

**COOK INLET LENDING CENTER, INC.**  
**(A Component Unit of Cook Inlet Housing Authority)**  
Anchorage, Alaska

Financial Statements and Compliance Reports

December 31, 2022 and 2021



**NEWHOUSE & VOGLER**  
Certified Public Accountants

# COOK INLET LENDING CENTER, INC.

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**Independent Auditor's Report**

Board of Directors  
Cook Inlet Lending Center, Inc.  
Anchorage, Alaska

Ladies and Gentlemen:

**Opinion**

We have audited the accompanying statements of financial position of Cook Inlet Lending Center, Inc. as of December 31, 2022 and 2021, and the related statements of activities and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Cook Inlet Lending Center, Inc. as of December 31, 2022 and 2021, 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.

**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 Cook Inlet Lending Center, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Cook Inlet Lending Center, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 Cook Inlet Lending Center, 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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Cook Inlet Lending Center, 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 Matters**

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Board of Directors  
Cook Inlet Lending Center, Inc.

**Report on Other Legal and Regulatory Requirements**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2023 on our consideration of Cook Inlet Lending Center, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Anchorage, Alaska  
June 6, 2023

**COOK INLET LENDING CENTER, INC.**

Anchorage, Alaska

*Statements of Financial Position**December 31, 2021 and 2020*

<b>Assets</b>	<b>2022</b>	<b>2021</b>
Current assets:		
Cash and cash equivalents	\$ 10,274,142	10,180,507
Accounts receivable	1,485	-
Grants receivable	8,426	49,300
Notes receivable - current portion	803,301	701,968
Accrued interest receivable	20,537	4,727
Prepaid items	43,961	9,337
<i>Total current assets</i>	<u>11,151,852</u>	<u>10,945,839</u>
Non-current assets:		
Investments	1,283,208	1,580,386
Deposits and reserves	1,310,933	691,811
Notes receivable, net of current portion, net of allowance	15,302,499	15,909,265
Capital assets:		
Leasehold Improvements	590,484	590,484
Furniture & Equipment	99,774	99,774
Less accumulated depreciation	(568,321)	(436,269)
<i>Total capital assets, net</i>	<u>121,937</u>	<u>253,989</u>
<i>Total non-current assets</i>	<u>18,018,577</u>	<u>18,435,451</u>
<i>Total assets</i>	<u>\$ 29,170,429</u>	<u>29,381,290</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 25,873	31,603
Accrued liabilities	154,280	47,731
Compensated absences	61,641	53,230
Refundable advances	4,700,856	4,779,431
Notes payable - current portion	608,616	659,709
<i>Total current liabilities</i>	<u>5,551,266</u>	<u>5,571,704</u>
Non-current liabilities:		
Accrued interest on notes payable	26,753	17,357
Notes payable - net of current portion	8,224,364	8,892,501
<i>Total non-current liabilities</i>	<u>8,251,117</u>	<u>8,909,858</u>
<i>Total liabilities</i>	<u>13,802,383</u>	<u>14,481,562</u>
Net assets:		
Net assets without donor restrictions	15,368,046	14,899,728
<i>Total net assets</i>	<u>15,368,046</u>	<u>14,899,728</u>
<i>Total liabilities and net assets</i>	<u>\$ 29,170,429</u>	<u>29,381,290</u>

See accompanying notes to the financial statements

**COOK INLET LENDING CENTER, INC.**

Anchorage, Alaska

## Statements of Activities

Years Ended December 31, 2022 and 2021

	2022	2021
Operating activities:		
Revenues:		
Federal grants	\$ 1,967,362	13,349,571
Other grants	434,295	178,006
Interest income from operations	468,696	494,026
Contract Service revenue	-	557,070
Other Income	33,081	201,188
Total revenues	<u>2,903,434</u>	<u>14,779,861</u>
Expenses:		
Salaries and benefits	1,179,855	1,232,844
Depreciation and amortization	132,052	132,051
Program assistance	109,500	13,297,821
Professional services	192,924	209,986
Utilities	4,869	7,269
Repairs and maintenance	2,771	3,665
Supplies	10,089	9,389
Insurance	18,646	10,788
Communications	3,981	378
Training and travel	8,630	982
Fees and licenses	150,383	177,110
Property Taxes	1,954	2,486
Office and equipment lease	76,487	74,545
Board expense	25,654	16,386
Marketing and advertising	24,185	19,077
Bad debt	133,128	1,042,286
Total expenses	<u>2,075,108</u>	<u>16,237,063</u>
Net operating activities	<u>828,326</u>	<u>(1,457,202)</u>
Non-operating activities:		
Investment income	41,314	29,208
Interest income	38,372	4,410
Interest expense	(181,335)	(199,750)
Gain on extinguishment of debt	-	105,569
Unrealized gain (loss)	(258,359)	159,977
Total non-operating activities	<u>(360,008)</u>	<u>99,414</u>
Change in net assets	468,318	(1,357,788)
Net assets, beginning of year	<u>14,899,728</u>	<u>16,257,516</u>
Net assets, end of year	<u>\$ 15,368,046</u>	<u>14,899,728</u>

