Clearinghouse NMTC, LLC – Nevada Subsidiaries (2019 Allocation)

Combined Financial Statements with Supplementary Information and Report of Independent Auditors

December 31, 2020

Report of Independent Auditors

To the Members of the Companies of
Clearinghouse NMTC, LLC - Nevada Subsidiaries (2019 Allocation):

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of Clearinghouse NMTC, LLC - Nevada Subsidiaries (2019 Allocation), which comprise the combined balance sheet as of December 31, 2020, and the related combined statements of income, changes in members' equity and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Clearinghouse NMTC, LLC - Nevada Subsidiaries (2019 Allocation) as of December 31, 2020, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

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

Novogradac & Company LLP

Long Beach, California

March 29, 2021

CLEARINGHOUSE NMTC, LLC - NEVADA SUBSIDIARIES (2019 ALLOCATION)
Combined Balance Sheet
December 31, 2020

ASSETS		
Cash and cash equivalents	$	8,823,000
Loans receivable		2,941,000
TOTAL ASSETS	$	11,764,000
MEMBERS' EQUITY	$	11,764,000

see accompanying notes

CLEARINGHOUSE NMTC, LLC - NEVADA SUBSIDIARIES (2019 ALLOCATION)

Combined Statement of Income

For the year ended December 31, 2020

	2020
REVENUE	$ -
EXPENSES	-
Net income	$ -

see accompanying notes

CLEARINGHOUSE NMTC, LLC - NEVADA SUBSIDIARIES (2019 ALLOCATION)
Combined Statement of Changes in Members' Equity
For the year ended December 31, 2020

BALANCE, DECEMBER 31, 2019	$	11,764,000
Distributions		-
Net income		-
BALANCE, DECEMBER 31, 2020	$	11,764,000

see accompanying notes

CLEARINGHOUSE NMTC, LLC - NEVADA SUBSIDIARIES (2019 ALLOCATION)
Combined Statement of Cash Flows
For the year ended December 31, 2020

		2020
CASH FLOW FROM OPERATING ACTIVITIES		
Net income	$	-
CASH FLOW FROM INVESTING ACTIVITIES		
Increase in loans receivable		(2,941,000)
NET CHANGE IN CASH AND CASH EQUIVALENTS		(2,941,000)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		11,764,000
CASH AND CASH EQUIVALENTS AT END OF YEAR	$	8,823,000

see accompanying notes

1. Organization and purpose

The combined financial statements include the 4 entities listed below (collectively referred to as the "Companies" and individually referred to as "Company"). The Companies are related under common ownership and management of Clearinghouse Community Development Financial Institution ("CDFI" and "Managing Member") in Lake Forest, California. The Companies have a primary mission of providing investment capital for low-income communities or organizations serving low-income persons. The Companies make capital or equity investments in, and loans to, Qualified Active Low-Income Community Businesses ("QALICBs"), as defined in the Nevada New Markets Jobs Act. The Companies' lending is available through tax credit allocations authorized by the State of Nevada Department of Business and Industry and targets qualified businesses in distressed areas ("NMTC Allocations").

Companies

- Clearinghouse NMTC (Sub 55), LLC ("Sub 55")
- Clearinghouse NMTC (Sub 56), LLC ("Sub 56")
- Clearinghouse NMTC (Sub 57), LLC ("Sub 57")
- Clearinghouse NMTC (Sub 58), LLC ("Sub 58")

2. Summary of significant accounting policies and nature of operations

Basis of accounting
The Companies prepare their combined financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of presentation
The combined financial statements of the Companies include the combined financial statements of the individual subsidiary entities. All intercompany transactions and balances have been eliminated in combination.

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 at the date of acquisition.

Concentration of credit risk
The Companies maintain cash in bank deposit accounts that, at times, may exceed federally insured limits. The Companies have not experienced any losses in such accounts. The Companies believe they are not exposed to any significant credit risk on cash.

Economic and geographic concentrations
The Companies lend in the Nevada market. Future operations could be affected by changes in economic or other conditions in that market. Additionally, the Companies' revenues are derived from the loans made to the QALICBs located in low-income communities. Future operations could be affected by changes in economic or other conditions that would affect the businesses of the QALICBs.

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

Loans receivable and allowance for loan losses
Loans receivable are stated at the amount of unpaid principal, reduced by unearned loan fees and the allowance for loan losses.

