

Communities Unlimited, Inc.

Fayetteville, Arkansas

Financial Statements and Supplementary Information

Years Ended September 30, 2022 and 2021



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Communities Unlimited, Inc.

Financial Statements and Supplementary Information Years Ended September 30, 2022 and 2021

Table of Contents

Independent Auditor's Report	1
Financial Statements	
Statements of Financial Position	4
Statements of Activities	5
Statement of Functional Expenses - 2022	6
Statement of Functional Expenses - 2021	7
Statements of Cash Flows	8
Notes to Financial Statements	9

Independent Auditor's Report

Board of Directors
Communities Unlimited, Inc.
Fayetteville, Arkansas

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Communities Unlimited, Inc. (the "Organization"), a nonprofit organization, which comprise the statements of financial position as of September 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Communities Unlimited, Inc. as of September 30, 2022 and 2021, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Communities Unlimited, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related 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 financial statements in accordance with 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 Communities Unlimited, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgement 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 Communities Unlimited, Inc.'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Communities Unlimited, Inc.'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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated February 15, 2023, on our consideration of Communities Unlimited, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Communities Unlimited, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Communities Unlimited, Inc.'s internal control over financial reporting and compliance.

Wipfli LLP

Wipfli LLP

Madison, Wisconsin

February 15, 2023

Communities Unlimited, Inc.

Statements of Financial Position

September 30, 2022 and 2021

Assets	2022	2021
Current assets:		
Cash and cash equivalents	\$ 12,948,241	\$ 13,875,570
Short-term investments	90,717	90,580
Accounts receivable	1,425,255	953,019
Notes receivable	2,495,671	2,084,045
Prepaid expenses	31,593	20,369
Total current assets	<u>16,991,477</u>	<u>17,023,583</u>
Long-term assets:		
Notes receivable, net of allowance: 2022 - \$1,087,122		
2021 - \$929,551	8,790,351	6,925,400
Total long-term assets	<u>8,790,351</u>	<u>6,925,400</u>
Property and equipment:		
Building and land	1,816,347	1,816,347
Furniture and equipment	133,526	133,526
Less accumulated depreciation	(887,898)	(817,829)
Total property and equipment	<u>1,061,975</u>	<u>1,132,044</u>
TOTAL ASSETS	<u><u>\$ 26,843,803</u></u>	<u><u>\$ 25,081,027</u></u>
Liabilities and Net Assets		
Current liabilities:		
Current maturities of long-term debt	\$ 508,660	\$ 433,254
Accounts payable	190,804	261,277
Accrued expenses	179,780	273,894
Refundable advances	3,103,115	2,525,836
Total current liabilities	<u>3,982,359</u>	<u>3,494,261</u>
Long-term debt	<u>5,484,868</u>	<u>5,167,670</u>
Total liabilities	<u>9,467,227</u>	<u>8,661,931</u>
Net assets:		
Without donor restrictions:		
Undesignated	16,314,601	15,287,052
Board designated:		
Investment in property, plant and equipment	<u>1,061,975</u>	<u>1,132,044</u>
Total net assets	<u>17,376,576</u>	<u>16,419,096</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 26,843,803</u></u>	<u><u>\$ 25,081,027</u></u>

See accompanying notes to financial statements.

Communities Unlimited, Inc.
Statements of Activities
Years Ended September 30, 2022 and 2021

Revenues	2022	2021
Grant funds - operating	\$ 7,884,161	\$ 6,949,192
Grant funds - loan fund equity	1,139,363	2,448,607
Program income	984,130	1,503,779
Interest income	18,260	11,008
Donations	35,606	41,441
Miscellaneous income	14,213	2,571
	<hr/>	<hr/>
Total revenues	10,075,733	10,956,598
	<hr/>	<hr/>
Expenses		
Program Expenses:		
Loan Fund	1,076,699	525,133
Environmental Services	4,299,902	3,801,791
Entrepreneurship	1,023,101	847,176
Communities	530,847	491,360
Housing	6,070	-
Special Projects	400,457	465,247
Corporate Division	239,227	717,053
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Total program expenses	7,576,303	6,847,760
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Management and general expenses	1,541,950	1,117,596
	<hr/>	<hr/>
Total expenses	9,118,253	7,965,356
	<hr/>	<hr/>
Change in Net Assets	957,480	2,991,242
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Net Assets Without Donor Restrictions - Beginning of year	16,419,096	13,427,854
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Net Assets Without Donor Restrictions - End of year	\$ 17,376,576	\$ 16,419,096
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See accompanying notes to financial statements.

Communities Unlimited, Inc.

Statement of Functional Expenses

Year Ended September 30, 2022

	Loan Fund	Environmental Services	Entrepreneurship	Communities
Expenses				
Salaries and fringe benefits	\$ 564,158	\$ 3,436,203	\$ 792,476	\$ 405,074
Property taxes and licenses	-	5,038	-	125
Travel	19,981	235,447	8,059	46,177
Training and professional meetings	41,125	17,911	2,786	5,143
Professional and other services	62,701	138,375	28,347	33,258
Insurance	8,847	22,901	6,187	-
Supplies	38,294	169,226	14,390	14,758
Printing and publications	11,573	43,993	22,483	4,356
Communications	11,780	79,047	15,788	9,352
Office space	15,058	43,513	15,404	3,233
Equipment maintenance and rental	-	-	-	-
Interest and loan fees	106,577	107,555	-	8,339
Bad debts	181,191	-	-	-
Subcontractors	2,268	-	-	955
Subrecipients	12,250	-	112,000	-
Miscellaneous	896	693	5,181	77
Depreciation expense	-	-	-	-
Total expenses	<u>\$ 1,076,699</u>	<u>\$ 4,299,902</u>	<u>\$ 1,023,101</u>	<u>\$ 530,847</u>

See accompanying notes to financial statements.

Housing	Special Projects	Corporate Division	Total Program Activities	Management and General	Total
\$ 786	\$ 100,833	\$ 145,319	\$ 5,444,849	\$ 918,636	\$ 6,363,485
-	7,196	3,036	15,395	836	16,231
-	1,588	4,310	315,562	8,516	324,078
-	-	3,008	69,973	27,058	97,031
2,004	9,954	23,816	298,455	247,072	545,527
-	11,418	9,555	58,908	33,790	92,698
1,271	137,713	10,983	386,635	91,512	478,147
4	586	(3,257)	79,738	58,618	138,356
9	2,050	1,759	119,785	25,093	144,878
-	12,666	2,072	91,946	126,686	218,632
-	56,187	-	56,187	-	56,187
-	-	-	222,471	-	222,471
-	-	-	181,191	-	181,191
1,996	8,340	1,884	15,443	-	15,443
-	13,875	4,000	142,125	-	142,125
-	75	649	7,571	4,133	11,704
-	37,976	32,093	70,069	-	70,069
<u>\$ 6,070</u>	<u>\$ 400,457</u>	<u>\$ 239,227</u>	<u>\$ 7,576,303</u>	<u>\$ 1,541,950</u>	<u>\$ 9,118,253</u>

Communities Unlimited, Inc.

