WCRA
Annual Report 2024

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

2024 was a busy and productive year for the Washington Community Reinvestment Association.

We share great appreciation and gratitude for the Board of Directors, Loan Committee, and Criticized Credit Advisory Committee. The significant time and expertise provided by each of these groups to support the ongoing work of the organization, the increased loan production of 2024, and the review of new policies and procedures was invaluable.

Thank you also to all our member banks and public funders for your continued investment.

The WCRA ended our fiscal year 2024 with 34 member banks and a total of $170 million in combined member pool lending commitments, reflecting an increase of $3 million over 2023 due to expanded commitments by 1st Security Bank and Mountain Pacific Bank.

The Washington State Housing Finance Commission also increased its commitment to the WCRA during 2024, awarding $5 million in additional funding to the Capital Plus program, raising the amount managed by the WCRA under the program to $21.5 million. The WCRA is fortunate to have this continued partnership and the associated financing capability to provide community and economic development lending across the state.

In addition, the financing activity in the State Department of Commerce funded Washington Early Learning Loan Fund rapidly increased during 2024, with a significant amount of the $19.5 million of lending capacity managed by the WCRA now committed to qualified early learning center projects.

These investments of time, support, and lending capacity resulted in an extraordinarily successful year for the organization.

The WCRA approved 23 loan applications totaling $26.6 million and closed 18 loans totaling $18.2 million during 2024. The closed loan activity financed 15 projects across seven counties in Washington, including three affordable housing properties with a total of 123 units, two loans providing acquisition and improvement financing for 6,000 sf of community space, and financing for ten early learning childcare facilities.

There was an additional $22.3 million in approved and not yet closed loans at year-end 2024, which will provide financing for an additional 218 units of housing, three early learning centers, and over 30,000 SF of community development and commercial space. These projects include lending from our member bank pools, the Capital Plus program funds and the Washington Early Learning Loan Fund.

While challenges in the real estate lending environment remain, the WCRA has been able to consistently rely on the institutional knowledge and expertise of our member banks and stakeholders to support and maintain the quality of our loan portfolio. We believe this ongoing support will allow us to continue weathering the uncertainty still present in the market.

The annual report is the best opportunity the WCRA has to highlight a few of the projects we are privileged to have financed on behalf of our member banks and public funders. The projects included this year vary across product type and location and illustrate our shared ongoing commitment to support communities and citizens across Washington. In addition, the annual report includes the fiscal year 2024 audit of the WCRA by Moss Adams, which reflects another satisfactory year of operations.

We hope you enjoy reviewing the results of our 32nd year working towards meeting Washington's housing and economic development needs and remain motivated and inspired by the work of the WCRA.

We begin 2025, our 33rd year of partnership, in a strong and supported place.

2024 Board of Directors

Bob Powers
JPMorgan Chase
Chair

Tim Grant
Washington Federal
Vice Chair

Dustin Koons
Banner Bank
Secretary

Kim Etherton
Umpqua Bank
Treasurer

Christine Roveda
WCRA
President

Caleb Stephens
Key Bank

Kris Hollingshead
Washington Trust Bank

Jennifer Barnes
Wells Fargo Bank

Mike Gilmore
Yakima Federal Savings & Loan Association

Jonathan Clarke
Enterprise Community Loan Fund

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

Tedd Kelleher
Washington State Department of Commerce

Steve Walker
Washington State Housing Finance Commission

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

2024 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

2024 Loan Committee

Lauren Jassny
The Commerce Bank of Washington
Chair

Kasi Perkins
Ally Bank

Dustin Koons
Banner Bank

Shawn Cozakos
HomeStreet Bank

Nina Marinkovich
JPMorgan Chase

Alex Tkachuk
KeyBank

Fred Holubik
Kitsap Bank

Frank Zaremba
Pacific Premier Bank

Brian Goulet
Seattle Bank

Jack Chambers
Umpqua Bank

Stu Linscott
Washington Trust Bank

Amy Mandell
Wells Fargo Bank

Christine Roveda
WCRA

Angel Ratliff
WCRA

Featured Project

Millworks Early Learning Center, LLC

Millworks Early Learning Center is located in the newly constructed Millworks building on the downtown Bellingham waterfront. The center is operated by Whatcom Family YMCA and includes six classrooms serving 80 preschool-aged children. The upper floors of the building incorporate 83 affordable housing units operated by Mercy Housing Northwest which are reserved for tenants with income levels between 30%-60% of Area Median Income.