The allowance for loan losses is established through a provision for loan losses charged to expense. The allowance is an amount that management believes is adequate to absorb losses on existing loans that may become uncollectible. The allowance is calculated based on management's assessment of various risk factors in the types of loans the Companies offer. The Companies further consider the impact of market conditions when evaluating the economic risks within the Companies' portfolios.

The Companies evaluate each loan individually to determine if a specific loan loss provision is necessary. A loan is impaired when it is probable that the creditor will be unable to collect all contractual principal and interest payments due in accordance with the terms of the loan agreement. Impaired loans are measured based on the present value of expected future cash flows discounted at the loan's effective interest rate or, as a practical expedient, at the loan's observable market price or the fair value of the collateral if the loan is collateral dependent. The amount of impairment, if any, and subsequent charges are included in the allowance for loan losses. There were no impairment losses recognized for the year ended December 31, 2020.

Variable interest entity
FASB Accounting Standards Codification Topic 810 addresses how a reporting company should evaluate whether it has a controlling financial interest in a variable interest entity ("VIE") through means other than voting rights and under what circumstances the reporting company should consolidate the entity. The Companies have concluded that the QALICBs are VIEs and that the Companies are not the primary beneficiaries as they do not have the power to direct the activities that most significantly impact the QALICBs' economic performance and the obligation to absorb the potential losses or right to receive the benefits that could be significant to the QALICBs. As a result, the Companies are not required to consolidate the QALICBs as a result of their variable interest. The Companies' maximum exposure to loss as a result of their variable interests in the QALICBs are limited to their loans receivable balances (see Note 3).

Use of estimates
The preparation of combined 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 combined financial statements and accompanying notes. Actual results could differ from those estimates. A material estimate that is particularly susceptible to significant change in the near term relates to the allowance for loan losses provision.

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

Income taxes
Income taxes on the Companies' income are levied on the members at the member level. Accordingly, income taxes are not recorded on the Companies' books and all profits and losses of the Companies are recognized by each member in its respective tax return.

The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America requires the Companies to report information regarding their exposure to various tax positions taken by the Companies. Management has determined whether any tax positions have met the recognition threshold and has measured the Companies' exposure to those tax positions. Management believes that the Companies have adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. 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 Companies are recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying combined financial statements.

Interest on loans
Interest on loans is calculated using the simple-interest method on principal amounts outstanding. The accrual of interest on impaired loans 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.

Revenue recognition
Interest income is recognized when earned in accordance with the contractual terms of the loan agreements and promissory notes.

3. Loans receivable

The Companies' loan portfolio is composed of loans that are primarily secured by real estate and commercial properties. This collateral is concentrated in Nevada. As of December 31, 2020, real estate-secured loans accounted for approximately 100% of total loans.

The Companies evaluate each borrower's creditworthiness on a case-by-case basis. Collateral held generally consists of first-trust deeds on real estate and income-producing commercial properties. As of December 31, 2020, the Companies' loan portfolio consisted of loans receivable in the amount of $2,941,000.

4. Community development subsidiary entities

CDFI was awarded the authority to allocate $11,764,000 in qualified equity investments ("QEIs") to the Companies pursuant to Nevada New Markets Job Act Certification between CDFI and the State of Nevada Department of Business and Industry Director's Office (the "Nevada Allocation Agreement").

Equity investments received will be designated as QEIs ("Nevada QEIs") if they meet the requirements of Senate Bill 357 and the Nevada New Markets Tax Credit Program. Members of the Companies will be allowed to claim NMTCs ("Nevada NMTCs") over five years commencing two years after the initial QEI is made, spanning six years and a day, for any equity investment made by such member that is designated a QEI by CDFI. It is intended that the investor members' capital contributions shall constitute Nevada QEIs in accordance with NRS 231A Nevada New Markets Job Act.

In order to qualify for Nevada NMTCs, CDFI must comply with requirements of Senate Bill 357 and NRS 231A Nevada New Markets Job Act during the seven-year credit period. These requirements include, but are not limited to, ensuring that at least 85% of the Nevada QEIs will be deployed to qualified low-income communities as QLICIs and 30% will be in severely distressed census tracts. Because the tax credits are subject to certain requirements, there can be no assurance that the aggregate amount of tax credits will be realized and failure to meet all such requirements may result in generating a lesser amount of tax credits than expected.

An aggregate of $6,824,000 of Nevada NMTCs will be generated as a result of $11,764,000 of Nevada QEIs in the Companies deployed as of December 31, 2020. As a result of the Nevada QEIs, the members of the investment funds were eligible for $0 of Nevada NMTCs for the year ended December 31, 2020.

