

COMMUNITY VISION CAPITAL &
CONSULTING

SEPTEMBER 30, 2021 AND 2020

INDEPENDENT AUDITORS' REPORT,

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

Community Vision Capital & Consulting

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A Century Strong

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, 2021 and 2020, 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, 2021 and 2020, 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 35-36) 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, 2022

Community Vision Capital & Consulting

Consolidated Statement of Financial Position

September 30, 2021 and 2020

	2021			2020		
	General Fund	Loan Fund	Total	General Fund	Loan Fund	Total
Assets						
Current Assets:						
Cash and cash equivalents (Note 4)	\$ 2,334,219	\$ 23,856,078	\$ 26,190,297	\$ 2,424,267	\$ 15,178,108	\$ 17,602,375
Contributions receivable	948,333		948,333	820,667		820,667
Accrued interest and other receivables, net	664,642		664,642	875,337		875,337
Prepaid expenses and other assets	159,189	16,461	175,650	203,446		203,446
Investments (Note 4)	19,500,077	17,857,775	37,357,852	8,198,893	7,670,179	15,869,072
Funds held in trust (Note 3)	4,723,742		4,723,742	1,388,454		1,388,454
Loans receivable - current portion, net of allowance for loan loss (Note 6)		8,563,541	8,563,541		13,168,046	13,168,046
Total current assets	28,330,202	50,293,855	78,624,057	13,911,064	36,016,333	49,927,397
Loans Receivable - long-term portion, net of allowance for loan loss (Note 6)	1,852,446	37,690,314	39,542,760	1,821,995	47,383,933	49,205,928
Program Related Investments - notes receivable, net of allowance of (Note 2)	364,940		364,940	178,706		178,706
Deposits	26,294		26,294	33,247		33,247
Fixed Assets, net	87,732		87,732	99,902		99,902
Total assets	\$ 30,661,614	\$ 87,984,169	\$ 118,645,783	\$ 16,044,914	\$ 83,400,266	\$ 99,445,180
Liabilities and Net Assets						
Current Liabilities:						
Accounts payable and accrued expenses	\$ 1,283,557	\$ 5,000	\$ 1,288,557	\$ 935,935		\$ 935,935
Accrued interest payable	452,496	1,014	453,510	397,423	\$ 1,554	398,977
Deferred revenue and other liabilities	968,718	2,610,999	3,579,717	859,784	3,207,364	4,067,148
Funds held in trust (Note 3)	4,723,742		4,723,742	1,388,454		1,388,454
Notes payable - current portion (Note 7)		11,241,486	11,241,486		9,451,828	9,451,828
Total current liabilities	7,428,513	13,858,499	21,287,012	3,581,596	12,660,746	16,242,342
Notes Payable, net of current portion (Note 7)	2,804,610	53,312,693	56,117,303	2,600,645	50,668,684	53,269,329
Total liabilities	10,233,123	67,171,192	77,404,315	6,182,241	63,329,430	69,511,671
Net Assets:						
Without donor restrictions:						
Board designated (Note 2)	5,400,000	1,000,000	6,400,000	5,225,000	1,000,000	6,225,000
Undesignated	2,935,459	19,812,977	22,748,436	3,054,983	19,070,836	22,125,819
Total without donor restrictions	8,335,459	20,812,977	29,148,436	8,279,983	20,070,836	28,350,819
With donor restrictions (Note 9)	12,093,032		12,093,032	1,582,690		1,582,690
Total net assets	20,428,491	20,812,977	41,241,468	9,862,673	20,070,836	29,933,509
Total liabilities and net assets	\$ 30,661,614	\$ 87,984,169	\$ 118,645,783	\$ 16,044,914	\$ 83,400,266	\$ 99,445,180

See accompanying notes to consolidated financial statements.

