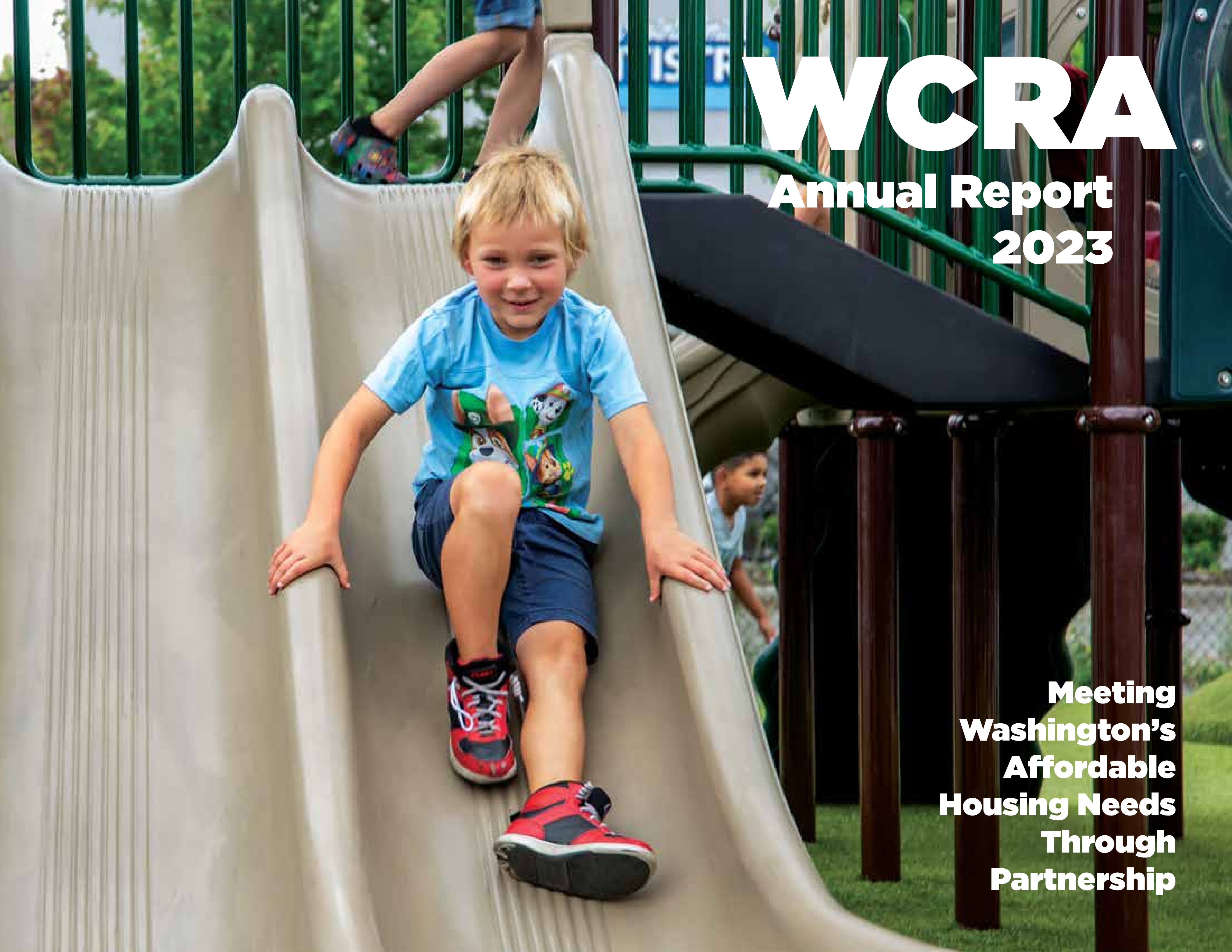


WCRA

Annual Report 2023

Meeting Washington's Affordable Housing Needs Through Partnership

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

2023 was a successful and pivotal year for the Washington Community Reinvestment Association.

After 31 years of service Susan Duren bid farewell to the WCRA. Susan started as the inaugural Vice President of Lending when we opened our doors in 1992 and served as President since 2006. She has been an integral part of the organization and leaves the WCRA on strong financial and reputational footing. There is no doubt the affordable housing community in Washington is better because of her work.

The WCRA also said goodbye this year to Dulcie Claassen, Vice President and Director of Lending. Dulcie has been a steadfast champion of our mission to provide affordable housing and economic development through partnership, spending 17 years working to bring so many beneficial projects to fruition. Her good work is reflected in many buildings across the state. We wish both Susan and Dulcie the best in their future endeavors.

The organization is excited to have welcomed Christine Roveda this year as the new president. Christine brings a wealth of experience in real estate finance and community development. She comes to WCRA after over 20 years at Wells Fargo and having served as immediate past board chair of the WCRA.

Many thanks to our Board of Directors, Loan Committee, and Criticized Credit Advisory Committee. Your time, wisdom, and support were essential during the year. In addition, the ongoing cornerstone of this organization remains the devoted staff, who weathered much change and transition this year. We thank you.

Despite what most would consider a challenging and unpredictable year in real estate, the WCRA was able to grow lending capacity and loan commitments to further our mission.

We welcomed Mountain Pacific Bank as a new member during 2023, and their commitment to our pool funds increased overall lending capacity by $4 million dollars. KeyBank also increased their commitment to our economic development pool fund, furthering their support for this in-demand funding source.

The WCRA closed the year with 34 participating members, welcoming BMO due to their merger with Bank of the West, and US Bank after their merger with Union Bank.

In addition to increased capacity provided by our member banks, the WCRA expanded lending capacity in both the Capital Plus program and the Washington Early Learning Loan Fund. Both of these funding sources finance critical real estate projects ranging from early learning childcare facilities to senior citizen activity centers.

We are extremely grateful to the Washington State Housing Finance Commission and the State Department of Commerce for their continued investment.

We put this added capacity to effective use. For FY 2023, the WCRA approved ten loan applications totaling $12.1 million dollars and closed eight loans totaling $10.2 million. The closed loan activity financed six projects across the state, including four properties with 235 units of affordable housing and two loans providing acquisition and improvement financing for early learning childcare facilities.

