CLEARINGHOUSE COMMUNITY DEVELOPMENT
FINANCIAL INSTITUTION COMPANIES

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

with

Independent Auditors' Report

Novogradac & Company LLP
Certified Public Accountants

Independent Auditors' Report

To the Board of Directors of
Clearinghouse Community Development Financial Institution Companies:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Clearinghouse Community Development Financial Institution Companies, a California corporation, which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the related consolidated statements of income, stockholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 the consolidated 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 consolidated 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Clearinghouse Community Development Financial Institution Companies, a California corporation, as of December 31, 2016 and 2015, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information in the Supplementary Information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of the individual companies, and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, Clearinghouse Community Development Financial Institution Companies adopted a change in accounting principle related to the presentation of debt issuance costs. Our opinion is not modified with respect to that matter.

Novogradac & Company LLP

Long Beach, California
March 20, 2017

CLEARINGHOUSE COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION COMPANIES

CONSOLIDATED BALANCE SHEETS

December 31, 2016 and 2015

		2016		2015
ASSETS				
Cash and cash equivalents	$	27,674,000	$	41,647,000
Restricted cash		6,049,000		3,498,000
Loans receivable, net		305,966,000		203,531,000
Accrued interest receivable		1,626,000		956,000
Other receivables and prepaid expenses		1,667,000		4,161,000
Due from related parties		257,000		399,000
Fixed assets, net		1,430,000		1,526,000
Operating investment (CREC)		8,932,000		6,729,000
Investment in other companies		1,461,000		1,192,000
Deferred taxes		7,957,000		6,350,000
TOTAL ASSETS	$	363,019,000	$	269,989,000
LIABILITIES AND STOCKHOLDERS' EQUITY				
LIABILITIES				
Accounts payable and accrued expenses	$	3,149,000	$	2,779,000
Accrued interest payable		957,000		645,000
Due to related parties		2,000		2,000
Lines of credit		26,500,000		15,300,000
Interest-bearing deposits		250,000		250,000
Non interest-bearing deposits		4,200,000		1,850,000
Notes payable, Class A stockholders		37,927,000		37,927,000
Notes payable, Federal Home Loan Bank of San Francisco		48,000,000		41,000,000
Notes payable, Bond Guarantee Program - net of unamortized debt issuance costs		117,069,000		61,047,000
Other notes payable - net of unamortized debt issuance costs		71,121,000		62,221,000
TOTAL LIABILITIES		309,175,000		223,021,000
STOCKHOLDERS' EQUITY				
Common stock, no par value				
Class A		26,107,000		21,265,000
Class C		3,580,000		3,580,000
Retained earnings		24,157,000		22,123,000
TOTAL STOCKHOLDERS' EQUITY		53,844,000		46,968,000
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	363,019,000	$	269,989,000

see accompanying notes

CLEARINGHOUSE COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION COMPANIES

CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31, 2016 and 2015

	2016	2015
INTEREST INCOME		
Interest on loans receivable	$ 19,349,000	$ 12,462,000
Interest-bearing deposits	134,000	144,000
Total interest income	19,483,000	12,606,000
INTEREST EXPENSE	(7,623,000)	(4,874,000)
Net interest income	11,860,000	7,732,000
PROVISION FOR LOAN LOSSES	(3,294,000)	(2,113,000)
Net interest income after provision for loan losses	8,566,000	5,619,000
NON INTEREST INCOME		
Management fees	1,785,000	1,893,000
Loan fees	273,000	953,000
Investment income	239,000	282,000
Flow-through income (loss) from investment in other companies	123,000	(8,000)
Net income from operating investment (CREC)	23,000	47,000
Sponsor fee	-	1,244,000
Total non interest income	2,443,000	4,411,000
NON INTEREST EXPENSES		
Compensation and related benefits	5,155,000	5,009,000
General and administrative	763,000	846,000
Insurance	353,000	331,000
Professional fees	276,000	383,000
Marketing	207,000	158,000
Rent	190,000	201,000
Charitable contributions	122,000	140,000
Depreciation	111,000	107,000
Historic tax credit investment amortization	-	2,502,000
Total non interest expenses	7,177,000	9,677,000
Income before (provision for) benefit from income taxes	3,832,000	353,000
(Provision for) benefit from income taxes	(1,599,000)	2,548,000
Net income	$ 2,233,000	$ 2,901,000

see accompanying notes

CLEARINGHOUSE COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION COMPANIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the years ended December 31, 2016 and 2015

	Common Stock		Retained	Total Stockholders'
	Class A	Class C	Earnings	Equity
BALANCE, JANUARY 1, 2015	$ 10,544,000	$ 3,580,000	$ 19,390,000	$ 33,514,000
Issuance of Class A common stock	10,924,000	-	-	10,924,000
Net income	-	-	2,901,000	2,901,000
Cash dividend	-	-	(119,000)	(119,000)
Stock dividend	49,000	-	(49,000)	-
Issuance costs	(252,000)	-	-	(252,000)
BALANCE, DECEMBER 31, 2015	21,265,000	3,580,000	22,123,000	46,968,000
Issuance of Class A common stock	4,750,000	-	-	4,750,000
Net income	-	-	2,233,000	2,233,000
Cash dividend	-	-	(107,000)	(107,000)
Stock dividend	92,000	-	(92,000)	-
BALANCE, DECEMBER 31, 2016	$ 26,107,000	$ 3,580,000	$ 24,157,000	$ 53,844,000

see accompanying notes

CLEARINGHOUSE COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION COMPANIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2016 and 2015

	2016	2015
CASH FLOW FROM OPERATING ACTIVITIES		
Net income	$ 2,233,000	$ 2,901,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	3,294,000	2,113,000
Flow-through (income) loss from investments in other companies	(123,000)	8,000
Depreciation	111,000	107,000
Interest expense - debt issuance costs	29,000	30,000
Historic tax credit investment amortization	-	2,502,000
Gain on sale of operating investment (CREC)	(91,000)	-
Changes in operating assets and liabilities:		
Increase in accrued interest receivable	(670,000)	(240,000)
Decrease (increase) in other receivables and prepaid expenses	2,494,000	(1,803,000)
Decrease in due from related parties	142,000	21,000
Increase in deferred taxes	(1,607,000)	(1,930,000)
Increase in accounts payable and accrued expenses	370,000	391,000
Increase in accrued interest payable	312,000	279,000
Decrease in due to related parties	-	(2,000)
Net cash provided by operating activities	6,494,000	4,377,000
CASH FLOW FROM INVESTING ACTIVITIES		
Deposits to restricted cash, net	(2,551,000)	(2,061,000)
Originations of loans receivable	(124,654,000)	(127,769,000)
Payoffs and amortization of loans receivable	18,925,000	59,217,000
Purchases of fixed assets	(15,000)	(1,426,000)
Proceeds from sale of operating investment (CREC)	448,000	-
Purchases of operating investments (CREC)	(2,560,000)	(6,779,000)
Proceeds from sale of investment in distressed single family properties	-	399,000
(Purchases of) proceeds from investments in other companies, net	(146,000)	698,000
Net cash used in investing activities	(110,553,000)	(77,721,000)
CASH FLOW FROM FINANCING ACTIVITIES		
Payment of debt issuance costs	(78,000)	(279,000)
Proceeds from lines of credit	15,000,000	15,300,000
Payments of lines of credit	(3,800,000)	(6,500,000)
Payments of interest-bearing deposits	-	(300,000)
Proceeds from non-interest-bearing deposits	2,500,000	1,000,000
Payments of non-interest-bearing deposits	(150,000)	(200,000)
Proceeds from other notes payable	19,600,000	14,817,000
Payments of other notes payable	(10,630,000)	(9,100,000)
Federal Home Loan Bank of San Francisco advances	17,000,000	9,600,000
Federal Home Loan Bank of San Francisco payoffs	(10,000,000)	(3,600,000)
Bond Guarantee Program advances	56,001,000	44,000,000
Issuance of Class A common stock	4,750,000	10,924,000
Class A cash dividend	(107,000)	(119,000)
Net cash provided by financing activities	90,086,000	75,543,000
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(13,973,000)	2,199,000
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	41,647,000	39,448,000
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 27,674,000	$ 41,647,000

see accompanying notes

CLEARINGHOUSE COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION COMPANIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2016 and 2015

(continued)

	2016	2015
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for interest	$ 7,417,000	$ 4,603,000
Cash paid for income taxes	$ 448,000	$ 1,563,000
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Class A stock issuance costs	$ -	$ 252,000
Class A stock dividend	$ 92,000	$ 49,000

1. Organization and purpose

Clearinghouse Community Development Financial Institution ("CDFI") and its wholly-owned subsidiaries, as listed below (collectively, the "Company"), are headquartered in Lake Forest, California. CDFI is a direct lender for affordable housing, community development and other nontraditional credit needs in California, Arizona, Nevada, New Mexico, and Native American communities in the Western United States. CDFI's mission is to provide economic opportunities and improve the quality of life for lower-income individuals and communities through innovative and affordable financing that is unavailable in the conventional market. The majority of CDFI's loans are to nonprofit organizations and other entities that provide affordable housing to low-income individuals, create jobs in economically disadvantaged areas or otherwise are engaged in community development activities. The U.S. Department of the Treasury ("Treasury") has certified CDFI as a Community Development Financial Institution.

