Community Concepts Finance Corporation

FINANCIAL STATEMENTS

and

SUPPLEMENTARY INFORMATION

September 30, 2024 and 2023

With Independent Auditor's Report

BerryDunn

BDMP Assurance, LLP

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Community Concepts Finance Corporation

Opinion

We have audited the accompanying financial statements of Community Concepts Finance Corporation (the Organization, a Maine nonprofit organization), which comprise the statement of financial position as of September 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of September 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

Basis for Opinion

We conducted our audit in accordance with U.S. generally accepted auditing standards (U.S. 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 the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements of the Organization as of September 30, 2023 were audited by Berry, Dunn, McNeil & Parker, LLC whose report dated March 22, 2024 expressed an unmodified opinion on those statements.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the Organization adopted Financial Accounting Standards Board Accounting Standards Codification Topic 326, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments*, during the year ended September 30, 2024. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. 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 financial statements.

In performing an audit in accordance with U.S. GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

The Board of Directors
Community Concepts Finance Corporation

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information presented in the supplementary schedule of federal expenditures is presented for purposes of additional analysis of the financial statements and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

BDMP Assurance, LLP

Bangor, Maine
March 27, 2025

COMMUNITY CONCEPTS FINANCE CORPORATION

Statements of Financial Position

September 30, 2024 and 2023

ASSETS

	2024	2023
Current assets		
Cash and cash equivalents	**$ 1,215,435**	$ 1,750,228
Accounts and grants receivable	**439,584**	545,077
Loans receivable, current portion	**1,918,702**	1,494,237
Prepaid expenses	**5,807**	-
Inventories - real estate for resale	**-**	67,984
Total current assets	**3,579,528**	3,857,526
Other assets		
Restricted cash and cash equivalents	**2,578,633**	1,941,129
Loans receivable, noncurrent portion, net of allowance	**6,517,779**	6,482,928
Investments	**39,262**	41,138
Deferred loans receivable	**209,368**	187,368
Total other assets	**9,345,042**	8,652,563
Total assets	**$ 12,924,570**	$ 12,510,089

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

LIABILITIES AND NET ASSETS

	2024	2023
Current liabilities		
Current portion of long-term debt	**$ 5,327,555**	$ 2,490,482
Accounts payable	**123,742**	66,783
Accrued expenses	**130,311**	89,994
Deferred revenue	**75,949**	75,790
Due to parent	**511,454**	453,075
Other current liabilities	**2,100,000**	-
Security deposits and other reserves	**51,725**	30,759
Total current liabilities	**8,320,736**	3,206,883
Noncurrent liabilities		
Long-term debt, net of current portion	**525,527**	2,830,222
Other long-term liabilities	**-**	2,100,000
Total noncurrent liabilities	**525,527**	4,930,222
Total liabilities	**8,846,263**	8,137,105
Net assets (deficit)		
Without donor restrictions	**(337,317)**	(89,306)
With donor restrictions	**4,415,624**	4,462,290
Total net assets	**4,078,307**	4,372,984
Total liabilities and net assets	**$ 12,924,570**	$ 12,510,089

COMMUNITY CONCEPTS FINANCE CORPORATION

Statements of Activities

Years Ended September 30, 2024 and 2023

	2024	2023
Net assets without donor restrictions		
Support, revenue, and net assets released		
Grants and contracts	**$ 927,013**	$ 1,210,590
Fees	**208,105**	146,821
Forgiveness of debt	**114,842**	-
Interest income	**873,075**	539,372
Other income	**151,800**	75,087
Net assets released from restrictions	**121,381**	19,372
Total support, revenue, and net assets released	**2,396,216**	1,991,242
Expenses		
Program services	**2,237,974**	1,844,116
Management and general	**169,681**	157,098
Total expenses	**2,407,655**	2,001,214
Change in net assets without donor restrictions	**(11,439)**	(9,972)
Net assets with donor restrictions		
Interest income	**67,215**	83,974
Other income	**7,500**	-
Net assets released from restrictions	**(121,381)**	(19,372)
Change in net assets with donor restrictions	**(46,666)**	64,602
Total change in net assets	**(58,105)**	54,630
Net assets at beginning of year as previously presented	**4,372,984**	4,318,354
Impact of adoption of Accounting Standards Update 2016-13	**(236,572)**	-
Net assets at beginning of year as restated	**4,136,412**	4,318,354
Net assets at end of year	**$ 4,078,307**	$ 4,372,984

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

COMMUNITY CONCEPTS FINANCE CORPORATION

Statement of Functional Expenses

Year Ended September 30, 2024

	Program Services	Management and General	Total
Salaries and wages	$ 719,403	$ -	$ 719,403
Payroll taxes and benefits	259,745	-	259,745
Total personnel expenses	979,148	-	979,148
Direct client benefits	428,368	-	428,368
Contractual consultants	128,374	-	128,374
Travel	18,589	-	18,589
Occupancy	51,680	-	51,680
Supplies	4,606	-	4,606
Postage	433	-	433
Information technology and communication	143,772	-	143,772
Equipment expense	24,114	-	24,114
Other services	56,035	-	56,035
Insurance	1,490	-	1,490
Dues and subscriptions	11,961	-	11,961
Employee training and education	9,002	-	9,002
Interest expense	365,103	-	365,103
Advertising	1,375	-	1,375
General and administrative	-	169,681	169,681
Miscellaneous	13,924	-	13,924
Total expenses	$ 2,237,974	$ 169,681	$ 2,407,655