Statement of Functional Expenses

Year Ended September 30, 2021

	Loan Fund	Environmental Services	Entrepreneurship	Communities
Expenses				
Salaries and fringe benefits	\$ 323,364	\$ 3,113,416	\$ 524,621	\$ 346,772
Property taxes	-	2,416	449	32
Travel	4,655	101,170	543	24,495
Training and professional meetings	262	4,729	-	154
Professional and other services	62,181	63,693	22,562	7,709
Insurance	-	21,481	8,310	407
Supplies	38,934	187,819	28,602	59,506
Printing and publications	6,626	23,827	14,183	17,470
Communications	4,707	74,151	10,219	6,665
Office space	8,260	53,509	18,002	8,245
Equipment maintenance and rental	-	-	-	-
Interest and loan fees	87,415	155,430	-	9,800
Bad debts (recoveries)	(56,278)	-	-	-
Subcontractors	31,140	-	3,085	10,105
Subrecipients	12,315	-	216,600	-
Miscellaneous	1,552	150	-	-
Loss on disposal	-	-	-	-
Depreciation expense	-	-	-	-
Total expenses	<u>\$ 525,133</u>	<u>\$ 3,801,791</u>	<u>\$ 847,176</u>	<u>\$ 491,360</u>

See accompanying notes to financial statements.

Special Projects	Corporate Division	Total Program Activities	Management and General	Total
\$ 91,816	\$ 84,015	\$ 4,484,004	\$ 749,274	\$ 5,233,278
7,096	2,389	12,382	214	12,596
2,095	181	133,139	2,194	135,333
-	-	5,145	3,972	9,117
7,753	7,292	171,190	116,816	288,006
13,313	(987)	42,524	32,792	75,316
28,851	8,846	352,558	134,650	487,208
716	(3,107)	59,715	10,342	70,057
1,977	3,501	101,220	18,033	119,253
26,024	4,152	118,192	40,528	158,720
26,762	-	26,762	2,176	28,938
-	-	252,645	-	252,645
-	-	(56,278)	666	(55,612)
19,975	-	64,305	-	64,305
-	526,167	755,082	-	755,082
1,368	52,511	55,581	5,939	61,520
190,299	-	190,299	-	190,299
47,202	32,093	79,295	-	79,295
<u>\$ 465,247</u>	<u>\$ 717,053</u>	<u>\$ 6,847,760</u>	<u>\$ 1,117,596</u>	<u>\$ 7,965,356</u>

Communities Unlimited, Inc.
Statements of Cash Flows
Years Ended September 30, 2022 and 2021

	2022	2021
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Change in net assets	\$ 957,480	\$ 2,991,242
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	70,069	79,295
Provision for loan losses (recoveries)	181,191	(56,278)
Loss on disposal of property, plant and equipment	-	190,299
Effects of changes in operating assets and liabilities:		
Accounts receivable	(472,236)	(61,898)
Prepaid expenses	(11,224)	(2,874)
Accounts payable and accrued expenses	(164,587)	190,670
Refundable advances	577,279	953,585
Net cash provided by operating activities	<u>1,137,972</u>	<u>4,284,041</u>
Cash flows from investing activities:		
Originations of loans	(5,425,816)	(5,778,775)
Repayments of loans	2,968,048	5,027,498
Purchases of investments	(137)	(345)
Proceeds from disposal of property, plant and equipment	-	42,853
Purchases of property, plant and equipment	-	(16,700)
Net cash used in investing activities	<u>(2,457,905)</u>	<u>(725,469)</u>
Cash flows from financing activities:		
Principal payments on long-term debt	(257,396)	(170,113)
Proceeds from issuance of long-term debt	650,000	1,515,000
Net cash provided by financing activities	<u>392,604</u>	<u>1,344,887</u>
Changes in cash and cash equivalents	(927,329)	4,903,459
Cash and cash equivalents - Beginning of year	<u>13,875,570</u>	<u>8,972,111</u>
Cash and cash equivalents - End of year	<u>\$ 12,948,241</u>	<u>\$ 13,875,570</u>
Supplemental schedule of operating activities:		
Interest paid	\$ 71,831	\$ 79,758

Communities Unlimited, Inc.

Notes to Financial Statements September 30, 2022 and 2021

Note 1 Summary of Significant Accounting Policies

Nature of Operations

Communities Unlimited, Inc. (CU) connects people and rural communities to solutions.

CU works with people, combining their ingenuity with technology, expertise and capital to unwind generations of inequity and ensure healthy water, healthy food, healthy businesses, healthy communities and healthy lives.

CU's Promise

To partner with people working for a better life in their hometown and connect them to solutions for achieving sustainable prosperity.

CU's Purpose

Talent is distributed equally across the United States. Opportunity clearly is not. Access to opportunities should not depend on where you live, how much money you have in the bank or what you look like. CU works to create greater access to opportunities for individuals living in places of persistent poverty.

CU's Approach

CU takes a holistic approach to community development by combining human connection and ingenuity with technology, expertise and capital to solve problems. CU staff work to blend its services across program areas to meet communities where they are and sustain healthy businesses, healthy communities and healthy lives.

CU's Place

CU serves communities in Alabama, Arkansas, Louisiana, Mississippi, Oklahoma, Tennessee & Texas. This service area includes 45% of our nation's persistent poverty counties, where more than 20% of the population has lived in poverty for over 30 years. 47% of people living in persistently poor rural counties are people of color. And, this area is home to rural innovators, small town entrepreneurs and people with a history of working hard from sunrise to sunset to provide for their families. Here people seek opportunities to break through generations of inequity and disinvestment in order to reach prosperity.

CU's Organization

CU is a 501(c)3 nonprofit corporation founded in 1976, with over 90 staff in seven states and over \$26 million in assets. CU was certified by the U.S. Department of Treasury as a Community Development Financial Institution (CDFI) in 2001. As a CDFI, CU expands economic opportunity for small business owners and communities by providing access to capital when traditional financing options are not available.

