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June 13, 2019

Board of Directors
Community Homebuyers Corporation
227 W. Jefferson Blvd, Suite 1200 S
South Bend, IN 46601

We have reviewed the audit report of Community Homebuyers Corporation which was opined upon by Wojtysiak & Company, LLC, Independent Public Accountants, for the period January 1, 2017 to December 31, 2017. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Community Homebuyers Corporation as of December 31, 2017 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Wojtysiak & Company, LLC prepared the audit in accordance with guidelines established by the State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.


Paul D. Joyce, CPA
State Examiner

COMMUNITY HOMEBUYERS CORPORATION

South Bend, Indiana

FINANCIAL STATEMENTS

Years Ended December 31, 2017 and 2016

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FINANCIAL STATEMENTS

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MICHAEL A. WOJTYSIAK, CPA

INDEPENDENT AUDITOR'S REPORT

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
Community Homebuyers Corporation

We have audited the accompanying financial statements of Community Homebuyers Corporation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Homebuyers Corporation as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

September 4, 2018

COMMUNITY HOMEBUYERS CORPORATION

South Bend, Indiana

STATEMENTS OF FINANCIAL POSITION

December 31, 2017 and 2016

ASSETS

	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 248,673	\$ 235,548
Grants receivable	-	17,600
Due from participant banks for loan buy-backs	226	1,900
Other receivables	18,485	6,357
Total Current Assets	<u>267,384</u>	<u>261,405</u>
TOTAL ASSETS	<u>\$ 267,384</u>	<u>\$ 261,405</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Escrow deposits	\$ 10,582	\$ 10,582
Accrued liabilities	7,632	4,952
Total Current Liabilities	<u>18,214</u>	<u>15,534</u>
NET ASSETS		
Unrestricted	249,170	245,871
Total Net Assets	<u>249,170</u>	<u>245,871</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 267,384</u>	<u>\$ 261,405</u>

See Independent Auditors' Report and Notes to Financial Statements

COMMUNITY HOMEBUYERS CORPORATION

South Bend, Indiana

STATEMENTS OF ACTIVITIES

Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
REVENUES AND OTHER SUPPORT		
Community Development Block Grants	\$ 216,000	\$ 182,514
Loan servicing fees	26,287	26,460
Loan origination and closing fees	9,851	9,787
Loan interest	831	1,258
Contributed administrative services	63,570	52,063
Total Revenues and Other Support	<u>316,539</u>	<u>272,082</u>
EXPENSES		
Program services - Affordable housing assistance	283,148	239,594
Supporting services - Management and general	30,092	26,614
Total Expenses	<u>313,240</u>	<u>266,208</u>
CHANGE IN NET ASSETS	3,299	5,874
NET ASSETS AT BEGINNING OF YEAR	<u>245,871</u>	<u>239,997</u>
NET ASSETS AT END OF YEAR	<u>\$ 249,170</u>	<u>\$ 245,871</u>

See Independent Auditors' Report and Notes to Financial Statements

COMMUNITY HOMEBUYERS CORPORATION

South Bend, Indiana

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2017

FUNCTIONAL EXPENSES	<u>Program Services</u>	<u>Supporting Services</u>	<u>2017 TOTAL</u>
	<u>Affordable Housing Assistance</u>	<u>Management and General</u>	
Loan forgiveness	\$ 212,000	\$ -	\$ 212,000
Down-payment assistance	4,000	-	4,000
Administrative services	58,927	19,643	78,570
Professional fees	-	9,749	9,749
Program marketing	8,221	-	8,221
Other	-	700	700
TOTAL FUNCTIONAL EXPENSES	<u>\$ 283,148</u>	<u>\$ 30,092</u>	<u>\$ 313,240</u>