We also had $10.1 million dollars of approved and not yet closed loans at year-end, which will provide financing for an additional 90 units of housing, three early learning centers, and 3,000 SF of commercial space. Finally, we currently have a vibrant $26 million dollar pipeline of projects across the state that will be financed from our member bank pools, the Capital Plus program funds and the Washington Early Learning Loan Fund.

Several of our funded projects are highlighted in this annual report, and we hope you enjoy viewing the people and places we are fortunate to finance.

Moss Adams completed the annual audit, and once again no issues were raised. In addition, Taurus Review completed their biannual review of our loan portfolio. They reviewed 20 loans, 35% of the total portfolio by dollar amount, and concluded a "Good" rating, the highest possible. These results are a testament to the loan production discipline and care put into our lending and provide a solid foundation to build on for the future.

We look forward to 2024, our 32nd year of partnership.

2023 Board of Directors

Bob Powers
JPMorgan Chase
Interim Chair

Dustin Koons
Banner Bank
Secretary

Kim Etherton
Umpqua Bank
Treasurer

Christine Roveda
WCRA
President

Tim Grant
Washington Federal

Caleb Stephens
Key Bank

Kris Hollingshead
Washington Trust Bank

Mike Gilmore
Yakima Federal Savings & Loan Association

Steve Walker
Washington State Housing Finance Commission

Jonathan Clarke
Enterprise Community Loan Fund

Tedd Kelleher
Washington State Department of Commerce

Brett L.A. Manning
Federal Home Loan Bank of Des Moines

Jennifer A. Barnes
Wells Fargo Bank

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

2023 WCRA Membership

1st Security Bank of Washington
Ally Bank
Bank of the Pacific
Banner Bank
Beneficial State Bank
BMO Bank, N.A.
Cashmere Valley Bank
Cathay Bank
The Commerce Bank of Washington
East West Bank
First Fed Bank
First Financial Northwest Bank
First Sound Bank
Heritage Bank
HomeStreet Bank
JPMorgan Chase, N.A.
KeyBank
Kitsap Bank
Mountain Pacific Bank
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
U.S. Bank
Washington Federal
Washington Trust Bank
Wells Fargo Bank
Yakima Federal Savings & Loan Association

2023 Loan Committee

Lauren Jassny
The Commerce Bank of Washington
Chair

Kasi Perkins
Ally Bank

Dustin Koons
Banner Bank

Jack Chambers
Umpqua Bank

Shawn Cozakos
HomeStreet Bank

Abby Chiu
JPMorgan Chase

Alex Tkachuk
KeyBank

Fred Holubik
Kitsap Bank

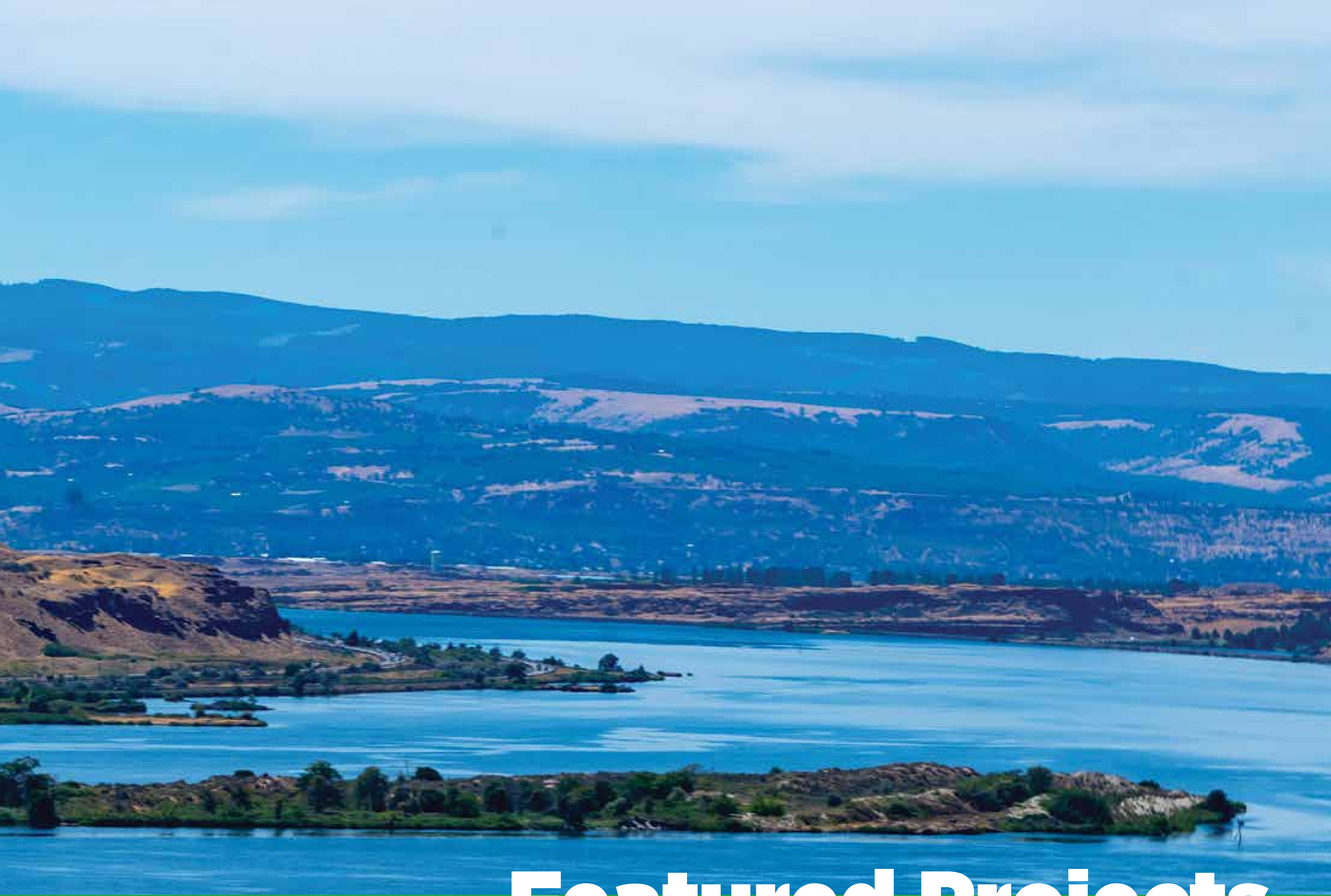
Frank Zaremba
Pacific Premier Bank

Brian Goulet
Seattle Bank

Amy Mandell
Wells Fargo Bank

Christine Roveda
WCRA

Angel Ratliff
WCRA



Featured Projects

Smokey Point Daycare and Early Learning Center, LLC

"For us as parents, Smokey Point Daycare was and will continue to be our best choice for childcare and learning. With a staff of top-level professionals, who with all their affection and love help our little children every day to become better, more self-sufficient children, developing and teaching all their motor skills with them. They are incredible people and professionals, starting with Miss Kalicia, Miss Michelle and all their great staff of teachers who make our children feel comfortable and happy in their Second Home. I congratulate you for all your achievements."