Communities Unlimited, Inc.

Notes to Financial Statements

September 30, 2022 and 2021

Note 1 **Summary of Significant Accounting Policies** (Continued)

Nature of Operations (Continued)

CU's Organization (Continued)

CU works collaboratively to build partnerships that complement its services in order to maximize the benefits to their clients. CU is a founding partner of three national collaboratives. In the 1970s, it helped to found the Rural Community Assistance Partnership (RCAP), the oldest national nonprofit serving the nation's small communities with environmental services that support access to safe clean drinking water and other critical cornerstones of healthy communities. As one of six regional RCAP partners, CU works in over 600 rural communities each year, and leverages millions of dollars in funding for essential community facilities and infrastructure. In 2011, CU founded the national WealthWorks network, providing solutions that include a 21st-century approach to economic development that builds from local assets, connects to regional markets, and creates wealth that stays local. In 2018, CU co-founded the Partners for Rural Transformation which works to eliminate persistent poverty through capital investments and capacity building in rural communities across the country.

While CU is focused on capacity building and lending in places where both are needed the most, it also leverages this field experience to inform national research, policy and advocacy work. In 2021 CU launched its own research work which utilizes its program metrics to generate thought leadership in the community economic development field.

Lending

In 1992, CU started making loans to water and wastewater systems in rural areas to ensure that residents had access to clean, healthy drinking water and safe wastewater treatment systems. In 2001 CU was certified as a CDFI. Loans made to Community Environmental Management Systems are used for improvement projects, pre-development financing, purchase of equipment and emergency financing needs.

In 2022, CU closed \$8,263,709 in loans to 20 water and wastewater systems to improve their water and wastewater systems. These loans included \$3,938,390 (48%) loaned in Persistent Poverty Counties. Loans ranged from the small loan needed to meet compliance to larger loans for pre-development work that helped these communities access larger loans and grants. This was more than double the amount lent in the previous year.

Communities Unlimited, Inc.

Notes to Financial Statements

September 30, 2022 and 2021

Note 1 **Summary of Significant Accounting Policies** (Continued)

Nature of Operations (Continued)

Lending (Continued)

Small business lending was added in 2010 as small businesses were struggling to recover from the 2008 recession and bank lending tightened. Again, CU works to fill the gap in financing with loans from \$1,000 to \$100,000 to small businesses that do not qualify for traditional financing.

Small business loans can be used for working capital, which is one of the biggest gaps in small business financing. Other uses include purchase or repair of equipment and real estate purchase or improvements. CU offers a variety of small business loan products that are designed to grow as the business grows.

CU's small business lending is focused on filling gaps in rural places and minority populations. In 2022, CU increased loan production by 41%. Thirty-six small businesses received \$985,660 in loans, averaging \$27,380. This includes 69% to minority owned businesses, 25% in Persistent Poverty Counties, 43% in rural areas, and 58% to women-owned businesses.

CU revived their Nuestra Casa loan program that was hugely successful in the early 2000s in the South Texas Colonias, Re-launching the home improvement program using the Small Dollar Loan Grant in May 2022 with the hiring of a key local Hispanic lender for the Brownsville office, provided 69 new loans in the first two months. Small but impactful loans to not only improve and increase often the largest asset of low-income borrowers, the program offers credit counseling and financial incentives to pay on time and improve individual credit scores allowing for improved access to traditional financial products.

Community Environmental Services Program

CU Community Environmental Services works with small population community environmental management systems: community drinking water systems; wastewater systems; and solid waste management systems through on-site technical assistance, training, publications, and financing. With a current staff of over 47 highly trained professional technical assistance providers, CU Community Environmental Services supports efforts to provide access to safe drinking water for everyone and environmentally-responsible waste disposal within an ever-changing regulatory environment in the communities that are provided technical assistance and training. Our technical assistance focuses on building local capacity of governing board members, environmental operators, and other system staff so that they will develop and maintain the capability to adequately manage and operate their environmental management systems.

Communities Unlimited, Inc.

Notes to Financial Statements

September 30, 2022 and 2021

Note 1 Summary of Significant Accounting Policies (Continued)

Nature of Operations (Continued)

Community Environmental Services Program (Continued)

All of CU Community Environmental Services' technical assistance and training is focused on achieving national environmental system Outcomes.

As a regional partner of the national Rural Community Assistance Partnership, (RCAP), CU serves as the Southern RCAP partner in providing environmental technical assistance and training throughout a seven-state region of Alabama, Mississippi, Tennessee, Arkansas, Louisiana, Texas, and Oklahoma. Additionally, CU Community Environmental Services supports other RCAP regional partners in other regions of the country with access to their CDFI community environmental lending.

During fiscal year 2022, CU Community Environmental Services provided onsite assistance to 620 small communities and rural water and wastewater environmental management systems. CU's environmental staff experienced a record year in leveraging over \$169 million in construction financing to improve community water and wastewater systems. CU Environmental Services staff completed 83 training workshops attended by 885 community officials, board members, certified operators, and other environmental management system staff members. In addition, through the Agua4All program and its funders, we were able to provide a 15 filling stations to three school districts in Texas and Alabama. This provided assistance benefited approximately 6 distinct school buildings, 206 faculty members and 1,223 students.

CU Environmental Services achieved the following National Environmental Outcomes last year for the following number of communities:

- 52 Communities: Improved Coordination between Communities (Regionalization Strategies);
- 94 Communities: Improved Public Health by achieving compliance with Safe Drinking Water Act rules and regulations;
- 80 Communities: Improved Environmental Health by achieving compliance with Clean Water Act and Pollution Control Act rules and regulations;
- 51 Communities: Improved Capacity of Community Facilities;
- 183 Communities: Achieved Financial Sustainability;
- 149 Communities: Increased Managerial Capacity;
- 18 Communities: Improved Self-Defined Prosperity;
- 32 Communities: Achieved Global Information System Mapping Capabilities

Communities Unlimited, Inc.

Notes to Financial Statements

September 30, 2022 and 2021

Note 1 Summary of Significant Accounting Policies (Continued)

Nature of Operations (Continued)

Rural Housing Program

During fiscal year 2022, Communities Unlimited launched its housing program. CU housing initiatives were in the earliest planning and launch stages throughout most of the fiscal year. CU did increase staff capacity for the housing program through the hiring of an Area Director for Rural Housing. Filling this role allowed the organization to start the process of identifying housing needs within the communities they serve, plan for impactful programs and resources unique to the needs of rural communities, and determine the best way for Communities Unlimited to meet the housing needs in their service area. In addition to increased staff capacity, the CU housing program engaged partners in the expansion of a volumetric modular housing manufacturing system and initiatives to increase homeownership for black, indigenous, and other communities of color.