Community Vision Capital & Consulting

Consolidated Statement of Activities and Changes in Net Assets

Years Ended September 30, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:						
New market tax credit fees (Note 13)	\$ 720,840		\$ 720,840	\$ 1,124,037		\$ 1,124,037
Consulting and contract fees	1,147,282		1,147,282	868,380		868,380
Loan fees	174,082		174,082	364,523		364,523
Grants and contributions	1,332,465	\$ 11,648,000	12,980,465	1,790,279	\$ 1,111,999	2,902,278
Government contract revenue	1,279,666		1,279,666	2,311,991		2,311,991
Interest income - notes receivable	3,798,277		3,798,277	3,803,708		3,803,708
Investment income, net (Note 4)	1,222,072		1,222,072	895,872		895,872
In-kind contributions	334,375		334,375	339,046		339,046
Net assets released from restrictions (Note 9)	1,137,658	(1,137,658)	-	709,801	(709,801)	-
Total support and revenue	11,146,717	10,510,342	21,657,059	12,207,637	402,198	12,609,835
Expenses:						
Program services:						
Direct lending	3,788,459		3,788,459	6,687,156		6,687,156
New markets tax credits	249,150		249,150	331,155		331,155
Consulting and training	2,193,274		2,193,274	2,250,116		2,250,116
Strategic initiatives	954,091		954,091	1,207,368		1,207,368
Capitalization	367,838		367,838	401,695		401,695
Total program services	7,552,812	-	7,552,812	10,877,490	-	10,877,490
Supporting services:						
Management and general	1,054,789		1,054,789	576,882		576,882
Fundraising	359,521		359,521	429,259		429,259
Total supporting services	1,414,310	-	1,414,310	1,006,141	-	1,006,141
Total expenses	8,967,122	-	8,967,122	11,883,631	-	11,883,631
Change in Net Assets before other changes	2,179,595	10,510,342	12,689,937	324,006	402,198	726,204
Other Changes:						
Net asset transfer (Note 15)	(1,381,978)		(1,381,978)			-
Total Change in Net Assets	797,617	10,510,342	11,307,959	324,006	402,198	726,204
Net Assets, beginning of year	28,350,819	1,582,690	29,933,509	28,026,813	1,180,492	29,207,305
Net Assets, end of year	\$ 29,148,436	\$ 12,093,032	\$ 41,241,468	\$ 28,350,819	\$ 1,582,690	\$ 29,933,509

See accompanying notes to consolidated financial statements.

Community Vision Capital & Consulting

Consolidated Statement of Functional Expenses

Year Ended September 30, 2021

	Program Services					Supporting Services			Total
	Direct Lending	New Markets Tax Credits	Consulting and Training	Strategic Initiatives	Capitalization	Program Services Total	Management and General	Fundraising	
Salaries and benefits	\$ 2,187,464	\$ 170,458	\$ 1,542,682	\$ 531,119	\$ 254,533	\$ 4,686,256	\$ 501,788	\$ 297,158	\$ 5,485,202
Interest	1,123,960					1,123,960			1,123,960
Consultants and legal	206,738	36,499	188,262	87,454	16,629	535,582	431,711	6,605	973,898
Office expenses	153,337	20,662	84,302	24,390	14,974	297,665	64,295	18,388	380,348
Rent	116,688	10,827	99,860	31,576	13,463	272,414	27,815	19,051	319,280
Travel, outreach, and other	160,949	3,821	84,510	222,392	9,070	480,742	11,480	6,207	498,429
Depreciation	17,995	1,670	15,229	4,769	2,076	41,739	4,308	2,939	48,986
Recovery of provision for loan losses	(351,045)			37,500		(313,545)			(313,545)
Bad debt expense	116,189					116,189			116,189
In-kind legal and technological services	56,184	5,213	178,429	14,891	57,093	311,810	13,392	9,173	334,375
Total expenses	\$ 3,788,459	\$ 249,150	\$ 2,193,274	\$ 954,091	\$ 367,838	\$ 7,552,812	\$ 1,054,789	\$ 359,521	\$ 8,967,122

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			Total
	Direct Lending	New Markets Tax Credits	Consulting and Training	Strategic Initiatives	Capitalization	Program Services Total	Management and General	Fundraising	
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
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 Cash Flows

