COMMUNITY VISION CAPITAL & CONSULTING

SEPTEMBER 30, 2020 AND 2019

INDEPENDENT AUDITORS' REPORT,

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

Community Vision Capital & Consulting

Independent Auditors' Report,
Consolidated Financial Statements and Supplementary Information

Independent Auditors' Report

THE BOARD OF DIRECTORS
COMMUNITY VISION CAPITAL & CONSULTING
San Francisco, California

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **COMMUNITY VISION CAPITAL & CONSULTING (The Organization)**, which comprise the consolidated statement of financial position as of September 30, 2020 and 2019, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Community Vision Capital & Consulting as of September 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information (pages 34-35) is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Hood & Strong LLP

San Francisco, California
January 19, 2021

Community Vision Capital & Consulting

Consolidated Statement of Financial Position

September 30, 2020 and 2019

	2020			2019		
	General Fund	Loan Fund	Total	General Fund	Loan Fund	Total
Assets						
Current Assets:						
Cash and cash equivalents (Note 4)	$ 2,424,267	$ 15,178,108	$ 17,602,375	$ 3,034,435	$ 6,554,174	$ 9,588,609
Contributions receivable	820,667		820,667	568,333		568,333
Accrued interest and other receivables, net	875,337		875,337	782,815	8,291	791,106
Prepaid expenses and other assets	203,446		203,446	217,142		217,142
Investments (Note 4)	8,198,893	7,670,179	15,869,072	7,533,922	7,678,932	15,212,854
Funds held in trust (Note 3)	1,388,454		1,388,454	1,595,375		1,595,375
Loans receivable - current portion, net of allowance for loan loss (Note 6)		13,168,046	13,168,046		7,589,024	7,589,024
Total current assets	13,911,064	36,016,333	49,927,397	13,732,022	21,830,421	35,562,443
Loans Receivable - long-term portion, net of allowance for loan loss (Note 6)	1,821,995	47,383,933	49,205,928	882,813	53,246,935	54,129,748
Program Related Investments - notes receivable, net of allowance of (Note 2)	178,706		178,706	475,644		475,644
Deposits	33,247		33,247	29,275		29,275
Fixed Assets, net	99,902		99,902	47,084		47,084
Total assets	$ 16,044,914	$ 83,400,266	$ 99,445,180	$ 15,166,838	$ 75,077,356	$ 90,244,194
Liabilities and Net Assets						
Current Liabilities:						
Accounts payable and accrued expenses	$ 935,935		$ 935,935	$ 916,256		$ 916,256
Accrued interest payable	397,423	$ 1,554	398,977	315,713	$ 3,883	319,596
Deferred revenue and other liabilities	859,784	3,207,364	4,067,148	2,042,529	3,448,075	5,490,604
Funds held in trust (Note 3)	1,388,454		1,388,454	1,595,375		1,595,375
Notes payable - current portion (Note 7)		9,451,828	9,451,828		7,343,312	7,343,312
Total current liabilities	3,581,596	12,660,746	16,242,342	4,869,873	10,795,270	15,665,143
Notes Payable, net of current portion (Note 7)	2,600,645	50,668,684	53,269,329	887,042	44,484,704	45,371,746
Total liabilities	6,182,241	63,329,430	69,511,671	5,756,915	55,279,974	61,036,889
Net Assets:						
Without donor restrictions:						
Board designated (Note 2)	5,225,000	1,000,000	6,225,000	5,225,000	1,000,000	6,225,000
Undesignated	3,054,983	19,070,836	22,125,819	3,004,431	18,797,382	21,801,813
Total without donor restrictions	8,279,983	20,070,836	28,350,819	8,229,431	19,797,382	28,026,813
With donor restrictions (Note 9)	1,582,690		1,582,690	1,180,492		1,180,492
Total net assets	9,862,673	20,070,836	29,933,509	9,409,923	19,797,382	29,207,305
Total liabilities and net assets	$ 16,044,914	$ 83,400,266	$ 99,445,180	$ 15,166,838	$ 75,077,356	$ 90,244,194

See accompanying notes to consolidated financial statements.

Community Vision Capital & Consulting

Consolidated Statement of Activities and Changes in Net Assets

Years Ended September 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:						
New market tax credit fees (Note 13)	$ 1,124,037		$ 1,124,037	$ 1,894,124		$ 1,894,124
Consulting and contract fees	868,380		868,380	875,861		875,861
Loan fees	364,523		364,523	393,020		393,020
Grants and contributions	1,790,279	$ 1,111,999	2,902,278	847,719	$ 1,351,250	2,198,969
Government contract revenue	2,311,991		2,311,991	3,240,657		3,240,657
Special event income, net of direct expenses of $0 and $60,065			-	36,882		36,882
Interest income - notes receivable	3,803,708		3,803,708	3,195,108		3,195,108
Investment income, net (Note 4)	895,872		895,872	794,890		794,890
In-kind contributions	339,046		339,046	366,030		366,030
Net assets released from restrictions (Note 9)	709,801	(709,801)	-	618,097	(618,097)	-
Total support and revenue	12,207,637	402,198	12,609,835	12,262,388	733,153	12,995,541
Expenses:						
Program services:						
Direct lending	6,687,156		6,687,156	3,829,643		3,829,643
New markets tax credits	331,155		331,155	555,571		555,571
Consulting and training	2,250,116		2,250,116	2,179,314		2,179,314
Strategic initiatives	1,207,368		1,207,368	767,556		767,556
Capitalization	401,695		401,695	383,897		383,897
Total program services	10,877,490	-	10,877,490	7,715,981	-	7,715,981
Supporting services:						
Management and general	576,882		576,882	896,104		896,104
Fundraising	429,259		429,259	466,216		466,216
Total supporting services	1,006,141	-	1,006,141	1,362,320	-	1,362,320
Total expenses	11,883,631	-	11,883,631	9,078,301	-	9,078,301
Total Change in Net Assets	324,006	402,198	726,204	3,184,087	733,153	3,917,240
Net Assets, beginning of year	28,026,813	1,180,492	29,207,305	24,842,726	447,339	25,290,065
Net Assets, end of year	$ 28,350,819	$ 1,582,690	$ 29,933,509	$ 28,026,813	$ 1,180,492	$ 29,207,305

See accompanying notes to consolidated financial statements.