Entrepreneurship

The Entrepreneurship Division began restructuring its programming in response to the rapid growth in demand for its services that has been continuing since the onset of the COVID19 pandemic. It launched a new Client Relations Management tool to capture and manage client referrals that are coming from all across its 7-state service area. During fiscal year 2022 CU's Entrepreneurship team launched three new program initiatives: 1) CU e-Center; 2) E-Wealth Health; and 3) Arkansas MBDA Business Center.

In January 2022, the CU e-Center was launched offering self-paced on-demand small business courses with over 20 different topics so far such as Understanding Financial Statements, Calculating Break-Even, Accounting vs Bookkeeping, Digital Marketing for Small Business, Preparing for a Small Business Loan, and Ideation to Startup. So far over 125 courses have been taken by 41 individuals. They began using the CU e-Center as resource to supplement their one-on-one management consulting services as the demand for their one-on-one management consulting services continued to grow.

In August 2022, the Entrepreneurship Division launched its new E-Wealth Health Program (E=Entrepreneur) that is focused on closing the wealth gap through entrepreneurship by taking multiple cohorts of committed small business owners (mostly minority owners) through a 12 month intensive programming. The E-Wealth Health Program consists of required monthly webinars and one-on-one management consulting sessions. The business owners are taught how to manage their business to profitability and how to grow business retained earnings that

Communities Unlimited, Inc.

Notes to Financial Statements

September 30, 2022 and 2021

Note 1 **Summary of Significant Accounting Policies** (Continued)

Nature of Operations (Continued)

Entrepreneurship (Continued)

are then used strategically toward securing capital and/or wealth creation. These initial cohorts of business owners are offered Wealth Accelerator payments as an incentive to establishing and contributing to a retirement account. CU's CEO, Ines Polonius and the Director of Entrepreneurship co-authored a white paper titled, Wealth Building for Business Owners of Color: A Whole-Person Approach which addresses CU's approach to creating racial equity through entrepreneurship.

In September 2022, CU was selected as the home of the first Arkansas MBDA Business Center. The MBDA is the Minority Business Development Agency, a bureau of The U.S. Department of Commerce. It is the only federal agency solely dedicated to the growth and global competitiveness of minority business enterprises. The Arkansas MBDA Business Center is being led by CU's Entrepreneurship Division and its focus is on helping minority small business owners secure contracts, new markets, and capital. This new initiative will require connection to the larger minority revenue generating businesses and CU will be expanding its contract financing loan product introduced by CU's Lending Division this same year.

The Entrepreneurship Division assisted 343 clients with 165 of these opting for one-on-one management consulting engagements. This is a 35% increase from the 254 clients assisted in 2021. Additionally, the program training events includes 41 clients completing LMS courses and 251 attendees to live webinars.

Community Sustainability

As FY 2022 closed, CU's Community Sustainability team's network of partner communities grew to a cumulative 52 communities who have worked toward developing more vibrant, sustainable economies by leveraging local assets for long-term growth. CU recognizes that for communities to achieve real sustainability the approach must be radically resident driven. Residents drive the process; creating the plans, filling gaps and connecting to existing resources to activate the community's power for change. CU's staff facilitates this process and assists with infrastructure management and improvement, community facility development, small business development and access to financing. They believe that people should have the opportunity to thrive where they live, work, play and worship regardless of the location or population of their community.

Communities Unlimited, Inc.

Notes to Financial Statements September 30, 2022 and 2021

Note 1 **Summary of Significant Accounting Policies** (Continued)

Nature of Operations (Continued)

Community Sustainability (Continued)

One of the goals of the Community Sustainability (CS) Team is to build a diverse leadership team who are open minded and motivated to initiate change. They provide training to build personal and community capacity that will enable residents to be the problem solvers. As a regional hub they provide WealthWorks training and value chain facilitation. Assets are recognized through the engagement of community leaders and utilized to build a strategy for economic growth. This strategy directs the long-term execution of work by CS staff side by side in relationship with community. Most recently, during the COVID-19 Pandemic, the team worked alongside senior leadership to create opportunities to pivot the work into a virtual connectivity platform. They believe in the communities they serve and investing in creating learning opportunities during a time when they were often most impacted was crucial. Monthly Zoom community leadership meetings along with educational opportunities rounded out a robust engagement strategy to keep their communities moving toward their goals in spite of obstacles.

By deploying their E.D.G.E. Capacity Building model – which involves Enlightening (training), Delivering (technical assistance), Guiding (as community conducts tasks), and Empowering (monitoring the community’s continued success in their execution of tasks) – Community Facilitators purposefully and intentionally go into every community with an exit strategy in mind, realizing that the true benefit of their efforts is building or strengthening the capacity of local governments and non-profits so that when they do complete a project, they are no longer needed to ensure that community facilities, local housing, and/or community and economic development will continue to be sustainable. CU leverages each of its programs and identifies partners to bring the resources needed for implementation of the strategies to create lasting change.

Community Sustainability helps communities:

- Evaluate ordinances and policies that are friendly to small businesses
- Increase the number of local businesses
- Support growth of existing local businesses
- Deliver resources and convene partners who have new resources to deploy
- Provide access to financing
- Evaluate existing community development plans
- Work with GIS mapping program to create sustainable resource maps
- Develop broadband strategies and connect to resources for deployment

Communities Unlimited, Inc.

Notes to Financial Statements

September 30, 2022 and 2021

Note 1 **Summary of Significant Accounting Policies** (Continued)

Nature of Operations (Continued)

Community Sustainability (Continued)

They accomplish this through:

- Collaboration with local leadership to provide an assessment of the community's economic opportunities
- Environmental technical assistance resources
- Small business management consulting
- Community facilities resources
- Home improvement lending
- Local, regional, state and federal convening of stakeholders

Healthy Foods

Access to adequate quantities of food, especially healthy food, is a significant determinant of an individual's ability to learn, transfer knowledge to academic/job performance and long-term physical health.

Within CU's service area, there are about half of the nation's persistent poverty counties, and six states in the top 10 of states with the highest percentage of food insecurity. They serve where economic discrimination and disparities in access to resources challenge the sustainability of small towns, small businesses, small farms and families in persistently poor rural places.