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

COMMUNITY CONCEPTS FINANCE CORPORATION

Statement of Functional Expenses

Year Ended September 30, 2023

	Program Services	Management and General	Total
Salaries and wages	$ 753,319	$ -	$ 753,319
Payroll taxes and benefits	251,843	-	251,843
Total personnel expenses	1,005,162	-	1,005,162
Direct client benefits	224,778	-	224,778
Contractual consultants	26,564	-	26,564
Travel	7,975	-	7,975
Occupancy	57,809	-	57,809
Supplies	7,979	-	7,979
Postage	312	-	312
Printing/photocopying	658	-	658
Information technology and communication	141,335	-	141,335
Equipment expense	49,423	-	49,423
Other services	78,199	-	78,199
Insurance	1,126	-	1,126
Dues and subscriptions	3,585	-	3,585
Employee training and education	4,067	-	4,067
Interest expense	224,407	-	224,407
Advertising	5,778	-	5,778
General and administrative	-	157,098	157,098
Miscellaneous	4,959	-	4,959
Total expenses	$ 1,844,116	$ 157,098	$ 2,001,214

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

COMMUNITY CONCEPTS FINANCE CORPORATION

Statements of Cash Flows

Years Ended September 30, 2024 and 2023

	2024	2023
Cash flows from operating activities		
Change in net assets	**$ (58,105)**	$ 54,630
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Provision for credit losses	**374,866**	116,338
Impact of adoption of ASU 2016-13	**(236,572)**	-
Forgiveness of debt	**(114,842)**	-
(Increase) decrease in		
Accounts and grants receivable	**105,493**	(294,210)
Inventories - real estate for resale	**67,984**	(67,984)
Investments	**1,876**	1,779
Prepaid expenses	**(5,807)**	-
Increase (decrease) in		
Accounts payable	**56,959**	(17,180)
Accrued expenses	**40,317**	2,324
Deferred revenue	**159**	13,708
Due to parent	**58,379**	(174,041)
Security deposits and other reserves	**20,966**	(4,687)
Net cash provided (used) by operating activities	**311,673**	(369,323)
Cash flows from investing activities		
Revolving loans disbursed	**(2,199,162)**	(2,498,529)
Revolving loans repaid	**1,342,980**	1,066,667
Net cash used by investing activities	**(856,182)**	(1,431,862)
Cash flows from financing activities		
Proceeds from issuance of long-term debt	**2,020,953**	1,676,377
Repayment of long-term debt	**(1,373,733)**	(1,705,224)
Net cash provided (used) by financing activities	**647,220**	(28,847)
Net increase (decrease) in cash and cash equivalents	**102,711**	(1,830,032)
Cash and cash equivalents, beginning of year	**3,691,357**	5,521,389
Cash and cash equivalents, end of year	**$ 3,794,068**	$ 3,691,357
Composition of cash and cash equivalents		
Unrestricted cash and cash equivalents	**$ 1,215,435**	$ 1,750,228
Restricted cash and cash equivalents	**2,578,633**	1,941,129
Cash and cash equivalents, end of year	**$ 3,794,068**	$ 3,691,357
Supplemental cash flow disclosures:		
Cash paid for interest	**$ 271,861**	$ 224,407

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

1. Nature of Activities

Community Concepts Finance Corporation (CCFC or the Organization), an affiliate of Community Concepts, Incorporated (CCI), offers various loan products and services to eligible families and businesses. Financial services include home ownership training, and foreclosure and credit counseling. The program also manages various residential and business lending programs providing loans and technical assistance to new or expanding small businesses and mortgages for non-traditional residential borrowers. CCFC is a designated business lending intermediary for both the Small Business Administration (SBA) Microloan Program and the U.S. Department of Agriculture (USDA) Intermediary Relending Program.

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Income Taxes

CCFC is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code (the Code). However, income from certain activities not directly related to the Organization's tax-exempt purposes is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than private foundations under Section 509(a)(1) of the Code.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers* (Topic 606), the Organization recognizes fee revenue over the contract period as the Organization meets the obligation to stand ready to provide services.

A portion of the Organization's revenue is derived from cost reimbursable federal and state contracts and grants, which are conditional upon the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statement of financial position. The Organization received cost reimbursable grants of $75,949 and $75,790 that had not been recognized at September 30, 2024 and 2023, respectively, because qualifying expenditures had not yet been incurred. This revenue stream is not subject to Topic 606.

The Organization also purchases and resells property to clients. This revenue is recognized at a point in time at the date of the sale.

Program service fee revenue represents private fees paid by consumers and by organizations on the behalf of consumers in the amount of $208,105 and $146,821 for the years ended September 30, 2024 and 2023, respectively.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Accounts and Grants Receivable

Accounts and grants receivable are recorded at the contractual amounts of earned revenue due from various government grants and contracts and from clients. No allowance for uncollectible accounts has been established as all accounts and grants receivable are believed to be fully collectible.