Amelia R., parent

Smokey Point Early Learning Center is an ECEAP subcontractor for Snohomish County. ECEAP is Washington State's comprehensive preschool program that provides free preschool to the most at-risk children. Funding partners include The Department of Commerce and the Washington Early Learning Loan Fund.

Smokey Point Early Learning Center began as an Arlington daycare home in 1994 and then in 1998 expanded to a center location licensed for 60 children. After beginning their Early Achiever journey in 2017, they expanded to include ECEAP in 2019. With the help of WCRA and the Department of Commerce ELF grant, they ultimately opened the Marysville location in July of 2022 licensed for 96.

In addition to providing ECEAP and ECEAP student wrap around childcare services, Smokey Point Early learning Center also provides care for infants through school-agers. They have a blended financial model that includes ECEAP, Working Connections Childcare Subsidy, as well as private paying families. ECEAP focuses on the whole child by helping to increase eligible children's pre-academic, physical and social-emotional skills. Part of ECEAP's holistic approach includes extensive family support that is unique to each family.

Smokey Point Daycare and Early Learning Center participates in both the early Childhood Education Assistance program and the Working Connection Childcare (WCCC) Program—both providing subsidies for low-income families.

"At the new location I was honestly blown away with how immaculate it was. Upon looking around I could see how much work they put into creating fun and educational spaces for all the kids to learn and thrive. When you walk in you can see into all the classrooms, which is a transparency that I never knew I needed but makes me feel even more comfortable with my child being there. Something the new location has as well is a double entry, so you must check your child in and out at the front desk and then a staff member must buzz your child in. The security that my child won't be going home with anyone he's not supposed to is very reassuring and I commend them for their diligence."

Blair-Foxley Family

Dallesport Homeowners Cooperative

This community is a 51-unit mobile home and RV park located on a 7.03-acre site in Dallesport. The borrower is the Dallesport Homeowners Cooperative (DHC).

DHC was formed in 2022 so that residents of the community could purchase the park and preserve the affordability of the homes. With assistance from ROC USA, a national non-profit dedicated to converting mobile home parks from landlord ownership to resident-owned cooperative communities, and Northwest Cooperative Development Center, a non-profit devoted to assisting new and existing cooperative businesses, DHC was able to secure financing from the WCRA and the Washington State Housing Finance Commission to purchase the park.

The DHC is governed by a resident-elected board of directors, and all homes must be owner-occupied. Bylaws require that members selling homes give preference to low or moderate-income purchasers in the event of purchase offers on substantially the same terms. 75% of the units are reserved for residents earning no more than 80% of AMI.

The park was developed in 1975 and reflects an established community with a number of long-term residents. The grounds feature a large playground, ample parking, and mature landscaping.

Capital Plus! Sno-Valley Senior Housing

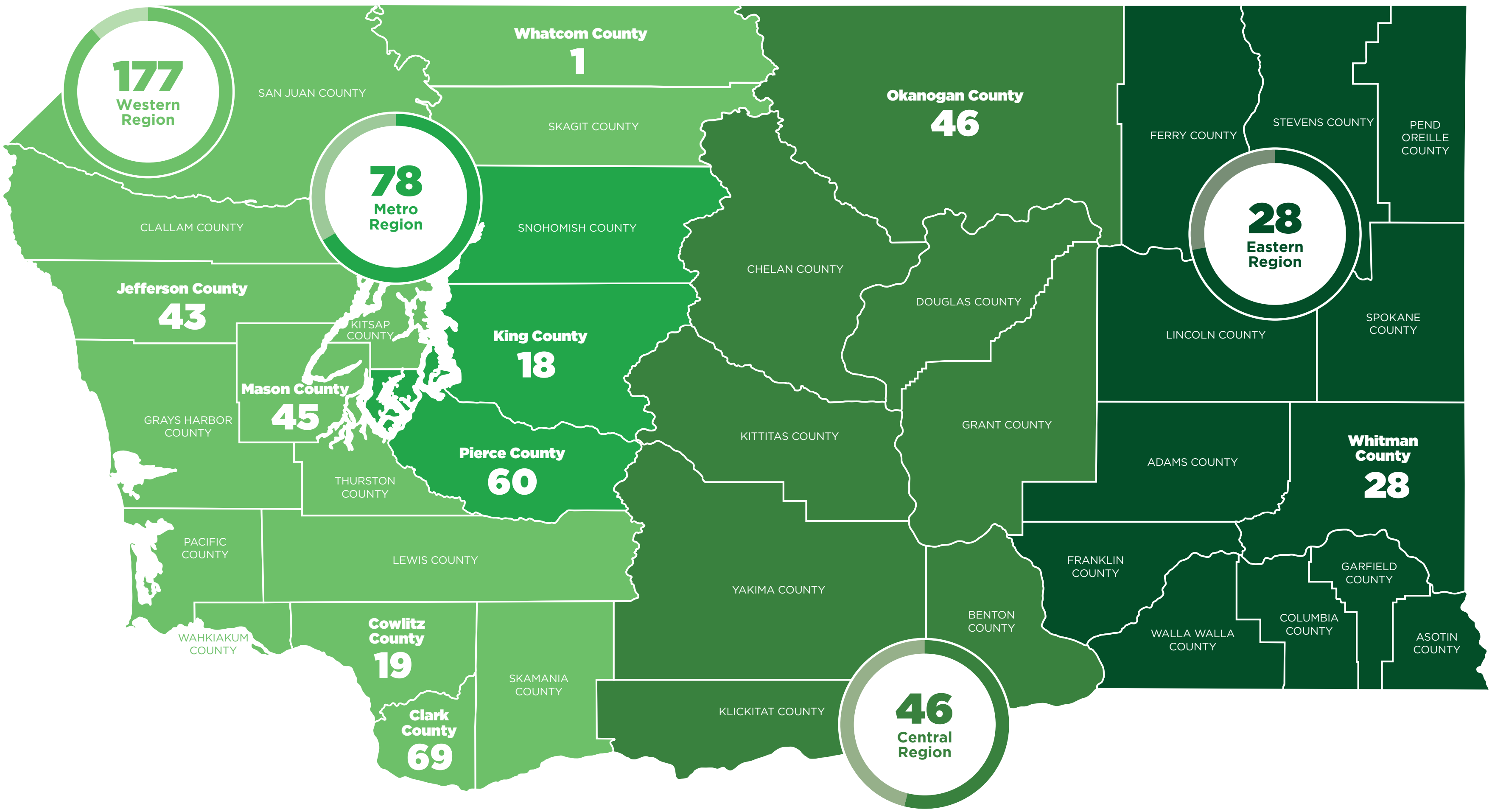
Sno-Valley Senior Housing is a three-story building comprised of a new 15-unit affordable senior housing complex located in Carnation. All 15 units are reserved for seniors with incomes below 50% AMI and 5 units are reserved for veterans. Funding partners include Washington State Housing Trust Fund, NHTF, King County CDBG, King County Housing Finance Program, City of Carnation and King County CHIP, Federal Home Loan Bank, Washington State Direct Allocation, and Sno-Valley Senior Citizens donations.