Mercy Housing Northwest was formed in 1992 by four Orders of Catholic Sisters for the purpose of providing low income, homeless and other disadvantaged persons with housing facilities and educational and supportive services. The organization currently owns and operates 45 properties comprising over 2,100 units throughout Washington.

Whatcom Family YMCA has been a staple in Bellingham since 1890 and they continue to have a strong and positive impact in their community.

The Bellingham community has been making significant efforts to rebuild the waterfront economy, increase public access, and connect downtown to the water. The Millworks is an important step towards that goal and this early learning center will help families come together and further enrich the community.

Featured Project

7th Haven Apartments

The **7th Haven Apartments** is a mixed-use building located in Port Townsend which includes 43 units of affordable housing and a childcare center. The units are a mix of studio, 1, 2, and 3-bedroom apartments and all are rented to families making between 30% to 50% of Area Median Income, with additional set-asides for formerly homeless families, families affected by domestic violence, and families with mentally ill or developmentally disabled members. Case management services are provided on site.

The borrower is the Olympic Community Action Program (OlyCap), a Community Action Agency and nonprofit organization. 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.

Featured Project

Fofo'Anga Seattle Community Center

Fofo'Anga Seattle Community was formed in 2019 to organize community leaders and provide cultural services for the Tongan community, with a specific focus on teaching the Fofo'Anga traditions and culture to Tongan young adults. The organization includes 200 members located across the Greater Seattle area.

In conjunction with fundraising, Capital Plus financing was used to assist the organization in acquiring a 1,900 square foot building located in Renton. The space is used for community building, wellness, celebrating culture, and fostering mental health through traditional practices.

Featured Project

The Children's Center at Burke Gilman Gardens

"I am so grateful for the positive and kind atmosphere that TCC has afforded my kids. They are a gem of a childcare center for the city of Seattle."

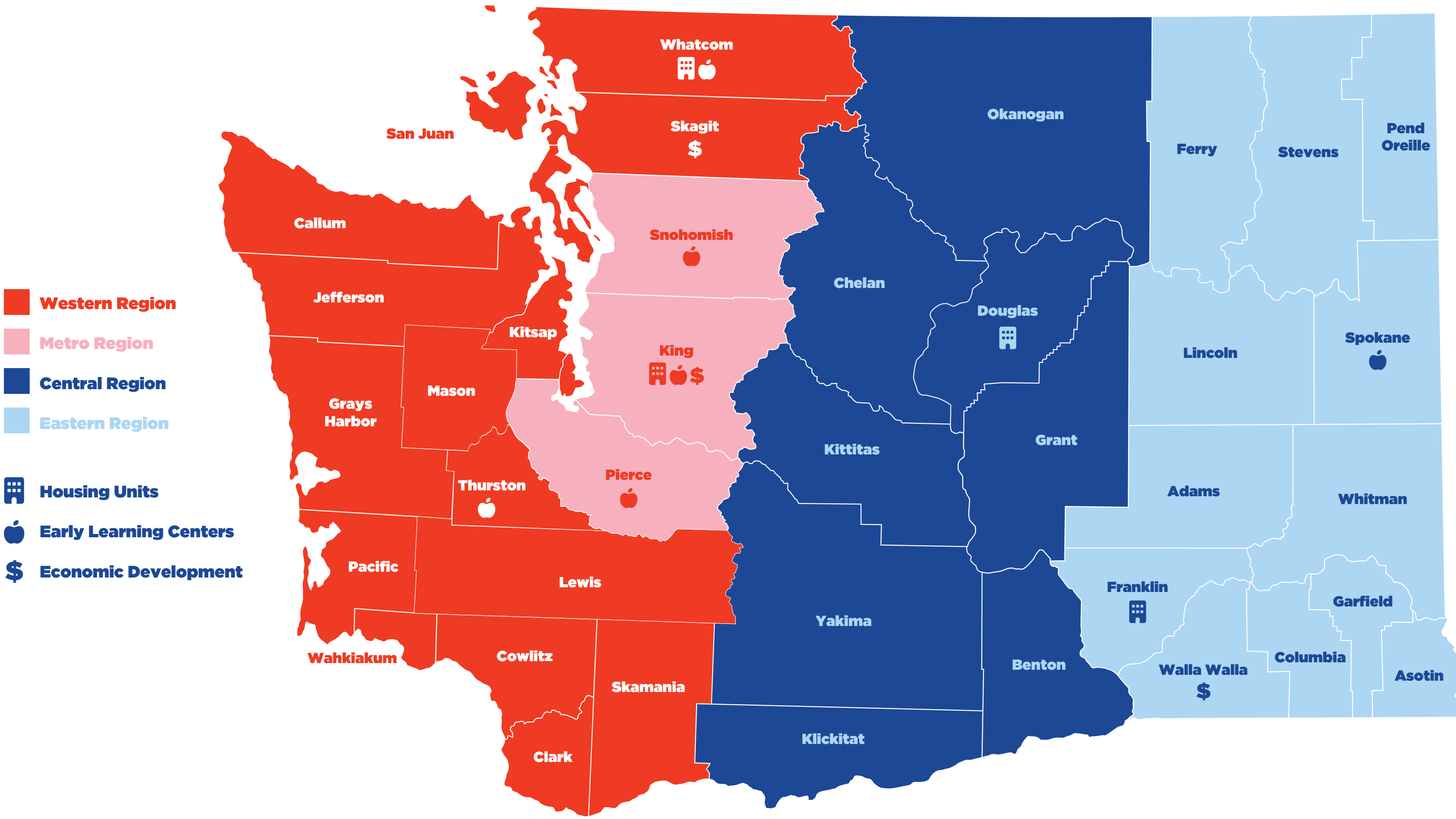
The Children's Center at Burke Gilman Gardens began operations in 1997 and since inception has focused on providing inclusive, respectful, culturally, and developmentally appropriate services to families in their community. The center prioritizes admission for families experiencing homelessness or living in transitional housing, foster families, refugee families, lower income families and children with disabilities.