Inventories

Inventories consist of other real estate held for resale, as a result of collateral obtained through foreclosure. Real estate held for resale is valued at the lower of cost or net realizable value, plus various housing projects' work in process and the cost of improvements necessary to prepare the real estate for sale.

Property and Equipment

Property and equipment with an estimated useful life in excess of one year and an initial basis of $5,000 or more is carried at cost if purchased, or fair market value if donated, and is depreciated using the straight-line method over the estimated useful lives of the respective assets, ranging from three to thirty years.

Loans Receivable

Loans that management has the intent and ability to hold for the foreseeable future, or until maturity or pay-off, are stated at the amount of unpaid principal, reduced by an allowance for credit losses (ACL). Direct loan origination costs have not been capitalized as the amount would be immaterial.

Loans past due 30 days or more are considered delinquent. Management is responsible to initiate timely collection efforts to promptly address delinquency and mitigate the risk of eventual adverse impact on the Organization.

Loan interest income is accrued daily on the outstanding balances. For all classes of loans, past due loans are considered for nonaccrual when they are 90 days past due, based upon management's assessment of risk of loss. During this time, loan collection efforts continue per the Organization guidelines and management attempts to work with the borrower to resolve the situation. Once held as a nonaccruing asset, interest is no longer accrued for that particular loan. The loan is then on a cash basis so that interest is booked only when payment is made. A loan may be taken off nonaccrual status and returned to an accruing status once the past due obligation has been paid current and the borrower has made two consecutive payments on time. The Organization had total loans in non accrual status of $325,323 and $1,342,416 at September 30, 2024 and 2023, respectively.

ACL

The ACL is a valuation account that is deducted from the loans amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the uncollectibility of a loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off. Management evaluates the appropriateness of the ACL on loans quarterly. This evaluation is inherently subjective as it requires material estimates that may be susceptible to significant change from period to period.

Due to the nature of the programs under which the Organization makes loans, all loans are considered to have some degree of impairment. During 2024 and 2023, the average balance of impaired loans was $8,207,000 and $7,894,000, respectively.

Methodology

Effective October 1, 2023, management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. A reversion methodology is applied beyond the reasonable and supportable forecasts. Qualitative adjustments are then considered for differences in 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, that may include, but are not limited to, results of internal loan reviews or other events such as a natural disaster.

The Organization uses the weighted average remaining maturity (WARM) method to estimate expected credit losses for all segments. Under the WARM method, the Organization establishes a historical loss rate for each portfolio segment, utilizing either its own historical loss data, peer loss data, or a combination of the two data sources. This historical loss rate is then adjusted for management’s reasonable and supportable forecast.

Management has determined that 12 quarters represents a reasonable and supportable forecast period for all portfolio segments and reverts back to its historical loss rate over four quarters on a straight-line basis. This determination is based on the facts and circumstances of the current state of the economy, portfolio segment, and management’s judgement of what can be reasonably supported. Management monitors and assesses the forecast and reversion techniques regularly.

The resulting loss rate is then applied to the portfolio segment over its estimated remaining life. A portfolio segment’s estimated remaining life is determined by calculating an annual attrition rate on a quarterly basis using the Organization’s loan-level data. The estimated remaining life is then calculated as the average of the quarterly annual attrition rates. The principal balance of the portfolio segment is then paid down on a straight-line basis over the estimated remaining life. Any qualitative adjustments, as described above, are then applied to the portfolio segment, to derive the Organization's expected credit losses for the portfolio segment.

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not also included in the collective evaluation. In general, loans individually evaluated for estimated credit losses include those (i) in past due status or (ii) in a workout status with the Organization. Specific reserves are established when appropriate for such loans based on the present value of expected future cash flows of the loan. However, when management determines that foreclosure is probable expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate.

Management may also adjust its assumptions to account for differences between expected and actual losses from period-to-period. The variability of management’s assumptions could alter the ACL on loans materially and impact future results of operations and financial condition. The loss estimation models and methods used to determine the ACL are continually refined and enhanced.

Grants and Contracts

Governmental grants are provided to support specific programs and are subject to various budgetary restrictions. Grants received are required to be expended within the time stated in the guidelines of the grant. Support received under grants and contracts is recorded as public support as services are provided or reimbursable costs incurred. Amounts received in advance of revenue recognition are reported as deferred revenue.

Contributions

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions depending on the nature of the restriction.

Functional Expenses

The parent company, CCI, allocates its expenses on a functional basis among its various functions, including to CCFC. Expenses that can be identified with a specific program are charged directly to that program according to their natural expense classification. Costs which are not directly attributable to a specific program or programs are presented as management and general within the statement of functional expenses. The Organization also employs certain indirect cost pools, in which certain costs are accumulated and then allocated to other cost centers based on relative usage.

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function of CCI, including to CCFC. Those expenses include occupancy, human resources, and the information technology department. Occupancy is allocated based on square footage; human resources is allocated based on full-time employees in each program; and the information technology department is allocated based on the number of full-time employees in each program.

Recently Adopted Accounting Principle

On October 1, 2023, the Organization adopted Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses* (Topic 326): *Measurement of Credit Losses on Financial Instruments*, as amended, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit 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. It also applies to off-balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments).