Sno-Valley Senior Citizens, a Washington 501(c)(3) nonprofit formed in 2019 has been operating the Sno-Valley Senior Center in Carnation since 1975. Their mission is to cultivate a welcoming, inclusive gathering place that supports, inspires, and uplifts the Snoqualmie Valley community to lead healthy, enriched lives through participation in diverse programs.

Many seniors in the Snoqualmie Valley area have been forced to relocate to different parts of Washington because of rising housing prices and the lack of affordable rental housing. Residents living in the newly constructed apartment building can take advantage of the many services offered by the Senior Center, such as hot meals five times a week, physical and mental health care opportunities, classes focusing on health and fitness, and skill development classes. This site is ideal for senior housing as it is within walking distance of the town center and next door to the Senior Center, which also provides shuttle buses for transportation to health care appointments and shopping.

Approved and Funded Units by County and Unit Totals By Region

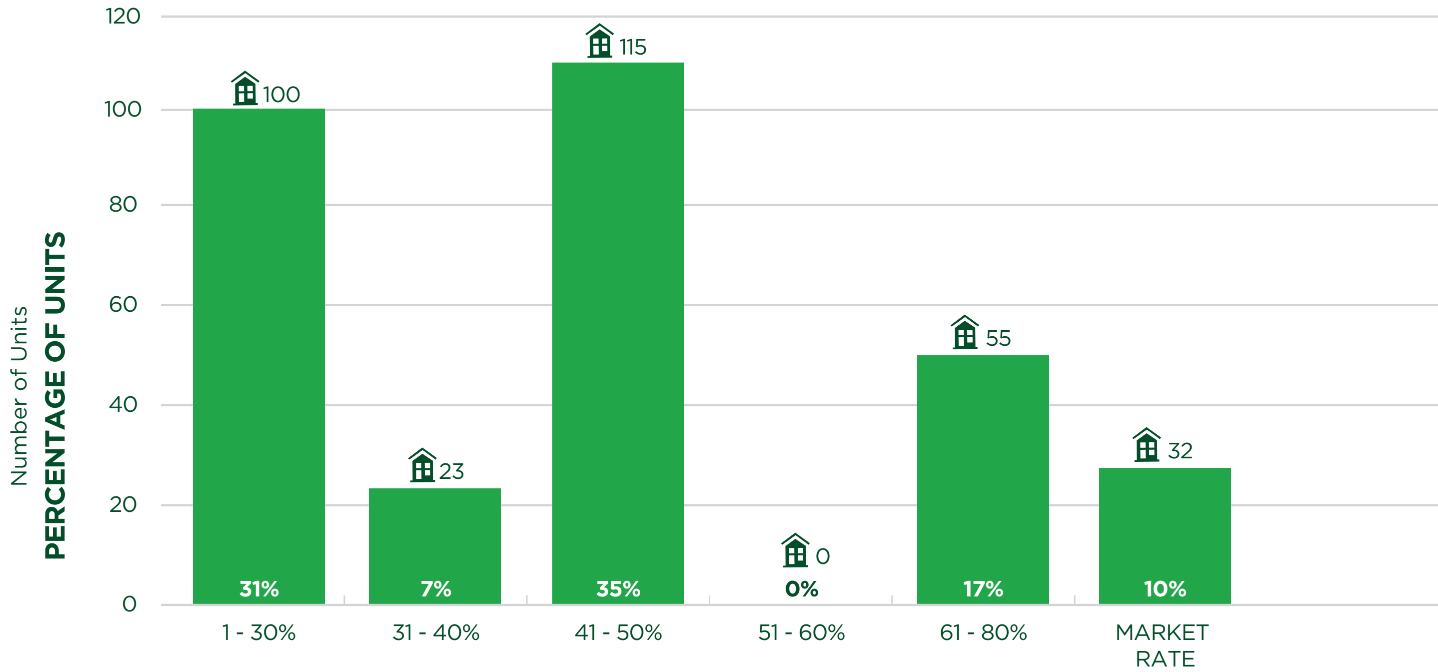
FY 2023



Unit count includes both affordable housing units and economic development space.

