Meeting Washington's Affordable Housing Needs Through Partnership

WCRA
Annual Report 2021

Mission

To meet Washington's affordable housing and economic development needs through partnership.

Guiding Principles

The WCRA endeavors:

- To expand resources for the creation and preservation of real estate based community development in Washington State.
- To expand resources for financing non real estate based loans to emerging nonprofits without access to traditional banking.
- To be a voice for its member financial institutions on affordable housing and community development issues.
- To provide a dynamic risk sharing vehicle to maximize private investment in community development throughout Washington State.
- To operate within a strategic and financially prudent structure.
- To work with public sector entities to promote public/private partnerships that achieve maximum leverage of public dollars.
- To provide value to its members and the communities they serve that will generate and sustain support for WCRA's long term operation and success.

Contents

Board Chair and President's Letter

October 1, 2020, the WCRA started its 29th year of operation. At the time we were still working from home and had high hopes that the pandemic would begin to wane as vaccinations became available for all of us. At this writing with the close of our year on September 30, 2021, we continue to work from home, new virus issues have materialized, and fortunately, we all are able to do our work safely through a remote process.

The good news is that we have managed to have a very busy year:

- Adding Pacific Crest Savings Bank as a new member and increasing pool commitments.
- Processing a record number of new applications including our new early learning facilities financing.
- Completing the Credit Review of our portfolio and responding to an RFQ for services.
- Providing support for the Moss Adams annual audit.
- Confirming new Board members.

—all done virtually.

We were very pleased to welcome Pacific Crest Savings Bank as our newest member. The bank generously committed a $2 million credit to Pool 1 in support of our affordable rental housing loans. That pool has grown from its initial $75 million in 1992 to a new high now of over $108 million. In addition, we received new commitments from 1st Security Bank of Washington for all three pools. The WCRA relies on new members and new commitments from existing members to continue the work to meet our mission.

During our 2021 fiscal year, we took seventeen loan applications for a total of $24.5 million. The properties are located across the State and will create or preserve 243 affordable apartments and a 42- unit mobile home park, along with three early learning childcare facilities. These facilities are financed with a combination of WCRA funds and subordinate financing from a State of Washington appropriation. The owner/operators can receive additional public support for the low-income families they include in their facility.

Our last credit review was done in 2019 and in compliance with the Board of Directors directive another one was due for 2021. We contracted with Taurus Review LLC who completed the review of 34% of the portfolio ending with an overall rating of Good, their highest, which included the reviewer's statement "normally difficult to achieve". The Department of Commerce sent out an RFQ for their Housing Trust Fund construction review services, a contract that the WCRA has held for 18 years but the State does require a new submission every few years. Our work has always received high compliments from the department and we were awarded the contract again.

Moss Adams completed the WCRA audit for 2020 virtually and at this time the 2021 audit work is under process in the same manner. Thanks to the hard work of the staff, we continue to keep all our business files, including accounting and lending, on our secure company server. This enables us to keep the necessary information well organized and readily accessible for a clean audit. Their reporting to the Board of Directors about our submissions for the audit has been very complimentary.

We made changes to our important and inspirational Board of Directors this year. Mr. George Hernandez replaced Mr. Brad Stevens representing Washington Trust Bank and Ms. Emily Grossman replaced Ms. Diane Klontz as representative of the Washington State Department of Commerce. Ms. Renee White from Columbia Bank became our newest Board member and we are bidding adieu to one of our most tenured Board members, Mr. Paul Edwards. Mr. Edwards joined the WCRA Board in 2003 and our Criticized Credit Advisory Committee in 2002 representing the Washington State Housing Finance Commission. He plans to continue his ministry work and to travel with his wife. We wish him well and will miss his leadership and wisdom. Although we have not met in person, the Board of Directors remain fully engaged in our mission and we are fortunate to have such a talented group.

Susan M. Duren

Christine Roveda

2021 Board of Directors

Christine Roveda,
Wells Fargo Bank
Chair

Michael Dotson,
Banner Bank
Vice-Chair

Jay Coleman,
KeyBank
Secretary

Bob Powers,
JPMorgan Chase
Treasurer

Susan M. Duren,
WCRA President

Renae White,
Columbia Bank

Kim Etherton,
Umpqua Bank

Tim Grant,
Washington Federal

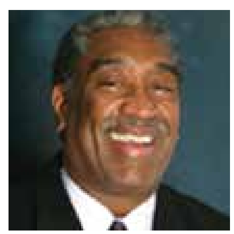
George Hernandez,
Washington
Trust Bank

Mike Gilmore, Yakima
Federal Savings &
Loan Association

Steve Walker,
Washington State
Housing Finance
Commission

Jonathan Clarke,
Enterprise Community
Loan Fund

Emily Grossman,
Washington State
Department of
Commerce



Paul Edwards,
Washington State
Housing Finance
Commission

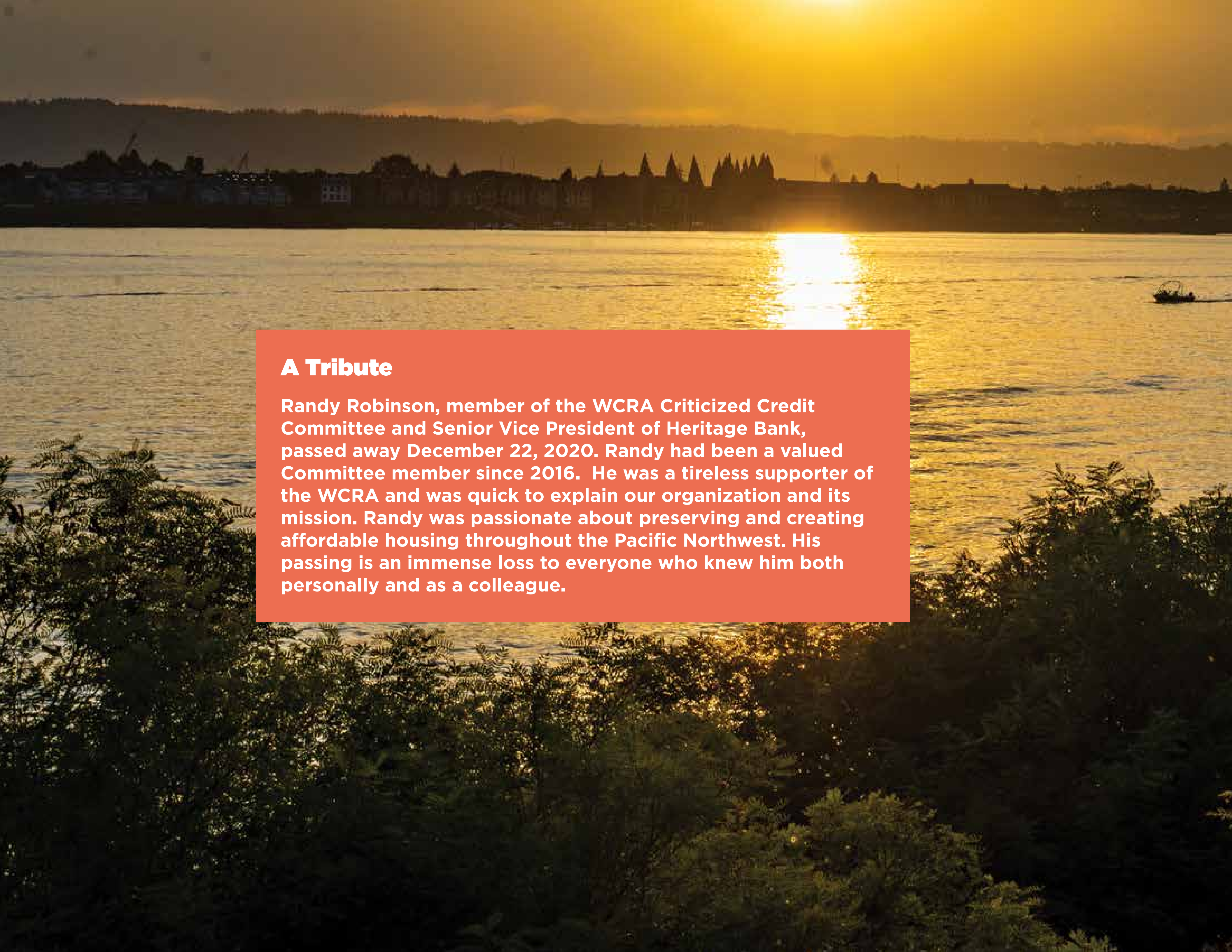
Scott J. Borth,
Perkins Coie
Counsel to the
Board of Directors

