Community Investment Corporation

Financial Statements

Year ended December 31, 2023

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Independent Auditor's Report

To the Board of Directors
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, 2023, 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 present fairly, in all material respects, the financial position of Community Investment Corporation as of December 31, 2023, 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 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.

Walker & Armstrong, LLP

Tucson, Arizona
December 11, 2024

Community Investment Corporation
Statement of Financial Position
December 31, 2023

Assets		
Current assets		
Cash and cash equivalents	$	1,113,147
Restricted cash - Pima Tucson Homebuyer's Solution (PTHS) Program		707,784
Restricted cash - Success Through Alternative Capital (STAC) Program		123,752
Investments		1,771,651
Accounts receivable		75,946
Grants receivable		89,548
Pledge receivable		100,000
Notes receivable - direct loan program, current portion		666,512
Amounts owed per the PTHS program		118,317
Prepaid expenses and other assets		6,835
Total current assets		4,773,492
Property and equipment , net		342,041
Other assets		
Restricted cash reserve funds		7,013
Revenue share receivable		126,249
Long-term investments		101,000
Notes receivable - direct loan program, less current portion, net		1,047,014
Total assets	$	6,396,809
Liabilities and Net Assets		
Liabilities		
Current liabilities		
Accounts payable	$	25,358
Accrued salaries and related expenses		91,537
Other accrued expenses		66,016
Refundable advances		499,446
Amounts due per the PTHS Program		825,786
Notes payable, current portion		7,512
Total current liabilities		1,515,655
Long-term liabilities		
Notes payable		1,607,060
Total liabilities		3,122,715
Net Assets		
Net assets without donor restrictions		3,070,826
Net assets with donor restrictions		203,268
Total net assets		3,274,094
Total liabilities and net assets	$	6,396,809

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

Community Investment Corporation
Statement of Activities
Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Totals
Operating Activities:			
Operating Revenues and Support			
Program service revenue and interest on notes receivable	$ 732,427	$ -	$ 732,427
Grant revenue	528,154	-	528,154
Contributions	182,944	420,000	602,944
Other income	1,276	-	1,276
Total operating revenues and support before net assets released from restrictions	1,444,801	420,000	1,864,801
Net assets released from restrictions	216,732	(216,732)	-
Total operating revenue and support	1,661,533	203,268	1,864,801
Operating Expenses			
Program Services			
Social impact lending	828,871	-	828,871
Housing assistance	938,629	-	938,629
School services	652,908	-	652,908
Total program services	2,420,408	-	2,420,408
Supporting Services			
Management and general	655,302	-	655,302
Total supporting services	655,302	-	655,302
Total operating expenses	3,075,710	-	3,075,710
Change in net assets from operating activities	(1,414,177)	203,268	(1,210,909)
Nonoperating Activity:			
Net investment income	185,757	-	185,757
Change in net assets	(1,228,420)	203,268	(1,025,152)
Net assets, beginning of year	4,299,246	-	4,299,246
Net assets, end of year	$ 3,070,826	$ 203,268	$ 3,274,094

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

Community Investment Corporation
Statement of Functional Expenses
Year Ended December 31, 2023

	Program Services			Supporting Services		
	Social Impact Lending	**Housing Assistance**	**School Services**	**Management and General**	**Fundraising**	**Total Expenses**
Operating Expenses						
Salaries and wages	$ 336,065	$ 325,070	$ 399,723	$ 446,484	$ -	$ 1,507,342
Payroll taxes	27,527	22,651	35,542	30,622	-	116,342
Employee benefits	42,618	42,618	63,002	36,616	-	184,854
Total personnel costs	406,210	390,339	498,267	513,722	-	1,808,538
Computer expense	61,249	14,432	53,668	3,172	-	132,521
Professional services	16,204	8,480	-	30,722	-	55,406
Consulting services	20,750	-	3,882	5,435	-	30,067
Telephone	1,577	1,577	2,332	1,358	-	6,844
Building expense	18,308	17,934	26,512	19,060	-	81,814
Interest expense	3,527	3,527	5,213	5,270	-	17,537
Advertising and promotion	30,250	18,792	29,903	3,413	-	82,358
Office expense	4,831	4,846	7,913	3,725	-	21,315
Tenant assistance	-	460,537	-	-	-	460,537
Travel	7,432	4,272	3,791	3,797	-	19,292
Meals and entertainment	260	95	121	3,744	-	4,220
Insurance	11,487	11,487	16,981	9,989	-	49,944
Dues and subscriptions	2,073	-	1,458	6,738	-	10,269
Bad debt expense	192,755	-	-	-	-	192,755
Other expense	51,958	2,311	2,867	32,125	-	89,261
Total operating expenses before depreciation	828,871	938,629	652,908	642,270	-	3,062,678
Depreciation	-	-	-	13,032	-	13,032
Total operating expenses	$ 828,871	$ 938,629	$ 652,908	$ 655,302	$ -	$ 3,075,710

