

**COMMUNITY VISION CAPITAL & CONSULTING**

**SEPTEMBER 30, 2022 AND 2021**

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INDEPENDENT AUDITORS' REPORT,  
CONSOLIDATED FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION

# **Community Vision Capital & Consulting**

## **Independent Auditors' Report, Consolidated Financial Statements and Supplementary Information**

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A Century Strong

## Independent Auditors' Report

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

### Opinion

We have audited the consolidated financial statements of **COMMUNITY VISION CAPITAL & CONSULTING (The Organization)**, which comprise the consolidated statement of financial position as of September 30, 2022 and 2021, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of September 30, 2022 and 2021, 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.

### Basis for Opinion

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

### Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year from the date of this report.

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

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

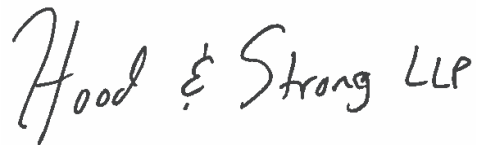
In performing an audit in accordance with GAAS, we:

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

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

### **Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on these 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 audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

A handwritten signature in black ink that reads "Hood & Strong LLP". The signature is written in a cursive, flowing style.

San Francisco, California  
January 26, 2023

**Community Vision Capital & Consulting**  
**Consolidated Statement of Financial Position**

September 30, 2022 and 2021

	2022			2021		
	General Fund	Loan Fund	Total	General Fund	Loan Fund	Total
<b>Assets</b>						
<b>Current Assets:</b>						
Cash and cash equivalents (Note 4)	\$ 5,580,232	\$ 12,318,036	\$ 17,898,268	\$ 2,334,219	\$ 23,856,078	\$ 26,190,297
Contributions receivable	1,653,333		1,653,333	948,333		948,333
Accrued interest and other receivables, net	686,189		686,189	664,642		664,642
Prepaid expenses and other assets	197,259		197,259	159,189	16,461	175,650
Investments (Note 4)	9,277,000	23,358,239	32,635,239	19,500,077	17,857,775	37,357,852
Funds held in trust (Note 3)	2,880,132	2,000,000	4,880,132	4,723,742		4,723,742
Loans receivable - current portion, net of allowance for loan loss (Note 6)		12,049,393	12,049,393		8,563,541	8,563,541
<b>Total current assets</b>	<b>20,274,145</b>	<b>49,725,668</b>	<b>69,999,813</b>	<b>28,330,202</b>	<b>50,293,855</b>	<b>78,624,057</b>
<b>Loans Receivable - long-term portion, net of allowance for loan loss (Note 6)</b>	<b>1,809,539</b>	<b>47,568,986</b>	<b>49,378,525</b>	<b>1,852,446</b>	<b>37,690,314</b>	<b>39,542,760</b>
<b>Program Related Investments - notes receivable, net of allowance (Note 2)</b>	<b>181,808</b>		<b>181,808</b>	<b>364,940</b>		<b>364,940</b>
<b>Deposits</b>	<b>26,394</b>		<b>26,394</b>	<b>26,294</b>		<b>26,294</b>
<b>Fixed Assets, net</b>	<b>99,477</b>		<b>99,477</b>	<b>87,732</b>		<b>87,732</b>
<b>Total assets</b>	<b>\$ 22,391,363</b>	<b>\$ 97,294,654</b>	<b>\$ 119,686,017</b>	<b>\$ 30,661,614</b>	<b>\$ 87,984,169</b>	<b>\$ 118,645,783</b>
<b>Liabilities and Net Assets</b>						
<b>Current Liabilities:</b>						
Accounts payable and accrued expenses	\$ 1,024,607	\$ 4,211	\$ 1,028,818	\$ 1,283,557	\$ 5,000	\$ 1,288,557
Accrued interest payable	457,096	1,351	458,447	452,496	1,014	453,510
Deferred revenue and other liabilities	514,613	1,676,552	2,191,165	968,718	2,610,999	3,579,717
Funds held in trust (Note 3)	2,880,132	2,000,000	4,880,132	4,723,742		4,723,742
Notes payable - current portion (Note 7)		10,340,480	10,340,480		11,241,486	11,241,486
<b>Total current liabilities</b>	<b>4,876,448</b>	<b>14,022,594</b>	<b>18,899,042</b>	<b>7,428,513</b>	<b>13,858,499</b>	<b>21,287,012</b>
<b>Notes Payable, net of current portion (Note 7)</b>	<b>1,795,460</b>	<b>61,484,774</b>	<b>63,280,234</b>	<b>2,804,610</b>	<b>53,312,693</b>	<b>56,117,303</b>
<b>Total liabilities</b>	<b>6,671,908</b>	<b>75,507,368</b>	<b>82,179,276</b>	<b>10,233,123</b>	<b>67,171,192</b>	<b>77,404,315</b>
<b>Net Assets:</b>						
Without donor restrictions:						
Board designated (Note 2)	3,000,000		3,000,000	5,400,000	1,000,000	6,400,000
Undesignated	606,562	21,787,286	22,393,848	2,935,459	19,812,977	22,748,436
<b>Total without donor restrictions</b>	<b>3,606,562</b>	<b>21,787,286</b>	<b>25,393,848</b>	<b>8,335,459</b>	<b>20,812,977</b>	<b>29,148,436</b>
With donor restrictions (Note 9)	12,112,893		12,112,893	12,093,032		12,093,032
<b>Total net assets</b>	<b>15,719,455</b>	<b>21,787,286</b>	<b>37,506,741</b>	<b>20,428,491</b>	<b>20,812,977</b>	<b>41,241,468</b>
<b>Total liabilities and net assets</b>	<b>\$ 22,391,363</b>	<b>\$ 97,294,654</b>	<b>\$ 119,686,017</b>	<b>\$ 30,661,614</b>	<b>\$ 87,984,169</b>	<b>\$ 118,645,783</b>