Housing Units by Income Served, % of AMI

FY 2023



Loans

FY 2023

FUNDED

Amount
$10,186,301

Number of Housing Units
235

Early Learning Centers & Economic Development
2

APPROVED

Amount
$12,105,701

Number of Housing Units
167

Early Learning Centers & Economic Development
3

Report of Independent Auditors

The Board of Directors Washington Community Reinvestment Association

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Washington Community Reinvestment Association and Subsidiary, which comprise the consolidated statements of financial position as of September 30, 2023 and 2022, and the related consolidated statements of activities, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Washington Community Reinvestment Association and Subsidiary as of September 30, 2023 and 2022, and the results of their operations and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Washington Community Reinvestment Association and Subsidiary and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 2 to the financial statements, on October 1, 2022, Washington Community Reinvestment Association and Subsidiary, adopted new accounting guidance, Accounting Standards Codification Topic 842, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 Washington Community Reinvestment Association and Subsidiary's ability to continue as a going concern within one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud

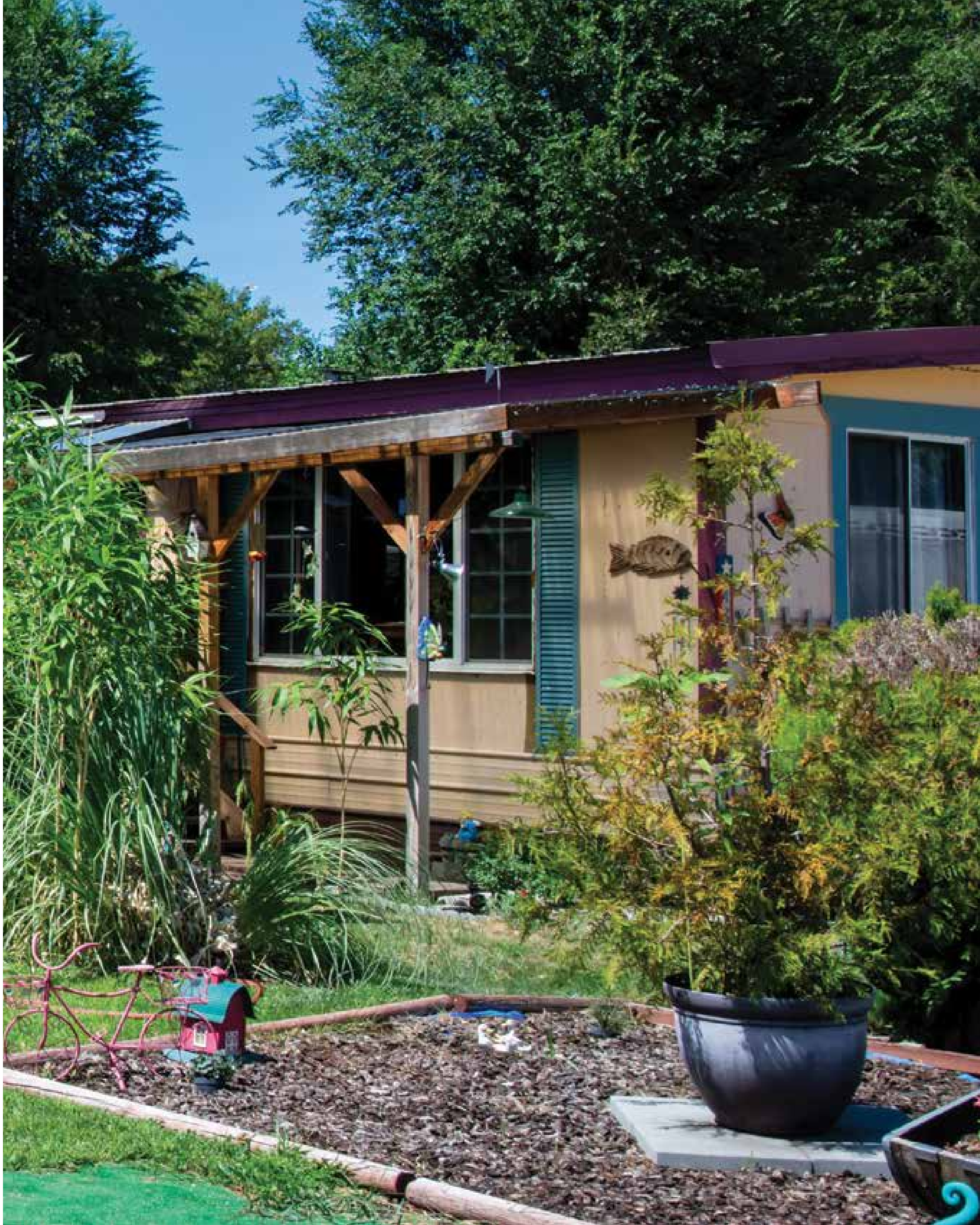
or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Washington Community Reinvestment Association and Subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- "Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Washington Community Reinvestment Association and Subsidiary'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.

Moss Adams LLP

Everett, Washington
November 15, 2023



Washington Community Reinvestment Association and Subsidiary

Consolidated Statements of Financial Position - September 30, 2023 and 2022

ASSETS	2023	2022
CASH AND CASH EQUIVALENTS	$2,099,666	$2,118,812
INTEREST-BEARING DEPOSITS	$2,344,165	$2,304,966
INTEREST RECEIVABLE	$520,480	$502,386
ACCOUNTS RECEIVABLE AND PREPAID EXPENSES	$201,722	$155,855
LOANS HELD FOR INVESTMENT - MEMBER INSTITUTIONS, NET	$105,287,451	$103,869,099
LOANS HELD FOR INVESTMENT - WSHFC, NET	$5,042,736	$4,778,119
LOANS HELD FOR INVESTMENT - RESERVE	-	$29,238
RESTRICTED CASH	$10,012,514	$6,229,343
AGENT LOANS RECEIVABLE	$2,639,917	$2,751,867
EQUIPMENT, NET	$4,882	$9,724
RIGHT-OF-USE ASSET	$390,150	-
TOTAL ASSETS	**$128,543,683**	**$122,749,409**

LIABILITIES AND NET ASSETS	2023	2022
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	$271,698	$248,019
INTEREST PAYABLE	$416,440	$406,984
DEFERRED RENT PAYABLE	-	$46,655
LEASE LIABILITY	$432,819	-
LOANS PAYABLE - WSHFC	$5,066,319	$4,915,797
NOTES PAYABLE - MEMBER INSTITUTIONS	$103,745,064	$102,438,586
GRANT FUNDS PAYABLE	$12,652,431	$8,981,211
TOTAL LIABILITIES	$122,584,771	$117,037,252
NET ASSETS WITHOUT DONOR RESTRICTIONS	$5,958,912	$5,712,157
TOTAL	**$128,543,683**	**$122,749,409**

