Community Vision Capital & Consulting

September 30, 2019 and 2018

Independent Auditors' Report

and

Consolidated Financial Statements

Community Vision Capital & Consulting

Independent Auditors' Report and
Consolidated Financial Statements

HOOD & STRONG LLP
CERTIFIED PUBLIC ACCOUNTANTS

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, formerly Northern California Community Loan Fund (The Organization)**, which comprise the consolidated statement of financial position as of September 30, 2019 and 2018, 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, 2019 and 2018, 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.

Effect of Adopting New Accounting Standard

As described in Note 2(q), the Organization adopted the Financial Accounting Standards Board Accounting Standards Update (ASU) 2016-14, Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. Accordingly, the accounting change has been retrospectively applied to prior periods presented with the exception of the omission of certain information as permitted by the ASU. Our opinion is not modified with respect to that matter.

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 33-34) 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 17, 2020

Community Vision Capital & Consulting

Consolidated Statement of Financial Position

September 30, 2019 and 2018

	2019			2018		
	General Fund	Loan Fund	Total	General Fund	Loan Fund	Total
Assets						
Current Assets:						
Cash and cash equivalents (Note 4)	$ 3,034,435	$ 6,554,174	$ 9,588,609	$ 2,779,027	$ 10,713,274	$ 13,492,301
Contributions receivable	568,333		568,333	250,000		250,000
Accrued interest and other receivables	782,815	8,291	791,106	630,943		630,943
Prepaid expenses and other assets	217,142		217,142	197,036		197,036
Investments (Note 4)	7,533,922	7,678,932	15,212,854	6,826,180	8,349,722	15,175,902
Funds held in trust (Note 3)	1,595,375		1,595,375	1,043,381		1,043,381
Loans receivable - current portion, net of allowance for loan loss of $586,499 (Note 6)		7,589,024	7,589,024		8,835,614	8,835,614
Total current assets	13,732,022	21,830,421	35,562,443	11,726,567	27,898,610	39,625,177
Loans Receivable - long-term portion, net of allowance for loan loss of $4,331,806 (Note 6)	882,813	53,246,935	54,129,748	281,761	43,709,791	43,991,552
Program Related Investments - notes receivable (Note 2)	475,644		475,644	479,801		479,801
Deposits	29,275		29,275	25,815		25,815
Fixed Assets, net	47,084		47,084	47,613		47,613
Total assets	$ 15,166,838	$ 75,077,356	$ 90,244,194	$ 12,561,557	$ 71,608,401	$ 84,169,958
Liabilities and Net Assets						
Current Liabilities:						
Accounts payable and accrued expenses	$ 916,256		$ 916,256	$ 639,573	$ 14,925	$ 654,498
Accrued interest payable	315,713	$ 3,883	319,596	304,815	3,856	308,671
Deferred revenue and other liabilities	2,042,529	3,448,075	5,490,604	1,914,617	4,963,107	6,877,724
Funds held in trust (Note 3)	1,595,375		1,595,375	1,043,381		1,043,381
Notes payable - current portion (Note 7)		7,343,312	7,343,312		6,565,257	6,565,257
Total current liabilities	4,869,873	10,795,270	15,665,143	3,902,386	11,547,145	15,449,531
Notes Payable, net of current portion (Note 7)	887,042	44,484,704	45,371,746	562,215	42,868,147	43,430,362
Total liabilities	5,756,915	55,279,974	61,036,889	4,464,601	54,415,292	58,879,893
Net Assets:						
Without donor restrictions:						
Board designated (Note 2)	5,225,000	1,000,000	6,225,000	4,100,000	1,000,000	5,100,000
Undesignated	3,004,431	18,797,382	21,801,813	3,549,617	16,193,109	19,742,726
Total without donor restrictions	8,229,431	19,797,382	28,026,813	7,649,617	17,193,109	24,842,726
With donor restrictions (Note 9)	1,180,492		1,180,492	447,339		447,339
Total net assets	9,409,923	19,797,382	29,207,305	8,096,956	17,193,109	25,290,065
Total liabilities and net assets	$ 15,166,838	$ 75,077,356	$ 90,244,194	$ 12,561,557	$ 71,608,401	$ 84,169,958

See accompanying notes to consolidated financial statements.