The Organization adopted Topic 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 Topic 326 while prior period amounts continue to be reported in accordance with previously applicable U.S. GAAP. The Organization recognized a decrease to net assets of $236,572 as of October 1, 2023 for the cumulative effect of adopting Topic 326. The transition adjustment includes an increase of $258,572 to the allowance for loan losses (now called the ACL on loans) and a decrease of $22,000 to remove the allowance for deferred loans receivable.

	As Reported Under Topic 326	Pre-Topic 326 Adoption	Impact of Topic 326 Adoption
Loans:			
Business – Exceptions, Discontinued Products, and Non-conforming to current policy	$ 587,056	$ 587,056	$ -
Business – No Grant associated with Funding for TA	3,965,337	3,965,337	-
Business – SBA, RMAP and other Technical Assistance (TA) Grants	610,892	610,892	-
Residential – Mobile Homes, Home Improvement & Down Payment Assistance	779,952	779,952	-
Residential – Purchase & Refinance	2,663,458	2,663,458	-
Allowance for credit losses on loans	888,102	629,530	258,572

In March 2022, the FASB issued ASU 2022-02, *Financial Instruments - Credit Losses* (Topic 326): *Troubled Debt Restructurings and Vintage Disclosures*. The amendments in the Update eliminate the existing accounting guidance for troubled debt restructures (TDRs) by creditors in Subtopic 310-40, *Receivables – Troubled Debt Restructurings by Creditors*, and instead requires that an entity evaluate whether a modification represents a new loan or a continuation of an existing loan. The amendments also enhance disclosure requirements for certain loan refinancing and restructuring by creditors when a borrower is experiencing financial difficulty. All amendments in this update are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Adoption of this ASU did not have a material impact on the financial statements of the Organization.

Subsequent Events

In accordance with FASB ASC 855-10, *Subsequent Events,* management has evaluated subsequent events for possible recognition or disclosure through March 27, 2025, which is the date these financial statements were available to be issued.

3. Loans Receivable and Restricted Cash and Cash Equivalents

Loans receivable (excluding forgivable loans) consist of mortgage loans to individuals and commercial loans to Maine businesses made under various programs funded by government agencies and loan capital investors. Mortgage loans are collateralized by real estate and are issued to eligible homeowners in Western Maine in an effort to promote and expand homeownership in the region. Commercial loans are collateralized by business assets and are issued to qualifying small businesses to assist such enterprises in an effort to grow the Western Maine economy.

Under the requirements of the SBA Microloan Program, the Organization is mandated to establish and maintain a loan loss reserve depository account to cover potential losses in the SBA Microloan Program. Loans which are deemed uncollectible are required to be written off against this reserve, which is required to be maintained at a level equal to 15% of outstanding loans to the SBA. The Organization is also required to maintain separate depository accounts through which all cash flows arising from the operation of the SBA Microloan Program are processed and held. Another government funded lending program, the USDA RMAP, also requires the Organization to maintain separate depository accounts.

All of the required deposit account balances described above are included in restricted cash and cash equivalents in the statement of financial position, which consists of the following as of September 30:

	2024	2023
Loan loss reserve – SBA Microloan Program	**$ 294,079**	$ 293,330
Operating account – SBA Microloan Program	**141,920**	671,396
Loan loss reserve – USDA RMAP	**-**	25,186
Operating account – USDA RMAP	**-**	239,245
Business lending – various	**2,142,634**	711,972
Total restricted cash and cash equivalents	**$ 2,578,633**	$ 1,941,129

The components of net loans receivable at September 30 are as follows:

	2024	2023
Business - Exceptions, Discontinued Products, and Non-conforming to current policy	**$ -**	$ 587,056
Business - No Grant associated with Funding for TA	**3,863,212**	3,965,337
Business – SBA, RMAP and other TA Grants	**702,378**	610,892
Residential - Mobile Homes, Home Improvement & Down Payment Assistance	**1,619,752**	779,952
Residential - Purchase and Refinance	**2,939,328**	2,663,458
Subtotal	**9,124,670**	8,606,695
ACL	**(688,189)**	(629,530)
Loans receivable, net of ACL	**$ 8,436,481**	$ 7,977,165

Activity in the allowance was as follows for the year ended September 30, 2024:

	Mortgage	Commercial	Business - Exceptions, Discontinued Products, and Non-conforming to Current Policy	Business - No Grant Associated with Funding for TA	Residential - Mobile Homes, Home Improvement, & Down Payment Assistance	Residential - Purchase and Refinance	Total
Allowances, beginning of year	$ 258,551	$ 370,979	$ -	$ -	$ -	$ -	$ 629,530
Impact of adoption of ASC 326	(258,551)	(370,979)	146,764	503,865	4,541	232,932	258,572
Provision for (reduction in) loan losses	-	-	428,015	(79,331)	18,113	8,069	374,866
Charge offs	-	-	(574,779)	-	-	-	(574,779)
Allowances, end of year	$ -	$ -	$ -	$ 424,534	$ 22,654	$ 241,001	$ 688,189

Activity in the allowance was as follows for the year ended September 30, 2023:

	Mortgage Loans	Commercial Loans	Total
Allowances, beginning of year	$ 123,949	$ 395,997	$ 519,946
Provision for (reduction in) loan losses	134,602	(18,264)	116,338
Charge offs	-	(6,754)	(6,754)
Allowances, end of year	$ 258,551	$ 370,979	$ 629,530

The following table presents an aging analysis of loans as of September 30, 2024:

	Business - No Grant Associated with Funding for TA	Business - SBA, RMAP, and other TA Grants	Residential - Mobile Homes, Home Improvement, & Down Payment Assistance	Residential - Purchase and Refinance	Total
31-60 days past due	$ -	$ -	$ -	$ 80,189	$ 80,189
61-90 days past due	39,861	-	-	172,937	212,798
91+ days past due	135,323	-	-	190,000	325,323
Total past due loans	175,184	-	-	443,126	618,310
Current	3,688,028	702,378	1,619,752	2,496,202	8,506,360
Total loans	$ 3,863,212	$ 702,378	$ 1,619,752	$ 2,939,328	$ 9,124,670

The following table presents an aging analysis of loans as of September 30, 2023:

	Mortgage Loans	Commercial Loans	Total
31-60 days past due	$ 352,479	$ -	$ 352,479
61-90 days past due	-	-	-
91+ days past due	588,848	753,568	1,342,416
Total past due loans	941,327	753,568	1,694,895
Current	2,497,323	4,414,477	6,911,800
Total loans	$ 3,438,650	$ 5,168,045	$ 8,606,695

There were no loans 91+ days past due that are still accruing interest at September 30, 2024 and 2023.

The Organization classifies loans in each loan category by credit risk exposure. The following tables present the credit risk profile by credit-worthiness category as of September 30, 2024 and 2023. The categories are as follows:

Low: These loans are made to borrowers with a good financial condition, good credit, and ability to repay. Under current circumstances, management sees no risk of non-payment or loss in a highly unlikely liquidation.

Medium: These loans are made to borrowers with an acceptable financial condition and ability to repay. The borrower's credit rating is acceptable or marginal, but improving. Management sees some risk of loss under current circumstances, but believes the loan and support services from the Organization will allow for repayment in full.

Satisfactory: Loans in this category have potential weaknesses that, if not corrected, may result in payment defaults or a weakening of the collateral position. These borrowers require prompt attention and additional monitoring, but do not demonstrate sufficient risk to warrant a more adverse rank.

Watch: These borrowers have a well-defined weakness and normal repayment of principal and interest may be jeopardized by adverse trends or development of a negative financial or managerial problem. These loans have an important collateral weakness which is not supported by other financial strengths. No loss is foreseen, but a protracted workout is a possibility and prompt corrective action is required.

Doubtful: Loans classified as doubtful have all the weaknesses inherent in those classified watch with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, highly questionable and improbable.

Loss: Loans in this category have a specifically determined estimate of a loss. Losses are recognized as they become apparent.

On a quarterly basis, or more often if needed, the Organization formally reviews the ratings on all commercial and mortgage loans.

The following table presents an analysis of loans by risk rating (excluding forgivable loans) as of September 30, 2024:

	Business – No Grant Associated with Funding for TA	Business – SBA, RMAP, and other TA Grants	Residential – Mobile Homes, Home Improve-ment, & Down Payment Assistance	Residential – Purchase and Refinance	Total
Low	$ 1,634,634	$ 321,692	$ 447,636	$ 758,370	$ 3,162,332
Medium	1,426,877	380,686	685,783	905,454	3,398,800
Satisfactory	626,517	-	8,426	150,009	784,952
Watch	135,323	-	477,907	596,895	1,210,125
Doubtful	39,861	-	-	123,252	163,113
Loss	-	-	-	405,348	405,348
Total loans	$ 3,863,212	$ 702,378	$ 1,619,752	$ 2,939,328	$ 9,124,670

The following table presents an analysis of loans by risk rating (excluding forgivable loans) as of September 30, 2023:

	Mortgage Loans	Commercial Loans	Total
Low	$ 966,593	$ 991,382	$ 1,957,975
Medium	140,282	1,702,652	1,842,934
Satisfactory	724,251	1,462,000	2,186,251
Watch	1,217,554	18,430	1,235,984
Doubtful	157,605	993,581	1,151,186
Loss	232,365	-	232,365
Total loans	$ 3,438,650	$ 5,168,045	$ 8,606,695

There were no loans committed, but not yet disbursed, at September 30, 2024 and 2023.

Occasionally, the Organization modifies loans to borrowers in financial distress by providing principal forgiveness, term extension, other-than-insignificant payment delay or interest rate reduction. When principal forgiveness is provided, the amount of forgiveness is charged-off against the ACL. In some instances, the Organization provides multiple types of concessions on one loan. For the loans included in the "combination" columns in the tables below, multiple types of modifications have been granted on the same loan within the current reporting period. Classification as a combination is those where at least two of the following: a term extension, principal forgiveness, other-than-insignificant payment delay and/or an interest rate reduction have been granted. The following table presents the amortized cost basis of loans on September 30, 2024 that were both experiencing financial difficulty and modified during the year ended September 30, 2024, by class and type of modification. The percentage of the amortized cost basis of loans that were modified to borrowers in financial distress as compared to the amortized cost basis of each class of financing receivable is also presented below.

