NOVOGRADAC & COMPANY LLP®

Clearinghouse Community Development Financial Institution Companies

Consolidated Financial Statements with Report of Independent Auditors

December 31, 2020 and 2019

Report of Independent Auditors

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, 2020 and 2019, 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, 2020 and 2019, 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 consolidating 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 consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Novogradac & Company LLP

Long Beach, California
March 29, 2021

CLEARINGHOUSE COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION COMPANIES
CONSOLIDATED BALANCE SHEETS
December 31, 2020 and 2019

	2020	2019
ASSETS		
Cash and cash equivalents	$ 49,586,000	$ 50,836,000
Restricted cash	38,422,000	25,863,000
Loans receivable, net	487,365,000	444,913,000
Accrued interest receivable	5,516,000	2,329,000
Other receivables and prepaid expenses	1,683,000	3,297,000
Due from related parties	31,000	-
Fixed assets, net	1,730,000	1,694,000
Operating investment (CREC)	816,000	820,000
Investment in other companies	2,925,000	2,901,000
Investment in opportunity zones	2,515,000	1,915,000
Other real estate owned	1,782,000	2,058,000
Deferred taxes	10,371,000	8,161,000
TOTAL ASSETS	$ 602,742,000	$ 544,787,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Accounts payable and accrued expenses	$ 4,108,000	$ 4,418,000
Unamortized award funds	4,734,000	3,224,000
Accrued interest payable	1,363,000	1,362,000
Due to related parties	212,000	1,000
Lines of credit	32,333,000	35,333,000
Interest-bearing deposits	-	250,000
Non interest-bearing deposits	4,400,000	4,850,000
Notes payable, Class A stockholders	18,000,000	18,000,000
Notes payable, Federal Home Loan Bank of San Francisco	40,800,000	42,000,000
Notes payable, Bond Guarantee Program - net of unamortized debt issuance costs	260,841,000	254,313,000
Other notes payable - net of unamortized debt issuance costs	143,587,000	98,882,000
TOTAL LIABILITIES	510,378,000	462,633,000
STOCKHOLDERS' EQUITY		
Common stock, no par value		
Class A	44,312,000	38,779,000
Class C	3,580,000	3,580,000
Retained earnings	44,472,000	39,795,000
TOTAL STOCKHOLDERS' EQUITY	92,364,000	82,154,000
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 602,742,000	$ 544,787,000

see accompanying notes

CLEARINGHOUSE COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION COMPANIES

CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31, 2020 and 2019

	2020	2019
INTEREST INCOME		
Interest on loans receivable	$ 33,634,000	$ 31,321,000
Interest-bearing deposits	192,000	344,000
Total interest income	33,826,000	31,665,000
INTEREST EXPENSE	(14,957,000)	(14,866,000)
Net interest income	18,869,000	16,799,000
PROVISION FOR LOAN LOSSES	(9,074,000)	(2,080,000)
Net interest income after provision for loan losses	9,795,000	14,719,000
NON INTEREST INCOME		
Grant income	3,967,000	1,448,000
NMTC sponsor fees	1,989,000	-
Loan fees	933,000	650,000
NMTC management fees	909,000	794,000
Investment income	178,000	779,000
Flow-through income from investment in other companies	85,000	97,000
Net income from operating investment (CREC)	75,000	1,471,000
Rental revenue	14,000	8,000
Income from investment in opportunity zones	-	91,000
Total non interest income	8,150,000	5,338,000
NON INTEREST EXPENSES		
Compensation and related benefits	7,177,000	7,002,000
Professional fees	1,072,000	701,000
General and administrative	1,068,000	1,192,000
Insurance	556,000	504,000
Charitable contributions	301,000	174,000
Impairment of OREO	276,000	639,000
Rent	259,000	259,000
Marketing	167,000	271,000
Depreciation	162,000	166,000
Historic tax credit investment amortization	-	610,000
Total non interest expenses	11,038,000	11,518,000
Income before provision for income taxes	6,907,000	8,539,000
Benefit from historic tax credits	-	914,000
Provision for income taxes	(1,842,000)	(2,879,000)
Total provision for income taxes	(1,842,000)	(1,965,000)
Net income	$ 5,065,000	$ 6,574,000

see accompanying notes

CLEARINGHOUSE COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION COMPANIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the years ended December 31, 2020 and 2019

	Common Stock		Retained	Total Stockholders'
	Class A	Class C	Earnings	Equity
BALANCE, JANUARY 1, 2019	$ 36,021,000	$ 3,580,000	$ 33,556,000	$ 73,157,000
Issuance of Class A common stock	2,600,000	-	-	2,600,000
Net income	-	-	6,574,000	6,574,000
Cash dividend	-	-	(177,000)	(177,000)
Stock dividend	158,000	-	(158,000)	-
BALANCE, DECEMBER 31, 2019	38,779,000	3,580,000	39,795,000	82,154,000
Issuance of Class A common stock	5,382,000	-	-	5,382,000
Net income	-	-	5,065,000	5,065,000
Cash dividend	-	-	(237,000)	(237,000)
Stock dividend	151,000	-	(151,000)	-
BALANCE, DECEMBER 31, 2020	$ 44,312,000	$ 3,580,000	$ 44,472,000	$ 92,364,000

CLEARINGHOUSE COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION COMPANIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2020 and 2019

	2020	2019
CASH FLOW FROM OPERATING ACTIVITIES		
Net income	$ 5,065,000	$ 6,574,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	9,074,000	2,080,000
Impairment of OREO	276,000	639,000
Historic tax credit investment amortization	-	610,000
Amortization of award funds	(3,967,000)	(1,448,000)
Flow-through income from investment in other companies	(85,000)	(97,000)
Income from investment in opportunity zones	-	(91,000)
Depreciation	162,000	166,000
Depreciation - operating investment (CREC)	14,000	45,000
Interest expense - debt issuance costs	186,000	42,000
Gain on sale of operating investment (CREC)	-	(1,422,000)
Gain on debt repurchase	-	(500,000)
Change in:		
Accrued interest receivable	(3,187,000)	101,000
Other receivables and prepaid expenses	1,614,000	(2,142,000)
Other receivables and prepaid expenses - operating investment (CREC)	(11,000)	22,000
Due from related parties	(32,000)	21,000
Deferred taxes	(2,210,000)	270,000
Accounts payable and accrued expenses	(309,000)	(1,693,000)
Unamortized award funds	5,477,000	1,472,000
Accrued interest payable	1,000	8,000
Due to related parties	211,000	(1,000)
Net cash provided by operating activities	12,279,000	4,656,000
CASH FLOW FROM INVESTING ACTIVITIES		
Originations of loans receivable	(112,296,000)	(68,377,000)
Payoffs and amortization of loans receivable	67,125,000	51,476,000
Originations of PPP loans receivable	(7,500,000)	-
Payoffs of PPP loans receivable	1,207,000	-
Purchases of fixed assets	(198,000)	(27,000)
Proceeds from sale of operating investment (CREC)	-	5,748,000
Purchases of investments in other companies, net	-	(1,091,000)
Purchases and escrow deposits of investments in opportunity zones, net	(600,000)	(1,915,000)
Net cash used in investing activities	(52,262,000)	(14,186,000)
CASH FLOW FROM FINANCING ACTIVITIES		
Payments of debt issuance costs	(521,000)	(140,000)
Proceeds from lines of credit	-	36,000,000
Payments of lines of credit	(3,000,000)	(36,000,000)
Payments of interest-bearing deposits	(250,000)	-
Payments of non-interest-bearing deposits	(450,000)	(600,000)
Proceeds from other notes payable	47,642,000	20,500,000
Payments of other notes payable	(2,870,000)	(16,293,000)
Payments of notes payable, Class A stockholders	-	(15,495,000)
Federal Home Loan Bank of San Francisco advances	77,800,000	12,000,000
Federal Home Loan Bank of San Francisco repayments	(79,000,000)	(32,000,000)
Bond Guarantee Program advances	16,000,000	64,000,000
Bond Guarantee Program repayments	(9,204,000)	(5,895,000)
Issuance of Class A common stock	5,382,000	2,600,000
Class A cash dividend	(237,000)	(177,000)
Net cash provided by financing activities	51,292,000	28,500,000
Net change in cash, cash equivalents and restricted cash	11,309,000	18,970,000
Cash, cash equivalents and restricted cash at beginning of year	76,699,000	57,729,000
Cash, cash equivalents and restricted cash at end of year	$ 88,008,000	$ 76,699,000
Cash and cash equivalents	$ 49,586,000	$ 50,836,000
Restricted cash	38,422,000	25,863,000
Total cash, cash equivalents and restricted cash	$ 88,008,000	$ 76,699,000