Community Vision Capital & Consulting

Consolidated Statement of Functional Expenses

Year Ended September 30, 2020

	Program Services						Supporting Services		
	Direct Lending	New Markets Tax Credits	Consulting and Training	Strategic Initiatives	Capitalization	Program Services Total	Management and General	Fundraising	Total
Salaries and benefits	$ 2,208,559	$ 247,390	$ 1,638,698	$ 414,851	$ 308,484	$ 4,817,982	$ 351,659	$ 345,525	$ 5,515,166
Interest	949,509					949,509			949,509
Consultants and legal	208,593	28,902	93,656	438,972	11,216	781,339	133,746	5,096	920,181
Office expenses	140,744	21,885	100,574	26,281	18,519	308,003	46,384	23,626	378,013
Rent	176,538	19,963	144,022	33,711	25,397	399,631	25,215	31,093	455,939
Travel, outreach, and other	54,113	4,761	98,682	54,614	7,099	219,269	7,501	13,014	239,784
Depreciation	14,381	1,626	11,635	2,746	2,069	32,457	2,054	2,533	37,044
Provision for loan losses	2,441,202			225,000		2,666,202			2,666,202
Bad debt expense	382,747					382,747			382,747
In-kind legal and technological services	110,770	6,628	162,849	11,193	28,911	320,351	10,323	8,372	339,046
Expenses shown on the Statement of Activities and Changes in Net Assets	6,687,156	331,155	2,250,116	1,207,368	401,695	10,877,490	576,882	429,259	11,883,631
Other Expenses:									
Special event costs									-
Total expenses	$ 6,687,156	$ 331,155	$ 2,250,116	$ 1,207,368	$ 401,695	$ 10,877,490	$ 576,882	$ 429,259	$ 11,883,631

See accompanying notes to consolidated financial statements.

Community Vision Capital & Consulting

Consolidated Statement of Functional Expenses

Year Ended September 30, 2019

	Program Services						Supporting Services		
	Direct Lending	New Markets Tax Credits	Consulting and Training	Strategic Initiatives	Capitalization	Program Services Total	Management and General	Fundraising	Total
Salaries and benefits	$ 1,673,748	$ 408,696	$ 1,553,937	$ 398,688	$ 241,184	$ 4,276,253	$ 533,393	$ 373,365	$ 5,183,011
Interest	862,838			16,894		879,732			879,732
Consultants and legal	86,872	68,246	157,930	232,862	13,051	558,961	268,725	8,097	835,783
Office expenses	79,607	25,729	95,962	18,181	15,068	234,547	41,051	22,826	298,424
Rent	122,750	29,887	128,722	28,920	19,035	329,314	23,714	30,007	383,035
Travel, outreach, and other	103,081	12,797	81,187	64,706	17,180	278,951	21,066	21,630	321,647
Depreciation	8,941	2,170	9,264	2,106	1,386	23,867	1,750	2,186	27,803
Provision for loan losses	785,448					785,448			785,448
In-kind legal and technological services	106,358	8,046	152,312	7,811	76,993	351,520	6,405	8,105	366,030
Expenses shown on the Statement of Activities and Changes in Net Assets	3,829,643	555,571	$ 2,179,314	770,168	383,897	7,718,593	896,104	466,216	9,080,913
Other Expenses:									
Special event costs								60,065	60,065
Total expenses	$ 3,829,643	$ 555,571	$ 2,179,314	$ 770,168	$ 383,897	$ 7,718,593	$ 896,104	$ 526,281	$ 9,140,978

See accompanying notes to consolidated financial statements.

Community Vision Capital & Consulting

Consolidated Statement of Cash Flows

Years Ended September 30,	2020	2019
Cash Flows from Operating Activities:		
Change in net assets	$ 726,204	$ 3,917,240
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	37,044	27,803
Allowance for loan losses	2,666,202	785,448
Realized and unrealized gain on investments	(498,418)	(298,848)
Changes in operating assets and liabilities:		
Contributions receivable	(252,334)	(318,333)
Accrued interest and other receivables	(84,232)	(160,163)
Prepaid expenses and deposits	9,724	(20,106)
Accounts payable and accrued expenses	19,679	261,758
Accrued interest payable	79,381	10,925
Deferred revenue and other liabilities	(1,423,456)	(1,387,120)
Net cash provided by operating activities	1,279,794	2,818,604
Cash Flows from Investing Activities:		
Purchases of investments	(6,236,432)	(3,514,437)
Proceeds from sale of investments	6,078,632	3,496,578
Loan disbursements to borrowers	(18,399,878)	(26,384,061)
Loan principal payments from borrowers	15,375,415	16,616,759
Acquisition of property and equipment	(89,863)	(27,273)
Net cash used in investing activities	(3,272,126)	(9,812,434)
Cash Flows from Financing Activities:		
Proceeds from notes payable	14,317,913	5,381,813
Repayments of notes payable	(5,259,207)	(2,291,675)
Proceeds from Paycheck Protection Program	947,392	
Net cash provided by financing activities	10,006,098	3,090,138
Net Change in Cash and Cash Equivalents	8,013,766	(3,903,692)
Cash and Cash Equivalents, beginning of year	9,588,609	13,492,301
Cash and Cash Equivalents, end of year	$ 17,602,375	$ 9,588,609
Supplemental Cash Flow Information:		
Cash paid for interest during the year	$ 843,776	$ 849,232
Noncash Information:		
Notes receivable written off	$ 25,000	$ 70,000

See accompanying notes to consolidated financial statements.

Note 1 - Nature of Organization:

Community Vision Capital & Consulting (the Organization) was formed as a California nonprofit corporation in 1987. As a certified Community Development Financial Institution (CDFI), the Organization's mission is to promote economic justice and alleviate poverty by increasing the financial resilience and sustainability of community-based nonprofits and enterprises. Through flexible financial products and sound advice, the Organization creates opportunities to make socially responsible investments that revitalize Northern California communities.

In January 2018, the Organization formed a wholly owned subsidiary, Credit Enhancement 1, LLC (CE1) (a California limited liability company), for the purpose of managing a program for food enterprise related financing.

The following is a summary of the Organization's programs:

<u>Programs</u>

Direct Lending: The Organization provides flexible and responsive financing to support nonprofits and enterprises that are rooted in and benefit low-income communities. The Organization provides financing in five primary sectors: affordable housing, community facilities, human services, inclusive economic development, and food systems. The types of loans offered by the Organization include real estate acquisition, construction, and permanent financing; as well as working capital loans and lines of credit. Integral to the Organization's lending program, the Organization also provides technical assistance to its borrowers as needed to help them understand their financial position and appropriate use of debt financing.

New Markets Tax Credit: The Organization is certified by the U. S. Department of Treasury - Community Development Financial Institutions Fund (CDFI Fund) as a Community Development Entity (CDE) for the purpose of participating in its New Markets Tax Credit (NMTC) Program. The Organization uses tax credit allocations to generate new equity capital investments to support real estate projects that are rooted in and benefit low-income communities including multi-tenant nonprofit centers, nonprofit community facilities, grocery stores, food enterprises, and mixed-use affordable housing developments.

Consulting and Training: The Organization provides technical expertise and training to nonprofit organizations rooted in communities of color and low-income communities. The Organization offers technical assistance services to help community organizations develop real estate strategies and strengthen their financial management capacity.

Strategic Initiatives: The program leads key organization-wide strategic activities that advance the Organization's impact in Northern and Central California's communities. This is accomplished by advising the Organization's leadership on strategic direction for the Organization; evaluating, designing and implementing new programs and innovative financing and capitalization strategies; coordinating the Organization's strategic planning and plan implementation; leading the Organization's initiatives; and identifying and cultivating strategic partnerships.

