no donor-imposed restrictions limiting its use.

Net Assets with Donor Restrictions - CIC reports grants and contributions as net assets with donor restrictions if received with grantor/donor-imposed stipulations that limit or restrict use of the amount received. When the grantor/donor-imposed restrictions expire, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents - Cash and cash equivalents consist primarily of checking accounts and money market funds. For purposes of the statement of cash flows, all highly liquid securities purchased with an original maturity of three months or less are considered to be cash equivalents.

Restricted Cash Reserve Funds - As stipulated by the loan resolution with the U.S. Department of Agriculture (USDA), CIC is required to establish an interest-bearing reserve account in an amount equal to not less than five percent of the total amount owed by the microlender to pay any shortage in the rural microentrepreneurial restricted fund (RMFP) caused by delinquencies or losses on microloans. As of December 31, 2021,the five percent requirement was $6,145 and is reported as restricted cash reserve funds totaling $7,007 on the statement of financial position. This reserve will be maintained over the life of the loan, except that it may be used for emergency purposes subject to approval by the USDA.

CIC is the administrator of the Pima Tucson Homebuyer's Solution Program. CIC is required to establish and maintain a bank account for funds disbursed from and received for this program. The restricted account is monitored by the City of Tucson, whom also determines the amount of cash available in the restricted account. CIC monitors this account to prepare monthly reports for the City of Tucson. The account will be maintained for the life of the program.

Investments - Investments in marketable securities with readily determinable fair values and all investments in debt securities are stated at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Certificates of deposit with original maturities greater than one year are reported at cost plus accrued interest earnings.

Note 2 – Summary of Significant Accounting Policies – Continued

Fair Value of Financial Instruments - CIC's financial instruments include cash and cash equivalents, accounts receivables, accounts payable, accrued salaries and related expenses, deferred revenues, the capital lease obligation and notes payable. The recorded values of these assets and liabilities approximate their fair values based on their short-term nature. The recorded values of notes receivable, capital lease obligation, and notes payable approximate their fair values, as interest approximates market rates.

Accounts Receivable - Accounts receivables are considered by management to be fully collectible and, accordingly, an allowance for doubtful accounts is not considered necessary at December 31, 2021.

Grants Receivable - CIC is paid for services provided under government grants on a cost reimbursement basis. When applicable, unreimbursed costs under those grants are recorded as grants receivable. There were grants receivables of $1,568,474 as of December 31, 2021.

Notes Receivable - CIC originates loans to businesses and nonprofit organizations, primarily in southern Arizona. The ability of the borrowers to honor their contract is dependent upon general economic conditions.

CIC's Social Impact Lending Program provides loans in four distinct categories. The small business segment focuses on loans above $10,000 to businesses and nonprofit organizations located in Tucson, Arizona while the mircoloan segment focuses on loans under $10,000 in Tucson, Arizona. Rural loans are classified as any loan in southern Arizona outside of Tucson. The charter school loan program is a compliment to the School Services business line and provides loans to charter schools across the state of Arizona.

Loans that CIC has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at principal balance outstanding, net of an allowance for loan losses. Interest income on loans is recognized over the term of the loan and is calculated using the traditional mortgage or simple-interest method on principal amounts outstanding depending on the age of the loan. Loans beginning September 1, 2021, are calculated using the simple-interest method.

Interest income is not reported when full loan repayment is in doubt, typically when the loan is impaired. All interest accrued but not received for loans placed on nonaccrual is reversed against interest income. Interest received on such loans is accounted for on the cash basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts are satisfied to where the loan is no longer past due and future payments are reasonably assured.