2021 WCRA Membership

- 1st Security Bank of Washington
- Ally Bank
- Bank of the Pacific
- Bank of the West
- Banner Bank
- Beneficial State Bank
- Cashmere Valley Bank
- Cathay Bank
- Columbia Bank
- The Commerce Bank of Washington
- East West Bank
- First Federal Savings & Loan Association of Port Angeles
- First Financial Northwest Bank
- First Sound Bank
- Heritage Bank
- HomeStreet Bank
- JPMorgan Chase, N.A.
- KeyBank
- Kitsap Bank
- MUFG Union Bank, N.A.
- North Cascades Bank / *a division of Glacier Bank*
- Northern Trust Bank
- Olympia Federal Savings & Loan Association
- Pacific Crest Savings Bank
- Pacific Premier Bank
- Riverview Community Bank
- Seattle Bank
- Timberland Bank
- Umpqua Bank
- Washington Federal
- Washington Trust Bank
- Wells Fargo Bank
- Yakima Federal Savings & Loan Association

2021 Loan Committee

- Lauren Jassny, The Commerce Bank of Washington **Chair**
- Kasi Perkins, Ally Bank
- Jack Chambers, Columbia Bank
- Shawn Cozakos, HomeStreet Bank
- Toby Lieberman, JPMorgan Chase
- Alex Tkachuk, KeyBank
- Fred Holubik, Kitsap Bank
- Brian Goulet, Seattle Bank
- Victoria Quinn, Umpqua Bank
- Jack Sommerville, Washington Federal
- Amy Mandell, Wells Fargo Bank
- Susan Duren, WCRA
- Dulcie Claassen, WCRA



A Tribute

Randy Robinson, member of the WCRA Criticized Credit Committee and Senior Vice President of Heritage Bank, passed away December 22, 2020. Randy had been a valued Committee member since 2016. He was a tireless supporter of the WCRA and was quick to explain our organization and its mission. Randy was passionate about preserving and creating affordable housing throughout the Pacific Northwest. His passing is an immense loss to everyone who knew him both personally and as a colleague.

Featured Projects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St. Martin's Court

St. Martin's Court is a 20-unit affordable housing development for seniors located in Moses Lake, Washington. The borrower is Moses Lake Senior LP, owned by Catholic Charities Housing Services (CCHS), a nonprofit established in 1998 by the Catholic Charities of the Diocese of Yakima to provide housing opportunities to low-income persons living in Central Washington. CCHS owns and operates seasonal and permanent farmworker housing, senior housing, and family housing. It also has a single-family homeownership program for low-income families and a homeownership counseling program. Their goal is to reduce poverty through affordable housing, homeownership, and a variety of resident services.

St. Martin's Court is a mix of studio and one bedroom units, all of which are rented at 50% of AMI. In addition, all units are reserved for households with at least one member over the age of 62. The apartments are all located within one building and include air conditioning. The entire property is smoke-free. Common amenities include on-site parking for residents and a recreation room with a kitchenette. The community features planned activities for all residents to enjoy. There is also an outdoor patio and BBQ area, surrounded by manicured lawns.

Mount Zion Senior Housing

The Mount Zion Senior Apartments will be a new 61-unit affordable housing community for seniors, located in the City of Seattle's Central District. An existing fourplex at the site will be demolished and a new seven story building will be built in its place. The new building, which features a checkerboard design that echoes the mosaic at the Mount Zion Baptist Church, will encapsulate the heritage of this historically African American community. The apartments are expected to be finished in late 2023.

The ground floor will include retail space, a lobby, community room with kitchen, and several apartments. The rest of the apartments will be located on the upper floors, accessible by elevators. All apartments, a mix of studios and 1-bedrooms, include a private patio or balcony. There will also be a rooftop deck with space for communal gardening. All units will be rented at 30 – 60% of AMI and are reserved for seniors over the age of 55. Additionally, 15 units will be reserved for veterans and 5 units for people with disabilities. The Mount Zion community will provide "stable housing where an active, healthy living environment will be created for low-income individuals to thrive," the developer writes.

The borrower is Mount Zion Housing Development (MZHD), a nonprofit organization established in 1988 to provide housing for low-income seniors, individuals, and families in Seattle's Central District, an area historically identified as the heart of Seattle's African American community. MZHD was formed by Seattle's second-oldest black church, Mount Zion Baptist, which has roots in the community dating back to 1890. A particular focus for MZHD currently is displacement of low income African Americans due to gentrification. The Central District went from a 70% African American population in the 1970s to less than 18% in 2019.

7th Haven Apartments

The 7th Haven Apartments will be a new mixed-use building with 43 units of affordable housing and a childcare center located in Port Townsend, Washington. The apartments will be a mix of studios, 1, 2, and 3-bedrooms and all will be rented at 30 – 50% of AMI. Additionally, 22 units will be reserved for formerly homeless families, 5 units will house families with a mentally ill member, 3 units will be for households with a developmentally disabled member, and 2 units will be reserved for victims of domestic violence. Case management services will be provided for these special needs families. The 43 apartments will all be located in one three-story building that includes a parking garage. The childcare center will be on the ground floor of the building and will include two classrooms. All of the apartments will include energy efficient appliances, and the building will be outfitted with solar panels. Common amenities include a patio, outdoor deck with a BBQ, and a playground area.

The borrower is Olympic Community Action Program (OlyCap), a Community Action Agency and nonprofit organization established under the Economic Opportunity Act of 1964 to fight poverty. Since 1966, OlyCap has provided affordable housing and community services for individuals and families residing in Clallam and Jefferson counties. Their mission is to help people build resilient communities by providing equitable access to solutions and opportunities. OlyCap provides a wide range of services including case management, home care, childcare and early learning, food assistance, employment assistance, rental assistance, youth counseling, and transportation. In addition to these services, OlyCap also administers the energy assistance program for the Washington State Department of Commerce and oversees county food banks. OlyCap currently operates service centers in Port Townsend, Port Angeles, and Forks.




Neals Lane Townhomes

Neals Lane is a 9-unit community in Vancouver, Washington that provides affordable housing to homeless women and children as an alternative to short-term shelters. Neals Lane features one rehabilitated single family residence and two newly constructed townhome buildings. The single family residence has 5 bedrooms and 2.5 baths. The eight townhome units are located within two buildings, and each home includes 3 bedrooms and 2.5 baths. All eight townhomes are rented at 50% of AMI.

The borrower is Second Step Housing (SSH), a Washington nonprofit established in 1995. Their mission is to empower homeless individuals and families with opportunities that foster self-sufficiency through affordable housing partnered with services. SSH offers transitional, supportive, and permanent affordable housing.

One of its programs, the Resident Self-Sufficiency program, offers case management, rent subsidies, and community resource referrals. Mary is an immigrant and single mother of four who works nearly full-time. She was having difficulty completing the application process due to language barriers, says Neals Lane Property Manager Kalen Forsberg. “Mary was eager and willing to do whatever she could to be approved to live at Neals Lane,” says Kalen. With Kalen’s help, Mary was able to navigate the unfamiliar process and move into Neals Lane with her four children.

SSH’s Supportive Housing Program focuses on families moving from homelessness into permanent housing. Trinity is a mother of five who had been living in her car before moving into Neals Lane. She has a full-time job working the nightshift but does not make enough money to support her entire family. Trinity was doing everything she could but did not have a sufficient support system. “Without Neals Lane, stable housing for her and her family would be nearly impossible,” says Kalen.

The first transitional house owned by SSH served three homeless women and their children. Today, SSH owns 13 properties consisting of 82 units of affordable housing. Their programs serve more than 225 individuals and families in Clark County annually.

Capital Plus!
Featured Project

Crandall Center

The Crandall Center was funded in 2021 through the Capital Plus! program, a partnership between the Washington State Housing Finance Commission and WCRA. The Crandall Center, located in Lakebay, Washington, is the operational facility for The Mustard Seed Project of Key Peninsula (MSP). MSP is a nonprofit organization that helps seniors aging in place on the Key Peninsula. Their mission is to promote independent living and quality of life for seniors by providing services and programs in five focus areas: transportation, information and referral, health and wellness, senior housing options, and community education. Every year MSP provides services to more than 800 seniors, 70% of whom are low income.