Capitalization: The Organization provides a socially responsible investment opportunity for individuals and organizations interested in putting their capital to work in low-income communities in California. The Organization uses loans and contributions to capitalize its revolving loan fund. The Organization's investors and contributors include individuals, trusts, foundations, nonprofit organizations, religious organizations, health organizations, corporations and financial institutions.

In addition, the Organization also manages several different mission-aligned grant and loan programs for private foundations, local government agencies, and other third parties.

Note 2 - Summary of Significant Accounting Policies:

a. Basis of Presentation and Description of Net Assets

The Organization reports using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), and provides information regarding its financial position and activities according to two classes of net assets. The Organization has no net assets with donor restrictions that are required to be maintained in perpetuity.

Net Assets Without Donor Restrictions

The portion of net assets that is neither subject to time or donor-imposed restrictions and may be expended for any purpose in performing the objective of the Organization. Net assets without donor restrictions may be designated for use by management or the Board of Directors.

The Board of Directors has designated $4,725,000 in net assets without donor restrictions for a six-month operating reserve and future program development, $500,000 for the Community Catalyst Program Related Investments, and $1,000,000 to increase the capital reserve for the loan fund.

Net Assets With Donor Restrictions

The portion of net assets which use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization.

b. Principles of Consolidation

The accompanying consolidated financial statements include all amounts and operations of Community Vision Capital & Consulting and Credit Enhancement 1, LLC, a wholly owned subsidiary (collectively, the Organization). Intercompany transactions and accounts have been eliminated in consolidation.

c. Revenue Recognition

Contributions are recognized as support and revenues when they are received or unconditionally pledged. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying Consolidated Statement of Activities and Changes in Net Assets as net assets released from restrictions. Certain contributions are reported as support without donor restrictions when the restriction is met in the same period as the contribution is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. At September 30, 2020 and 2019, the Organization has conditional grants of approximately $28,000 and $1,815,000, respectively. These grants require the Organization to meet certain performance criteria to earn the funds and therefore have not been recognized in the consolidated financial statements.

The Organization uses the allowance method to account for uncollectible contributions based on historical experience and an evaluation of the outstanding receivables at the end of the year. At September 30, 2020 and 2019, management determined that no allowance is deemed necessary.

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or incurring qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the Consolidated Statement of Financial Position. The Organization was awarded cost reimbursable grants of approximately $2,161,000 that have not been recognized as revenue at September 30, 2020 because qualifying expenditures have not yet been incurred.

The Organization receives in-kind donations of software and technological services as well as pro bono legal services for work on commercial real estate transactions, securities offerings, and general corporate work. The Organization's contributed services are stated at their estimated fair market value, if they are ordinarily purchased and are of a specialized nature. The value of these services for 2020 and 2019 was $339,046 and $366,030, respectively.

d. Cash and Cash Equivalents

Cash is defined as cash in demand deposits accounts as well as cash on hand. Cash equivalents are highly liquid investments that are readily convertible to known amounts of cash. The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Management believes that the Organization is not exposed to any significant cash credit risk.

Cash and cash equivalents also include $607,781 for 2020 and $523,422 for 2019 of restricted cash, to be used in accordance with conditions of an agreement the Organization has with the California Ocean Protection Council.

e. Loans Receivable

Loans receivable are reported at their outstanding principal balances adjusted for charge-offs, allowance for loan losses, and unearned interest, if any.

Interest income is accrued on principal loan balances. The Organization accrues interest on past due loans at the regular rate of interest or at the default rate of interest for loans that are in default. Loans may be placed on nonaccrual status when any portion of the principal or interest is ninety days past due or earlier when concern exists as to the ultimate collectability of principal or interest, as evaluated at least quarterly. The Organization makes every effort to collect all interest payments from the borrower even after loans are placed on nonaccrual status for accounting purposes.

Loans return to accrual status when principal and interest become current and are anticipated to be fully collectible. Payments received on nonaccrual loans receivable are applied first to outstanding principal or interest depending on the circumstances of each particular loan.

Loan origination fees are recognized immediately; which management has determined is not materially different from U.S. GAAP. Management has the intent and ability to hold these loans until maturity or payoff.

f. Allowance for Loan Losses

Management's determination of the level of allowance for loan losses rests upon various judgments and assumptions, including current and projected economic conditions, prior loan loss experience, the value of the underlying collateral, continuing review of the portfolio of loan and commitments, and evaluation of credit risk related to certain individual borrowers. Management considers the allowance for loan losses adequate to cover losses inherent in loans and loan commitments. However, because of uncertainties associated with these judgments and assumptions, it is reasonably possible that management's estimate of credit losses inherent in the loan portfolio and the related allowance may change materially in the near-term. The allowance is increased or decreased by the provision (recapture) for loan losses, which is charged to expense and reduced by charge-offs, net of recoveries. The loan loss reserve for the revolving loan fund was estimated at 10.34% and 7.48% as of September 30, 2020 and 2019, respectively.

The allowance for loan losses is reported separately for current and non-current portions of loans receivable based on a pro-rata allocation made using the ratio of the corresponding outstanding principal balances of the respective notes receivable.

Given current economic conditions, the Organization established an allowance for uncollectible accrued interest and other receivable in fiscal year 2020 which is based upon a review of outstanding receivables, historical collection information, and existing economic uncertainty. There was no allowance as of September 30, 2019. As of September 30, 2020, accrued interest receivables, net were as follows:

Accrued interest and other receivables	$	1,258,084
Allowance for uncollectible accounts		(382,747)
Accrued interest and other receivables, net	$	875,337

g. Program Related Investments – Notes Receivable

Program related investments are investments that would not be made were it not for the relationship of the investment to the Organization's programmatic mission. Although the underlying investments may or may not have a profit motive, that is not the primary focus of the investment by the Organization.

The Organization's Program Related Investments provide forgivable predevelopment loans at 0% interest to nonprofit organizations for affordable housing and community facility development projects as well as 0% subordinated loans to small businesses for a variety of operating purposes.

Program related investments consist of loans to organizations which support the Organization's mission. The Organization records notes receivable at cost. They are evaluated for impairment annually and written down when appropriate. As of September 30, 2020 and 2019 total amounts outstanding under this program were $178,706 and $475,644, net of allowance, respectively. During the years ended September 30, 2020 and 2019, the Organization disbursed $313,062 and $136,843, respectively; received repayments of $10,000 and $126,500, respectively; and forgave loans of $0 and $12,500, respectively. As of September 30, 2020 and 2019 the Organization established loss reserves of $600,000 and $0 for these loans.

h. Investments

Investments are stated at fair value. The values of debt and equity securities and mutual funds are based on their quoted market prices. Gains and losses that result from market fluctuations are recognized in the Consolidated Statement of Activities and Changes in Net Assets in the period such fluctuations occur. Dividend and interest income are accrued when earned.

i. Fair Value Measurements

The Organization carries certain assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Organization classifies its financial assets and liabilities according to three levels, and maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value.

Level 1 - Quoted market prices (unadjusted) in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date.