	Term Extension	Combination	Total Class of Financing Receivable	Total Percentage by Class of Financing Receivable
No Grant Assocated with Funding for TA	$ 236,981	$ 262,520	$ 499,501	13%
Purchase and Refi	-	298,828	298,828	10%
Total	$ 236,981	$ 561,348	$ 798,329	

As of September 30, 2024, there were no commitments to lend additional amounts to the borrowers included in the previous table.

The Organization closely monitors the performance of loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. There was one borrower with a financial difficulty modification that was past due as of September 30, 2024. Additionally, there was one financial difficulty modification loan that had a payment default during the year ended September 30, 2024 that was modified in the 12 months prior to that default. Upon the Organization's determination that a modified loan (or portion of a loan) has subsequently been deemed uncollectible, the loan (or a portion of the loan) is charged off. Therefore, the amortized cost basis of the loan is reduced by the uncollectible amount and the ACL is adjusted by the same amount.

4. Deferred Loans Receivable and Deferred Second Mortgages

Deferred loans receivable represent home mortgage loans provided for properties that have been renovated and sold by the Organization, as well as second mortgages to assist people in meeting their mortgage needs. Balances receivable by the Organization under these agreements, net of the ACL, amounted to $209,368 at September 30, 2024 and 2023. The Organization assessed these loans under the requirements of ASC 326 and determined there is no risk of loss, therefore, there is no allowance for credit losses at September 30, 2024. As of September 30, 2023, there was an allowance for loan losses of $22,000. Additionally, the Organization is party to certain second mortgages issued to eligible homeowners. Under these agreements, repayment by the homeowner occurs only upon the non-fulfillment of certain restrictions in the future. Furthermore, any such repayments received by the Organization are immediately repayable to the funder who initially provided these monies. Accordingly, as the Organization is the administrative agency, no assets or liabilities associated with these instruments are presented within the Organization's financial statements. The balances of such deferred second mortgages amounted to $287,400 and $400,093 at September 30, 2024 and 2023, respectively.

5. Investments in Securities

FASB ASC Topic 820, *Fair Value Measurement*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs of valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table sets forth by level, within the fair value hierarchy, the Organization's investment assets at fair value as of September 30, 2024:

	Level 1	Level 2	Level 3	Total
U.S. government agency securities	$ 39,262	$ -	$ -	$ 39,262
Totals	$ 39,262	$ -	$ -	$ 39,262

Investment assets at fair value as of September 30, 2023:

	Level 1	Level 2	Level 3	Total
U.S. government agency securities	$ 41,138	$ -	$ -	$ 41,138
Totals	$ 41,138	$ -	$ -	$ 41,138

6. Due to Parent

The Organization has common Governing Board members with CCI. Separately available consolidated financial statements have been issued that include all transactions of both organizations, with significant interorganizational transactions and accounts eliminated. The financial statements of the Organization include an amount of $511,454 and $453,075 due to the CCI consolidated entity as of September 30, 2024 and 2023, respectively.

The Organization incurred expenses from CCI of $719,403 and $753,319 for the use of CCI's shared employees and other resources for the years ended September 30, 2024 and 2023, respectively. In 2024 and 2023, the Organization shared indirect costs with CCI. These costs totaled $169,681 and $157,098 for the years ended September 30, 2024 and 2023, respectively.

7. Borrowings

At September 30, long-term debt consisted of the following:

	2024	2023
Note payable to William Caspar Graustain Memorial Fund in the amount of $100,000, interest of 2%, due in a single balloon payment on August 31, 2023. The Organization is negotiating an extension.	**$ 100,000**	$ 100,000
Notes payable to a bank, interest rates ranging from 5.14% to 5.93%, payable in installments of interest and principal tied to repayment of certain notes receivable; collateralized by loan pool assets, expiring March 2025 unless renewed.	**163,731**	170,840
Note payable to a bank, floating interest based on lender's mortgage portfolio rate as adjusted from time-to-time, payable in installments of principal and interest tied to repayment of certain notes receivable; collateralized by loan pool assets, to be renewed annually.	**54,037**	61,094
Revolving loan payable to a bank, borrowing limit of $3,000,000 interest at the Federal Home Loan Bank of Boston (FHLBB) amortizing rate plus 2.5%, with a floor of 4% (10.5% at September 30, 2024), monthly payments of principal and interest tied to repayment of certain notes receivable; collateralized by loan pool assets, expiring April 30, 2025 unless renewed.	**2,076,585**	839,587
Note payable to a bank, interest at 2%, due in full June 25, 2025; collateralized by loan pool assets. Interest only payments are to be made annually on the anniversary date of the note.	**50,000**	50,000
Note payable to USDA RMAP, borrowing limit of $500,000. Interest at 2% per annum from the date funds are advanced; collateralized by deposits and notes receivable. Paid in full during 2024.	**-**	263,181
Notes payable to a not-for-profit organization in the amount of $75,000 and $70,000, fixed interest rate of 2.5%, all principal of the notes shall be due and payable in full in December 2024; collateralized by notes receivable.	**145,000**	145,000
Note payable to SBA in the amount of $1,000,000, payable with interest at 1.625%, matured and paid in August 2024.	**-**	98,743