See accompanying notes to the consolidated financial statements.

**Community Vision Capital & Consulting**  
**Consolidated Statement of Activities and Changes in Net Assets**

*Years Ended September 30, 2022 and 2021*

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenue:</b>						
New markets tax credit fees (Note 13)	\$ 574,497		\$ 574,497	\$ 720,840		\$ 720,840
Consulting and contract fees	931,873		931,873	1,147,282		1,147,282
Loan fees	374,173		374,173	174,082		174,082
Grants and contributions	714,195	\$ 3,584,306	4,298,501	1,332,465	\$ 11,648,000	12,980,465
Government contract revenue	1,959,466		1,959,466	1,279,666		1,279,666
Paycheck Protection Program Loan and interest forgiveness	967,445		967,445			-
Interest income - notes receivable	3,203,755		3,203,755	3,798,277		3,798,277
Investment income, net (Note 4)	(4,400,988)		(4,400,988)	1,222,072		1,222,072
In-kind contributions	374,317		374,317	334,375		334,375
Net assets released from restrictions (Note 9)	3,564,445	(3,564,445)	-	1,137,658	(1,137,658)	-
<b>Total support and revenue</b>	<b>8,263,178</b>	<b>19,861</b>	<b>8,283,039</b>	<b>11,146,717</b>	<b>10,510,342</b>	<b>21,657,059</b>
<b>Expenses:</b>						
Program services:						
Capital solutions	6,503,803		6,503,803	3,788,459		3,788,459
New markets tax credits	126,602		126,602	249,150		249,150
Real estate solutions	2,954,897		2,954,897	2,193,274		2,193,274
Communications and impact	427,807		427,807	954,091		954,091
Capitalization	342,339		342,339	367,838		367,838
<b>Total program services</b>	<b>10,355,448</b>	<b>-</b>	<b>10,355,448</b>	<b>7,552,812</b>	<b>-</b>	<b>7,552,812</b>
Supporting services:						
Management and general	1,323,649		1,323,649	1,054,789		1,054,789
Fundraising	338,669		338,669	359,521		359,521
<b>Total supporting services</b>	<b>1,662,318</b>	<b>-</b>	<b>1,662,318</b>	<b>1,414,310</b>	<b>-</b>	<b>1,414,310</b>
<b>Total expenses</b>	<b>12,017,766</b>	<b>-</b>	<b>12,017,766</b>	<b>8,967,122</b>	<b>-</b>	<b>8,967,122</b>
<b>Change in Net Assets before other changes</b>	<b>(3,754,588)</b>	<b>19,861</b>	<b>(3,734,727)</b>	<b>2,179,595</b>	<b>10,510,342</b>	<b>12,689,937</b>
<b>Other Changes:</b>						
Net asset transfer (Note 15)	-	-	-	(1,381,978)		(1,381,978)
<b>Total Change in Net Assets</b>	<b>(3,754,588)</b>	<b>19,861</b>	<b>(3,734,727)</b>	<b>797,617</b>	<b>10,510,342</b>	<b>11,307,959</b>
<b>Net Assets, beginning of year</b>	<b>29,148,436</b>	<b>12,093,032</b>	<b>41,241,468</b>	<b>28,350,819</b>	<b>1,582,690</b>	<b>29,933,509</b>
<b>Net Assets, end of year</b>	<b>\$ 25,393,848</b>	<b>\$ 12,112,893</b>	<b>\$ 37,506,741</b>	<b>\$ 29,148,436</b>	<b>\$ 12,093,032</b>	<b>\$ 41,241,468</b>

See accompanying notes to the consolidated financial statements.