Note 2 – Summary of Significant Accounting Policies – Continued

As a nonprofit organization, CIC works with many first-time borrowers and those deemed "unbankable" by traditional commercial lenders. As such, they may be less financially sophisticated than traditional commercial lender clients and because CIC has a mission to promote economic development, CIC will carry accounts that are "unlikely" to be collected longer than other lenders before writing them off to bad debt. Factors that are used to determine when to write of debt as uncollectable include:

- Borrower's level of responsiveness to CIC communications, including email, phone, and hard copy letters delivered via U.S postal service;
- Borrower's history of fulfilling obligations they agree to in communication with CIC;
- Borrower's submission of financial documentation which allows CIC to determine likelihood of repayment and/or the possibility of loan restructuring to improve the situation;
- Size of the debt;
- Likelihood of recovery of the debt and/or collateral through legal processes as well as the cost of such recovery relative to the size of the debt.

CIC pledges to work as long as needed with debtors who are responsive, communicative, diligent, forthright, and honest. In such cases, short of restructuring, CIC will carry debt up to five years before writing it off.

All loans are evaluated for charge-off on a case-by-case basis. Non-real estate secured commercial loans are typically charged-off when a borrower is seriously delinquent and has stopped communicating with CIC. Loans secured by residential and commercial real estate are typically charged-off at the time of foreclosure. Past-due status is based on the contractual terms of the loans. In all cases, loans are placed on nonaccrual status or charged-off at an earlier date if the collection of principal and interest is considered doubtful.

Allowance for Loan Losses - The allowance for loan losses is a valuation allowance for probable incurred credit losses, increased by the provision for loan losses and decreased by charge-offs less recoveries. Management estimates the required allowance for loan losses balance using past loan loss experience, known and inherent risks in the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions, and other factors. Allocations of the allowance for loan losses may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged-off. Loan losses are charged against the allowance for loan losses when management believes the uncollectibility of a loan balance is certain.

The allowance for loan losses consists of loans that are individually classified as impaired or loans otherwise classified as substandard or doubtful.

Note 2 – Summary of Significant Accounting Policies – Continued

Due to the nature of uncertainties related to any estimation process, management's estimate of loan losses inherent in the loan portfolio may change in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

A loan is considered impaired when, based on current information and events, full payment under the loan terms is not expected. Impairment is evaluated on an individual loan basis. If a loan is impaired, a portion of the allowance is allocated so that the loan is reported, net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral. CIC's policy for repossessing collateral is that when all other collection efforts have been exhausted, CIC enforces its first lien holder status and repossesses the collateral. CIC has full and complete access to repossessed collateral. Repossessed collateral normally consists of real estate, furniture and equipment.

Property and Equipment - All acquisitions of property and equipment in excess of $5,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are stated at cost or, if acquired through donation, at fair value on the date of acquisition. Depreciation is provided on the straight-line basis over the estimated useful lives of the related assets. The costs and related accumulated depreciation of assets sold or otherwise disposed of are removed from the accounts and any resulting gain or loss is reflected in the statement of activities in the year of disposition.

Depreciation is provided using the straight-line method over the following useful lives:

Buildings and building improvements	15-39 years
Furniture and equipment	3-10 years
Software	3 years

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of the donation. Such donations are reported as increases in net assets without donor restriction unless the donor has restricted the donated asset for a specified purpose. Assets donated with restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. CIC reports releases of donor restrictions when the donated or acquired assets accomplish their service restrictions.

Impairment of Long-lived Assets - CIC accounts for long-lived assets in accordance with the provisions of U.S. generally accepted accounting principles which requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future cash flows expected to be generated by the asset.

Note 2 – Summary of Significant Accounting Policies – Continued

If such assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying value of the assets exceeds the fair value of the assets. Assets to be disposed are reported at the lower of the carrying amount or fair value less costs to sell.

Internally Developed Software - CIC develops software that is used for its eviction prevention program. Capitalization for software costs begins when the preliminary project stage is completed and there is approval of expenditures related to internal development. Capitalization ceases no later than the point at which a computer software project is substantially complete and ready for its intended use, that is, after all substantial testing is completed. Software is amortized over 6 years.