<i>Years Ended September 30,</i>	2021	2020
Cash Flows from Operating Activities:		
Change in net assets	\$ 11,307,959	\$ 726,204
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	48,986	37,044
(Recovery) allowance for loan losses	(313,545)	2,666,202
Forgiveness of notes payable	(136,000)	
Realized and unrealized gain on investments	(665,284)	(498,418)
Changes in operating assets and liabilities:		
Contributions receivable	(127,666)	(252,334)
Accrued interest and other receivables	210,695	(84,232)
Prepaid expenses and deposits	34,749	9,724
Accounts payable and accrued expenses	352,622	19,679
Accrued interest payable	54,533	79,381
Deferred revenue and other liabilities	(487,431)	(1,423,456)
Net cash provided by operating activities	10,279,618	1,279,794
Cash Flows from Investing Activities:		
Purchases of investments	(20,825,587)	(6,236,432)
Proceeds from sale of investments	2,091	6,078,632
Loan disbursements to borrowers	(16,848,330)	(18,399,878)
Loan principal payments from borrowers	31,243,314	15,375,415
Acquisition of property and equipment	(36,816)	(89,863)
Net cash used in investing activities	(6,465,328)	(3,272,126)
Cash Flows from Financing Activities:		
Proceeds from notes payable	7,976,194	14,317,913
Repayments of notes payable	(3,202,562)	(5,259,207)
Proceeds from Paycheck Protection Program		947,392
Net cash provided by financing activities	4,773,632	10,006,098
Net Change in Cash and Cash Equivalents	8,587,922	8,013,766
Cash and Cash Equivalents, beginning of year	17,602,375	9,588,609
Cash and Cash Equivalents, end of year	\$ 26,190,297	\$ 17,602,375
Supplemental Cash Flow Information:		
Cash paid for interest during the year	\$ 1,031,118	\$ 843,776

See accompanying notes to consolidated financial statements.

Community Vision Capital & Consulting

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:

Programs

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 program offers technical assistance services to help community organizations develop real estate strategies and strengthen their financial management capacity. The program also with private foundations, local government agencies, and other third parties to manage a number of mission-aligned grant and loan programs.

Community Vision Capital & Consulting

Notes to Consolidated Financial Statements

Strategic Initiatives: The Organization undertakes key organization-wide strategic activities that advance 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 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 Northern and Central 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.

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

These are 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 \$4,900,000 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

These are the portion of net assets for 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.

Community Vision Capital & Consulting

Notes to Consolidated Financial Statements

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.

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 and are expected to be collected in fiscal year 2022. At September 30, 2021 and 2020, management determined that no allowance is 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 \$2,500,000 that have not been recognized as revenue at September 30, 2021 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 value, if they would have been purchased had they not been donated and require a specialized skill. The value of these services for 2021 and 2020 was \$334,375 and \$339,046, respectively.

Community Vision Capital & Consulting

Notes to Consolidated Financial Statements

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.

In 2020, cash and cash equivalents included \$607,781 of restricted cash, to be used in accordance with conditions of an agreement the Organization had with the California Ocean Protection Council. The balance was utilized during the current fiscal year.

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 and Other Receivables

Management's determination of the 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.

Community Vision Capital & Consulting

Notes to Consolidated Financial Statements

As part of its regular monitoring process, the Organization assigns a potential loss percentage to each loan. Due to continue economic uncertainty, for the years ended September 30, 2021 and September 30, 2020, it also added a blanket 1% loss reserve not tied to any particular loan. The loan loss reserve for the revolving loan fund was estimated at 12.57% and 10.34% as of September 30, 2021 and 2020, respectively. These percentages include the additional 1% discussed above. 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 receivables in fiscal year 2020 which is based upon a review of outstanding receivables, historical collection information, and existing economic uncertainty. The allowance for accrued interest and other receivables, net was as follows as of September 30:

	2021	2020
Accrued interest and other receivables	\$ 1,163,578	\$ 1,258,084
Allowance for uncollectible accounts	(498,936)	(382,747)
	<u>\$ 664,642</u>	<u>\$ 875,337</u>

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 advance 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, 2021 and 2020 total amounts outstanding under this program, net of allowance, were \$364,940 and \$178,706, respectively. As of September 30, 2021 and 2020 the Organization established loss reserves of \$616,908 and \$600,000 for these loans.

Community Vision Capital & Consulting

Notes to Consolidated Financial Statements

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. Certain investments are measured at cost. 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 - Unadjusted quoted market prices 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 estimated 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 2021 and 2020 was \$48,986 and \$37,044, 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.

Community Vision Capital & Consulting

Notes to Consolidated Financial Statements

l. Below Market Interest Rate Loans

U.S. GAAP requires 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.