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

Community Investment Corporation
Statement of Cash Flows
Year Ended December 31, 2023

Cash Flows from Operating Activities:	
Cash received from grants and program participants	$ 2,195,963
Cash paid to suppliers and employees	(3,007,347)
Interest and dividend income received	29,555
Interest paid	(17,537)
Net cash used for operating activities	(799,366)
Cash Flows from Investing Activities:	
Payments received on loans	520,054
Proceeds from disposition of stock	1,426,441
Issuance of loans	(925,292)
Funds received for Pima Tucson Homebuyer Solution funds	12,516
Funds paid from Pima Tucson Homebuyer Solution funds	(165,955)
Purchase of investments	(2,185,529)
Net cash used for investing activities	(1,317,765)
Cash Flows from Financing Activities:	
Payments on notes payable	(7,358)
Payments on lease	(952)
Net cash used for financing activities	(8,310)
Net decrease in cash and cash equivalents	(2,125,441)
Cash and cash equivalents, beginning of year	4,077,137
Cash and cash equivalents, end of year	$ 1,951,696
Cash and cash equivalents is comprised of:	
Unrestricted cash and cash equivalents	$ 1,113,147
Restricted cash - PTHS funds	707,784
Restricted cash - STAC funds	123,752
Restricted cash - reserve funds	7,013
Total cash and cash equivalents	$ 1,951,696

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

Community Investment Corporation
Statement of Cash Flows - Continued
Year Ended December 31, 2023

Reconciliation of change in net assets to net cash used for operating activities	
Change in net assets	$ (1,025,152)
Adjustments to reconcile change in net assets to net cash used for operating activities:	
Depreciation expense	13,032
Provision for loan losses	5,571
Unrealized gain on investments	(156,202)
Decrease (increase) in:	
Accounts receivable	143,824
Grants receivable	(62,662)
Pledge receivable	(100,000)
Prepaid expenses and other assets	2,462
Increase (decrease) in:	
Accounts payable	16,622
Accrued salaries and related expenses	(4,151)
Other accrued expenses	17,290
Refundable advances	350,000
Net cash used for operating activities	$ (799,366)

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.

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

Recently Adopted Accounting Pronouncements - In 2016, FASB issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments (Topic 326)*. The standard requires the measurement of current expected credit losses for financial assets held at the reporting date based on historical experience, current conditions and reasonable and supportable forecasts. Adoption of the Standard requires organizations to use forward-looking information to better formulate their credit loss estimates. This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. Application of this statement resulted primarily in revised disclosures for the year ended December 31, 2023.

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 (RMAP) caused by delinquencies or losses on microloans. As of December 31, 2023, the five percent requirement was $2,676 and CIC's other non-current assets include restricted cash of $7,013. 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.

Note 2 – Summary of Significant Accounting Policies – Continued

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 Industrial Development Authorities of the City of Tucson and Pima County (the IDAs) who also determine the amount of cash available in the restricted account. CIC monitors this account to prepare monthly reports for the IDAs. The account will be maintained for the life of the program.

The Success Through Alternative Capital (STAC) program requires CIC to maintain a bank account for funds disbursed from and received for this program. 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.

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 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 and notes payable approximate their fair values, as interest approximates market rates.

Accounts Receivable - Accounts receivable is considered by management to be fully collectible and, accordingly, an allowance for doubtful accounts is not considered necessary as of December 31, 2022.

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 $89,548 as of December 31, 2023.

Notes Receivable - CIC grants 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 microloan 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 complement to the School Services business line and provides loans to charter schools across the state of Arizona.

Note 2 – Summary of Significant Accounting Policies – Continued

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 a 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.

As a nonprofit organization, CIC works with many first-time borrowers who 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 off 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, including reasonable financial projections, 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;
- Current economic conditions.

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.

Note 2 – Summary of Significant Accounting Policies – Continued

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 its allowance for credit losses using the Current Expected Credit Loss (CECL) methodology. This model accounts for expected credit losses over the life of the loans, considering historical loss data, current economic conditions, and reasonable and supportable forecasts. 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 uncollectability 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.

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 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.

Note 2 – Summary of Significant Accounting Policies – Continued

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

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. The 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.

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.

Leases – CIC determines if an arrangement is a lease at inception. In evaluating contracts to determine if they qualify as a lease, CIC considers factors such as (1) if it has obtained substantially all rights to the underlying asset through exclusivity, (2) if it can direct the use of the asset by making decisions about how and for what purpose the asset will be used and (3) if the lessor has substantive substitution rights. This evaluation may require significant judgment. CIC's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

CIC leases copier equipment for its use, which is considered a finance lease. Finance leases have characteristics that make them similar to a purchase of the underlying asset and are reported as fixed assets. In comparison, operating leases are included in operating lease right-of-use (ROU) assets. Both types of leases report the current and long-term portion of the liability on the statements of financial position.