See Independent Auditors' Report and Notes to Financial Statements

COMMUNITY HOMEBUYERS CORPORATION

South Bend, Indiana

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2016

FUNCTIONAL EXPENSES	<u>Program Services</u>	<u>Supporting Services</u>	<u>2016 TOTAL</u>
	<u>Affordable Housing Assistance</u>	<u>Management and General</u>	
Loan forgiveness	\$ 175,440	\$ -	\$ 175,440
Down-payment assistance	7,000	-	7,000
Administrative services	50,297	16,766	67,063
Professional fees	-	7,579	7,579
Program marketing	6,857	-	6,857
Other	-	2,269	2,269
TOTAL FUNCTIONAL EXPENSES	<u>\$ 239,594</u>	<u>\$ 26,614</u>	<u>\$ 266,208</u>

See Independent Auditors' Report and Notes to Financial Statements

COMMUNITY HOMEBUYERS CORPORATION

South Bend, Indiana

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,299	\$ 5,874
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Loan forgiveness	212,000	175,440
(Increase) decrease in grants receivable	17,600	54,004
(Increase) decrease in due from participant banks for loan buy-backs	1,674	26,267
(Increase) decrease in other receivables	(12,128)	(6,197)
Increase (decrease) in accounts payable	-	(1,250)
Increase (decrease) in escrow deposits	-	1,425
Increase (decrease) in accrued liabilities	2,680	3,801
	<u>225,125</u>	<u>259,364</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of loans	(1,022,905)	(876,800)
Proceeds from sale of loans	810,905	701,360
	<u>(212,000)</u>	<u>(175,440)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on note payable, bank	-	(170,853)
	<u>-</u>	<u>(170,853)</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH	13,125	(86,929)
CASH AND EQUIVALENTS, BEGINNING OF YEAR	<u>235,548</u>	<u>322,477</u>
CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 248,673</u>	<u>\$ 235,548</u>

Cash paid during the year for:

Interest expense	\$ -	\$ 1,533
Income taxes	\$ -	\$ -

See Independent Auditors' Report and Notes to Financial Statements

COMMUNITY HOMEBUYERS CORPORATION

South Bend, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DATE OF MANAGEMENT'S REVIEW

Management has evaluated subsequent events through September 4, 2018, the date on which the financial statements were available to be issued. No reportable subsequent events were found.

NATURE OF ACTIVITIES

Community Homebuyers Corporation (the Organization) is an Indiana nonprofit corporation organized to provide affordable housing opportunities to low and moderate income households within St. Joseph County, Indiana with emphasis upon providing housing opportunities in neighborhoods considered at housing risk. Its operations are supported primarily from grants and donated services from the City of South Bend and from loan origination and service fees.

USE OF ESTIMATES

Management used estimates and assumptions in preparing financial statements in conformity with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results could differ from those estimates.

A significant estimate used in the accompanying financial statements is the allocation of costs between the program and supporting service, which is based on time studies and other methods of cost allocation.

BASIS OF PRESENTATION

Financial statement presentations follow the recommendations of accounting principles generally accepted in the United States of America. The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets are those currently available for use by the Organization.

Temporarily restricted net assets are those received with donor stipulations that limit the use of the donated assets. When stipulated time restrictions expire or purpose restrictions are accomplished, these net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions. However, the Organization generally does not receive restricted net assets.

COMMUNITY HOMEBUYERS CORPORATION
South Bend, Indiana

NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Permanently restricted net assets are those received with limitations on use that are attached to it for perpetuity. The Organization has not received any permanently restricted net assets.

CASH AND CASH EQUIVALENTS

For purposes of the Statement of Cash Flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

GRANTS RECEIVABLE

Grants receivable are stated at the outstanding principal balances, net of any discount for contributions expected to be collected in more than one year and an allowance for uncollectibles.

The Organization provides an allowance for uncollectibles based upon the specific identification of receivables where collection is no longer deemed probable and an allowance based upon the level of total receivables. In determining the allowance, management evaluates the payment history and other known information for individual accounts, historical losses, and current economic conditions. Individual accounts are charged-off against the allowance in the period that the receivable is deemed uncollectible. Recoveries of receivables previously charged-off are recorded as income in the period received.