Washington Community Reinvestment Association and Subsidiary

Consolidated Statements of Activities - Years Ended September 30, 2023 and 2022

REVENUES

	2023	2022
INTEREST INCOME	$5,946,869	$5,764,571
AGENT FEE INCOME	$128,556	$124,483
LOAN FEES	$57,368	$161,772
CONTRIBUTIONS AND GRANTS	$7,500	$ 2,500
CONSTRUCTION LOAN REVIEW REVENUE	$463,589	$400,080
OTHER REVENUE	$225,670	$17,438
TOTAL REVENUES	**$6,829,552**	**$6,470,844**

EXPENSES

	2022	2022
INTEREST EXPENSE	$4,615,183	$4,513,463
SALARIES AND RELATED EXPENSES	$899,330	$865,505
PROFESSIONAL FEES	$688,436	$491,823
PROVISION FOR LOAN LOSSES	$113,444	-
OFFICE EXPENSES	$156,459	$146,993
OTHER EXPENSES	$99,945	$190,772
CONTRIBUTIONS AND GRANTS	$10,000	$10,000
TOTAL EXPENSES	**$6,582,797**	**$6,218,556**

CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	$246,755	$252,288
NET ASSETS WITHOUT DONOR RESTRICTIONS, BEGINNING OF YEAR	$5,712,157	$5,459,869
NET ASSETS WITHOUT DONOR RESTRICTIONS, END OF YEAR	$5,958,912	$5,712,157

Washington Community Reinvestment Association and Subsidiary

Consolidated Statements of Cash Flows - Years Ended September 30, 2023 and 2022

CASH FLOWS FROM OPERATING ACTIVITIES

CASH RECEIVED FROM	2023	2022
LOAN FEES	$86,953	$40,398
AGENT FEE INCOME	$145,925	$256,381
INTEREST	$5,928,682	$5,755,044
CONTRIBUTIONS AND GRANTS	$7,500	$2,500
FUNDS RECEIVED UNDER WELL PROGRAM (NOTE 13)	$4,000,000	$3,150,000
GRANTS DISBURSED UNDER WELL PROGRAM (NOTE 13)	($328,780)	($306,951)
AGENT LOANS FUNDED UNDER WELL PROGRAM, NET OF PAYMENTS COLLECTED (NOTE 13)	$111,950	$403,470
CONSTRUCTION LOAN AND GRANT CONTRACT REVIEW REVENUE	$735,418	$394,506
	$10,687,648	**$9,695,348**

CASH PAID TO	2023	2022
EMPLOYEES	($968,517)	($916,197)
VENDORS	($1,024,313)	($689,272)
PREPAYMENT FEES	-	($111,211)
INTEREST	($4,605,727)	($4,509,473)
	($6,598,557)	($6,226,153)
NET CASH FROM OPERATING ACTIVITIES	$4,089,091	$3,469,195

Washington Community Reinvestment Association and Subsidiary

Consolidated Statements of Cash Flows - Years Ended September 30, 2023 and 2022 **(CONTINUED)**

CASH FLOWS FROM INVESTING ACTIVITIES

	2023	2022
ORIGINATION OF LOANS HELD FOR INVESTMENT	($8,584,301)	($8,996,878)
LOAN PRINCIPAL COLLECTED ON LOANS HELD FOR INVESTMENT FROM MEMBER INSTITUTIONS AND WSHFC	$6,843,957	$5,630,059
PURCHASE OF EQUIPMENT, NET OF DISPOSALS	($2,523)	($4,586)
NET CHANGE IN INTEREST-BEARING DEPOSITS	($39,199)	($6,159)
NET CASH FROM INVESTING ACTIVITIES	($1,782,066)	($3,377,564)

CASH FLOWS FROM FINANCING ACTIVITIES

	2023	2022
PROCEEDS FROM NOTES PAYABLE FROM MEMBER INSTITUTIONS AND WSHFC RELATED TO LOANS HELD FOR INVESTMENT	$8,584,301	$8,996,878
PRINCIPAL REPAYMENTS ON NOTES PAYABLE FROM MEMBER INSTITUTIONS AND INSTITUTIONS AND LOANS PAYABLE TO WSHFC RELATED TO LOANS HELD FOR INVESTMENT	($7,127,301)	($5,670,013)
NET CASH FROM FINANCING ACTIVITIES	$1,457,000	$3,326,865
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	$3,764,025	$3,418,496
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH		
BEGINNING OF YEAR	$8,348,155	$4,929,659
END OF YEAR	$12,112,180	$8,348,155
SUPPLEMENTAL DISCLOSURE OF NONCASH OPERATING ACTIVITIES RIGHT-OF-USE ASSET OBTAINED IN EXCHANGE FOR OPERATING LEASE LIABILITY	$530,303	-

Washington Community Reinvestment Association and Subsidiary

Consolidated Statements of Cash Flows - Years Ended September 30, 2023 and 2022 **(CONTINUED)**

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

	2023	2022
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	$246,755	$252,288
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
DEPRECIATION	$7,365	$6,690
AMORTIZATION OF RIGHT-OF-USE ASSET	$93,498	-
PROVISION FOR LOAN LOSSES	$113,444	-
CHANGE IN OPERATING ASSETS AND LIABILITIES		
INTEREST RECEIVABLE	($18,094)	($9,527)
ACCOUNTS RECEIVABLE AND PREPAID EXPENSES	($45,867)	($26,132)
DEFERRED LOAN FEES	($26,831)	($33,126)
AGENT LOANS RECEIVABLE (NOTE 13)	$111,950	$403,470
GRANT FUNDS PAYABLE (NOTE 13)	$3,671,220	$2,843,049
ACCOUNTS PAYABLE, ACCRUED LIABILITIES, AND DEFERRED REVENUE	$23,679	($16,681)
INTEREST PAYABLE	$9,456	$4,509
DEFERRED RENT PAYABLE	-	$44,655
LEASE LIABILITY	($97,484)	-
NET CASH FROM OPERATING ACTIVITIES	$4,089,091	$3,469,195

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

	2023	2022
CASH AND CASH EQUIVALENTS	$2,099,666	$2,118,812
RESTRICTED CASH	$10,012,514	$6,229,343
TOTAL CASH, CASH EQUIVALENTS, AND RESTRICTED CASH SHOWN IN THE STATEMENT OF CASH FLOWS	$12,112,180	$8,348,155

Note 1 – Organization and 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 and investment 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.