See accompanying notes to the financial statements

**COOK INLET LENDING CENTER, INC.**

Anchorage, Alaska

*Statements of Cash Flows*

*Years Ended December 31, 2021 and 2020*

	2022	2021
Cash flows from operating activities:		
Receipts from grants	\$ 2,363,956	12,990,380
Receipts from others	33,081	758,220
Receipts from clients	405,272	451,918
Payments to vendors	(670,427)	(631,142)
Payments to employees	(1,064,895)	(1,282,787)
Collection of loans	1,839,917	2,386,438
Loans disbursed	(1,317,333)	(311,383)
Grants funded	-	(16,437,500)
<i>Net cash flows from operating activities</i>	<u>1,589,571</u>	<u>(2,075,856)</u>
Cash flows from investing activities:		
Withdrawals from (deposits to) loan reserves, net	(619,122)	-
Proceeds from sale of investments	60,095	319,938
Purchase of investments	-	(51,600)
Issuance of notes receivable	-	(146,465)
Interest and dividends received	58,410	15,580
<i>Net cash flows from investing activities</i>	<u>(500,617)</u>	<u>137,453</u>
Cash flows from financing activities:		
Proceeds from debt	-	50,000
Interest payment on debt	(171,939)	(196,974)
Principal payment on notes payable	(823,380)	(1,303,505)
<i>Net cash flows from financing activities</i>	<u>(995,319)</u>	<u>(1,450,479)</u>
Net change in cash and cash equivalents	93,635	(3,388,882)
Cash and cash equivalents, beginning of year	<u>10,180,507</u>	<u>13,569,389</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 10,274,142</u></u>	<u><u>10,180,507</u></u>
Reconciliation of net operating activities to net cash flows from operating activities:		
Net operating activities	\$ 828,326	(1,457,202)
Adjustments to reconcile net operating activities to net cash flows from operating activities:		
Depreciation	132,052	132,051
Accrued interest on notes receivable	(61,939)	(42,147)
Bad debt	133,128	1,042,286
(Increase) Decrease in grants receivable	40,874	24,700
(Increase) Decrease in accounts receivable	(1,485)	39
(Increase) Decrease in prepaids	(34,624)	(2,020)
(Increase) Decrease in deposits	-	(38)
(Increase) Decrease in notes receivable	522,584	2,075,055
Increase (Decrease) in accounts payable	(5,730)	(3,236,740)
Increase (Decrease) in accrued liabilities	106,549	(43,784)
Increase (Decrease) in compensated absences	8,411	(6,159)
Increase (Decrease) in refundable advances	(78,575)	(561,897)
<b>Net cash flows from operating activities</b>	<u><u>\$ 1,589,571</u></u>	<u><u>(2,075,856)</u></u>
<b>Supplemental non-cash disclosures:</b>		
Dividends reinvested	\$ 21,275	11,169
Gain (loss) on extinguishment of debt	\$ -	105,569
Unrealized gain (loss)	\$ (258,359)	159,977
Debt financing paid directly to third party	\$ 104,150	515,980

See accompanying notes to the financial statements



## COOK INLET LENDING CENTER, INC.

Anchorage, Alaska

### *Notes to Financial Statements*

*Years ended December 31, 2022 and 2021*

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#### **NOTE 1 – DESCRIPTION OF ORGANIZATION**

##### **History**

Cook Inlet Lending Center, Inc. (CILC) – CILC was established on November 7, 2001 for religious, charitable, literary, or educational purposes under Section 501(c)(3) of the Internal Revenue Service (IRS) Code and was originally known as NaQenq’a. The name was changed to CILC in 2006 and was certified as a Native Community Development Financial Institution (CDFI) in 2007. CILC was established to promote and provide lending services, community and economic development opportunities, access to credit markets, economic development and opportunities for local investment, partnerships, and employment opportunities primarily to low and moderate income families in under-served areas in the Cook Inlet region. CILC offers grants, deferred or low interest rate loan products, homeowner education and counseling, and technical assistance for small businesses, providing homeownership opportunities to eligible individuals and families and promoting economic opportunities in the CIRI Region.

CILC is a wholly owned subsidiary of Cook Inlet Housing Authority (CIHA) and a member of the Federal Home Loan Bank of Des Moines; CILC activities are included in the consolidated CIHA financial statements.

**Homeownership for Alaska Natives and American Indians** – The Department of Housing and Urban Development (HUD) Section 184 Loan Program was established in 1992 by Congress as a way for eligible Alaska Native/American Indian individuals, families, tribes and tribally designated housing entities to have increased homeownership opportunities, both on and off of Native lands. This mortgage product is only available to Alaska Native/American Indian families, tribes, or tribally designated housing entities.

**Down Payment Assistance** – A certified Community Development Finance Institution (CDFI), CILC offers a Down Payment Assistance Program for low- and moderate-income home buyers. The assistance is in the form of a second mortgage secured by a deed of trust.

**Alaska Native/ American Indian Individual Development Account (IDA) Program** – CILC’s IDA program helps individuals who earn modest wages to save money for a home purchase. Participants who reach a savings goal are eligible to receive matching funds, which they then apply towards the down payment for a home purchase. IDA participants evaluate their personal credit reports and work towards strengthening their credit scores, develop and follow household budgets, participate in education forums and enjoy one-to-one counseling where desired.

