NOVOGRADAC & COMPANY LLP®

# Clearinghouse Community Development Financial Institution Companies

**Consolidated Financial Statements**
**with Report of Independent Auditors**
**December 31, 2022 and 2021**

Report of Independent Auditors

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

**Opinion**

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, 2022 and 2021, 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.

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 as of December 31, 2022 and 2021, 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.

**Basis for opinion**
We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Clearinghouse Community Development Financial Institution Companies and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of Management for the 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Clearinghouse Community Development Financial Institution Companies' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

**Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Clearinghouse Community Development Financial Institution Companies' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Clearinghouse Community Development Financial Institution Companies' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

**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.

**Change in Accounting Principle**

As discussed in Note 2 to the financial statements, Clearinghouse Community Development Financial Institution Companies adopted accounting standards changes related to accounting for and disclosing leasing arrangements. Our opinion is not modified with respect to this matter.

Novogradac & Company LLP

Long Beach, California
March 30, 2023

**CLEARINGHOUSE COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION COMPANIES**
CONSOLIDATED BALANCE SHEETS
December 31, 2022 and 2021

| | 2022 | 2021 |
|---|---|---|
| ASSETS | | |
| Cash and cash equivalents | $ 47,004,000 | $ 72,580,000 |
| Restricted cash | 12,759,000 | 65,884,000 |
| Loans receivable, net | 531,408,000 | 459,988,000 |
| Accrued interest receivable | 4,091,000 | 4,128,000 |
| Other receivables and prepaid expenses | 2,436,000 | 3,631,000 |
| Due from related parties | 645,000 | 123,000 |
| Fixed assets, net | 1,907,000 | 1,458,000 |
| Operating investments | 22,653,000 | 13,196,000 |
| Investment in other companies | 2,901,000 | 2,668,000 |
| Other real estate owned | 4,796,000 | - |
| Deferred taxes | 7,961,000 | 8,934,000 |
| TOTAL ASSETS | $ 638,561,000 | $ 632,590,000 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| LIABILITIES | | |
| Accounts payable and accrued expenses | $ 5,535,000 | $ 6,598,000 |
| Unamortized award funds | 8,130,000 | 6,327,000 |
| Accrued interest payable | 2,310,000 | 1,480,000 |
| Due to related parties | 1,000 | - |
| Lines of credit | 23,829,000 | 37,333,000 |
| Non interest-bearing deposits | - | 1,250,000 |
| Notes payable, Class A stockholders | 18,000,000 | 18,000,000 |
| Notes payable, Federal Home Loan Bank of San Francisco | 47,096,000 | 53,096,000 |
| Notes payable, Bond Guarantee Program - net of unamortized debt issuance costs | 248,968,000 | 248,257,000 |
| Other notes payable - net of unamortized debt issuance costs | 172,114,000 | 154,993,000 |
| TOTAL LIABILITIES | 525,983,000 | 527,334,000 |
| STOCKHOLDERS' EQUITY | | |
| Common stock, no par value | | |
| Class A | 47,646,000 | 46,916,000 |
| Class C | 3,580,000 | 3,580,000 |
| Retained earnings | 61,352,000 | 54,760,000 |
| TOTAL STOCKHOLDERS' EQUITY | 112,578,000 | 105,256,000 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | $ 638,561,000 | $ 632,590,000 |

see accompanying notes

**CLEARINGHOUSE COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION COMPANIES**
CONSOLIDATED STATEMENTS OF INCOME
For the years ended December 31, 2022 and 2021

| | 2022 | 2021 |
|---|---|---|
| INTEREST INCOME | | |
| Interest on loans receivable | $ 30,581,000 | $ 33,087,000 |
| Interest-bearing deposits | 119,000 | 92,000 |
| Total interest income | 30,700,000 | 33,179,000 |
| INTEREST EXPENSE | (16,731,000) | (15,472,000) |
| Net interest income | 13,969,000 | 17,707,000 |
| REDUCTION OF LOAN LOSSES | 2,651,000 | 3,153,000 |
| Net interest income after reduction of loan losses | 16,620,000 | 20,860,000 |
| NON INTEREST INCOME | | |
| Grant income | 2,974,000 | 1,674,000 |
| Gain from debt retirement | 2,170,000 | - |
| Loan fees | 1,094,000 | 2,551,000 |
| NMTC management fees | 812,000 | 1,037,000 |
| Other income | 438,000 | 197,000 |
| NMTC sponsor fees | - | 1,009,000 |
| Flow-through income from investment in other companies | 4,000 | 7,000 |
| Net loss from operating investments | (207,000) | (246,000) |
| Total non interest income | 7,285,000 | 6,229,000 |
| NON INTEREST EXPENSES | | |
| Compensation and related benefits | 9,691,000 | 8,614,000 |
| General and administrative | 1,476,000 | 1,231,000 |
| Insurance | 841,000 | 666,000 |
| Professional fees | 567,000 | 744,000 |
| Marketing | 497,000 | 259,000 |
| Impairment of OREO | 279,000 | - |
| Rent | 241,000 | 278,000 |
| Charitable contributions | 182,000 | 225,000 |
| Depreciation | 101,000 | 131,000 |
| Historic tax credit investment amortization | - | 215,000 |
| Total non interest expenses | 13,875,000 | 12,363,000 |
| Income before provision for income taxes | 10,030,000 | 14,726,000 |
| Provision for income taxes | (2,508,000) | (4,025,000) |
| Net income | $ 7,522,000 | $ 10,701,000 |

see accompanying notes

**CLEARINGHOUSE COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION COMPANIES**
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the years ended December 31, 2022 and 2021

| | Common Stock Class A | Common Stock Class C | Retained Earnings | Total Stockholders' Equity |
|---|---|---|---|---|
| BALANCE, JANUARY 1, 2021 | $ 44,312,000 | $ 3,580,000 | $ 44,472,000 | $ 92,364,000 |
| Issuance of Class A common stock | 2,400,000 | - | - | 2,400,000 |
| Net income | - | - | 10,701,000 | 10,701,000 |
| Cash dividend | - | - | (209,000) | (209,000) |
| Stock dividend | 204,000 | - | (204,000) | - |
| BALANCE, DECEMBER 31, 2021 | 46,916,000 | 3,580,000 | 54,760,000 | 105,256,000 |
| Issuance of Class A common stock | 500,000 | - | - | 500,000 |
| Net income | - | - | 7,522,000 | 7,522,000 |
| Cash dividend | - | - | (200,000) | (200,000) |
| Stock dividend | 230,000 | - | (230,000) | - |
| Purchase and constructive retirement of treasury stock | - | - | (500,000) | (500,000) |
| BALANCE, DECEMBER 31, 2022 | $ 47,646,000 | $ 3,580,000 | $ 61,352,000 | $ 112,578,000 |

**CLEARINGHOUSE COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION COMPANIES**
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2022 and 2021

| | 2022 | 2021 |
|---|---|---|
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Net income | $ 7,522,000 | $ 10,701,000 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Reduction of loan losses | (2,651,000) | (3,153,000) |
| Amortization of award funds | (2,974,000) | (1,674,000) |
| Interest expense - debt issuance costs | 281,000 | 218,000 |
| Gain on debt retirement | (2,170,000) | - |
| Flow-through income from investment in other companies | (4,000) | (7,000) |
| Flow-through loss from investment in operating investments | 48,000 | - |
| Impairment of OREO | 279,000 | - |
| Depreciation | 101,000 | 131,000 |
| Depreciation - operating investment | 31,000 | 194,000 |
| Change in: | | |
| Accrued interest receivable | 37,000 | 1,388,000 |
| Other receivables and prepaid expenses | 1,195,000 | (1,948,000) |
| Due from related parties | (522,000) | (92,000) |
| Deferred taxes | 973,000 | 1,437,000 |
| Accounts payable and accrued expenses | (1,464,000) | 2,490,000 |
| Unamortized award funds | 4,777,000 | 3,267,000 |
| Accrued interest payable | 830,000 | 117,000 |
| Due to related parties | 1,000 | (212,000) |
| Net cash provided by operating activities | 6,290,000 | 12,857,000 |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Originations and disbursements of loans receivable | (157,940,000) | (105,254,000) |
| Payoffs and amortization of loans receivable | 80,435,000 | 133,723,000 |
| Originations of PPP loans receivable | - | (15,079,000) |
| Payoffs of PPP loans receivable | 3,661,000 | 17,140,000 |
| Purchases of fixed assets | (149,000) | (39,000) |
| Purchases of investments in other companies, net | (229,000) | (118,000) |
| Purchases and disbursements to operating investments, net | (9,536,000) | (7,716,000) |
| Net cash (used in) provided by investing activities | (83,758,000) | 22,657,000 |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Payments of debt issuance costs | (677,000) | (286,000) |
| Proceeds from lines of credit | 60,000,000 | 15,000,000 |
| Payments of lines of credit | (73,504,000) | (10,000,000) |
| Payments of non-interest-bearing deposits | (1,250,000) | (3,150,000) |
| Proceeds from other notes payable | 56,887,000 | 19,044,000 |
| Payments of other notes payable | (39,322,000) | (7,520,000) |
| Federal Home Loan Bank of San Francisco advances | 32,000,000 | 31,000,000 |
| Federal Home Loan Bank of San Francisco repayments | (37,979,000) | (18,704,000) |
| Bond Guarantee Program advances | 26,000,000 | - |
| Bond Guarantee Program repayments | (23,188,000) | (12,633,000) |
| Issuance of Class A common stock | 500,000 | 2,400,000 |
| Class A cash dividend | (200,000) | (209,000) |
| Purchase and constructive retirement of treasury stock | (500,000) | - |
| Net cash (used in) provided by financing activities | (1,233,000) | 14,942,000 |
| Net change in cash, cash equivalents and restricted cash | (78,701,000) | 50,456,000 |
| Cash, cash equivalents and restricted cash at beginning of year | 138,464,000 | 88,008,000 |
| Cash, cash equivalents and restricted cash at end of year | $ 59,763,000 | $ 138,464,000 |
| Cash and cash equivalents | $ 47,004,000 | $ 72,580,000 |
| Restricted cash | 12,759,000 | 65,884,000 |
| Total cash, cash equivalents and restricted cash | $ 59,763,000 | $ 138,464,000 |