Real Estate Held for Sale - During 2019, CIC received vacant land as satisfaction for a note receivable due from a charter school. CIC's board of directors approved a plan to sell the property, and accordingly, the property was sold during the year-ended December 31, 2021.

Compensated Absences - Compensated absences is comprised of accrued paid time-off for which employees will be paid upon termination of employment. A liability for compensated absences is accrued when it is attributable to services rendered that is not contingent on a specific event, outside the control of CIC, and the employee has earned the right to the benefit. Total accrued compensated absences as of December 31, 2021, was $45,774 and is reported as accrued salaries and related expenses on the statement of financial position.

Revenue Recognition - CIC's program revenues are derived primarily from the school services program, homeownership assistance program and loan servicing program.

The performance obligation for the school services program includes quarterly reports and various other administrative tasks and are paid annually. CIC recognizes the revenue ratably over the 12 months services are provided to the charter schools.

The homeownership assistance program includes performance obligations to provide down payment assistance and mortgage credit certificates to eligible first-time homebuyers. CIC receives set-up and annual fees for providing mortgage credit certificates. The performance obligations include the initial issuance of the certificate and annual issuances of the certificate by January 31 each year and is recognized immediately when the services are provided.

The loan servicing program includes lending funds to business and nonprofit organizations throughout Arizona and is paid an application fee and monthly interest on the notes receivable. CIC recognizes the revenue for application fees when the note receivable is issued and interest on the notes receivable on a monthly basis.

Note 2 – Summary of Significant Accounting Policies – Continued

Amounts paid in advance are deferred to the period the performance obligations are satisfied. Due to the nature and timing of the transfer of services, substantially all contract liabilities at December 31 are recognized in the following year.

Economic Factors Affecting Revenue - Economic conditions have a direct impact on CIC's business, results of operations and financial position. Adverse economic conditions pose a risk that program participants may not be able to repay their loans or lines of credit and related interest that is due to CIC. Such actions would reduce CIC's ability to provide lending services and could result in a reduction in its program service revenue and interest on notes receivable.

Contributions - Contributions are recognized when the donor makes a promise to give to CIC that is, in substance, unconditional. Unconditional promises to give with due dates in excess of one year are recorded at the net present value in the year the promise is made and are considered restricted. Contributions that are restricted by the donor are reported 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. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skill, the service is provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

In-Kind Contributions - Donated materials and services are reflected as in-kind contributions in the accompanying financial statements at their estimated values at the date of receipt. No amounts have been reflected in the financial statements for certain donated volunteer non-professional services because they did not meet the recognition requirements under U.S. generally accepted accounting principles

Income Taxes - CIC is a nonprofit corporation that is exempt from income taxes under Section 501(c)(3), of the Internal Revenue Code. As such, its normal activities do not result in any income tax liability although CIC may be subjected to income taxes on net income that is unrelated to its exempt purpose. Accordingly, there is no provision for income taxes. CIC is classified as other than a private foundation.

Advertising and Promotion Costs - Advertising and promotion costs are expensed as incurred. Total advertising and promotion costs incurred for the year ended December 31, 2021, was $60,369.

Note 2 – Summary of Significant Accounting Policies – Continued

Measure of Operations - The statements of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to CIC's program services and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Cost Allocation of Expenses - The cost of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Those expenses include salaries, wages and related expenses, professional services, office expenses and information technology based on time and effort. Occupancy, depreciation, interest and insurance are allocated based on square footage.

Risks and Uncertainties - CIC invests in various investment securities, notes receivable and assets held for sale, which are exposed to various risks, such as interest rate, market risk, and credit risk. Due to the level of risk associated with certain investment securities, notes receivable and assets held for sale, it is at least reasonably possible that changes in the values will occur in the near term and such changes could materially affect the amounts reported in the statement of financial position.

Use of Estimates - The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the 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.