# Community Vision Capital & Consulting

## Consolidated Statement of Functional Expenses

Year Ended September 30, 2022

	Program Services					Supporting Services			Total
	Capital Solutions	New Markets Tax Credits	Real Estate Solutions	Communications and Impact	Capitalization	Program Services Total	Management and General	Fundraising	
Salaries and benefits	\$ 2,642,925	\$ 69,949	\$ 1,929,726	\$ 354,611	\$ 206,808	\$ 5,204,019	\$ 695,159	\$ 272,026	\$ 6,171,204
Interest	1,303,434					1,303,434			1,303,434
Consultants and legal	379,054	9,517	211,416	15,124	32,433	647,544	431,258	12,727	1,091,529
Office expenses	281,699	21,337	247,235	18,394	10,436	579,101	78,056	19,696	676,853
Rent	173,416	12,379	135,776	15,854	3,599	341,024	39,165	12,783	392,972
Travel, outreach, and other	173,598	5,913	205,693	14,303	4,423	403,930	56,623	13,685	474,238
Depreciation	12,790	1,656	17,614	2,101	482	34,643	5,160	1,710	41,513
Provision for loan losses	1,435,681					1,435,681			1,435,681
Bad debt expense	56,025					56,025			56,025
In-kind legal and technological services	45,181	5,851	207,437	7,420	84,158	350,047	18,228	6,042	374,317
<b>Total expenses</b>	<b>\$ 6,503,803</b>	<b>\$ 126,602</b>	<b>\$ 2,954,897</b>	<b>\$ 427,807</b>	<b>\$ 342,339</b>	<b>\$ 10,355,448</b>	<b>\$ 1,323,649</b>	<b>\$ 338,669</b>	<b>\$ 12,017,766</b>

See accompanying notes to the 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	Real Estate Solutions	Communications and Impact	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
<b>Total expenses</b>	<b>\$ 3,788,459</b>	<b>\$ 249,150</b>	<b>\$ 2,193,274</b>	<b>\$ 954,091</b>	<b>\$ 367,838</b>	<b>\$ 7,552,812</b>	<b>\$ 1,054,789</b>	<b>\$ 359,521</b>	<b>\$ 8,967,122</b>

See accompanying notes to the consolidated financial statements.

# Community Vision Capital & Consulting

## Consolidated Statement of Cash Flows

<i>Years Ended September 30,</i>	2022	2021
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ (3,734,727)	\$ 11,307,959
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	41,513	48,986
Provision (recovery) for loan losses	1,013,858	(313,545)
Paycheck Protection Program Loan forgiveness	(967,445)	(136,000)
Realized and unrealized loss (gain) on investments	5,407,757	(665,284)
Changes in operating assets and liabilities:		
Contributions receivable	(705,000)	(127,666)
Accrued interest and other receivables	(21,547)	210,695
Prepaid expenses and deposits	(21,709)	34,749
Accounts payable and accrued expenses	(259,739)	352,622
Accrued interest payable	4,937	54,533
Deferred revenue and other liabilities	(1,388,552)	(487,431)
<b>Net cash (used) provided by operating activities</b>	<b>(630,654)</b>	<b>10,279,618</b>
<b>Cash Flows from Investing Activities:</b>		
Purchases of investments	(685,176)	(20,825,587)
Proceeds from sale of investments	32	2,091
Loan disbursements to borrowers	(26,711,492)	(16,848,330)
Loan principal payments from borrowers	12,559,149	31,243,314
Acquisition of property and equipment	(53,258)	(36,816)
<b>Net cash used in investing activities</b>	<b>(14,890,745)</b>	<b>(6,465,328)</b>
<b>Cash Flows from Financing Activities:</b>		
Proceeds from notes payable	14,641,489	7,976,194
Repayments of notes payable	(7,412,119)	(3,202,562)
<b>Net cash provided by financing activities</b>	<b>7,229,370</b>	<b>4,773,632</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>(8,292,029)</b>	<b>8,587,922</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>26,190,297</b>	<b>17,602,375</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 17,898,268</b>	<b>\$ 26,190,297</b>
<b>Supplemental Cash Flow Information:</b>		
Cash paid for interest during the year	\$ 1,259,811	\$ 1,031,118

See accompanying notes to the consolidated financial statements.

# Community Vision Capital & Consulting

## Notes to the Consolidated Financial Statements

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### 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

*Capital Solutions (formerly 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. The department also manages a number of deeply concessionary lending programs for special purposes.

*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.