see accompanying notes

**CLEARINGHOUSE COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION COMPANIES**
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2022 and 2021
(continued)

| | 2022 | 2021 |
|---|---|---|
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION | | |
| Cash paid for interest | $ 15,770,000 | $ 15,240,000 |
| Cash paid for income taxes | $ 2,113,000 | $ 3,094,000 |
| | | |
| SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES | | |
| Class A stock dividend | $ 230,000 | $ 204,000 |
| Real estate foreclosed | $ 5,075,000 | $ - |

see accompanying notes

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. In 2022, CDFI expanded its direct lending into Texas and made direct loans in several additional 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.

During 2023, CDFI's bylaws were amended to provide for thirteen directors. The directors are nominated and elected by CDFI's common stock shareholders via pro rata vote of existing shareholders.

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
34 E. Jackson QOF, LLC
34 E. Jackson QOZB, LLC
Mary Hammond Center LLC (formerly known as Celia Saxon, LLC)
Pine and Pacific, LLC

CDFI holds 75% controlling partnership interest in Pacific Ave, LP, which is consolidated in these financial statements.

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, 2022 and 2021, CDFI Service Corporation had an OREO balance of $4,796,000 and $0, respectively. This amount is included in other real estate owned on the consolidated balance sheets. For the years ended December 31, 2022 and 2021, there were impairment losses recognized of $279,000 and $0, respectively.

1. Organization and purpose (continued)

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 $663,000,000 and $19,765,000 of federal and state of Nevada allocations, and deployed $603,000,000 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, 2022 and 2021, the CREC Subs had primarily purchased and invested in multi-family housing and commercial properties, as further discussed in Note 5.

The Company creates and manages entities to make equity investments in properties primarily located in Opportunity Zones, as further discussed in Note 5. The purpose of these entities is to attract tax deferred capital gains and other investor capital into distressed areas.

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, 34 E. Jackson QOF, LLC, 34 E. Jackson QOZB, LLC, Mary Hammond Center LLC, Pine and Pacific, LLC, Pacific Ave, LP, 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 short-term, highly liquid investments that are readily convertible to known amounts of cash and are so near to maturity that they present insignificant risk of changes in value because of changes in interest rates. The majority of cash is deposited with CDFI shareholder banks.

Restricted cash is not considered cash and cash equivalents, and includes cash pledged to BGP, as defined in Note 10C, 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.

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

Concentrations of risk, including economic, geographic and credit risk (continued)
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.

The Company's concentration in its largest borrowers has increased as a result of a greater average loan size. As of December 31, 2022 and 2021, the largest ten borrowers, on average, have outstanding balances of $19,601,000 and $14,517,000, respectively. In total, these comprise 35.3% and 30.0%, respectively, of the Company's loan portfolio. Please refer to further discussion of loans receivable at Note 3.

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, 2022 and 2021 was $101,000 and $131,000, 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.

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

Income taxes (continued)
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, 2022 and 2021, there was no valuation allowance.

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

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, 2022 and 2021, no interest or penalties from federal or state tax authorities are reflected in the accompanying consolidated financial statements.

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

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

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

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

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

Revenue recognition (continued)
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.

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, 2022 and 2021, unrecognized revenue from these sources totaled $8,130,000 and $6,327,000, respectively. For the years ended December 31, 2022 and 2021, the Company recognized $2,974,000 and $1,674,000, 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 investments in Federal Home Loan Bank of San Francisco and in FVLCRUM are recorded at cost pursuant to the measurement alternative provided by FASB ASC 321. The fair value of the investments are 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 periodically 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.

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, 2022 and 2021, there were no impairment losses.

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 adjusted by a provision for loan losses, which is charged to expense. Charge-offs, net of recoveries, reduce the provision for loan losses when recognized. 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, 2022 and 2021, the allowance for specifically impaired loans was $2,213,000 and $2,246,000, respectively.

For the years ended December 31, 2022 and 2021, the amounts determined to be uncollectible and written off were $1,635,000 and $1,270,000, respectively.

In response to the COVID-19 pandemic in 2020, the Company granted various loan modifications, to help relieve borrowers from the economic impacts of the COVID-19 pandemic. These modifications generally deferred 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 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 accrued interest for these affected loans throughout the deferral period. As of December 31, 2022 and 2021, loans so modified carried deferred interest balances of $1,652,000 and $2,156,000.

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, 2022 and 2021, 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, 2022 and 2021, the carrying value of specifically impaired loans, net of impairment, were $1,111,000 and $5,869,000, respectively. As of December 31, 2022 and 2021, the carrying value of OREO assets, net of impairment, were $4,796,000 and $0, 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.

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

Change in accounting principle
In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification ("ASC") 842, Leases ("FASB ASC 842") to increase transparency and comparability among organizations by requiring the recognition of lease assets and lease liabilities on the balance sheet by lessees and the disclosure of key information about leasing arrangements.

FASB ASC 842 was adopted January 1, 2022, and any adjustment necessary, if any, was recognized through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended December 31, 2021 are made under prior lease guidance in FASB ASC 840.

The Company elected the available practical expedients to account for its existing office lease as an operating lease under the new guidance, without reassessing (a) whether the contract contains a lease under the new standard, (b) whether classification of a lease would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of FASB ASC 842, on January 1, 2022 a lease payable of $584,000 was recognized, which represents the present value of the remaining lease payments of $648,000, discounted using the incremental borrowing rate of 7.75%, and a right-of-use asset of $584,000. The difference (if any) between the additional lease asset and lease payable was recorded as an adjustment to retained earnings.

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, 2022 and 2021, 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.

The Company's loan portfolio consisted of the following at December 31, 2022 and 2021:

| | 2022 | 2021 |
|---|---|---|
| Loan receivable | $ 586,230,000 | $ 497,488,000 |
| Paycheck Protection Program loans | 570,000 | 4,232,000 |
| Total loans receivable | 586,800,000 | 501,720,000 |
| Construction holdbacks | (27,846,000) | (11,065,000) |
| Interest holdbacks | (2,530,000) | (1,724,000) |
| Gross loans receivable, net of unfunded holdbacks | 556,424,000 | 488,931,000 |
| Funded holdbacks | (3,522,000) | (3,734,000) |
| Gross loans receivable, net of funded holdbacks | 552,902,000 | 485,197,000 |
| Unearned net loan fees | (4,214,000) | (3,643,000) |
| Total loans receivable, net, before allowance for loan losses | 548,688,000 | 481,554,000 |
| Allowance for loan losses | (17,280,000) | (21,566,000) |
| Total loans receivable, net | $ 531,408,000 | $ 459,988,000 |

3. Loans receivable (continued)

Unearned net loan fees include fees that were charged to borrowers at origination, which the Company amortizes over the life of the respective loans. Discounts and premiums on any purchased loans are included as 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.

For the years ended December 31, 2022 and 2021, the Company’s loan portfolio had a weighted-average coupon of 5.75% and 6.21%, respectively.