see accompanying notes

CLEARINGHOUSE COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION COMPANIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2020 and 2019

(continued)

	2020	2019
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for interest	$ 14,770,000	$ 14,858,000
Cash paid for income taxes	$ 3,444,000	$ 4,352,000
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Class A stock dividend	$ 151,000	$ 158,000

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 and other organizations that (1) provide affordable housing to low-income individuals, (2) create jobs in economically disadvantaged areas, or (3) are otherwise 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), nominates and elects eight directors, four of whom are community representatives and four of whom are lender representatives. CDFI's Class A stockholders elect seven directors. This structure is intended to provide accountability to the low and moderate income populations which CDFI serves.

CDFI's wholly-owned subsidiaries are as follows:

CDFI Service Corporation
Clearinghouse NMTC, LLC ("CDFI NMTC LLC")
Clearinghouse CREC (Sub 4), LLC ("CREC Sub 4")
Alamo QOF, LLC
Alamo QOZB, LLC

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 primary purpose is to liquidate assets acquired by CDFI. As of December 31, 2020 and 2019, CDFI Service Corporation had an OREO balance of $1,782,000 and $2,058,000, respectively. This amount is included in other real estate owned on the consolidated balance sheets. For the years ended December 31, 2020 and 2019, there were impairment losses recognized of $276,000 and $639,000, respectively.

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 $603,000,000 and $19,765,000 of federal and state of Nevada allocations, and deployed $590,250,000 and $19,765,000, respectively, to qualified active low-income community businesses since its inception.

The CREC Subs were created for the primary purpose of purchasing and investing in income producing real estate properties. As of December 31, 2020 and 2019, the CREC Subs had primarily purchased and invested in multi-family housing and commercial properties, as further discussed in Note 5.

1. Organization and purpose (continued)

The Company creates and manages entities to make equity investments in properties in Opportunity Zones, as further discussed in Note 8. The purpose of these entities is to attract tax deferred capital gains and other investor capital into distressed areas. As of December 31, 2020 and 2019, the Company had made investments in Opportunity Zones in the amounts of $2,515,000 and $1,915,000, respectively.

2. Summary of significant accounting policies and nature of operations

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, Alamo QOF, LLC, Alamo QOZB, 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.

Concentrations of risk, including economic, geographic and 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.

Generally, the Company originates loans secured by various types of real estate, including single family residential, multi family residential, commercial, and construction real estate (Note 3). The Company periodically reviews its concentration among individual loan segments and individual loans. Although the Company establishes an allowance for loan losses believed to be appropriate for risk concentrations, future operations could be affected by adverse changes in credit risk from loans receivable (Note 4).

The Company primarily 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.

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

Concentrations of risk, including economic, geographic and credit risk (continued)
The Company's concentration in its largest borrowers has increased as a result of a greater average loan size. As of December 31, 2020 and 2019, the largest ten borrowers, on average, have outstanding balances of $15,504,000 and $14,073,000, respectively. In total, these comprise 30.1% and 29.9%, respectively, of the Company's loan portfolio.

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, 2020 and 2019 was $162,000 and $166,000, respectively.

Income taxes
The Company files a consolidated income tax return for the federal government and various states, including California, Arizona, and New Mexico. 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. 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. 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. Deferred taxes are estimated using enacted laws and rates. 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, 2020 and 2019, there was no valuation allowance.

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

Income taxes (continued)
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.

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. For the years ended December 31, 2020 and 2019, interest or penalties from federal or state tax authorities of $0 and $1,000, respectively, 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.

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

Revenue recognition (continued)
Revenue from certain grants or awards with performance obligations is recognized as the underlying performance obligations are satisfied. These performance obligations are identified in the underlying agreements, can be varied in nature, and are generally satisfied ratably through performance until completion. As of December 31, 2020 and 2019, unrecognized revenue from these sources totaled $4,734,000 and $3,224,000, respectively. For the years ended December 31, 2020 and 2019, the Company recognized $3,967,000 and $1,448,000, respectively, from the performance of obligations related to these grants or awards.

Investments in other companies
The Company owns interests in other companies, as further discussed in Note 7. 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 is limited to the current investment balance.

The Company investment in Federal Home Loan Bank of San Francisco is recorded at cost pursuant to the measurement alternative provided by FASB ASC 321. The fair value of the 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 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 ratably over a five-year period or entirely on the placed in service date ("PIS") of the rehabilitated building, if qualified under the transition rule, 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, 2020 and 2019, the Company earned HTCs and reduced federal taxes payable in the amounts of $0 and $914,000, respectively.

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 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, 2020 and 2019, there were impairment losses of $0 and $610,000, respectively.

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

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.

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, 2020 and 2019, the allowance for specifically impaired loans was $1,909,000 and $2,198,000, respectively.

For the years ended December 31, 2020 and 2019, the amounts determined to be uncollectible and written off were $20,000 and $2,726,000, respectively.

In response to the COVID-19 pandemic, the Company has granted various loan modifications, to help relieve borrowers from the economic impacts of the COVID-19 pandemic. These modifications generally defer three to six months of interest which is payable at loan maturity. In accordance with the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the Company has elected not to apply troubled debt restructuring classification to loan modifications after March 31, 2020, for loans that were otherwise current before the pandemic. The Company has continued to accrue interest for these affected loans throughout the deferral period.

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, 2020 and 2019, there was no allowance for doubtful accounts.

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

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.

Management has determined that fair value classification and disclosure is appropriate only for specifically impaired loans and OREO assets. All other assets, such as loans receivable, operating investments, and investment in other companies, are recorded at historical cost or, for some investments, under the equity method of accounting. The fair value of the specifically impaired loans and OREO assets are based on significant unobservable inputs. As of December 31, 2020 and 2019, the carrying value of specifically impaired loans, net of impairment, were $3,537,000 and $4,587,000, respectively.

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.

Subsequent events

Subsequent events have been evaluated through March 29, 2021, which is the date the consolidated financial statements were available to be issued.