Community Vision Capital & Consulting

Consolidated Statement of Activities and Changes in Net Assets

Years Ended September 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:						
New market tax credit fees (Note 12)	$ 1,894,124		$ 1,894,124	$ 902,310		$ 902,310
Consulting and contract fees	875,861		875,861	879,597		879,597
Loan fees	393,020		393,020	365,238		365,238
Grants and contributions	847,719	$ 1,351,250	2,198,969	921,882	$ 355,000	1,276,882
Government contract revenue	3,240,657		3,240,657	4,015,656		4,015,656
Special event income, net of direct expenses of $60,065	36,882		36,882	52,921		52,921
Interest income - notes receivable	3,195,108		3,195,108	2,781,303		2,781,303
Investment income, net (Note 4)	794,890		794,890	319,354		319,354
In-kind contributions	366,030		366,030	228,925		228,925
Net assets released from restrictions (Note 9)	618,097	(618,097)	-	667,819	(667,819)	-
Total support and revenue	12,262,388	733,153	12,995,541	11,135,005	(312,819)	10,822,186
Expenses:						
Program services:						
Direct lending	3,829,643		3,829,643	2,645,717		2,645,717
New markets tax credits	555,571		555,571	498,492		498,492
Consulting and training	2,179,314		2,179,314	1,999,189		1,999,189
Strategic initiatives	767,556		767,556	564,125		564,125
Capitalization	383,897		383,897	1,205,601		1,205,601
Total program services	7,715,981	-	7,715,981	6,913,124	-	6,913,124
Supporting services:						
Management and general	896,104		896,104	396,431		396,431
Fundraising	466,216		466,216	428,623		428,623
Total supporting services	1,362,320	-	1,362,320	825,054	-	825,054
Total expenses	9,078,301	-	9,078,301	7,738,178	(312,819)	7,738,178
Change in Net Assets Before Other Changes	3,184,087	733,153	3,917,240	3,396,827		3,084,008
Other Changes in Net Assets						
California fisheries net asset transfer (Note 15)			-	1,855,401		1,855,401
Loss on disposal of land held for sale (Note 2)			-	(56,836)		(56,836)
Total Change in Net Assets	3,184,087	733,153	3,917,240	5,195,392	(312,819)	4,882,573
Net Assets, beginning of year	24,842,726	447,339	25,290,065	19,647,334	760,158	20,407,492
Net Assets, end of year	$ 28,026,813	$ 1,180,492	$ 29,207,305	$ 24,842,726	$ 447,339	$ 25,290,065

See accompanying notes to consolidated financial statements.

Community Vision Capital & Consulting

Consolidated Statement of Functional Expenses

Year Ended September 30, 2019

	Program Services						Supporting Services		
	Direct Lending	New Markets Tax Credits	Consulting and Training	Strategic Initiatives	Capitalization	Program Services Total	Management and General	Fundraising	Total
Salaries and benefits	$ 1,673,748	$ 408,696	$ 1,553,937	$ 398,688	$ 241,184	$ 4,276,253	$ 533,393	$ 373,365	$ 5,183,011
Interest	862,838			14,282		877,120			877,120
Consultants and legal	86,872	68,246	157,930	232,862	13,051	558,961	268,725	8,097	835,783
Office expenses	79,607	25,729	95,962	18,181	15,068	234,547	41,051	22,826	298,424
Rent	122,750	29,887	128,722	28,920	19,035	329,314	23,714	30,007	383,035
Travel, outreach, and other	103,081	12,797	81,187	64,706	17,180	278,951	21,066	21,630	321,647
Depreciation	8,941	2,170	9,264	2,106	1,386	23,867	1,750	2,186	27,803
Provision for loan losses	785,448					785,448			785,448
In-kind legal and technological services	106,358	8,046	152,312	7,811	76,993	351,520	6,405	8,105	366,030
Expenses shown on the Statement of Activities and Changes in Net Assets	3,829,643	555,571	$ 2,179,314	767,556	383,897	7,715,981	896,104	466,216	9,078,301
Other Expenses:									
Special event costs								60,065	60,065
Total expenses	$ 3,829,643	$ 555,571	$ 2,179,314	$ 767,556	$ 383,897	$ 7,715,981	$ 896,104	$ 526,281	$ 9,138,366

See accompanying notes to consolidated financial statements.

Community Vision Capital & Consulting

Consolidated Statement of Functional Expenses

Year Ended September 30, 2018

	Program Services						Supporting Services		
	Direct Lending	New Markets Tax Credits	Consulting and Training	Strategic Initiatives	Capitalization	Program Services Total	Management and General	Fundraising	Total
Salaries and benefits	$ 1,372,766	$ 362,894	$ 1,514,395	$ 323,541	$ 250,660	$ 3,824,256	$ 234,626	$ 353,504	$ 4,412,386
Interest					821,587	821,587			821,587
Consultants and legal	107,152	66,762	106,874	146,083	15,289	442,160	78,429	6,573	527,162
Office expenses	75,135	22,147	81,440	11,335	10,870	200,927	40,662	15,200	256,789
Rent	107,047	26,211	129,770	23,581	20,477	307,086	19,530	27,447	354,063
Travel, outreach, and other	74,455	11,625	61,078	51,739	14,440	213,337	16,586	16,628	246,551
Depreciation	8,713	2,134	10,517	1,891	1,641	24,896	1,590	2,235	28,721
Provision for loan losses	861,994					861,994			861,994
In-kind legal and technological services	38,455	6,719	95,115	5,955	70,637	216,881	5,008	7,036	228,925
Expenses shown on the Statement of Activities and Changes in Net Assets	2,645,717	498,492	1,999,189	564,125	1,205,601	6,913,124	396,431	428,623	7,738,178
Other Expenses:									
Special event costs								30,055	30,055
Total expenses	$ 2,645,717	$ 498,492	$ 1,999,189	$ 564,125	$ 1,205,601	$ 6,913,124	$ 396,431	$ 428,623	$ 7,738,178

See accompanying notes to consolidated financial statements.