4. Allowance for loan losses

The Company’s allowance for loan losses (“ALL”) was as follows for the years ended December 31:

| | 2022 | 2021 |
|---|---|---|
| Balance, beginning | $ 21,566,000 | $ 26,196,000 |
| Recovery of loan losses | (2,651,000) | (3,153,000) |
| Realized foreclosure impairment | - | (207,000) |
| Loans charged off | (1,635,000) | (1,270,000) |
| Balance, ending | $ 17,280,000 | $ 21,566,000 |

During 2022 and 2021, the Company had average outstanding balances of loans past due over 90 days of approximately $5,268,000 and $7,584,000, respectively. For the years ended December 31, 2022 and 2021, the Company recognized interest income from these loans of approximately $1,000 and $0, respectively.

Throughout 2022 and 2021, 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, and subsequently decreased the allowance for loan losses for the year ended December 31, 2021 and 2022, based on the policy described in Note 2, and including both estimates of general economic conditions and actual loan portfolio performance.

5. Operating investments

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.

The Company primarily 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 2022 and 2021, the Company made additional Opportunity Zone investments in the amount of $7,401,000 and $7,479,000, respectively.

A combined summary of the financial position of the operating investments and the results of their operations as of and for the years ended December 31, 2022 and 2021 included in these consolidated financial statements was as follows:

| | 2022 | 2021 |
|---|---|---|
| Fixed assets, net | $ 18,441,000 | $ 11,841,000 |
| Other assets | 4,212,000 | 1,355,000 |
| Operating investments | 22,653,000 | 13,196,000 |
| Cash, restricted cash, and other assets | 1,752,000 | 1,742,000 |
| Other assets | 409,000 | - |
| Total assets | $ 24,814,000 | $ 14,938,000 |
| Other liabilities | $ 12,440,000 | $ 9,393,000 |
| Members' capital | 12,374,000 | 5,545,000 |
| Total liabilities and members' capital | $ 24,814,000 | $ 14,938,000 |
| Revenue | $ 303,000 | $ 140,000 |
| Expenses | (510,000) | (386,000) |
| Net loss from operating investments | $ (207,000) | $ (246,000) |

6. Fixed assets

Fixed assets, net, generally comprises land, buildings, and equipment used the normal course of business. This includes office property occupied by the Company, other leasehold improvements, and equipment used for the production of income. As of December 31, 2022 and 2021, fixed assets consisted of the following:

| | 2022 | 2021 |
|---|---|---|
| Land | $ 950,000 | $ 950,000 |
| Buildings | 461,000 | 461,000 |
| ASC 842 leased assets – operating lease | 403,000 | - |
| Leasehold improvements | 708,000 | 708,000 |
| Property and equipment | 1,080,000 | 933,000 |
| Total fixed assets | 3,602,000 | 3,052,000 |
| Less: accumulated depreciation | (1,695,000) | (1,594,000) |
| Total fixed assets, net | $ 1,907,000 | $ 1,458,000 |

For the years ended December 31, December 31, 2022 and 2021, depreciation expense for fixed assets, net was $101,000 and $131,000, respectively.

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, 2022 and 2021, the Company had stock investments of $2,332,000 for both years. For the years ended December 31, 2022 and 2021, the Company earned dividends of $146,000 and $126,000, 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, 2022 and 2021, CDFI's aggregate investment balance, net of distributions, was $(18,000) and $(16,000), respectively. This amount is included in investment in other companies on the consolidated balance sheets.

7. Investment in other companies (continued)

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, 2022 and 2021 is as follows:

| | 2022 | 2021 |
|---|---|---|
| Total assets | $ 140,525,000 | $ 138,632,000 |
| Liabilities | $ 99,000 | $ 83,000 |
| Members' equity | 140,426,000 | 138,549,000 |
| Total liabilities and members' equity | $ 140,525,000 | $ 138,632,000 |
| Revenues | $ 2,835,000 | $ 2,741,000 |
| Expenses | (1,094,000) | (959,000) |
| Net income | $ 1,741,000 | $ 1,782,000 |
| Company's share of income, included in flow through income from investment in other companies | $ - | $ - |

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, 2022 and 2021, the total investment balance was $348,000 and $352,000, respectively. For the years ended December 31, 2022 and 2021, income from investments in HTC and other companies was $4,000 and $7,000, respectively.

FVLCRUM
On December 10, 2021, the Company entered into a subscription agreement with FVLCRUM Fund, LP ("FVLCRUM") for a commitment up to $3,000,000. FVLCRUM makes equity investments in minority owned business principally involved in government contracting, healthcare and franchising sectors to generate positive community development impacts benefitting low-income persons and communities. The Company makes contributions as FVLCRUM closes new investments or accrues partnership expenses. As of December 31, 2022, the Company contributed $239,000 to its investment in FVLCRUM. For the year ended December 31, 2022, the Company earned management fee income of $200,000.

A summary of the Company's investment in other companies for the years ended December 31, 2022 and 2021 was as follows:

| | 2022 | 2021 |
|---|---|---|
| FHLB-SF | $ 2,332,000 | $ 2,332,000 |
| NMTC CDEs | (18,000) | (16,000) |
| HTC Companies and Other Companies | 348,000 | 352,000 |
| FVLCRUM | 239,000 | - |
| Total Investments in Other Companies | $ 2,901,000 | $ 2,668,000 |

8. 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 July 28, 2022, the revolving line of credit was renewed to a maximum amount of $12,000,000 with an extended maturity date of August 1, 2023. Interest accrued at the greater of the WSJ Prime Rate plus 0.50%, or a floor rate of 4.25%. As of December 31, 2022 and 2021, the interest rate was 8% and 4.25%, respectively. The line of credit matures on August 1, 2023. As of December 31, 2022 and 2021, the outstanding balance on the line of credit was $0.

State Bank of India (California)
On January 5, 2018, the Company entered into a loan and security agreement with State Bank of India (California) ("SBOI") for a line of credit. On September 26, 2022, the line of credit was renewed to a maximum amount of $7,500,000 and an extended maturity date of March 5, 2023. On July 28, 2021, the Company entered into a second business loan agreement with SBOI for a line of credit. On September 26, 2022, the line of credit was renewed to a maximum amount of $2,500,000 with an extended maturity date of July 28, 2023. Interest for both lines of credit accrues at the WSJ Prime Rate plus 0.50%. As of December 31, 2022 and 2021, the interest rate was 7.5% and 3.25%, respectively. As of December 31, 2022 and 2021, the outstanding balance on the lines of credit was $0 and $10,000,000, respectively.

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 21, 2022, the revolving credit facility was renewed to a maximum amount of $35,000,000 and an extended maturity date of December 21, 2027. 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, 2022 and 2021, the interest rate was 5.75% and 3.00%, respectively. The revolving credit facility potentially amortizes through December 31, 2027 subject to the Company's election and the satisfaction of certain conditions. As of December 31, 2022 and 2021, the outstanding balance on the line of credit was $13,829,000 and $27,333,000, respectively.

Wells Fargo Bank, N.A.
On October 29, 2021, the Company entered into a loan and security agreement with Wells Fargo Bank, N.A. for a line of credit. The line of credit has a maximum amount of $25,000,000 and matures on October 29, 2024. Interest shall accrue at the rate equal to the Benchmark (initially the Secured Overnight Financing Rate (SOFR)) plus 2.0%; however, if Wells Fargo Bank, N.A. makes a Benchmark Unavailable Determination, as defined in the loan agreement, the interest rate shall equal to the Federal Funds Rate plus 2.0%. As of December 31, 2022 and 2021, the interest rate was 5.70%. As of December 31, 2022 and 2021, the outstanding balance on the line of credit was $0.

Zions Bancorporation, NA., dba California Bank and Trust
On June 9, 2021, the Company entered into a loan agreement with Zions Bancorporation, N.A. dba California Bank and Trust for a line of credit. The line of credit has a maximum amount of $25,000,000, is secured by eligible construction loans and matures on June 9, 2024. Interest shall accrue at a floating rate equal to the One-Month Treasury Index plus 2.9%; with a floor rate of 3.90%. As of December 31, 2022 and 2021, no balance on the line of credit was drawn.

8. Lines of credit (continued)

Small Business Investment Corporation, dba New Mexico Small Business Investment Corporation
On April 1, 2022, the Company entered into a loan agreement with Small Business Investment Corporation, dba New Mexico Small Business Investment Corporation ("NMSBIC") for a line of credit. NMSBIC shall make advances of funds up to a maximum principal amount outstanding at any one time of $10,000,000 in accordance to the terms and conditions of the loan agreement. Interest shall accrue at a fixed rate of 2.00% per annum. All unpaid principal and interest shall be due and payable on April 1, 2032. As of December 31, 2022 and 2021, the outstanding balance on the line of credit was $10,000,000 and $0, respectively.