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 California, Arizona, and Nevada, and includes collateral located in various counties throughout the aforementioned states. As of December 31, 2020 and 2019, substantially all loans were secured by real estate first trust deeds with initial loan-to-value ratios not greater than 80% and debt service coverage ratios of not less than 1.10.

3. Loans receivable (continued)

The Company's loan portfolio consisted of the following at December 31, 2020 and 2019:

	2020	2019
Loans receivable	$ 560,807,000	$ 535,692,000
Paycheck Protection Program loans	6,293,000	-
Total loans receivable	567,100,000	535,692,000
Construction holdbacks	(39,587,000)	(59,551,000)
Interest holdbacks	(4,896,000)	(5,015,000)
Gross loans receivable, net of unfunded holdbacks	522,617,000	471,126,000
Funded holdbacks	(3,842,000)	(3,624,000)
Gross loans receivable, net of funded holdbacks	518,775,000	467,502,000
Discounts and premiums	(52,000)	(60,000)
Unearned loan fees	(5,162,000)	(5,114,000)
Total loans receivable, net, before allowance for loan losses	513,561,000	462,328,000
Allowance for loan losses	(26,196,000)	(17,415,000)
Total loans receivable, net	$ 487,365,000	$ 444,913,000

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

Discounts and premiums 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 and premiums over the life of the respective loans.

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 the loan agreement. 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 a result of the COVID-19 pandemic, the Company and its borrowers experienced significant financial disruption in 2020. The Company responded by actively engaging with borrowers to review their financial conditions and permit payment deferrals of three months to borrowers seeking relief from the negative consequences of the pandemic. In some cases, subsequent payment deferrals were granted for additional three month periods. These payments were deferred until the respective maturity of the affected loans. As of December 31, 2020, loans with active payment deferrals comprised approximately $25,000,000, or 5 percent, of the total loan portfolio.

For the years ended December 31, 2020 and 2019, the Company's loan portfolio had a weighted-average coupon of 6.44% and 6.63%, respectively.

4. Allowance for loan losses

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

	2020	2019
Balance, beginning	$ 17,415,000	$ 18,061,000
Provision for loan losses	9,074,000	2,080,000
ALL transferred to investments	(273,000)	-
Loans charged off	(20,000)	(2,726,000)
Balance, ending	$ 26,196,000	$ 17,415,000

During 2020 and 2019, the Company had average outstanding balances of loans past due over 90 days of approximately $4,711,000 and $6,227,000, respectively. For the years ended December 31, 2020 and 2019, the Company recognized interest income from these loans of approximately $335,000 and $738,000, respectively.

Throughout 2020, the Company reviewed and recalculated its allowance for loan losses in light of all available information about the COVID-19 pandemic, its effects on the Company's borrowers, and the performance of the loan portfolio during the pandemic. This included the number amount of requested COVID-19 payment deferrals, the performance of borrowers' activity based on financial information to date, the resumption of payments after the COVID-19 deferral period, and the identification of risks in specific subsets of the loan portfolio. Management increased the allowance for loan losses for the year ended December 31, 2020, based on the policy described in Note 2, and including both estimates of general economic conditions and actual loan portfolio performance.

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 Company expects to hold these properties for the production of income, with future evaluation for sale at a later date.

As of December 31, 2020 and 2019, the Company operated 1 property. During 2020 and 2019, the Company sold 0 and 8 properties, respectively.

5. Operating investment (CREC) (continued)

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, 2020 and 2019 included in these consolidated financial statements was as follows:

	2020	2019
Fixed assets, net	$ 732,000	$ 747,000
Other assets	84,000	73,000
Operating investment (CREC)	816,000	820,000
Cash and restricted cash	91,000	78,000
Total assets	$ 907,000	$ 898,000
Other liabilities	$ 91,000	$ 155,000
Members' capital	816,000	743,000
Total liabilities and members' capital	$ 907,000	$ 898,000
Revenue	$ 136,000	$ 271,000
Gain on sale of fixed assets	-	1,422,000
Expenses	(61,000)	(222,000)
Net income from operating investment (CREC)	$ 75,000	$ 1,471,000

6. Fixed assets

Fixed assets consisted of the following as of December 31, 2020 and 2019:

	2020	2019
Land	$ 950,000	$ 950,000
Construction in progress	180,000	-
Buildings	461,000	461,000
Leasehold improvements	708,000	708,000
Property and equipment	894,000	876,000
Total fixed assets	3,193,000	2,995,000
Less: accumulated depreciation	(1,463,000)	(1,301,000)
Fixed assets, net	$ 1,730,000	$ 1,694,000

7. 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, 2020 and 2019, the Company had stock investments of $2,081,000 and $1,988,000, respectively. For the years ended December 31, 2020 and 2019, the Company earned dividends of $112,000 and $127,000, respectively.

NMTC CDEs
CDFI NMTC LLC and CDFI are the managing members of the NMTC CDEs with ownership interests 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, Nevada, Arizona, New Mexico and Native American lands in the Western United States, which investments constitute qualified low-income community investments under the NMTC provisions of IRC Section 45D. As of December 31, 2020 and 2019, CDFI's aggregate investment balance, net of distributions, was $(16,000). 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, 2020 and 2019 is as follows:

	2020	2019
Total assets	$ 142,755,000	$ 159,138,000
Liabilities	$ 102,000	$ 4,884,000
Members' equity	142,653,000	154,254,000
Total liabilities and members' equity	$ 142,755,000	$ 159,138,000

	2020	2019
Revenues	$ 1,797,000	$ 2,397,000
Expenses	(696,000)	(922,000)
Impairment loss	-	(10,300,000)
Net income (loss)	$ 1,101,000	$ (8,825,000)
Company's share of income, included in flow through income from investment in other companies	$ -	$ -

7. Investment in other companies (continued)

Investments in HTC Companies and Other Companies
The Company from time to time makes additional investments in order to support its strategic goals. These investments include contributions to entities eligible to receive Historic Tax Credits, which provide a reduction in the Company's income tax liability, contributions to loan funds which sponsor community development services, and investments in other companies. As of December 31, 2020 and 2019, the total investment balance was $860,000 and $929,000, respectively. For the years ended December 31, 2020 and 2019, income from investments in HTC and other companies was $85,000 and $97,000, respectively.

A summary of the Company's investment in other companies for the years ended December 31, 2020 and 2019 was as follows:

	2020	2019
FHLB-SF	$ 2,081,000	$ 1,988,000
NMTC CDEs	(16,000)	(16,000)
HTC Companies and Other Companies	860,000	929,000
Total Investment in Other Companies	$ 2,925,000	$ 2,901,000

8. Investment in Opportunity Zones

The Company invests in residential and commercial rental real estate development projects through lower tier entities which themselves qualify as qualified opportunity zone businesses, located in "qualified opportunity zones" ("Opportunity Zones"), as designated by the Tax Cuts and Jobs Act. The Company also invests in land in Opportunity Zones with the intention of it being used in a qualified opportunity zone business. The Company intends to maintain Qualified Opportunity Fund ("QOF") status which will allow it to provide certain tax benefits available to investors through the Internal Revenue Code of 1986, as amended, particularly the rules relating to Opportunity Zones set forth in Sections 1400Z-1 and 1400Z-2 and any other Treasury regulations or other U.S. Internal Revenue Service guidance promulgated thereunder. During 2019, the Company made two Opportunity Zone investments. The first investment was a contribution to a QOF in the amount of $498,000. The second investment was for the purchase of land in an Opportunity Zone in the amount of $1,417,000. During 2020, the Company made two additional Opportunity Zone investments through escrow deposits for the purchases of land in the amount of $600,000. As of December 31, 2020 and 2019, the total investment balance in opportunity zones was $2,515,000 and $1,915,000, respectively. For the years ended December 31, 2020 and 2019, income from investment in opportunity zones was $0 and $91,000, respectively.