CDFI's bylaws provide for fifteen directors. Affordable Housing Clearinghouse ("AHC"), the holder of CDFI's Class B stock (see Note 12), appoints eight directors. CDFI's Class A stockholders elect seven directors. This structure is intended to assure accountability to its nonprofit community development partner AHC, the Class B stockholder, and the targeted low-income populations they serve.

CDFI's wholly-owned subsidiaries are as follows:

CDFI Service Corporation
Clearinghouse NMTC, LLC ("CDFI NMTC LLC")
Clearinghouse CREC (Sub 1), LLC ("CREC Sub 1")
Clearinghouse CREC (Sub 2), LLC ("CREC Sub 2")
Clearinghouse CREC (Sub 3), LLC ("CREC Sub 3")
Clearinghouse CREC (Sub 4), LLC ("CREC Sub 4")
Clearinghouse CREC (Sub 6), LLC ("CREC Sub 6")

CDFI has several primary lines of business including core lending and new markets tax credits ("NMTC") deployment. Core lending is primarily real estate-based lending that benefits lower-income individuals and communities unable to obtain credit from banks or other traditional lenders.

CDFI Service Corporation's sole purpose is to liquidate assets acquired by CDFI. There was limited activity in CDFI Service Corporation during 2016 and 2015.

CDFI NMTC LLC's sole purpose is to make equity investments in and manage NMTC community development entities ("NMTC CDEs"). CDFI has incorporated the NMTC CDEs for the purpose of facilitating transactions resulting from federal and state of Nevada NMTC allocations awarded to CDFI. CDFI has been awarded $538,000,000 and $8,000,000 of federal and state of Nevada allocations, and deployed $473,000,000 and $8,000,000, respectively, to qualified active low-income community businesses since its inception.

CREC Subs 1 – 6 (collectively, the "CREC Subs") were created for the sole purpose of purchasing and investing in income producing real estate properties. As of December 31, 2016 and 2015, the CREC Subs had primarily purchased and invested in multi-family housing and commercial properties, as further discussed in Note 5.

2. Summary of significant accounting policies and nature of operations

Change in accounting principle
In 2016, the Company retroactively adopted a change in accounting principle, promulgated under Accounting Standards Update 2015-03, to present debt issuance costs as a reduction of the carrying amount of the related debt rather than as an asset. Amortization of the debt issuance costs is reported as interest expense rather than as amortization expense. The effect of the change for 2016 was to decrease notes payable by the amount of unamortized debt issuance costs of $1,057,000. The financial statements of 2015 have been retroactively restated for this change, which resulted in a decrease to notes payable by the amount of unamortized debt issuance costs of $1,008,000. The change does not impact net income or retained earnings for either year.

Basis of accounting
The Company prepares its consolidated financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Principles of consolidation
The consolidated financial statements include the accounts of CDFI and its wholly-owned subsidiaries, CDFI Service Corporation, CDFI NMTC LLC, and the CREC Subs. All significant intercompany accounts and transactions have been eliminated in consolidation. Unconsolidated investments are accounted for by the equity and cost methods of accounting.

Cash and cash equivalents
Cash and cash equivalents include all cash balances on deposit with financial institutions and highly liquid investments with a maturity of three months or less. The majority of cash is deposited with shareholder banks. The carrying amount of cash and cash equivalents approximates its fair value.

Restricted cash is not considered cash and cash equivalents, and includes cash pledged to BGP, as defined in Note 11C, or otherwise contractually restricted.

Concentration of credit risk
The Company maintains cash in bank deposit accounts that, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company monitors the financial statements and regulatory filings of those institutions for which the amount on deposit exceeds the federal insured limit. The Company believes it is not exposed to any significant credit risk on these bank deposits.

Economic and geographic concentrations
The Company lends in the California, Arizona, Nevada, New Mexico and Native American markets. Future operations could be affected by changes in economic or other conditions in those markets. The Company's concentration in its largest borrowers has increased as a result of a greater average loan size. As of December 31, 2016 and 2015, the largest ten borrowers, on average, have outstanding balances of $8,419,000 and $6,988,000, respectively. In total, these comprise 25.5% and 31.6%, respectively, of the Company's loan portfolio.

2. Summary of significant accounting policies and nature of operations (continued)

Fixed assets and depreciation
The Company records all fixed assets at cost, less accumulated depreciation. Depreciation for leasehold improvements is computed on a straight-line basis over the lives of the underlying leases, which range from 3 to 5 years. Depreciation for property and equipment is computed on a straight-line basis over the estimated useful lives of the property and equipment, which range from 3 to 5 years. Depreciation for sitework is computed on a straight-line basis over an estimated useful life of 15 years. Depreciation for buildings and building improvements is computed on a straight-line basis over the estimated useful lives of the buildings and building improvements, which range from 39 to 40 years. Depreciation expense for the years ended December 31, 2016 and 2015 was $111,000 and $107,000, respectively.

Income taxes
The Company files a consolidated income tax return for the federal government and the states of California, Arizona, New Mexico, Oregon and Oklahoma. The consolidated financial statements provide for the tax effects of transactions reported, and consist both of taxes currently due and deferred taxes.

Deferred tax assets and liabilities are determined based on temporary differences between financial statement asset and liability amounts and their respective tax bases. Temporary differences are differences between the tax bases of assets and liabilities and their reported amounts in the consolidated financial statements that will result in taxable or deductible amounts in future years. The deferred taxes represent the future tax return consequences of those differences, which will either be deductible or taxable when the assets and liabilities are recovered or settled. Deferred taxes are estimated using enacted tax laws and rates, and the effect on deferred tax assets and liabilities of a change in tax rates is recognized during such period as an adjustment to provision for income taxes. The Company's temporary differences result from provision for loan loss deductions, accrued bonuses and payroll, impairment losses, and other miscellaneous income and expenses, which result in a net deferred income tax asset.

A valuation allowance is established if, based on the weight of the available evidence, it is more likely than not that some portion or all of the deferred income tax assets will not be realized. The valuation allowance reduces deferred tax assets to the amount the Company expects to realize. As of December 31, 2016 and 2015, there was no valuation allowance.

Due to the inherent complexities arising from the nature of the Company's business, the amount recognized is subject to significant management judgments and estimates with respect to the likely outcome of uncertain tax positions. The Company evaluates its uncertain tax positions. The Company recognizes the consolidated financial statement effect of a tax position when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. A loss contingency is recognized when it is probable that a liability has been incurred as of the date of the consolidated financial statements and the amount of the loss can be reasonably estimated. The amount recognized is an estimate subject to management judgment with respect to the likely outcome of the uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized.

2. Summary of significant accounting policies and nature of operations (continued)

Income taxes (continued)
Federal and state tax authorities generally have the right to examine and audit the previous three years of tax returns filed. Any interest or penalties assessed to the Company are recorded in operating expenses. No interest or penalties from federal or state tax authorities are reflected in the accompanying consolidated financial statements.

Revenue recognition
The Company recognizes interest income on loans receivable and cash deposits as it is earned. Interest income on loans generally accrues on the net principal balance, based on the interest convention specified in terms of the loan agreements. The accrual of interest is discontinued when a loan becomes 90 days delinquent or, in management's opinion, the borrower may be unable to make payments as they become due. When the accrual of interest is discontinued, all unpaid accrued interest is reversed. Interest income is subsequently recognized only to the extent cash payments are received and the principal balance is believed to be collectible.

Unearned income, loan origination fees and unamortized premiums or discounts on purchased loans are deferred and the net amount amortized as an adjustment of the respective loan's yield. The Company amortizes these amounts over the contractual life of the respective loan using the effective interest method.

Loan fees include loan recoveries, late fees, servicing fees, prepayment fees, and the unamortized portion of loan origination fees, commitment fees, and discounts upon prepayment. The Company recognizes loan fees in the period they are earned, in accordance with the terms of the loan agreements.

The Company earns management fees for the management of related entities. Management fees are recognized in the period they are earned, in accordance with the terms of the respective management agreements.

Investment income is based on the performance of the companies in which the Company has made investments. Investment income is recognized in accordance with the method of accounting used for each investment, as discussed below.

Investments in distressed single family properties
Investments in real estate properties are recorded using the cost method with any gain or loss recognized at disposition. This activity was discontinued during 2015. See Note 7 for further discussion.

Investments in other companies and historic tax credits
The Company owns interests in other companies, as further discussed in Note 8. The Company has determined that the other companies are variable interest entities and the Company is not the primary beneficiary. As a result, the Company is not required to consolidate its investment in the other companies. This conclusion was based on the determination that the Company does not have the power to direct the activities that most significantly impact the other companies' economic performance. The Company's maximum exposure to loss as a result of its involvement with the investment remains limited to the current investment balance.

2. Summary of significant accounting policies and nature of operations (continued)

Investments in other companies and historic tax credits (continued)
The Company accounts for its investment in Federal Home Loan Bank of San Francisco using the cost method of accounting. The fair value of the cost method investment is not estimated if there are no identified changes in circumstances that may have a significant adverse effect on the fair value of the investment. The Company accounts for all other investments in other companies using the equity method of accounting, which requires that the investments are recorded at cost and adjusted for the Company's allocable share of income or loss, additional investments, and cash distributions from the other companies. Because the Company has no obligation to fund liabilities of the other companies beyond its investment, including loans and advances, investments in the other companies may not be reduced below zero. To the extent that equity losses are incurred when the Company's carrying value of its investment has reached a zero balance, any losses will be suspended to be used against future income.