Community Vision Capital & Consulting

Consolidated Statement of Cash Flows

Years Ended September 30,	2019	2018
Cash Flows from Operating Activities:		
Change in net assets	$ 3,917,240	$ 4,882,573
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	27,803	28,721
Allowance for loan losses	785,448	861,994
Realized and unrealized (gain) loss on investments	(298,848)	123,961
Loss on disposal of property held for sale		56,836
California fisheries - transfer of notes receivable		(1,775,238)
California fisheries - transfer of other liabilities		1,328,698
Changes in operating assets and liabilities:		
Contributions receivable	(318,333)	92,500
Accrued interest and other receivables	(160,163)	169,883
Prepaid expenses and deposits	(20,106)	20,520
Accounts payable and accrued expenses	261,758	35,891
Accrued interest payable	10,925	(10,631)
Deferred revenue and other liabilities	(1,387,120)	(528,309)
Net cash provided by operating activities	2,818,604	5,287,399
Cash Flows from Investing Activities:		
Purchases of investments	(3,514,437)	(455,574)
Proceeds from sale of investments	3,496,578	895,217
Loan disbursements to borrowers	(26,384,061)	(17,946,375)
Loan principal payments from borrowers	16,616,759	9,437,945
Proceeds from sale of land held for sale		379,103
Acquisition of property and equipment	(27,273)	(25,543)
Net cash used in investing activities	(9,812,434)	(7,715,227)
Cash Flows from Financing Activities:		
Proceeds from notes payable	5,381,813	9,139,202
Repayments of notes payable	(2,291,675)	(5,941,000)
Net cash provided by financing activities	3,090,138	3,198,202
Net Change in Cash and Cash Equivalents	(3,903,692)	770,374
Cash and Cash Equivalents, beginning of year	13,492,301	12,721,927
Cash and Cash Equivalents, end of year	$ 9,588,609	$ 13,492,301
Supplemental Cash Flow Information:		
Cash paid for interest during the year	$ 849,232	$ 834,587
Noncash Information:		
Net asset transfer of California Fisheries Fund		$ 1,855,401

See accompanying notes to consolidated financial statements.

Note 1 - Nature of Organization:

Community Vision Capital & Consulting, formerly Northern California Community Loan Fund, (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. Effective May 21, 2019, the Organization changed its name to Community Vision Capital & Consulting.

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 creative financing to support nonprofits and enterprises that benefit low-income communities. The Organization provides financing in five primary sectors: affordable housing, community facilities, human services, food enterprises and sustainable fisheries, and economic development. 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 benefit low-income communities including multi-tenant nonprofit centers, nonprofit community facilities, food enterprises, and mixed-use affordable housing developments.

Consulting and Training: the Organization provides technical expertise and training to nonprofit organizations serving low-income communities. The Organization offers consulting services which help community organizations build their financial and facility management capacity:

Financial Consulting Program provides technical assistance to strengthen nonprofits' financial management capacity.

Real Estate Consulting Program provides technical assistance to nonprofits that are facing decisions regarding current facilities or are planning for new or renovated facilities.

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

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

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

Note 2 - Summary of Significant Accounting Policies:

a. Basis of Presentation and Description of Net Assets

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

Net Assets Without Donor Restrictions

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

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

Net Assets With Donor Restrictions

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

b. Principles of Consolidation

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

c. Revenue Recognition

Contributions are recognized as support and revenues when they are received or unconditionally pledged. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying Consolidated Statement of Activities and Changes in Net Assets as net assets released from restrictions. Certain contributions are reported as support without donor restrictions when the restriction is met in the same period as the contribution is received. Conditional contributions collected in advance of meeting the conditions are recorded as deferred revenue. At September 30, 2019 and 2018, the Organization has conditional grants of approximately $1,815,000 and $1,645,000, respectively. These grants require the Organization to meet certain performance criteria to earn the funds and therefore have not been recognized in the consolidated financial statements.

The Organization uses the allowance method to account for uncollectible contributions based on historical experience and an evaluation of the outstanding receivables at the end of the year. At September 30, 2019 and 2018, management determined that no allowance is deemed necessary.

Government contract revenues are recognized when allowable activities or expenditures under the respective awards are substantially completed or incurred. Program fees are recognized when earned.