*Real Estate Solutions (formerly Consulting and Training):* The Organization provides advising and training to nonprofit organizations rooted in communities of color and low-income communities. The program offers advising services to help community organizations and small businesses develop real estate strategies and strengthen their financial management capacity. Additionally, the program runs peer-based cohort programs that offer training, network building, and 1:1 support to community-based real estate actors. The program also evaluates, designs, and implements innovative new programs and strategies and manages a number of mission-aligned grant and loan programs on behalf of private foundations, local government agencies, and other third parties.

# Community Vision Capital & Consulting

## Notes to the Consolidated Financial Statements

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*Communications and Impact* – The organization conducts ongoing evaluation of programs and initiative. It develops and distributes information about its programs both internally and externally via multiple channels.

*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*

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 \$3,000,000 in net assets without donor restrictions for a five-month operating reserve and future program development.

##### *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.

#### 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.

# Community Vision Capital & Consulting

## Notes to the Consolidated Financial Statements

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### 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. Contributions are expected to be collected in fiscal year 2023. At September 30, 2022 and 2021, 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 \$176,000 that have not been recognized as revenue at September 30, 2022 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. Services contributed to the Organization are recorded at their estimated fair value if they would have been purchased had they not been donated and require a specialized skill. For the year ended June 30, 2022 in-kind contributions of \$374,317 primarily consisted of legal professional services of \$227,673 and software licenses of \$146,644. For the year ended June 30, 2021 in-kind contributions of \$334,375 primarily consisted of legal and professional services of \$181,494 and software licenses of \$152,881. The value of legal, advertising and software licenses is based on market rates typically charged for those items in the normal course of business for similar services and products. In-kind contributions were utilized in the following functional areas: Lending, Consulting, Management & General and Development.

# Community Vision Capital & Consulting

## Notes to the Consolidated Financial Statements

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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.

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 the Consolidated Financial Statements

As part of its regular monitoring process, the Organization assigns a potential loss percentage to each loan. Due to continuing economic uncertainty, for the years ended September 30, 2022 and September 30, 2021, 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 11.08% and 12.57% as of September 30, 2022 and 2021, 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 2021 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:

	2022	2021
Accrued interest and other receivables	\$ 1,225,829	\$ 1,163,578
Allowance for uncollectible accounts	(539,640)	(498,936)
	<u>\$ 686,189</u>	<u>\$ 664,642</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, 2022 and 2021 total amounts outstanding under this program, net of allowance, were \$181,808 and \$364,940, respectively. As of September 30, 2022 and 2021 the Organization established loss reserves of \$856,735 and \$616,908 for these loans.

# Community Vision Capital & Consulting

## Notes to the Consolidated Financial Statements

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### 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 2022 and 2021 were \$41,513 and \$48,986, 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 the Consolidated Financial Statements

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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 California Revenue and Taxation Code.

As of September 30, 2022, 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 or disclosure in 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. Allocation of Functional Expenses

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 September 2020, the Financial Accounting Standards Board (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 and to disclose the types of contributed nonfinancial assets received, the techniques used to value them, and the uses to which they were put. Adoption of this standard increased disclosures about the Organization's gifts-in-kind but did not affect its accounting for them.

# Community Vision Capital & Consulting

## Notes to the Consolidated Financial Statements

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### *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 June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets. The ASU requires loans and trade receivables measured at amortized cost to be presented at the net amount expected to ultimately be collected. The allowance for credit losses includes all losses that are expected to occur over the remaining life of the asset, rather than incurred losses through the date of the financial statements. Changes in the allowance for credit losses are recorded in the statement of income as the amounts expected to be collected change. Contribution pledges recorded as receivable are excluded from the new impairment standard. The ASU will be effective for the Organization for its fiscal year ending September 30, 2024. The Organization is currently evaluating the impact of adopting this new guidance on its financial statements.

### q. Subsequent Events

The Organization evaluated subsequent events from September 30, 2022 through January 26, 2023, 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 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.

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.

# Community Vision Capital & Consulting

## Notes to the Consolidated Financial Statements

A summary of activity in these programs is as follows for the years ended September 30:

	2022	2021
Funds held in trust, beginning of year	\$ 4,723,742	\$ 1,388,454
Grant funds received	4,068,941	6,571,763
Grants recovered	2,000,000	
Grants disbursed	(5,925,152)	(3,237,454)
Interest income	12,601	979
<b>Funds held in trust, end of year</b>	<b>\$ 4,880,132</b>	<b>\$ 4,723,742</b>

### Note 4 - Investments:

Investments consisted of the following at September 30:

	2022	2021
Cash and cash equivalents	\$ 1,840,296	\$ 4,831,250
Mutual and exchange traded funds	11,248,850	11,251,460
Fixed income	15,563,316	17,227,996
Mortgage pool, collateralized mortgage obligations, and asset backed securities	2,761,032	2,823,844
Privately-held stock	444,170	447,002
<b>Certificates of deposit</b>	<b>31,857,664</b>	<b>36,581,552</b>
	<b>777,575</b>	<b>776,300</b>
<b>Total</b>	<b>\$ 32,635,239</b>	<b>\$ 37,357,852</b>

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.