MSP was founded in 2007, and their first project was the Key Senior Information Center, which provides resource information to seniors and their families. Since then, MSP has partnered with Pierce County and the Peninsula School District to provide transportation for the senior community. This volunteer-run program includes the use of off-duty school buses and a shuttle van with a wheelchair lift. “It’s a pleasure to be able to help people. Some people that I have driven, I think I was probably their only social contact for the week. It just gives them a contact with the rest of the world, which they won’t necessarily have otherwise,” says Jarvis, an 87-year old volunteer driver.

At the Crandall Center, MSP offers an Alzheimer’s Association family caregiver support group, community meals, art lessons, and yoga and fitness classes. They also provide services such as senior advocacy, in-home volunteers for household and yard work, friendly visitors, and educational workshops which promote healthy aging. During the pandemic, MSP was able to pivot and offer online classes and meal delivery services instead. Their next project is to build an assisted living and memory care facility, as the Key Peninsula currently does not have one. The 30-bed facility will be located across the street from the Crandall Center.

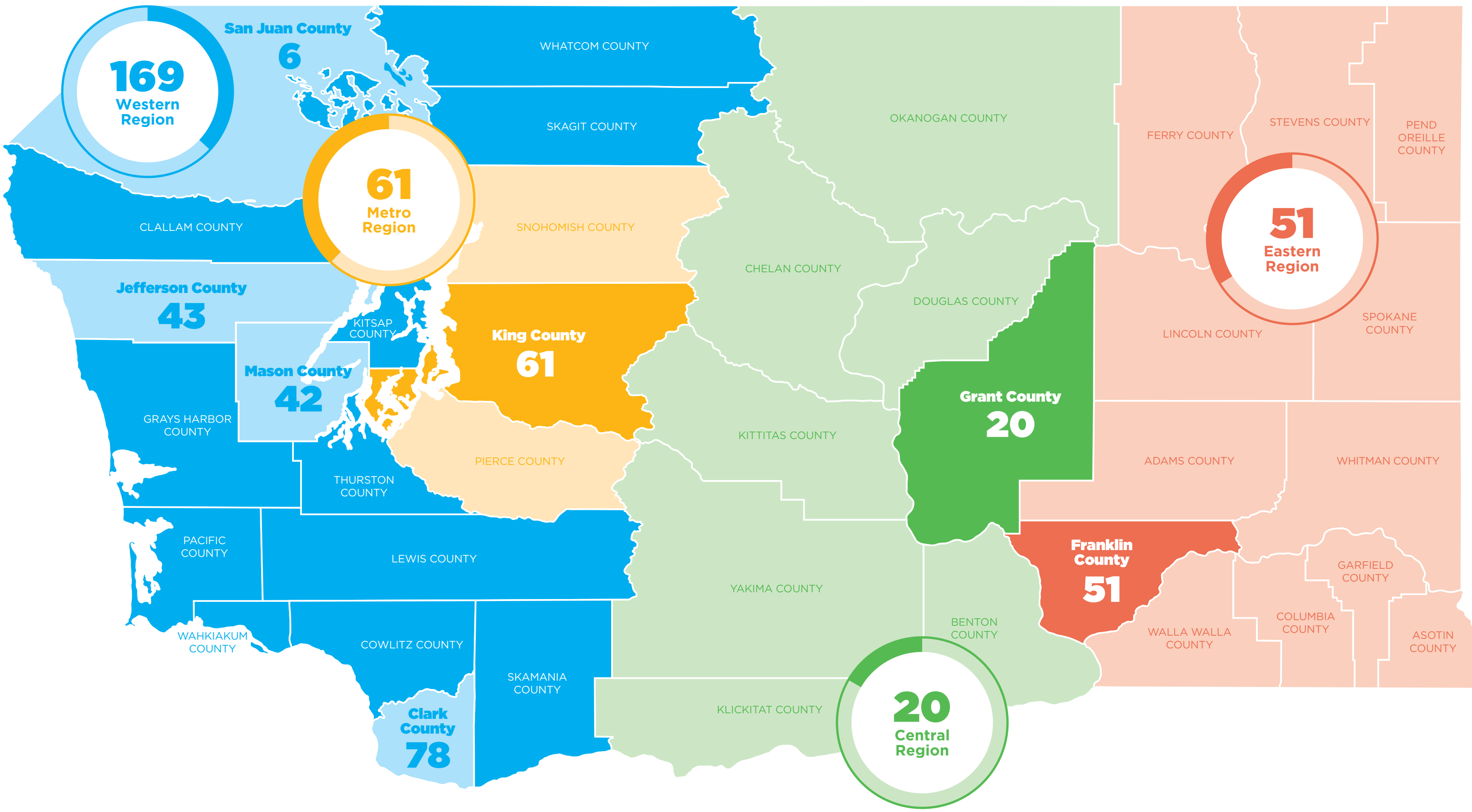
Capital Plus!

Capital Plus! is an $11.5 million loan fund for Washington nonprofits that need to finance housing, capital facilities owned and operated by the nonprofit, and/or equipment purchase or capital leases.

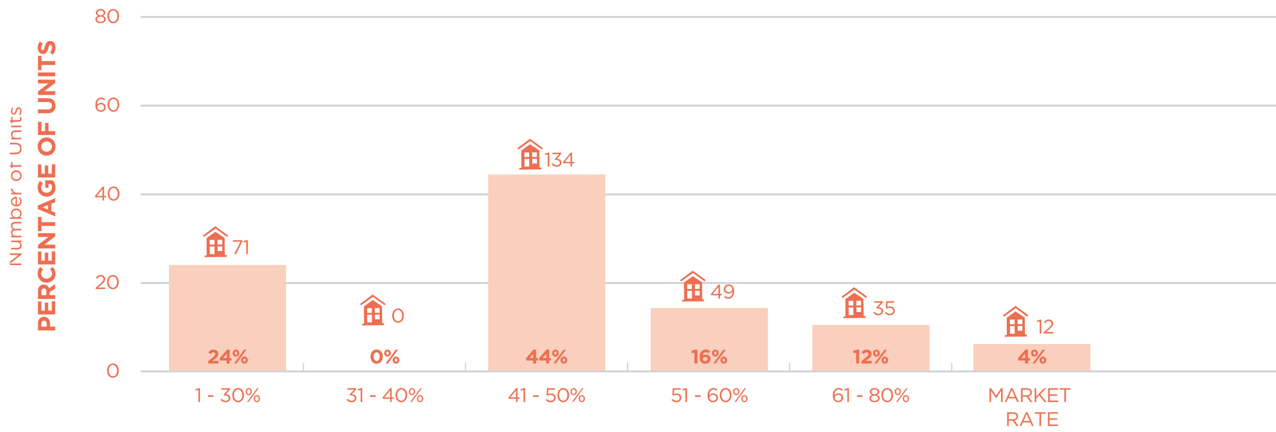
The program assists small and emerging nonprofit organizations that would otherwise not have access to favorable financing. Washington nonprofits that serve or provide community services with consideration to lower income persons or persons with special needs or serve a unique or special purpose in the community, are eligible to apply for financing. Loans may be in any amount up to a maximum of $1,500,000 with terms up to 10 years. The program is a partnership of the Washington Community Reinvestment Association and the Washington State Housing Finance Commission.

The Capital Plus! program has received national recognition by the National Council of State Housing Agencies. During the 2018 annual State Housing Finance Agencies conference, Capital Plus! was declared the winner of the Special Needs Housing category, which recognizes programs that best provide affordable housing and services for persons with special needs.

