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& COMPANY LLP®

California Community Reinvestment Corporation

Consolidated Financial Statements with Report of Independent Auditors
September 30, 2023 and 2022

CALIFORNIA COMMUNITY REINVESTMENT CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2023 AND 2022

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Report of Independent Auditors

To the Board of Directors of
California Community Reinvestment Corporation:

Opinion

We have audited the accompanying consolidated financial statements of California Community Reinvestment Corporation and subsidiaries, which comprise the consolidated statements of financial position as of September 30, 2023 and 2022, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of California Community Reinvestment Corporation and subsidiaries as of September 30, 2023 and 2022, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 California Community Reinvestment Corporation and its subsidiaries' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of California Community Reinvestment Corporation'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 California Community Reinvestment Corporation'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.

Novogradac & Company LLP

Walnut Creek, CA
December 14, 2023

CALIFORNIA COMMUNITY REINVESTMENT CORPORATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2023 and 2022

	2023	2022
ASSETS		
Cash and cash equivalents	$ 18,438,485	$ 25,360,602
Investment securities	27,060,781	27,336,705
Real estate loans:		
Loan receivable	192,048,694	147,181,442
Allowance for loan losses	(1,006,432)	(3,081,164)
Deferred loan fees, net	(1,630,160)	(1,296,429)
Real estate loans, net	189,412,102	142,803,849
Interest receivable	1,027,664	1,100,181
Equipment and furniture, net	11,655	38,602
Restricted cash - posted collateral	5,996,165	4,583,827
Other assets	841,232	571,875
Total assets	$ 242,788,084	$ 201,795,641
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	$ 1,219,689	$ 1,328,598
Interest payable	583,065	514,085
Deferred revenue	5,864,724	5,980,518
Notes payable	159,677,582	124,572,261
Total liabilities	167,345,060	132,395,462
COMMITMENT AND CONTINGENCIES		
NET ASSETS		
Without donor restrictions		
Undesignated	74,912,469	68,318,130
Board-Designated	355,000	355,000
With donor restrictions		
Purpose restricted	175,555	727,049
Total net assets	75,443,024	69,400,179
Total liabilities and net assets	$ 242,788,084	$ 201,795,641

See notes to consolidated financial statements

CALIFORNIA COMMUNITY REINVESTMENT CORPORATION

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED SEPTEMBER 30, 2023 and 2022

	2023	2022
Changes in net assets without donor restrictions		
Revenues, gains and other support:		
Interest income, loans	$ 8,618,701	$ 6,619,534
Interest income, sweep	1,771,104	-
Investment income (loss), net	3,306,859	(2,777,291)
Loan, commitment, rate lock and prepayment fees	1,630,601	935,444
Credit enhancement fees and other income	447,770	469,794
Loan servicing income, net	2,075,879	2,119,816
Total revenues and gains	17,850,914	7,367,297
Net assets released from restrictions:		
Grant proceeds returned	(53,959)	(586,680)
Satisfaction of program restrictions	628,505	42,055
Total revenues, gains and other support	18,425,460	6,822,672
Expenses:		
Program services:		
Affordable housing financing and servicing	10,900,645	11,092,586
Scholarship	41,825	42,055
Other	-	100,000
Total program services	10,942,470	11,234,641
Supporting services		
General and administrative	888,651	780,645
Total expenses	11,831,121	12,015,286
Increase (decrease) in net assets without donor restrictions	6,594,339	(5,192,614)
Changes in net assets with donor restrictions		
Unexpended grant proceeds	53,959	586,680
Contributions	23,052	67,000
Net assets released from restrictions	(628,505)	(42,055)
(Decrease) increase in net assets with donor restrictions	(551,494)	611,625
Increase (decrease) in net assets	6,042,845	(4,580,989)
Net assets, beginning of year	69,400,179	73,981,168
Net assets, end of year	$ 75,443,024	$ 69,400,179

See notes to consolidated financial statements

CALIFORNIA COMMUNITY REINVESTMENT CORPORATION
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2023
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2022