# Community Vision Capital & Consulting

## Notes to the Consolidated Financial Statements

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

	2022	2021
Interest and dividends from investments	\$ 1,041,465	\$ 586,940
Management fees	(34,696)	(30,152)
Net realized and unrealized (loss) gain	(5,407,757)	665,284
	<u>\$ (4,400,988)</u>	<u>\$ 1,222,072</u>

The Organization maintains the following loan fund balances in cash and cash equivalents and investments allocated for the following purposes at September 30:

	2022	2021
Undisbursed to closed loans (Note 6)	\$ 3,746,838	\$ 5,764,300
Committed loans (Note 6)	760,000	3,534,000
Liquidity reserves	3,000,000	3,000,000
Available for lending	<u>28,169,437</u>	<u>29,415,553</u>
	<u>\$ 35,676,275</u>	<u>\$ 41,713,853</u>
Cash and cash equivalents	\$ 12,318,036	\$ 23,856,078
Investments	<u>23,358,239</u>	<u>17,857,775</u>
	<u>\$ 35,676,275</u>	<u>\$ 41,713,853</u>

# Community Vision Capital & Consulting

## Notes to the 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, 2022:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 1,840,296			\$ 1,840,296
Mutual and exchange-traded funds	11,248,850			11,248,850
Fixed income:				
U.S. Treasury notes and bonds	7,859,171			7,859,171
Municipal bonds	7,588,353			7,588,353
Corporate bonds		\$ 115,792		115,792
Mortgage pools, collateralized mortgage obligation and asset backed securities	2,761,032			2,761,032
Privately held stock:				
Investment in limited liability companies			\$ 7,670	7,670
Federal Home Loan Bank Stock			436,500	436,500
	31,297,702	115,792	444,170	31,857,664
Funds held in trust:				
Money market funds (Note 3)	4,880,132			4,880,132
	\$ 36,177,834	\$ 115,792	\$ 444,170	\$ 36,737,796

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 the Consolidated Financial Statements

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 the Consolidated Financial Statements

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### Note 6 - Loans Receivable, Net of Allowances:

Loans receivable were as follows at September 30:

	2022	2021
Affordable/supportive housing	\$ 17,451,415	\$ 16,668,876
Community facilities	22,900,553	16,510,301
Food financing	14,728,897	16,086,987
Economic development	13,775,136	5,494,189
<hr/>		
Total loans receivable	68,856,001	54,760,353
Less allowance for loan losses	(7,428,083)	(6,654,052)
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	61,427,918	48,106,301
Less current portion, net of allowance for loan losses	(12,049,393)	(8,563,541)
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Long-term portion, net of allowance for loan losses	\$ 49,378,525	\$ 39,542,760

At September 30, 2022, loans receivables, net of allowance for loan losses, consisted 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,	
2023	\$ 12,049,393
2024	10,184,247
2025	9,092,955
2026	10,412,916
2027	8,369,385
Thereafter	18,747,105
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	\$ 68,856,001

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# Community Vision Capital & Consulting

## Notes to the 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:

	2022	2021
30-59 days past due		\$ 3,886,841
60-89 days past due	\$ 300,000	4,584,984
90 plus days past due and still accruing	3,381,147	4,837,450
Total past due	3,681,147	13,309,275
COVID-19 deferrals	2,220,577	3,183,028
Current	62,954,277	38,268,050
Total loans	\$ 68,856,001	\$ 54,760,353

### COVID-19 Deferrals

In a prior year, the Organization contacted all borrowers and accepted applications for COVID-19 deferrals. Some of these applications came in during fiscal year 2021 and, due to long-tail COVID, in 2022. Approximately 14% of borrowers requested deferrals on approximately \$7,500,000 in outstanding debt.

During fiscal year 2022, all borrowers that had previously been on deferment resumed regular payments. However, an additional 4 borrowers requested deferments. As of September 30, 2022, those borrower loans on deferment totaled \$2,220,577 or 3% of outstanding notes receivable. As of September 30, 2021, three borrowers, representing approximately \$3,183,000 or 6% of outstanding debt, remained under the program.



# Community Vision Capital & Consulting

## Notes to the Consolidated Financial Statements

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### 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.

**Special Mention** – A loan with the minimum acceptable level of risk where closer monitoring is necessary and restructuring is likely. Special Mention loans are adversely classified with a reasonable risk of some loss or longer repayment horizon than initially intended.