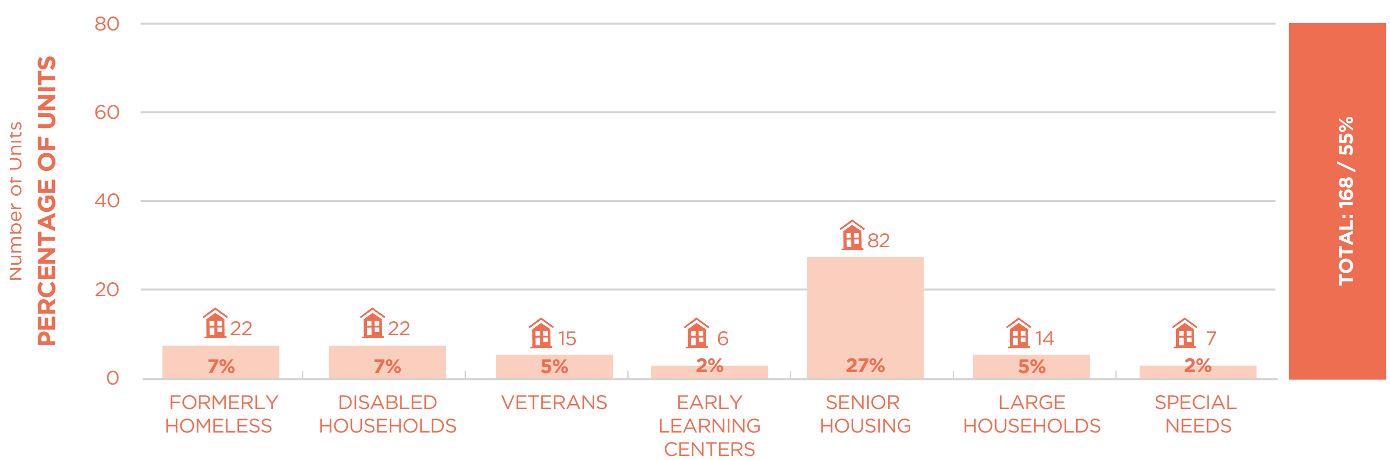
Approved and Funded Units by County and Loans By Region / FY 2021



Units by Income Served / Percent of AMI / FY 2021



Units Reserved for Specific Populations / FY 2021



Loans / FY 2021

FUNDED

Amount
$9,582,400

Number of Units
86

Sq. Ft. Economic Development
24,107

APPROVED

Amount
$19,561,069

Number of Units
295

Sq. Ft. Economic Development
16,741

Report of Independent Auditors

To the Board of Directors
Washington Community Reinvestment Association and Subsidiary

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Washington Community Reinvestment Association and Subsidiary (the Association), which comprise the consolidated statements of financial position as of September 30, 2021 and 2020, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Washington Community Reinvestment Association and Subsidiary as of September 30, 2021 and 2020, and the results of their activities and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Moss Adams LLP

Everett, Washington
November 18, 2021

Washington Community Reinvestment Association and Subsidiary

Consolidated Statements of Financial Position

ASSETS

	September 30, 2021	September 30, 2020
CASH AND CASH EQUIVALENTS	$1,946,834	$2,043,723
INTEREST-BEARING DEPOSITS	$2,298,807	$2,288,839
INTEREST RECEIVABLE	$492,859	$482,807
ACCOUNTS RECEIVABLE AND PREPAID EXPENSES	$129,723	$98,403
LOANS HELD FOR INVESTMENT / MEMBER INSTITUTIONS, NET	$99,630,519	$95,719,601
LOANS HELD FOR INVESTMENT / WSHFC, NET	$5,612,460	$5,727,922
LOANS HELD FOR INVESTMENT / RESERVE	$33,532	$37,680
RESTRICTED CASH	$2,982,825	$5,500,205
AGENT LOANS RECEIVABLE	$3,155,337	$751,495
EQUIPMENT, NET	$11,828	$7,756
TOTAL ASSETS	**$116,294,724**	**$112,658,431**

LIABILITIES AND NET ASSETS

	September 30, 2021	September 30, 2020
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	$264,700	$292,154
INTEREST PAYABLE	$402,475	$396,722
DEFERRED RENT PAYABLE	$2,000	$7,000
DEFERRED REVENUE	-	$7,374
LOANS PAYABLE / WSHFC	$5,612,289	$5,734,125
NOTES PAYABLE / MEMBER INSTITUTIONS	$98,415,229	$94,640,923
GRANT FUNDS PAYABLE	$6,138,162	$6,251,700
TOTAL LIABILITIES	$110,834,855	$107,329,998
NET ASSETS WITHOUT DONOR RESTRICTIONS	$5,459,869	$5,328,433
TOTAL	**$116,294,724**	**$112,658,431**

Washington Community Reinvestment Association and Subsidiary

Consolidated Statements of Activities

REVENUES

	September 30, 2021	September 30, 2020
INTEREST INCOME	$5,661,155	$5,763,551
AGENT FEE INCOME	$119,345	$119,380
LOAN FEES	$79,178	$58,358
CONTRIBUTIONS AND GRANTS	$15,259	$118,000
CONSTRUCTION LOAN REVIEW REVENUE	$351,184	$260,410
TOTAL REVENUES	**$6,226,121**	**$6,319,699**

EXPENSES

	September 30, 2021	September 30, 2020
INTEREST EXPENSE	$4,464,337	$4,536,102
SALARIES AND RELATED EXPENSES	$819,450	$844,817
PROFESSIONAL FEES	$431,802	$316,665
PROVISION FOR LOAN LOSSES	$109,678	-
OFFICE EXPENSES	$142,607	$138,791
OTHER EXPENSES	$ 116,811	$109,250
CONTRIBUTIONS AND GRANTS	$10,000	$11,000
TOTAL EXPENSES	**$6,094,685**	**$5,956,625**
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	$131,436	$363,074
NET ASSETS WITHOUT DONOR RESTRICTIONS, BEGINNING OF YEAR	$5,328,433	$4,965,359
NET ASSETS WITHOUT DONOR RESTRICTIONS, END OF YEAR	$5,459,869	$5,328,433

Washington Community Reinvestment Association and Subsidiary

Consolidated Statements of Cash Flows

CASH FLOWS FROM OPERATING ACTIVITIES

CASH RECEIVED FROM	September 30, 2021	September 30, 2020
LOAN FEES	$82,184	$38,402
AGENT FEE INCOME	$171,482	$160,610
INTEREST	$5,651,359	$5,749,115
CONTRIBUTIONS AND GRANTS	$15,259	$118,000
FUNDS RECEIVED UNDER WELL PROGRAM (NOTE 12)	$1,000,000	$2,250,056
GRANTS DISBURSED UNDER WELL PROGRAM (NOTE 12)	($1,113,538)	-
AGENT LOANS FUNDED UNDER WELL PROGRAM, NET OF PAYMENTS COLLECTED (NOTE 12)	($2,403,842)	($751,495)
CONSTRUCTION LOAN REVIEW REVENUE	$312,978	$277,730
	$3,715,882	**$7,842,418**

CASH PAID TO	September 30, 2021	September 30, 2020
EMPLOYEES	($923,988)	($870,126)
VENDORS	($664,526)	($576,143)
PREPAYMENT FEES	($32,503)	($20,857)
INTEREST	($4,458,669)	($4,524,906)
	($6,079,686)	**($5,992,032)**
NET CASH FROM OPERATING ACTIVITIES	($2,363,804)	$1,850,386

Washington Community Reinvestment Association and Subsidiary

Consolidated Statements of Cash Flows **(CONTINUED)**

CASH FLOWS FROM INVESTING ACTIVITIES

	September 30, 2021	September 30, 2020
ORIGINATION OF LOANS HELD FOR INVESTMENT	($10,322,877)	($11,908,180)
LOAN PRINCIPAL COLLECTED ON LOANS HELD FOR INVESTMENT FROM MEMBER INSTITUTIONS AND WSHFC	$6,443,016	$6,540,340
PURCHASE OF EQUIPMENT	($13,106)	($4,277)
PURCHASE OF INTEREST-BEARING DEPOSITS	($1,780,831)	($1,890,906)
MATURITY OF INTEREST-BEARING DEPOSITS	$1,770,863	$1,853,725
NET CASH FROM INVESTING ACTIVITIES	($3,902,935)	($5,409,298)