9. Lines of credit

First Foundation Bank
On July 19, 2016, the Company entered into a business loan agreement with First Foundation Bank for a $10,000,000 revolving line of credit. On August 28, 2020, the revolving line of credit was renewed to a maximum amount of $12,000,000. Interest accrues at the greater of the WSJ Prime Rate plus 0.50%, or 4.25%. As of December 31, 2020 and 2019, the interest rate was 4.25%. The line of credit matures on August 1, 2021. As of December 31, 2020 and 2019, the outstanding balance on the line of credit was $0.

9. Lines of credit (continued)

State Bank of India (California)
On January 5, 2018, the Company entered into a loan and security agreement with State Bank of India (California) for a line of credit. On March 17, 2020, the line of credit was renewed to a maximum amount of $7,500,000. Interest accrues at the WSJ Prime Rate plus 0.50%. As of December 31, 2020 and 2019, the interest rate was 3.25% and 5.25%, respectively. The loan matures on March 5, 2021. As of December 31, 2020 and 2019, the outstanding balance on the line of credit was $5,000,000.

Charles Schwab Bank
On December 31, 2014, the Company entered into a loan and security agreement with Charles Schwab Bank for a revolving credit facility. On December 22, 2020, the revolving credit facility was renewed to a maximum amount of $35,000,000. The proceeds are to be used to fund construction loans in certain western states. Interest accrues at the greater of a floor rate of 3.00%, or the Federal Funds Target Range plus 1.75%. As of December 31, 2020 and 2019, the interest rate was 3.00% and 3.8386%, respectively. The revolving credit facility matures on December 22, 2021. The revolving credit facility potentially amortizes through December 22, 2025 subject to the Company's election and the satisfaction of certain conditions. As of December 31, 2020 and 2019, the outstanding balance on the line of credit was $27,333,000 and $30,333,000, respectively.

Minimum future principal payments are as follows:

Years ending December 31,	
2021	$ 5,000,000
2022	6,833,000
2023	6,833,000
2024	6,833,000
2025	6,834,000
Total	$ 32,333,000

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, 2020 and 2019 was 0% and 2.5%, respectively, and the interest-bearing deposits totaled $0 and $250,000, respectively. The remaining interest-bearing deposit matured during 2020.

10. Interest-bearing and non interest-bearing deposits (continued)

Non interest-bearing deposits
CDFI accepted non interest-bearing deposits from several of its stockholders and other investors, in order for them to receive a California state tax credit. These deposits mature in three to five years from the date of the deposit. As of December 31, 2020 and 2019, non interest-bearing deposits totaled $4,400,000 and $4,850,000, respectively. The deposits mature as follows:

Years ending December 31,		
2021	$	3,150,000
2022		1,250,000
Total	$	4,400,000

11. Notes payable

A. Notes payable, Class A stockholders
Notes payable, Class A stockholders reflect payable commitments resulting from one remaining balance 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, was repaid during 2019. 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 PPM’s credit agreement (“Second Credit Agreement”) between CDFI and the investors, the 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. As of December 31, 2019, the Second Credit Agreement had been paid in full.

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, 2020 and 2019, the Third Credit Agreement had a weighted average interest rate of 1.08% and 2.17%, respectively.

11. Notes payable (continued)

A. Notes payable, Class A stockholders (continued)

As of December 31, 2020, 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)
Prepayment 2017	(1,933,000)	-	(1,933,000)
Prepayment 2018	(1,999,000)	-	(1,999,000)
Maturity/Prepayment 2019	(13,995,000)	(2,000,000)	(15,995,000)
Outstanding balance	$ -	$ 18,000,000	$ 18,000,000

In connection with these agreements, CDFI has agreed to, among other things, maintain certain financial ratios, 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	2020	2019
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"). 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. In May 2017, this agreement was amended to lower the rate to 4.00% and extend the maturity. The principal is due and payable on June 30, 2022.	4.00%	Interest only, quarterly in arrears	$ 1,450,000	$ 1,450,000
On March 26, 2010, CDFI entered into an unsecured loan agreement with OFN. During 2019, this agreement was amended to extend the maturity. The principal is due and payable on June 30, 2029.	5.00%	Interest only, quarterly in arrears	$ 1,050,000	$ 1,050,000
On October 11, 2012, the CDFI entered into an unsecured loan agreement with OFN. The principal is due and payable in three equal annual installments with the first payment due October 31, 2021 and the last payment due October 31, 2023.	3.00%	Interest only, quarterly in arrears	$ 1,363,000	$ 1,363,000
Opportunity Finance Network subtotal			$ 7,863,000	$ 7,863,000

11. Notes payable (continued)

B. Other notes payable (continued)

Loan	Year-end interest rate	Payment terms	2020	2019
Poppy Bank On October 25, 2019, CDFI entered into an unsecured loan agreement with Poppy Bank. The proceeds are to be used to fund loans for community development projects in economically distressed areas. The loan matures on October 1, 2022.	5.50%	Interest only, monthly	$ 4,000,000	$ 4,000,000
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 total borrowing capacity of up to $30,000,000, and accrues interest at the Bank of America Cost of Funds Rate plus 1.5% per annum, which is then fixed at the time of an advance. Borrowings under the facility amortize to the earlier of the facility maturity date of June 29, 2028, or the maturity of the underlying security. All unpaid principal and interest is due at maturity. On December 18, 2019, CDFI executed an additional loan agreement with Bank of America for a revolving credit facility totaling $25,000,000. The proceeds of the loan are to be used to fund loans for community development projects in economically distressed areas. Borrowings under the facility amortize to the earlier of the facility maturity date of June 18, 2031, or the maturity of the underlying security. All unpaid principal and interest is due at maturity. Interest will accrue at a Base Rate plus 1.50%. The Base Rate will be based on the term of the underlying security.	3.22%	Interest, monthly in arrears Principal, quarterly per amortization schedule	$ 41,123,000	$ 24,406,000

11. Notes payable (continued)

B. Other notes payable (continued)

Loan	Year-end interest rate	Payment terms	2020	2019
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
Partners Bank of California On November 26, 2018, the Company entered into a loan agreement with Partners Bank of California. The note matures on May 1, 2022. All unpaid principal and interest are due when the loan matures.	4.75%	Interest only, monthly	$ 2,800,000	$ 2,800,000
State Bank of India (California) 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 September 5, 2023. All unpaid principal and interest are due when the loan matures.	4.00%	Interest, monthly Principal, $60,000 quarterly	$ 5,260,000	$ 5,500,000
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	$ 4,280,000	$ 4,440,000
State Bank of Arizona, now Glacier Bank On August 15, 2018, CDFI entered into an unsecured loan agreement with State Bank of Arizona. The note matures on August 15, 2023. All unpaid principal and interest are due when the loan matures.	4.50%	Interest only, semi-annually in arrears	$ 2,000,000	$ 2,000,000