Level 2 - Observable inputs other than quoted prices included within Level 1 for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for the asset or liability that are not corroborated by market data.

j. Fixed Assets

Fixed assets are stated at cost, if purchased, or, at approximate fair value, if donated. Depreciation is computed using the straight-line method, over the estimated useful lives of the assets, which range from three to five years. Depreciation expense during 2020 and 2019 was $37,044 and $27,803, respectively.

k. Subordinate Notes Payable

Subordinate notes payable are subordinated promissory notes with a rolling term (maturity) feature that lenders are classifying as Equity Equivalent Investments (EQ2). EQ2s are unique to the CDFI industry. They were created as a mechanism for not-for-profit CDFI's to acquire equity-like capital.

l. Below Market Interest Rate Loans

U.S. GAAP require not-for-profit organizations to record interest expense (income) and contribution revenue (expense) in connection with loans that are interest free or that have below market interest rates. The Organization believes there is no material difference between prevailing community development finance market rates and the stated rates of loans receivable in its portfolios, notes payable or other liabilities. Consequently, no adjustments have been made to the consolidated financial statements to reflect rate differentials.

m. Income Taxes

The Organization is exempt from federal income taxes on related income under Section 501(c)(3) of the Internal Revenue Code and from California franchise and/or income taxes under Section 23701(d) of the Revenue and Taxation Code.

The Organization follows the guidance of Accounting for Uncertainty in Income Taxes issued by the Financial Accounting Standards Board (FASB). As of September 30, 2020, management evaluated the Organization's tax positions and concluded that the Organization had maintained its tax-exempt status and had taken no uncertain tax positions that require adjustment to the consolidated financial statements.

n. Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

o. Functional Expenses Allocation

The costs of providing program services and supporting services are summarized on a functional basis in the Consolidated Statement of Functional Expenses. Accordingly, certain costs are allocated among program services and supporting services based on the estimates of employees' time incurred and on usage of resources.

p. Recent Accounting Pronouncements

Pronouncement Adopted

In June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. The ASU clarifies and improves current guidance about whether a transfer of assets, or the reduction, settlement, or cancellation of liabilities, is a contribution or an exchange transaction. It provides criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the organization follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. The amendments in the ASU are effective for the Organization for its fiscal year ending September 30, 2020. The ASU was adopted as of October 1, 2019. The impact of adopting this guidance is reflected in the financial statements and did not have a significant impact on the consolidated financial statement disclosures.

Pronouncements Effective in the Future:

In May 2014, the FASB issued 2014-09, *Revenue from Contracts with Customers* (Topic 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. Early adoption is not permitted. The updated standard will be effective for annual reporting periods beginning after December 15, 2019. The Organization has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The amendments in this update will supersede much of the existing authoritative guidance for leases. This guidance requires lessees, among other things, to recognize right-of-use assets and liabilities on their Statement of Financial Position for all leases with lease terms longer than twelve months. The standard will be effective for the Organization for its fiscal year ending September 30, 2023, with early application permitted. The Organization is currently evaluating the impact of this pronouncement on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, *Disclosure Framework- Changes to the Disclosure Requirements for Fair Value Measurement (Topic 820)*. The ASU removes the requirements for transfers between Levels 1 and 2 as well as the valuation processes for Level 3 fair value measurements. In lieu of a rollforward for Level 3 fair value measurements, a nonpublic entity is required to disclose transfers into and out of Level 3 as well as purchases and issues of Level 3 assets and liabilities. It clarifies that the measurement uncertainty disclosure is to communicate information about the uncertainty in measurement as of the reporting date. The amendments in the ASU are effective for the Organization for its fiscal year ending September 30, 2021. The Organization is currently evaluating the impact of this pronouncement on its consolidated financial statements.

In September 2020, the FASB issued ASU 2020-07 *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The amendments in this ASU should be applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021. Early adoption is permitted. The Organization is currently evaluating the impact of this pronouncement on its financial statements.

q. Subsequent Events

The Organization evaluated subsequent events from September 30, 2020 through January 19, 2021, the date these consolidated financial statements were available to be issued, and has determined that there were no material subsequent events that required recognition or additional disclosures in these consolidated financial statements.

Note 3 - Funds Held in Trust:

The Organization receives and distributes assets under certain intermediary arrangements. The Organization holds such funds as funds held in trust. Distributions of such funds are managed by the Organization according to the guidelines of the specific programs. These funds are invested in money market accounts.

The Organization manages other targeted grant pools for varying purposes. The Organization underwrites grants for these pools in accordance with the conditions imposed by the original source of the funds. The Organization also disburses, monitors and reports on these grants.

On occasion, the Organization also includes reserve funds for various transactions where the Organization is authorized to release the funds based on the terms of the transaction. The Funds Held in Trust include the following programs:

Nonprofit Space Stabilization Program consists of grant funds from the San Francisco Office of Economic and Workforce Development. This program supports nonprofit organizations in San Francisco that are facing barriers to growth due to their current real estate. They may be at risk of displacement or subject to unsustainable lease renewals during a volatile real estate market. Financial assistance awards may be used for professional services; rent stipends; holding costs; moving expenses; tenant improvements; and furnishing, fixtures, and equipment.

Nonprofit Space Investment Fund consists of grant funds from the San Francisco Office of Economic and Workforce Development. This program provides critical financial support to nonprofits for the acquisition of new, permanent real estate. Grant awards are used for the acquisition of property in San Francisco.

A summary of activity in these programs at September 30, is as follows:

	2020	2019
Funds held in trust, beginning of year	$ 1,595,375	$ 1,043,381
Grant funds received	3,795,286	4,017,603
Grants recovered	528	
Grants disbursed	(3,602,372)	(3,449,393)
Program administration	(400,000)	
Interest income	705	535
Undisbursed grants returned	(1,068)	(16,751)
Funds held in trust, end of year	$ 1,388,454	$ 1,595,375

Note 4 - Investments:

At September 30, investments consist of the following:

	2020	2019
Cash and cash equivalent	$ 263,064	$ 448,073
Mutual and exchange traded funds	4,116,251	4,453,014
Fixed income	9,221,166	7,964,844
Mortgage pool, collateralized mortgage obligations, and asset backed securities	1,704,643	1,578,902
Privately held stock	340,382	287,913
	15,645,506	14,732,746
Certificates of deposit	223,566	480,108
Total	$ 15,869,072	$ 15,212,854

The Organization's investments are made in accordance with an investment policy that has been approved by the Board of Directors. The Finance Committee monitors the investment strategy and portfolio performance on an ongoing basis and provides regular updates to the Board of Directors.