For all lines of credit in total, minimum future principal payments are as follows:

| | |
|---|---|
| Years ending December 31, | |
| 2023 | $ - |
| 2024 | 3,458,000 |
| 2025 | 3,457,000 |
| 2026 | 3,457,000 |
| 2027 | 3,457,000 |
| Thereafter | 10,000,000 |
| Total | $ 23,829,000 |

9. 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 through COIN (California Organized Investment Network), an initiative of the California Department of Insurance. These deposits mature in three to five years from the date of the deposit. The entire balance of $1,250,000 matured during 2022. As of December 31, 2022 and 2021, non interest-bearing deposits totaled $0 and $1,250,000, respectively.

10. Notes payable

A. Notes payable, Class A stockholders
Notes payable, Class A stockholders reflect payable commitments resulting from the remaining balance of a private placement memorandum, ("Third PPM"), and from its respective Credit Agreement, the terms of which are described below.

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 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, 2022 and 2021, the Third Credit Agreement had a weighted average interest rate of 2.59% and 1.59%, respectively.

As of December 31, 2022 and 2021, balances outstanding under these notes payable totaled $18,000,000.

10. Notes payable (continued)

A. Notes payable, Class A stockholders (continued)

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.

B. Other notes payable

| Loan | Year-end interest rate | Payment terms | 2022 | 2021 |
|---|---|---|---|---|
| Opportunity Finance Network<br>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. On June 30, 2022, this agreement was amended to lower the rate to 3.00% and extend the maturity. The principal is due and payable on June 30, 2025. | 3.00% | 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 | $ 455,000 | $ 909,000 |
| On May 14, 2021, the CDFI entered into an unsecured loan agreement with OFN. The principal is due and payable in three equal annual installments beginning May 14, 2029 through May 14, 2031. | 3.00% | Interest only, quarterly in arrears | $ 5,000,000 | $ 5,000,000 |
| Opportunity Finance Network subtotal | | | $ 11,955,000 | $ 12,409,000 |

10. Notes payable (continued)

B. Other notes payable (continued)

| Loan | Year-end interest rate | Payment terms | 2022 | 2021 |
|---|---|---|---|---|
| Bank of America, N.A.<br>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.<br><br>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. | 2.85% | Interest, monthly in arrears<br>Principal, quarterly per amortization schedule | $ 37,241,000 | $ 48,687,000 |

10. Notes payable (continued)

B. Other notes payable (continued)

| Loan | Year-end interest rate | Payment terms | 2022 | 2021 |
|---|---|---|---|---|
| Community Development Financial Institution Fund<br>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. | 2.05% | Interest only, quarterly | $ 800,000 | $ 800,000 |
| Partners Bank of California<br>On November 26, 2018, the Company entered into a loan agreement with Partners Bank of California. On June 6, 2022, this note was amended to extend maturity date to May 1, 2024. 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)<br>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 principal and interest outstanding was paid in full on September 27, 2022 | 7.00% | Interest, monthly Principal, $60,000 quarterly | $ - | $ 5,020,000 |
| On July 28, 2021, CDFI entered into a business loan agreement with SB India. The proceeds are to be used to help fund CRA eligible loans. The loan bears interest at WSJ Prime plus 0.75%. The note matures on July 28, 2026. All principal and interest outstanding was paid in full on September 27, 2022. | 7.00% | Interest, monthly Principal, $50,000 quarterly | $ - | $ 4,950,000 |

10. Notes payable (continued)

B. Other notes payable (continued)

| Loan | Year-end interest rate | Payment terms | | 2022 | | 2021 |
|---|---|---|---|---|---|---|
| State Bank of Arizona, now Foothills Bank<br>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 |
| Calvert Impact Capital, Inc.<br>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<br>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. | 7.25% | Interest only, quarterly | $ | 4,500,000 | $ | 4,500,000 |
| Pacific Western Bank<br>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 |

10. Notes payable (continued)

B. Other notes payable (continued)

| Loan | Year-end interest rate | Payment terms | 2022 | 2021 |
|---|---|---|---|---|
| Paycheck Protection Program Liquidity Facility<br>In 2020, CCDFI was approved as a lender under the Paycheck Protection Program and approved to borrow under the Federal Reserve Bank's 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 in August 2025. All principal and interest outstanding was paid in full by June 2022. | 0.35% | Interest only, monthly | $ - | $ 5,182,000 |
| Impact Community Capital, LLC<br>On January 5, 2017, CDFI entered into an unsecured loan agreement with Impact Community Capital, LLC. The note matured on January 5, 2022. All unpaid principal and interest were due when the loan matured. As of December 31, 2022, the outstanding balance was paid in full. | 0.875% | Interest only, quarterly in arrears | $ - | $ 10,000,000 |
| Citizens Business Bank<br>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 | $ 3,500,000 | $ 4,000,000 |
| CalPrivate Bank<br>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 | $ 2,237,000 | $ 3,232,000 |

10. Notes payable (continued)

B. Other notes payable (continued)

| Loan | Year-end interest rate | Payment terms | 2022 | 2021 |
|---|---|---|---|---|
| Toyota Financial Savings Bank<br>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 | $ 4,000,000 |
| Manufacturers Bank<br>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. On August 31, 2022, the agreement was amended to increase the loan to $10,000,000 and the interest rate to 5.46% and extend the maturity date to September 1, 2025. | 5.46% | Interest only, quarterly in arrears | $ 10,000,000 | $ 5,000,000 |
| HSBC Bank<br>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. On March 1, 2022, the agreement was amended to extend the revolving line of credit period to March 31, 2024 and extend the maturity date to March 31, 2027. The loan may be extended to March 31, 2032, subject to the satisfaction of certain conditions. | 3.50% | Interest only, quarterly | $ 20,000,000 | $ 20,000,000 |
| Eric and Hannah Sachs Foundation<br>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 | $ 750,000 |

10. Notes payable (continued)

B. Other notes payable (continued)

| Loan | Year-end interest rate | Payment terms | 2022 | 2021 |
|---|---|---|---|---|
| Phoenix Merchandise Mart 1946, LLC<br>On April 30, 2021, 34 E Jackson QOZB LLC entered into a loan agreement with Phoenix Merchandise Mart 1946, LLC. The note is secured by the deed of trust on the property. The note matures on April 30, 2024. All unpaid principal and interest are due when the loan matures. | 3.00% | Interest only, monthly in arrears | $ 5,000,000 | $ 5,000,000 |
| Paycheck Protection Program<br>During 2020, the Company received a loan from the Paycheck Protection Program in the amount of $775,000. The note matured on April 30, 2022. All unpaid principal and interest were due when the loan matured. As of December 31, 2022, the outstanding balance was forgiven. | 1.00% | Interest only, monthly in arrears | $ - | $ 775,000 |
| Barings LLC<br>On May 25, 2022, the Company entered into a loan agreement with Barings LLC and the institutions listed in the agreement as initial lenders. Subject to the terms and conditions of the loan agreement, the initial lenders made available a term loan in an aggregate principal amount of $50,000,000. The note matures on July 1, 2032. All unpaid principal and interest are due when the loan matures. | 3.90% | Interest only, semiannually | $ 50,000,000 | $ - |

10. Notes payable (continued)

B. Other notes payable (continued)

| Loan | Year-end interest rate | Payment terms | 2022 | 2021 |
|---|---|---|---|---|
| Texas Mezzanine Fund, Inc.<br>On September 26, 2022, Alamo QOZB, LLC entered into a loan agreement with Texas Mezzanine Fund, Inc. The note is secured by the deed of trust on the property. The note matures on October 1, 2027. All unpaid principal and interest are due when the loan matures. | 4.68% | Interest only, monthly in arrears | $ 1,887,000 | $ - |

| | 2022 | 2021 |
|---|---|---|
| Other notes payable total | $ 172,970,000 | $ 155,405,000 |
| Less: unamortized debt issuance costs, net | (856,000) | (412,000) |
| Other notes payable, net of unamortized debt issuance costs | $ 172,114,000 | $ 154,993,000 |

Debt issuance costs are being amortized to interest expense over the terms of the loans. During 2022 and 2021, amortization expense for debt issuance costs was $232,000 and $169,000, respectively.

10. 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, 2022 and 2021, the Company had total undrawn BGP Facilities of $137,000,000 and $163,000,000, 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, 2022, Advances under the BGP Facilities totaled $250,223,000. These Advances had a weighted average yield of 3.31%, and a weighted average maturity date of July 2040. For the year ended December 31, 2021, Advances under the BGP Facilities totaled $249,559,000. These Advances had a weighted average yield of 3.14%, and a weighted average maturity date of January 2041.

Advances consist of the following as of December 31,

| | 2022 | 2021 |
|---|---|---|
| Principal balance | $ 250,223,000 | $ 249,559,000 |
| Less: unamortized debt issuance costs | (1,255,000) | (1,302,000) |
| Note payable, net of unamortized debt issuance costs | $ 248,968,000 | $ 248,257,000 |

Debt issuance costs are being amortized to interest expense over the terms of the Advances. During 2022 and 2021, amortization expense for debt issuance costs was $49,000 for both years.