CASH FLOWS FROM FINANCING ACTIVITIES

	September 30, 2021	September 30, 2020
PROCEEDS FROM NOTES PAYABLE FROM MEMBER INSTITUTIONS AND WSHFC RELATED TO LOANS HELD FOR INVESTMENT	$9,381,400	$11,864,675
PRINCIPAL REPAYMENTS ON NOTES PAYABLE FROM MEMBER INSTITUTIONS AND INSTITUTIONS AND LOANS PAYABLE TO WSHFC RELATED TO LOANS HELD FOR INVESTMENT	($5,728,930)	($6,679,341)
NET CASH FROM FINANCING ACTIVITIES	$3,652,470	$5,185,334
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	($2,614,269)	$1,626,422
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH		
BEGINNING OF YEAR	$7,543,928	$5,917,506
END OF YEAR	$4,929,659	$7,543,928

Washington Community Reinvestment Association and Subsidiary

Consolidated Statements of Cash Flows **(CONTINUED)**

RECONCILIATION OF CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES

	September 30, 2021	September 30, 2020
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	$131,436	$363,074
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
DEPRECIATION	$9,034	$5,627
PROVISION FOR LOAN LOSSES	$109,678	-
CHANGE IN OPERATING ASSETS AND LIABILITIES		
INTEREST RECEIVABLE	($10,052)	($14,436)
ACCOUNTS RECEIVABLE AND PREPAID EXPENSES	($31,320)	$11,919
DEFERRED LOAN FEES	($21,125)	($36,439)
AGENT LOANS RECEIVABLE (NOTE 12)	($2,403,842)	($751,495)
GRANT FUNDS PAYABLE (NOTE 12)	($113,538)	$2,250,056
ACCOUNTS PAYABLE, ACCRUED LIABILITIES, AND DEFERRED REVENUE	($34,828)	$12,884
INTEREST PAYABLE	$5,753	$11,196
DEFERRED RENT PAYABLE	($5,000)	($2,000)
NET CASH FROM OPERATING ACTIVITIES	($2,363,804)	$1,850,386

RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH REPORTED WITHIN STATEMENT OF FINANCIAL POSITION

	September 30, 2021	September 30, 2020
CASH AND CASH EQUIVALENTS	$1,946,834	$2,043,723
RESTRICTED CASH	$2,982,825	$5,500,205
TOTAL CASH, CASH EQUIVALENTS, AND RESTRICTED CASH SHOWN IN THE STATEMENT OF CASH FLOWS	$4,929,659	$7,543,928

NOTE 1 / ORGANIZATION & PRINCIPLES OF CONSOLIDATION

The Washington Community Reinvestment Association (WCRA) began operations February 10, 1992, as a private not-for-profit organization established to provide permanent financing and technical assistance to facilitate the development of affordable housing in the state of Washington and to otherwise support community development and redevelopment needs. Funding is provided by member institutions under Credit and Security Agreements (the Agreements) based on the agreed-upon amounts committed by each member. The consolidated financial statements include the transactions of the Washington Community Reinvestment Association and its wholly owned subsidiary, 1200 Fifth LLC (collectively, the Association). 1200 Fifth LLC was formed to own real property acquired through default from the Association's portfolio. Additionally, 1200 Fifth LLC is utilized for performing loan agent duties for the Association. All significant intercompany transactions and balances have been eliminated upon consolidation.

The Association has a revolving loan and investment fund. Loans originated from the revolving loan fund earn interest equal to the applicable U.S. government securities rate consistent with the term of the underlying loan and are secured by real estate. The Association makes grants to nonprofit entities based on an annual amount determined by the Board of Directors each year.

The Association has a program to assist nonprofit entities in obtaining permanent financing for multifamily projects through tax-exempt bonds issued by State approved entities to be held by the Association's members. The Association provides these entities access to its member institutions, assists in document preparation, as well as provides servicing of the bonds with the Association collecting a fee for its assistance. The Association does not underwrite the bonds or hold the bonds.

Effective May 28, 2002, the Association entered into a contract with the State of Washington Department of Commerce (Commerce) for the purpose of providing construction loan review and ongoing project evaluation for the Housing Trust Fund, which is a construction lending program that provides loans to low income and special needs housing programs and providers to construct and rehabilitate affordable housing in the state of Washington. On July 1, 2021, The Association entered into a new contract with Commerce covering the same services as the previous contract and expanded to cover the National Housing Trust Fund program.

Beginning October 25, 2012, the Association entered into contracts with the National Equity Fund (NEF), a tax credit investor. The purpose for these contracts is to provide construction oversight and funds disbursement. NEF is a national syndicator of low income housing tax credits used to revitalize communities and create economic opportunities. On September 26, 2016, the Association entered into a new contract with NEF covering substantially the same services as the previous contracts. This contract was terminated upon completion of the contract.

Effective February 7, 2003, the Association entered into an agreement (the WSHFC Agreement) for a revolving line of credit from the Washington State Housing Finance Commission (the Commission or WSHFC) of up to $3,000,000, which has increased incrementally to $11,500,000 at September 30, 2021. This line of credit is for the purpose of making loans to serve nonprofit organizations whose needs for small loan amounts make conventional financing or financing through bonds too costly and inefficient. In the event of default of loans made by the Association with funds borrowed under this revolving line of credit, the Commission, at its sole option, retains the right of assignment, without recourse or warranty, of the loans made in full satisfaction of the amounts borrowed under the line of credit. If such assignment option is not exercised for a defaulted loan, the Association is not required to repay funds borrowed under this revolving line of credit. WSHFC loans are included in "loans held for investment – WSHFC, net" in the consolidated statements of financial condition.

Effective September 1, 2009, the Association entered into a contract with WSHFC for the purposes of providing construction overview and other services relating to WSHFC's program to create affordable housing in the state of Washington. In June 2013, with no further WSHFC programs for construction projects, this contract was terminated. On October 2, 2012, the Association entered into a servicing agreement with WSHFC, which remains in effect to date.

NOTE 2 / SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Association have been prepared on the accrual basis. Under accounting principles generally accepted in the United States of America, the Association is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, and net assets with donor restrictions. All net assets of the Association are classified as without donor restrictions. The significant accounting policies followed are described below.

Cash and cash equivalents: Cash and cash equivalents are any highly liquid investment with an original maturity of three months or less and may exceed federally insured limits.

Interest-bearing deposits: Interest-bearing deposits consist of certificates of deposit and money market accounts, are presented at cost, and may exceed federally insured limits.

Restricted cash: Cash amounts received under the Washington Early Learning Loan (WELL) Fund and Early Learning Fund (ELF) are restricted. See Note 12 for further information on the nature of the restricted cash. The Association adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No 2016-18 *Statement of Cash Flows (Topic 230): Restricted Cash* as of September 30, 2020. The standard requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and restricted cash, therefore restricted cash should be included with cash and cash equivalents. The amendments are applied using a retrospective transition method and the prior period statement of cash flows has been adjusted to include restricted cash with cash and cash equivalents when reconciling the beginning and end of year cash amounts.

Loans held for sale: The Association will sometimes sell loans in order to manage the size of their lending portfolio. Once management identifies a loan or pool of loans, the loans are transferred from held for investment to held for sale. Loans originated or transferred and held for sale are carried at the lower of cost or fair value as determined by aggregate outstanding commitments from investors or current investors' yield requirements. Net unrealized losses, if any, are recognized through a valuation allowance by a charge to income. Nonrefundable fees and direct loan origination costs related to loans held for sale are deferred and recognized as part of the gain on sale when the loans are sold or paid off. There were no loans held for sale at September 30, 2021 or 2020.

Transfers of financial assets: Transfers of an entire financial asset, a group of financial assets, or a participating interest in an entire financial asset are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Association, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Association does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Loans held for investment: member institutions – Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are reported at the principal amount outstanding, net of unamortized nonrefundable loan fees and related direct loan origination costs. Net deferred loan origination fees and costs are recognized in interest income over the loan term using a method that approximates the effective interest yield on the unpaid loan balance. Interest is accrued primarily on a simple interest basis on the outstanding principal balance of the loan. Loans held for investment – member institutions, consist of loans originated under the Association's Credit and Security Agreements.

Loans held for investment: WSHFC – Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are reported at the principal amount outstanding, net of unamortized nonrefundable loan fees and related direct loan origination costs. Net deferred loan origination fees and costs are recognized in interest income over the loan term using a method that approximates the effective interest yield on the unpaid loan balance. Interest is accrued primarily on a simple interest basis on the outstanding principal balance of the loan. Loans held for investment – WSHFC, consist of loans originated under the WSHFC

Agreement. Based on the WSHFC Agreement, the Association has no liability under the Agreement for the payment of loans, and the loans are without recourse or warranty to the Association.