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 May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606,) related to revenue recognition. The guidance sets forth a new five-step revenue recognition model which replaces the prior revenue recognition guidance in its entirety and is intended to eliminate numerous industry-specific revenue recognition guidance that has historically existed in U.S. GAAP. The amendments in the ASU were implemented effective September 1, 2020 and did not have a significant impact on the Organization's consolidated financial statements.

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Notes to 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 disclosure of 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 were implemented effective September 1, 2020 and did not have a significant impact on the Organization's consolidated financial statements.

Pronouncements Effective in the Future:

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 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 consolidated financial statements.

q. Subsequent Events

The Organization evaluated subsequent events from September 30, 2021 through January 19, 2022, 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, except as disclosed in Notes, 7, 13, and 16.

Note 3 - Funds Held in Trust:

The Organization receives and distributes assets under certain mission-aligned 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.

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Notes to Consolidated Financial Statements

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

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

	2021	2020
Funds held in trust, beginning of year	\$ 1,388,454	\$ 1,595,375
Grant funds received	6,571,763	3,795,286
Grants recovered		528
Grants disbursed	(3,237,454)	(3,602,372)
Program administration		(400,000)
Interest income	979	705
Undisbursed grants returned		(1,068)
Funds held in trust, end of year	\$ 4,723,742	\$ 1,388,454

Note 4 - Investments:

Investments consisted of the following at September 30:

	2021	2020
Cash and cash equivalents	\$ 4,831,250	\$ 263,064
Mutual and exchange traded funds	11,251,460	4,116,251
Fixed income	17,227,996	9,221,166
Mortgage pool, collateralized mortgage obligations, and asset backed securities	2,823,844	1,704,643
Privately-held stock	447,002	340,382
	36,581,552	15,645,506
Certificates of deposit	776,300	223,566
Total	\$ 37,357,852	\$ 15,869,072

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Notes to Consolidated Financial Statements

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.

Investment income, net consisted of the following for the years ended September 30:

	2021	2020
Interest and dividends from investments	\$ 586,940	\$ 422,853
Management fees	(30,152)	(25,399)
Net realized gain/(loss)	(87,867)	136,284
Net unrealized gain/(loss)	753,151	362,134
	<u>\$ 1,222,072</u>	<u>\$ 895,872</u>

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

	2021	2020
Undisbursed to closed loans (Note 6)	\$ 5,764,300	\$ 8,743,883
Committed loans (Note 6)	3,534,000	2,715,000
Liquidity reserves	3,000,000	3,000,000
Available for lending	<u>29,415,553</u>	<u>8,389,404</u>
	<u>\$ 41,713,853</u>	<u>\$ 22,848,287</u>
Cash and cash equivalents	\$ 23,856,078	\$ 15,178,108
Investments	<u>17,857,775</u>	<u>7,670,179</u>
	<u>\$ 41,713,853</u>	<u>\$ 22,848,287</u>

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Notes to Consolidated Financial Statements

Note 5 - Fair Value of Measurements:

The table below summarizes the Organization's assets measured at fair value on a recurring basis at September 30, 2021:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 4,831,250			\$ 4,831,250
Mutual and exchange-traded funds	11,251,460			11,251,460
Fixed income:				
U.S. Treasury notes and bonds	9,242,159			9,242,159
Municipal bonds	7,884,152			7,884,152
Corporate bonds		\$ 101,685		101,685
Mortgage pools, collateralized mortgage obligation and asset backed securities	2,823,844			2,823,844
Privately held stock:				
Investment in limited liability companies			\$ 11,002	11,002
Federal Home Loan Bank Stock			436,000	436,000
	36,032,865	101,685	447,002	36,581,552
Funds held in trust:				
Money market funds (Note 3)	4,723,742			4,723,742
	\$ 40,756,607	\$ 101,685	\$ 447,002	\$ 41,305,294

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.

Community Vision Capital & Consulting

Notes to Consolidated Financial Statements

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

	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
	\$ 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.