The Company invests in the rehabilitation of historic buildings, for which it qualifies for historic tax credits ("HTCs") under Internal Revenue Code ("IRC") Section 47. The HTCs are earned entirely on the placed in service date ("PIS") of the rehabilitated building and result in a dollar for dollar reduction of federal income taxes payable. The HTCs are subject to recapture if the Company disinvests within five years of the PIS. For the years ended December 31, 2016 and 2015, the Company earned HTCs and reduced federal taxes payable in the amounts of $0 and $2,675,000, respectively.

The Company has implemented policies and practices for assessing impairment for its investments. Periodically, the carrying values are evaluated to determine if any impairment in value exists. If impairment exists, the carrying value is reduced to its estimated fair value, based on the net present value of estimated future cash flows and tax benefits expected to be received. For the years ended December 31, 2016 and 2015, there were impairment losses of $0 and $2,502,000, respectively.

Loans receivable and allowance for loan losses
Loans receivable are reported at the principal amount outstanding, net of unearned income, deferred loan origination fees, holdbacks, unamortized premiums or discounts on purchased loans, and an allowance for loan losses.

The allowance for loan losses is increased by a provision for loan losses, which is charged to expense, and reduced by charge-offs, net of recoveries. Management's periodic evaluation of the adequacy of the allowance is based on the risks inherent in the portfolio, specific impaired loans, and adverse situations. Although management uses information currently available to estimate losses on loans, because of uncertainties associated with local economic conditions, collateral values, and future cash flows on impaired loans, it is reasonably possible that new or updated information could result in a material change in the allowance for loan loss.

2. Summary of significant accounting policies and nature of operations (continued)

Loans receivable and allowance for loan losses (continued)
The Company considers a loan impaired when based on current information or factors, it is probable that the Company will not collect all principal and interest due according to the loan agreement. Management considers many factors in determining whether a loan is impaired, such as payment history, borrower financial condition, and value of collateral. Loans that are contractually delinquent less than 90 days are generally not considered impaired, unless the borrower has filed bankruptcy or the Company is aware of specific information indicating loan impairment. The Company reviews delinquent loans to determine impaired accounts. When a loan is determined to be specifically impaired, the Company measures impairment by either using the fair value of collateral if the loan is collateral dependent, or the present value of expected cash flows discounted at the loan's effective interest rate, or, if available, at the loan's observable market price. As of December 31, 2016 and 2015, the allowance for specifically impaired loans was $1,029,000 and $750,000, respectively.

For the years ended December 31, 2016 and 2015, there were no amounts determined to be uncollectible.

Other receivables and prepaid expenses
Other receivables are stated at the net realizable value. Management closely monitors outstanding balances and provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that remain outstanding after management has used reasonable collection efforts are generally written off through a charge to the valuation allowance and a credit to the receivable. As of December 31, 2016 and 2015, there was no allowance for doubtful accounts.

Fair value measurement
The Company reports balances that are required or permitted to be measured at fair market value in accordance with existing accounting pronouncements. Fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based upon the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, a fair value hierarchy is used that distinguishes between market participant assumptions based on market date obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three levels of the fair value hierarchy: (1) the fair value is based on quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date; (2) the fair value is based on significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data; and (3) the fair value is based on significant unobservable inputs that reflect the Company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

2. Summary of significant accounting policies and nature of operations (continued)

Use of estimates
The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term are the allowance for loan losses and estimates of future tax rates.

Reclassifications
Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation.

Subsequent events
Subsequent events have been evaluated through March 20, 2017, which is the date the consolidated financial statements were available to be issued, and there are no subsequent events requiring disclosure.

3. Loans receivable

The Company's loan portfolio is composed of loans that are primarily secured by commercial real estate. This collateral is concentrated primarily in Southern California, Northern California, and Southern Nevada, and includes collateral located in various counties throughout the aforementioned states. As of December 31, 2016 and 2015, real estate-secured loans accounted for substantially all loans. Nearly all of these loans are secured by first trust deeds with an initial loan-to-value ratio generally not greater than 80% and debt service ratio generally not less than 1.10.

The Company's loan portfolio consisted of the following at December 31, 2016 and 2015:

	2016	2015
Loans receivable	$ 364,309,000	$ 235,760,000
Less: Unearned loan fees	(3,525,000)	(2,036,000)
Discounts on purchased loans	(1,920,000)	(2,520,000)
Holdbacks	(37,964,000)	(16,033,000)
Allowance for loan losses	(14,934,000)	(11,640,000)
Total loans receivable, net	$ 305,966,000	$ 203,531,000

Unearned loan fees are fees that were charged to borrowers at origination, which the Company is amortizing over the life the respective loans.

Discounts on purchased loans are the difference between the note amount and the purchase amount at the time of purchase, adjusted for refinancing after purchase, if any. The Company amortizes purchase discounts over the life of the respective loans.

3. Loans receivable (continued)

Holdbacks are amounts that are contractually available to borrowers, but that have not been disbursed. These amounts have been committed to borrowers, who generally have the right to draw upon them under the terms of mutual agreements. Holdbacks also include amounts reserved to pay interest on the outstanding portion of loans, which are included in the net loans receivable balance under the terms of the respective loan agreements.

As of December 31, 2016 and 2015, the Company's loan portfolio had a weighted-average coupon of 6.74% and 6.70%, respectively.

4. Allowance for loan losses

The Company's allowance for loan losses was as follows for the years ended December 31:

	2016	2015
Balance, beginning	$ 11,640,000	$ 9,275,000
Provision for loan losses	3,294,000	2,113,000
Additions to allowance for loan losses from AZMB transaction (see Note 18)	-	252,000
Balance, ending	$ 14,934,000	$ 11,640,000

During 2016 and 2015, the Company had average outstanding balances of loans past due over 90 days of approximately $2,196,000 and $389,000, respectively. For the years ended December 31, 2016 and 2015, the Company recognized interest income from these loans of approximately $230,000 and $264,000, respectively.

5. Operating investment (CREC)

On May 19, 2015, the Board of Directors approved a plan to create the Clearinghouse Real Estate Company ("CREC"), consisting of various individual CREC Subs, to purchase real estate with the intent to stabilize, revitalize and improve communities. The plan approved an investment of up to $20,000,000 funded by a combination of debt and equity for these purchases. The Company expects to hold these properties for the production of income, with future evaluation for sale at a later date.

As of December 31, 2016, the Company had purchased five properties which were producing income, of which one was sold.

A combined summary of the financial position of the CREC Subs and the results of their operations as of and for the years ended December 31, 2016 and 2015 was as follows:

5. Operating investments (CREC) (continued)

	2016		2015	
Fixed assets, net	$	8,845,000	$	6,688,000
Other assets		87,000		41,000
Operating investment (CREC)		8,932,000		6,729,000
Cash and restricted cash		389,000		184,000
Total assets	$	9,321,000	$	6,913,000

	2016		2015	
Other liabilities	$	617,000	$	100,000
Other notes payable				
- net of unamortized debt issuance costs		3,118,000		3,171,000
Total liabilities		3,735,000		3,271,000
Members' capital		5,586,000		3,642,000
Total liabilities and members' capital	$	9,321,000	$	6,913,000

	2016		2015	
Revenue	$	671,000	$	256,000
Gain on sale of fixed assets		91,000		-
Expenses		(739,000)		(209,000)
Net income from operating investment (CREC)	$	23,000	$	47,000

6. Fixed assets

Fixed assets consisted of the following as of December 31, 2016 and 2015:

	2016		2015	
Land	$	950,000	$	950,000
Buildings		455,000		453,000
Leasehold improvements		350,000		350,000
Property and equipment		580,000		567,000
Total fixed assets		2,335,000		2,320,000
Less: accumulated depreciation		(905,000)		(794,000)
Fixed assets, net	$	1,430,000	$	1,526,000

The fixed assets relate primarily to the operations of Arizona MultiBank, a Division of Clearinghouse CDFI (see Note 18).

7. Investment in distressed single family properties

CDFI operated two programs to purchase, rehabilitate and resell distressed homes in low-income, at-risk communities. In the first program, CDFI independently invested in properties and managed all stages of the process from the purchase, rehabilitation and eventual resale to low or moderate income families or first time homebuyers. The second program was similar and was achieved through joint venture partnerships with two non-profit organizations, AHC and Mary Erickson Community Housing. This activity was discontinued during 2015. These investments are accounted for as discussed in Note 2. As of December 31, 2016 and 2015, the Company had no investments in distressed single family properties.

8. Investment in other companies

The Company has investments in other companies. These investments are accounted for as discussed in Note 2. The other companies are:

Federal Home Loan Bank of San Francisco
As a condition of membership, the Company is required to purchase stock in Federal Home Loan Bank of San Francisco ("FHLB-SF"). The amount of stock required is generally increased as the amount of borrowings or advances increases and decreased by any redemptions by the FHLB-SF. As of December 31, 2016 and 2015, the Company had stock investments of $1,296,000 and $1,107,000, respectively.

Lafayette Tenant, LLC
Pursuant to the Operating Agreement of Lafayette Tenant, LLC ("Lafayette") dated July 27, 2011, the Company invested $1,300,000 to rehabilitate Hampstead Lafayette Hotel. During 2011, the Hampstead Lafayette Hotel rehabilitation was placed in service and qualified for HTCs (see Note 2 for discussion of HTCs) in the amount of $1,360,000. The Company's share of net income from Lafayette for the years ended December 31, 2016 and 2015 was $38,000 each year. As of December 31, 2016 and 2015, the investment balance was $66,000 and $54,000, respectively.