Loans held for investment: Reserve – Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are reported at the principal amount outstanding. Interest is accrued primarily on a simple interest basis on the outstanding principal balance of the loan. Loans held for investment – Reserve, consist of direct revolving loans for nonprofit projects originated under the WCRA Reserve and Investment Policy, established by the WCRA board of directors in an aggregate amount not to exceed $400,000.

Nonaccrual and impaired loans: Nonaccrual loans are those for which management has discontinued accrual of interest because there exists significant uncertainty as to the full and timely collection of either principal or interest, or because such loans have become contractually past due 90 days with respect to principal or interest.

When a loan is placed on nonaccrual, all previously accrued but uncollected interest is reversed against current-period interest income. All subsequent payments received are applied first to the payment of principal and then to the payment of accrued interest. Interest income is accrued at such time as the loan is brought fully current as to both principal and interest, and, in management's judgment, such loans are considered to be fully collectible.

Loans are considered impaired when, based on current information, management determines it is probable that the Association will be unable to collect all amounts due according to the terms of the loan agreement, including scheduled interest payments. Impaired loans are carried at the lower of the recorded investment in the loan, the estimated present value of expected future cash flows discounted at the loan's effective date, or the fair value of the collateral less costs to sell, if the loan is collateral-dependent.

Allowance for loan losses: The Association maintains an allowance for loan losses to absorb probable losses inherent in the loan portfolio. The allowance is based on ongoing quarterly assessments of the probable estimated losses inherent in the loan portfolio. The allowance is increased by the provision for loan losses, which is charged against current-period operating results and decreased by the amount of charge-offs, net of recoveries.

The Association's methodology for assessing the appropriateness of the allowance consists of several key elements, including the general allowance and specific allowance.

The general allowance is calculated by applying a loss percentage factor to the portfolio loans based on the internal credit grading and classification system and current economic and business conditions that could affect the collectability of the portfolio. These factors may be adjusted for significant events, in management's judgment, as of the evaluation date.

Specific allowances are established when determined necessary for impaired loans using the valuation approaches described above, as well as known current business conditions that may affect the Association. Impairment losses are recognized by adjusting an allocation of the existing allowance for loan losses.

Equipment: Purchased equipment is recorded at cost and donated equipment is recorded at the estimated fair value on the date of donation. All equipment is depreciated over estimated useful lives of three to five years on a straight-line basis. Expenditures for maintenance and repairs are charged to expense as incurred.

Escrow: Customer funds held for construction draws and operating replacement and completion reserves are not recorded on the books of the Association, because such accounts are held by another institution for the benefit of borrowers or National Equity Fund. At September 30, 2021 and 2020, the amount of funds held for customers in escrow was $14,974,393 and $13,520,825, respectively.

Contributions received: Contributions received from institutions for membership in the Association and all other contributions are recorded in the consolidated statements of activities. Any donor restricted contributions received and spent in the same year are treated as contributions without donor restrictions.

Functional allocation of expenses: To provide information regarding service efforts, the costs of providing the Association's programs have been presented in the consolidated statements of activities. The Association effectively operates as a single program, and, therefore, no attempt has been made to segregate general and administrative expenses.

In addition, the Association's fundraising activities are immaterial.

Net assets: Net assets and changes in net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Association and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets that are not subject to donor restrictions as well as voluntary reserves such as separate components of board designated net assets.

Net assets with donor restrictions: Net assets subject to donor-imposed stipulations. At September 30, 2021, there were no net assets subject to donor restrictions.

Use of estimates: The preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the consolidated financial statements. Changes in these estimates and assumptions are considered reasonably possible and may have a material impact on the consolidated financial statements. The significant estimate includes the allowance for loan losses.

Recently adopted accounting pronouncement: In 2021, the Company implemented Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*, which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. GAAP. The core principal of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the Association receives or expects to receive.

The majority of the Association's revenues come from interest income and other sources, including loans and investments, that are outside the scope of ASC 606.

The Association's revenues that are within the scope of ASC 606 are presented within fee income, contributions and grants, and construction loan review revenue on the consolidated statements of activities and are recognized as revenue as the Association satisfies its obligation to the customer. Revenues within the scope of ASC 606 were not material.

The Association applied ASC 606 using the modified retrospective method, which requires recognizing the cumulative effect of initially applying the new guidance as an adjustment to the opening balance of net assets on October 1, 2020. Upon completing the implementation assessment of ASC 606, the Association concluded that no adjustment was required to the opening balance of net assets at the date of initial application.

Tax status: On June 17, 1996, the Association received an Internal Revenue Service determination letter reaffirming the Association's status as a publicly supported organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Association recognizes interest and penalties related to income tax matters in noninterest expense. The Association had no unrecognized tax benefits that would require an adjustment to the October 1, 2010, beginning balance of net assets and had no unrecognized tax benefits at September 30, 2021 or 2020.The Association files an exempt organization return in the U.S. federal jurisdiction.

Fair value measurements: Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements follow a three-level hierarchy for disclosure of assets and liabilities recorded at fair value. The classification of assets and liabilities within the hierarchy is based on whether the inputs to the valuation methodology used for measurement are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent sources, whereas unobservable inputs reflect the Association's estimates about market data. In general, fair values determined by Level 1 inputs use quoted prices for identical assets or liabilities traded in active markets that the Association has the ability to access. Fair values determined by Level 2 inputs use inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. At September 30, 2021 and 2020, there were no assets or liabilities measured at fair value on a recurring or nonrecurring basis.

Subsequent events: Subsequent events are events or transactions that occur after the consolidated statement of financial condition date but before the consolidated financial statements are available to be issued. The Association recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated statement of financial condition, including the estimates inherent in the process of preparing the consolidated financial statements. The Association's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated statement of financial condition but arose after the consolidated statement of financial condition date and before the consolidated financial statements are available to be issued.

The Association has evaluated subsequent events through November 18, 2021, which is the date the consolidated financial statements are available to be issued, and no subsequent events occurred requiring accrual or disclosure.

NOTE 3 / LOANS HELD FOR INVESTMENT

	September 30, 2021	September 30, 2020
REAL ESTATE		
NONTAX-CREDIT LOANS	$52,423,989	$47,210,597
TAX-CREDIT LOANS	$48,119,876	$49,332,278
TOTAL MEMBER INSTITUTION LOANS	$100,543,865	$96,542,875
RESERVE LOANS	$33,532	$37,680
WSHFC LOANS	$5,548,050	$5,665,031
TOTAL REAL ESTATE	$106,125,447	$102,245,586
LESS		
ALLOWANCE FOR LOAN LOSSES	($488,788)	($379,110)
DEFERRED LOAN FEES, NET	($360,148)	($381,273)
TOTAL	$105,276,511	$101,485,203
LOANS HELD FOR INVESTMENT / MEMBER INSTITUTIONS, NET	$99,630,519	$95,719,601
LOANS HELD FOR INVESTMENT / WSHFC, NET	$5,612,460	$5,727,922
LOANS HELD FOR INVESTMENT / RESERVE	$33,532	$37,680
TOTAL	**$105,276,511**	**$101,485,203**

NOTE 3 /
LOANS HELD FOR INVESTMENT (CONTINUED)

CHANGES IN THE ALLOWANCE FOR LOAN LOSSES FOR THE YEARS ENDED SEPTEMBER 30 WERE AS FOLLOWS:

REAL ESTATE

	NONTAX-CREDIT	TAX-CREDIT	UNALLOCATED	2021
ALLOWANCE FOR LOAN LOSSES, BEGINNING OF YEAR	$260,474	$118,636	-	$379,110
PROVISION FOR LOAN LOSSES	$106,409	$3,269	-	$109,678
ALLOWANCE FOR LOAN LOSSES, END OF YEAR	$366,883	$121,905	-	$488,788
				2020
ALLOWANCE FOR LOAN LOSSES, BEGINNING OF YEAR	$240,366	$134,942	$3,802	$379,110
PROVISION (BENEFIT) FOR LOAN LOSSES	$20,108	($16,306)	($3,802)	-
ALLOWANCE FOR LOAN LOSSES, END OF YEAR	$260,474	$118,636	-	$379,110

The loans originated by the Association are secured by a first deed of trust on the subject property of each loan. Loans are collateralized by real property or other security located within the state of Washington. No allowance is recorded for loans held for investment – WSHFC and loans held for investment – Reserve. Based on the WSHFC Agreement, the Association has no liability under the Agreement for the payment of loans, and the loans are without recourse or warranty to the Association.