11. Notes payable (continued)

B. Other notes payable (continued)

Loan	Year-end interest rate	Payment terms	2020	2019
Calvert Impact Capital, Inc. On November 2, 2010, CDFI entered into an unsecured loan agreement with Communities at Work, L.P., now known as Calvert Impact Capital, Inc. The proceeds are to be used to fund loans for community development projects in economically distressed areas. The loan matured on February 9, 2019, which was renewed and extended to February 28, 2024.	5.75%	Interest only, monthly	$ 8,000,000	$ 8,000,000
Pacific Mercantile Bank On October 5, 2015, CDFI entered into an unsecured loan agreement with Pacific Mercantile Bank, as later amended. 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 bears interest at WSJ Prime minus 0.25%, and matures on December 5, 2023. All unpaid principal and interest are due when the loan matures.	3.00%	Interest only, quarterly	$ 4,500,000	$ 4,500,000
Pacific Western Bank 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	$ 4,800,000
Paycheck Protection Program Liquidity Facility In 2020, CCDFI was approved to borrow under the Federal Reserve Bank's Pay Paycheck Protection Program Liquidity Facility ("PPPLF"). PPPLF advances must be secured by pledges of loans to small businesses under the U.S. Small Business Administration's ("SBA") 7(a) loan program titled the Paycheck Protection Program ("PPP"), which was added to the SBA's 7(a) loan program by section 1102 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). When such PPP loans are pledged, the Company draws PPPLF advances from the Federal Reserve Bank of Cincinnati through its correspondent bank Wells Fargo Bank, N.A., and must repay these advances when pledged PPP loans are repaid. The PPPLF advances ultimately mature August 2025.	0.35%	Interest only, monthly	$ 6,528,000	$ -

11. Notes payable (continued)

B. Other notes payable (continued)

Loan	Year-end interest rate	Payment terms	2020	2019
Impact Community Capital, LLC On January 5, 2017, CDFI entered into an unsecured loan agreement with Impact Community Capital, LLC. The note matures on January 5, 2022. All unpaid principal and interest are due when the loan matures.	0.875%	Interest only; quarterly in arrears	$ 10,000,000	$ 10,000,000
Citizens Business Bank On July 8, 2019, CDFI entered into a loan agreement with Citizens Business Bank. The note matures on July 8, 2024. All unpaid principal and interest are due when the loan matures.	5.00%	Interest, quarterly Principal, $500,000 annually	$ 4,500,000	$ 5,000,000
CalPrivate Bank On December 27, 2019 entered into a loan agreement CalPrivate Bank. The note matures on January 1, 2025. All unpaid principal and interest are due when the loan matures.	5.00%	Principal and interest, monthly per amortization schedule	$ 4,177,000	$ 5,000,000
Toyota Financial Savings Bank On June 19, 2015, CDFI entered into a loan agreement with Toyota Financial Savings Bank. The note matured on June 30, 2020. All unpaid principal and interest were due when the loan matured. As of December 31, 2020, the outstanding balance was paid in full.	3.00%	Interest only, quarterly	$ -	$ 1,500,000
On June 30, 2019, CDFI entered into a loan agreement with Toyota Financial Savings Bank. The note matures on June 1, 2024. All unpaid principal and interest are due when the loan matures.	4.00%	Interest only, quarterly	$ 3,500,000	$ 3,500,000
On October 1, 2020, CDFI entered into a loan agreement with Toyota Financial Savings Bank. The note matures on September 1, 2025. All unpaid principal and interest are due when the loan matures.	3.50%	Interest only, quarterly	$ 4,000,000	$ -

11. Notes payable (continued)

B. Other notes payable (continued)

Loan	Year-end interest rate	Payment terms	2020	2019
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 matured on September 1, 2019, which was extended to September 1, 2022.	3.63%	Interest only, quarterly in arrears	$ 5,000,000	$ 5,000,000
HSBC Bank On March 31, 2020, CDFI entered into a revolving credit agreement with HSBC Bank USA for a line of credit in the maximum amount of $20,000,000. The line of credit matures on March 31, 2022, and potentially converts into a term loan with a maturity date of March 31, 2030 subject to the Company's election and the satisfaction of certain conditions.	3.50%	Interest only, quarterly	$ 20,000,000	$ -
Eric and Hannah Sachs Foundation On September 14, 2020, CDFI entered into an unsecured loan agreement with the Eric and Hannah Sachs Foundation. The note matures on September 14, 2023. All unpaid principal and interest are due when the loan matures.	3.50%	Interest only, quarterly in arrears	$ 750,000	$ -
Other notes payable total			$ 143,881,000	$ 99,109,000
Less: unamortized debt issuance costs, net			(294,000)	(227,000)
Other notes payable, net of unamortized debt issuance costs			$ 143,587,000	$ 98,882,000

Debt issuance costs are being amortized to interest expense over the terms of the loans. During 2020 and 2019, amortization expense for debt issuance costs was $138,000 and $37,000, respectively.

11. Notes payable (continued)

C. CDFI Fund Bond Guarantee Program

During 2014, the Company became eligible to participate in the CDFI Fund's Bond Guarantee Program ("BGP"). The BGP allows the Company to draw separate borrowings ("Advances") up to a specified amount as the Company originates qualifying Secondary Loans, as defined under the terms of respective BGP agreements ("BGP Facilities"). The Advances are in turn secured by the assignment of those Secondary Loans plus a cash reserve of 3% of the Advance amount. For each BGP Facility, 50% of the Advances must be drawn or committed to such collateralized loans by the first anniversary of the BGP Facility, and 100% by the second anniversary. If either minimum is not achieved, the shortfall is deducted from the total Advances available to the Company.

During 2020, the Company received a new, fourth BGP Facility allowing an additional $100,000,000 of Advances. This new BGP Facility carries substantially similar terms to prior BGP Facilities. As of December 31, 2020 and 2019, the Company had total undrawn BGP Facilities of $163,000,000 and $79,000,000, respectively.

Each Advance is priced at the time of the Advance based on the then current Federal Financing Bank rate, plus additional risk premia and servicing fees. Each Advance has a term, as selected by the Company, of between ten and thirty years from the date of the respective BGP Facility, is generally interest only for the first two years, and thereafter commences amortization based on its respective maturity date. Payments under the BGP facilities are semi-annual in arrears.

For the year ended December 31, 2020, Advances under the BGP Facilities totaled $262,192,000. These Advances had a weighted average yield of 3.13%, and a weighted average maturity date of November 2040. For the year ended December 31, 2019, Advances under the BGP Facilities totaled $255,395,000. These Advances had a weighted average yield of 3.22%, and a weighted average maturity date of March 2041.

Advances consist of the following as of December 31,

	2020	2019
Principal balance	$ 262,192,000	$ 255,395,000
Less: unamortized debt issuance costs	(1,351,000)	(1,082,000)
Note payable, net of unamortized debt issuance costs	$ 260,841,000	$ 254,313,000

Debt issuance costs are being amortized to interest expense over the terms of the Advances. During 2020 and 2019, amortization expense for debt issuance costs was $48,000 and $42,000, respectively.

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 financing availability at December 31, 2020 and 2019 of $66,000,000. The Company was required to make a stock investment and to pledge certain specific loans as collateral sufficient to support the Company's borrowing capacity. The Company may borrow against this borrowing capacity, at its discretion, in maturities ranging from overnight to five years. As of December 31, 2020 and 2019, the Company had made stock investments in FHLB-SF as described in Note 7.