Strand Master Tenant, LLC
Pursuant to the HTC Equity Contribution Agreement of Strand Master Tenant, LLC ("Strand") dated September 17, 2013, the Company invested $2,440,000 to rehabilitate the Strand Theatre. During 2015, the Strand Theatre rehabilitation was placed in service and qualified for HTCs (see Note 2 for discussion of HTCs) in the amount of $2,675,000. The Company's share of net income from Strand for the years ended December 31, 2016 and 2015 was $85,000 and $118,000, respectively. In connection with recording the income tax benefit from the HTCs, the Company recorded an impairment loss for its investment in Strand in the amount of $0 and $2,502,000, respectively, for the years ended December 31, 2016 and 2015. See Note 2 for discussion of the Company's accounting policies regarding impairment. As of December 31, 2016 and 2015, the investment balance was $68,000 and $0, respectively.

8. Investment in other companies (continued)

NMTC CDEs
CDFI NMTC LLC is the managing member of the NMTC CDEs with an ownership interest of generally 0.01%. The NMTC CDEs have been organized to encourage and assist qualified individuals, corporations and financial institutions to invest in qualified active low income community businesses located primarily in California and Nevada, which investments constitute qualified low-income community investments under the NMTC provisions of IRC Section 45D. As of December 31, 2016 and 2015, CDFI's aggregate investment balance was $31,000. This amount is included in investment in other companies on the consolidated balance sheets.

A combined summary of the financial position of the NMTC CDEs and the results of their operations as of and for the years ended December 31, 2016 and 2015 is as follows:

	2016	2015
Total assets	$ 279,454,000	$ 314,986,000
Liabilities	$ 4,930,000	$ 4,981,000
Members' equity	274,524,000	310,005,000
Total liabilities and members' equity	$ 279,454,000	$ 314,986,000
Revenues	$ 7,117,000	$ 7,624,000
Expenses	(8,280,000)	(1,856,000)
Net (loss) income	$ (1,163,000)	$ 5,768,000
Company's share of (loss) income, included in flow through income (loss) from investment in other companies	$ -	$ (224,000)

CRA Investment Funds
In 2007 and 2012, the Company established Clearinghouse CRA Investment Fund, LLC ("CRA IF") and Clearinghouse CRA Investment Fund II, LLC ("CRA IF II") (collectively, the "CRA IFs"), respectively. During 2015, CRA IF II was discontinued. As of December 31, 2016, the Company was the managing member of CRA IF with an ownership interest of 0.01%. The purpose of the CRA IFs is to enable qualified investments in community development projects throughout California. The Company's share of net income from the CRA IFs for the years ended December 31, 2016 and 2015 was $0 and $60,000, respectively. As of December 31, 2016 and 2015, the Company had no investment balance in the CRA IFs.

9. Lines of credit

First Foundation Bank
On July 19, 2016, CDFI entered into a business loan agreement with First Foundation Bank for a line of credit in the maximum amount of $10,000,000. Interest accrues at the greater of the WSJ Prime Rate plus 0.50%, or 4.00%. The line of credit matures on August 1, 2017. As of December 31, 2016 and 2015, there was no outstanding balance.

Charles Schwab Bank
On December 31, 2014, CDFI entered into a loan and security agreement, as amended from time to time, with Charles Schwab Bank for a revolving credit facility in the maximum amount of $25,000,000. The proceeds are to be used to fund construction loans in certain western states. Interest accrues at the greater of the 3-month LIBOR plus 2.75 percentage points, or 3.50%. As of December 31, 2016 and 2015, the interest rate was 3.75% and 3.50%, respectively. The revolving credit facility matures on December 31, 2017. As of December 31, 2016 and 2015, the outstanding balance on the line of credit was $11,500,000 for both years.

On September 27, 2012, CDFI entered into an unsecured loan agreement, as amended from time to time, with Charles Schwab Bank. The proceeds are to be used to fund loans for community development projects in economically distressed areas in Nevada and Northern California. Interest accrues at the greater of the 3-month LIBOR plus 2.75% or 3.50%. The loan was extended to December 31, 2017, and converted to a revolving credit facility in the maximum amount of $15,000,000. As of December 31, 2016 and 2015, the outstanding balance as a line of credit was $15,000,000 and $0, respectively.

First Bank
On July 3, 2014, CDFI entered into a credit agreement with First Bank for a revolving credit facility in the maximum amount of $10,000,000. The proceeds are to be used for initial funding of qualified loans eligible to be pledged to BGP, as further discussed in Note 11C. The revolving credit facility bears interest equal to the Wall Street Journal published Prime Rate (the "WSJ Prime Rate"), adjusted daily, but in no event less than 3.50% per annum. As of December 31, 2016 and 2015, the interest rate was 3.50%. The revolving credit facility matured on July 1, 2016 and management decided not to renew. As of December 31, 2016 and 2015, the outstanding balance on the line of credit was $0 and $3,800,000, respectively.

Sunwest Bank
On December 20, 2013, CDFI entered into a business loan agreement with Sunwest Bank for a revolving line of credit in the maximum amount of $7,000,000. The proceeds were to be used for business operations. The loan bore an interest rate equal to the WSJ Prime Rate, adjusted daily, plus 0.50 percentage points with a floor of 4.75% and matured on January 31, 2016. As of December 31, 2016 and 2015, the outstanding balance on the line of credit was paid in full.

10. Interest-bearing and non interest-bearing deposits

Interest-bearing deposits
The purpose of these deposits is to provide credit and other financial services to help revitalize low-income communities by financing affordable housing developments, small businesses, community facilities and similar projects. The weighted average interest rate as of December 31, 2016 and 2015 was 2.5% for both years and the interest-bearing deposits totaled $250,000 for both years. The remaining interest-bearing deposit matures during 2020.

Non interest-bearing deposits
CDFI accepted non interest-bearing deposits from several of its stockholders and other investors. These deposits mature in three to five years from the date of the deposit. As of December 31, 2016 and 2015, non interest-bearing deposits totaled $4,200,000 and $1,850,000, respectively. The deposits mature as follows:

Years ending December 31,	
2017	$ -
2018	-
2019	750,000
2020	950,000
2021	2,500,000
Total	$ 4,200,000

The State of California Department of Insurance has a program entitled California Organized Investment Network ("COIN"). CDFI is certified under the COIN program. This certification allows the owners of the non interest-bearing deposits to apply for a 20% state income tax credit.

11. Notes payable

A. Notes payable, Class A stockholders

Notes payable, Class A stockholders reflect payable commitments resulting from the remaining balances of two private placement memoranda, ("Second PPM" and "Third PPM" respectively, or collectively, "PPMs"), and from their respective Credit Agreements, the terms of which are described below.

The Second PPM, approved in 1999, offered units consisting of equity and unsecured lending commitments (equal to 10 times the Class A common stock investment amount), for sale to certain accredited investors. In accordance with the Second PPM's credit agreement ("Second Credit Agreement") between CDFI and the investors, the draws against the commitment can only be used to make loans or investments in the normal course of business. The Third PPM was approved in 2003 and enabled investors to select the ratio of lending commitment to new equity based upon certain criteria specified in that PPM.

Under the Second Credit Agreement, the unsecured borrowings bear interest at a fixed rate determined by the one-year U.S. Treasury rate (as reported in the Wall Street Journal) plus 1% at the date of each borrowing. Interest on the borrowings is payable quarterly. The Second Credit Agreement was partially prepaid in 2011 and the Board of Directors established a plan for repayment of all principal no later than December 2019. As of December 31, 2016 and 2015, the Second Credit Agreement had a fixed weighted average interest rate of 3.02%.

Under the Third PPM, there was a credit agreement ("Third Credit Agreement") which provides for variable interest rates. The rate adjusts annually based upon the weekly 10 year CMT plus 10 basis points, generally, with a maximum periodic cap of 100 basis points, a lifetime cap of 500 basis points and no floor. The Third Credit Agreement was partially prepaid in 2008 and 2009 and the Board of Directors established a plan for repayment of all principal no later than December 2024. As of December 31, 2016 and 2015, the Third Credit Agreement had a weighted average interest rate of 1.93% and 2.29% respectively.

As of December 31, 2016 and 2015, balances outstanding under these notes payable totaled:

	Second Credit Agreement	Third Credit Agreement	Total
Original Borrowing	$ 26,900,000	$ 28,000,000	$ 54,900,000
Prepayment 2008	-	(5,000,000)	(5,000,000)
Prepayment 2009	-	(3,000,000)	(3,000,000)
Prepayment 2011	(8,973,000)	-	(8,973,000)
Outstanding balance	$ 17,927,000	$ 20,000,000	$ 37,927,000

In connection with these agreements, CDFI has agreed to, among other things, maintain certain financial ratios, restrict the payment of dividends, limit expenses and restrict the use of proceeds from the borrowings.