ROU assets represent CIC's right to use an underlying asset for the lease term and lease liabilities represent its obligation to make lease payments arising from the lease. Lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term.

In determining the discount rate used to measure the right-of-use asset and lease liability, CIC uses rates implicit in the lease, or if not readily available, it uses its incremental borrowing rate. The incremental borrowing rate is based on an estimated secured rate comprised of a risk-free rate plus a credit spread as secured by CIC's assets. Determining a credit spread as secured by CIC's assets may require significant judgment.

Note 2 – Summary of Significant Accounting Policies – Continued

Also, the lease agreements have lease and non-lease components, which are generally accounted for separately. In allocating consideration in the contract to the separate lease and non-lease components, CIC uses the standalone prices of the lease and non-lease components. Observable standalone prices are used, if available. If the standalone price for a component has a high level of variability or uncertainty, this allocation may require significant judgment.

Non-lease components, which are primarily comprised of maintenance and taxes that are passed on from the lessor based on the number of pages printed, are recognized in operating expenses in the period in which the obligation for those payments was incurred.

Compensated Absences - Compensated absences are 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, 2023, was $59,196.

Revenue Recognition - CIC's program revenues are derived primarily from the school services program, housing assistance program and social impact lending and alternative business funding 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 housing 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 issuance of the certificate by January 31 each year and is recognized immediately when the services are provided.

The social impact lending and alternative business funding 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 note's receivable on a monthly basis.

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 on 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 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.

Note 2 – Summary of Significant Accounting Policies – Continued

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, 2023, was $82,358.

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 earned on notes receivable. 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 has 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.

Note 2 – Summary of Significant Accounting Policies – Continued

Risks and Uncertainties - CIC invests in various investment securities and notes receivable, 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 and notes receivable, 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	$ 1,113,147
Investments	1,771,651
Accounts receivable	75,946
Grants receivable	89,548
Pledge receivable	100,000
Notes receivable, current portion	666,512
Total financial assets available to meet general expenditures within one year	$ 3,816,804

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, 2023, the carrying amount of cash in the bank totaled $1,951,696 and the bank balance was $1,695,942. 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, 2023, CIC had $1,194,868 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).

The following is a description of investments held as December 31, 2023.

Mutual Funds – CIC's mutual funds 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.

The following presents the fair value of CIC's investments subject to fair value measurements as of December 31, 2023:

	Level 1	Level 2	Level 3	Total
Mutual funds	$ 1,211,877	$ -	$ -	$ 1,211,877
U.S. treasury bills	559,774	-	-	559,774
	$ 1,771,651	$ -	$ -	$ 1,771,651

Equity Method Investments – CIC holds investments in unconsolidated for-profit entities that are accounted for by the equity method of accounting, adjusted for the 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 those 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 $1,700 and $270,000 with interest rates ranging from 0% to 15%. All notes receivable are collateralized except for $252,237 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 as unpaid balances net of allowance for loan losses.

Notes receivables are comprised of the following amounts at December 31, 2023:

	Amount
Small business	$ 1,691,290
Rural	251,425
Microloan	262,276
	2,204,991
Allowance for loan losses	(491,465)
Notes receivable, net	$ 1,713,526

Outstanding notes receivable are assessed for impairment if full principal payments are not received in accordance with the contractual terms. As of December 31, 2023, CIC had the following delinquent notes receivable (defined as being more than 30 days past due):

	Number	Loan Amount
Over 90 days	20	$ 443,610
	20	$ 443,610

The entire delinquent amount pertained to small business loans.

Allowance for Loan Losses

Activity for the allowance for loan losses for the year ended December 31, 2023, was as follows.

Note 6 – Notes Receivable – Direct Loan Program – Continued

	Amount
Allowance for loan losses:	
Beginning balance	$ 485,891
Provision for loan losses	255,806
Recovery of loan losses	(250,232)
Ending balance	$ 491,465

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.

The following table includes the unpaid principal balances for impaired financing receivables with the associated allowance amount, if applicable, as of December 31, 2023. The average ending principal balance and the related average allowance of 20 impaired loans was $21,180 as of December 31, 2023.

	Unpaid Principal Balance	Related Allowance
With a related allowance recorded:		
Small business	$ 316,282	$ 316,282
Rural	62,890	62,890
Microloan	64,438	64,438
Additional Reserve	-	47,855
Total	$ 443,610	$ 491,465

Note 6 – Notes Receivable – Direct Loan Program – Continued

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 $306,925 as of December 31, 2023. There were no loans ninety days or more past due and still accruing interest as of December 31, 2023.