Healthy Foods collaborates in the space of the regional food system, with intentional focus on the most marginalized communities, producers and small businesses. Their Healthy Foods success is based on collaboration and a community-centered approach that respects the needs and voices of all members of a community. CU has been able to provide technical assistance and access to resources that empowered: connections to new market opportunities for farmers; completion of GAP/GHP certification by small-scale underserved farmers; development and/or expansion of local markets; connections between local medical providers and schools to local producers resulting in increased access to fresh produce; and expanded access to resources to meet transportation, aggregation and storage needs in rural high poverty areas and with small-scale underserved farmers.

Collaborations with farmers, community leaders, University staff, food pantries and others working to increase available healthy foods remain central to their success. They deeply value and appreciate the commitment of their partners and the dependability of their supporters. A few examples of their most current collaboration are highlighted below.

Communities Unlimited, Inc.

Notes to Financial Statements

September 30, 2022 and 2021

Note 1

Summary of Significant Accounting Policies (Continued)

Nature of Operations (Continued)

Healthy Foods (Continued)

- The Cargill Black Farmers Initiative is helping CU address the barrier to adequate transportation and on-farm cold storage for many small-scale Black farmers in the Delta. The ability to access new markets will increase financial sustainability of the farm as well as increase access to local sources of produce for buyers like schools participating in Farm to School programs.
- USDA's Farm to School program allows CU to empower schools in communities challenged by poverty and racism to access resources and increase the healthy meals served to K-12 children. Local small-scale minority farmers also benefit from this initiative as they are connected with schools that desire to make local purchases and provided the technical assistance to navigate the timing of school meal planning, contracting, etc.
- The Arkansas Community Foundation maintains the operation of CU's Farm to Pantry Initiative, started during COVID as a means to ensure produce for which producers lost restraint/school contracts could be purchased at wholesale prices and donated to a regional food pantry distributor, continues. This program is meeting the food insecurity needs in many rural Delta communities and providing fresh produce for those dependent upon food pantries to have enough to eat.
- Share Our Strength is supporting CU's efforts to test multiple pilot programs related to the No Kid Hungry healthy food prescription initiative. With their flexible support, CU is able to partner with multiple types of community organizations and determine the most effective strategy for influencing sustainable observable change in eating habits that has a positive impact on health metrics for children and their caretakers.

We know that food insecurity impacts a child's physical and mental development, impacting their future ability to learn and transfer knowledge into work performance that earn a livable wage and builds wealth for them.

Food insecurity, compounded by the lack of access to healthy food, is an equity issue in this nation as the impacts of structural racism and persistent poverty are clearly evident.

- Rural households are significantly more likely to be food insecure than urban households (12.1% vs. 8.3%). (*USDA ERS*)
- Households with incomes below the poverty line (27.6%) are significantly more likely to be food insecure than the average U.S. household (10.5%).

Communities Unlimited, Inc.

Notes to Financial Statements

September 30, 2022 and 2021

Note 1 **Summary of Significant Accounting Policies** (Continued)

Nature of Operations (Continued)

Healthy Foods (Continued)

- Household with children headed by single women were significantly more at risk for very high food insecurity (9.6%) as compared to the U.S. average (4.1%). (USDA ERS)
- The impacts of structural racism and discrimination, especially in the persistent poverty counties in CU's service area are evident. *(Data from Feeding America.)*
 - 1 in 12 white, non-Hispanic, individuals were food insecure
 - 1 in 4 Native American individuals were food insecure
 - 1 in 5 Black individuals were food insecure
 - 1 in 6 Latino individuals were food insecure

Healthy Foods continues to work for the day that small-scale farmers are part of securing the produce supply chain and ensuring the nation has fresh food in the event of natural disasters and that everyone has access to enough healthy food.

Revenue Concentrations

For the year ended September 30, 2022, 13% and 12% of total revenue was received from a Training and Technical Assistance grant from the U.S. Department of Agriculture and a Community Services Block Grant Discretionary Award from the U.S. Department of Health and Human Services.

For the year ended September 30, 2021, 15% and 10% of total revenue was received from a Training and Technical Assistance grant from the U.S. Department of Agriculture and a Community Services Block Grant Discretionary Award from the U.S. Department of Health and Human Services.

Communities Unlimited, Inc.

Notes to Financial Statements

September 30, 2022 and 2021

Note 1

Summary of Significant Accounting Policies (Continued)

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported, as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations or where donor-imposed stipulations are met in the year of contribution.

Net Assets With Donor Restrictions - Net assets subject to donor or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other explicit donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources must be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenue without donor restrictions. CU does not have net assets with donor restrictions as of September 30, 2022 and 2021.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. A three-tier hierarchy prioritizes the inputs used in measuring fair value. These tiers include Level 1, defined as observable inputs such as quoted market prices in active markets; Level 2, defined as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. The fair value measurement of assets and liabilities within the hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Communities Unlimited, Inc.

Notes to Financial Statements

September 30, 2022 and 2021

Note 1 **Summary of Significant Accounting Policies** (Continued)

Revenue Recognition

Contributions, including promises to give, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. A contribution or promise to give contains a donor or grantor condition when both of the following are present:

- An explicit barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized.
- An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised, if the condition is not met.

Conditional contributions are recognized when the barrier(s) to entitlement are overcome. Unconditional contributions are recognized as revenue when received.

Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

A. Grant Awards that are Contributions

Grants that qualify as contributions are recorded as invoiced to the funding sources in accordance with the terms of the award. Revenue is recognized in the accounting period when the related allowable expenses are incurred. Amounts received in excess of expenses or asset acquisitions are reflected as refundable advances.

B. Grant Awards that are Exchange Transactions

Exchange transactions are reimbursed based on a predetermined rate for services performed in accordance with the term of the award. Revenue is recognized when control of the promised goods or services is transferred to the customer (grantor) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Amounts received in excess of recognized revenue are reflected as a contract liability. CU does not have grants that are considered exchange transactions for the years ended September 30, 2022 and 2021.

Communities Unlimited, Inc.

Notes to Financial Statements

September 30, 2022 and 2021

Note 1 Summary of Significant Accounting Policies (Continued)

Program Income

Program income is recorded as revenue when earned.

Cash Equivalents

CU considers all liquid investments with maturities of three months or less to be cash equivalents. At September 30, 2022 and 2021, cash equivalents consisted primarily of money market accounts with brokers and certificates of deposit.

Investments

Investments, which consist primarily of certificates of deposit, are valued at cost which approximates fair value.

Accounts and Notes Receivable

Accounts receivable represent amounts due for management consulting, computer technology support and grants and are stated at the amount billed to customers or due from granting agencies. Accounts receivable are ordinarily due upon receipt of the invoice. Accounts past due more than 60 days are considered delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer. An allowance for uncollectible accounts receivable has not been recorded since collection of the outstanding balance is expected.