**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.

# Community Vision Capital & Consulting

## Notes to the Consolidated Financial Statements

The following table summarizes the loan portfolio and the internally assigned credit quality ratings at September 30:

	2022	2021
Strong/acceptable	\$ 47,144,219	\$ 47,944,104
Watch	13,683,043	6,816,249
Special Mention	606,663	
Substandard	6,770,117	
Doubtful	651,959	
Total loans	\$ 68,856,001	\$ 54,760,353

Effective October 1, 2021, Community Vision prospectively 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 years ended September 30:

	2022	2021
Beginning balance	\$ 6,654,052	\$ 6,984,505
Charge-offs	(421,824)	
Provision (recovery) allowance for loan losses	1,195,855	(330,453)
Ending balance	\$ 7,428,083	\$ 6,654,052

### 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.

# Community Vision Capital & Consulting

## Notes to the Consolidated Financial Statements

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During the years ended September 30, 2022 and 2021, the Organization restructured \$0 and \$1,767,058, respectively, in troubled debt. As of September 30, 2022 and 2021, the balance of all loans restructured during or prior to fiscal years 2022 and 2021 was \$2,261,804 and \$3,062,979, respectively.

During 2022 and 2021, the Organization received \$527,521 and \$761,742 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, 2022 and 2021, the Organization had a total of \$4,506,838 and \$9,298,300, respectively, in loan commitments that had not yet been disbursed. These undisbursed loan commitments included 13 revolving lines of credit with total undrawn balances of \$2,760,000 for 2022 and \$4,045,424 for 2021. It also included 4 pre-development, acquisition, construction or equipment loans (or interest reserves related thereto) totaling \$1,746,838 for 2022 and \$5,252,776 for 2021. 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.

# Community Vision Capital & Consulting

## Notes to the Consolidated Financial Statements

### Note 7 - Notes Payable:

Notes payable were as follows at September 30:

	2022	2021
Public and private foundations	\$ 15,619,689	\$ 14,583,970
Health system organizations	3,409,528	3,471,879
Financial institutions	27,025,000	24,525,000
Other organizations	6,148,820	3,786,767
Religious organizations	2,954,125	2,703,063
Individuals and trusts	18,463,552	15,340,718
Federal Home Loan Bank San Francisco 100% secured by US Treasury notes		2,000,000
	73,620,714	66,411,397
Paycheck Protection Program		947,392
	73,620,714	67,358,789
Less current portion	(10,340,480)	(11,241,486)
Notes payable, net of current portion	\$ 63,280,234	\$ 56,117,303

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, 2022 and 2021, the Organization had a total of \$11,250,000 and \$9,750,000, respectively, of subordinated promissory notes.

In a prior year 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). On May 16, 2022, the Organization was granted loan forgiveness for the full amount of the PPP loan and related accrued interest of \$20,053. The loan forgiveness is recognized as revenue in the Consolidated Statement of Activities and Changes in Net Assets as of September 30, 2022.

# Community Vision Capital & Consulting

## Notes to the Consolidated Financial Statements

Annual maturities of notes payable are as follows:

Year Ending	
September 30,	
2023	\$ 10,340,480
2024	16,623,342
2025	5,966,873
2026	3,105,950
2027	18,247,476
Thereafter	19,336,593
	<hr/>
	\$ 73,620,714

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, 2022 and 2021, the Organization was in compliance with all financial covenants to which it was subject.

At September 30, 2022 and 2021, the Organization had a total of \$2,000,000 of available and committed funds in the general loan pool that had not yet been borrowed.

### Note 8 - Lease Commitment:

The Organization leases its office facilities under a noncancellable operating lease, which expires on November 30, 2023. The following represents the future estimated minimum lease payments:

Year Ending	
September 30,	
2023	\$ 336,000
2024	51,000
	<hr/>
	\$ 387,000

Rental expense for the years ended September 30, 2022 and 2021 amounted to \$392,972 and \$319,280, respectively.