The center is located on the grounds of the Community Roots Housing Burke Gilman Gardens complex in North Seattle and currently serves 52 children ages 12 months to six years with full-day licensed childcare, early learning programs, and extracurricular activities. The staff reflect the diverse community they serve and offer dual language support for children and families in multiple languages. One third of their families receive subsidized childcare through partnerships with DCYF, the City of Seattle, King County Best Starts for Kids, Division of Vocational Rehabilitation, the University of Washington, and the Muckleshoot Tribe.

Along with Capital Plus financing the WCRA provided a Washington Early Learning Loan (WELL) and additional funding for the project was provided by the Washington State Department of Commerce. These financing sources will allow the center to expand from 5,997 to 7,525 square feet and add 18 additional early learning spots.

Approved and Funded Projects by County

FY 2024



Housing Units	
Douglas	42
Franklin	51
King	101
Whatcom	32
TOTAL	**226**

Early Learning Centers	
King	4
Pierce	1
Snohomish	1
Spokane	1
Thurston	1
Whatcom	2
TOTAL	**10**

Economic Development	
King	2
Skagit	1
Walla Walla	1
TOTAL	**4**

TOTAL SQ. FOOTAGE: 79,923 *

Unit Totals by Region

FY 2024

Region	TOTAL UNITS	TOTAL SQ. FOOTAGE *
Western	32	19,523
Metro	101	42,973
Central	42	0
Eastern	51	17,427

Loans

FY 2024

Funded	$18,186,300
Approved	$26,551,300

*Total square footage includes both Early Learning Center and Economic Development loans.

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, 2024 and 2023, 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, 2024 and 2023, 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 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.

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 20, 2024

Washington Community Reinvestment Association and Subsidiary

Consolidated Statements of Financial Position - September 30, 2024 and 2023

ASSETS	2024	2023
CASH AND CASH EQUIVALENTS	$1,639,728	$2,099,666
INTEREST-BEARING DEPOSITS	$3,103,958	$2,344,165
INTEREST RECEIVABLE	$568,010	$520,480
ACCOUNTS RECEIVABLE AND PREPAID EXPENSES	$186,189	$201,722
LOANS HELD FOR INVESTMENT - MEMBER INSTITUTIONS, net of allowance for credit losses of $719,592 and $602,232, respectively	$106,387,227	$105,287,451
LOANS HELD FOR INVESTMENT - WSHFC, net	$8,155,525	$5,042,736
RESTRICTED CASH	$3,165,967	$10,012,514
AGENT LOANS RECEIVABLE	$9,539,964	$2,639,917
EQUIPMENT, net	$5,235	$4,882
RIGHT-OF-USE ASSET	$292,378	$390,150
TOTAL ASSETS	**$133,044,181**	**$128,543,683**