For the year ended September 30, investment income, net consist of the following:

	2020	2019
Interest and dividends from investments	$ 422,853	$ 522,862
Management fees	(25,399)	(26,820)
Net realized gain/(loss)	136,284	59,340
Net unrealized gain/(loss)	362,134	239,508
	$ 895,872	$ 794,890

The Organization maintains the following balances in cash and cash equivalents and investments that are allocated for the following purposes:

	2020	2019
Undisbursed to closed loans (Note 6)	$ 8,743,883	$ 9,113,291
Committed loans (Note 6)	2,715,000	1,403,000
Liquidity reserves	3,000,000	1,000,000
Available for lending	8,389,404	2,716,815
	$ 22,848,287	$ 14,223,106
Cash and cash equivalents	$ 15,178,108	$ 6,554,174
Investments	7,670,179	7,678,932
	$ 22,848,287	$ 14,233,106

Note 5 - Fair Value of Measurements:

The table below summarizes the Organization's assets measured at fair value at September 30, 2020 on a recurring basis:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 263,064			$ 263,064
Mutual and exchange traded funds	4,116,251			4,116,251
Fixed income:				
U.S. Treasury notes and bonds	4,971,035			4,971,035
Municipal bonds	4,147,436			4,147,436
Corporate bonds		$ 102,695		102,695
Mortgage pools, collateralized mortgage obligation and asset backed securities	1,704,643			1,704,643
Privately held stock:				
Investment in limited liability companies			$ 17,682	17,682
Federal Home Loan Bank Stock			322,700	322,700
	15,202,429	102,695	340,382	15,645,506
Funds held in trust:				
Money market funds (Note 3)	1,388,454			1,388,454
Total assets held at fair market value	$ 16,590,883	$ 102,695	$ 340,382	$ 17,033,960

The fair value schedule above does not include certificates of deposit. Certificates of deposit are excluded from fair value measurements as they do not meet the definition of an equity security.

The table below summarizes the Organization's assets measured at fair value at September 30, 2019 on a recurring basis:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 448,073			$ 448,073
Mutual and exchange traded funds	4,453,014			4,453,014
Fixed income:				
U.S. Treasury notes and bonds	4,826,865			4,826,865
Municipal bonds	3,137,979			3,137,979
Mortgage pools, collateralized mortgage obligation and asset backed securities	1,578,902			1,578,902
Privately held stock:				
Investment in limited liability companies			$ 16,613	16,613
Federal Home Loan Bank Stock			271,300	271,300
	14,444,833		287,913	14,732,746
Funds held in trust:				
Money market funds (Note 3)	1,595,375			1,595,375
Total assets held at fair market value	$ 16,040,208		$ 287,913	$ 16,328,121

The fair value schedule above does not include certificates of deposit. Certificates of deposit are excluded from fair value measurements as they do not meet the definition of an equity security.

Note 6 - Loans Receivable, Net of Allowances:

Loans receivable at September 30, are summarized as follows:

	2020	2019
Affordable/supportive housing	$ 16,882,974	$ 16,356,610
Community facilities	31,751,974	36,621,250
Food financing	13,231,825	7,933,549
California Fisheries Fund	2,710,736	2,778,347
Economic development	4,780,970	2,947,321
Total loans receivable	69,358,479	66,637,077
Less allowance for loan losses	(6,984,505)	(4,918,305)
	62,373,974	61,718,772
Less current portion, net of allowance for loan losses	(13,168,046)	(7,589,024)
Long-term portion, net of allowance for loan losses	$ 49,205,928	$ 54,129,748

At September 30, 2020, loans receivables, net of allowance for loan losses, consist of secured and unsecured notes with interest rates ranging from 0% to 7%.

Annual maturities of notes receivable are as follows:

Year ending September 30,	
2021	$ 14,040,224
2022	5,549,987
2023	7,015,240
2024	8,198,147
2025	6,889,886
Thereafter	27,664,995
	$ 69,358,479

Loan Origination/Risk Management

The Organization has certain lending policies and procedures in place designed to provide financing capital within an acceptable level of risk. Management reviews these policies and procedures on a regular basis. The Board of Directors and the Loan Committee approve any changes to these policies. A reporting system supplements the review process by providing management and board members with frequent reports related to loan quality, concentrations of credit, loan delinquencies, and non-performing and potential problem loans. Diversification in the loan portfolio is a means of managing risk associated with fluctuations in economic conditions.

Age Analysis of Past Due Loans

The following table represents an aging of loans as of September 30, respectively:

	2020	2019
90 plus days past due and still accruing	$ 2,750,871	$ 25,000
Non-accrual		313,654
Total past due	2,750,871	338,654
COVID-19 deferrals	2,483,735	
Current	64,123,873	66,298,423
Total loans	$ 69,358,479	$ 66,637,077

COVID-19 Deferrals

In March of 2020, the Organization contacted all borrowers and accepted applications for COVID-19 deferrals. Approximately 14% of borrowers requested deferrals on approximately $6,500,000 in outstanding debt. Three borrowers, 4% with approximately $2,484,000 of outstanding debt remained under the program through year end and one borrower resumed making payments on three loans as of November 1, 2020.

Credit Quality

As part of the on-going monitoring of the credit quality of the Organization's portfolio, management classifies loans into risk categories based on relevant information about the ability of borrowers to service their debt and comply with various terms of their loan agreements. The Organization considers current financial information, historical payment experience, collateral value, credit documentation, public information and current economic trends. Loans are reviewed quarterly and more frequently if necessary in order to monitor and adjust, if necessary, the loan's risk profile.

The following definitions summarize the basis for each classification:

Strong/Acceptable – The loan is adequately protected by the current worth and paying capacity of the borrower (or guarantors, if any) or by the fair value, less cost to acquire and sell, of any collateral in a timely manner.

Watch – A loan that has potential weaknesses and requires closer monitoring by management. If left uncorrected, performance may result in deterioration of the repayment prospects for the loan or in the Organization's credit position at some future date. Watch loans are not adversely classified and do not expose the Organization to sufficient risk to warrant adverse classification.

Substandard – A loan with definite weaknesses that puts repayment at risk. These loans may be inadequately protected by the current sound worth and paying capacity of the borrower or of the collateral pledged. These loans are characterized by the possibility that the Organization will sustain some loss of principal and/or interest if the risks are not addressed.

Doubtful – A loan that has weaknesses similar to the substandard category with the added risk that the weaknesses make collection in full, on the basis of currently known facts, conditions and values, highly questionable and improbable. The possibility of loss is extremely likely, but it is not identified presently due to pending factors.

The following table summarizes the loan portfolio and the internally assigned credit quality ratings for those categories at September 30,

	2020	2019
Strong/acceptable	$ 63,119,363	$ 64,005,930
Watch	6,239,116	2,631,147
Total loans	$ 69,358,479	$ 66,637,077

Allowance for Loan Losses

Changes in the allowance for loan losses for the year ended September 30, are as follows:

	2020	2019
Beginning balance	$ 4,918,305	$ 4,132,854
Provision for loan losses	2,066,200	785,451
Ending balance	$ 6,984,505	$ 4,918,305

During the year ended September 30, 2020 and 2019 there were no charge-offs or recoveries.

Troubled Debt Restructures

A troubled debt restructure is a loan where the Organization granted a concession that would not otherwise have been considered but for the borrower's financial difficulties. Once a loan is modified as a troubled debt restructure it remains in that category until such time as it is repaid or charged-off.

During the years ended September 30, 2020 and 2019, the Organization restructured $384,446 and $1,879,046, respectively, in troubled debt. As of September 30, 2020 and 2019, the balance of all loans restructured during or prior to fiscal years 2020 and 2019 was $627,657 and $2,137,826, respectively.