Note 3 – Liquidity

CIC’s financial assets available for general expenditures within one year of the date of the statement of financial position are as follows:

Unrestricted cash and cash equivalents	$ 4,367,972
Investments	1,436,553
Accounts receivable	188,814
Grant receivable	1,568,474
Notes receivable, current portion	490,359
Total financial assets available to meet general expenditures within one year	$ 8,052,172

As part of its liquidity, management has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, certain expenses are directly related to client services, which are supported by interest income on loan receivables.

Note 4 – Cash and Cash Equivalents

As of December 31, 2021, the carrying amount of cash in the bank totaled $5,187,714 and the bank balance was $6,230,428. Bank deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 for all accounts held by a financial institution. On December 31, 2021, CIC had $5,814,073 in deposits in excess of the FDIC limit.

Note 5 – Investments

Financial accounting standards establish a framework for measuring investments at fair value and expand the disclosure requirements for fair value information. 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 or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement).

CIC invests in stocks and mutual funds which are valued at the net asset value (NAV) of shares held. These funds are required to publish their daily NAV and to transact at that price. The stocks and mutual funds held by CIC are deemed to be actively traded.

The fair value hierarchy prioritizes valuation techniques used to measure fair value into three broad levels:

- ***Level 1*** - Valuation based on unadjusted quoted prices within active markets for identical assets or liabilities accessible or payable by CIC.
- ***Level 2*** - Valuation based on quoted market prices for similar assets or liabilities within active or inactive markets or information other than quoted market prices observable through market data for substantially the full term of the asset or liability. CIC does not have any investments classified as level 2.
- ***Level 3*** - Valuation based on inputs other than quoted market prices that reflect assumptions about the asset or liability that market participants would use when performing the valuation based on the best information available in the circumstances. CIC does not have any investments classified as level 3.

Investments recorded at fair value as of December 31, 2021, were as follows:

	Level 1	**Level 2**	**Level 3**	**Total**
Stocks and mutual funds	$ 1,436,553	$ -	$ -	$ 1,436,553
	$ 1,436,553	$ -	$ -	$ 1,436,553

Note 5 – Investments – Continued

The CIC's net investment income as reported in the accompanying statement of activities for the year ended December 31, 2021, consisted of the following:

Interest and dividends	$ 12,211
Investment expenses	(13,444)
Realized gains	2,756
Unrealized gains	119,683
Net investment return	$ 121,206

Equity Method Investments – CIC holds investments in unconsolidated for-profit entities that are accounted for by the equity method of accounting, adjusted for impairment of value. An impairment loss of $162,600 was recognized since the carrying values were considered unrecoverable during 2019 to bring the carrying value of these investments to zero.

Note 6 – Notes Receivable – Direct Loan Program

CIC provides direct loans to businesses and nonprofit organizations to help promote the growth of the local economy of those organizations that would typically not qualify for traditional financing. The original face amounts of the notes receivable range between $1,000 and $250,000 with interest rates ranging from 1% to 10%. All notes receivable are collateralized except for $68,951 which is part of CIC's Black, Indigenous, People of Color (BIPOC) Community Managed Loan Fund which, for mission purposes, does not require collateral. CIC receivables are stated at unpaid balances net of allowance for loan losses.

Notes receivable are comprised of the following amounts at December 31, 2021:

	Amount
Small business	$ 1,429,469
Charter school	28,699
Rural	238,723
Microloan	194,663
	1,891,554
Allowance for loan losses	(256,982)
Notes receivable, net	$ 1,634,572

Note 6 – Notes Receivable – Direct Loan Program – Continued

Outstanding notes receivable are assessed for impairment if full principal payments are not received in accordance with the contractual terms. As of December 31, 2021, CIC had the following delinquent notes receivable (defined as being more than 30 days past due):

	Number	Loan Amount
31-60 days	-	$ -
61-90 days	-	-
Over 90 days	3	256,982
	3	$ 256,982

The entire delinquent amount pertained to small business loans.

Allowance for Loan Losses

Activity for allowance for loan losses for the year ended December 31, 2021, was as follows.