# Community Vision Capital & Consulting

## Notes to the Consolidated Financial Statements

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### Note 9 - Net Assets With Donor Restrictions:

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

	2022	2021
Real Estate Solutions / Consulting & Training	\$ 570,931	\$ 619,540
Capital Solutions / Direct Lending	208,629	455,492
Communications and Impact		18,000
General operations – time restrictions	11,333,333	11,000,000
	<hr/>	<hr/>
	\$ 12,112,893	\$ 12,093,032

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. Net assets released from donor restrictions were as follows for the years ended September 30:

	2022	2021
Real Estate Solutions / Consulting & Lending	\$ 1,082,915	\$ 774,700
Capital Solutions / Direct Lending	414,863	237,958
Strategic Initiatives		125,000
General operations – time restricted	2,066,667	
	<hr/>	<hr/>
	\$ 3,564,445	\$ 1,137,658

# Community Vision Capital & Consulting

## Notes to the Consolidated Financial Statements

**Note 10 - Availability of Financial Assets and Liquidity:**

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

Financial assets at September 30,	2022	2021
Cash and cash equivalents	\$ 17,898,268	\$ 26,190,297
Contributions receivable	1,653,333	948,333
Accrued interest and other receivables, net	686,189	664,642
Investments	32,635,239	37,357,852
Funds held in trust	4,880,132	4,723,742
Loans receivable, net	61,427,918	48,106,301
Program related investments, net	181,808	364,940
<b>Total financial assets</b>	<b>119,362,887</b>	<b>118,356,107</b>
Less amounts not available to be used within one year:		
Funds held in trust	(4,880,132)	(4,723,742)
Restricted cash for CEI	(462,673)	(502,404)
Loan and notes receivable – long-term, net	(49,378,525)	(39,542,760)
Program related investments – long-term, net	(181,808)	(364,940)
Illiquid investments	(444,170)	(447,002)
Net assets with purpose and time restrictions	(12,112,893)	(12,093,032)
Deferred revenue – cash received in advance	(1,904,839)	(3,410,306)
Board designated	(3,000,000)	(5,400,000)
Board designated – lending reserve		(1,000,000)
Add net assets with purpose restrictions to be met in less than one year:		
Net assets with purpose and time restrictions	4,579,893	6,043,032
CDFI Fund Awards restricted for specific loans	1,288,000	1,651,000
Conditional grants and deferred revenue	395,000	177,507
	<b>(66,102,147)</b>	<b>(59,612,647)</b>
Financial assets available to meet cash needs for general expenditures and loan commitments within one year	<b>\$ 53,260,740</b>	<b>\$ 58,743,460</b>

# Community Vision Capital & Consulting

## Notes to the Consolidated Financial Statements

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### Operating Liquidity

The Organization strives to maintain financial assets to meet 150 days of operating expenses (approximately \$3,000,000). 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.

### **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 over three years. The Organization contributed \$233,654 and \$231,980 for the years ended September 30, 2022 and 2021, respectively.



# Community Vision Capital & Consulting

## Notes to the Consolidated Financial Statements

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### 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, small business enterprises, and vital human services. Qualified institutions and individuals invest in the form of fixed rate loans. The Organization aggregates these loans into a blind 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 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 as of September 30, 2022 and 2021, 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 as of September 30, 2022 and 2021, 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.

# Community Vision Capital & Consulting

## Notes to the Consolidated Financial Statements

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### Note 13 - New Markets Tax Credit Fees:

As of September 30, 2022 and 2021, the Organization had received New Markets Tax Credit Program (Program) allocations totaling \$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, 2022 and 2021. Twelve of the activated entities were dissolved prior to September 30, 2022 as individual transactions reached the end of their respective compliance periods.

Active CDEs as of September 30, 2022:

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 and NCCLF NMTC Sub-CDE 26, LLC were formed for the NMTC allocations but had conducted no financial activity as of September 30, 2022 and 2021.

Additionally, NCCLF NMTC Sub-CDE V, VI, VII, VIII, IX, X, XII, & XII were dissolved during the years ended September 30, 2022 and 2021, 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 serves as the managing member with a 0.01% interest and unrelated investor members are 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.

# Community Vision Capital & Consulting

## Notes to the Consolidated Financial Statements

As of September 30, 2022 and 2021, the total amount of the Organization's aggregated investment in all the CDE LLCs was \$7,570 and \$11,002, respectively. The fiscal year end for all the CDE LLCs is December 31, and each 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:

	2022	2021
Total Assets	\$103,826,184	\$ 136,399,683
Total Liabilities	\$ 327,043	\$ 322,322
Total Members' Equity	\$103,499,141	\$ 136,077,361
Total Revenue	\$ 1,803,143	\$ 1,863,916
Total Expenses	\$ 780,814	\$ 957,280
Total Net Income	\$ 1,022,329	\$ 906,636

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 \$138,000,000 in cumulative qualified equity investments (QEIs) as of September 30, 2022 to make QLICIs from the active CDE LLCs. By making these QLICIs, 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 did not earn any upfront fees in connection with obtaining allocation, establishing the CDE LLCs, and making sub-allocation to the CDE LLCs.

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, 2022 and 2021, 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.

# Community Vision Capital & Consulting

## Notes to the Consolidated Financial Statements

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### **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, 2022, no additional participation loans will be funded under this program; however, the current participations will be retained until maturity.