During 2020 and 2019, the Organization received $1,510,169 and $204,512, respectively, in repayment on loans that had been restructured in the current or a prior fiscal year.

Commitments to Extend Credit

In the normal course of business, to meet the financing needs of its borrowers, the Organization is a party to commitments to extend credit. Those instruments involve, to varying degrees, elements of credit, liquidity and interest rate risk in excess of the amount recognized in the accompanying statement of financial position. The Organization uses the same credit policies in making commitments to extend credit as it does for extension of credits reflected on the statement of financial position. The Organization's exposure to credit loss in the event of nonperformance by the other party for commitments to extend credit is represented by the contractual amount of those instruments. Commitments to extend credit include new loan commitments, line of credit and construction loan agreements to lend to a borrower as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses. Since some of the commitments may expire without being fully drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

At September 30, 2020 and 2019, the Organization had a total of $11,458,883 and $10,516,291, respectively, in loan commitments that had not yet been disbursed. These undisbursed loan commitments included 21 revolving lines of credit with a total undrawn balance of $4,394,077 for 2020 and $5,874,613 for 2019. It also included 24 pre-development, acquisition, construction or equipment loans (or interest reserves related thereto) totaling $7,064,806 for 2020 and $4,641,678 for 2019. See Note 4.

The Organization evaluates each borrower's creditworthiness on a case-by-case basis. The amount of collateral obtained, if any, is based on management's credit evaluation of the borrower.

Note 7 - Notes Payable:

Notes payable at September 30, 2020 and 2019, are as follows:

	2020	2019
Public and private foundations	$ 13,480,271	$ 7,135,042
Health system organizations	3,480,982	3,200,000
Financial institutions	25,775,000	23,025,000
Other organizations	3,166,397	6,953,036
Religious organizations	2,327,020	2,476,000
Individuals and trusts	11,147,550	9,925,980
Federal Home Loan Bank San Francisco 100% secured by US Treasury notes	2,396,545	
	61,773,765	52,715,058
Paycheck Protection Program	947,392	
	62,721,157	52,715,058
Less current portion	(9,451,828)	(7,343,312)
Notes payable, net of current portion	$ 53,269,329	$ 45,371,746

The Notes Payable balance includes subordinated promissory notes with a rolling term (maturity) feature that lenders are classifying as Equity Equivalent Investments (EQ2). If the EQ2 notes continue to comply with the requirements as described in their respective agreements, the notes will retain the rolling term feature ranging from two to five years beyond their original maturity dates. The notes bear interest from 0% to 3% per annum, and are unsecured and subordinate to all other liabilities. As of September 30, 2020 and 2019, the Organization had a total of $9,000,000 and $9,750,000, respectively, of subordinated promissory notes.

The Organization received loan proceeds in the amount of $947,392 with a maturity date of April 14, 2022 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest may be forgivable as long as the Organization uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll and other personnel related levels. The amount of loan forgiveness will be reduced if certain requirements are not met. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments until a decision is provided by the Small Business Administration as to what amount of the loan is forgiven. The Organization intends to use the proceeds for purposes consistent with the PPP. The Organization believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan and it will complete the application process for forgiveness during fiscal year ending September 30, 2021.

Annual maturities of notes payable are as follows:

Year ending September 30,	
2021	$ 9,451,828
2022	9,338,764
2023	7,238,810
2024	9,894,970
2025	4,210,710
Thereafter	21,638,683
	$ 61,773,765

Certain loan agreements contain restrictive financial covenants that require, among other things, maintenance of minimum amounts and ratios of liquidity, net assets, net income, delinquent loans and loss reserves. There are also various reporting requirements. As of September 30, 2020 and 2019, the Organization was in compliance with all financial covenants to which it was subject.

At September 30, 2020 and 2019, the Organization had a total of $0 and $4,000,000, respectively, of available and committed funds for the general loan pool that had not yet been borrowed. The Organization also had a total of $3,346,747 for 2020 and $4,112,958 for 2019 in additional funds available for Credit Enhancement 1, LLC.

Note 8 - Lease Commitment:

The Organization leases its office facilities under a non-cancellable operating lease, which expires on November 30, 2020. In July 2020, the Organization executed an amendment to its office lease which revised the lease executed on November 29, 2019. The lease term ends November 30, 2023. The following represents the future estimated minimum lease payments:

Year ending September 30,	
2021	$ 318,000
2022	297,000
2023	306,000
2024	51,000
	$ 972,000

Rental expense for the years ended September 30, 2020 and 2019, amounted to $455,938 and $383,035, respectively.

Note 9 - Net Assets With Donor Restrictions:

Net assets with donor restrictions at September 30, 2020 were available for the following purposes:

	2020	2019
Consulting	$ 1,156,240	$ 678,500
Lending	283,450	260,000
Strategic Initiatives	143,000	241,992
	$ 1,582,690	$ 1,180,492

Net assets were released from donor restrictions by incurring expenditures satisfying the net assets with donor restriction purposes, or by occurrences of other events specified by donors, as follows:

	2020	2019
Consulting	$ 442,259	$ 393,250
Lending	196,542	39,000
Strategic Initiatives	71,000	185,847
	$ 709,801	$ 618,097

Note 10 - Availability of Financial Assets and Liquidity:

The Organization's financial assets available within one year for general expenditures are as follows:

Financial assets at September 30,	2020	2019
Cash and cash equivalents	$ 17,602,375	$ 9,588,609
Contributions receivable	820,667	568,333
Accrued interest and other receivables	875,337	791,106
Investments	15,869,072	15,212,854
Funds held in trust	1,388,454	1,595,375
Loans receivable (net of reserves)	62,373,974	61,718,772
Program related investments – notes receivable	178,706	475,644
Total financial assets	99,108,585	89,950,693
Less amounts not available to be used within one year:		
Funds held in trust	(1,388,454)	(1,595,375)
Restricted cash for Ocean Protection Council and CE1	(727,414)	(611,619)
Loan and notes receivable – long-term	(49,205,928)	(54,129,748)
Program related investments – long-term notes receivable	(178,706)	(475,644)
Illiquid investments	(340,382)	(287,913)
Net assets with purpose and time restrictions	(1,582,690)	(1,180,492)
Deferred revenue – cash received in advance	(1,953,666)	(2,018,752)
Board designated – operating reserve	(5,225,000)	(5,225,000)
Board designated – lending reserve	(1,000,000)	(1,000,000)
Add net assets with purpose restrictions to be met in less than a year:		
Net assets with purpose and time restrictions	1,222,690	675,492
CDFI Fund Awards restricted for particular loans	1,279,667	1,477,086
Conditional grants	27,690	1,080,000
	(59,072,193)	(63,291,965)
Financial assets available to meet cash needs for general expenditures and loan commitments within one year	$ 40,036,392	$ 26,658,728

Operating Liquidity

The Organization strives to maintain financial assets to meet 180 days of operating expenses (approximately $4,725,000). As part of its liquidity plan, excess cash is invested in short-term investments, including, government credit, money market accounts and certificates of deposit. Certain financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the date of the financial statements. There are also net assets without donor restrictions designated as an operating reserve by the Board of Directors, which could be undesignated by the Board of Directors and made available for general operations as needed.