Notes receivable are stated at their outstanding principal amount, net of allowance for uncollectible notes. CU provides an allowance for uncollectible notes, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Additionally, CU has risk ratings that are reviewed quarterly with any changes reported to the Board of Directors. The loan loss reserves are determined by a combination of the risk rating and funder requirements. As an example, SBA requires a 15% reserve on microloans regardless of risk rating. In addition to the quarterly risk rating reviews, CU reviews each loan annually to ensure adequate reserves. At a minimum, CU requires a reserve for the whole portfolio of 5% of its total outstanding loans.

The largest portfolio is made up of loans to small rural community water/wastewater projects. These loans are automatically reserved at 3% unless the risk analysis identifies the need to increase the reserve. Consumer and mortgage loans make up a smaller part of the portfolio and are generally reserved at a minimum of 10%. Loans to small businesses make

Communities Unlimited, Inc.

Notes to Financial Statements

September 30, 2022 and 2021

Note 1 Summary of Significant Accounting Policies (Continued)

Accounts and Notes Receivable (Continued)

up a small part of the portfolio and carry higher risk. SBA requires a 15% reserve on loans funded through the microloan program. Other small business loans are reserved based on the risk assessment and generally are reserved at 5%.

Consumer and mortgage loans for new home construction and home improvements are reserved at least 10% based on historical and industry data. CU's allowance for loan losses generally exceeds these minimums. A collective evaluation of loan impairment is conducted by lending staff depending on the circumstances within each of CU's loan portfolios. Larger loans greater than 90 days past due are evaluated annually for loan impairment.

Each loan accrues interest based on the terms of the respective promissory note and loan agreement. Loans are moved to non-accrual when they are referred to an attorney for collections. At September 30, 2022, CU had 2 commercial loans with a total principal balance of \$185,725 on non-accrual status. At September 30, 2021, CU had 4 commercial loans and 1 consumer loan with a total principal balance of \$616,666 on non-accrual status. These loans are in various forms of foreclosure and have adequate reserves. Delinquent notes are written off when management determines the remaining balance is uncollectible based on individual credit evaluation, specific circumstances of the borrower and after collecting any repayment from collateral, reserves and/or guarantees. Recoveries, if any, are generally credited against the allowance.

Property and Equipment

Property and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful life of the asset. CU capitalizes equipment purchased with a cost greater than \$5,000 and a useful life of more than one year.

Property and equipment purchased with grant funds are owned by CU while used in the program for which they were purchased or in other future authorized programs.

However, the various funding sources have a reversionary interest in the property and equipment purchased with grant funds. Its disposition, as well as the ownership of any proceeds therefrom, is subject to funding source regulations. Property and equipment purchased with grant funds was fully depreciated as of September 30, 2022 and 2021.

Communities Unlimited, Inc.

Notes to Financial Statements

September 30, 2022 and 2021

Note 1 Summary of Significant Accounting Policies (Continued)

Expense Allocation

Expenditures have been summarized on a functional basis in the statements of activities and functional expenses. Certain costs have been allocated among the programs and supporting services benefited. Programs are allocated management and general expenses based on estimates of time and effort.

Joint costs are allocated to benefiting programs using an indirect cost rate. Joint costs are those costs incurred for the common benefit of all CU's programs that cannot be readily identified with a final cost objective. A provisional indirect cost rate has been approved by the U.S. Department of Health and Human Services (DHHS). CU's provisional indirect cost rate is based upon the projected costs of CU for the fiscal year under consideration. CU adjusts the provisional rate based upon actual experience. This adjusted rate is subject to approval by DHHS at which time the indirect cost rate becomes final.

Subsequent Events

Subsequent events have been evaluated through February 15, 2023, which is the date the financial statements were available to be issued.

Income Taxes

CU is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and similar provision of state law. However, CU is subject to federal income tax on any taxable unrelated business income. The effects of income taxes have not been disclosed in the financial statements since income tax amounts are immaterial as determined by management.

CU is required to assess whether it is more likely than not that a tax position will be sustained upon examination on the technical merits of the position assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more likely than not recognition threshold, the benefit of that position is not recognized in the financial statements. CU has determined there are no amounts to record as assets or liabilities related to uncertain tax positions.

Communities Unlimited, Inc.

Notes to Financial Statements

September 30, 2022 and 2021

Note 1 Summary of Significant Accounting Policies (Continued)

Upcoming Accounting Pronouncement

In 2016, the Financial Accounting Standards Board issued ASU No. 2016-02, *Leases* (Topic 842), which is intended to improve financial reporting on leasing transactions. ASU No. 2016-02 will require lessees to recognize right of use assets and lease obligations for operating and finance leases under terms greater than 12 months. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2021. ASU No. 2016-02 must be applied modified retrospectively. CU is currently evaluating the impact of the provisions of ASU Topic 842.

Note 2 Concentration of Risk

CU maintains cash balances at various financial institutions which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times during the year, balances in these accounts may exceed the insurance limits. Management believes the financial institutions have strong credit ratings and credit risk related to these deposits is minimal.

CU has a repurchase agreement with a local financial institution whereby excess cash in its operating account is invested in government-backed securities at the close of the business day and is re-deposited, along with interest earned, in the checking account at the start of the next business day. On September 30, 2022 and 2021, \$9,389,921 and \$10,356,789 of the Organization's cash and cash equivalents, respectively, were invested through this agreement.

Note 3 Notes Receivable and Allowance for Loan Losses

Notes receivable in the Loan Fund Division represent: 1) commercial loans to support water/sewer facilities in rural communities and small business development; and 2) consumer loans including mortgages to help low-income and disadvantaged families purchase and improve their homes. These notes charge interest from 3% to 12% for up to 15 years.

	<u>2022</u>	<u>2021</u>
Mortgage loans	\$ 688,556	\$ 773,101
Commercial loans	11,279,207	9,160,735
Consumer loans	<u>405,381</u>	<u>5,160</u>
Total loans	12,373,144	9,938,996
Allowance for loan losses	<u>(1,087,122)</u>	<u>(929,551)</u>
Net loans receivable	<u>\$ 11,286,022</u>	<u>\$ 9,009,445</u>

Communities Unlimited, Inc.