DUE FROM PARTICIPANT BANKS

Due from participant banks for loan buy-backs represents the costs of foreclosed loans repurchased from participant banks or investors that, in turn, must be repurchased by the participant banks. Due from participant banks for loan pools sold represents amounts of first mortgages sold to participant banks for which payment has not yet been received.

MORTGAGE LENDING ACTIVITY

The Organization assists low and moderate-income families to obtain home ownership under a mortgage loan assistance program. The Organization works with a bank that originates first and second mortgages for qualified buyers. First mortgages are purchased by the Organization and immediately re-sold to a group of participating banks at the face amount of the mortgages. Participant banks share agreed-upon portions of the loans and share in any foreclosure losses. The Organization earns mortgage servicing income from these first mortgages. The Organization also purchases the second mortgages from the originating bank, which are forgivable over 60 months if the borrowers make twelve consecutive on-time monthly payments at any time during the first five years of the loan and complete housing education classes within the first year. Funds for second mortgages are generally derived from governmental grants.

COMMUNITY HOMEBUYERS CORPORATION

South Bend, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Because management expects to forgive the entire amount of most second mortgages, such mortgages are expensed when purchased. Any amounts received from second mortgages due to borrower non-compliance must be used to originate additional second mortgages.

GIFTS AND GRANTS

The majority of the Organization's revenue is earned under cost-reimbursement awards from government agencies. Revenues are recognized under such awards when costs allowable under the terms of the awards are incurred. Advances received in excess of allowable costs are reported as deferred revenue in the statements of financial position.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor-imposed restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets 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 temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Amortization of the discounts is included in contributions revenue. Conditional promises to give are not recognized until the conditions are substantially met.

Contributed services are recognized at estimated fair value if the services create or enhance nonfinancial assets or require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. For the year ended December 31, 2017, there was \$63,570 in contributed services recognized for administrative services provided by the City of South Bend personnel. For the year ended December 31, 2016, there was \$52,063 in contributed services recognized for administrative services provided by City of South Bend personnel.

SERVICE AND ORIGINATION FEES

Income from loan servicing fees is recognized when received. Income from loan origination and closing fees is recognized at the time the loan is closed.

COMMUNITY HOMEBUYERS CORPORATION

South Bend, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

ADVERTISING

Advertising costs are charged to operations in the period in which the advertisement is placed. Advertising for the year ended December 31, 2017 amounted to approximately \$8,221 for website advertising, brochures, and website costs. Advertising for the year ended December 31, 2016 amounted to approximately \$6,857 for website design and maintenance as well as radio advertising.

INCOME TAX EXEMPTION

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code whereby only unrelated business income, as defined by Section 509(a)(1) of the Code, is subject to federal income tax. The Organization currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded. The Organization is also exempt from Indiana income taxes under a similar section of the state's income tax laws.

UNCERTAIN TAX POSITIONS

The Organization has adopted the accounting for uncertainty in income tax guidance which clarifies the accounting and recognition for tax positions taken or expected to be taken in its income tax returns. The Organization does not accrue interest or penalties associated with uncertain tax positions as part of the income tax provision. The Organization's U.S. federal Returns of Organization Exempt From Income Tax prior to fiscal year 2015 are no longer subject to federal examinations. The State of Indiana has statutes of limitations of three years. The Organization's tax returns are currently not under examination. An audit by the IRS could change the unrecognized tax benefit; however, it is not possible to estimate a range for such a change.

NOTE 2 – GRANTS RECEIVABLE

The balance of grants receivable was \$0 at December 31, 2017. Grants receivable of \$17,600 at December 31, 2016 consisted of amounts due from the City of South Bend for Community Development Block Grant claims, which were collected in 2017. No allowance for uncollectibles was considered necessary.

At December 31, 2017, the Organization had received approximately \$222,144 in conditional promises to give in excess of allowable costs incurred under cost reimbursement grants. Such promises will be recognized as revenue if and when allowable costs are incurred.