11. Notes payable (continued)

D. Federal Home Loan Bank of San Francisco (continued)

The Company entered into various fixed rate advances with FHLB-SF. These advances carry maturities between March 2021 and October 2028, and interest rates up to 3.46%. The average maturity is October 2024, and the average interest rate is 1.79%. As of December 31, 2020 and 2019, the Company had outstanding fixed rate advances of $22,096,000 and $9,096,000, respectively.

As of December 31, 2020 and 2019, the Company had entered into overnight advances from the FHLB-SF, with interest rates of 0.17% and 1.66%, respectively. The rate is reset daily and interest is payable on the last calendar day of each month. These advances renew automatically each day. The Company may repay these advances or extend their maturity at management's discretion with twenty four hours advance notice. As of December 31, 2020 and 2019, the Company has outstanding overnight advances of $18,704,000 and $32,904,000, 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
2021	$ -	$ 8,035,000	$ 12,633,000	$ 25,704,000	$ 46,372,000
2022	-	26,483,000	12,944,000	4,000,000	43,427,000
2023	-	24,513,000	13,263,000	2,000,000	39,776,000
2024	18,000,000	14,500,000	13,555,000	-	46,055,000
2025	-	8,177,000	13,942,000	-	22,119,000
Thereafter	-	62,173,000	195,855,000	9,096,000	267,124,000
Total	$ 18,000,000	$ 143,881,000	$ 262,192,000	$ 40,800,000	$ 464,873,000

*$18,704,000 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, 2020 and 2019	10,000,000	1,000,000	1,000,000
Issued and outstanding, 2020	399,389	1,000	35,800
Issued and outstanding, 2019	344,068	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.

12. Common stock (continued)

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, 2020 and 2019, CDFI issued 53,812 and 26,000 Class A shares at $100 per share for proceeds of $5,382,000 and $2,600,000, respectively.

For the years ended December 31, 2020 and 2019, CDFI declared dividends of $1 per share on 387,880 and 334,986 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, 2020 and 2019, stock and cash dividends were made as follows:

	2020			2019		
	Shares	Amount		Shares	Amount	
Stock dividends (conversion of paid dividends at $1 per share into stock issued at $100 per share)	1,509	$	151,000	1,582	$	158,000
Cash dividends ($1 per share)			237,000			177,000
Total		$	388,000		$	335,000

13. Income taxes

The provision for income taxes for the years ended December 31, 2020 and 2019 was as follows:

	2020		2019	
Current income tax expense	$	(4,052,000)	$	(2,609,000)
Historic tax credit benefit		-		914,000
Deferred income tax (expense) benefit		2,210,000		(270,000)
Total provision for income taxes	$	(1,842,000)	$	(1,965,000)

13. Income taxes (continued)

The tax effects of temporary differences that give rise to significant portions of deferred taxes at December 31, 2020 and 2019, are as follows:

		2020		2019
Deferred tax assets (liabilities)				
Accrued interest receivable	$	291,000	$	217,000
Allowance for loan losses		7,764,000		5,599,000
Investment in other companies		281,000		1,000,000
Accumulated depreciation		5,000		(23,000)
Accrued bonuses and payroll		937,000		798,000
Unamortized grant income		1,401,000		903,000
Deferred gain from Opportunity Zones		(411,000)		(388,000)
Deferred state taxes		175,000		(183,000)
Other deferred tax assets (liabilities)		(72,000)		238,000
Net deferred tax asset	$	10,371,000	$	8,161,000

The total provision for income taxes differs from the amount of income tax determined by applying the U.S. federal income tax rate of 21% to pretax income for the years ended December 31, 2020 and 2019, as follows:

		2020		2019
Provision for federal income taxes	$	(1,451,000)	$	(2,709,000)
Historic tax credits		-		914,000
Permanent differences		80,000		425,000
Estimated state taxes, net of federal benefit		(471,000)		(595,000)
Total provision for income taxes	$	(1,842,000)	$	(1,965,000)

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

14. 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:

	2020	2019
Balance at December 31		
Cash and cash equivalents on deposit	$ 39,472,000	$ 42,400,000
Lines of credit	32,333,000	35,333,000
Notes payable	50,817,000	52,540,000
Non interest-bearing deposits	1,900,000	1,900,000
Restricted cash on deposit	28,118,000	16,664,000
Transactions for the years ended December 31		
Interest earned on cash balances and certificates of deposit	$ 149,000	$ 234,000
Interest paid on notes payable	2,962,000	3,671,000
Rent paid	231,000	224,000
Reimbursed expenses from related parties	18,000	23,000

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 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, 2020 and 2019, the NMTC CDEs were owed $212,000 and $1,000, respectively.

Management fees
Pursuant to various management agreements, the Company earns annual management fees for services performed in connection with managing the NMTC CDEs, exit fees upon the successful dissolution of prior NMTC CDEs after the NMTC compliance period, and may make advances to the NMTC CDEs. These advances do not bear interest and are payable upon the availability of sufficient cash flows from the NMTC CDEs. As of December 31, 2020 and 2019, the outstanding balance of such advances was $0. For the years ended December 31, 2020 and 2019, the management fees earned were $909,000 and $794,000, respectively.

15. 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,		
2021	$	258,000
2022		128,000
Total	$	386,000

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, 2020 and 2019, lease costs relating to these leases were $259,000, which are included in rent expense in the accompanying consolidated statements of income.

16. Grant income

CDFI Financial Assistance award
During 2020 and 2019, the Company received grants from CDFI Fund Financial Assistance awards to assist the Company in providing loans to businesses operating in underserved communities and businesses that benefit individuals with disabilities. For the years ended December 31, 2020 and 2019, the Company recognized grant income of $603,000 and $1,128,000 respectively. As of December 31, 2020 and 2019, unrecognized grant revenue was $1,413,000 and $324,000, respectively.

CDFI Capital Magnet Fund award
During 2020, the Company received a Capital Magnets Fund ("CMF") award of $3,000,000 to assist the Company in providing capital to fund low-income housing construction. During 2018, the Company received a CMF award of $3,200,000. Grant income from the CMF award is recognized as performance obligations are satisfied. For the years ended December 31, 2020 and 2019, the Company recognized CMF grant income of $2,579,000 and $300,000, respectively. As of December 31, 2020 and 2019, unrecognized CMF award revenue was $3,321,000 and $2,900,000, respectively.

Paycheck Protection Program
During 2020, the Company received a loan from the Paycheck Protection Program in the amount of $775,000. As of December 31, 2020, Company expects to meet the requirements for loan forgiveness. For the year ended December 31, 2020, the Company recognized grant income of $775,000.

Other grants
During 2020 and 2019, the Company received grants from its investors to help offset expenses related to CRA activities in the amount of $10,000 and $20,000, respectively.