Future Nevada NMTC amounts resulting from Nevada QEIs are expected to be as follows:

Year ending December 31,

2021	$ 1,412,000
2022	1,412,000
2023	1,412,000
2024	1,294,000
2025	1,294,000
Total	$ 6,824,000

CDFI's board of directors has established an advisory board for CDFI's NMTC activities ("Advisory Board"). The Advisory Board provides insight and guidance to CDFI regarding its NMTC activities. The Advisory Board also ensures that CDFI maintains accountability to the residents of low-income communities within its service areas, as defined in the Nevada New Markets Jobs Act Certification, in accordance with the Nevada New Markets Jobs Act. The Advisory Board solicits feedback from the residents of the low-income communities that they represent as to the investment needs of those particular low-income communities and the success of CDFI in addressing such needs.

4. Community development subsidiary entities (continued)

Clearinghouse NMTC (Sub 55)
In December 2019, Sub 55 entered into the Amended and Restated Operating Agreement of Sub 55 (the "Sub 55 Operating Agreement"). Sub 55 is owned 0.01% by CDFI and 99.99% by Stonehenge Nevada NMTC Investment Fund III, LLC, a Delaware limited liability company (the "Sub 55 Investor Member") (CDFI and the Sub 55 Investor Member are collectively referred to as the "Sub 55 Members"). Sub 55 received $2,941,000 in NMTC Allocations from the Nevada Department of Business and Industry under the Nevada New Markets Jobs Act. As of December 31, 2020, Sub 55 received $2,941,000 of QEIs and made $0 of QLICIs.

Pursuant to the Sub 55 Operating Agreement, CDFI and the Sub 55 Investor Member are required to make capital contributions in the amount of $294 and $2,941,176, respectively. As of December 31, 2020, CDFI and the Sub 55 Investor Member made capital contributions in the amount of $294 and $2,941,176, respectively.

Profits of Sub 55 shall be allocated in the following order of priority: (1) to the members to the extent of the amount by which the cumulative losses previously allocated exceed the cumulative profits previously allocated to each member, (2) to the members in proportion to their respective percentage interests. Losses shall be allocated first, to the members in proportion to their adjusted capital account balances until their respective adjusted capital account balances have been reduced to zero; and second, to the members in proportion to their respective percentage interests. As of December 31, 2020, Sub 55 made cumulative distributions in the amount of $0.

Clearinghouse NMTC (Sub 56)
In December 2019, Sub 56 entered into the Amended and Restated Operating Agreement of Sub 56 (the "Sub 56 Amended and Restated Operating Agreement"). On December 30, 2020, Sub 56 entered into the Second Amended and Restated Operating Agreement (the "Sub 56 Operating Agreement"). Sub 56 is owned 0.01% by CDFI and 99.99% by Stonehenge Nevada NMTC Investment Fund III, LLC, a Delaware limited liability company (the "Sub 56 Investor Member") (CDFI and the Sub 56 Investor Member are collectively referred to as the "Sub 56 Members"). Sub 56 received $2,941,000 in NMTC Allocations from the Nevada Department of Business and Industry under the Nevada New Markets Jobs Act. As of December 31, 2020, Sub 56 received $2,941,000 of QEIs and made $2,941,000 of QLICIs.

Pursuant to the Sub 56 Operating Agreement, CDFI and the Sub 56 Investor Member are required to make capital contributions in the amount of $294 and $2,941,176, respectively. As of December 31, 2020, CDFI and the Sub 56 Investor Member made capital contributions in the amount of $294 and $2,941,176, respectively.

Profits of Sub 56 shall be allocated in the following order of priority: (1) to the members to the extent of the amount by which the cumulative losses previously allocated exceed the cumulative profits previously allocated to each member, (2) to the members in proportion to their respective percentage interests. Losses shall be allocated first, to the members in proportion to their adjusted capital account balances until their respective adjusted capital account balances have been reduced to zero; and second, to the members in proportion to their respective percentage interests. As of December 31, 2020, Sub 56 made cumulative distributions in the amount of $0.

4. Community development subsidiary entities (continued)

Clearinghouse NMTC (Sub 57)
In December 2019, Sub 57 entered into the Amended and Restated Operating Agreement of Sub 57 (the "Sub 57 Operating Agreement"). Sub 57 is owned 0.01% by CDFI and 99.99% by Stonehenge Nevada NMTC Investment Fund III, LLC, a Delaware limited liability company (the "Sub 57 Investor Member") (CDFI and the Sub 57 Investor Member are collectively referred to as the "Sub 57 Members"). Sub 57 received $2,941,000 in NMTC Allocations from the Nevada Department of Business and Industry under the Nevada New Markets Jobs Act. As of December 31, 2020, Sub 57 received $2,941,000 of QEIs and made $0 of QLICIs.