LIABILITIES AND NET ASSETS	2024	2023
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	$434,336	$271,698
INTEREST PAYABLE	$447,809	$416,440
LEASE LIABILITY	$327,952	$432,819
LOANS PAYABLE - WSHFC	$8,197,078	$5,066,319
NOTES PAYABLE - MEMBER INSTITUTIONS	$104,635,098	$103,745,064
GRANT FUNDS PAYABLE	$12,684,002	$12,652,431
TOTAL LIABILITIES	$126,726,275	$122,584,771
NET ASSETS WITHOUT DONOR RESTRICTIONS	$6,317,906	$5,958,912
TOTAL	**$133,044,181**	**$128,543,683**

Washington Community Reinvestment Association and Subsidiary

Consolidated Statements of Activities - Years Ended September 30, 2024 and 2023

REVENUES

	2024	2023
Interest income	$6,087,338	$5,676,137
Servicing fee income	$294,465	$288,101
Agent fee income	$128,111	$128,556
Loan fees	$28,387	$39,999
Contributions and grants	$8,500	$7,500
Construction loan review revenue	$536,407	$463,589
Other revenue	$141,291	$225,670
TOTAL REVENUES	**$7,224,499**	**$6,829,552**

EXPENSES

	2024	2023
Interest expense	$4,815,125	$4,615,183
Salaries and related expenses	$891,054	$899,330
Professional fees	$704,171	$688,436
Provision for credit losses	$169,903	$113,444
Office expenses	$166,335	$156,459
Other expenses	$108,917	$99,945
Contributions and grants	$10,000	$10,000
TOTAL EXPENSES	**$6,865,505**	**$6,582,797**

CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	$358,994	$246,755
NET ASSETS WITHOUT DONOR RESTRICTIONS, beginning of year	$5,958,912	$5,712,157
NET ASSETS WITHOUT DONOR RESTRICTIONS, end of year	$6,317,906	$5,958,912

Washington Community Reinvestment Association and Subsidiary

Consolidated Statements of Cash Flows - Years Ended September 30, 2024 and 2023

CASH FLOWS FROM OPERATING ACTIVITIES

CASH RECEIVED FROM	2024	2023
Loan fees	$142,185	$86,953
Servicing and agent fee income	$422,576	$416,657
Interest	$6,130,387	$5,657,950
Contributions and grants	$8,500	$7,500
Funds received under WELL Program (Note 13)	-	$4,000,000
Grants disbursed under WELL Program (Note 13)	-	($328,780)
Agent loans funded under WELL Program, net of payments collected (Note 13)	($6,868,476)	$111,950
Construction loan and grant contract review revenue	$689,154	$735,418
	$524,326	**$10,687,648**

CASH PAID TO	2024	2023
Employees	($961,510)	($968,517)
Vendors	($1,013,947)	($1,024,313)
Prepayment fees	($948)	-
Interest	($4,783,853)	($4,605,727)
	($6,760,258)	($6,598,557)
Net cash from operating activities	($6,235,932)	$4,089,091

Washington Community Reinvestment Association and Subsidiary

Consolidated Statements of Cash Flows - Years Ended September 30, 2024 and 2023 **(CONTINUED)**

CASH FLOWS FROM INVESTING ACTIVITIES

	2024	2023
Origination of loans held for investment	($11,350,000)	($8,584,301)
Loan principal collected on loans held for investment from member institutions and WSHFC	$7,021,247	$6,843,957
Purchase of Equipment, net of Disposals	($2,800)	($2,523)
Net change in interest-bearing deposits	($759,793)	($39,199)
Net cash from investing activities	($5,091,346)	($1,782,066)