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, 2023. 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.

On October 2, 2012, the Association entered into a servicing agreement with WSHFC to provide loan servicing functions on behalf of WSHFC. The Association earns a servicing fee.

Effective March 2022, the Association entered into a contract with the Department of Commerce to provide technical assistance to applicants of the Washington Early Learning Loan Fund (WELL Fund). WCRA manages this program on behalf of the Department of Commerce in concert with Enterprise Community Partners, an unrelated third party. The contract provides $300,000 in funds to reimburse administrative costs incurred in providing services to WELL Fund, and specifies income earned for administrative services will be allocated between WCRA (44.71%) and Enterprise Community Partners (55.29%). Effective July 2023, the contract was amended to increase the funded balance by $280,000 with a total new contract amount of $580,000 as of September 30, 2023.

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 13 for further information on the nature of the restricted cash.

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, 2023 or 2022.

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.

Leases – On October 1, 2022, the Company adopted Financial Accounting Standards Board FASB Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, which requires lessees to recognize an operating lease right-of-use (ROU) asset and operating lease liability for all leases (excluding short-term leases) at the commencement date. The Company added an operating lease ROU asset of $483,648 and operating lease liability of $530,303 as of October 1, 2022. The Association applied Topic 842 to all material noncancelable operating leases outstanding as of the date of adoption (Note 9).

The Association elected to apply optional practical expedients which allowed the Association to forego reassessments of 1) whether any expired or existing contracts are or contain leases; 2) the lease classification for any expired or existing leases; and 3) the initial direct costs for any existing leases. Additional practical expedients allow the use of the US Treasury risk-free rate to determine the present value of the future lease payments. Operating lease expense is recognized on a straight-line basis over the lease term.

At lease commencement the Association measures and records a lease liability equal to the present value of the remaining lease payments, discounted using the risk-free borrowing rate at the time of the lease commencement. The amount of the ROU asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. It consists of the following:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, minus any lease incentives received; and
- any initial direct costs 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. At

September 30, 2023 and 2022, the amount of funds held for customers in escrow was $16,025,154 and $15,761,339, 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, 2023 and 2022, 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.

Revenue recognition – The majority of the Association's revenues come from interest income and other sources, including fees from loans and investments, which 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 and grant contract 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.

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 at September 30, 2023 or 2022. 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, 2023 and 2022, 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 15, 2023, 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

LOANS HELD FOR INVESTMENT CONSIST OF THE FOLLOWING AT SEPTEMBER 30:	2023	2022
REAL ESTATE		
NONTAX-CREDIT LOANS	$60,526,972	$59,457,992
TAX-CREDIT LOANS	$45,715,439	$45,286,168
TOTAL MEMBER INSTITUTION LOANS	$106,242,411	$104,744,160
RESERVE LOANS	-	$29,238
WSHFC LOANS	$4,990,199	$4,718,868
TOTAL REAL ESTATE	$111,232,610	$109,492,266
LESS		
ALLOWANCE FOR LOAN LOSSES	($602,232)	($488,788)
DEFERRED LOAN FEES, NET	($300,191)	($327,022)
TOTAL	$110,330,187	$108,676,456
LOANS HELD FOR INVESTMENT - MEMBER INSTITUTIONS, NET	$105,287,451	$103,869,099
LOANS HELD FOR INVESTMENT - WSHFC, NET	$5,042,736	$4,778,119
LOANS HELD FOR INVESTMENT - RESERVE	-	$29,238
TOTAL	**$110,330,187**	**$108,676,456**

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

REAL ESTATE

	NONTAX-CREDIT	TAX-CREDIT	2023
ALLOWANCE FOR LOAN LOSSES, BEGINNING OF YEAR	$366,883	$121,905	$488,788
PROVISION FOR LOAN LOSSES	$106,656	$6,788	$113,444
ALLOWANCE FOR LOAN LOSSES, END OF YEAR	$473,539	$128,693	$602,232
			2022
ALLOWANCE FOR LOAN LOSSES, BEGINNING OF YEAR	$366,883	$121,905	$488,788
PROVISION FOR LOAN LOSSES	-	-	-
ALLOWANCE FOR LOAN LOSSES, END OF YEAR	$366,883	$121,905	$488,788

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, 2023 and 2022, the Association had two loans classified special mention.

The following tables represent the internally assigned grade as of September 30, 2023 and 2022, by type of loans:

REAL ESTATE, SEPTEMBER 30, 2023

MEMBER INSTITUTION LOANS	NONTAX-CREDIT	TAX-CREDIT	TOTAL
GRADE			
PASS	$53,092,889	$43,794,856	$96,887,745
WATCH	$6,545,196	$1,920,583	$8,465,779
SPECIAL MENTION	$888,887	-	$888,887
	$60,526,972	$45,715,439	$106,242,411
WSHFC LOANS (1)	**NONTAX-CREDIT**	**TAX-CREDIT**	**TOTAL**
GRADE			
PASS	$4,653,063	-	$4,653,063
SPECIAL MENTION	$337,136	-	$337,136
	$4,990,199	-	$4,990,199
	$65,517,171	$45,715,439	$111,232,610

(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.

REAL ESTATE, SEPTEMBER 30, 2022

MEMBER INSTITUTION LOANS	NONTAX-CREDIT	TAX-CREDIT	TOTAL
GRADE			
PASS	$54,922,037	$ 41,621,241	$96,543,278
WATCH	$4,535,955	$3,664,927	$8,200,882
	$59,457,992	**$45,286,168**	**$104,744,160**
RESERVE LOANS	**NONTAX-CREDIT**	**TAX-CREDIT**	**TOTAL**
GRADE			
PASS	$29,238	-	$29,238
WSHFC LOANS (1)	**NONTAX-CREDIT**	**TAX-CREDIT**	**TOTAL**
GRADE			
PASS	$4,373,203	-	$4,373,203
WATCH	$345,665	-	$345,665
	$4,718,868	**-**	**$4,718,868**
	$64,206,098	**$45,286,168**	**$109,492,266**

(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, 2023 and 2022.
There were no loans past due more than 90 days and still accruing interest at September 30, 2023 and 2022.
There were no loans past due 30 to 90 days at September 30, 2023 and 2022.