The Organization receives in-kind donations of software and technological services as well as pro bono legal services for work on commercial real estate transactions, securities offerings, and general corporate work. The Organization’s contributed services are stated at their estimated fair market value, if they are ordinarily purchased and are of a specialized nature. The value of these services for 2019 and 2018 was $366,030 and $228,925, respectively.

d. Cash and Cash Equivalents

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

Cash and cash equivalents also include $523,422 for 2019 and $609,524 for 2018 of restricted cash, required to be maintained by the California Ocean Protection Council.

e. Loans Receivable

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

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

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

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

f. Allowance for Loan Losses

Management's determination of the level of allowance for loan losses rests upon various judgments and assumptions, including current and projected economic conditions, prior loan loss experience, the value of the underlying collateral, continuing review of the portfolio of loan and commitments, and evaluation of credit risk related to certain individual borrowers. Management considers the allowance for loan losses adequate to cover losses inherent in loans and loan commitments. However, because of uncertainties associated with these judgments and assumptions, it is reasonably possible that management's estimate of credit losses inherent in the loan portfolio and the related allowance may change materially in the near-term. The allowance is increased or decreased by the provision (recapture) for loan losses, which is charged to expense and reduced by charge-offs, net of recoveries. The loan loss reserve for the revolving loan fund was estimated at 7.48% and 7.29% as of September 30, 2019 and 2018, respectively.

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

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 Community Catalyst Program provides forgivable predevelopment loans at 0% interest to nonprofit organizations for affordable housing and community facility development projects in underserved communities in Northern and Central California.

Program related investments consist of loans to organizations which support the Organization's mission. The Organization records notes receivable at cost. They are evaluated for impairment annually and written down when appropriate. Community Catalyst commitments as of September 30, 2019 and 2018 totaled $564,247 and $610,248, respectively. As of September 30, 2019 and 2018 total amounts outstanding under this program were $475,644 and $479,801, respectively. During the years ended September 30, 2019 and 2018, the Organization received repayments of $126,500 and $12,000, respectively, and forgave loans of $12,500 and $0, respectively.

h. Investments

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

i. Fair Value Measurements

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

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

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

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

j. Properties Held for Sale

Real property held for sale can be acquired either via foreclosure proceedings or via the borrower's signing over the deed to the property. These properties are recorded at the lower of the adjusted carrying amount at the time the property is acquired or fair value.

In 2008, the Organization received a parcel of land from a borrower as a settlement for outstanding amounts owed to the Organization in a foreclosure. Upon receipt of the title to the land, the Organization relieved the borrower of $567,877 of outstanding principal and interest. In 2009, the Organization adjusted the carrying amount of land to reflect the present value of expected cash flows and recognized $131,938 of impairment loss. During 2018 the Organization sold this land to an unrelated third party for $385,000 and recorded an additional loss on disposal of $56,836.

k. Fixed Assets

Fixed assets are stated at cost, if purchased, or, at approximate fair value, if donated. Depreciation is computed using the straight-line method, over the estimated useful lives of the assets, which range from three to five years. Depreciation expense during 2019 and 2018 was $27,803 and $28,721, respectively.

l. 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.

m. Below Market Interest Rate Loans

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

n. Income Taxes

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

The Organization follows the guidance of Accounting for Uncertainty in Income Taxes issued by the Financial Accounting Standards Board (FASB). As of September 30, 2019, 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.

o. 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.

p. 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.

q. Recent Accounting Pronouncements

Pronouncements Adopted

In August 2016, the FASB issued Accounting Standard Update (ASU) 2016-14, *Not-For-Profit Entities: Presentation of Financial Statements of Not-For-Profit Entities*. The amendments in this ASU are designed to improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The adoption of this standard resulted in additional footnote disclosures related to liquidity, functional expense, and significant changes to the classification of net assets and disclosures to net assets. Additionally, ASU 2016-14 no longer requires investment management and advisory fees to be presented separately from net investment income. The Organization adopted this ASU on October 1, 2018. Accordingly, the account change has been retrospectively applied to all periods presented with the exception of the omission of prior year liquidity and availability of resource information as permitted by the ASU.

In January 2016, the FASB issued ASU 2016-01 *Financial Instruments (Topic 82*5). The amendments update certain aspects of recognition, measurement, presentation and disclosure of financial instruments. The Organization adopted this ASU on October 1, 2018. The Organization elected to early adopt the amendment that no longer requires disclosure of the fair value of financial instruments that are not measured at fair value and as such, these disclosures are not included in the consolidated financial statements.

Pronouncements Effective in the Future:

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. The ASU clarifies and improves current guidance about whether a transfer of assets, or the reduction, settlement, or cancellation of liabilities, is a contribution or an exchange transaction. It provides criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the organization follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. The amendments in the ASU are effective for the Organization for its fiscal year ending September 30, 2020. The Organization is currently evaluating the impact of this pronouncement on its consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. Early adoption is not permitted. The updated standard will be effective for annual reporting periods beginning after December 15, 2018. The Organization has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The amendments in this update will supersede much of the existing authoritative guidance for leases. This guidance requires lessees, among other things, to recognize right-of-use assets and liabilities on their Statement of Financial Position for all leases with lease terms longer than twelve months. The standard will be effective for the Organization for its fiscal year ending September 30, 2021, with early application permitted. The Organization is currently evaluating the impact of this pronouncement on its consolidated financial statements.