**Native American Homeownership Initiative/HomeStart Programs** – CILC is a member of Federal Home Loan Bank of Des Moines (FHLB DM). As an FHLB DM member, CILC is eligible to receive an allocation of pass-through grant funds each year to help low income families purchase homes. Grant amounts fluctuate annually, and the number of grants available varies based on the allocation of funding CILC receives from FHLB DM.

## COOK INLET LENDING CENTER, INC.

Anchorage, Alaska

### *Notes to Financial Statements, continued*

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#### **NOTE 1 – DESCRIPTION OF ORGANIZATION, *continued***

**Conventional/FHA/VA Lending Program** – In 2020, CILC began originating Conventional, FHA and VA first mortgage loan products in partnership with Chickasaw Community Bank. These notes have varied benefits depending on the specific needs and goals of the borrowers such as lower interest rates, lower down payment requirements and benefits to our military clients. Offering conventional, FHA and VA loan products positions CILC to be a “one-stop shop” for low- and moderate-income homebuyers.

**Small Business Lending Program** – CILC launched its small business lending program in January of 2021, having already made its first collaborative small business loan in partnership with the Anchorage Community Land Trust (“ACLT”) in late 2020. CILC provides loan origination, loan processing and loan servicing for its small business lending program, and ACLT offers training and technical assistance that position emerging entrepreneurs to succeed.

#### **MOA Business Relief Grant Activities**

At the outset of the pandemic, CILC began a partnership with the Municipality of Anchorage to administer relief grants to small businesses, nonprofits, and individual working artists. CILC deployed a total \$27.035 million over several rounds of the program between May 2020 and January 2022. The funds were deployed across the following rounds:

- Pilot Round: \$970,000 was distributed to 102 businesses and 15 nonprofits. CILC did not receive any administrative fee revenue for the pilot round. Fund disbursement began June 2, 2020.
- Small Business Round 2: \$4,710,000 was distributed to grantees, which included 40 \$5,000 grants to sole proprietorships who only received \$5,000 in the pilot round, and 451 \$10,000 grants to new applicants and previously waitlisted business. CILC received \$250,000 in administrative fee revenue. Fund disbursement began September 4, 2020.
- Small Business Round 3: \$7,020,000 was distributed to 702 grantees. CILC received \$438,310 in administrative fee revenue. Fund disbursement began January 6, 2021.
- Small Business Round 3.5: \$1,440,000 was distributed to 144 grantees. CILC received \$42,070 in administrative fee revenue. Fund disbursement began April 14, 2021.
- Small Business Round 4: \$7,030,000 was distributed to 703 grantees. CILC received \$438,000 in administrative fee revenue. Fund disbursement began July 7, 2021. \$20,000 of Small Business Round 4 funds were distributed in January 2022.
- Nonprofit Round 1: \$3,932,500 was distributed to 217 grantees. CILC received \$205,000 in administrative fee revenue. Fund disbursement began December 4, 2020.

**COOK INLET LENDING CENTER, INC.**

Anchorage, Alaska

*Notes to Financial Statements, continued*

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**NOTE 1 – DESCRIPTION OF ORGANIZATION, *continued***

- Nonprofit Round 2: \$652,500 was distributed to 26 grantees. CILC received \$37,000 in administrative fee revenue. Fund disbursement began August 3, 2021.
- Individual Artist Round 1: \$500,000 was distributed to 100 grantees. CILC received \$15,000 in administrative fee revenue. Fund disbursement began December 14, 2020.
- Individual Artist Round 2: \$780,000 was distributed to 156 grantees. CILC received \$40,000 in administrative fee revenue. Fund disbursement began August 11, 2021.

**Homeowners Assistance Fund** – Cook Inlet Housing Authority received more than \$10,000,000 in Homeowner Assistance Fund (HAF) resources from the Department of Treasury in 2021. CIHA/CILC entered into a subrecipient agreement and CILC was awarded \$2,798,867. HAF funding is being used to help address mortgage delinquency, provide principal reduction, and otherwise assist eligible borrowers.

**Legacy Home Loans**

In 2005, CIHA transferred a portfolio, valued at \$6,119,787, to CILC. This “legacy” portfolio consisted of two types of notes receivable:

- deferred notes receivable for which no payment is due for 35 years, but which accrue interest monthly; and
- Principal and interest notes receivable that have monthly borrower payments over a 30-year period.

Interest rates in CILC’s legacy portfolio range between .5% and 4%.

**COOK INLET LENDING CENTER, INC.**

Anchorage, Alaska

*Notes to Financial Statements, continued*

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The financial statements of CILC have been prepared on the accrual basis of accounting.

**Use of Estimates**

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the statement of financial position and activity for the period. Actual results could differ from those estimates.

**Financial Statement Presentation**

Financial statement presentation follows the requirements of the United States Generally Accepted Accounting Principles (GAAP). Therefore, CILC reports its financial position and activities as either net assets without donor restrictions or net assets with donor restrictions.

On December 31, 2022 and 2021, all of CILC's net assets were reported as net assets without donor restrictions.

CILC's basic financial statements include the following reports: Statements of Financial Position, Statements of Activities, Statements of Cash Flows and Notes to Financial Statements.

**Cash and Cash Equivalents**

For the statement of financial position and statement of cash flows purposes, cash and cash equivalents are defined as all monies in petty cash, checking, savings and money market accounts, and highly liquid debt instruments with a purchase of maturity of 3 months or less.

**Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

**COOK INLET LENDING CENTER, INC.**

Anchorage, Alaska

*Notes to Financial Statements, continued*

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued***

**Notes Receivable**

The allowance for losses on note receivables reflects management's best estimate of probable losses determined principally on the basis of historical experience. Accounts generally are written off when 6 to 12 months delinquent, although any such balance judged to be uncollectible, such as an account in bankruptcy, is written down immediately to estimated realizable value.

When collateral is repossessed in satisfaction of a loan, the receivable is written down against the allowance for losses to the estimated fair value of the asset less costs to sell, transferred to other assets, and subsequently carried at the lower of cost or estimated fair value less costs to sell.

**Investments**

CILC carries its investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities. CILC classifies investments with a due date expiring in the following fiscal year as current assets. CILC follows Cook Inlet Housing Authority's investment policy.

**Deposits and Reserves**

CILC maintains separate cash accounts for deposits and reserves related to its notes receivable accounts. These funds are required to be held in reserve by contract, and are classified as noncurrent assets.

**Property and Equipment**

Property and equipment purchased are stated on the basis of historical cost. Capital assets are defined by CILC as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Depreciation is computed on the straight-line method at rates calculated to amortize the cost of assets over their estimated useful lives.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the useful life of the asset are not capitalized.

**COOK INLET LENDING CENTER, INC.**

Anchorage, Alaska

*Notes to Financial Statements, continued*

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued***

**Compensated Absences**

CILC accrues accumulated unpaid vacation and associated employee-related costs when earned (or estimated to be earned) by the employee.

**Public Support and Revenue Recognition**

CILC administers federal and other grants and contracts which are generally of a cost reimbursement type and include provisions for advances and billings for costs incurred.

Revenues and receivables are generally recorded when reimbursable expenses are incurred. Amounts receivable from funding agencies at year end include amounts relating to expenses incurred prior to year-end, but not billed until after year end.

Advances from funding agencies are considered liquidated when an expense is recorded. All grant and contract receipts in excess of expenses for ongoing programs have been recorded as refundable advances. Refundable advances are grant funds that have been drawn down and have not yet been expended for grant eligible activities. At the time those funds are expended grant revenue will be recognized.

Grant Advances are included in unrestricted cash, cash equivalents and investments in the Statement of Financial Position.

**Functional Expenses**

CILC considers all expenses to be program expenses as supportive functions are performed by CIHA.

**Income Taxes**

CILC is exempt from federal and state income taxes under provisions of the IRS Code, Section 501(c)(3) and does not have any unrelated business income, accordingly, no provision for income taxes is included in the financial statements. No uncertain tax positions have been taken. Although CILC is exempt from income tax, informational returns are subject to examination by the taxing authorities. No returns are currently under examination. Returns prior to 2017 are no longer subject to examination.

**Advertising Costs**

Advertising costs are expensed as incurred.

**COOK INLET LENDING CENTER, INC.**

Anchorage, Alaska

*Notes to Financial Statements, continued*

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**NOTE 3 – CASH AND CASH EQUIVALENTS**

Cash consists of demand deposits and cash held in trust. The carrying amount of certain cash balances is restricted by federal regulation and other agreements. The bank balances and carrying amounts are shown below for the years indicated.

Detail of the carrying and bank balances on December 31, 2022 and 2021, are as follows:

	<u>Book Balance</u>	<u>Bank Balance</u>
<b>2022</b>		
Cash in Banks	\$ 9,153,079	8,961,185
Cash held with investment company	<u>1,121,063</u>	<u>1,121,063</u>
<i>Total cash and cash equivalents</i>	<u>\$ 10,274,142</u>	<u>10,082,248</u>
	<u>Book Balance</u>	<u>Bank Balance</u>
<b>2021</b>		
Cash in Banks	\$ 9,132,777	8,887,369
Cash held with investment company	<u>1,047,730</u>	<u>1,047,730</u>
<i>Total cash and cash equivalents</i>	<u>\$ 10,180,507</u>	<u>9,935,099</u>

**COOK INLET LENDING CENTER, INC.**

Anchorage, Alaska

*Notes to Financial Statements, continued***NOTE 4 – INVESTMENTS****Investment Balances**

At December 31, 2022 and 2021, CILC had the following investment balances (at market value):

	2022	2021
Federal agency	\$ 341,122	382,830
Money Market Funds	1,121,063	1,047,730
Mortgage Backed Securities	164,115	238,555
Common Stock	777,971	959,001
Total investments	2,404,271	2,628,117
Investment classified as cash	(1,121,063)	(1,047,730)
	\$ 1,283,208	1,580,386

**Concentration of Credit Risk**

CILC limits the amount it may invest in any one non-governmental or money market issuer to 5% by issuer and 15% by industry sector. Types of investments are also restricted by its Investment Policy and the permitted and actual percentages invested in each category are shown in the tables below.