	Amount
Allowance for loan losses:	
Beginning balance	$ 205,698
Provision for loan losses	51,284
Recoveries on previous loan losses	-
Loans receivable charge-off	-
Ending balance	$ 256,982

The entire allowance balance pertains to small business loans and all loans are individually evaluated for collectability.

Impaired Loans

CIC considers loans impaired when, based on current information, it is probable that CIC will not collect all principal and interest payments according to contractual terms. Loans are evaluated for impairment in accordance with CIC's portfolio monitoring and ongoing risk assessment procedures. Management considers the financial condition of the borrower, cash flow of the borrower, payment status of the loan, and the value of the collateral, if any, securing the loan. Loans specifically reviewed for impairment are not considered impaired during periods of "minimal delay" in payment (90 days or less) provided eventual collection of all amounts due is expected. The impairment of a loan is measured based on the present value of expected future cash flows, discounted at the loan's effective interest rate, or the fair value of the collateral if repayment is expected to be provided solely by the collateral. In appropriate circumstances, interest income on impaired loans may be recognized on a cash basis.

Note 6 – Notes Receivable – Direct Loan Program – Continued

The following table includes the unpaid principal balances for impaired financing receivables with the associated allowance amount, if applicable, as of December 31, 2021. Also presented is the average ending principal balance of the impaired loans and the related allowance recognized during the time the loans were impaired as of December 31, 2021.

	Unpaid Principal Balance	Related Allowance
With a related allowance recorded:		
Small business	$ 256,982	$ 256,982
Charter school	-	-
Rural	-	-
Microloan	-	-
Total	$ 256,982	$ 256,982

The accrual of interest income on loans is discontinued when the collection of interest or principal becomes uncertain, unless the credit is well-secured and in the process of collection. Loans on which the accrual of interest has been discontinued were $256,982 as of December 31, 2021. There were no loans ninety days or more past due and still accruing interest as of December 31, 2021.

Credit Quality

Loans are assessed for credit quality based on the contractual aging status of the loan and payment activity. Such assessment is completed at the end of each fiscal year.

Loans based on credit quality as of December 31, 2021, were as follows:

	Performing	Nonperforming	Total
Small business	$ 1,429,469	$ 256,982	$ 1,172,487
Charter school	28,699	-	28,699
Rural	238,723	-	238,723
Microloan	194,663	-	194,663
Total	$ 1,891,554	$ 256,982	$ 1,634,572

Internally assigned loan grades are defined as follows:

Performing - A performing loan's primary source of loan repayment is satisfactory, with secondary sources very likely to be realized if necessary.

Note 6 – Notes Receivable – Direct Loan Program – Continued

Nonperforming - A loan classified as nonperforming is considered potentially uncollectible with a likelihood of charge-off. This classification does not mean that the loan has absolutely no recovery or salvage value, but rather it means that charge-off is likely in the near future.

Troubled Debt Restructurings (TDRs)

In situations where, for economic or legal reasons related to a borrower's financial difficulties, CIC grants a concession for other than an insignificant period of time to the borrower that CIC would not otherwise consider, the related loan is classified as a TDR. CIC strives to identify borrowers in financial difficulty early and work with them to modify to more affordable terms before their loan reaches nonaccrual status. These modified terms may include interest rate reductions, principal forgiveness, payment forbearance and other actions intended to minimize the economic loss and to avoid foreclosure or repossession of the collateral. In cases where CIC grants the borrower new terms deemed to be a concession, CIC measures any impairment on the restructuring using the methodology for individually impaired loans. Loans classified as TDRs are reported as impaired loans.

Information pertaining to troubled debt restructurings that occurred for the year ended December 31, 2021, is as follows:

	Troubled Debt Restructurings		Troubled Debt Restructurings that Subsequently Defaulted	
	Number of Loans	Post-Modification Balance	Number of Loans	Balance
Small business loans	3	$ 256,982	3	$ 256,982

The pre-modification and post-modification balances for trouble debt restructurings are generally the same.