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

r. Subsequent Events:

The Organization evaluated subsequent events from September 30, 2019 through January 17, 2020, 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 Note 8.

Note 3 - Funds Held in Trust:

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

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

On occasion, the Organization also includes reserve funds for various transactions where the Organization is authorized to release the funds based on the terms of the transaction.

Greater Oakland Fund consists of funds from foundation sources. It makes both grants and loans to nonprofit affordable housing developers, nonprofit organizations and food enterprises engaging in projects that aim to revitalize targeted low-income neighborhoods in Oakland. The fund provides both non-recoverable site characterization grants and recoverable pre-development grants to enable the organizations to explore the project feasibility. If a project proceeds with construction, the recoverable pre-development grant is repaid through construction financing and returned to the grant pool for use in future projects.

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

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

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

	2019	2018
Funds held in trust, beginning of year	$ 1,043,381	$ 2,294,473
Grant funds received	4,017,603	1,170,509
Grants recovered		200,000
Grants disbursed	(3,449,393)	(2,614,431)
Interest income	535	686
Undisbursed grants returned to granting agency	(16,751)	(7,856)
Funds held in trust, end of year	$ 1,595,375	$ 1,043,381

Note 4 - Investments:

At September 30, investments consist of the following:

	2019	2018
Cash and cash equivalent	$ 448,073	$ 197,015
Mutual and exchange traded funds	4,453,014	4,722,853
Fixed income	7,964,844	8,113,600
Mortgage pool, collateralized mortgage obligations, and asset backed securities	1,578,902	1,385,790
Privately held stock	287,913	282,577
	14,732,746	14,701,835
Certificates of deposit	480,108	474,067
Total	$ 15,212,854	$ 15,175,902

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

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

	2019	2018
Interest and dividends from investments	$ 522,862	$ 468,772
Management fees	(26,820)	(25,457)
Net realized gain/(loss)	59,340	(53,167)
Net unrealized gain/(loss)	239,508	(70,794)
	$ 794,890	$ 319,354

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

	2019	2018
Undisbursed to closed loans (Note 6)	$ 9,113,291	$ 10,278,076
Committed loans (Note 6)	1,403,000	5,405,000
Liquidity reserves	1,000,000	1,000,000
Available for lending	2,716,815	2,379,920
	$ 14,223,106	$ 19,062,996
Cash and cash equivalents	$ 6,554,174	$ 10,713,274
Investments	7,678,932	8,349,722
	$ 14,233,106	$ 19,062,996

Note 5 - Fair Value of Measurements:

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

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

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

The table below summarizes the Organization's assets measured at fair value at September 30, 2018 on a recurring basis:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 197,015			$ 197,015
Mutual and exchange traded funds	4,722,853			4,722,853
Fixed income:				
U.S. Treasury notes and bonds	3,435,858			3,435,858
Municipal bonds	1,264,392			1,264,392
Corporate bonds		$ 3,413,350		3,413,350
Mortgage Pools, collateralized mortgage obligation and asset backed securities	1,385,790			1,385,790
Privately held stock:				
Investment in limited liability companies			$ 16,877	16,877
Federal Home Loan Bank Stock			265,700	265,700
	11,005,908	3,413,350	282,577	14,701,835
Funds held in trust:				
Money market funds (Note 3)	1,043,381			1,043,381
Total assets held at fair market value	$ 12,049,289	$ 3,413,350	$ 282,577	$ 15,745,216

Note 6 - Loans Receivable and Allowance for Loan Losses:

Loans receivable at September 30, are summarized as follows:

	2019	2018
Affordable/supportive housing	$ 16,356,610	$ 16,261,731
Community facilities	36,621,250	33,602,921
Food financing	7,933,549	3,840,900
California Fisheries Fund	2,778,347	2,367,744
Economic development	2,947,321	886,724
Total loans receivable	66,637,077	56,960,020
Less allowance for loan losses	(4,918,305)	(4,132,854)
	61,718,772	52,827,166
Less current portion, net of allowance for loan losses	(7,589,024)	(8,835,614)
Long-term portion, net of allowance for loan losses	$ 54,129,748	$ 43,991,552

At September 30, 2019, loans receivables, net of allowance for loan losses, consist of secured and unsecured notes with interest rates ranging from 2% to 7.5%.