11. Notes payable (continued)

B. Other notes payable

Loan	Year-end interest rate	Payment terms	2016	2015
Opportunity Finance Network Under the terms of all agreements, CDFI is required to use the proceeds of the loans for community development projects in economically distressed areas.				
In May 2006, CDFI entered into an unsecured loan agreement with Opportunity Finance Corporation ("OFN"). In December 2015, CDFI renewed and extended the existing loan agreement. The principal is due and payable on December 31, 2023.	4.60%	Interest only, quarterly in arrears	$ 4,000,000	$ 4,000,000
On March 26, 2010, CDFI entered into an unsecured loan agreement with OFN. The principal is due and payable on March 31, 2017.	4.55%	Interest only, quarterly in arrears	$ 1,450,000	$ 1,450,000
On March 26, 2010, CDFI entered into an unsecured loan agreement with OFN. The principal is due and payable on March 31, 2019.	5.00%	Interest only, quarterly in arrears	$ 1,050,000	$ 1,050,000
On August 20, 2012, CDFI entered into an unsecured loan agreement with OFN. The principal is due and payable on August 31, 2019.	4.55%	Interest only, quarterly in arrears	$ 1,000,000	$ 1,000,000
On October 11, 2012, the CDFI entered into an unsecured loan agreement with OFN. The principal is due and payable in four equal annual installments with the first payment due October 31, 2019 and the last payment due October 31, 2022.	3.00%	Interest only, quarterly in arrears	$ 1,818,000	$ 1,818,000
Opportunity Finance Network subtotal			$ 9,318,000	$ 9,318,000

11. Notes payable (continued)

B. Other notes payable (continued)

Loan	Year-end interest rate	Payment terms	2016	2015
Charles Schwab Bank On September 27, 2012, CDFI entered into an unsecured loan agreement with Charles Schwab Bank. The proceeds were to be used to fund loans for community development projects in economically distressed areas in Nevada and Northern California. Interest accrued at the greater of the 3-month LIBOR plus 2.75% or 3.50%. During 2016, the loan was converted to a line of credit, as discussed in Note 11A.	3.50%	Interest only, quarterly in arrears	$ -	$ 10,000,000
Bank of America, N.A. On March 30, 2012, CDFI entered into a loan and security agreement with Bank of America, N.A. for a revolving credit facility. The proceeds are to be used to fund loans for community development projects in economically distressed areas. The facility was amended on December 29, 2016 to include borrowing capacity up to $20,000,000, and accrues interest at the Bank of America Cost of Funds Rate plus 1.5% per annum. Borrowings under the facility amortize to the earlier of the facility maturity date of March 29, 2023, or the maturity of the underlying security. All unpaid principal and interest is due at maturity.	2.75%	Interest, monthly in arrears Principal, quarterly per amortization schedule	$ 5,328,000	$ 5,421,000
Manufacturers Bank On August 23, 2016, CDFI entered into an unsecured loan agreement with Manufacturers Bank. The proceeds are to be used to fund loans for community development projects in economically distressed areas. The loan matures on September 1, 2019.	3.42%	Interest only; quarterly in arrears	$ 2,000,000	$ -
Calvert Social Investment Foundation, Inc. On January 13, 2012, CDFI entered into an unsecured loan agreement with Calvert Social Investment Foundation, Inc. The proceeds are to be used to fund loans for community development projects in economically distressed areas. The loan agreement was amended in November 2015. As of January 5, 2017, the outstanding balance was paid in full.	4.50%	Interest only, semi-annually in arrears	$ 6,500,000	$ 6,500,000

11. Notes payable (continued)

B. Other notes payable (continued)

Loan	Year-end interest rate	Payment terms		2016		2015
Community Development Financial Institution Fund In May 2003, CDFI received an award from the U.S. Department of Treasury, Community Development Financial Institution Fund ("CDFI Fund"). As a part of this award, CDFI executed a note payable to the CDFI Fund. The note matures in May 2023.	2.045%	Interest only, quarterly	$	800,000	$	800,000
Banc of California On September 30, 2016, CDFI entered into an unsecured loan agreement with Banc of California. The proceeds are to be used to fund loans for community development projects in economically distressed areas. The loan matures on September 20, 2021.	4.00%	Interest only; quarterly	$	500,000	$	-
State Bank of India (California) On February 6, 2013, CDFI entered into an unsecured loan agreement with State Bank of India (California) ("SB India"). The proceeds are to be used to help fund CRA eligible loans. The note matures on December 31, 2017. All unpaid principal and interest are due when the loan matures.	4.00%	Interest, monthly Principal, $40,000 quarterly	$	4,360,000	$	4,520,000
On August 12, 2013, CDFI entered in a second loan agreement with SB India. The proceeds are to be used to help fund CRA eligible loans. The loan bears interest at the WSJ Prime plus 0.75%, with a floor of 4% and a cap of 7%. The note matures on August 12, 2018. All unpaid principal and interest are due when the loan matures.	4.00%	Interest, monthly Principal, $60,000 quarterly	$	6,160,000	$	6,400,000
On August 23, 2016, CDFI entered into a business loan agreement with SB India. The proceeds are to the used to help fund CRA eligible loans. The loan bears interest at WSJ Prime plus 0.75%. The note matures on August 23, 2021. All unpaid principal and interest are due when the loan matures.	4.00%	Interest, monthly Principal, $40,000 quarterly	$	4,920,000	$	-

11. Notes payable (continued)

B. Other notes payable (continued)

Loan	Year-end interest rate	Payment terms	2016	2015
Communities at Work, L.P. On November 2, 2010, CDFI entered into an unsecured loan agreement with Communities at Work Fund, L.P. The proceeds are to be used to fund loans for community development projects in economically distressed areas. The loan matures on February 9, 2019.	4.30%	Interest only, monthly	$ 8,000,000	$ 8,000,000
U.S. Bank National Association On July 23, 2013, CDFI entered into a loan agreement with U.S. Bank National Association. The note matures on July 22, 2018. No principal payments are due until maturity, when all unpaid principal and accrued interest become due.	3.00%	Interest only, quarterly	$ 3,000,000	$ 3,000,000
Pacific Mercantile Bank On October 5, 2015, CDFI entered into an unsecured loan agreement with Pacific Mercantile Bank. The proceeds are to be used to provide loans to entities that provide affordable housing to low-income individuals, create jobs in economically disadvantaged areas, or otherwise engage in community development activities. The note matures on October 5, 2018. All unpaid principal and interest are due when the loan matures.	3.00%	Interest only, quarterly	$ 1,500,000	$ 1,500,000
Pacific Western Bank On December 15, 2015, CDFI entered into an unsecured loan agreement with Pacific Western Bank. The proceeds are to be used to fund CRA eligible loans. The note matures on June 1, 2017. All unpaid principal and interest are due when the loan matures.	4.50%	Interest only, monthly	$ 2,100,000	$ 2,100,000
On December 15, 2015, CDFI entered into an unsecured loan agreement with Pacific Western Bank. The proceeds are to be used to fund CRA eligible loans. The note matures on December 15, 2022. All unpaid principal and interest are due when the loan matures.	4.50%	Interest only, monthly	$ 7,300,000	$ -

11. Notes payable (continued)

B. Other notes payable (continued)

Loan	Year-end interest rate	Payment terms	2016	2015
Pacific Western Bank (continued) On May 11, 2016, CDFI entered into an unsecured loan agreement with Pacific Western Bank. The proceeds are to be used to fund CRA eligible loans. The note matures on May 11, 2023. All unpaid principal and interest are due when the loan matures.	4.50%	Interest only, monthly	$ 4,800,000	$ -
Toyota Financial Savings Bank On June 19, 2015, CDFI entered into a loan agreement with Toyota Financial Savings Bank. The note matures on June 30, 2020. All unpaid principal and interest are due when the loan matures.	3.00%	Interest only, quarterly	$ 1,500,000	$ 1,500,000
Umpqua Bank On June 15, 2015, CREC Sub 1 entered into a loan agreement with Umpqua Bank. The note matures on June 15, 2025. All unpaid principal and interest are due when the loan matures. The note is secured by a deed of trust.	4.00%	Principal and interest, monthly per amortization schedule	$ 1,579,000	$ 1,608,000
On July 8, 2015, CREC Sub 1 entered into a loan agreement with Umpqua Bank. The note matures on July 10, 2025. All unpaid principal and interest are due when the loan matures. The note is secured by a deed of trust.	4.00%	Principal and interest, monthly per amortization schedule	$ 1,581,000	$ 1,609,000
Other notes payable total			$ 71,246,000	$ 62,276,000
Less: unamortized debt issuance costs			(125,000)	(55,000)
Other notes payable, net of unamortized debt issuance costs			$ 71,121,000	$ 62,221,000

Debt issuance costs are being amortized to interest expense over the terms of the loans. During 2016 and 2015, amortization expense for debt issuance costs was $5,000 and $3,000, respectively.

11. Notes payable (continued)

C. CDFI Fund Bond Guarantee Program

On July 24, 2014, the Company became a participant in the CDFI Fund Bond Guarantee Program ("BGP"), becoming eligible to draw up to $100 million in separate borrowings ("Advances") secured by an assignment of loans to the Trustee (the "1st BGP Facility"). On August 24, 2015, the Company became eligible to draw up to $100 million in additional Advances secured by an assignment of loans to the Trustee (the "2nd BGP Facility") (the 1st BGP Facility and the 2nd BGP Facility are collectively, the "BGP Facilities").

The Company must collateralize the BGP Facilities at a ratio of 110% with qualifying loans. Collateralization in excess of 110% can be applied to future Advances or returned to the Company. Prior to each Advance, the Company deposits 3% of the Advance in cash to the Bank of New York Mellon (the "Master Service Trustee") as additional security for Federal Financing Bank (the "Bondholder"). The cash held in trust is included in restricted cash on the balance sheet.