Notes to Financial Statements September 30, 2022 and 2021

Note 3 Notes Receivable and Allowance for Loan Losses (Continued)

Classification of notes receivable at September 30 are summarized as follows:

	<u>2022</u>	<u>2021</u>
Current loans receivable	\$ 2,495,671	\$ 2,084,045
Long-term loans receivable	<u>8,790,351</u>	<u>6,925,400</u>
Total loans receivable, net of allowance	<u>\$ 11,286,022</u>	<u>\$ 9,009,445</u>

The following tables present the balance in the allowance for loan losses based on portfolio segment as of September 30, 2022 and 2021:

	<u>2022</u>			
	<u>Mortgage</u>	<u>Commercial</u>	<u>Consumer</u>	<u>Total</u>
Beginning of year	\$ 87,784	\$ 839,250	\$ 2,517	\$ 929,551
Provision charged to expense	22,665	113,109	45,417	181,191
Loans written off	<u>0</u>	<u>(23,620)</u>	<u>0</u>	<u>(23,620)</u>
End of year	<u>\$ 110,449</u>	<u>\$ 928,739</u>	<u>\$ 47,934</u>	<u>\$ 1,087,122</u>

	<u>2021</u>			
	<u>Mortgage</u>	<u>Commercial</u>	<u>Consumer</u>	<u>Total</u>
Beginning of year	\$ 194,636	\$ 791,862	\$ 20,111	\$ 1,006,609
Provision (credit) charged to expense	(106,712)	63,129	(12,695)	(56,278)
Loans written off	<u>(140)</u>	<u>(15,741)</u>	<u>(4,899)</u>	<u>(20,780)</u>
End of year	<u>\$ 87,784</u>	<u>\$ 839,250</u>	<u>\$ 2,517</u>	<u>\$ 929,551</u>

All loans and related allowance are attributable to loans evaluated collectively for impairment.

Internal Risk Categories

The lending staff is responsible for ensuring that loan loss reserves are updated to reflect the current risk profile of each loan in the portfolio. Consideration is given to changes in the market and/or the financial health of borrowers that could materially impact a borrower's ability to meet payment obligations under their loan agreement. Quarterly, the lending staff reviews the risk ratings, and based on this review, may make recommended changes to CU's reserves. This is done to reflect the delinquent payment status of borrowers and/or any changes in the risk profile of the loan portfolio identified by the staffs' quarterly status review.

Communities Unlimited, Inc.

Notes to Financial Statements

September 30, 2022 and 2021

Note 3

Notes Receivable and Allowance for Loan Losses (Continued)

Internal Risk Categories (Continued)

Equally important is the monitoring of loans. This is an ongoing process that involves the review of payment status, customer calls, occasional site visits, and periodic evaluation of borrower financials. CU's lending team uses the Nortridge Loan Software to track and document monitoring. The lending team also works with technical assistance providers to monitor improvements. This allows CU to identify potential risks and respond quickly helping borrowers avoid or resolve problems.

For all amortizing commercial loans, CU requires that regular monthly loan payments be directly debited from the borrower's account on a scheduled day each month. This is accomplished through the Automated Clearing House (ACH) system of the Federal Reserve Bank. Since implementing this system in 1997, CU has experienced a dramatic decrease in its commercial loan delinquencies to essentially zero. In the rare instances when collection issues do arise, CU's lending and technical assistance staff work together with the borrower to resolve the issue.

In situations where it is necessary to restructure a loan, the focus is on helping the customer be successful. CU strives to work with borrowers and maintain open lines of communication even in stressful situations. Only when all other opportunities for recovery are exhausted, does CU take action to foreclose, repossess collateral, and/or take legal action.

CU monitors the receipt of payments and tracks delinquencies on a 15-, 30-, and 60-day basis. Progressive intervention accompanies each event including contact with the borrower. If an account becomes more than 60-days delinquent, legal counsel may be sought to assist with the collection, restructuring, or foreclosure of the loan. CU has a written loan statement that details its policies and procedures. In 2022, CU restructured 10 loans for 9 borrowers with an outstanding principal balance of \$252,929. In 2021, CU restructured 6 loans for 6 borrowers with an outstanding principal balance of \$55,353. The loans were restructured by extending maturity based on cash flow and there was no impact on CU's allowance as the loans were already factored in prior allowance calculations.

Communities Unlimited, Inc.

Notes to Financial Statements

September 30, 2022 and 2021

Note 3 Notes Receivable and Allowance for Loan Losses (Continued)

The following tables present the Organization's loan portfolio aging analysis of the recorded investment in loans as of September 30:

2022						
	30-59 Days Past Due	60-89 Days Past Due	Over 90 Days Past Due	Total Past Due	Current	Total Loans
Mortgage loans	\$ 4,631	\$ 857	\$ 70,416	\$ 75,904	\$ 612,652	\$ 688,556
Commercial	5,151	5,091	646,838	657,080	10,622,127	11,279,207
Consumer	79	79	238	396	404,985	405,381
Total	\$ 9,861	\$ 6,027	\$ 717,492	\$ 733,380	\$ 11,639,764	\$ 12,373,144

2021						
	30-59 Days Past Due	60-89 Days Past Due	Over 90 Days Past Due	Total Past Due	Current	Total Loans
Mortgage loans	\$ 5,329	\$ 1,262	\$ 62,433	\$ 69,024	\$ 704,077	\$ 773,101
Commercial	13,430	5,184	612,924	631,538	8,529,197	9,160,735
Consumer	103	0	0	103	5,057	5,160
Total	\$ 18,862	\$ 6,446	\$ 675,357	\$ 700,665	\$ 9,238,331	\$ 9,938,996

Note 4 Long-term Debt

Notes payable at September 30 consist of the following:

	2022	2021
United States Department of Agriculture, Rural Business Cooperative Services; due October 20, 2038 in annual payments of \$42,445, including principal and interest at 1%; secured by CU's notes receivable made through its relending programs and investments. Total outstanding balance is due on demand if certain covenants are not met and no waiver from the lender is obtained.	\$ 624,189	\$ 661,000
United States Department of Agriculture, Rural Business Cooperative Services; \$351,000 available, due August 21, 2042 in annual payments of \$14,900, including principal and interest at 1%; secured by CU's notes receivable made through its relending programs and investments. Total outstanding balance is due on demand if certain covenants are not met and no waiver from the lender is obtained.	239,764	252,258

Communities Unlimited, Inc.