Annual maturities of notes receivable are as follows:

Year ending September 30,	
2020	$ 8,175,523
2021	13,862,490
2022	5,771,106
2023	8,007,569
2024	7,628,858
Thereafter	23,191,531
	$ 66,637,077

Loan Origination/Risk Management

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

Age Analysis of Past Due Loans

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

	2019	2018
90 + days past due and still accruing	$ 25,000	$ 1,339,757
Non-accrual	313,654	
Total past due	338,654	1,339,757
Current	66,298,423	55,620,263
Total loans	$ 66,637,077	$ 56,960,020

Credit Quality

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

The following definitions summarize the basis for each classification:

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

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

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

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

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

	2019	2018
Strong/acceptable	$ 64,005,930	$ 55,598,189
Watch	2,631,147	1,361,831
Total loans	$ 66,637,077	$ 56,960,020

Allowance for loan losses

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

	2019	2018
Beginning balance	$ 4,132,854	$ 3,270,860
Provision for loan losses	785,451	861,994
Ending balance	$ 4,918,305	$ 4,132,854

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 year ended September 30, 2019 and 2018, the Organization restructured $1,879,046 and $233,922, respectively, in troubled debt. As of September 30, 2019 and 2018, the balance of all loans restructured during or prior to fiscal years 2019 and 2018 was $2,137,826 and $466,810, respectively.

During 2019 and 2018, the Organization received $204,512 and $48,998, 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, 2019 and 2018, the Organization had a total of $10,516,291 and $15,683,076, respectively, in loan commitments that had not yet been disbursed. These undisbursed loan commitments included 13 revolving lines of credit with a total undrawn balance of $5,874,613 for 2019 and $6,466,565 for 2018 and 19 pre-development, acquisition, construction or equipment loans (or interest reserves related thereto) totaling $4,641,678 for 2019 and $9,216,511 for 2018. See Note 4.

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

Note 7 - Notes Payable:

Notes payable at September 30, 2019 and 2018, are as follows:

	2019	2018
To public and private foundations, at annual interest rates of 0.5% to 3.5%, unsecured notes mature in 2020 to 2025.	$ 7,135,042	$ 6,822,690
To health system organizations, at annual interest rates of 2% to 3%, unsecured, notes mature in 2020 to 2024.	3,200,000	3,413,505
To financial institutions, at annual interest rates of 0% to 3%, unsecured, notes mature in 2020 to 2030.	23,025,000	21,525,000
To other organizations, at annual interest rates of 0% to 3.75%, unsecured, notes mature in 2020 to 2029.	6,203,036	6,402,861
To religious organizations, at annual interest rates of 1% to 3%, unsecured, notes mature in 2020 to 2025.	2,476,000	2,273,843
To individuals and trusts, at annual interest rates of 0% to 3.75%, unsecured, notes mature in 2020 to 2029.	9,925,980	8,807,720
To government entities at rates of 1% to 2.75% unsecured, notes matures in 2020 to 2020.	750,000	750,000
	52,715,058	49,995,619
Less current portion	(7,343,312)	(6,565,257)
Notes payable, net of current portion	$ 45,371,746	$ 43,430,362

The Notes Payable balance includes subordinated promissory notes with a rolling term (maturity) feature that lenders are classifying as Equity Equivalent Investments (EQ2). If the EQ2 notes continue to comply with the requirements as described in their respective agreements, the notes will retain the rolling term feature ranging from two to five years beyond their original maturity dates. The notes bear interest from 0% to 3% per annum, and are unsecured and subordinate to all other liabilities. As of September 30, 2019 and 2018, the Organization had a total of $9,750,000 and $8,750,000, respectively, of subordinated promissory notes.

Annual maturities of notes payable are as follows:

Year ending September 30,	
2020	$ 7,343,312
2021	6,974,730
2022	7,580,804
2023	5,354,500
2024	9,754,549
Thereafter	15,707,163
	$ 52,715,058

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, 2019 and 2018, the Organization was in compliance with all financial covenants to which it was subject.

At September 30, 2019 and 2018, the Organization had a total of $4,000,000, respectively, of available and committed funds for the general loan pool that had not yet been borrowed. The Organization also had a total of $4,112,958 for 2019 and $4,744,214 for 2018 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. Subsequent to year end the Organization signed a four-year lease extension beginning December 1, 2019 and ending on November 30, 2023. The following represents the future estimated minimum lease payments:

Year ending September 30,	
2020	$ 446,000
2021	432,000
2022	445,000
2023	458,000
2024	77,000
	$ 1,858,000

Rental expense for the years ended September 30, 2019 and 2018, amounted to $383,035 and $354,063, respectively.