Each Advance is priced at the time of the Advance based on the then current Federal Financing Bank rate and the maturity date selected by the Company. The Advances are interest only through December 2016 and December 2017 for the 1st and 2nd BGP Facilities, respectively, at which time each individual Advance commences full amortization based on its maturity date. Payments to the Bondholder are semi-annual in arrears.

For each BGP Facility, $50 million must be drawn or committed by the first anniversary of the BGP Facility, and $100 million by the second anniversary. If either minimum is not achieved, the shortfall is deducted from the total $100 million facility available to the Company. The Company expects to fully draw or commit all BGP Advances before their respective deadlines.

As of December 31, 2016,

	Outstanding Balance	Wtd Avg Rate	Wtd Avg Maturity	Collateral
1st BGP Facility	$ 100,000,000	2.71%	4/10/2041	111%
2nd BGP facility	18,000,000	2.73%	12/15/2044	120%
Total	$ 118,000,000	2.72%	11/1/2041	112%

As of December 31, 2015,

	Outstanding Balance	Wtd Avg Rate	Wtd Avg Maturity	Collateral
1st BGP Facility	$ 62,000,000	2.868%	1/28/2040	113%
2nd BGP facility	-	-	-	-
Total	$ 62,000,000	2.268%	1/28/2040	113%

Advances consist of the following as of December 31,

	2016	2015
Principal balance	$ 118,000,000	$ 62,000,000
Less: unamortized debt issuance costs	(931,000)	(953,000)
Note payable, net of unamortized debt issuance costs	$ 117,069,000	$ 61,047,000

Debt issuance costs are being amortized to interest expense over the terms of the Advances. During 2016 and 2015, amortization expense for debt issuance costs was $24,000 and $27,000, respectively.

11. Notes payable (continued)

D. Federal Home Loan Bank of San Francisco

In February 2011, the Company was admitted as a member of the FHLB-SF. This membership allowed the Company a borrowing capacity at December 31, 2016 and 2015 of $55,000,000 and $44,000,000, respectively. CDFI was required to make a stock investment and to pledge certain specific loans as collateral sufficient to support the borrowing capacity. The Company may borrow against this available line, at its discretion, in maturities ranging from overnight to five years. As of December 31, 2016 and 2015, CDFI had made stock investments in FHLB-SF as described in Note 8.

As of December 31, 2016 and 2015, CDFI had entered into various fixed rate advances with FHLB-SF in the total amount of $6,000,000 and $16,000,000, respectively, with various maturity dates from August 29, 2016 to June 2, 2017, at various annual rates from 0.95% to 1.43%. Interest is payable on the last calendar day of each month.

As of December 31, 2016 and 2015, CDFI had overnight advances outstanding in the amount of $42,000,000 and $25,000,000 at interest rates of 0.55% and 0.27%, respectively. Rate resets daily and interest is payable on the last calendar day of each month. These advances automatically renew each day. The Company may repay or extend them at management's discretion with twenty four hours advance notice.

As of December 31, 2016 and 2015, total FHLB-SF balances outstanding totaled $48,000,000 and $41,000,000, respectively.

E. Future minimum principal payments

Future minimum principal payment requirements for all notes payable over the next five years are as follows:

Year ending December 31,

	Note 11A Notes payable, stockholders	Note 11B Other notes payable	Note 11C BGP	Note 11D FHLB-SF*	Total
2017	$ -	$ 14,990,000	$ 3,485,000	$ 48,000,000	$ 66,475,000
2018	-	10,770,000	3,786,000	-	14,556,000
2019	17,927,000	10,411,000	3,910,000	-	32,248,000
2020	-	1,872,000	4,006,000	-	5,878,000
2021	-	7,006,000	4,111,000	-	11,117,000
Thereafter	20,000,000	26,197,000	98,702,000	-	144,899,000
Total	$ 37,927,000	$ 71,246,000	$ 118,000,000	$ 48,000,000	$ 275,173,000

*$42,000,000 of the FHLB-SF advances are overnight deposits which renew automatically each day, as further discussed above in Note 11D.

12. Common stock

CDFI is authorized to issue three classes of common stock, Classes A, B and C, which have the following authorized, issued and outstanding shares at December 31:

	Class A	Class B	Class C
Authorized, 2016 and 2015	10,000,000	1,000,000	1,000,000
Issued and outstanding, 2016	217,339	1,000	35,800
Issued and outstanding, 2015	168,919	1,000	35,800

There are no ownership restrictions on the Class A stock. Only AHC may own Class B shares. There are no ownership restrictions on the Class C stock.

Shares of Class A and Class B common stock have equal rights except for the right to vote for the election of certain directors. Class A stockholders are entitled to elect seven Class A directors and the Class B stockholder is entitled to appoint eight Class B directors. Class C stockholders have rights equal to Class A and Class B except for the right to vote for directors or upon any other matters.

For the years ended December 31, 2016 and 2015, CDFI issued 47,500 and 39,493 Class A shares at $100 per share for proceeds of $4,750,000 and $3,949,000, respectively. Additionally, for the year ended December 31, 2015, CDFI issued 22,212 Class A shares in exchange for the retirement of the Capital Debt Certificates, which were assumed in connection with the Arizona MultiBank transaction, as further discussed in Note 18.

For the years ended December 31, 2016 and 2015, CDFI declared dividends of $1 per share on 199,419 and 168,427 shares, respectively. Dividends are payable in cash or Class A common stock at the option of the stockholder. Stock dividends are issued for each $100 of dividends, rounded down. For the years ended December 31, 2016 and 2015, stock and cash dividends were made as follows:

	2016		2015	
	Shares	Amount	Shares	Amount
Stock dividends (conversion of paid dividends at $1 per share into stock issued at $100 per share)	920	$ 92,000	492	$ 49,000
Cash dividends ($1 per share)		107,000		119,000
Total		$ 199,000		$ 168,000

CDFI is certified under the COIN program. This certification allows for the purchasers of Class A stock to apply for a 20% state income tax credit.

13. Fair value of financial instruments

The Company estimates the fair value of financial assets and liabilities based on observable inputs for similar assets and liabilities. These fair value estimates are based on assumptions that market participants would use to determine the price to acquire an asset or transfer a liability. The fair values are derived based on the Company's assumptions of the estimated timing and amount of future cash flows, discounted at the coupon rate or by the discount rates of similar assets and liabilities. The Company also includes estimates of the net realizable value and assumes an orderly transaction between informed market participants.

Short-term financial instruments include any financial asset or liability with a maturity of less than one year. This includes cash and cash equivalents, restricted cash, other receivables and prepaid expenses, accounts payable and accrued expenses, deposits, lines of credit, and short-term debt. The carrying values of these financial instruments are reasonable estimates of their fair value due to their short-term nature.

Loans receivable comprise all outstanding loans at gross value, reduced by undisbursed funds, holdbacks, unearned loan fees, discounts on purchased loans, allowance for loan losses, and allowance for specifically impaired loans. The fair value is the amount at which the Company could sell the net loan portfolio in an orderly market transaction. The measurement of fair value includes evaluation of underlying interest rates, maturities, collateral, restrictions and contingencies associated with the loans. As of December 31, 2016 and 2015, the carrying value of the Company's loans receivable approximated their fair value.

Investments are accounted for and evaluated for impairment as discussed in Note 2. As of December 31, 2016 and 2015, the carrying value of the Company's investments approximated their fair value.

Long-term debt comprises any debt instrument with a maturity of greater than one year, such as interest-bearing deposits; non interest-bearing deposits; and notes payable. The measurement of fair value includes evaluation of the various interest rates, maturities, restrictions and covenants associated with each debt instrument. As of December 31, 2016 and 2015, the carrying value of long-term debt was $217,213,000 and $160,303,000, respectively, and the fair value approximated $212,951,000 and $160,544,000, respectively. The Company is liable for the amount of long-term debt reflected in the financial statements.

14. Income taxes

The provision for income taxes for the years ended December 31, 2016 and 2015 was as follows:

	2016	2015
Current income tax (expense) benefit	$ (3,206,000)	$ 618,000
Deferred income tax (expense) benefit	1,607,000	1,930,000
Total (provision for) benefit from income taxes	$ (1,599,000)	$ 2,548,000

The tax effects of temporary differences that give rise to significant portions of deferred taxes at December 31, 2016 and 2015, are as follows:

	2016	2015
Deferred tax assets (liabilities)		
Accrued interest receivable	$ 71,000	$ -
Loan purchase discounts	(482,000)	(702,000)
Allowance for loan losses	5,937,000	4,618,000
Investment in other companies	1,514,000	1,682,000
Accumulated depreciation	(15,000)	(18,000)
Accrued bonuses and payroll	832,000	769,000
Deferred state taxes	100,000	1,000
Net deferred tax asset	$ 7,957,000	$ 6,350,000

The total (provision for) benefit from income taxes differs from the amount of income tax determined by applying the U.S. federal income tax rate of 34% to pretax income for the years ended December 31, 2016 and 2015, as follows:

	2016	2015
Provision for federal income taxes	$ (1,303,000)	$ (120,000)
Historic tax credits (see Note 8)	-	2,675,000
Permanent differences	(76,000)	13,000
Estimated state taxes, net of federal benefit	(220,000)	(20,000)
Total (provision for) benefit from income taxes	$ (1,599,000)	$ 2,548,000

Management believes that the Company has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities.