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, 2023, were as follows:

	Performing	Nonperforming	Total
Small business	$ 1,375,008	$ 316,282	$ 1,691,290
Rural	188,535	62,890	251,425
Microloan	197,838	64,438	262,276
Total	$ 1,761,381	$ 443,610	$ 2,204,991

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.

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 a 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.

Note 6 – Notes Receivable – Direct Loan Program – Continued

Information pertaining to troubled debt restructurings that occurred for the year ended December 31, 2023, 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	20	$ 443,610	20	$ 443,610

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 $707,784 as of December 31, 2023, 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.

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 assistant 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, 2023, advances receivable of $118,317 are recorded as non-current other assets as the funds are not available for operations of CIC when collected. In addition, cumulative advances and earnings due to the IDAs as of December 31, 2023, of $825,786 are recorded as long term liabilities as it is the intention of the IDAs to allow advances and earnings to remain in the program until program completion.

Note 8 – Refundable Advances

Refundable advances totaling $499,446 as reported on the statement of net position consist of conditional contributions from private donors and grants with restrictive conditions. In both instances, if the conditions are not met, a right of return to the grantor/donor exists:

	Amount
Revenue based funding	$ 250,000
Black. Indigenous, People of Color	100,000
Foundation grants	149,446
Total	$ 499,446

Note 9 – Property and Equipment

Property and equipment consist of the following as of December 31, 2023:

	Amount
Building and building improvements	$ 327,674
Furniture and equipment	33,384
Total costs	361,058
Less: accumulated depreciation	(95,656)
	265,402
Land	76,639
Total property and equipment, net	$ 342,041

Note 10 – Revenue from Contracts with Customers

Disaggregation of Revenue - Revenue from performance obligations satisfied at a point-in-time consists of the housing assistance program and social impact lending and alternative business funding programs 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, 2023, consisted of the following:

	Amount
Housing assistance program	$ 372,558
Social impact lending program	149,417
Charter school loan program	210,452
Total program service revenue	$ 732,427

The following table disaggregates CIC's revenue based on the timing of satisfaction of performance obligations for the year ended December 31, 2023:

Satisfaction of Performance Obligation	Amount
Satisfied at a point-in-time	$ 521,975
Satisfied over time	210,452
Total contract revenue	$ 732,427

Note 10 – Revenue from Contracts with Customers – Continued

Contract Balances

Beginning and ending contract receivables and liabilities were as follows as of December 31, 2023:

	Accounts and Grants Receivable	Advances Receivable - Pima Tucson Homebuyer Solutions Program	Notes Receivable Direct Loan Program	Deferred Revenues	Amounts Due to IDA
Beginning	$ 246,656	$ 130,833	$ 1,440,108	$ 149,446	$ 991,741
Ending	$ 165,494	$ 118,317	$ 1,713,526	$ -	$ 825,786

Note 11 – Notes Payable

Notes payables as of December 31, 2023, 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, 2025.	$ 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
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.	114,572
	1,614,572
Less: current portion	(7,512)
Long-term notes payable	$ 1,607,060

Note 11 – Notes Payable - Continued

The aggregate principal payments due as of December 31, 2023, are as follows:

Years Ending December 31	Principal
2024	$ 7,512
2025	507,664
2026	7,818
2027	1,007,976
2028	8,137
Thereafter	75,465
	$ 1,614,572

Note 12 – 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 as of December 31:

	Amount
FHR Cares Pledge	$ 100,000
Garcia Foundation Grant	103,268
	$ 203,268

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, 2023, were $33,813.

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.

As of December 31, 2023, CIC had two outstanding notes payable to the Pima County IDA which total $1,500,000 and bear an interest rate of 1% with the principal payment due on maturity. During 2023, $15,000 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, 2023, CIC earned $69,000 under the program.

CIC purchased insurance through one of CIC's board members and paid $37,488 for brokerage services for the year ended December 31, 2023.

During the year ended December 31, 2023, CIC paid a company owned by the Executive Director's wife $12,371 for website design.

Note 17 - Economic Dependency

CIC received approximately 28% 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 revenue received from these agencies were to significantly decrease, CIC's operating results could be adversely affected.

Note 18 – 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 in 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 19 – Subsequent Events

Management has evaluated subsequent events through December 11, 2024, the date the financial statements were available to be issued noting that CIC received $1,140,000 after year-end from the Arizona Office of Economic Opportunity for the Microbusiness Loan Program grant. Of the amount received, $785,000 was disbursed to a subrecipient, Groundswell Capital.

For implementation of the Boost Innovation Project after year-end, CIC was awarded $300,000 of federal funding from the Economic Development Administration and a $300,000 match from the Pima Industrial Development Authority, of which $102,650 has been received as of the date the financial statements were available to be issued.

No additional events or transactions occurred after year-end that require additional disclosure or adjustment to the financial statements.