Note 7 – Pima Tucson Homebuyer's Solution Program

CIC holds funds of $812,735 as of December 31, 2021, as a fiscal agent for the 2012 Pima Tucson Homebuyer's Solution (PTHS) program. Under the terms of the program, CIC receives advances from the Industrial Development Authorities of the City of Tucson and Pima County (IDAs) for the purpose of providing down-payment assistance through program intermediaries to qualifying homebuyers in the Tucson area.

Note 7 – Pima Tucson Homebuyer's Solution Program – Continued

After closing, pooled mortgages are securitized and sold on the open market generating both fee income to CIC and the IDAs and the return of the down payment assistance advance, based on the realized spread between prevailing tax-advantaged bond rates and the underlying rate at which mortgages are made. As of December 31, 2021, $1,294,452 is reported as advances receivable and $2,107,187 as amounts payable to the IDA's.

Note 8 – Property and Equipment

Property and equipment consists of the following as of December 31, 2021:

	Amount
Building and building improvements	$ 327,674
Furniture, equipment and software	33,382
Total costs	361,056
Less: accumulated depreciation	(67,874)
	293,181
Land	76,639
Total property and equipment, net	$ 369,821

Note 9 – Internally Developed Software

Internally developed software is reported as follows on the statement of financial position as of December 31, 2021:

Cost	Accumulated Amortization	Net	Current Year Expense
$ 368,200	$(35,000)	$ 333,200	$ 35,000

Amortization expense is reported as a component of depreciation expense on the statement of functional expenses. The remaining amortization will be recognized in the amount of $61,367 annually for years 2022-2026.

Note 10 – Revenue from Contracts with Customers

Disaggregation of Revenue - Revenue from performance obligations satisfied at a point-in-time consists of the home ownership program and loan servicing program that are paid when the services are provided, while revenue from performance obligations satisfied over time consists of the school services program.

Program service revenue and interest on notes receivable for the year ended December 31, 2021, consisted of the following:

	Amount
Home ownership assistance program	$ 300,839
Loan servicing program	164,572
School services program	251,568
Total program service revenue	$ 716,979

The following table disaggregates CIC's revenue based on the timing of satisfaction of performance obligations for the year ended December 31, 2021:

Satisfaction of Performance Obligation	Amount
Satisfied at a point-in-time	$ 467,471
Satisfied over time	249,508
Total contract revenue	$ 716,979

Contract Balances

Beginning and ending contract receivables and liabilities were as follows as of December 31, 2021:

	Accounts and Grants Receivable	Advances Receivable - Pima Tucson Homebuyer Solutions Program	Notes Receivable Direct Loan Program	Deferred Revenues	Amounts Due to IDA
Beginning	$ 307,961	$ 2,082,455	$ 1,723,040	$ 149,446	$2,939,518
Ending	1,757,288	1,294,452	1,634,572	149,446	2,107,187

Note 11 – Notes Payable

Notes payables as of December 31, 2021, consisted of the following:

Note payable in the amount of $500,000 with the Pima County Industrial Development Authority (IDA, a related party) due in semi-annual interest-only payments at 1% per annum and principal due at maturity on January 15, 2022.	$ 500,000
Note payable in the amount of $1,000,000 with the Pima County Industrial Development Authority (IDA, a related party) due in annual interest-only payments at 1% per annum and principal due at maturity on April 1, 2027.	1,000,000
Note payable in the amount of $500,000 with FHR Cares Inc. with interest-only payments of $2,083 payable monthly at 5% per annum and principal due at maturity on March 31, 2022.	500,000
USDA note payable in the amount of $142,500 with interest at 2% per annum, due in monthly principal and interest payments of $812 beginning September 30, 2019, with any remaining principal due upon maturity on June 28, 2037.	130,108
	2,130,108
Less: current portion	(1,007,256)
Total debt	$ 2,122,852