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Notes to Consolidated Financial Statements

Note 6 - Loans Receivable, Net of Allowances:

Loans receivable were as follows at September 30::

	2021	2020
Affordable/supportive housing	\$ 16,668,876	\$ 16,882,974
Community facilities	16,510,301	31,751,974
Food financing	16,086,987	13,231,825
California Fisheries Fund		2,710,736
Economic development	5,494,189	4,780,970
<hr/>		
Total loans receivable	54,760,353	69,358,479
Less allowance for loan losses	(6,654,052)	(6,984,505)
<hr/>		
	48,106,301	62,373,974
Less current portion, net of allowance for loan losses	(8,563,541)	(13,168,046)
<hr/>		
Long-term portion, net of allowance for loan losses	\$ 39,542,760	\$ 49,205,928

At September 30, 2021, loans receivables, net of allowance for loan losses, consisted of secured and unsecured notes with interest rates ranging from 3% to 7%.

Annual maturities of notes receivable are as follows:

Year ending	
September 30,	
2022	\$ 8,563,541
2023	4,140,945
2024	8,352,081
2025	6,440,326
2026	11,494,292
Thereafter	15,769,168
<hr/>	
	\$ 54,760,353

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Notes to Consolidated Financial Statements

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 Loan Committee recommends and the Board of Directors approves 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:

	2021	2020
30-59 days past due	\$ 3,886,841	
60-89 days past due	4,584,984	
90 plus days past due and still accruing	4,837,450	\$ 2,750,871
Total past due	13,309,275	2,750,871
COVID-19 deferrals	3,183,028	2,483,735
Current	38,268,050	64,123,873
Total loans	\$ 54,760,353	\$ 69,358,479

COVID-19 Deferrals

In March of 2020, the Organization contacted all borrowers and accepted applications for COVID-19 deferrals. Some of these applications came in during fiscal year 2021. Approximately 14% of borrowers requested deferrals on approximately \$7,500,000 in outstanding debt. As of September 30, 2021, three borrowers, representing approximately \$3,183,000 or 6% of outstanding debt, remained under the program and all other borrowers have resumed making payments on the deferred portion of their loans.

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Notes to Consolidated Financial Statements

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 at least quarterly and more frequently if necessary in order to monitor and adjust 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 at September 30:

	2021	2020
Strong/acceptable	\$ 47,944,104	\$ 63,119,363
Watch	6,816,249	6,239,116
Total loans	\$ 54,760,353	\$ 69,358,479

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Notes to Consolidated Financial Statements

Effective October 1, 2021, Community Vision implemented updates to its loan risk rating and risk classification systems to improve their accuracy and better align with industry best practices. The risk rating system has been updated from a three-factor matrix to 10 factors, with a heavy weighting on financial ratios for liquidity, leverage, and net income. In tandem with these improvements to the risk rating system, the Organization updated its risk classifications to voluntarily adopt the full set of interagency regulatory definitions for rating credit risk. The adoption of the risk classification system will result in changes to the format and groupings of loans in the Organization's credit quality reports going forward.

Allowance for Loan Losses

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

	2021	2020
Beginning balance	\$ 6,984,505	\$ 4,918,305
(Recovery) provision allowance for loan losses	(330,453)	2,066,200
Ending balance	\$ 6,654,052	\$ 6,984,505

During the years ended September 30, 2021 and 2020 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, 2021 and 2020, the Organization restructured \$1,767,058 and \$1,984,446, respectively, in troubled debt. As of September 30, 2021 and 2020, the balance of all loans restructured during or prior to fiscal years 2021 and 2020 was \$3,062,979 and \$2,057,663, respectively.

During 2021 and 2020, the Organization received \$761,742 and \$2,038,724 respectively, in repayment on loans that had been restructured in the current or a prior fiscal year.

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Notes to Consolidated Financial Statements

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, 2021 and 2020, the Organization had a total of \$9,298,300 and \$11,458,883, respectively, in loan commitments that had not yet been disbursed. These undisbursed loan commitments included 20 revolving lines of credit with total undrawn balances of \$4,045,424 for 2021 and \$4,394,077 for 2020. It also included 19 pre-development, acquisition, construction or equipment loans (or interest reserves related thereto) totaling \$5,252,776 for 2021 and \$7,464,806 for 2020. 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.