Investment Policy Concentration Limits and Actual Investment Percentages as of December 31						
	2022		2021			
<u>Investment Type</u>	<u>Policy</u>	<u>Act.</u>	<u>Policy</u>	<u>Act.</u>	<u>Rating</u>	
Federal agency	*	14.19%	*	14.57%	N/A	
Money Market Funds	*	46.63%	*	39.87%	N/A	
Mortgage Backed Securities	*	6.83%	*	9.08%	N/A	
Common Stock		32.35%		36.48%	N/A	
		100.00%		100.00%		

\*Note that the combined balance of these categories must exceed 50%

**Custodial Risk**

On December 31, 2022 and 2021 bank balances totaling \$1,027,483 and \$726,775 respectively, were unsecured or uncollateralized



**COOK INLET LENDING CENTER, INC.**

Anchorage, Alaska

*Notes to Financial Statements, continued***NOTE 4 – INVESTMENTS, continued****Credit Risk**

The credit quality ratings for the CILC investments are listed in the table above and indicate the rating on the governmental bonds and notes. The ratings are from Standard & Poor's as of the dates indicated. Money market funds are not rated in the same manner as debt securities, and the ratings on those investments are not shown.

**Interest Rate Risk**

CILC's investment policy does not limit investment maturities as a means of managing its exposure to losses in fair value arising from changing interest rates. The fair value of debt securities by maturity is shown below for the years ended December 31, 2022 and 2021.

<b>Investment Maturities by Year at December 31</b>					
	<b>Less than 1</b>	<b>1-5</b>	<b>6-10</b>	<b>More than 10</b>	<b>Total</b>
2022	\$2,203,857	-	64,810	135,605	2,404,271
2021	2,346,576	-	95,498	186,043	2,628,117

**Foreign Currency Risk**

CILC has no funds invested in foreign currency, and therefore has no associated risk.

**NOTE 5 — NOTES RECEIVABLE**

Notes receivable consists of notes to income eligible borrowers for home ownership under CILC's Down Payment Assistance Program. Interest rates, terms, and the maximum amount of each note receivable in CILC's Down Payment Assistance Program have varied over time with interest rates from 0.5% to 4.0% to enhance accessibility of funds for low to moderate income borrowers, seniors, and borrowers with special needs, and to promote home ownership in CIHA's Neighborhood Revitalization areas. Each note receivable is secured by a second deed of trust on the property. They are carried at the principal and accrued interest amount net of allowance for estimated losses. CILC also has deferred home notes receivable, where payment is due the earlier of 35 years or when the home is sold.

CILC's allowance is an estimate of the risk of losses in the portfolio and is calculated at 5% of the total Note receivable balance. The allowance for losses attributable to the Down Payment Assistance Program is \$783,879 and \$849,558 at December 31, 2022 and 2021, respectively.

**COOK INLET LENDING CENTER, INC.**

Anchorage, Alaska

*Notes to Financial Statements, continued***NOTE 5 — NOTES RECEIVABLE, continued**

In addition, notes receivable also includes notes receivable to entrepreneurs and business owners under CILC's business lending program. CILC's business lending program works to achieve the organization's mission by providing access to affordable small business loans to entrepreneurs and business owners from underserved backgrounds and provides development services (internally and through partnerships) needed to build healthy, sustainable businesses.

Interest rates for small businesses are determined by a base rate with an adjustment for risk rating. Interest rates are calculated as: WSJ Prime Index Rate plus a base spread of 2.25% - 4.75% as determined by SBA and loan type plus a spread of 0.25% - 1.00% as determined by a CILC risk rating adjustment.

CILC maintains a reserve for notes receivable losses for business lending which equals or exceeds the loss assigned to each note receivable based on the Risk Rating. Each note receivable reserve is calculated as a percentage of the total amount between 2% and 100%. The reserve for notes receivable attributable to the Business Lending Program is \$167,832 and \$30,631 at December 31, 2022 and 2021.

Total notes receivable at December 31, 2022 and 2021 are as follows:

	2022	2021
Notes Receivable - Down Payment Assistance	\$ 15,677,583	16,991,162
Less: Allowance - Down Payment Assistance	<u>(783,879)</u>	<u>(849,558)</u>
Notes Receivable, Down Payment Assistance, net	14,893,704	16,141,604
Notes Receivable - Business Lending	1,379,929	500,260
Less: Allowance - Business Lending	<u>(167,832)</u>	<u>(30,631)</u>
Notes Receivable, Business Lending, net	1,212,097	469,629
Notes receivable, net allowance for bad debt	16,105,800	16,611,233
Less: Current portion	<u>(803,301)</u>	<u>(701,968)</u>
Notes receivable, net of current portion	\$ <u><u>15,302,499</u></u>	<u><u>15,909,265</u></u>

**COOK INLET LENDING CENTER, INC.**

Anchorage, Alaska

*Notes to Financial Statements, continued*

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**NOTE 6 — RESERVES FOR NOTES RECEIVABLE**

**Reserves**

CILC maintains a reserve account for each note receivable established under the Alaska Housing Finance Corporation Loans to Sponsor (LTS) Down Payment Assistance mortgage program. The reserve account consists of a percentage ranging from 2% to 5% of the note receivable balance maintained within the first five years. After 5 years, the reserve account remains at 5% of the LTS portfolio balance. Reserves for notes receivable at December 31, 2022 and 2021 were \$362,683 and \$361,811 respectively.

In 2018, CILC became a member of the Native CDFI Capital Pool. CILC, with twelve other members contributed to the Capital Pool reserve fund totaling \$500,000 whose share of the reserve fund is 5%. This money is maintained at a Native-owned and controlled financial institution. At the conclusion of the Native CDFI Capital Pool in 2028, any unused portion of the cash reserve fund will be returned. Reserves for notes receivable at December 31, 2022 and 2021 were \$50,000.