Note 9 - Net Assets With Donor Restrictions:

Net assets with donor restrictions at September 30, 2019 were available for the following purposes:

	2019	2018
General operations		$ 7,500
Consulting	$ 678,500	337,750
Lending	260,000	24,000
Strategic Initiatives	241,992	78,089
	$ 1,180,492	$ 447,339

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

	2019	2018
General operations	$ 15,000	
Consulting	393,250	$ 415,250
Lending	24,000	33,500
Strategic Initiatives	185,847	218,069
	$ 618,097	$ 667,819

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, 2019:	
Cash and cash equivalents	$ 9,588,609
Contributions receivable	568,333
Accrued interest and other receivables	791,106
Investments	15,212,854
Funds held in trust	1,595,375
Loans receivable (net of reserves)	61,718,772
Program related investments – notes receivable	475,644
Total financial assets	89,950,693
Less amounts not available to be used within one year:	
Funds held in trust	(1,595,375)
Restricted cash for Ocean Protection Council and CE1	(611,619)
Loan and notes receivable – long-term	(54,129,748)
Program related investments – long-term notes receivable	(475,644)
Illiquid investments	(287,913)
Net assets with purpose and time restrictions	(1,180,492)
Deferred revenue – cash received in advance	(2,018,752)
Board designated – operating reserve	(5,225,000)
Board designated – lending reserve	(1,000,000)
Add net assets with purpose restrictions to be met in less than a year:	
Net assets with purpose and time restrictions	675,492
CDFI Fund Awards restricted for particular loans	1,477,086
Conditional grants	1,080,000
	(63,291,965)
Financial assets available to meet cash needs for general expenditures within one year	$ 26,658,728

Operating Liquidity

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

Loan Fund Liquidity

The Organization fulfills loan commitments through repayments on current loans receivable and by deploying cash and cash equivalents as well as investments already dedicated to the Loan Fund (see Note 4). Accordingly, available cash and cash equivalents and investments are included in these liquidity calculations. The Organization also has special purpose funds for qualifying loans. Those funds are included as available in the liquidity calculation above as the Organization expect 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 (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 $200,468 and $184,651 for the years ended September 30, 2019 and 2018, respectively.

Note 12 - Related Party Transactions:

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

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

The total outstanding loans that were provided by Board members and institutions with which they are affiliated are $7,503,000 and $2,078,000 as of September 30, 2019 and 2018, respectively.

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

The total outstanding loans that were made to organizations with which board members or advisory board members are affiliated are $1,993,689 and $2,020,000 as of September 30, 2019 and 2018, respectively.

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

Note 13 - New Markets Tax Credit Program:

As of September 30, 2019 and 2018, the Organization had received New Market Tax Credit Program (Program) allocations totaling $218,000,000 and $218,000,000 (accumulatively), respectively. The Program is administered by the Community Development Financial Institutions (CDFI) Fund pursuant to Section 45D of the Internal Revenue Code. In accordance with the terms of the Program, the Organization formed 26 for-profit community development entities (collectively the CDE LLCs), 23 of which had been activated as of September 30, 2019 and 2018 and five of which were subsequently dissolved as individual transactions reached the end of their respective compliance periods.

Active CDEs as of September 30, 2019:

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

NCCLF NMTC Sub-CDE 24, LLC through NCCLF NMTC Sub-CDE 26, LLC were formed for the NMTC allocations but had conducted no financial activity as of September 30, 2019 and 2018.

Additionally, NCCLF NMTC Sub-CDE, II, III, IV, and IV were dissolved during the years ended September 30, 2019 and 2018, and Community Vision NMTC Sub-CDE I, LLC was dissolved in a prior year.

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, 2019 and 2018, the total amount of the Organization's aggregated investment in all the CDE LLCs was $16,513 and $16,877, respectively. The fiscal year end for all the CDE LLCs is December 31, and each company is subject to various compliance requirements such as annual audits or compilations once it has been activated. Below is a summary of the unaudited interim financial information for these companies for the interim 9-month periods ended September 30:

	2019	2018
Total Assets	$145,628,085	$131,014,835
Total Liabilities	$ 285,788	$ 303,932
Total Members' Equity	$145,342,297	$130,710,903
Total Revenue	$ 2,001,354	$ 1,675,189
Total Expenses	$ 1,237,125	$ 992,558
Total Net Income	$ 764,229	$ 682,631

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 $199,800,000 in cumulative qualified equity investments (QEIs) as of September 30, 2019 and 2018 to make QLICIs from the active CDE LLCs. By making these QLICIs, the CDE LLCs enable investor members to claim approximately $77,922,000 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 $1,200,000 and $264,000, respectively as of September 30, 2019 and 2018, 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, 2019 and 2018, the Loan Fund is in compliance with all covenants that would cause a recapture of NMTC and management expects to maintain compliance throughout the seven-year life of each NMTC.

Note 14 - Credit Enhancements & Loan Guarantees:

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

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

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

To date the Organization has provided one loan guarantee to a network lender for a loan to a not-for-profit organization. At September 30, 2019 and 2018, the outstanding guaranteed amount was $0 and $267,126, respectively. The Organization considers the guarantee to be part of its program activities. The loss reserve grant commitment noted above provides a reserve for this guarantee and the Organization does not consider an additional reserve necessary at September 30, 2019 and 2018.