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Notes to Consolidated Financial Statements

Note 7 - Notes Payable:

Notes payable were as follows at September 30:

	2021	2020
Public and private foundations	\$ 14,583,970	\$ 13,480,271
Health system organizations	3,471,879	3,480,982
Financial institutions	24,525,000	25,775,000
Other organizations	3,786,767	3,166,397
Religious organizations	2,703,063	2,327,020
Individuals and trusts	15,340,718	11,147,550
Federal Home Loan Bank San Francisco 100% secured by US Treasury notes	2,000,000	2,396,545
	66,411,397	61,773,765
Paycheck Protection Program	947,392	947,392
	67,358,789	62,721,157
Less current portion	(11,241,486)	(9,451,828)
Notes payable, net of current portion	\$ 56,117,303	\$ 53,269,329

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 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, 2021 and 2020, the Organization had a total of \$9,750,000 and \$9,000,000, 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 the forgiven amount of the loan. The Organization submitted the application for forgiveness on January 2021; subsequent to year end the SBA denied forgiveness of the loan and the Organization is in the process of appealing the decision. Loan payments are currently on deferment until the appeal process is completed.

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Notes to Consolidated Financial Statements

Annual maturities of notes payable are as follows:

Year ending	
September 30,	
2022	\$ 11,241,486
2023	12,415,909
2024	11,690,718
2025	3,532,005
2026	2,771,858
Thereafter	24,759,421
	<hr/>
	\$ 66,411,397

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, 2021 and 2020, the Organization was in compliance with all financial covenants to which it was subject.

At September 30, 2021 and 2020, the Organization had a total of \$2,000,000 and \$0, respectively, of available and committed funds for the general loan pool that had not yet been borrowed. The Organization also had a total of \$0 for 2021 and \$3,346,747 for 2020 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,	
2022	\$ 296,000
2023	306,000
2024	51,000
	<hr/>
	\$ 603,000

Rental expense for the years ended September 30, 2021 and 2020, amounted to \$319,280 and \$455,938, respectively.

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Notes to Consolidated Financial Statements

Note 9 - Net Assets With Donor Restrictions:

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

	2021	2020
Consulting	\$ 619,540	\$ 1,156,240
Lending	455,492	283,450
Strategic Initiatives	18,000	143,000
General Operations – time restrictions	11,000,000	
	<hr/>	<hr/>
	\$ 12,093,032	\$ 1,582,690

Net assets are released from donor restrictions by incurring expenditures satisfying the net assets with donor restriction purposes, or by occurrences of other events specified by donors. For the years ended September 30, net assets released from donor restrictions were as follows:

	2021	2020
Consulting	\$ 774,700	\$ 442,259
Lending	237,958	196,542
Strategic Initiatives	125,000	71,000
	<hr/>	<hr/>
	\$ 1,137,658	\$ 709,801

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Notes to Consolidated Financial Statements

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,	2021	2020
Cash and cash equivalents	\$ 26,190,297	\$ 17,602,375
Contributions receivable	948,333	820,667
Accrued interest and other receivables	664,642	875,337
Investments	37,357,852	15,869,072
Funds held in trust	4,723,742	1,388,454
Loans receivable (net of reserves)	48,106,301	62,373,974
Program related investments (net of reserves)	364,940	178,706
Total financial assets	118,356,107	99,108,585
Less amounts not available to be used within one year:		
Funds held in trust	(4,723,742)	(1,388,454)
Restricted cash for Ocean Protection Council		(607,781)
Restricted cash for CE1	(502,404)	(119,633)
Loan and notes receivable – long-term, net of reserves	(39,542,760)	(49,205,928)
Program related investments – long-term, net of reserves	(364,940)	(178,706)
Illiquid investments	(447,002)	(340,382)
Net assets with purpose and time restrictions	(12,093,032)	(1,582,690)
Deferred revenue – cash received in advance	(3,410,306)	(1,953,666)
Board designated	(5,400,000)	(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 one year:		
Net assets with purpose and time restrictions	6,043,032	1,222,690
CDFI Fund Awards restricted for specific loans	1,651,000	1,279,667
Conditional grants and deferred revenue	177,507	27,690
	(59,612,647)	(59,072,193)
Financial assets available to meet cash needs for general expenditures and loan commitments within one year	\$ 58,743,460	\$ 40,036,392

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Notes to Consolidated Financial Statements

Operating Liquidity

The Organization strives to maintain financial assets to meet 180 days of operating expenses (approximately \$5,400,000). 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 \$231,980 and \$232,413 for the years ended September 30, 2021 and 2020, 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.