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, 2022 and 2021 of $81,000,000. 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, 2022 and 2021, the Company had made stock investments in FHLB-SF as described in Note 7.

10. Notes payable (continued)

D. Federal Home Loan Bank of San Francisco (continued)
The Company entered into various fixed rate advances with FHLB-SF. The advances may carry a variety of interest rates and maturities. As of December 31, 2022, the weighted average maturity was October 2028, and the weighted average interest rate is 3.46%. As of December 31, 2021, the weighted average maturity was May 2026, and the weighted average interest rate is 2.51%. As of December 31, 2022 and 2021, the Company has outstanding fixed rate advances of $9,096,000 and $15,096,000, respectively.

As of December 31, 2022 and 2021, the Company had entered into overnight advances from the FHLB-SF, with interest rates of 4.65 % and 0.18%, respectively. The rate is reset daily based on market interest rates 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, 2022 and 2021, the Company has outstanding overnight advances of $38,000,000.

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 10A Notes payable, stockholders | Note 10B Other notes payable | Note 10C BGP | Note 10D FHLB-SF* | Total |
|---|---|---|---|---|---|
| 2023 | $ - | $ 32,209,000 | $ 14,125,000 | $ 38,000,000 | $ 84,334,000 |
| 2024 | 18,000,000 | 36,976,000 | 14,465,000 | - | 69,441,000 |
| 2025 | - | 20,187,000 | 14,891,000 | - | 35,078,000 |
| 2026 | - | 7,055,000 | 15,275,000 | - | 22,330,000 |
| 2027 | - | 5,493,000 | 15,412,000 | - | 20,905,000 |
| Thereafter | - | 71,050,000 | 176,054,000 | 9,096,000 | 256,200,000 |
| Total | $ 18,000,000 | $ 172,970,000 | $ 250,222,000 | $ 47,096,000 | $ 488,288,000 |

*$38,000,000 of the FHLB-SF advances are overnight deposits which renew automatically each day, as further discussed above in Note 10D.

11. 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, 2022 and 2021 | 10,000,000 | 1,000,000 | 1,000,000 |
| Issued and outstanding, 2022 | 432,721 | - | 35,800 |
| Issued and outstanding, 2021 | 425,425 | 1,000 | 35,800 |

11. Common stock (continued)

During 2022, CDFI repurchased for constructive retirement all 1,000 outstanding shares of Class B stock from Affordable Housing Clearinghouse for $500,000. The shares carried no book value and the amounts represents a deduction from retained earnings. No shares from other classes of stock were repurchased.

During 2023, CDFI's amended its bylaws to provide its Class A and Class B Common Stockholders with equal rights, including the equal right to vote on each of CDFI's thirteen directors. Class C Common Stockholders have rights equal to Class A and Class B Common Stockholders except for the right to vote for directors or upon any other matters.

For the years ended December 31, 2022 and 2021, CDFI issued 5,000 and 24,000 Class A shares at $100 per share for proceeds of $500,000 and $2,400,000, respectively.

For the years ended December 31, 2022 and 2021, CDFI declared dividends of $1 per share on 430,425 and 413,389 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, 2022 and 2021, stock and cash dividends were made as follows:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Shares | Amount | Shares | Amount |
| Stock dividends (conversion of paid dividends at $1 per share into stock issued at $100 per share) | 2,296 | $ 230,000 | 2,036 | $ 204,000 |
| Cash dividends ($1 per share) | | 200,000 | | 209,000 |
| Total | | $ 430,000 | | $ 413,000 |

12. Income taxes

The provision for income taxes for the years ended December 31, 2022 and 2021 was as follows:

| | 2022 | 2021 |
|---|---|---|
| Current income tax expense | $ (1,536,000) | $ (2,588,000) |
| Deferred income tax expense | (972,000) | (1,437,000) |
| Total provision for income taxes | $ (2,508,000) | $ (4,025,000) |

12. Income taxes (continued)

The tax effects of temporary differences that give rise to significant portions of deferred taxes at December 31, 2022 and 2021, are as follows:

| Deferred tax assets (liabilities) | 2022 | 2021 |
|---|---|---|
| Accrued interest receivable | $ 130,000 | $ 250,000 |
| Allowance for loan losses | 4,493,000 | 5,670,000 |
| Investment in other companies | 226,000 | 123,000 |
| Accumulated depreciation | 16,000 | 5,000 |
| Accrued bonuses and payroll | 961,000 | 1,033,000 |
| Unamortized grant income | 2,109,000 | 1,643,000 |
| Deferred gain from Opportunity Zones | (291,000) | (411,000) |
| Deferred state taxes | 246,000 | 497,000 |
| Other deferred tax assets | 71,000 | 124,000 |
| Net deferred tax asset | $ 7,961,000 | $ 8,934,000 |

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, 2022 and 2021, as follows:

| | 2022 | 2021 |
|---|---|---|
| Provision for federal income taxes | $ (2,157,000) | $ (3,163,000) |
| Permanent differences | 248,000 | 107,000 |
| Estimated state taxes, net of federal benefit | (599,000) | (969,000) |
| Total provision for income taxes | $ (2,508,000) | $ (4,025,000) |

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

13. 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:

| | 2022 | 2021 |
|---|---|---|
| Balance at December 31 | | |
| Cash and cash equivalents on deposit | $ 35,827,000 | $ 62,052,000 |
| Lines of credit | 23,829,000 | 37,333,000 |
| Notes payable | 43,337,000 | 49,802,000 |
| Non interest-bearing deposits | - | 1,250,000 |
| Restricted cash on deposit | 1,711,000 | 55,526,000 |
| Due to/from NMTC CDEs | 221,000 | 205,000 |

13. Related-party transactions (continued)

| | 2022 | 2021 |
|---|---|---|
| Transactions for the years ended December 31 | | |
| Interest earned on cash balances and certificates of deposit | $ 38,000 | $ 71,000 |
| Interest paid on notes payable | 3,216,000 | 2,928,000 |
| Rent paid | 224,000 | 238,000 |
| Reimbursed expenses from related parties | 20,000 | 26,000 |

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, 2022 and 2021, the NMTC CDEs were owed $1,000 and $0, 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, 2022 and 2021, the outstanding balance of such advances was $0. For the years ended December 31, 2022 and 2021, the management fees earned were $812,000 and $1,037,000, respectively.

14. 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, | |
| 2023 | $ 212,000 |
| 2024 | 212,000 |
| Total | $ 424,000 |

The Company accounts for the facilities leases as operating leases. As of December 31, 2022, the balance of the right of use asset and lease liability was $403,000 and $389,000, respectively. The right of use asset and lease liability are included in the fixed assets and accounts payable and accrued expenses on the accompanying consolidated balance sheets, respectively.

For the years ended December 31, 2022 and 2021, lease costs relating to these leases were $241,000 and $278,000, respectively, which are included in rent expense in the accompanying consolidated statements of income.

15. 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, 2022 and 2021, the Company recognized grant income of $288,000 and $959,000, respectively. As of December 31, 2022 and 2021, unrecognized grant revenue was $166,000 and $454,000, respectively.

CDFI Capital Magnet Fund award
The Company periodically receives Capital Magnets Fund ("CMF") awards to assist the Company in providing capital to fund low-income housing construction. During 2022 and 2021, the Company received a CMF award of $4,000,000 and $2,000,000, respectively. Grant income from the CMF award is recognized as performance obligations are satisfied. For the years ended December 31, 2022 and 2021, the Company recognized CMF grant income of $756,000 and $801,000, respectively. As of December 31, 2022 and 2021, unrecognized CMF award revenue was $7,764,000 and $4,520,000, respectively.

Rapid Response Program
During 2021, the Company received a grant from the CDFI Rapid Response program of $1,826,000 to assist the Company in providing resources necessary to respond to the economic impacts of the COVID-19 pandemic in distressed and undeserved communities and people. For the years ended December 31, 2022 and 2021, the Company recognized grant income of $1,153,000 and $673,000, respectively. As of December 31, 2022 and 2021, unrecognized grant revenue was $0 and $1,153,000, respectively.

Finance Justice Fund Program
During 2021, the Company received a grant from Opportunity Finance Network in implementation of the Finance Justice Fund program of $200,000 to assist the Company in working to support access to capital for communities experiencing disproportionately high rates of poverty and disinvestment through the United States. For the year ended December 31, 2022 and 2021, the Company did not recognize any grant income. As of December 31, 2022 and 2021, unrecognized grant revenue was $200,000.

Other grants
During 2022 and 2021, the Company received grants from its investors to help offset expenses related to CRA activities in the amount of $2,000 and $0, respectively.