Credit quality indicator: The Association classifies lower quality loans as substandard, doubtful, or loss. A loan is considered substandard if it is inadequately protected by the current net worth and pay capacity of the borrower or of any collateral pledged. Substandard assets include those characterized by the distinct possibility that the Association will sustain some loss if the deficiencies are not corrected. Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses present make collection or liquidation in full highly questionable and improbable, on the basis of currently existing facts, conditions, and values. Loans classified as loss are those considered uncollectible and of such little value that their continuance as assets without the establishment of a specific loss reserve is not warranted.

When the Association classifies problem loans as either substandard or doubtful, it may establish a specific allowance to address the risk specifically or the Association may allow the loss to be addressed in the general allowance.

General allowances represent loss allowances that have been established to recognize the inherent risk associated with lending activities, but that, unlike specific allowances, have not been specifically allocated to particular problem assets. Assets that do not currently expose the Association to sufficient risk to warrant classification as substandard or doubtful but possess identified weaknesses are designated as either watch or special mention assets. At September 30, 2021 and 2020, the Association had no loans classified as doubtful or substandard.

NOTE 3 /
LOANS HELD FOR INVESTMENT (CONTINUED)

THE FOLLOWING TABLES REPRESENT THE INTERNALLY ASSIGNED GRADE / September 30, 2021

REAL ESTATE

MEMBER INSTITUTION LOANS	NONTAX-CREDIT	TAX-CREDIT	TOTAL
GRADE			
PASS	$47,194,250	$47,905,818	$95,100,068
WATCH	$5,229,739	$214,058	$5,443,797
	$52,423,989	**$48,119,876**	**$100,543,865**
RESERVE LOANS	NONTAX-CREDIT	TAX-CREDIT	TOTAL
GRADE			
PASS	$33,532	-	$33,532
WSHFC LOANS (1)	NONTAX-CREDIT	TAX-CREDIT	TOTAL
GRADE			
PASS	$5,194,191	-	$5,194,191
WATCH	$353,859	-	$353,859
	$5,548,050	**-**	**$5,548,050**
	$58,005,571	**$48,119,876**	**$106,125,447**

(1) Based on the WSHFC Agreement, the Association has no liability under the Agreement for the payment of loans, and the loans are without recourse or warranty to the Association.

NOTE 3 /
LOANS HELD FOR INVESTMENT (CONTINUED)

CREDIT RISK PROFILE BY INTERNALLY ASSIGNED GRADE / September 30, 2020

REAL ESTATE

MEMBER INSTITUTION LOANS	NONTAX-CREDIT	TAX-CREDIT	TOTAL
GRADE			
PASS	$45,935,752	$49,332,278	$95,268,030
WATCH	$913,112	-	$913,112
SPECIAL MENTION	$361,733	-	$361,733
	$47,210,597	**$49,332,278**	**$96,542,875**
RESERVE LOANS	**NONTAX-CREDIT**	**TAX-CREDIT**	**TOTAL**
GRADE			
PASS	$37,680	-	$37,680
WSHFC LOANS [1]	**NONTAX-CREDIT**	**TAX-CREDIT**	**TOTAL**
GRADE			
PASS	$5,035,318	-	$5,035,318
WATCH	$267,980	-	$267,980
SPECIAL MENTION	$361,733	-	$361,733
	$5,665,031	**-**	**$5,665,031**
	$52,913,308	**$49,332,278**	**$102,245,586**

(1) Based on the WSHFC Agreement, the Association has no liability under the Agreement for the payment of loans, and the loans are without recourse or warranty to the Association.

There were no impaired loans, troubled debt restructured loans, or nonaccrual loans at September 30, 2021 and 2020.

There were no loans past due more than 90 days and still accruing interest at September 30, 2021 and 2020.

There were no loans past due 30 to 90 days at September 30, 2021 and 2020.

NOTE 4 / EQUIPMENT

A SUMMARY OF EQUIPMENT	September 30, 2021	September 30, 2020
EQUIPMENT	$61,521	$57,211
LESS ACCUMULATED DEPRECIATION	($49,693)	($49,455)
	$11,828	**$7,756**

Depreciation expense for the years ended September 30, 2021 and 2020, was $9,034 and $5,627, respectively.

NOTE 5 / NOTES PAYABLE — MEMBER INSTITUTIONS

Member institutions commit to Pool 1 and have the option to also commit to Pool 2 or Pool 3. Each pool is defined by its own Credit and Security Agreement. Funding for loans originated by the Association has been provided by member institutions under a revolving line of credit as specified in the Agreement for Pool 1. As of September 30, 2021 and 2020, the maximum limit on the line of credit was $108,675,000 and $105,175,000, respectively. The outstanding amounts were $68,802,309, (of which $56,867,349 was revolving and $11,934,960 was nonrevolving) and $68,583,705 (of which $56,026,905 was revolving and $12,556,800 was nonrevolving) as of September 30, 2021 and 2020, respectively, and $13,080,604 was approved to be funded for loan commitments (Note 8) as of September 30, 2021. As stated in the Agreement, the terms of the Association's borrowings from member institutions are substantially the same as the terms of the loans the Association will originate. The member institutions receive an assignment of collateral of the specific loans equal to their respective equity percentage interest in each specific note payable. A nominal interest rate spread is retained by the Association to cover operating expenses.

The rate of interest on notes payable to member institutions on amounts borrowed prior to September 15, 1997, was determined based on the applicable rate, at the time the loan was funded, of U.S. government securities with a term consistent with the term of the underlying note payable plus .75%. The rate of interest on amounts borrowed after September 15, 1997, and before March 20, 2020, is determined based on the applicable rate, at the time the loan is funded, on U.S. government securities with a term consistent with the term of the underlying note payable plus a minimum of 1.0%. The rate of interest on amounts borrowed after March 20, 2020, is determined based on the applicable rate, at the time the loan is funded, on U.S. government securities with a term consistent with the term of the underlying note payable plus a minimum of 1.1%.

Effective September 15, 1997, the Association entered into a revolving line of credit, as specified in the Agreement for Pool 2, from certain member institutions to provide additional funds for new loans and loan commitments to maintain lending capacity. As of September 30, 2021 and 2020, the maximum limit on the line of credit was $27,412,000. The outstanding amounts were $22,644,758, (of which $20,288,076 was revolving and $2,416,682 was nonrevolving) and $22,677,735 (of which $20,168,449 was revolving and $2,509,286 was nonrevolving) as of September 30, 2021 and 2020, respectively, and $434,918 was approved to be funded for loan commitments (Note 8) on the line of credit as of September 30, 2021. Similar to the revolving line of credit above, the member institutions receive an assignment of collateral of the specific loans equal to their respective equity percentage interest in each specific note payable. The interest rate on notes payable to member institutions for the revolving line of credit is a minimum of 1% over the applicable rate on U.S. government securities. A nominal interest rate spread is retained by the Association to cover operating expenses.

Effective May 15, 2001, the Association entered into a line of credit, as specified in the Agreement for Pool 3, from certain member institutions for the purpose of economic development lending. As of September 30, 2021 and 2020, the maximum limit on the line of credit was $13,900,000 and $12,775,000, respectively. As of September 30, 2021 and 2020, the outstanding amounts were $6,968,161, (of which $6,963,030 was revolving and $5,131 was nonrevolving) and $3,379,483 (of which $3,374,185 was revolving and $5,298 was nonrevolving), respectively, and $2,770,421 was approved to be funded for loan commitments (Note 8) on the line of credit as of September 30, 2021. Similar to the revolving lines of credit above, the member institutions receive an assignment of collateral of the specific loans equal to their respective equity percentage interest in each specific note payable. The interest rate on notes payable to member institutions for the revolving line of credit is a minimum of 1.50% over the applicable rate on U.S. government securities. A nominal interest rate spread is retained by the Association to cover operating expenses.