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Notes to Consolidated Financial Statements

Several members of the Board of Directors chose to support the Organization's mission by lending money to the Organization's capital pool. In addition, 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 totaled \$3,770,000 and \$6,520,000 as of September 30, 2021 and 2020, 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 were \$3,000,000 and \$0 as of September 30, 2021 and 2020, 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 for which they may have such a conflict.

Note 13 - New Markets Tax Credit Fees:

As of September 30, 2021 and 2020, the Organization had received New Market Tax Credit Program (Program) allocations totaling \$218,000,000 and \$218,000,000 (cumulatively), 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, 2021 and 2020 and nine of which were subsequently dissolved as individual transactions reached the end of their respective compliance periods.

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Notes to Consolidated Financial Statements

Active CDEs as of September 30, 2021:

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, 2021 and 2020.

Additionally, NCCLF NMTC Sub-CDE V, VI, VII, & VIII were dissolved during the years ended September 30, 2021 and 2020, and Community Vision NMTC Sub-CDE I, II, III, & IV 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, 2021 and 2020, the total amount of the Organization's aggregated investment in all the CDE LLCs was \$11,002 and \$17,582, 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 nine-month periods ended September 30:

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Notes to Consolidated Financial Statements

	2021	2020
Total Assets	\$136,399,683	\$156,394,650
Total Liabilities	\$ 322,322	\$ 346,277
Total Members' Equity	\$136,077,361	\$156,048,373
Total Revenue	\$ 1,863,916	\$ 2,180,156
Total Expenses	\$ 957,280	\$ 1,088,230
Total Net Income	\$ 906,636	\$ 1,091,926

The active CDE LLCs have made qualified low-income community investments (QLICs) within the meaning of the NMTC programs and IRC Section 45D. The Loan Fund entered into agreements with the investor members who provided approximately \$138,000,000 in cumulative qualified equity investments (QEIs) as of September 30, 2021 to make QLICs from the active CDE LLCs. By making these QLICs, the CDE LLCs enable investor members to claim approximately \$53,820,000 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 \$0 and \$336,000, respectively as of September 30, 2021 and 2020, 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, 2021 and 2020, 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. In addition, one foundation has provided a \$350,000 grant commitment that serves as a loss reserve for the participation program. As of September 30, 2021, no additional participation loans will be funded under this program; however, the current participations will be retained until maturity.

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Notes to Consolidated Financial Statements

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, 2021 and 2020, the outstanding guaranteed amount was \$0 and \$66,667, 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 reserves necessary as of September 30, 2021 and 2020.

Note 15 - Transfer of Net Assets:

In 2021 the Organization entered into a Loan Purchase Agreement transferring net assets of \$1,381,978 that included performing loans and cash balances to California FarmLink. On September 27, 2021, Community Vision transferred the California Fisheries Fund to California FarmLink, a nonprofit CDFI which has its own program of technical assistance and microloans for fishermen and women.

Note 16 - Global Pandemic:

On March 11, 2020, the World Health Organization publicly characterized COVID-19 as a pandemic. States of emergency were declared in many federal, state and local jurisdictions. Shelter-in-place orders were instituted in many cities and states, including California, which has impacted general business operations in many 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.

During the fiscal year ended September 30, 2021, 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 adjusted loan loss reserves and bad debt expense.

Management and the Board also determined that program operations to support both new and existing borrowers and clients would be critical during this crisis and its ongoing, unequally distributed, economic effects. Accordingly, the Organization is increasing program staffing and resources and expects to continue to build capacity for this work in the fiscal year 2022 and beyond.

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Notes to Consolidated Financial Statements

During the final quarter of the fiscal year, the Organization received early repayments from many of its better performing borrowers. In most cases, these repayments were funded by grants or by less expensive capital from other sources. While the dollar amount of loans on the watch list did not change significantly from the prior year, the percentage of those loans is higher due to the smaller portfolio size. The organization adjusted its loan loss reserves accordingly and is actively working with to develop mutually satisfactory outcomes for borrowers experiencing ongoing challenges.