16. Subsequent events

Subsequent events have been evaluated through March 30, 2023, which is the date the financial statements were available to be issued. The following is a summary of significant transactions through March 30, 2023.

On March 30, 2023, as explained in Note 1, CDFI's bylaws were amended to provide for thirteen directors.

On March 30, 2023, as explained in Note 11, CDFI's amended its bylaws to provide its Class A and Class B Common Stockholders with equal rights, including the equal right to vote on each of CDFI's thirteen directors.

16. Subsequent events (continued)

Subsequent to year end, the Company adopted, effective January 1, 2023 and as required on that date, ASU 2016-13 Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, as amended, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The measurement of expected credit losses under CECL is applicable to financial assets measured at amortized cost, including loans receivable and held-to-maturity debt securities, as well as accounts receivable and net investments in leases recognized by lessors under ASC 842 Leases.

The Company has adopted ASC 326 using the modified retrospective method for all financial assets. Results for reporting periods beginning on January 1, 2023 will be presented under ASC 326, while prior amounts continue to be reported in accordance with previously applicable GAAP.

Although management believes the effect of adopting CECL is not expected to have a material impact on the financial statements of the Company, the effects on the future financial results are unknown.

# SUPPLEMENTARY INFORMATION

**CLEARINGHOUSE COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION COMPANIES**
SUPPLEMENTARY INFORMATION
Consolidating Balance Sheets
December 31, 2022

| | Clearinghouse CDFI | CDFI Service Corporation | Clearinghouse NMTC, LLC | CREC LLCs | Alamo QOF, LLC | Alamo QOZB, LLC | 34 E. Jackson QOF, LLC | 34 E. Jackson QOZB, LLC | Mary Hammond Center LLC | Pine and Pacific, LLC | Pacific Ave, LP | Intercompany Elimination | Consolidated Before CREC and OZ Reclassification | CREC Reclassification | OZ Reclassification | Consolidated |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ASSETS | | | | | | | | | | | | | | | | |
| Cash and cash equivalents | $ 45,214,000 | $ 38,000 | $ 1,000 | $ 286,000 | $ - | $ 1,363,000 | $ - | $ - | $ 95,000 | $ 7,000 | $ - | $ - | $ 47,004,000 | $ - | $ - | $ 47,004,000 |
| Restricted cash | 12,759,000 | - | - | - | - | - | - | - | - | - | - | - | 12,759,000 | - | - | 12,759,000 |
| Loans receivable, net | 531,408,000 | - | - | 50,000 | - | - | - | - | - | - | - | - | 531,458,000 | (50,000) | - | 531,408,000 |
| Accrued interest receivable | 4,091,000 | - | - | - | - | - | - | - | - | - | - | - | 4,091,000 | - | - | 4,091,000 |
| Other receivables and prepaid expenses | 2,045,000 | - | - | - | - | - | - | 12,000 | 7,000 | 15,000 | 357,000 | - | 2,436,000 | - | - | 2,436,000 |
| Due from related parties | 13,930,000 | 2,000 | 79,000 | - | - | - | - | - | - | - | - | (13,366,000) | 645,000 | - | - | 645,000 |
| Fixed assets, net | 1,907,000 | - | - | 704,000 | - | 4,509,000 | - | 6,869,000 | 2,520,000 | 50,000 | 7,093,000 | - | 23,652,000 | (704,000) | (21,041,000) | 1,907,000 |
| Operating investments | 12,982,000 | - | - | - | - | - | - | - | - | - | - | - | 12,982,000 | 772,000 | 8,899,000 | 22,653,000 |
| Investment in other companies | 2,813,000 | - | 165,000 | 18,000 | 1,700,000 | - | 2,000,000 | - | - | 7,401,000 | - | (23,320,000) | (9,223,000) | (18,000) | 12,142,000 | 2,901,000 |
| Other real estate owned | - | 4,796,000 | - | - | - | - | - | - | - | - | - | - | 4,796,000 | - | - | 4,796,000 |
| Deferred taxes | 7,961,000 | - | - | - | - | - | - | - | - | - | - | - | 7,961,000 | - | - | 7,961,000 |
| TOTAL ASSETS | $ 635,110,000 | $ 4,836,000 | $ 245,000 | $ 1,058,000 | $ 1,700,000 | $ 5,872,000 | $ 2,000,000 | $ 6,881,000 | $ 2,622,000 | $ 7,473,000 | $ 7,450,000 | $ (36,686,000) | $ 638,561,000 | $ - | $ - | $ 638,561,000 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | | | | | | | | | | | | | | |
| LIABILITIES | | | | | | | | | | | | | | | | |
| Accounts payable and accrued expenses | $ 5,315,000 | $ 187,000 | $ - | $ - | $ - | $ 5,000 | $ - | $ 19,000 | $ 15,000 | $ - | $ - | $ (6,000) | $ 5,535,000 | $ - | $ - | $ 5,535,000 |
| Unamortized award funds | 8,130,000 | - | - | - | - | - | - | - | - | - | - | - | 8,130,000 | - | - | 8,130,000 |
| Accrued interest payable | 2,289,000 | - | - | - | - | 8,000 | - | 13,000 | - | - | - | - | 2,310,000 | - | - | 2,310,000 |
| Due to related parties | 97,000 | 7,443,000 | 511,000 | 75,000 | 10,000 | 2,377,000 | 11,000 | 329,000 | 2,616,000 | 76,000 | 49,000 | (13,593,000) | 1,000 | - | - | 1,000 |
| Lines of credit | 23,829,000 | - | - | - | - | - | - | - | - | - | - | - | 23,829,000 | - | - | 23,829,000 |
| Non interest-bearing deposits | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Notes payable, Class A stockholders | 18,000,000 | - | - | - | - | - | - | - | - | - | - | - | 18,000,000 | - | - | 18,000,000 |
| Notes payable, Federal Home Loan Bank of San Francisco | 47,096,000 | - | - | - | - | - | - | - | - | - | - | - | 47,096,000 | - | - | 47,096,000 |
| Notes payable, Bond Guarantee Program - net of unamortized debt issuance costs | 248,968,000 | - | - | - | - | - | - | - | - | - | - | - | 248,968,000 | - | - | 248,968,000 |
| Other notes payable - net of unamortized debt issuance costs | 165,256,000 | - | - | - | - | 1,858,000 | - | 5,000,000 | - | - | - | - | 172,114,000 | - | - | 172,114,000 |
| TOTAL LIABILITIES | 518,980,000 | 7,630,000 | 511,000 | 75,000 | 10,000 | 4,248,000 | 11,000 | 5,361,000 | 2,631,000 | 76,000 | 49,000 | (13,599,000) | 525,983,000 | - | - | 525,983,000 |
| STOCKHOLDERS' EQUITY | | | | | | | | | | | | | | | | |
| Common stock, no par value | | | | | | | | | | | | | | | | |
| Class A | 47,646,000 | - | - | - | - | - | - | - | - | - | - | - | 47,646,000 | - | - | 47,646,000 |
| Class C | 3,580,000 | - | - | - | - | - | - | - | - | - | - | - | 3,580,000 | - | - | 3,580,000 |
| Capital within consolidated group | - | 20,000 | 2,000 | (1,743,000) | 1,700,000 | 1,700,000 | 2,000,000 | 2,000,000 | - | 7,401,000 | 7,401,000 | (20,481,000) | - | - | - | - |
| Retained earnings | 64,904,000 | (2,814,000) | (268,000) | 2,726,000 | (10,000) | (76,000) | (11,000) | (480,000) | (9,000) | (4,000) | - | (2,606,000) | 61,352,000 | - | - | 61,352,000 |
| TOTAL STOCKHOLDERS' EQUITY | 116,130,000 | (2,794,000) | (266,000) | 983,000 | 1,690,000 | 1,624,000 | 1,989,000 | 1,520,000 | (9,000) | 7,397,000 | 7,401,000 | (23,087,000) | 112,578,000 | - | - | 112,578,000 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | $ 635,110,000 | $ 4,836,000 | $ 245,000 | $ 1,058,000 | $ 1,700,000 | $ 5,872,000 | $ 2,000,000 | $ 6,881,000 | $ 2,622,000 | $ 7,473,000 | $ 7,450,000 | $ (36,686,000) | $ 638,561,000 | $ - | $ - | $ 638,561,000 |