In 2019, CILC received a \$480,000 grant from the Rasmuson Foundation. \$280,000 of the grant funds was used to create a notes receivable loss reserve and the remaining portion of \$200,000 is to be used for underwriting non-recourse loans. In 2022, an amendment was filed and approved to reallocate these funds from loan loss reserves to lending capital. The reserve for notes receivable at December 31, 2022 and 2021 were \$0 and \$280,000.

In 2022, CILC received a \$331,000 grant from Community Development Financial Institutions Fund (CDFI). As part of the authorized financial assistance activities noted in the grant agreement CILC set aside \$248,250 to create a notes receivable loss reserve. The reserve for notes receivable at December 31, 2022 were \$248,250.

CILC was awarded a \$1,000,000 grant from Wells Fargo Bank in 2021 in accordance with Wells Fargo's Open for Business Fund Program. The grant was to be used in the following ways: \$650,000 for loan loss reserves and \$350,000 for lending. In 2022, CILC funded the Wells Fargo reserve.

**Delinquent Balances**

The Coronavirus Aid, Relief, and Economic Security Act, also known as the CARES Act, was signed into law on March 27, 2022. The law provided protections to homeowners with federally-backed mortgages who had been impacted by the pandemic, allowing them to defer mortgage payments for up to one year. The Biden administration subsequently extended forbearance options for homeowners through 2022.

Wells Fargo, which services the majority of CILC's 2<sup>nd</sup> mortgage portfolio, granted forbearance to CILC borrowers who indicated that they were adversely impacted by the pandemic. In doing so, CILC and Wells Fargo helped ensure housing stability to many families and individuals. This impacted CILC's notes receivable delinquency.

**COOK INLET LENDING CENTER, INC.**

Anchorage, Alaska

*Notes to Financial Statements, continued***NOTE 6 — RESERVES FOR NOTES RECEIVABLE, *continued***

The delinquent balances at December 31, 2022 and 2021 were as follows:

	2022	2021
Total Notes Receivable over 90 days delinquent	\$ 640,616	850,881
Percentage of total portfolio	5.55%	6.70%

Cook Inlet Housing Authority will receive more than \$10,000,000 in Homeowner Assistance Fund (HAF) resources from the Department of Treasury in 2022. HAF funding may be used to help address mortgage delinquency, provide principal reduction, and otherwise assist eligible borrowers. CIHA and CILC will evaluate opportunities to deploy HAF funding to bring delinquencies current for eligible CILC borrowers.

The reserve balances at December 31, 2022 and 2021 are as follows:

	2022	2021
Oweesta Capital Pool	\$ 50,000	50,000
CDFI NACA 2021	248,250	-
Rasmuson Business Lending	-	280,000
Loans to Sponsor Program	362,683	361,811
Wells Fargo Open for Business	650,000	-
Total Reserves	\$ 1,310,933	691,811

**COOK INLET LENDING CENTER, INC.**

Anchorage, Alaska

*Notes to Financial Statements, continued***NOTE 7 - CAPITAL ASSETS**

Acquisitions and dispositions of leasehold improvements and equipment accounts at December 31, 2022.

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital Assets:				
Leasehold improvements	\$ 590,484	-	-	590,484
Equipment	<u>99,774</u>	<u>-</u>	<u>-</u>	<u>99,774</u>
Total capital assets	<u>690,258</u>	<u>-</u>	<u>-</u>	<u>690,258</u>
Less accumulated depreciation:				
Leasehold improvements	(364,262)	(118,097)	-	(482,359)
Equipment	<u>(72,007)</u>	<u>(13,955)</u>	<u>-</u>	<u>(85,962)</u>
Total accumulated depreciation	<u>(436,269)</u>	<u>(132,051)</u>	<u>-</u>	<u>(568,321)</u>
Total capital assets, net	\$ <u><u>253,989</u></u>	<u><u>(132,051)</u></u>	<u><u>-</u></u>	<u><u>121,937</u></u>

**COOK INLET LENDING CENTER, INC.**

Anchorage, Alaska

*Notes to Financial Statements, continued*

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**NOTE 8 – RELATED PARTY TRANSACTIONS**

CILC has a contract with CIHA for the provision of support functions, including information technology, accounting, human resources, and administrative support. The Board of Directors of CILC was established in 2001 and consists of the Board of Commissioners of CIHA, and two additional members appointed in 2015.

CILC payments to CIHA at December 31, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
Accounts Payable	\$ 18,972	12,617
Office Lease	76,143	74,282
Professional Services	30,000	30,000
Other Administrative Costs	71,499	40,244
IHGB Cares Act grant	54,360	54,360
Tax Abatement loan	-	146,465
Treasury HAF Subgrant	2,548,867	250,000

No other financial activity occurred between CILC and CIHA for the years ended December 31, 2022 and 2021.