Notes to Financial Statements September 30, 2022 and 2021

Note 4	Long-term Debt (Continued)	2022	2021
	United States Department of Agriculture, Rural Business Cooperative Services; \$400,000 available, due August 21, 2042 in annual payments of \$16,980 including principal and interest at 1%; secured by CU's notes receivable made through its relending programs and investments. Total outstanding balance is due on demand if certain covenants are not met and no waiver from the lender is obtained.	187,162	199,553
	Wells Fargo due March 1, 2024, unsecured with interest at 2% due quarterly.	375,000	500,000
	Mary Reynolds Babcock Foundation; \$250,000 at 2%, Interest payments due quarterly; due March 31, 2024, unsecured.	200,000	200,000
	SBA 39104; loan issued October 2021 with \$400,000 available, interest at .0%, increasing up to .75% over 24-months depending on the nature of business loans issued. 108 monthly principal and interest payments of up to \$3,704 are required until the loan is paid. Monthly payments are deferred for the first year. Secured by notes receivable.	400,000	0
	Winthrop Rockefeller Foundation due December 31, 2030 unsecured, 0.00% interest until January 1, 2023; 0.75% interest beginning January 1, 2023 due quarterly.	500,000	500,000
	Arkansas Community Foundation due June 30, 2026, unsecured with interest at 1.5% due quarterly.	1,000,000	1,000,000
	Various notes payable to individuals and trusts ranging from \$25,000 to \$150,000 and fixed interest rates from 1.25% to 1.50%. The notes are unsecured with interest only payments required. The due dates of the notes are from July 2027 through August 2028.	1,240,000	990,000
	Amarillo Area Foundation due January 31, 2030, unsecured with interest at 1% due quarterly.	150,000	150,000
	The Congregation of the Sisters of Charity of the Incarnate Word, Houston, Texas due February 21, 2023, unsecured with interest at 1% due annually.	150,000	150,000
	Opportunity Finance Network due June 30, 2025, unsecured with interest at 3% due quarterly.	500,000	500,000

Communities Unlimited, Inc.

Notes to Financial Statements September 30, 2022 and 2021

Note 4	Long-term Debt (Continued)	2022	2021
	SBA 97002; loan issued May 2018 with \$300,000 available, interest at .625%, increasing up to 2.625% over 24-months depending on the nature of business loans issued. 108 monthly principal and interest payments of up to \$2,857 are required until the loan is paid. Monthly payments are deferred for the first year. Secured by notes receivable.	192,886	225,486
	SBA 27006; loan issued April 2019 with \$300,000 available, interest at .5% increasing up to 1.25% over 9-months depending on the nature of business loans issued. 108 monthly principal and interest payments of up to \$2,964.18 are required until the loan is paid. Monthly payments are deferred for the first year. Secured by notes receivable.	233,112	265,552
	SBA loan payable in varying monthly installments including interest at 2.375% through December 1, 2022, when the remaining balance is due in full, secured by notes receivable.	<u>1,415</u>	<u>7,075</u>
	Total notes payable	5,993,528	5,600,924
	Current portion	<u>(508,660)</u>	<u>(433,254)</u>
	Long-term notes payable	<u>\$ 5,484,868</u>	<u>\$ 5,167,670</u>
	Future maturities of long-term debt beyond September 30, 2022, are as follows:		
	2023	\$	508,660
	2024		371,466
	2025		610,761
	2026		137,606
	2027		489,432
	Thereafter		<u>3,875,603</u>
	Total long-term debt		<u>\$ 5,993,528</u>

Interest expense for the years ended September 30, 2022 and 2021, was \$77,262 and \$78,365, respectively.

Note 5 **Line of Credit**

At September 30, 2022 and 2021, CU had a \$1,500,000 line-of-credit financing agreement. Interest is payable monthly at the Wall Street Journal Prime Rate minus .5% (5.75% at September 30, 2022). The line of credit is secured by a general business security agreement and expires April 4, 2024. CU renews the line of credit at maturity. No balance was outstanding on the line of credit at September 30, 2022 and 2021.

Communities Unlimited, Inc.

Notes to Financial Statements

September 30, 2022 and 2021

Note 6 Facilities Leases and Rents

CU has entered into several month-to-month agreements for rental of office space in Alabama, Arkansas, Louisiana, Mississippi, Oklahoma, Tennessee, and Texas. Rent paid for these facilities totaled \$67,942 and \$89,783 during the years ended September 30, 2022 and 2021, respectively.

Note 7 Retirement Plan

The Organization has a defined contribution plan covering substantially all employees. The Board of Directors annually determines the amount, if any, of CU's contributions to the plan. Pension expense was \$268,908 and \$204,631 for the years ended September 30, 2022 and 2021, respectively.

Note 8 Fair Value Measurements

Money market funds are valued using \$1 as the net asset value (NAV). These funds are registered with the U.S. Securities and Exchange Commission and are required to publish their NAV daily and to transact at that price. This method may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. Furthermore, while CU believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table presents the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2022 and 2021:

Communities Unlimited, Inc.

Notes to Financial Statements September 30, 2022 and 2021

Note 8 Fair Value Measurements (Continued)

	2022			
	Fair Value Measurements Using			
	Quoted Prices in Active Markets For Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	
	Fair Value (Level 1)	(Level 2)	(Level 3)	
Money market	\$ 497,013	\$ 0	\$ 497,013	\$ 0

	2021			
	Fair Value Measurements Using			
	Quoted Prices in Active Markets For Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	
	Fair Value (Level 1)	(Level 2)	(Level 3)	
Money market	\$ 495,072	\$ 0	\$ 495,072	\$ 0

Money market funds are included in cash and cash equivalents in the statements of financial position.

Note 9 Liquidity and Availability of Financial Resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at September 30:

	2022	2021
Cash and cash equivalents	\$ 12,948,241	\$ 13,875,570
Short-term investments	90,717	90,580
Accounts receivable	1,425,255	953,019
Total financial assets available	14,464,213	14,919,169
Less: current liabilities, excluding current portion of long-term debt	(3,473,699)	(3,061,007)
Net financial assets available for general expenditure	\$ 10,990,514	\$ 11,858,162

CU does not have a formal liquidity policy. CU has a line of credit available for cash flow needs up to \$1,500,000 as further described in Note 5.

Communities Unlimited, Inc.

Notes to Financial Statements

September 30, 2022 and 2021

Note 10

Commitments

In the normal course of business, CU has various commitments outstanding, including commitments to extend credit, which are not reflected in the accompanying statements of financial position. 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. These commitments arise from the water and wastewater loans granted by CU in the normal course of business. Commitments for loans approved but not yet funded as of September 30, 2022, totaled approximately \$5,075,875.

At September 30, 2022, CU had commitments under various grants of \$8,858,405. These commitments are not recognized in the accompanying financial statements as they are conditional awards.