**CLEARINGHOUSE COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION COMPANIES**
SUPPLEMENTARY INFORMATION
Consolidating Balance Sheets
December 31, 2021

| | Clearinghouse CDFI | CDFI Service Corporation | Clearinghouse NMTC, LLC | CREC LLCs | Alamo OZ Fund, LLC | Alamo QOZB, LLC | 34 E. Jackson OZ Fund, LLC | 34 E. Jackson QOZB, LLC | Mary Hammond Center LLC | Intercompany Elimination | Consolidated Before CREC and OZ Reclassification | CREC Reclassification | OZ Reclassification | Consolidated |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ASSETS | | | | | | | | | | | | | | |
| Cash and cash equivalents | $ 70,826,000 | $ 26,000 | $ 2,000 | $ 193,000 | $ - | $ 1,533,000 | $ - | $ - | $ - | $ - | $ 72,580,000 | $ - | $ - | $ 72,580,000 |
| Restricted cash | 65,884,000 | - | - | - | - | - | - | - | - | - | 65,884,000 | - | - | 65,884,000 |
| Loans receivable, net | 459,988,000 | - | - | 50,000 | - | - | - | - | - | - | 460,038,000 | (50,000) | - | 459,988,000 |
| Accrued interest receivable | 4,128,000 | - | - | - | - | - | - | - | - | - | 4,128,000 | - | - | 4,128,000 |
| Other receivables and prepaid expenses | 3,615,000 | - | - | 15,000 | - | - | - | 3,000 | 13,000 | - | 3,646,000 | (15,000) | - | 3,631,000 |
| Due from related parties | 7,039,000 | 3,000 | 79,000 | - | - | - | - | - | - | (6,998,000) | 123,000 | - | - | 123,000 |
| Fixed assets, net | 1,458,000 | - | - | 718,000 | - | - | - | - | - | - | 2,176,000 | (718,000) | - | 1,458,000 |
| Operating investments | 1,290,000 | - | - | - | - | 1,722,000 | - | 6,881,000 | 2,520,000 | - | 12,413,000 | 783,000 | - | 13,196,000 |
| Investment in other companies | 7,225,000 | - | 165,000 | 18,000 | 1,700,000 | - | 2,000,000 | - | - | (8,440,000) | 2,668,000 | - | - | 2,668,000 |
| Other real estate owned | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Deferred taxes | 8,934,000 | - | - | - | - | - | - | - | - | - | 8,934,000 | - | - | 8,934,000 |
| TOTAL ASSETS | $ 630,387,000 | $ 29,000 | $ 246,000 | $ 994,000 | $ 1,700,000 | $ 3,255,000 | $ 2,000,000 | $ 6,884,000 | $ 2,533,000 | $ (15,438,000) | $ 632,590,000 | $ - | $ - | $ 632,590,000 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | | | | | | | | | | | | |
| LIABILITIES | | | | | | | | | | | | | | |
| Accounts payable and accrued expenses | $ 6,553,000 | $ 1,000 | $ - | $ 22,000 | $ - | $ - | $ - | $ - | $ 29,000 | $ (7,000) | $ 6,598,000 | $ - | $ - | $ 6,598,000 |
| Unamortized award funds | 6,327,000 | - | - | - | - | - | - | - | - | - | 6,327,000 | - | - | 6,327,000 |
| Accrued interest payable | 1,467,000 | - | - | - | - | - | - | 13,000 | - | - | 1,480,000 | - | - | 1,480,000 |
| Due to related parties | 95,000 | 2,277,000 | 512,000 | 74,000 | 5,000 | 1,621,000 | 5,000 | 134,000 | 2,500,000 | (7,223,000) | - | - | - | - |
| Lines of credit | 37,333,000 | - | - | - | - | - | - | - | - | - | 37,333,000 | - | - | 37,333,000 |
| Interest-bearing deposits | | - | - | - | - | - | | | | - | | | - | - |
| Non interest-bearing deposits | 1,250,000 | - | - | - | - | - | - | - | - | - | 1,250,000 | - | - | 1,250,000 |
| Notes payable, Class A stockholders | 18,000,000 | - | - | - | - | - | - | - | - | - | 18,000,000 | - | - | 18,000,000 |
| Notes payable, Federal Home Loan Bank of San Francisco | 53,096,000 | - | - | - | - | - | - | - | - | - | 53,096,000 | - | - | 53,096,000 |
| Notes payable, Bond Guarantee Program - net of unamortized debt issuance costs | 248,257,000 | - | - | - | - | - | - | - | - | - | 248,257,000 | - | - | 248,257,000 |
| Other notes payable - net of unamortized debt issuance costs | 149,993,000 | - | - | - | - | - | - | 5,000,000 | - | - | 154,993,000 | - | - | 154,993,000 |
| TOTAL LIABILITIES | 522,371,000 | 2,278,000 | 512,000 | 96,000 | 5,000 | 1,621,000 | 5,000 | 5,147,000 | 2,529,000 | (7,230,000) | 527,334,000 | - | - | 527,334,000 |
| STOCKHOLDERS' EQUITY | | | | | | | | | | | | | | |
| Common stock, no par value | | | | | | | | | | | | | | |
| Class A | 46,916,000 | - | - | - | - | - | - | - | - | - | 46,916,000 | - | - | 46,916,000 |
| Class C | 3,580,000 | - | - | - | - | - | - | - | - | - | 3,580,000 | - | - | 3,580,000 |
| Capital within consolidated group | - | 20,000 | 2,000 | (1,743,000) | 1,700,000 | 1,700,000 | 2,000,000 | 2,000,000 | - | (5,679,000) | - | - | - | - |
| Retained earnings | 57,520,000 | (2,269,000) | (268,000) | 2,641,000 | (5,000) | (66,000) | (5,000) | (263,000) | 4,000 | (2,529,000) | 54,760,000 | - | - | 54,760,000 |
| TOTAL STOCKHOLDERS' EQUITY | 108,016,000 | (2,249,000) | (266,000) | 898,000 | 1,695,000 | 1,634,000 | 1,995,000 | 1,737,000 | 4,000 | (8,208,000) | 105,256,000 | - | - | 105,256,000 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | $ 630,387,000 | $ 29,000 | $ 246,000 | $ 994,000 | $ 1,700,000 | $ 3,255,000 | $ 2,000,000 | $ 6,884,000 | $ 2,533,000 | $ (15,438,000) | $ 632,590,000 | $ - | $ - | $ 632,590,000 |