**COOK INLET LENDING CENTER, INC.**

Anchorage, Alaska

*Notes to Financial Statements, continued***NOTE 9 – NOTES PAYABLE**

Notes payable at December 31, 2022 and 2021 consists of the following:

	<u>2022</u>	<u>2021</u>
Note payable to Alaska Housing Finance Corporation; no interest, paid quarterly with principal payment proceeds, maturing August, 2044	\$ 1,220,028	1,359,715
 Note payable to First Nations Oweesta Corporation; interest payments bearing 4.08% paid semi-annually, principal semi-annual payments of \$56,250 beginning 2022, maturing June, 2028. As of September 30th, 2022 Note was restructured bearing 2.08% interest, principal payments of \$60,946 paid semi-annually beginning 2022, maturing June 2028	 731,349	 792,295
 Note payable to Community Development Financial Institutions Fund; no interest, principal quarterly payments of \$5,000, maturing April, 2043	 673,250	 693,250
 Note payable to Alaska Housing Finance Corporation: no interest, paid quarterly with principal payment proceeds, maturing April, 2045	 377,582	 389,000
 Note payable to Alaska Housing Finance Corporation; simple interest bearing 1.5% paid monthly with principal payment proceeds, maturing May, 2046	 351,718	 398,350
 Note payable to Native American CDFI Assistance; interest only payments at 1.95%, maturing June, 2028	 471,148	 471,148
 Note payable of \$1,500,000 to Alaska Housing Finance Corporation; simple interest bearing 3% paid monthly with principal payment proceeds, maturing January, 2047	 654,351	 714,846
 <b>NOTE 9 – NOTES PAYABLE, <i>continued</i></b>	 \$ 973,655	 1,151,277

**COOK INLET LENDING CENTER, INC.**

Anchorage, Alaska

*Notes to Financial Statements, continued*


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Note payable of \$1,500,000 to Alaska Housing Finance Corporation; simple interest bearing 3% paid monthly with principal payment proceeds, maturing February, 2048		
Note payable of \$1,500,000 to Alaska Housing Finance Corporation; simple interest bearing 3% paid monthly with principal payment proceeds, maturing May, 2049	697,467	881,447
Note payable of \$200,000 to Tamalpais Trust; simple interest bearing 2% paid quarterly, maturing April 30, 2024	200,000	200,000
Note payable of \$1,500,000 to Alaska Housing Finance Corporation; simple interest bearing 3.5% paid monthly with principal payment proceeds, maturing May, 2050	1,092,623	1,179,693
Note Payable of \$500,000 to Rasmuson Foundation; interest bearing 1% paid semi-annually beginning March 2022, maturing June 30, 2030	500,000	500,000
Note payable of \$1,500,000 to Alaska Housing Finance Corporation; simple interest bearing 3% paid monthly with principal payment proceeds, maturing August, 2051	695,993	711,189
Note Payable to Municipality of Anchorage 49th State Angel Fund (49SAF) not to exceed \$225,000; interest bearing 1.25%, maturing November 2024	34,500	50,000
Note payable of \$1,500,000 to Alaska Housing Finance Corporation; simple interest bearing 3% paid monthly with principal payment proceeds, maturing October, 2052	<u>159,316</u>	<u>60,000</u>
Total Notes Payable	\$ 8,832,980	9,552,210
Less current maturities	<u>(608,616)</u>	<u>(659,709)</u>
Long-term debt, excluding current portion	\$ <u>8,224,364</u>	<u>8,892,501</u>



**COOK INLET LENDING CENTER, INC.**

Anchorage, Alaska

*Notes to Financial Statements, continued***NOTE 9 – NOTES PAYABLE, continued**

The future minimum payments are as follows:

			<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
December 31,	2023	\$	608,616	173,743	782,359
	2024		585,228	156,433	741,661
	2025		576,778	149,212	725,990
	2026		542,278	136,558	678,836
	2027		385,228	126,248	511,476
2028 -	2032		2,034,678	520,214	2,554,892
2033 -	2037		1,316,683	386,599	1,703,282
2038 -	2042		1,111,886	268,797	1,380,683
2043 -	2047		925,391	162,832	1,088,223
2048 -	2052		746,214	60,420	806,634
		\$	8,832,980	2,141,056	10,974,036

**NOTE 10 – RISK MANAGEMENT**

CILC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risk amounts are covered by commercial insurance purchased from independent third parties. There was no significant change in coverage from the prior year.

**NOTE 11 – CONTINGENT LIABILITIES**

In connection with various federal and contract programs, CILC is obligated to administer related programs and spend the grant monies in accordance with regulatory restrictions and is subject to audit by the grantor agencies or contractors. In cases of noncompliance, the agencies involved may require CILC to refund program monies. CILC is not aware of any instances of noncompliance. CILC is also contingently liable in connection with claims and contracts arising in the normal course of its activities. CILC management is of the opinion that the outcome of such matters, if any, will not have a material effect on the accompanying financial statements.

**COOK INLET LENDING CENTER, INC.**

Anchorage, Alaska

*Notes to Financial Statements, continued*

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**NOTE 12 – SIGNIFICANT SOURCES OF REVENUE**

Revenues from state, federal, and local grants for the years ended December 31, 2022 and 2021 were \$2,401,657 and \$13,527,577 respectively, which represents approximately 83% and 92% of revenue in 2022 and 2021, respectively. Without these sources of revenue, CILC would not be able to provide the same services.

**NOTE 13 – NEW ACCOUNTING PRONOUNCEMENTS**

The Financial Accounting Standards Board has passed accounting standards updates with upcoming implementation dates. Management has not fully evaluated the potential effects of these updates. Actual impact has not yet been determined.