15. Related-party transactions

The Company has transactions with many of its stockholders in the normal course of business because most of the Company's stockholders are banks with offices in or around the Company's principal market area. The Company had the following balances and transactions with certain of its stockholders:

	2016	2015
Balance at December 31		
Cash and cash equivalents	$ 26,052,000	$ 38,522,000
Non interest-bearing deposits	1,250,000	1,350,000
Notes payable	73,067,000	63,947,000
Lines of credit	26,500,000	15,300,000
Restricted cash	1,891,000	1,432,000
Transactions for the years ended December 31		
Interest earned on cash balances and certificates of deposit	$ 115,000	$ 120,000
Interest paid on notes payable	2,985,000	1,973,000
Rent paid	159,000	155,000
Reimbursed expenses from related parties	11,000	21,000

CDFI and subsidiaries share costs with AHC (sole holder of CDFI's Class B common stock), a nonprofit entity that sponsored the formation of CDFI and has three common Board members with CDFI. The shared costs include phone, rent, utilities, and supplies.

Due from NMTC CDEs
Pursuant to the operating agreements, the Company earns management fees and may make advances to the NMTC CDEs. The advances do not bear interest and are payable upon the availability of sufficient cash flows from the NMTC CDEs. As of December 31, 2016 and 2015, the outstanding balance was $177,000 and $303,000, respectively.

Due from CRA Investment Funds
Pursuant to the operating agreements, the Company earns management fees and may make advances to the CRA Investment Funds. The advances do not bear interest and are payable upon the availability of sufficient cash flows from the CRA Investment Funds. As of December 31, 2016 and 2015, the outstanding balance was $80,000 and $96,000, respectively.

Due to NMTC CDEs
Pursuant to the operating agreement, NMTC CDEs may make advances to the Company. The advances do not bear interest and are payable upon the availability of sufficient cash flows from the Company. As of December 31, 2016 and 2015, the NMTC CDEs were owed $2,000 for both years.

15. Related-party transactions (continued)

Management fees
Pursuant to the operating agreements, the Company is entitled to annual management fees for services performed in connection with managing the NMTC CDEs and CRA Investment Funds. As of December 31, 2016 and 2015, the management fees earned were $1,785,000 and $1,893,000, respectively. Management fees owed to the Company by the NMTC CDEs and CRA Investments Funds are included in the Due from NMTC CDEs and Due from CRA Investment Funds sections above.

16. Commitments

Leases
The Company leases its office space in several cities in which it is operating, under various lease agreements. Minimum future rental payments are as follows:

Years ending December 31,		
2017	$	247,000
2018		254,000
2019		237,000
2020		242,000
2021		249,000
Thereafter		128,000
Total	$	1,357,000

The Company subleases part of the facilities to its affiliate, AHC, and receives sublease rental income of $11,000 per year. This amount is included as an offset in rent expense in the accompanying consolidated statements of income.

For the years ended December 31, 2016 and 2015, lease costs relating to these leases were $190,000 and $201,000, respectively, which are included in rent expenses in the accompanying consolidated statements of income.

17. Pass-through grant

CDFI received a grant of $1,454,000 in 2012 from the CDFI Fund to assist CDFI in providing grants to businesses receiving loans for operating in underserved communities. During 2016 and 2015, CDFI provided grants of $0 and $627,000, respectively. As of December 31, 2016 and 2015, the grant had been fully disbursed.

18. Arizona MultiBank

On June 4, 2015, Clearinghouse CDFI consummated a transaction to acquire assets consisting of loans and cash and the assumption of certain liabilities ("Capital Debt Certificates") of Arizona MultiBank Community Development Corporation, an Arizona nonprofit corporation ("AZMB").

AZMB was a nonprofit CDFI providing financing and access to technical assistance for the advancement of small business, affordable housing, nonprofit organizations and economic development in the state of Arizona. AZMB was funded by $10,571,000 of Capital Debt Certificates held by 16 banks and the FDIC as receiver for a failed bank. AZMB negotiated an agreement with its Capital Debt Certificate holders and Clearinghouse CDFI as follows:

- AZMB paid its Capital Debt Certificate holders 1/3 of the balance owed them of $3,317,000 in cash.
- Clearinghouse acquired the AZMB loan portfolio of $4,589,000 and cash of $2,389,000 and assumed the remaining liability of $6,975,000 due to the Capital Debt Certificate holders.
- Clearinghouse issued Class A shares in satisfaction of the Capital Debt Certificates as had been agreed to by all of the AZMB Capital Debt Certificate holders.
- Eight of the Capital Debt Certificate holders elected to reinvest their 1/3 cash payment totaling $171,000 in additional Clearinghouse Class A shares.
- AZMB purchased 10,000 Class A shares for $1,000,000 – these shares were donated to the Arizona Community Foundation.

As a result of this transaction, Clearinghouse CDFI acquired a performing loan portfolio of approximately $4.6 million, cash of approximately $3.4 million, and issued 33,925 Class A shares to increase shareholders' equity by approximately $8 million.

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December 31, 2016

	Clearinghouse CDFI	CDFI Service Corporation	Clearinghouse NMTC, LLC	CREC Combined	Intercompany Elimination	Consolidated Before CREC Reclassification	CREC Reclassification	Consolidated
ASSETS								
Cash and cash equivalents	$ 27,103,000	$ 228,000	$ 1,000	$ 342,000	$ -	$ 27,674,000	$ -	$ 27,674,000
Restricted cash	6,002,000	-	-	47,000	-	6,049,000	-	6,049,000
Loans receivable, net	305,966,000	-	-	50,000	-	306,016,000	(50,000)	305,966,000
Accrued interest receivable	1,626,000	-	-	-	-	1,626,000	-	1,626,000
Other receivables and prepaid expenses	1,667,000	-	-	37,000	-	1,704,000	(37,000)	1,667,000
Due from related parties	1,730,000	-	78,000	-	(1,551,000)	257,000	-	257,000
Fixed assets, net	1,430,000	-	-	8,845,000	-	10,275,000	(8,845,000)	1,430,000
Operating investment (CREC)	-	-	-	-	-	-	8,932,000	8,932,000
Investment in other companies	6,942,000	-	199,000	-	(5,680,000)	1,461,000	-	1,461,000
Deferred taxes	7,957,000	-	-	-	-	7,957,000	-	7,957,000
TOTAL ASSETS	$ 360,423,000	$ 228,000	$ 278,000	$ 9,321,000	$ (7,231,000)	$ 363,019,000	$ -	$ 363,019,000
LIABILITIES AND STOCKHOLDERS' EQUITY								
LIABILITIES								
Accounts payable and accrued expenses	$ 3,079,000	$ -	$ -	$ 77,000	$ (7,000)	$ 3,149,000	$ -	$ 3,149,000
Accrued interest payable	952,000	-	-	5,000	-	957,000	-	957,000
Due to related parties	(88,000)	611,000	544,000	535,000	(1,600,000)	2,000	-	2,000
Lines of credit	26,500,000	-	-	-	-	26,500,000	-	26,500,000
Interest-bearing deposits	250,000	-	-	-	-	250,000	-	250,000
Non interest-bearing deposits	4,200,000	-	-	-	-	4,200,000	-	4,200,000
Notes payable, Class A stockholders	37,927,000	-	-	-	-	37,927,000		37,927,000
Notes payable, Federal Home Loan Bank of San Francisco	48,000,000	-	-	-	-	48,000,000	-	48,000,000
Notes payable, Bond Guarantee Program - net of unamortized debt issuance costs	117,069,000	-	-	-	-	117,069,000	-	117,069,000
Other notes payable - net of unamortized debt issuance costs	68,003,000	-	-	3,118,000	-	71,121,000	-	71,121,000
TOTAL LIABILITIES	305,892,000	611,000	544,000	3,735,000	(1,607,000)	309,175,000	-	309,175,000
STOCKHOLDERS' EQUITY								
Common stock, no par value								
Class A	26,107,000	-	-	-	-	26,107,000	-	26,107,000
Class C	3,580,000	-	-	-	-	3,580,000	-	3,580,000
Capital within consolidated group	-	20,000	1,000	5,517,000	(5,538,000)	-	-	-
Retained earnings	24,844,000	(403,000)	(267,000)	69,000	(86,000)	24,157,000	-	24,157,000
TOTAL STOCKHOLDERS' EQUITY	54,531,000	(383,000)	(266,000)	5,586,000	(5,624,000)	53,844,000	-	53,844,000
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 360,423,000	$ 228,000	$ 278,000	$ 9,321,000	$ (7,231,000)	$ 363,019,000	$ -	$ 363,019,000

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Consolidating Balance Sheets