Note 15 - California Fisheries Fund:

On May 15, 2018 the Organization entered into an Asset Transfer (the Transfer) agreement to acquire the California Fisheries Fund (CFF). The CFF was set up in 2008 to support sustainable commercial fishing by helping young fishermen enter the industry, supporting new community quota banks, and lending to a diverse fishing fleet. As part of the transfer the Organization received total assets of $3,211,599 which included a portfolio of loans totaling $1,775,239 and $1,436,460 in cash which is intended to be used for additional fisheries lending. The Transfer also included $1,356,198 of deferred revenue provided by the California Ocean Protection Council (OPC) as part of a bond financing and is in Deferred Revenue and Other Liabilities in the Consolidated Statement of Financial Position. The impact to the Organization's net assets was an increase of $1,855,401 in net assets.

The Organization is required to maintain separate accounts for cash from the OPC and to track the percentage of each loan that is financed by OPC funds. The termination date for the Organization's agreement with OPC is 2031.

Community Vision Capital & Consulting

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

September 30, 2019

	Community Vision	Credit Enhancement 1, LLC	Eliminations	Consolidated
Assets				
Current Assets:				
Cash and cash equivalents (Note 4)	$ 9,496,182	$ 92,427		$ 9,588,609
Contributions receivable	568,333			568,333
Accrued interest and other receivables	731,916	59,190		791,106
Prepaid expenses and other assets	217,142			217,142
Investments (Note 4)	15,212,854			15,212,854
Funds held in trust (Note 3)	1,595,375			1,595,375
Loans receivable - current portion, net of allowance for loan loss of $586,499 (Note 6)	7,589,024			7,589,024
Total current assets	35,410,826	151,617		35,562,443
Loans Receivable - long-term portion, net of allowance for loan loss of $4,331,806 (Note 6)	53,246,935	977,217	$ (94,404)	54,129,748
Program Related Investments - notes receivable (Note 2)	475,644			475,644
Deposits	29,275			29,275
Fixed Assets, net	47,084			47,084
Total assets	$ 89,209,764	$ 1,128,834	$ (94,404)	$ 90,244,194
Liabilities and Net Assets				
Current Liabilities:				
Accounts payable and accrued expenses	$ 916,256			$ 916,256
Accrued interest payable	317,737	$ 4,687	$ (2,828)	319,596
Deferred revenue and other liabilities	5,352,006	142,612	(4,014)	5,490,604
Funds held in trust (Note 3)	1,595,375			1,595,375
Notes payable - current portion (Note 7)	7,343,312			7,343,312
Total current liabilities	15,524,686	147,299	(6,842)	15,665,143
Notes Payable, net of current portion (Note 7)	44,484,704	977,216	(90,174)	45,371,746
Total liabilities	60,009,390	1,124,515	(97,016)	61,036,889
Net Assets:				
Without donor restrictions:				
Board designated (Note 2)	6,225,000			6,225,000
Undesignated	21,794,882	4,319	2,612	21,801,813
Total without donor restrictions	28,019,882	4,319	2,612	28,026,813
With donor restrictions (Note 9)	1,180,492			1,180,492
Total net assets	29,200,374	4,319	2,612	29,207,305
Total liabilities and net assets	$ 89,209,764	$ 1,128,834	$ (94,404)	$ 90,244,194

Community Vision Capital & Consulting

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

September 30, 2019

	Community Vision	Credit Enhancement 1, LLC	Eliminations	Consolidated
Revenue and Support:				
New market tax credit fees (Note 12)	$ 1,894,124			$ 1,894,124
Consulting and contract fees	875,861			875,861
Loan fees	393,020			393,020
Grants and contributions	2,198,969			2,198,969
Government contract revenue	3,240,657			3,240,657
Special event income, net of direct expenses of $60,065	36,882			36,882
Interest income - notes receivable	3,173,424	$ 21,684		3,195,108
Investment income, net (Note 4)	794,890			794,890
In-kind contributions	366,030			366,030
Total support and revenue	12,973,857	21,684	-	12,995,541
Expenses:				
Program services:				
Direct lending	3,829,643			3,829,643
New markets tax credits	555,571			555,571
Consulting and training	2,179,314			2,179,314
Strategic Initiatives	753,274	16,894	$ (2,612)	767,556
Capitalization	383,897			383,897
				-
Total program services	7,701,699	16,894	(2,612)	7,715,981
Supporting services:				
Management and general	896,104			896,104
Fundraising	466,216			466,216
Total supporting services	1,362,320	-	-	1,362,320
Total expenses	9,064,019	16,894	(2,612)	9,078,301
Change in Net Assets	3,909,838	4,790	2,612	3,917,240
Net Assets, beginning of year	25,290,536	(471)		25,290,065
Net Assets, end of year	$ 29,200,374	$ 4,319	$ 2,612	$ 29,207,305