The aggregate principal payments due as of December 31, 2021, are as follows:

Years Ending December 31	**Principal**
2022	$ 1,007,256
2023	7,363
2024	7,512
2025	7,664
2026	7,818
Thereafter	1,092,495
Total annual debt maturities	2,130,108
Less: current portion	(1,007,256)
Long-term portion	$ 1,122,852

Note 12 – Line of Credit

CIC has a line of credit that matures on March 23, 2023 with a credit limit of $1,000,000. The line of credit bears an interest rate of 4%. As of December 31, 2021, the outstanding balance on the line of credit was $1,000,000 and the full amount of the line was repaid in 2022.

CIC is required to meet certain covenants in order to comply with the line of credit agreement. As of December 31, 2021, CIC was not in compliance with the covenant requiring the submittal of the audit within 180 days of year-end.

The line of credit is secured by contracts in force relating to the Federal Emergency Rental Assistance Program.

Note 13 – Retirement Plan

CIC sponsors a 403(b) program for all eligible employees. CIC's contributions to the plan for the year ended December 31, 2021, were $26,534.

Note 14 – Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although CIC expects such amounts, if any, to be immaterial.

Note 15 – Risk Management

CIC is exposed to various risks of loss related to tort; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. CIC carries commercial insurance for all such risks of loss, including workers' compensation and employees' health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 16 – Related Party Transactions

CIC was formed under IRS code 509(a)(3) to support the economic development activities of the Pima County Industrial Development Authority (IDA). Family Housing Resources, Inc. (FHR) and Southern Arizona Land Trust, Inc. (SALT) are also supporting organizations of the IDA. Each of the supporting organizations has two of their three voting board members in common with the IDA's board.

Of the $188,814 recorded in accounts receivables at year-end, $13,000 was due from Pima County Industrial Development Authority (IDA), a related party.

Note 16 – Related Party Transactions – Continued

As of January 1, 2021, CIC had a line of credit and one outstanding note payable to the Pima County IDA totaling $2,000,000. The line of credit has an outstanding balance of $1,000,000 and bears an interest rate of 4% with the principal payment due on maturity. The note payable has an outstanding balance of $1,000,000 and bears an interest rate of 1% with the principal payment due on maturity. During 2021, $34,073 of interest expense was recognized on these notes.

IDA is a participating member of the PTHS program which CIC serves as a fiscal agent as described in Note 2. For the year ended December 31, 2021, CIC earned $92,300 under the program, of which $48,200 was earned from the IDA.

CIC purchased insurance through one of CIC's board members and paid $36,934 for brokerage services for the year ended December 31, 2021.

During the year ended December 31, 2021, CIC paid a company owned by the Executive Director's wife $15,354 for website design.

During 2020, CIC hired the owner of its outsourced accounting firm as the Business Manager. The amounts paid to the Business Manager's company totaled $14,611 during the year ended December 31, 2021.

Note 17 – Donor Restricted Net Assets

Donor restricted net assets are amounts contributed by donors for a specified time period or purpose as to their use and consist of the following:

	Amount
Purpose restricted:	
Black, Indigenous, People of Color (BIPOC) Loan Guarantee Program	$ 13,300
Total donor restricted net assets	$ 13,300

Note 18 – Economic Dependency

CIC received approximately 95% of its total revenues from local governments, which are subject to availability of funds and CIC's compliance with federal rules and regulations. If the amount of revenues received from these agencies were to significantly decrease, CIC's operating results could be adversely affected.

Note 19 – Agency Assets and Liabilities

CIC maintains various bank accounts for which it has no variance power which is the power to redirect resources. CIC receives funds from the PTHS program and the Single Family Mortgage Revenue Bonds (SFMRB) program for these discretionary accounts and remits the funds to the appropriate other accounts. As such, the accounts are included on the statement of financial position as an asset and a corresponding liability. CIC receives a small fee for performing these agency transactions on behalf of the other programs.