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% of 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 \$1,750,000 and \$500,000, 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 77.78% and 22.22% 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, 2022 and 2021, there were no outstanding guaranteed amounts. 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, 2022 and 2021.

### **Note 15 - Transfer of Net Assets:**

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

# Community Vision Capital & Consulting

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

September 30, 2022

	Community Vision	Credit Enhancement 1, LLC	Eliminations	Consolidated
<b>Assets</b>				
<b>Current Assets:</b>				
Cash and cash equivalents (Note 4)	\$ 17,435,595	\$ 462,673		\$ 17,898,268
Contributions receivable	1,653,333			1,653,333
Accrued interest and other receivables, net	619,429	66,760		686,189
Prepaid expenses and other assets	197,259			197,259
Investments (Note 4)	32,635,239			32,635,239
Funds held in trust (Note 3)	4,880,132			4,880,132
Loans receivable - current portion, net of allowance for loan loss (Note 6)	12,049,393			-
	12,049,393			12,049,393
Total current assets	69,470,380	529,433	\$ -	69,999,813
<b>Loans Receivable</b> - long-term portion, net of allowance for loan loss (Note 6)	47,734,055	1,809,539	(165,069)	49,378,525
<b>Program Related Investments</b> - net of allowance (Note 2)	181,808			181,808
<b>Deposits</b>	26,394			26,394
<b>Fixed Assets, net</b>	99,477			99,477
Total assets	\$ 117,512,114	\$ 2,338,972	\$ (165,069)	\$ 119,686,017
<b>Liabilities and Net Assets</b>				
<b>Current Liabilities:</b>				
Accounts payable and accrued expenses	\$ 1,024,607	\$ 4,211		\$ 1,028,818
Accrued interest payable	458,447			458,447
Deferred revenue and other liabilities	1,841,165	350,000		2,191,165
Funds held in trust (Note 3)	4,880,132			4,880,132
Notes payable - current portion (Note 7)	10,340,480			10,340,480
	10,340,480			10,340,480
Total current liabilities	18,544,831	354,211	\$ -	18,899,042
<b>Notes Payable</b> , net of current portion (Note 7)	61,484,774	1,960,529	(165,069)	63,280,234
Total liabilities	80,029,605	2,314,740	(165,069)	82,179,276
<b>Net Assets:</b>				
Without donor restrictions:				
Board designated (Note 2)	3,000,000			3,000,000
Undesignated	22,369,616	24,232		22,393,848
	22,369,616	24,232		22,393,848
Total without donor restrictions	25,369,616	24,232	-	25,393,848
With donor restrictions (Note 9)	12,112,893			12,112,893
Total net assets	37,482,509	24,232	-	37,506,741
Total liabilities and net assets	\$ 117,512,114	\$ 2,338,972	\$ (165,069)	\$ 119,686,017

# Community Vision Capital & Consulting

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

Year Ended September 30, 2022

	Community Vision	Credit Enhancement 1, LLC	Eliminations	Consolidated
<b>Revenue and Support:</b>				
New markets tax credit fees (Note 13)	\$ 574,497			\$ 574,497
Consulting and contract fees	931,873			931,873
Loan fees	374,173			374,173
Grants and contributions	4,298,501			4,298,501
Government contract revenue Paycheck Protection Program	1,959,466			1,959,466
Loan and interest forgiveness	967,445			967,445
Interest income - notes receivable	3,160,483	\$ 46,697	\$ (3,425)	3,203,755
Investment income, net (Note 4)	(4,400,988)			(4,400,988)
In-kind contributions	374,317			374,317
Total support and revenue	8,239,767	46,697	(3,425)	8,283,039
<b>Expenses:</b>				
Program services:				
Capital solutions	6,464,970	42,258	(3,425)	6,503,803
New markets tax credits	126,602			126,602
Real estate solutions	2,954,897			2,954,897
Communications and impact	427,807			427,807
Capitalization	342,339			342,339
Total program services	10,316,615	42,258	(3,425)	10,355,448
Supporting services:				
Management and general	1,323,649			1,323,649
Fundraising	338,669			338,669
Total supporting services	1,662,318	-	-	1,662,318
Total expenses	11,978,933	42,258	(3,425)	12,017,766
<b>Change in Net Assets</b>	<b>(3,739,166)</b>	<b>4,439</b>		<b>(3,734,727)</b>
<b>Net Assets, beginning of year</b>	<b>\$ 41,221,385</b>	<b>\$ 20,083</b>	<b>\$ -</b>	<b>\$ 41,241,468</b>
<b>Net Assets, end of year</b>	<b>\$ 37,482,509</b>	<b>\$ 24,232</b>	<b>\$ -</b>	<b>\$ 37,506,741</b>