CASH FLOWS FROM FINANCING ACTIVITIES

	2024	2023
Proceeds from notes payable from member institutions and WSHFC related to loans held for Investment	$11,350,000	$8,584,301
Principal repayments on notes payable from member institutions and institutions and loans payable to WSHFC related to loans held for investment	($7,329,207)	($7,127,301)
Net cash from financing activities	$4,020,793	$1,457,000
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	($7,306,485)	$3,764,025
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH		
Beginning of year	$12,112,180	$8,348,155
End of year	$4,805,695	$12,112,180
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, 2024 and 2023 **(CONTINUED)**

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

	2024	2023
Change in net assets without donor restrictions	$358,994	$246,755
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities		
Depreciation	$2,447	$7,365
Amortization of right-of-use asset	$97,772	$93,498
Provision for credit losses	$169,903	$113,444
Change in operating assets and liabilities		
Interest receivable	($47,530)	($18,094)
Accounts receivable and prepaid expenses	$15,533	($45,867)
Deferred loan fees	($1,172)	($26,831)
Agent loans receivable (Note 13)	($6,900,047)	$111,950
Grant funds payable (Note 13)	$31,571	$3,671,220
Accounts payable, accrued liabilities, and deferred revenue	$110,095	$23,679
Interest payable	$31,369	$9,456
Lease liability	($104,867)	($97,484)
NET CASH FROM OPERATING ACTIVITIES	($6,235,932)	$4,089,091

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

	2024	2023
Cash and cash equivalents	$1,639,728	$2,099,666
Restricted cash	$3,165,967	$10,012,514
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	$4,805,695	$12,112,180

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 three revolving loan funds. 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. The new contract covered the same services as the previous contract with the addition of now covering 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, 2024. 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.

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, 2024 or 2023.

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.

New accounting pronouncements – On October 1, 2023, the Association adopted Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,* which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current loss (CECL) methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities. It also applies to offbalance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments) and net investments in leases recognized by a lessor in accordance with Topic 842 on leases.

The Association adopted Accounting Standards Codification (ASC) 326 using the modified retrospective method for all financial assets measured at amortized cost and off-balance-sheet credit exposures. Results for reporting periods beginning after October 1, 2023, are presented under ASC 326, while prior amounts continue to be reported in accordance with previously applicable GAAP. The adoption resulted in no material change to our allowance for credit losses on loans, or to our allowance for unfunded commitments.

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. There are no reserve loans outstanding as of September 30, 2024 or 2023.

Nonaccrual 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.

Allowance for credit losses – The allowance for credit losses on loans is established through a provision for credit losses charged to expense. Loans are charged against the allowance for credit losses when management believes that the collectability of the principal is unlikely. Subsequent recoveries, if any, are credited to the allowance.

Management utilizes relevant available information, from internal and external sources, relating to past events, current conditions, historical loss experience, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in the current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as for changes in environmental conditions, such as changes in unemployment rates, property values, or other relevant factors. Accrued interest receivable is excluded from the estimate of credit losses for loans.

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. The Association has segmented the portfolio based on traditional loan portfolio types and measures the allowance for credit losses under a lifetime loss rate model for the portfolio.

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not also included in the collective evaluation. When management determines foreclosure is probable or when the borrower is experiencing financial difficulty at the reporting date and repayment is expected to be provided substantially through the operation or sale of the collateral, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs.

Allowance for credit losses on off-balance sheet credit exposures – The Association estimates expected credit losses over the contractual period in which the Association is exposed to credit risk via a contractual obligation to extend credit unless that obligation is unconditionally cancellable by the Association. The allowance for credit losses on off-balance sheet credit exposure is adjusted through a provision for credit loss expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life. The estimate utilizes the same factors and assumptions as the allowance for credit losses on loans and is applied at the same collective pool level.

Prior to the adoption of ASC 326, the Association maintained an allowance for loan losses to absorb probable losses inherent in the loan portfolio. The allowance was based on ongoing quarterly assessments of the probable estimated losses inherent in the loan portfolio. The allowance was increased by the provision for loan losses, which was 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 consisted of several key elements, including the general allowance and specific allowance.

The general allowance was 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 could 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. Impairment losses were 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 Association 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 Association 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, 2024 and 2023, the amount of funds held for customers in escrow was $20,296,802 and $16,025,154, 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, 2024 and 2023, 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 credit 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, 2024 or 2023. 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, 2024 and 2023, 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 20, 2024, which is the date the consolidated financial statements are available to be issued, and no subsequent events occurred requiring accrual or disclosure.