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	Clearinghouse CDFI	CDFI Service Corporation	Clearinghouse NMTC, LLC	Alamo QOF, LLC	Alamo QOZB, LLC	CREC LLCs	Intercompany Elimination	Consolidated Before CREC Reclassification	CREC Reclassification	Consolidated
ASSETS										
Cash and cash equivalents	$ 47,918,000	$ 15,000	$ -	$ -	$ 1,562,000	$ 91,000	$ -	$ 49,586,000	$ -	$ 49,586,000
Restricted cash	38,422,000	-	-	-	-	-	-	38,422,000	-	38,422,000
Loans receivable, net	487,365,000	-	-	-	-	50,000	-	487,415,000	(50,000)	487,365,000
Accrued interest receivable	5,516,000	-	-	-	-	-	-	5,516,000	-	5,516,000
Other receivables and prepaid expenses	1,659,000	24,000	-	-	-	16,000	-	1,699,000	(16,000)	1,683,000
Due from related parties	4,302,000	3,000	79,000	-	-	-	(4,353,000)	31,000	-	31,000
Fixed assets, net	1,550,000	-	-	-	180,000	732,000	-	2,462,000	(732,000)	1,730,000
Operating investment (CREC)	-	-	-	-	-	-	-	-	816,000	816,000
Investment in other companies	5,418,000	-	165,000	1,700,000	-	18,000	(4,358,000)	2,943,000	(18,000)	2,925,000
Investment in opportunity zones	2,515,000	-	-	-	-	-	-	2,515,000	-	2,515,000
Other real estate owned	-	1,782,000	-	-	-	-	-	1,782,000	-	1,782,000
Deferred taxes	10,371,000	-	-	-	-	-	-	10,371,000	-	10,371,000
TOTAL ASSETS	$ 605,036,000	$ 1,824,000	$ 244,000	$ 1,700,000	$ 1,742,000	$ 907,000	$ (8,711,000)	$ 602,742,000	$ -	$ 602,742,000
LIABILITIES AND STOCKHOLDERS' EQUITY										
LIABILITIES										
Accounts payable and accrued expenses	$ 4,125,000	$ (36,000)	$ -	$ -	$ -	$ 26,000	$ (7,000)	$ 4,108,000	$ -	$ 4,108,000
Unamortized award funds	4,734,000	-	-	-	-	-	-	4,734,000	-	4,734,000
Accrued interest payable	1,363,000	-	-	-	-	-	-	1,363,000	-	1,363,000
Due to related parties	305,000	3,868,000	510,000	-	42,000	65,000	(4,578,000)	212,000	-	212,000
Lines of credit	32,333,000	-	-	-	-	-	-	32,333,000	-	32,333,000
Non interest-bearing deposits	4,400,000	-	-	-	-	-	-	4,400,000	-	4,400,000
Notes payable, Class A stockholders	18,000,000	-	-	-	-	-	-	18,000,000	-	18,000,000
Notes payable, Federal Home Loan Bank of San Francisco	40,800,000	-	-	-	-	-	-	40,800,000	-	40,800,000
Notes payable, Bond Guarantee Program - net of unamortized debt issuance costs	260,841,000	-	-	-	-	-	-	260,841,000	-	260,841,000
Other notes payable - net of unamortized debt issuance costs	143,587,000	-	-	-	-	-	-	143,587,000	-	143,587,000
TOTAL LIABILITIES	510,488,000	3,832,000	510,000	-	42,000	91,000	(4,585,000)	510,378,000	-	510,378,000
STOCKHOLDERS' EQUITY										
Common stock, no par value										
Class A	44,312,000	-	-	-	-	-	-	44,312,000	-	44,312,000
Class C	3,580,000	-	-	-	-	-	-	3,580,000	-	3,580,000
Capital within consolidated group	-	20,000	2,000	1,700,000	1,700,000	(1,744,000)	(1,678,000)	-	-	-
Retained earnings	46,656,000	(2,028,000)	(268,000)	-	-	2,560,000	(2,448,000)	44,472,000	-	44,472,000
TOTAL STOCKHOLDERS' EQUITY	94,548,000	(2,008,000)	(266,000)	1,700,000	1,700,000	816,000	(4,126,000)	92,364,000	-	92,364,000
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 605,036,000	$ 1,824,000	$ 244,000	$ 1,700,000	$ 1,742,000	$ 907,000	$ (8,711,000)	$ 602,742,000	$ -	$ 602,742,000

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	Clearinghouse CDFI	CDFI Service Corporation	Clearinghouse NMTC, LLC	CREC LLCs	Intercompany Elimination	Consolidated Before CREC Reclassification	CREC Reclassification	Consolidated
ASSETS								
Cash and cash equivalents	$ 50,754,000	$ 4,000	$ -	$ 78,000	$ -	$ 50,836,000	$ -	$ 50,836,000
Restricted cash	25,863,000	-	-	-	-	25,863,000	-	25,863,000
Loans receivable, net	444,913,000	-	-	50,000	-	444,963,000	(50,000)	444,913,000
Accrued interest receivable	2,329,000	-	-	-	-	2,329,000	-	2,329,000
Other receivables and prepaid expenses	3,271,000	26,000	-	5,000	-	3,302,000	(5,000)	3,297,000
Due from related parties	4,182,000	3,000	79,000	-	(4,264,000)	-	-	-
Fixed assets, net	1,694,000	-	-	747,000	-	2,441,000	(747,000)	1,694,000
Operating investment (CREC)	-	-	-	-	-	-	820,000	820,000
Investment in other companies	3,614,000	-	164,000	18,000	(877,000)	2,919,000	(18,000)	2,901,000
Investment in opportunity zones	1,915,000	-	-	-	-	1,915,000	-	1,915,000
Other real estate owned	-	2,058,000	-	-	-	2,058,000	-	2,058,000
Deferred taxes	8,161,000	-	-	-	-	8,161,000	-	8,161,000
TOTAL ASSETS	$ 546,696,000	$ 2,091,000	$ 243,000	$ 898,000	$ (5,141,000)	$ 544,787,000	$ -	$ 544,787,000
LIABILITIES AND STOCKHOLDERS' EQUITY								
LIABILITIES								
Accounts payable and accrued expenses	$ 4,427,000	$ (12,000)	$ -	$ 9,000	$ (6,000)	$ 4,418,000	$ -	$ 4,418,000
Unamortized award funds	3,224,000	-	-	-	-	3,224,000	-	3,224,000
Accrued interest payable	1,362,000	-	-	-	-	1,362,000	-	1,362,000
Due to related parties	95,000	3,741,000	509,000	146,000	(4,490,000)	1,000	-	1,000
Lines of credit	35,333,000	-	-	-	-	35,333,000	-	35,333,000
Interest-bearing deposits	250,000	-	-	-	-	250,000	-	250,000
Non interest-bearing deposits	4,850,000	-	-	-	-	4,850,000	-	4,850,000
Notes payable, Class A stockholders	18,000,000	-	-	-	-	18,000,000	-	18,000,000
Notes payable, Federal Home Loan Bank of San Francisco	42,000,000	-	-	-	-	42,000,000	-	42,000,000
Notes payable, Bond Guarantee Program - net of unamortized debt issuance costs	254,313,000	-	-	-	-	254,313,000	-	254,313,000
Other notes payable - net of unamortized debt issuance costs	98,882,000	-	-	-	-	98,882,000	-	98,882,000
TOTAL LIABILITIES	462,736,000	3,729,000	509,000	155,000	(4,496,000)	462,633,000	-	462,633,000
STOCKHOLDERS' EQUITY								
Common stock, no par value								
Class A	38,779,000	-	-	-	-	38,779,000	-	38,779,000
Class C	3,580,000	-	-	-	-	3,580,000	-	3,580,000
Capital within consolidated group	-	20,000	1,000	(1,743,000)	1,722,000	-	-	-
Retained earnings	41,601,000	(1,658,000)	(267,000)	2,486,000	(2,367,000)	39,795,000	-	39,795,000
TOTAL STOCKHOLDERS' EQUITY	83,960,000	(1,638,000)	(266,000)	743,000	(645,000)	82,154,000	-	82,154,000
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 546,696,000	$ 2,091,000	$ 243,000	$ 898,000	$ (5,141,000)	$ 544,787,000	$ -	$ 544,787,000