**CLEARINGHOUSE COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION COMPANIES**

SUPPLEMENTARY INFORMATION

Consolidating Statements of Income

For the year ended December 31, 2022

| | Clearinghouse CDFI | CDFI Service Corporation | Clearinghouse NMTC, LLC | CREC LLCs | Alamo OZ Fund, LLC | Alamo QOZB, LLC | 34 E. Jackson OZ Fund LLC | 34 E. Jackson QOZB LLC | Mary Hammond Center LLC | Pine and Pacific, LLC | Pacific Ave, LP | Intercompany Elimination | Consolidated Before CREC and OZ Reclassification | CREC Reclassification | OZ Reclassification | Consolidated |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| INTEREST INCOME | | | | | | | | | | | | | | | | |
| Interest on loans receivable | $ 30,581,000 | $ - | $ - | $ 5,000 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 30,586,000 | $ (5,000) | - | $ 30,581,000 |
| Interest-bearing deposits | 119,000 | - | - | - | - | - | - | - | - | - | - | - | 119,000 | - | - | 119,000 |
| Total interest income | 30,700,000 | - | - | 5,000 | - | - | - | - | - | - | - | - | 30,705,000 | (5,000) | - | 30,700,000 |
| INTEREST EXPENSE | (16,731,000) | - | - | - | - | - | - | (150,000) | - | - | - | - | (16,881,000) | - | 150,000 | (16,731,000) |
| Net interest income (expense) | 13,969,000 | - | - | 5,000 | - | - | - | (150,000) | - | - | - | - | 13,824,000 | (5,000) | 150,000 | 13,969,000 |
| REDUCTION OF LOAN LOSSES | 2,651,000 | - | - | - | - | - | - | - | - | - | - | - | 2,651,000 | - | - | 2,651,000 |
| Net interest income (expense) after reduction of (provision for) loan losses | 16,620,000 | - | - | 5,000 | - | - | - | (150,000) | - | - | - | - | 16,475,000 | (5,000) | 150,000 | 16,620,000 |
| NON INTEREST INCOME | | | | | | | | | | | | | | | | |
| Grant income | 2,974,000 | - | - | - | - | - | - | - | - | - | - | - | 2,974,000 | - | - | 2,974,000 |
| Gain on debt retirement | 2,170,000 | - | - | - | - | - | - | - | - | - | - | - | 2,170,000 | - | - | 2,170,000 |
| Loan fees | 1,094,000 | - | - | - | - | - | - | - | - | - | - | - | 1,094,000 | - | - | 1,094,000 |
| NMTC management fees | 812,000 | - | - | - | - | - | - | - | - | - | - | - | 812,000 | - | - | 812,000 |
| Other income | 525,000 | - | - | 132,000 | - | - | - | - | 153,000 | 13,000 | - | (87,000) | 736,000 | (132,000) | (166,000) | 438,000 |
| NMTC sponsor fees | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Flow-through income from investment in other companies | 4,000 | - | - | - | - | - | - | - | - | - | - | - | 4,000 | - | - | 4,000 |
| Net loss from operating investments | (57,000) | - | - | - | - | - | - | - | - | - | - | 9,000 | (48,000) | 87,000 | (246,000) | (207,000) |
| Total non interest income | 7,522,000 | - | - | 132,000 | - | - | - | - | 153,000 | 13,000 | - | (78,000) | 7,742,000 | (45,000) | (412,000) | 7,285,000 |
| NON INTEREST EXPENSES | | | | | | | | | | | | | | | | |
| Compensation and related benefits | 9,691,000 | - | - | - | - | - | - | - | - | - | - | - | 9,691,000 | - | - | 9,691,000 |
| General and administrative | 1,469,000 | 2,000 | - | - | 5,000 | 4,000 | - | 46,000 | 143,000 | 1,000 | - | - | 1,670,000 | - | (194,000) | 1,476,000 |
| Insurance | 841,000 | - | - | 3,000 | - | - | - | - | 16,000 | - | - | - | 860,000 | (3,000) | (16,000) | 841,000 |
| Professional fees | 297,000 | 264,000 | - | - | - | 4,000 | 6,000 | 8,000 | 6,000 | 16,000 | - | - | 601,000 | - | (34,000) | 567,000 |
| Marketing | 497,000 | - | - | - | - | - | - | - | - | - | - | - | 497,000 | - | - | 497,000 |
| Impairment of OREO | - | 279,000 | - | - | - | - | - | - | - | - | - | - | 279,000 | - | - | 279,000 |
| Rent | 241,000 | - | - | - | - | - | - | - | 1,000 | - | - | - | 242,000 | - | (1,000) | 241,000 |
| Charitable contributions | 182,000 | - | - | - | - | - | - | - | - | - | - | - | 182,000 | - | - | 182,000 |
| Depreciation | 101,000 | - | - | 14,000 | - | 2,000 | - | 15,000 | - | - | - | - | 132,000 | (14,000) | (17,000) | 101,000 |
| Historic tax credit investment amortization | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Rental real estate operating expenses | - | - | - | 33,000 | - | - | - | - | - | - | - | - | 33,000 | (33,000) | - | - |
| Total non interest expenses | 13,319,000 | 545,000 | - | 50,000 | 5,000 | 10,000 | 6,000 | 69,000 | 166,000 | 17,000 | - | - | 14,187,000 | (50,000) | (262,000) | 13,875,000 |
| Income (loss) before provision for income taxes | 10,823,000 | (545,000) | - | 87,000 | (5,000) | (10,000) | (6,000) | (219,000) | (13,000) | (4,000) | - | (78,000) | 10,030,000 | - | - | 10,030,000 |
| Provision for income taxes | (2,509,000) | 1,000 | - | - | - | - | - | - | - | - | - | - | (2,508,000) | - | - | (2,508,000) |
| Net income (loss) | $ 8,314,000 | $ (544,000) | $ - | $ 87,000 | $ (5,000) | $ (10,000) | $ (6,000) | $ (219,000) | $ (13,000) | $ (4,000) | $ - | $ (78,000) | $ 7,522,000 | $ - | $ - | $ 7,522,000 |

**CLEARINGHOUSE COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION COMPANIES**
SUPPLEMENTARY INFORMATION
Consolidating Statements of Income
For the year ended December 31, 2021

| | Clearinghouse CDFI | CDFI Service Corporation | Clearinghouse NMTC, LLC | CREC LLCs | Alamo OZ Fund, LLC | Alamo QOZB, LLC | 34 E. Jackson OZ Fund, LLC | 34 E. Jackson QOZB, LLC | Mary Hammond Center LLC | Intercompany Elimination | Consolidated Before CREC Reclassification | CREC Reclassification | OZ Reclassification | Consolidated |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| INTEREST INCOME | | | | | | | | | | | | | | |
| Interest on loans receivable | $ 33,087,000 | $ - | $ - | $ 5,000 | $ - | $ - | $ - | $ - | $ - | $ - | $ 33,092,000 | $ (5,000) | $ - | $ 33,087,000 |
| Interest-bearing deposits | 92,000 | - | - | - | - | - | - | - | - | - | 92,000 | - | - | 92,000 |
| Total interest income | 33,179,000 | - | - | 5,000 | | | | | | - | 33,184,000 | (5,000) | - | 33,179,000 |
| INTEREST EXPENSE | (15,472,000) | - | - | - | - | - | - | (103,000) | - | - | (15,575,000) | - | 103,000 | (15,472,000) |
| Net interest income (expense) | 17,707,000 | - | - | 5,000 | - | - | - | (103,000) | - | - | 17,609,000 | (5,000) | 103,000 | 17,707,000 |
| REDUCTION OF LOAN LOSSES | 3,153,000 | - | - | - | - | - | - | - | - | - | 3,153,000 | - | - | 3,153,000 |
| Net interest income (expense) after reduction of (provision for) loan losses | 20,860,000 | - | - | 5,000 | - | - | - | (103,000) | - | - | 20,762,000 | (5,000) | 103,000 | 20,860,000 |
| NON INTEREST INCOME | | | | | | | | | | | | | | |
| Grant income | 1,674,000 | - | - | - | - | - | - | - | - | - | 1,674,000 | - | - | 1,674,000 |
| Loan fees | 2,551,000 | - | - | - | - | - | - | - | - | - | 2,551,000 | - | - | 2,551,000 |
| NMTC management fees | 1,037,000 | - | - | - | - | - | - | - | - | - | 1,037,000 | - | - | 1,037,000 |
| Other income | 262,000 | 16,000 | - | 131,000 | - | - | - | - | 4,000 | (81,000) | 332,000 | (131,000) | (4,000) | 197,000 |
| NMTC sponsor fees | 1,009,000 | - | - | - | - | - | - | - | - | - | 1,009,000 | - | - | 1,009,000 |
| Flow-through income from investment in other companies | 7,000 | - | - | - | - | - | - | - | - | - | 7,000 | - | - | 7,000 |
| Net loss from operating investments | - | - | - | - | - | - | - | - | - | - | - | 79,000 | (325,000) | (246,000) |
| Total non interest income | 6,540,000 | 16,000 | - | 131,000 | - | - | - | - | 4,000 | (81,000) | 6,610,000 | (52,000) | (329,000) | 6,229,000 |
| NON INTEREST EXPENSES | | | | | | | | | | | | | | |
| Compensation and related benefits | 8,614,000 | - | - | - | - | - | - | - | - | - | 8,614,000 | - | - | 8,614,000 |
| General and administrative | 1,209,000 | 22,000 | - | - | - | - | - | 39,000 | - | - | 1,270,000 | - | (39,000) | 1,231,000 |
| Insurance | 666,000 | - | - | 10,000 | - | - | - | - | - | - | 676,000 | (10,000) | - | 666,000 |
| Professional fees | 500,000 | 234,000 | - | 1,000 | 5,000 | 3,000 | 5,000 | 2,000 | - | - | 750,000 | (1,000) | (5,000) | 744,000 |
| Marketing | 259,000 | - | - | - | - | - | - | - | - | - | 259,000 | - | - | 259,000 |
| Impairment of OREO | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Rent | 278,000 | - | - | - | - | - | - | - | - | - | 278,000 | - | - | 278,000 |
| Charitable contributions | 225,000 | - | - | - | - | - | - | - | - | - | 225,000 | - | - | 225,000 |
| Depreciation | 131,000 | - | - | 14,000 | - | 63,000 | - | 119,000 | - | - | 327,000 | (14,000) | (182,000) | 131,000 |
| Historic tax credit investment amortization | 215,000 | - | - | - | - | - | - | - | - | - | 215,000 | - | - | 215,000 |
| Rental real estate operating expenses | - | - | - | 32,000 | - | - | - | - | - | - | 32,000 | (32,000) | - | - |
| Total non interest expenses | 12,097,000 | 256,000 | - | 57,000 | 5,000 | 66,000 | 5,000 | 160,000 | - | - | 12,646,000 | (57,000) | (226,000) | 12,363,000 |
| Income (loss) before provision for income taxes | 15,303,000 | (240,000) | - | 79,000 | (5,000) | (66,000) | (5,000) | (263,000) | 4,000 | (81,000) | 14,726,000 | - | - | 14,726,000 |
| Provision for income taxes | (4,025,000) | - | - | - | - | - | - | - | - | - | (4,025,000) | - | - | (4,025,000) |
| Net income (loss) | $ 11,278,000 | $ (240,000) | $ - | $ 79,000 | $ (5,000) | $ (66,000) | $ (5,000) | $ (263,000) | $ 4,000 | $ (81,000) | $ 10,701,000 | $ - | $ - | $ 10,701,000 |