	2024	2023
Line of credit to establish a lending pool with a bank in the amount of $3,500,000, bearing interest at the FHLBB amortized 5/20 Community Development Advance (CDA) rate, plus 2% (6.27% as of September 30, 2024). Repayment terms based on repayment of underlying notes receivable. The line expiring July 10, 2025, unless renewed; collateralized by notes receivable.	**$ 2,168,461**	$ 1,695,566
Note payable to the FHLBB, interest at 3.23%, payable in monthly principal and interest payments of $167 through December 1, 2036, at which date the remaining principal balance shall become due in full.	**36,190**	36,190
Note payable to the FHLBB, interest at 3.36%, payable in monthly principal and interest payments of $403 through February 2, 2037, at which date the remaining principal balance shall become due in full.	**71,259**	74,398
Note payable to SBA, interest at the fixed rate of 2%, less a buy down of 1.25% through the twelfth month, at which point interest is re-evaluated, due in monthly installments of principal and interest totaling $7,407, commencing August 2018 through August 2027, at which date the loan is due in full; collateralized by notes receivable.	**264,830**	354,414
Revolving loan payable to a bank, interest at the fixed rate of 4%, due in full in March 2025 unless renewed; collateralized by assignment of certain loans and guaranteed by CCI.	**51,135**	159,394
Revolving loan payable to a bank, interest at the fixed rate of 4% for 12 months. Thereafter, the loan shall be fixed in successive 12-month intervals at the FHLBB 5-year advance rate, plus 1.5% (5.82% as of September 30, 2024). Monthly payments of interest only, principal due in full in March 2025 unless renewed; collateralized by certain notes receivable and guaranteed by CCI.	**67,930**	75,949
Note payable to the Sandy River Charitable Foundation in the amount of $250,000, interest at 2%, unsecured note, originally due in full in May 2023. Interest only payments are to be made annually on the anniversary date of the note. The Organization made principle payments of $135,158 during 2024 and the remaining balance was forgiven.	**-**	250,000

	2024	2023
Note payable to establish a lending pool with a bank, bearing interest at the FHLBB community development rate, plus 2% (6.27% as of September 30, 2024). Repayment terms based on repayment of underlying notes receivable. Collateralized by notes receivable.	$ -	$ 231,066
Note payable to SBA, interest at the fixed rate of 0.5%, due in monthly installments of principal and interest totaling $9,259 commencing January 2021 through March 2030, at which date the loan is due in full; collateralized by notes receivable.	**603,924**	715,282
Subtotal	**5,853,082**	5,320,704
Less current portion	**(5,327,555)**	(2,490,482)
Long-term debt, net of current portion	**$ 525,527**	$ 2,830,222

The Organization has available an unused revolving loan payable to a bank, borrowing limit of $500,000, interest at the FHLBB amortizing rate plus 2.5%, with a floor of 4% (10.5% at September 30, 2024), monthly payments of principal and interest tied to repayment of certain notes receivable; collateralized by loan pool assets, expiring April 30, 2024 unless renewed.

Maturities on long-term debt are as follows:

2025	$ 5,327,555
2026	112,567
2027	110,181
2028	6,103
2029	6,228
Thereafter	290,448
Total	$ 5,853,082

8. Other Long-Term Liabilities and Special Financing

Other long-term liabilities consist of funds provided to the Organization under the terms of several "equity-equivalent" (so-called "EQ2") agreements from local banks. Such instruments possess characteristics both of equity as well as of debt, and have been provided to the Organization as a means of funding current and future lending activities. While such instruments are evidenced by agreements calling for the repayment of advanced funds to the issuer and bear interest at varying rates, the Organization's repayment obligations are deeply subordinated to substantially all other obligations it carries. Rates vary from a variable interest rate equal to Prime less 1.25% (6.75% at September 30, 2024), to a fixed interest rate equal to the FHLBB Classic Advance Rate, plus 1% at the time of the advance. The variable rate applies to $2,000,000 of the liability. Moreover, these agreements provide for indefinite or rolling maturities, thus rendering them similar in some respects to equity financing. Accordingly, the Organization has recorded its current outstanding balances provided under these arrangements as a separate component of noncurrent liabilities within the statement of financial position. The balance is due in full on September 24, 2025. Such balances amounted to $2,100,000 at September 30, 2024 and 2023.

9. Retirement Plan

The Organization participates in a defined contribution retirement plan as authorized by Code Section 403(b). The Organization contributes an amount equal to 2% of the employee's compensation after the completion of two years of continuous service. A year of service for the purpose of eligibility to participate in the plan is the 12-month period beginning on the employee's date of employment and the 12-month period beginning on the anniversary date of the employee's employment, in which the employee is credited with at least 1,000 hours of service. The Organization also matches dollar-for-dollar the amount of voluntary contributions employees make to the plan, on a monthly basis, up to an additional 4% of the employee's compensation, after completion of two years of service. Employees are eligible to participate in the plan when they reach 21 years of age. Additionally, employees are vested 100% upon becoming a participant of the plan. Retirement plan expense for the years ended September 30, 2024 and 2023 totaled $36,574 and $38,611, respectively.