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	Clearinghouse CDFI	CDFI Service Corporation	Clearinghouse NMTC, LLC	CREC LLCs	Intercompany Elimination	Consolidated Before CREC Reclassification	CREC Reclassification	Consolidated
INTEREST INCOME								
Interest on loans receivable	$ 33,634,000	$ -	$ -	$ 5,000	$ -	$ 33,639,000	$ (5,000)	$ 33,634,000
Interest-bearing deposits	192,000	-	-	-	-	192,000	-	192,000
Total interest income	33,826,000	-	-	5,000	-	33,831,000	(5,000)	33,826,000
INTEREST EXPENSE	(14,957,000)	-	-	-	-	(14,957,000)	-	(14,957,000)
Net interest income (expense)	18,869,000	-	-	5,000	-	18,874,000	(5,000)	18,869,000
PROVISION FOR LOAN LOSSES	(9,074,000)	-	-	-	-	(9,074,000)	-	(9,074,000)
Net interest income (expense) after provision for loan losses	9,795,000	-	-	5,000	-	9,800,000	(5,000)	9,795,000
NON INTEREST INCOME								
NMTC management fees	909,000	-	-	-	-	909,000	-	909,000
Loan fees	933,000	-	-	-	-	933,000	-	933,000
Grant income	3,967,000	-	-	-	-	3,967,000	-	3,967,000
Investment income	178,000	-	-	-	-	178,000	-	178,000
Flow-through income from investment in other companies	85,000	-	-	-	-	85,000	-	85,000
Income from investment in opportunity zones	-	-	-	-	-	-	-	-
Net income from operating investment (CREC)	-	-	-	-	-	-	75,000	75,000
NMTC sponsor fees	1,989,000	-	-	-	-	1,989,000	-	1,989,000
Rental revenue	90,000	6,000	-	131,000	(82,000)	145,000	(131,000)	14,000
Total non interest income	8,151,000	6,000	-	131,000	(82,000)	8,206,000	(56,000)	8,150,000
NON INTEREST EXPENSES								
Compensation and related benefits	7,177,000	-	-	-	-	7,177,000	-	7,177,000
General and administrative	1,066,000	2,000	-	2,000	-	1,070,000	(2,000)	1,068,000
Insurance	556,000	-	-	11,000	-	567,000	(11,000)	556,000
Professional fees	974,000	98,000	-	-	-	1,072,000	-	1,072,000
Marketing	167,000	-	-	-	-	167,000	-	167,000
Rent	259,000	-	-	-	-	259,000	-	259,000
Charitable contributions	301,000	-	-	-	-	301,000	-	301,000
Depreciation	162,000	-	-	14,000	-	176,000	(14,000)	162,000
Impairment of OREO	-	276,000	-	-	-	276,000	-	276,000
Rental real estate operating expenses	-	-	-	34,000	-	34,000	(34,000)	-
Total non interest expenses	10,662,000	376,000	-	61,000	-	11,099,000	(61,000)	11,038,000
Income (loss) before provision for income taxes	7,284,000	(370,000)	-	75,000	(82,000)	6,907,000	-	6,907,000
Provision for income taxes	(1,842,000)	-	-	-	-	(1,842,000)	-	(1,842,000)
Net income (loss)	$ 5,442,000	$ (370,000)	$ -	$ 75,000	$ (82,000)	$ 5,065,000	$ -	$ 5,065,000

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	Clearinghouse CDFI	CDFI Service Corporation	Clearinghouse NMTC, LLC	CREC LLCs	Intercompany Elimination	Consolidated Before CREC Reclassification	CREC Reclassification	Consolidated
INTEREST INCOME								
Interest on loans receivable	$ 31,321,000	$ -	$ -	$ 5,000	$ -	$ 31,326,000	$ (5,000)	$ 31,321,000
Interest-bearing deposits	344,000	-	-	-	-	344,000	-	344,000
Total interest income	31,665,000	-	-	5,000	-	31,670,000	(5,000)	31,665,000
INTEREST EXPENSE	(14,866,000)	-	-	(32,000)	-	(14,898,000)	32,000	(14,866,000)
Net interest income (expense)	16,799,000	-	-	(27,000)	-	16,772,000	27,000	16,799,000
PROVISION FOR LOAN LOSSES	(2,080,000)	-	-	-	-	(2,080,000)	-	(2,080,000)
Net interest income (expense) after provision for loan losses	14,719,000	-	-	(27,000)	-	14,692,000	27,000	14,719,000
NON INTEREST INCOME								
NMTC management fees	794,000	-	-	-	-	794,000	-	794,000
Loan fees	650,000	-	-	-	-	650,000	-	650,000
Grant income	1,448,000	-	-	-	-	1,448,000	-	1,448,000
Investment income	779,000	-	-	-	-	779,000	-	779,000
Flow-through income from investment in other companies	97,000	-	-	-	-	97,000	-	97,000
Income from investment in opportunity zones	91,000	-	-	-	-	91,000	-	91,000
Net income from operating investment (CREC)	-	-	-	-	-	-	1,471,000	1,471,000
Rental revenue	87,000	12,000	-	263,000	(91,000)	271,000	(263,000)	8,000
Gain on sale of operating investment (CREC)	1,216,000	-	-	1,422,000	(1,216,000)	1,422,000	(1,422,000)	-
Other revenue	-	-	-	3,000	-	3,000	(3,000)	-
Total non interest income	5,162,000	12,000	-	1,688,000	(1,307,000)	5,555,000	(217,000)	5,338,000
NON INTEREST EXPENSES								
Compensation and related benefits	7,002,000	-	-	-	-	7,002,000	-	7,002,000
General and administrative	1,171,000	21,000	-	3,000	-	1,195,000	(3,000)	1,192,000
Insurance	504,000	-	-	19,000	-	523,000	(19,000)	504,000
Professional fees	582,000	119,000	-	-	-	701,000	-	701,000
Marketing	271,000	-	-	-	-	271,000	-	271,000
Rent	259,000	-	-	-	-	259,000	-	259,000
Charitable contributions	174,000	-	-	-	-	174,000	-	174,000
Depreciation	166,000	-	-	45,000	-	211,000	(45,000)	166,000
Impairment of OREO	-	639,000	-	-	-	639,000	-	639,000
Historic tax credit investment amortization	610,000	-	-	-	-	610,000	-	610,000
Rental real estate operating expenses	-	-	-	113,000	-	113,000	(113,000)	-
Total non interest expenses	10,739,000	779,000	-	180,000	-	11,698,000	(180,000)	11,518,000
Income (loss) before provision for income taxes	9,142,000	(767,000)	-	1,481,000	(1,307,000)	8,549,000	(10,000)	8,539,000
Provision for income taxes	(1,965,000)	-	-	(10,000)	-	(1,975,000)	10,000	(1,965,000)
Net income (loss)	$ 7,177,000	$ (767,000)	$ -	$ 1,471,000	$ (1,307,000)	$ 6,574,000	$ -	$ 6,574,000

see report of independent auditors