**NOTE 14 – SUBSEQUENT EVENTS**

In preparing these financial statements, CILC has evaluated events and transactions for potential recognition or disclosure through June 6, 2023, the date the financial statements were available for issue.

## **FEDERAL COMPLIANCE REPORTS**

**COOK INLET LENDING CENTER, INC.**  
Anchorage, Alaska

*Schedule of Expenditures of Federal Awards*

*Year Ended December 31, 2022*

Federal Grant Title	Award Number	ALN Number	Total Grant Award	Eligible Expenditures
Department of Treasury:				
CDFI - NACA FY2018	181NA022906	21.020	\$ 200,000	36,539
CDFI Core	191FA052752	21.020	500,000	450,000
CDFI NACA	211NA057870	21.012	331,000	297,900
CDFI Rapid Response Program*	21RRP057101	21.024	1,250,000	988,946
Passed through Cook Inlet Housing Authority:				
ARR HAF	HAF0210	21.026	<u>2,798,867</u>	<u>139,617</u>
<i>Total Department of Treasury</i>			<u>5,079,867</u>	<u>1,913,002</u>
Department of Housing and Urban Development:				
Passed through Cook Inlet Housing Authority:				
Indian Housing Block Grant - CARES	Unknown	14.867	<u>54,360</u>	<u>54,360</u>
<i>Total Department of Housing and Urban Development</i>				
			<u>\$ 5,134,227</u>	<u>1,967,362</u>

\*Indicates a major program for compliance purposes

This schedule was prepared on the accrual basis of accounting

**COOK INLET LENDING CENTER, INC.**

Anchorage, Alaska

*Notes to the Schedule of  
Expenditures of Federal Awards*

Year Ended December 31, 2022

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**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Organization under programs of the federal government for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Organization.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule of expenditures of federal awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3 – FEDERAL INDIRECT RATE**

The Organization did not use the 10% de minimis indirect cost rate.



**Newhouse & Vogler**

*Certified Public Accountants*

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Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

Board of Directors

Cook Inlet Lending Center, Inc.

Anchorage, Alaska

Ladies and Gentlemen:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Cook Inlet Lending Center, Inc., which comprise the Statement of Financial Position as of December 31, 2022, and the related Statements of Activities and Cash Flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 6, 2023.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Cook Inlet Lending Center, Inc.'s internal control over financial reporting (internal control) the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cook Inlet Lending Center, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Cook Inlet Lending Center, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Directors  
Cook Inlet Lending Center, Inc.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Cook Inlet Lending Center, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Anchorage, Alaska  
June 6, 2023



**Newhouse & Vogler**

*Certified Public Accountants*

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Report on Compliance for each Major Federal Program and Report on Internal Control over Compliance Required by Uniform Guidance

Independent Auditor's Report

Board of Directors

Cook Inlet Lending Center, Inc.

Anchorage, Alaska

Ladies and Gentlemen:

**Report on Compliance for Its Major Program**

**Opinion on Each Major Federal Program**

We have audited Cook Inlet Lending Center, Inc.'s compliance with the types of compliance requirements<sup>1</sup> identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Cook Inlet Lending Center, Inc.'s major federal programs for the year ended December 31, 2022. Cook Inlet Lending Center, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Cook Inlet Lending Center, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

**Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Cook Inlet Lending Center, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Cook Inlet Lending Center, Inc.'s compliance with the compliance requirements referred to above.



### **Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Cook Inlet Lending Center, Inc.'s federal programs.

### **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Cook Inlet Lending Center, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Cook Inlet Lending Center, Inc.'s compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Cook Inlet Lending Center, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Cook Inlet Lending Center, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Cook Inlet Lending Center, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Board of Directors  
Cook Inlet Lending Center, Inc.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Anchorage, Alaska  
June 6, 2023

**COOK INLET LENDING CENTER, INC.**  
Anchorage, Alaska

*Summary of Auditor's Results and  
Schedule of Questioned Costs*

*Year Ended December 31, 2022*

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**Section I – Summary of Auditor's Results**

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ Yes   X   No

Significant deficiency(ies) identified?

\_\_\_\_\_ Yes   X   No

Noncompliance material to the financial statements noted?

\_\_\_\_\_ Yes   X   No

**Federal Awards**

Type of auditor's report issued on compliance of major federal programs:

Unmodified

Internal control over major programs:

Material weakness(es) identified?

\_\_\_\_\_ Yes   X   No

Significant deficiency(ies) identified?

\_\_\_\_\_ Yes   X   No

Audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

\_\_\_\_\_ Yes   X   No

**Identification of Major Federal Programs**

Assistance Listing Number(s)

Name of Federal Program or Cluster of Programs

21.024

CDFI Rapid Response Program

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee

  X   Yes \_\_\_\_\_ No

**Section II – Financial Statement Findings**

The Organization had no findings that relate to the financial statements that are required to be reported in accordance with GAGAS.

**Section III – Federal Award Findings and Questioned Costs**

The Organization had no findings that are required to be reported in accordance with Uniform Guidance at 2 CFR, part 200 for the year ended December 31, 2022.

**COOK INLET LENDING CENTER, INC.**

Anchorage, Alaska

*Summary of Auditor's Results and  
Schedule of Questioned Costs*

*Year Ended December 31, 2022*

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There were no prior year audit findings relating to the financial statements, federal awards, or state awards.