10. Commitments and Contingencies

Government Grants

The Organization participates in various governmental grant programs which may be subject to future program compliance audits by grantors or their representatives. Accordingly, the Organization's compliance with applicable program grant requirements may be established at some future date. The amount, if any, of liabilities arising from disallowance of expenditures or ineligibility of grant revenues cannot be determined at this time.

Concentrations of Credit Risk Arising From Uninsured Cash Deposits

The Organization maintains its cash balances in bank deposit accounts that, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk from cash and cash equivalents.

Contingency

The Organization may be involved in various claims or legal actions arising in the ordinary course of business. The ultimate disposition of any such matters is indeterminable, but in the opinion of management, the amount of any potential liabilities would not have a significant impact on the Organization’s financial condition.

11. Donor Restrictions and Limitations of Net Asset Balances

Net assets with donor restrictions consisted of the following at September 30:

	2024	2023
Subject to expenditure for specific purpose:		
Revolving and expendable lending pools and programs	**$ 3,871,202**	$ 3,870,521
Nonlending program purposes and activities	**315,543**	362,890
Total net assets subject to expenditure for specific purpose	**4,186,745**	4,233,411
Not subject to expenditure:		
Perpetual revolving small business and other lending pools	**228,879**	228,879
Total net assets not subject to expenditure	**228,879**	228,879
Total net assets with donor restrictions	**$ 4,415,624**	$ 4,462,290

12. Liquidity and Availability of Financial Assets

Financial assets and liquid resources available within one year for general expenditure, such as operating expenses, scheduled principal payments on debt, and capital construction costs not financed with debt, were as follows as of September 30:

	2024	2023
Cash and cash equivalents	$ 1,215,435	$ 1,750,228
Accounts and grants receivable, net	439,584	545,077
Less donor restricted funds	(315,543)	(362,890)
Total financial assets available at year end for current use for general expenditure	$ 1,339,476	$ 1,932,415

The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

The Organization has a liquidity policy that maintains current financial assets, less current liabilities at a minimum of 30 days operating expenses. The Organization has a policy to target a year-end balance of reserves of unrestricted, undesignated net assets to meet 15 to 30 days of expected expenditures. To achieve these targets, the entity forecasts its future cash flows and monitors its liquidity quarterly, and monitors its reserves annually. During the years ended September 30, 2024 and 2023, the level of liquidity and reserves was managed within the policy requirements.

13. Financial Instruments with Off-Statement of Financial Position Risk

The Organization is a party to credit-related financial instruments with off-statement of financial position risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and lines of credit. Such commitments involve, to varying degrees, elements of credit, and interest rate risk in excess of the amount recognized in the statement of financial position.

The Organization's exposure to credit loss is represented by the contractual amount of these commitments. The Organization follows the same credit policies in making commitments as it does for on-statement of financial position instruments.

At September 30, 2024, the following financial instruments were outstanding whose contract amounts represent credit risk:

	2024	2023
Unadvanced commitments under letters of credit	**$ 100,000**	$ 100,000

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The commitments for equity lines of credit may expire without being drawn upon. Therefore, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if it is deemed necessary by the Organization, is based on management's credit evaluation of the customer.

SUPPLEMENTARY INFORMATION

COMMUNITY CONCEPTS FINANCE CORPORATION

Supplementary Schedule of Federal Expenditures

Year Ended September 30, 2024

Federal grantor/pass-through grantor/program title	Federal AL Number	Pass-through Number	Federal Expenditures
U.S. Department of Agriculture			
Direct Programs:			
Rural Microentrepreneur Assistance Program	10.870	N/A	$ 18,922
Rural Microentrepreneur Assistance Program (a)	10.870	N/A	263,181
Total AL Number 10.870:			282,103
Total U.S. Department of Agriculture:			282,103
U.S. Department of Housing and Urban Development			
Direct Programs:			
Housing Counseling Assistance Program	14.169	N/A	35,000
Total U.S. Department of Housing and Urban Development:			35,000
U.S. Department of Labor			
Passed through: Northern Forest Center			
WIOA Dislocated Worker National Reserve Demonstration Grants	17.280	WORC	5,028
Total U.S. Department of Labor:			5,028
U.S. Department of Treasury			
Passed through: NeighborWorks America			
Neighborworks	21.000	N/A	226,148
Passed through: Maine State Housing Authority			
COVID-19 Homeowner Assistance Fund	21.026	N/A	116,718
Passed through: Northern Forest Center			
COVID-19 Coronavirus State and Local Fiscal Recovery Fun	21.027	MCA	103,232
Total U.S. Department of Treasury:			446,098

(a) Outstanding loan, balances include beginning of year outstanding balances and current year disbursements

COMMUNITY CONCEPTS FINANCE CORPORATION

Supplementary Schedule of Federal Expenditures

Year Ended September 30, 2024

Federal grantor/pass-through grantor/program title	Federal AL Number	Pass-through Number	Federal Expenditures
U.S. Small Business Administration			
Direct Programs:			
Microloan Program (a)	59.046	N/A	1,168,439
Microloan Program	59.046	N/A	297,443
Total AL Number 59.046:			1,465,882
Total U.S. Small Business Administration:			1,465,882
Total Expenditures of Federal Awards:			$ 2,234,111

(a) Outstanding loan, balances include beginning of year outstanding balances and current year disbursements