December 31, 2015

	Clearinghouse CDFI	CDFI Service Corporation	Clearinghouse NMTC, LLC	CREC Combined	Intercompany Elimination	Consolidated Before CREC Reclassification	CREC Reclassification	Consolidated
ASSETS								
Cash and cash equivalents	$ 41,280,000	$ 229,000	$ 1,000	$ 137,000	$ -	$ 41,647,000	$ -	$ 41,647,000
Restricted cash	3,451,000	-	-	47,000	-	3,498,000	-	3,498,000
Loans receivable, net	203,531,000	-	-	-	-	203,531,000	-	203,531,000
Accrued interest receivable	956,000	-	-	-	-	956,000	-	956,000
Other receivables and prepaid expenses	4,161,000	-	-	41,000	-	4,202,000	(41,000)	4,161,000
Due from related parties	1,383,000	-	78,000	-	(1,062,000)	399,000	-	399,000
Fixed assets, net	1,526,000	-	-	6,688,000	-	8,214,000	(6,688,000)	1,526,000
Operating investment (CREC)	-	-	-	-	-	-	6,729,000	6,729,000
Investment in other companies	4,711,000	-	199,000	-	(3,718,000)	1,192,000	-	1,192,000
Deferred taxes	6,350,000	-	-	-	-	6,350,000	-	6,350,000
TOTAL ASSETS	$ 267,349,000	$ 229,000	$ 278,000	$ 6,913,000	$ (4,780,000)	$ 269,989,000	$ -	$ 269,989,000
LIABILITIES AND STOCKHOLDERS' EQUITY								
LIABILITIES								
Accounts payable and accrued expenses	$ 2,734,000	$ -	$ -	$ 51,000	$ (6,000)	$ 2,779,000	$ -	$ 2,779,000
Accrued interest payable	640,000	-	-	5,000	-	645,000	-	645,000
Due to related parties	(88,000)	611,000	544,000	44,000	(1,109,000)	2,000	-	2,000
Lines of credit	15,300,000	-	-	-	-	15,300,000	-	15,300,000
Interest-bearing deposits	250,000	-	-	-	-	250,000	-	250,000
Non interest-bearing deposits	1,850,000	-	-	-	-	1,850,000	-	1,850,000
Notes payable, Class A stockholders	37,927,000	-	-	-	-	37,927,000	-	37,927,000
Notes payable, Federal Home Loan Bank of San Francisco	41,000,000	-	-	-	-	41,000,000	-	41,000,000
Notes payable, Bond Guarantee Program - net of unamortized debt issuance costs	61,047,000	-	-	-	-	61,047,000	-	61,047,000
Other notes payable - net of unamortized debt issuance costs	59,050,000	-	-	3,171,000		62,221,000	-	62,221,000
TOTAL LIABILITIES	219,710,000	611,000	544,000	3,271,000	(1,115,000)	223,021,000	-	223,021,000
STOCKHOLDERS' EQUITY								
Common stock, no par value								
Class A	21,265,000	-	-	-	-	21,265,000	-	21,265,000
Class C	3,580,000	-	-	-	-	3,580,000	-	3,580,000
Capital within consolidated group	-	20,000	1,000	3,595,000	(3,616,000)	-	-	-
Retained earnings	22,794,000	(402,000)	(267,000)	47,000	(49,000)	22,123,000	-	22,123,000
TOTAL STOCKHOLDERS' EQUITY	47,639,000	(382,000)	(266,000)	3,642,000	(3,665,000)	46,968,000	-	46,968,000
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 267,349,000	$ 229,000	$ 278,000	$ 6,913,000	$ (4,780,000)	$ 269,989,000	$ -	$ 269,989,000

CLEARINGHOUSE COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION COMPANIES

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Consolidating Statements of Income

For the year ended December 31, 2016

	Clearinghouse CDFI	CDFI Service Corporation	Clearinghouse NMTC, LLC	CREC Combined	Intercompany Elimination	Consolidated Before CREC Reclassification	CREC Reclassification	Consolidated
INTEREST INCOME								
Interest on loans receivable	$ 19,349,000	$ -	$ -	$ 2,000	$ -	$ 19,351,000	$ (2,000)	$ 19,349,000
Interest-bearing deposits	134,000	-	-	-	-	134,000	-	134,000
Total interest income	19,483,000	-	-	2,000	-	19,485,000	(2,000)	19,483,000
INTEREST EXPENSE	(7,623,000)	-	-	(135,000)	-	(7,758,000)	135,000	(7,623,000)
Net interest income (expense)	11,860,000	-	-	(133,000)	-	11,727,000	133,000	11,860,000
PROVISION FOR LOAN LOSSES	(3,294,000)	-	-	-	-	(3,294,000)	-	(3,294,000)
Net interest income (expense) after provision for loan losses	8,566,000	-	-	(133,000)	-	8,433,000	133,000	8,566,000
NON INTEREST INCOME								
Management fees	1,785,000	-	-	-	-	1,785,000	-	1,785,000
Loan fees	273,000	-	-	-	-	273,000	-	273,000
Investment income	239,000	-	-	-	-	239,000	-	239,000
Flow-through income from investment in other companies	123,000	-	-	-	-	123,000	-	123,000
Net income from operating investment (CREC)	-	-	-	-	-	-	23,000	23,000
Rental revenue	39,000	-	-	669,000	(39,000)	669,000	(669,000)	-
Gain on sale of operating investment (CREC)	-	-	-	91,000	-	91,000	(91,000)	-
Total non interest income	2,459,000	-	-	760,000	(39,000)	3,180,000	(737,000)	2,443,000
NON INTEREST EXPENSES								
Compensation and related benefits	5,155,000	-	-	-	-	5,155,000	-	5,155,000
General and administrative	762,000	1,000	-	168,000	-	931,000	(168,000)	763,000
Insurance	353,000	-	-	25,000	-	378,000	(25,000)	353,000
Professional fees	276,000	-	-	15,000	-	291,000	(15,000)	276,000
Marketing	207,000	-	-	-	-	207,000	-	207,000
Rent	190,000	-	-	-	-	190,000	-	190,000
Charitable contributions	122,000	-	-	-	-	122,000	-	122,000
Depreciation	111,000	-	-	132,000	-	243,000	(132,000)	111,000
Rental real estate operating expenses	-	-	-	264,000	-	264,000	(264,000)	-
Total non interest expenses	7,176,000	1,000	-	604,000	-	7,781,000	(604,000)	7,177,000
Income (loss) before provision for income taxes	3,849,000	(1,000)	-	23,000	(39,000)	3,832,000	-	3,832,000
Provision for income taxes	(1,599,000)	-	-	-	-	(1,599,000)	-	(1,599,000)
Net income (loss)	$ 2,250,000	$ (1,000)	$ -	$ 23,000	$ (39,000)	$ 2,233,000	$ -	$ 2,233,000

CLEARINGHOUSE COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION COMPANIES

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Consolidating Statements of Income

For the year ended December 31, 2015

	Clearinghouse CDFI	CDFI Service Corporation	Clearinghouse NMTC, LLC	CREC Combined	Intercompany Elimination	Consolidated Before CREC Reclassification	CREC Reclassification	Consolidated
INTEREST INCOME								
Interest on loans receivable	$ 12,462,000	$ -	$ -	$ -	$ -	$ 12,462,000	$ -	$ 12,462,000
Interest-bearing deposits	144,000	-	-	-	-	144,000	-	144,000
Total interest income	12,606,000	-	-	-	-	12,606,000	-	12,606,000
INTEREST EXPENSE	(4,874,000)	-	-	(64,000)	-	(4,938,000)	64,000	(4,874,000)
Net interest income (expense)	7,732,000	-	-	(64,000)	-	7,668,000	64,000	7,732,000
PROVISION FOR LOAN LOSSES	(2,113,000)	-	-	-	-	(2,113,000)	-	(2,113,000)
Net interest income (expense) after provision for loan losses	5,619,000	-	-	(64,000)	-	5,555,000	64,000	5,619,000
NON INTEREST INCOME								
Management fees	1,893,000	-	-	-	-	1,893,000	-	1,893,000
Loan fees	952,000	1,000	-	-	-	953,000	-	953,000
Investment income	272,000	10,000	-	-	-	282,000	-	282,000
Flow-through loss from investment in other companies	(8,000)	-	-	-	-	(8,000)	-	(8,000)
Net income from operating investment (CREC)	-	-	-	-	-	-	47,000	47,000
Sponsor fee	1,244,000	-	-	-	-	1,244,000	-	1,244,000
Rental revenue	48,000	-	-	256,000	(48,000)	256,000	(256,000)	-
Total non interest income	4,401,000	11,000	-	256,000	(48,000)	4,620,000	(209,000)	4,411,000
NON INTEREST EXPENSES								
Compensation and related benefits	5,009,000	-	-	-	-	5,009,000	-	5,009,000
General and administrative	842,000	1,000	-	44,000	3,000	890,000	(44,000)	846,000
Insurance	331,000	-	-	5,000	-	336,000	(5,000)	331,000
Professional fees	383,000	-	-	1,000	-	384,000	(1,000)	383,000
Marketing	158,000	-	-	-	-	158,000	-	158,000
Rent	201,000	-	-	-	-	201,000	-	201,000
Charitable contributions	140,000	-	-	-	-	140,000	-	140,000
Depreciation	107,000	-	-	51,000	-	158,000	(51,000)	107,000
Historic tax credit investment amortization	2,502,000	-	-	-	-	2,502,000	-	2,502,000
Real estate operating expenses	2,000	-	-	44,000	(2,000)	44,000	(44,000)	-
Total non interest expenses	9,675,000	1,000	-	145,000	1,000	9,822,000	(145,000)	9,677,000
Income (loss) before benefit from (provision for) income taxes	345,000	10,000	-	47,000	(49,000)	353,000	-	353,000
Benefit from (provision for) income taxes	2,549,000	-	(1,000)	-	-	2,548,000	-	2,548,000
Net income (loss)	$ 2,894,000	$ 10,000	$ (1,000)	$ 47,000	$ (49,000)	$ 2,901,000	$ -	$ 2,901,000