Loan Fund Liquidity

The Organization fulfills loan commitments through repayments on current loans receivable and by deploying cash and cash equivalents as well as investments already dedicated to the Loan Fund (see Note 4). Accordingly, available cash and cash equivalents and investments are included in these liquidity calculations. The Organization also has special purpose funds for qualifying loans. Those funds are included as available in the liquidity calculation above as the Organization expects to make loans that fulfill those requirements in the coming year. In addition, the Organization manages loan fund liquidity by accessing undrawn credit facilities for lending when available (see Note 7) and membership in the Federal Home Loan Bank of San Francisco.

Community Vision also has net assets without donor restrictions designated as a lending reserve by the Board of Directors; these could be undesignated by the Board of Directors and made available for other purposes as needed.

Note 11 - Retirement Plan:

The Organization's employees participate in a 403(b) defined contribution plan (the "Plan"). Employees are eligible to contribute to the Plan on their dates of hire. The Organization's contributions, which cover employees who complete six months of service, are discretionary. Employees' contributions are fully vested at all times, whereas the Organization's contributions vest in three years. The Organization contributed $232,413 and $200,468 for the years ended September 30, 2020 and 2019, respectively.

Note 12 - Related Party Transactions:

The Organization operates a revolving loan fund that provides socially motivated investors with an opportunity to be part of the Organization's mission of financing affordable housing, community facilities, food enterprises, and vital human services. Qualified institutions and individuals invest in the form of fixed rate loans. The Organization aggregates these loans into a capital pool which the Organization uses to finance appropriate community and economic development projects.

Several members of the Board of Directors chose to support the Organization's mission by lending money to the Organization's capital pool. In additional several board members are affiliated with institutions that invest in the Organization's revolving loan pool. These loans are included in notes payable on the accompanying financial statements. These loans were accepted on terms that conform to the Organization's standard policies for accepting loans into the investment pool.

The total outstanding loans that were provided by Board members and institutions with which they are affiliated are $6,520,000 and $7,503,000 as of September 30, 2020 and 2019, respectively.

The loans extended by the Organization from the capital pool to finance appropriate community and economic development projects include loans to organizations that have connections with the members of the Board of Directors. These loans were made on terms that conform to the Organization's standard lending policies.

The total outstanding loans that were made to organizations with which board members or advisory board members are affiliated are $0 and $1,993,689 as of September 30, 2020 and 2019, respectively.

Such transactions are subject to the Organization's conflict of interest policy and each loan received or made by the Organization is reviewed in advance for any potential conflict of interest or legal issues. As such, Board members are required to disclose potential conflicts of interest annually and throughout the year as circumstances change. Board members are also required to recuse themselves from voting on transactions on which they may be potentially conflicted.

Note 13 - New Markets Tax Credit Fees:

As of September 30, 2020 and 2019, the Organization had received New Market Tax Credit Program (Program) allocations totaling $218,000,000 and $218,000,000 (accumulatively), respectively. The Program is administered by the Community Development Financial Institutions (CDFI) Fund pursuant to Section 45D of the Internal Revenue Code. In accordance with the terms of the Program, the Organization formed 26 for-profit community development entities (collectively the CDE LLCs), 24 of which had been activated as of September 30, 2020 and 2019 and five of which were subsequently dissolved as individual transactions reached the end of their respective compliance periods.

Active CDEs as of September 30, 2020:

NCCLF NMTC Sub-CDE VI, LLC
NCCLF NMTC Sub-CDE VII, LLC
NCCLF NMTC Sub-CDE VIII, LLC
NCCLF NMTC Sub-CDE IX, LLC
NCCLF NMTC Sub-CDE X, LLC
NCCLF NMTC Sub-CDE XI, LLC
NCCLF NMTC Sub-CDE XII, LLC
NCCLF NMTC Sub-CDE 13, LLC
NCCLF NMTC Sub-CDE 14, LLC
NCCLF NMTC Sub-CDE 15, LLC
NCCLF NMTC Sub-CDE 16, LLC
NCCLF NMTC Sub-CDE 17, LLC
NCCLF NMTC Sub-CDE 18, LLC
NCCLF NMTC Sub-CDE 19, LLC
NCCLF NMTC Sub-CDE 20, LLC
NCCLF NMTC Sub-CDE 21, LLC
NCCLF NMTC Sub-CDE 22, LLC
NCCLF NMTC Sub-CDE 23, LLC
NCCLF NMTC Sub-CDE 24, LLC

NCCLF NMTC Sub-CDE 25, LLC through NCCLF NMTC Sub-CDE 26, LLC were formed for the NMTC allocations but had conducted no financial activity as of September 30, 2020 and 2019.

Additionally, NCCLF NMTC Sub-CDE, III, IV, and IV were dissolved during the years ended September 30, 2020 and 2019, and Community Vision NMTC Sub-CDE I and II were dissolved in prior years.

The CDE LLCs were formed as California limited liability companies in which the Loan Fund will serve as the managing member with a 0.01% interest and unrelated investor members as regular members with a 99.99% interest. The Organization does not consolidate these entities due to the rights granted to the investor members as defined in the respective operating agreements. The investor members' rights overcome the presumption of control of the managing member.

As of September 30, 2020 and 2019, the total amount of the Organization's aggregated investment in all the CDE LLCs was $17,582 and $16,513, respectively. The fiscal year end for all the CDE LLCs is December 31, and each company is subject to various compliance requirements such as annual audits or compilations once it has been activated. Below is a summary of the unaudited interim financial information for these companies for the interim 9-month periods ended September 30:

	2020	2019
Total Assets	$156,394,650	$145,628,085
Total Liabilities	$ 346,277	$ 285,788
Total Members' Equity	$156,048,373	$145,342,297
Total Revenue	$ 2,180,156	$ 2,001,354
Total Expenses	$ 1,088,230	$ 1,237,125
Total Net Income	$ 1,091,926	$ 764,229

The active CDE LLCs have made qualified low-income community investments (QLICIs) within the meaning of the NMTC programs and IRC Section 45D. The Loan Fund entered into agreements with the investor members who provided approximately $158,000,000 in cumulative qualified equity investments (QEIs) as of September 30, 2020 to make QLICIs from the active CDE LLCs. By making these QLICIs, the CDE LLCs enable investor members to claim approximately $61,620,000 of NMTC over a seven-year credit period. In connection with obtaining allocation, establishing the CDE LLCs, and making sub-allocation to the CDE LLCs, the Loan Fund earned upfront fees of $336,000 and $1,200,000, respectively as of September 30, 2020 and 2019, which are included as a component of New Markets Tax Credit fees in the accompanying statements of activities and changes in net assets.

Terms of the agreements with the investor members require the Loan Fund to maintain certain covenants to avoid recapture of NMTC and possible reimbursement of a portion of upfront fees it has received. At September 30, 2020 and 2019, the Loan Fund is in compliance with all covenants that would cause a recapture of NMTC and management expects to maintain compliance throughout the seven-year life of each NMTC.