As of January 12, 2022, the Organization has redeployed approximately \$7,000,000 to new loans. The Organization is continuing business development activities, has a robust pipeline, and expects to increase its deployment of lending capital significantly by the end of September 30, 2022.

Community Vision Capital & Consulting

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

September 30, 2021

	<u>Community Vision</u>	<u>Credit Enhancement 1, LLC</u>	<u>Eliminations</u>	<u>Consolidated</u>
Assets				
Current Assets:				
Cash and cash equivalents (Note 4)	\$ 25,687,893	\$ 502,404		\$ 26,190,297
Contributions receivable	948,333			948,333
Accrued interest and other receivables, net	616,834	47,808		664,642
Prepaid expenses and other assets	175,650			175,650
Investments (Note 4)	37,357,852			37,357,852
Funds held in trust (Note 3)	4,723,742			4,723,742
Loans receivable - current portion, net of allowance for loan loss (Note 6)	8,563,541			8,563,541
Total current assets	78,073,845	550,212	\$ -	78,624,057
Loans Receivable - long-term portion, net of allowance for loan loss (Note 6)	37,861,559	1,852,446	(171,245)	39,542,760
Program Related Investments - net of allowance (Note 2)	364,940			364,940
Deposits	26,294			26,294
Fixed Assets, net	87,732			87,732
Total assets	\$ 116,414,370	\$ 2,402,658	\$ (171,245)	\$ 118,645,783
Liabilities and Net Assets				
Current Liabilities:				
Accounts payable and accrued expenses	\$ 1,284,443	\$ 4,114		\$ 1,288,557
Accrued interest payable	453,510			453,510
Deferred revenue and other liabilities	3,229,717	350,000		3,579,717
Funds held in trust (Note 3)	4,723,742			4,723,742
Notes payable - current portion (Note 7)	11,241,486			11,241,486
Total current liabilities	20,932,898	354,114	\$ -	21,287,012
Notes Payable , net of current portion (Note 7)	54,260,085	2,028,463	(171,245)	56,117,303
Total liabilities	75,192,983	2,382,577	(171,245)	77,404,315
Net Assets:				
Without donor restrictions:				
Board designated (Note 2)	6,400,000			6,400,000
Undesignated	22,728,355	20,081		22,748,436
Total without donor restrictions	29,128,355	20,081	-	29,148,436
With donor restrictions (Note 9)	12,093,032			12,093,032
Total net assets	41,221,387	20,081	-	41,241,468
Total liabilities and net assets	\$ 116,414,370	\$ 2,402,658	\$ (171,245)	\$ 118,645,783

Community Vision Capital & Consulting

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

Year Ended September 30, 2021

	Community Vision	Credit Enhancement 1, LLC	Eliminations	Consolidated
Revenue and Support:				
New market tax credit fees (Note 13)	\$ 720,840			\$ 720,840
Consulting and contract fees	1,146,760	\$ 522		1,147,282
Loan fees	174,082			174,082
Grants and contributions	12,980,465			12,980,465
Government contract revenue	1,279,666			1,279,666
Interest income - notes receivable	3,749,299	52,370	\$ (3,392)	3,798,277
Investment income, net (Note 4)	1,222,072			1,222,072
In-kind contributions	334,375			334,375
Total support and revenue	21,607,559	52,892	(3,392)	21,657,059
Expenses:				
Program services:				
Direct lending	3,746,480	45,371	(3,392)	3,788,459
New markets tax credits	249,150			249,150
Consulting and training	2,193,274			2,193,274
Strategic initiatives	954,091			954,091
Capitalization	367,838			367,838
Total program services	7,510,833	45,371	(3,392)	7,552,812
Supporting services:				
Management and general	1,054,789			1,054,789
Fundraising	359,521			359,521
Total supporting services	1,414,310	-	-	1,414,310
Total expenses	8,925,143	45,371	(3,392)	8,967,122
Change in Net Assets before other changes	12,682,416	7,521		12,689,937
Other Changes:				
Net asset transfer (Note 15)	(1,381,978)			(1,381,978)
Total Change in Net Assets	11,300,438	7,521	-	11,307,959
Net Assets, beginning of year	29,920,949	12,560		29,933,509
Net Assets, end of year	\$ 41,221,387	\$ 20,081	\$ -	\$ 41,241,468