Pursuant to the Sub 57 Operating Agreement, CDFI and the Sub 57 Investor Member are required to make capital contributions in the amount of $294 and $2,941,176, respectively. As of December 31, 2020, CDFI and the Sub 57 Investor Member made capital contributions in the amount of $294 and $2,941,176, respectively.

Profits of Sub 57 shall be allocated in the following order of priority: (1) to the members to the extent of the amount by which the cumulative losses previously allocated exceed the cumulative profits previously allocated to each member, (2) to the members in proportion to their respective percentage interests. Losses shall be allocated first, to the members in proportion to their adjusted capital account balances until their respective adjusted capital account balances have been reduced to zero; and second, to the members in proportion to their respective percentage interests. As of December 31, 2020, Sub 57 made cumulative distributions in the amount of $0.

Clearinghouse NMTC (Sub 58)
In December 2019, Sub 58 entered into the Amended and Restated Operating Agreement of Sub 58 (the "Sub 58 Operating Agreement"). Sub 58 is owned 0.01% by CDFI and 99.99% by Stonehenge Nevada NMTC Investment Fund III, LLC, a Delaware limited liability company (the "Sub 58 Investor Member") (CDFI and the Sub 58 Investor Member are collectively referred to as the "Sub 58 Members"). Sub 58 received $2,941,000 in NMTC Allocations from the Nevada Department of Business and Industry under the Nevada New Markets Jobs Act. As of December 31, 2020, Sub 58 received $2,941,000 of QEIs and made $0 of QLICIs.

Pursuant to the Sub 58 Operating Agreement, CDFI and the Sub 58 Investor Member are required to make capital contributions in the amount of $294 and $2,941,176, respectively. As of December 31, 2020, CDFI and the Sub 58 Investor Member made capital contributions in the amount of $294 and $2,941,176, respectively.

Profits of Sub 58 shall be allocated in the following order of priority: (1) to the members to the extent of the amount by which the cumulative losses previously allocated exceed the cumulative profits previously allocated to each member, (2) to the members in proportion to their respective percentage interests. Losses shall be allocated first, to the members in proportion to their adjusted capital account balances until their respective adjusted capital account balances have been reduced to zero; and second, to the members in proportion to their respective percentage interests. As of December 31, 2020, Sub 58 made cumulative distributions in the amount of $0.

5. Vulnerability – Impact of COVID-19

The severity of the impact of COVID-19 on the Companies' operations will depend on a number of factors, including, but not limited to, the duration and severity of the pandemic and the extent and severity of the impact on the Companies, all of which are uncertain and cannot be predicted. The Companies' future results could be adversely impacted by delays in loan payments. Management is unable to predict with absolute certainty the impact of COVID-19 on its financial condition, results of operations or cash flows.

6. Subsequent events

Subsequent events have been evaluated through March 29, 2021, which is the date the financial statements were available to be issued, and there are no subsequent events requiring disclosure. The following is a summary of significant transactions through March 29, 2021.

In January 2021, Sub 55 made $2,941,000 of QLICIs.

SUPPLEMENTARY INFORMATION

CLEARINGHOUSE NMTC, LLC - NEVADA SUBSIDIARIES (2019 ALLOCATION)
Combining Balance Sheets
December 31, 2020

	Sub 55	Sub 56	Sub 57	Sub 58	Total
ASSETS					
Cash and cash equivalents	$ 2,941,000	$ -	$ 2,941,000	$ 2,941,000	$ 8,823,000
Loans receivable	-	2,941,000	-	-	2,941,000
TOTAL ASSETS	$ 2,941,000	$ 2,941,000	$ 2,941,000	$ 2,941,000	$ 11,764,000
MEMBERS' EQUITY	$ 2,941,000	$ 2,941,000	$ 2,941,000	$ 2,941,000	$ 11,764,000

CLEARINGHOUSE NMTC, LLC - NEVADA SUBSIDIARIES (2019 ALLOCATION)
Combining Statements of Income
For the year ended December 31, 2020

	Sub 55	Sub 56	Sub 57	Sub 58	Total
REVENUE	$ -	$ -	$ -	$ -	$ -
EXPENSES	-	-	-	-	-
Net income	$ -	$ -	$ -	$ -	$ -