COMMUNITY HOMEBUYERS CORPORATION

South Bend, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 2 – GRANTS RECEIVABLE-CONTINUED

At December 31, 2016, the Organization had received approximately \$289,029 in conditional promises to give in excess of allowable costs incurred under cost reimbursement grants. Such promises will be recognized as revenue if and when allowable costs are incurred.

NOTE 3 – MORTGAGE LOAN INFORMATION

At December 31, 2017 and 2016, the total balance of first mortgages sold to participant banks and investors was \$8,738,479 and \$9,148,478, respectively, and the balance of second mortgages held by the Organization at December 31, 2017 and 2016 was \$835,632 and \$800,142, respectively. The accompanying statements of financial position do not report such second mortgages as assets because such mortgages are expensed when acquired since management expects to forgive most such loans, as discussed in Note 1. In 2017 and 2016, \$212,000 and \$175,440, respectively, in second mortgages were purchased from the originator and expensed.

The Organization and the participating banks securitized three sets of first mortgage loans that were sold to the Federal National Mortgage Association. Two of these securitizations were sold with recourse to the Organization; however, the participating banks have agreed to purchase any loans that the Organization is required to repurchase under these agreements and to reimburse the Organization for any additional costs incurred. The balance of such securitized loans at December 31, 2017 and 2016 was \$670,647 and \$357,101, respectively.

The Organization retains the servicing rights to the mortgages for all three of the securitizations, as well as for mortgages not securitized. Failure to service the loans in accordance with contractual requirements may lead to a termination of the servicing rights and the loss of future servicing fees.

NOTE 4 – DEBT INFORMATION

The Organization has a \$500,000 bank line of credit that is collateralized by all of the Organization's assets and bears interest at 100 basis points over Wall Street Journal prime. \$0 and \$0 was outstanding on the line at December 31, 2017 and 2016, respectively.

NOTE 5 – RELATED PARTY INFORMATION

Participant banks are considered related parties since representatives of the banks are members of the Board of Directors. At December 31, 2017 and 2016, participant banks owed the Organization \$226 and \$1,900, respectively, for loan buy-backs and \$18,400 and \$6,257, respectively, for loan pools sold. The Organization temporarily funds such buy-backs and loan pools and any related additional costs until it is reimbursed by the banks.

COMMUNITY HOMEBUYERS CORPORATION

South Bend, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 5 – RELATED PARTY INFORMATION-CONTINUED

The Organization's administrative office is located in the offices of the City of South Bend (the "City"), and the managing employees of the Organization are all employees of the City. Total expenses for these services were \$78,570 and \$67,063 for the years ended December 31, 2017 and 2016, respectively, of which \$63,570 and \$52,063 were contributed during the years ended December 31, 2017 and 2016, respectively. The Organization has a payable for these services of \$0 and \$0 for the years ended December 31, 2017 and 2016, respectively. In addition, the Organization recognized \$216,000 and \$182,514 in grant revenue from the City of South Bend for the years ended December 31, 2017 and 2016, respectively, of which \$0 and \$17,600 was due at December 31, 2017 and 2016, respectively.

NOTE 6 – CONCENTRATIONS OF RISK

The Organization's activities are concentrated in St. Joseph County, Indiana. Accordingly, its revenues may be affected by conditions in that area.

For the year ended December 31, 2017, approximately 68% and 20%, respectively, of total revenues were from grants and contributed administrative services from the City of South Bend.

For the year ended December 31, 2016, approximately 67% and 19%, respectively, of total revenues were from grants and contributed administrative services from the City of South Bend.

Financial instruments that expose the Organization to concentrations of credit and market risk consist primarily of cash and cash equivalents and grants receivable. The Organization has cash on deposit with financial institutions that, at times, may exceed the insurance limit of the Federal Deposit Insurance Corporation or that are invested in funds that are not insured. Cash and cash equivalents are maintained at high-quality financial institutions and the Organization has not experienced any losses on such deposits. On December 31, 2017 and 2016, cash deposits exceeded FDIC limits by \$0 and \$0, respectively.