NOTE 4 – EQUIPMENT

A SUMMARY OF EQUIPMENT	September 30, 2023	September 30, 2022
EQUIPMENT	$59,869	$61,458
LESS ACCUMULATED DEPRECIATION	($54,987)	($51,734)
	$4,882	$9,724

Depreciation expense for the years ended September 30, 2023 and 2022, was $7,365 and $6,690, respectively

Note 5 – Notes Payable – Member Institutions

Notes payable – Member Institutions are comprised of three separate contractual pools, Pool 1, Pool 2, and Pool 3. 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, 2023 and 2022, the maximum limit on the line of credit was $116,575,000 and $114,475,000, respectively. The outstanding amounts were $71,509,207, (of which $61,343,680 was revolving and $10,165,527 was nonrevolving) and $68,853,762, (of which $57,820,814 was revolving and $11,032,948 was nonrevolving) as of September 30, 2023 and 2022, respectively, and $3,205,500 was approved to be funded for loan commitments (Note 8) as of September 30, 2023. 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, 2023 and 2022, the maximum limit on the line of credit was $33,262,000 and $31,762,000, respectively. The outstanding amounts were $23,515,647, (of which $21,373,047 was revolving and $2,142,600 was nonrevolving) and $24,653,996, (of which $22,339,634 was revolving and $2,314,362 was nonrevolving) as of September 30, 2023 and 2022, respectively, and no funds were approved to be funded for loan commitments (Note 8) on the line of credit as of September 30, 2023. 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, 2023 and 2022, the maximum limit on the line of credit was $17,500,000 and $15,800,000, respectively. As of September 30, 2023 and 2022, the outstanding amounts were $8,720,210 (of which $8,720,210 was revolving and none was nonrevolving) and $8,930,828 (of which $8,925,873 was revolving and $4,955 was nonrevolving), respectively, and $1,288,163 was approved to be funded for loan commitments (Note 8) on the line of credit as of September 30, 2023. 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:

2024	$8,973,937
2025	$3,791,798
2026	$3,388,275
2027	$3,521,059
2028	$4,100,151
Thereafter	$79,969,844
	$103,745,064

Notes payable – member institutions, at September 30, 2023, bear interest at rates ranging from 1.41% to 7.33%. 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 $16,500,000. As of September 30, 2023 and 2022, the outstanding amounts were $5,066,319 and $4,915,797, respectively. $3,150,000 was approved to be funded for loan commitments (Note 8) as of September 30, 2023. 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:

2024	$851,222
2025	$310,306
2026	$702,204
2027	$130,798
2028	$233,962
Thereafter	$2,837,827
	$5,066,319

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 was paid during 1993. In addition, members who join the Association subsequent to the original formation are assessed a one-time contribution. During each of the years ended September 30, 2023 and 2022, $7,500 and $2,500, respectively, 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, 2023, was $7,643,663, 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.

Note 9 – Leases

The Association leases office space under a noncancelable operating lease expiring June 2027 and has one option to extend for the lease for a term of five years. The office lease also includes variable nonlease components, which represent a pro-rata share of operational costs of the building, which are expensed as incurred.

The components of lease cost (included in office expenses on the consolidated statements of activities) are as follows as of September 30, 2023:

LEASE COST	
Lease expense	$115,476
Other lease related expenses	$798
	$116,274

The following table provides supplemental information related to operating leases for the purpose of the measurement of lease liabilities as of September 30, 2023, are as follows:

Operating cash flows from operating leases	$117,106
Weighted average remaining lease term	3.75 Years
Weighted average discount rate	4.06%

The following table presents minimum lease payments under the terms of the leases as of September 30, 2023:

2024	$120,215
2025	$123,324
2026	$126,433
2027	$96,897
Total lease payments	$466,869
Less imputed interest	($34,050)
Total lease liability	**$432,819**

Rental expense for the year ended September 30, 2023, was $115,765 and is included in office expenses on the consolidated statements of activities.

Note 10 – 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, 2023 and 2022, were $2,344,165 and $2,304,966, respectively.

Note 11 – Employee Savings Plan

The Association has a voluntary contribution 403(b) savings plan for all employees. For the years ended September 30, 2023 and 2022, 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, 2023 and 2022, the Association accrued contribution expenses of $20,401 and $45,162, respectively. These amounts are generally paid out in the following fiscal year subject to Board approval.

Note 12 – Liquidity and Availability

The Association has $4,443,270 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 (Note 13) or the grant agreement with Enterprise Community Partners (Note 13) 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 interestbearing deposits, 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 interest-bearing deposits.

Note 13 – 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. Effective January 2022, the contract was amended to award an additional $7,150,000 with a total new contract amount of $12,150,000 and extended the maturity to June 30, 2033. The first tranche of $3,150,000 was distributed to the Association in February 2022. The second and third tranches of $2,000,000 each were distributed in October 2022 and May 2023, respectively. Effective July 2023, the contract was amended to award an additional $6,720,000 with a total new contract amount of $18,870,000 and extended the maturity to June 30, 2035. The first and second tranche of $3,360,000 each will be distributed upon the obligation or lending of at least 80% of the original contract and first tranche, respectively. Effective March 2022, the Association entered into a contract with the Department of Commerce to provide technical assistance to applicants of the Early Learning Fund Program. The funds allocated within the contract are split with Enterprise Community Partners (See Note

1). 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 original 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 $2,639,917 and $2,258,940 as of September 30, 2023 and 2022, respectively. As of September 30, 2023, $2,438,719 was approved to be funded under the program. During the years ended September 30, 2023 and 2022, $381,865 and $219,742, respectively, 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.

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 WELL Fund. 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. There were no loans outstanding as of September 30, 2023, and the outstanding balance of loans totaled $492,927 as of September 30, 2022. As of September 30, 2023, no amounts were approved to be funded under the program. During the year ended September 30, 2022, $184,265 was awarded in the form of grants to eligible organizations and no grants were awarded during the year ended September 30, 2023.

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