Note 14 - Credit Enhancements & Loan Guarantees:

The Organization serves as the executive for the California FreshWorks program (FreshWorks), a healthy food financing initiative that provides investment to improve healthy food access in California's low-income communities. Deploying capital via a network of lenders that have agreed to common mission guidelines and target geographies, FreshWorks provides credit enhancement in the form of loan participations and loan guarantees for eligible projects.

The Organization holds loan participations in its wholly owned subsidiary, Credit Enhancement 1, LLC. FreshWorks participations can fund up to a maximum of $750,000 or 25% of a loan principal balance for eligible projects at reduced interest rates. These participations are in a first loss position with regard to the full loan balance. Capital for the participations is provided by various foundations and one hospital system in an aggregate amount of $5,500,000. In addition, one foundation has provided a $350,000 grant commitment that serves as a loss reserve for the participation program.

A network lender can also apply for a loan guarantee for an eligible project for up to a maximum amount of $500,000 or 25% or the loan principal balance. These guarantees are administered by the Organization. Capital for the guarantees has been pledged by the Organization and The California Endowment in aggregate amounts limited to $500,000 and $1,750,000 respectively. In addition, The California Endowment has provided a $250,000 grant commitment that serves as a loss reserve for the loan guarantee program. Should a guarantee be called upon after the loss reserve grant is exhausted the pro-rata shares of the amount to be funded by the Organization and The California Endowment are 22.22% and 77.78% respectively.

To date the Organization has provided three loan guarantees to network lenders for a loan to a not-for-profit organization. As of September 30, 2020 and 2019, the outstanding guaranteed amount was $66,667 and $0, respectively. The Organization considers the guarantee to be part of its program activities. The loss reserve grant commitment noted above provides a reserve for this guarantee and the Organization does not consider an additional reserve necessary as of September 30, 2020 and 2019.

Note 15 - Pandemic & Market Volatility:

On March 11, 2020, the World Health Organization publicly characterized COVID-19 as a pandemic. States of emergency have been declared in many federal, state and local jurisdictions and shelter in place orders have been instituted in many cities and states, including California, which impacts general business operations in most industries and sectors. Given the substantial interruptions in financial markets, employment, and the economy as a whole, the potential longer-term financial effects cannot be reasonably estimated at this time.

These circumstances may have adverse effects on the Organization’s operations, borrower portfolio and investment portfolio. The Organization’s management, Board of Directors, loan and finance committees are closely monitoring the performance of the Organization’s loan and investment portfolios, to ensure the Organization’s ability to meet its operating needs.

During the fiscal year ended September 30, 2020, the Organization’s management carefully reviewed its balance sheet and portfolio outstanding, paying particular attention to portfolio quality, leverage, liquidity, and the adequacy of reserves. As a result of this analysis, the Organization increased loan loss reserves and bad debt expense.

Management and board also determined that program operations to support both new and existing borrowers and clients would be critical during this crisis. Accordingly, the Organization is maintaining an appropriate level of program staffing and resources for these purposes and does not expect a significant deviation in program work for the year ended September 30, 2021.

Community Vision Capital & Consulting

Consolidating Statement of Financial Position
(See Independent Auditors' Report)

September 30, 2020

	Community Vision	Credit Enhancement 1, LLC	Eliminations	Consolidated
Assets				
Current Assets:				
Cash and cash equivalents (Note 4)	$ 17,482,742	$ 119,633		$ 17,602,375
Contributions receivable	820,667			820,667
Accrued interest and other receivables, net	624,560	250,777		875,337
Prepaid expenses and other assets	203,446			203,446
Investments (Note 4)	15,869,072			15,869,072
Funds held in trust (Note 3)	1,388,454			1,388,454
Loans receivable - current portion, net of allowance for loan loss (Note 6)	13,168,046			13,168,046
Total current assets	49,556,987	370,410		49,927,397
Loans Receivable - long-term portion, net of allowance for loan loss (Note 6)	47,551,382	1,821,995	$ (167,449)	49,205,928
Program Related Investments - net of allowance (Note 2)	178,706			178,706
Deposits	33,247			33,247
Fixed Assets, net	99,902			99,902
Total assets	$ 97,420,224	$ 2,192,405	$ (167,449)	$ 99,445,180
Liabilities and Net Assets				
Current Liabilities:				
Accounts payable and accrued expenses	$ 930,630	$ 5,305		$ 935,935
Accrued interest payable	395,142	4,397	$ (562)	398,977
Deferred revenue and other liabilities	3,717,148	350,000		4,067,148
Funds held in trust (Note 3)	1,388,454			1,388,454
Notes payable - current portion (Note 7)	9,451,828			9,451,828
Total current liabilities	15,883,202	359,702	(562)	16,242,342
Notes Payable, net of current portion (Note 7)	51,616,076	1,820,140	(166,887)	53,269,329
Total liabilities	67,499,278	2,179,842	(167,449)	69,511,671
Net Assets:				
Without donor restrictions:				
Board designated (Note 2)	6,225,000			6,225,000
Undesignated	22,113,256	12,563		22,125,819
Total without donor restrictions	28,338,256	12,563	-	28,350,819
With donor restrictions (Note 9)	1,582,690			1,582,690
Total net assets	29,920,946	12,563	-	29,933,509
Total liabilities and net assets	$ 97,420,224	$ 2,192,405	$ (167,449)	$ 99,445,180

Community Vision Capital & Consulting

Consolidating Statement of Activities and Changes in Net Assets
(See Independent Auditors' Report)

Year Ended September 30, 2020

	Community Vision	Credit Enhancement 1, LLC	Eliminations	Consolidated
Revenue and Support:				
New market tax credit fees (Note 13)	$ 1,124,037			$ 1,124,037
Consulting and contract fees	868,380			868,380
Loan fees	362,398	$ 2,125		364,523
Grants and contributions	2,902,278			2,902,278
Government contract revenue	2,311,991			2,311,991
Special event income, net of direct expenses of $0				-
Interest income - notes receivable	3,778,180	30,337	$ (4,809)	3,803,708
Investment income, net (Note 4)	895,872			895,872
In-kind contributions	339,046			339,046
Total support and revenue	12,582,182	32,462	(4,809)	12,609,835
Expenses:				
Program services:				
Direct lending	6,665,132	24,221	(2,197)	6,687,156
New markets tax credits	331,155			331,155
Consulting and training	2,250,116			2,250,116
Strategic initiatives	1,207,368			1,207,368
Capitalization	401,695			401,695
				-
Total program services	10,855,466	24,221	(2,197)	10,877,490
Supporting services:				
Management and general	576,882			576,882
Fundraising	429,259			429,259
Total supporting services	1,006,141	-	-	1,006,141
Total expenses	11,861,607	24,221	(2,197)	11,883,631
Change in Net Assets	720,575	8,241	(2,612)	726,204
Net Assets, beginning of year	29,200,374	4,319	2,612	29,207,305
Net Assets, end of year	$ 29,920,949	$ 12,560	$ -	$ 29,933,509