Note 20 – Subsequent Events

Management has evaluated subsequent events through September 29, 2022, the date the financial statements were available to be issued. No events or transactions occurred after year-end that require additional disclosure or adjustment to the financial statements.

Supplemental Information

Community Investment Corporation
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listings Number	Pass-Through Grantor's Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. Department of Housing and Urban Development				
Passed Through City of Tucson, Arizona				
COVID19 - Emergency Solutions Grant	14.231	ESG-CV	$ 17,305	$ -
U.S. Department of Treasury				
Passed Through City of Tucson, Arizona				
COVID19 - Coronavirus Relief Fund	21.019	CT-GMI-21-118	2,438,528	-
Passed Through Pima County, Arizona				
COVID19 - Emergency Rental Assistance Program	21.023	CT21*340	3,562,855	-
Passed Through Pima County, Arizona				
COVID19 - Emergency Rental Assistance Program	21.023	19005	33,216,968	-
Total Assistance Listing No. 21.023			36,779,823	-
Total U.S. Department of Treasury			39,218,351	-
Total expenditures of federal awards			$ 39,235,656	$ -

The accompanying notes are an integral
part of this schedule.

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (schedule) includes Community Investment Corporation's federal grant activity for the year ended December 31, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Note 2 – Indirect Cost Rate

Grantor funding under CIC's federal award agreement with Pima County, Arizona specified that CIC use the 10% de minimis indirect cost rate covered in 2 CFR §200.414. In addition, CIC's agreements with the City of Tucson allows for rates ranging from 10% to 15%.

Note 3 – Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 4 – Federal Assistance Listings (FAL) Number

The program titles and Federal Assistance Listings numbers were obtained from the federal or pass-through grantor or the 2021 *FAL*.

Single Audit Reports

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*

Board of Directors and Management
Community Investment Corporation
Tucson, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Community Investment Corporation (CIC) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 29, 2022.

Report On Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered CIC'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 our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CIC's internal control. Accordingly, we do not express an opinion on the effectiveness of CIC's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report On Compliance and Other Matters

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

Purpose of this Report

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

Walker & Armstrong, LLP

Tucson, Arizona
September 29, 2022

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

Board of Directors and Management
Community Investment Corporation
Tucson, Arizona

Report on Compliance for Each Major Federal Program

We have audited Community Investment Corporation's compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of CIC's major federal programs for the year ended December 31, 2021. CIC's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, CIC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).j Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of CIC and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of CIC's compliance with the compliance requirements referred to above.

Management's Responsibility

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to CIC's federal programs.

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on CIC's compliance based on our audit. 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, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about CIC's compliance with the requirements of each major federal program as a whole.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 CIC's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of CIC's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of CIC's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Walker & Armstrong, LLP

Tucson, Arizona
September 29, 2022

Community Investment Corporation
Schedule of Findings and Questioned Costs
Year ended December 31, 2021

A. Summary of Audit Results

Financial Statements

	Yes	No
Type of auditor's report issued on whether the financial statements audited were prepared in accordance with U.S. generally accepted accounting principles	**Unmodified**	
Internal control over financial reporting:		
Material weaknesses identified?		**X**
Significant deficiencies identified?	**None Reported**	
Noncompliance material to the financial statements noted?		**X**

Federal Awards

	Yes	No
Internal control over major programs:		
Material weaknesses identified?		**X**
Significant deficiencies identified?	**None reported**	
Type of auditor's report issued on compliance for major programs:	**Unmodified**	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?		**X**

Identification of major programs:

FAL No.	Program Description
21.023	COVID-19 - Emergency Rental Assistance Program

	Yes	No
Dollar threshold used to distinguish between type A and B programs:	**$ 1,176,551**	
Auditee qualified as a low risk auditee?		**X**

Other Matters

	Yes	No
Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with 2 CFR 200.511(b)?		**X**

B. Financial Statement Findings: None

C. Federal Award Findings: None