Reclassifications – Certain reclassifications have been made to the 2023 comparable information to conform to the 2024 presentation. Such reclassifications do not alter the change in net assets without donor restrictions or net assets without donor restrictions balances as previously reported.

NOTE 3 – LOANS HELD FOR INVESTMENT

Loans held for investment consist of the following at September 30:	2024	2023
Real estate		
Nontax-credit loans	$70,154,482	$60,526,972
Tax-credit loans	$37,288,678	$45,715,439
Total member institution loans	$107,443,160	$106,242,411
WSHFC loans	$8,120,651	$4,990,199
Total real estate	$115,563,811	$111,232,610
Less		
Allowance for credit losses	($719,592)	($602,232)
Deferred loan fees, net	($301,467)	($300,191)
Total	$114,542,752	$110,330,187
LOANS HELD FOR INVESTMENT - MEMBER INSTITUTIONS, net	$106,387,227	$105,287,451
LOANS HELD FOR INVESTMENT - WSHFC, net	$8,155,525	$5,042,736
TOTAL	**$114,542,752**	**$110,330,187**

The disclosures below reflect the changes made in 2024 to conform with the adoption of ASC 326, *Financial Instruments – Credit Losses,* using the modified retrospective approach. Accordingly, prior period was not modified to conform to the current period presentation.

Changes in the allowance for loan losses for the years ended September 30 were as follows:

REAL ESTATE

	NONTAX-CREDIT	TAX-CREDIT	2024
Allowance for credit losses on loans, beginning of year	$473,539	$128,693	$602,232
Impact of adopting ASC 326	-	-	-
Provision for credit losses	$88,020	$29,340	$117,360
Allowance for credit losses on loans, end of year	$473,539	$128,693	$719,592
			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

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. 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. 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.

The following tables represent the internally assigned grade as of September 30, 2024 and 2023, by type of loans (the tables below are presented at the outstanding principal balance as net deferred loan fees are immaterial):

REAL ESTATE, September 30, 2024

MEMBER INSTITUTION LOANS	NONTAX-CREDIT	TAX-CREDIT	TOTAL
GRADE			
Pass	$63,429,612	$28,210,895	$91,640,507
Watch	$4,891,834	$9,077,783	$13,969,617
Special Mention	$891,180	-	$891,180
Substandard	$941,856	-	$941,856
TOTAL MEMBER INSTITUTION LOANS	$70,154,482	$37,288,678	$107,443,160
WSHFC LOANS (1)	**NONTAX-CREDIT**	**TAX-CREDIT**	**TOTAL**
GRADE			
Pass	$8,120,651	-	$8,120,651
TOTAL WSHFC LOANS	$8,120,651	-	$8,120,651
TOTAL LOANS HELD	$78,275,133	$37,288,678	$115,563,811

(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, 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
TOTAL MEMBER INSTITUTION LOANS	$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
TOTAL WSHFC LOANS	$4,990,199	-	$4,990,199
TOTAL LOANS HELD	$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.

As of September 30, 2024, there is one collateral dependent loan secured by a multifamily property with an outstanding balance $941,856.

There were no nonaccrual loans or loans past due more than 90 days and still accruing interest at September 30, 2024 and 2023.

There were no loans past due 30 to 90 days at September 30, 2024 and 2023. There were no impaired loans or troubled debt restructured loans at September 30, 2023.

Modifications – The Company may agree to modify the contractual terms of a loan to a borrower experiencing financial difficulties as part of ongoing loss mitigation strategies. These modifications may result in principal forgiveness, other-than-significant payment delay, term extension, interest rate modification, or combination therein. There were no loans modified to a borrower experiencing financial difficulties during the year ended September 30, 2024.