Future minimum payments of notes payable – member institutions as of September 30, are as follows:

2022	$4,816,065
2023	$9,698,632
2024	$5,252,719
2025	$3,464,107
2026	$3,050,429
Thereafter	$72,133,277
	$98,415,229

Notes payable – member institutions, at September 30, 2021, bear interest at rates ranging from 1.41% to 7.60%. The notes are payable in monthly installments, including principal and interest.

NOTE 6 / LOANS PAYABLE – WSHFC

Funding for loans originated by the Association have been provided by the Commission under a revolving line of credit as specified in the WSHFC Agreement. The maximum limit on the line of credit is $11,500,000. As of September 30, 2021 and 2020, the outstanding amounts were $5,612,289 and $5,734,125, respectively, and no funds were approved to be funded for loan commitments (Note 8) as of September 30, 2021. A nominal interest rate spread is retained by the Association to cover operating expenses. The interest rate on the loans charged by the Commission for the revolving line of credit is 2%, consistent with the terms of the WSHFC Agreement.

Future minimum payments of loans payable – WSHFC as of September 30, are as follows:

2022	$271,975
2023	$540,671
2024	$795,570
2025	$250,572
2026	$565,875
Thereafter	$3,187,626
	$5,612,289

NOTE 7 / CONTRIBUTIONS FROM MEMBER INSTITUTIONS

Contributions from member institutions were made by the Association's member institutions to cover initial operating expenses. Initial contributions from member institutions were determined to cover the first two years of operating expenses. The first installment was paid prior to September 30, 1992, and the second installment of approximately $57,000 was paid during 1993. In addition, members who join the Association subsequent to the original formation are assessed a one-time contribution. During the years ended September 30, 2021 and 2020, $2,500 in new member assessments were collected.

Members are admitted for a two-year term and are automatically renewed for subsequent two-year terms unless a member resigns. Resignations are only accepted during the month of January, following completion of the member's current two-year term, and will be effective on the first day of February. New members may join on the first day of any month throughout the year. The Board of Directors may require additional contributions of members in future years. If members do not make any required contribution within 60 days of when it becomes payable, the Board of Directors may terminate their memberships.

NOTE 8 / COMMITMENTS

The unfunded loan commitments to borrowers and member institutions at September 30, 2021, was $16,285,943, all of which was related to affordable housing projects and economic development projects. Commitments to extend credit generally have fixed expiration dates. Because a portion of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Prior to extending commitments, the Association evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained upon extension of credit is based on management's credit evaluation of the borrower. Loans are collateralized by real property or other security located within the state of Washington.

Contractual future minimum rental payments for the Association's office lease as of September 30, are as

2022	$63,934
2023	$113,000
2024	$116,000
2025	$119,000
Thereafter	$215,500
	$627,434

Rental expense for the years ended September 30, 2021 and 2020, was $108,343 and $108,485, respectively, and is included in office expenses on the consolidated statements of activities.

The Association's office lease expires in June 2027.

Contractual future minimum rental payments for the Association's copier lease as of September 30, 2021, are as follows:

2022	$2,640
2023	$2,640
2024	$1,320
Thereafter	-
	$6,600

Rental expense for the years ended September 30, 2021 and 2020, was $2,620 and $2,560, respectively, and is included in office expenses on the consolidated statements of activities.

The Association's copier lease expires in March 2024.

NOTE 9 / RELATED PARTY TRANSACTIONS

All cash and cash equivalents of the Association are on deposit with member institutions. The Association holds interest-bearing deposits with member institutions. Total related party interest-bearing deposits at September 30, 2021 and 2020, were $2,298,246 and $2,288,278, respectively.

NOTE 10 / EMPLOYEE SAVINGS PLAN

The Association has a voluntary contribution 403(b) savings plan for all employees. For the years ended September 30, 2021 and 2020, no contributions were made by the Association to the plan.

The Association has an employer-funded 408(k) simplified employee pension plan for all eligible employees. The Association may make a contribution of up to 15% of each employee's total compensation, within certain limits. At September 30, 2021 and 2020, the Association accrued contribution expenses of $43,681 and $45,728, respectively. These amounts are generally paid out in the following fiscal year subject to Board approval.

NOTE 11 / LIQUIDITY AND AVAILABILITY

The Association has $4,248,407 of financial assets available within one year of the date of the consolidated statements of financial condition to meet cash needs for general expenditures consisting of cash and short-term investments. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures.

Restricted cash, as disclosed on the statement of financial position received under the Capital Agreement with Commerce or the grant agreement with Enterprise Community Partners is not available for general expenditures of the Association.

The Association has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet near-term, normal operating expenses.

The Association has a policy to invest cash consistent with the preservation of capital and minimization of investment risk. As part of its liquidity management, the Association invests cash in excess of daily requirements in short-term investments.

NOTE 12 / GRANT FUNDS PAYABLE – EARLY LEARNING LOAN FUND

Effective July 1, 2018, the Association entered into a Capital Agreement with Commerce for the administration of the Early Learning Facilities Revolving Fund to provide grants and loans to eligible organizations for the planning, minor repair, renovation, construction, and purchase of early learning facilities. Under the terms of the Capital Agreement, the total contract amount of $5,000,000 is to be distributed from Commerce to the Association in two tranches. The first tranche of $4,000,000 was distributed to the Association in September 2019. The second tranche of $1,000,000 was distributed to the Association in February 2021. The contract ends June 30, 2029. The Association is acting as an agent on behalf of Commerce; therefore, the funds received are presented as restricted cash and a grant funds payable. $190,000 of the total contract amount is appropriated for project administration costs for work directly related to a financed project, including expenses related to processing applications, managing contracts, processing payments, and providing direct technical assistance to finance projects. The restricted cash has been set aside in a bank account separate from the operating accounts of the Association. Interest credited to this bank account has been reflected as an increase in restricted cash and an increase in the grant funds payable. Loans funded are treated as a reduction of cash and an increase to agent loans receivable. Loan repayments including interest are returned to the restricted cash funds to be used for subsequent loans or grants in the program. The outstanding balance of loans totaled $1,526,993 and $115,216 as of September 30, 2021 and 2020, respectively. As of September 30, 2021, $1,205,625 was approved to be funded under the program. During the year ended September 30, 2021, $1,050,958 was awarded in the form of grants to eligible organizations. These funds are not required to be repaid, thus are reflected as a decrease in grant funds payable. No grants were awarded during the year ended September 30, 2020.

Effective May 5, 2020, the Association entered into a grant agreement with Enterprise Community Partners, which awarded $2,250,735 by way of a grant from the Ballmer Group, to use for the implementation of the Washington Early Learning Loan Fund (WELL). Proceeds are to fund loans or grants directly or through a partner in alignment with the WELL Fund Memorandum of Understanding conditions to advance early learning facility production in Washington State. The Association is acting as an agent on behalf of Enterprise Community Partners; therefore, the funds received are presented as restricted cash and a grant funds payable. The restricted cash has been set aside in a bank account separate from the operating accounts of the Association. Interest credited to this bank account has been reflected as an increase in restricted cash and an increase in the grant funds payable. Loans funded are treated as a reduction of cash and an increase to agent loans receivable. Loan repayments including interest are returned to the restricted cash funds to be used for subsequent loans or grants in the program. The Association earns no fee for this service. The outstanding balance of loans totaled $1,628,344 and $636,279 as of September 30, 2021 and 2020, respectively. As of September 30, 2021, $453,750 was approved to be funded under the program.

NOTE 13 / PAYROLL PROTECTION PROGRAM LOAN

In May 2020, the Association was granted a loan under the Paycheck Protection Program offered by the SBA under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), section 7(a)(36) of the Small Business Act for $115,500. The loan is subject to partial or full forgiveness if the Association: uses all proceeds for eligible purposes; maintains certain employment levels; and maintains certain compensation levels in accordance with and subject to the CARES Act and the rules, regulations, and guidance. The Association recorded the funds as grant income during the year ended September 30, 2020. As of September 30, 2020, the Association used all funds received for qualified payroll expenses. During the year ended September 30, 2021, the loan was forgiven in full.

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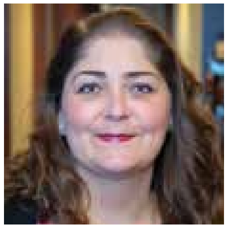

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