NOTE 4 – EQUIPMENT

A SUMMARY OF EQUIPMENT	September 30, 2024	September 30, 2023
Equipment	$60,390	$59,869
Less accumulated depreciation	($55,155)	($54,987)
	$5,235	$4,882

Depreciation expense for the years ended September 30, 2024 and 2023, was $2,447 and $7,365, 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, 2024 and 2023, the maximum limit on the line of credit was $118,075,000 and $116,575,000, respectively. The outstanding amounts were $71,490,172 (of which $61,762,488 was revolving and $9,727,685 was nonrevolving) and $71,509,207 (of which $61,343,680 was revolving and $10,165,527 was nonrevolving) as of September 30, 2024 and 2023, respectively, and $8,005,500 was approved to be funded for loan commitments (Note 8) as of September 30, 2024. 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, 2024 and 2023, the maximum limit on the line of credit was $33,262,000. The outstanding amounts were $22,553,798 (of which $20,537,131 was revolving and $2,016,667 was nonrevolving) and $23,515,647 (of which $21,373,047 was revolving and $2,142,600 was nonrevolving) as of September 30, 2024 and 2023, respectively, and no funds were approved to be funded for loan commitments (Note 8) on the line of credit as of September 30, 2024. 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 1.1% 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, 2024 and 2023, the maximum limit on the line of credit was $19,000,000 and $17,500,000, respectively. As of September 30, 2024 and 2023, the outstanding amounts were $10,591,127 and $8,720,210, respectively, all of which are revolving, and $2,503,163 was approved to be funded for loan commitments (Note 8) on the line of credit as of September 30, 2024. 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:

2025	$7,421,032
2026	$3,491,531
2027	$3,629,910
2028	$4,226,288
2029	$5,679,982
Thereafter	$80,186,355
	$104,635,098

Notes payable – member institutions, at September 30, 2024, bear interest at rates ranging from 2.72% 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 $21,500,000. As of September 30, 2024 and 2023, the outstanding amounts were $8,197,078 and $5,066,319, respectively. As of September 30, 2024, $2,550,000 was approved to be funded for loan commitments (Note 8). 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:

2025	$348,729
2026	$762,285
2027	$219,416
2028	$350,981
2029	$197,238
Thereafter	$6,318,429
	$8,197,078

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 the years ended September 30, 2024 and 2023, $0 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, 2024, was $13,058,663, 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) as of September 30, 2024 and 2023, are as follows:

LEASE COST	2024	2023
Lease expense	$110,662	$115,476
Other lease related expenses	$1,591	$798
	$112,253	**$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, 2024 and 2023, are as follows:

	2024	2023
Operating cash flows from operating leases	$120,215	$117,106
Weighted average remaining lease term	2.75 Years	3.75 years
Weighted average discount rate	4.06%	4.06%

The following table presents minimum lease payments under the terms of the leases as of September 30, 2024:

2025	$123,323
2026	$126,433
2027	$96,897
Total lease payments	**$346,653**
Less imputed interest	($18,701)
Total lease liability	**$327,952**

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, 2024 and 2023, were $3,103,958 and $2,344,165, 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, 2024 and 2023, 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 25% of each employee's total compensation, within certain limits. At September 30, 2024 and 2023, the Association accrued contribution expenses of $28,213 and $20,401, respectively. These amounts are generally paid out in the following fiscal year subject to Board approval.

Note 12 – Liquidity and Availability

The Association has $4,743,686 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 interest-bearing 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 Administration Activities – 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 are returned to the restricted cash funds to be used for subsequent loans or grants in the program. Interest earned on loans are income to the Association and not returned to the restricted cash funds. The outstanding balance of loans totaled $9,321,713 and $2,639,917 as of September 30, 2024 and 2023, respectively. As of September 30, 2024, $2,000,000 was approved to be funded under the program. There were no funds awarded in the form of grants to eligible organizations during the year ended September 30, 2024, and $381,865 was awarded during the year ended September 30, 2023. 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. The outstanding balance of loans totaled $196,322 and $0 as of September 30, 2024 and 2023, respectively. As of September 30, 2024, no amounts were approved to be funded under the program. During the year ended September 30, 2024, no funds were awarded in the form of grants to eligible organizations, and $184,265 was awarded during the year ended September 30, 2023.

WCRA Staff

Christine Roveda
President

Angel L. Ratliff
Vice President &
Director of Lending

Allison Brundage
Loan Servicing
Officer

Rose Minier
Accountant &
Office Manager

Jeanelyn Quinto
Loan Administrator

Kim Chiok
Lending Associate

Washington Community Reinvestment Association
1200 5th Ave., Suite 1406, Seattle, WA 98101

(206) 292-2922
info@wcra.net
www.wcra.net

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