	2023							2022
	Program Services				Supporting Services			
EXPENDITURES	Affordable Housing Financing and Servicing	Scholarship	Grants	Total Program Services	General and Administrative	Total Supporting Services	Total	Total
Interest	$ 6,437,763	$ -	$ -	$ 6,437,763	$ -	$ -	$ 6,437,763	$ 4,841,070
Salaries and employee benefits	5,297,566	-	-	5,297,566	658,712	658,712	5,956,278	5,020,472
Occupancy	232,202	-	-	232,202	29,821	29,821	262,023	252,787
Professional services	434,145	-	-	434,145	107,012	107,012	541,157	681,102
Provision for loan losses	(2,074,732)	-	-	(2,074,732)	-	-	(2,074,732)	490,743
Marketing and business development	40,089	-	-	40,089	-	-	40,089	46,500
Utilities and maintenance	166,989	-	-	166,989	18,554	18,554	185,543	173,641
Professional conferences and meetings	23,915	-	-	23,915	2,921	2,921	26,836	22,650
Depreciation	23,086	-	-	23,086	9,301	9,301	32,387	59,257
Insurance	86,074	-	-	86,074	62,330	62,330	148,404	128,728
Miscellaneous	233,548	41,825	-	275,373	-	-	275,373	298,336
Total 2023 Functional Expenses	$ 10,900,645	$ 41,825	$ -	$ 10,942,470	$ 888,651	$ 888,651	$ 11,831,121	$ 12,015,286
Total 2022 Functional Expenses	$ 11,092,586	$ 42,055	$ 100,000	$ 11,234,641	$ 780,645	$ 780,645	$ 12,015,286	

See notes to consolidated financial statements

CALIFORNIA COMMUNITY REINVESTMENT CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from:		
Loan, commitment, rate lock, and prepayment fees	$ 1,671,186	$ 2,803,285
Service fees and other income	2,075,879	2,119,816
Interest income, loans	8,691,218	6,373,704
Interest income, sweep	1,771,104	-
Contributions	23,052	67,000
Cash received from operations	14,232,439	11,363,805
Cash paid to:		
Employees	(6,057,513)	(4,969,610)
Member banks for interest on notes payable	(6,368,783)	(4,626,398)
Vendors for operations	(1,131,334)	(1,439,309)
Cash paid for operations	(13,557,630)	(11,035,317)
Net cash provided by operating activities	674,809	328,488
CASH FLOWS FROM INVESTING ACTIVITIES		
Loans originated	(51,138,876)	(55,584,439)
Loan repayments	6,271,624	6,200,484
Distributions from investment securities	3,582,783	3,794,215
Purchases of furniture and equipment	(5,440)	(5,178)
Net cash used in investing activities	(41,289,909)	(45,594,918)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable - member banks	39,520,561	51,347,845
Payments on notes payable - member banks	(4,415,240)	(6,320,265)
Net cash provided by financing activities	35,105,321	45,027,580
Net change in cash, cash equivalents and restricted cash	(5,509,779)	(238,850)
Cash, cash equivalents and restricted cash at beginning of year	29,944,429	30,183,279
Cash, cash equivalents and restricted cash at end of year	$ 24,434,650	$ 29,944,429

See notes to consolidated financial statements

CALIFORNIA COMMUNITY REINVESTMENT CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	2023	2022
Reconciliation of increase (decrease) in net assets		
to net cash provided by operating activities:		
Change in net assets	$ 6,042,845	$ (4,580,989)
Adjustments to reconcile change in net assets		
to net cash provided by operating activities:		
Depreciation	32,387	59,257
Provision for loan losses	(2,074,732)	490,743
Investment (income) loss, net	(3,306,859)	2,777,291
Changes in operating assets and liabilities:		
Deferred loan fees	333,731	374,232
Interest receivable	72,517	(245,830)
Other assets	(269,357)	(12,548)
Accounts payable and accrued expenses	(108,909)	14,747
Interest payable, member banks	68,980	214,672
Deferred revenue	(115,794)	1,236,913
Net cash provided by operating activities	$ 674,809	$ 328,488
Reconciliation of cash:		
As reported within the consolidated statements of		
financial position:		
Cash and cash equivalents	$ 18,438,485	$ 25,360,602
Restricted cash - posted collateral	5,996,165	4,583,827
As shown in the consolidated statements of cash flows	$ 24,434,650	$ 29,944,429

1. Organization and summary of significant accounting policies

Organization and nature of business

California Community Reinvestment Corporation (“CCRC”) is a private, not-for-profit organization established for the purpose of providing financing and technical assistance to facilitate the development of affordable housing in the State of California. Loan funding is primarily provided by a consortium of member banks that contribute funding through a credit and security agreement or participation agreement (the "Agreement"). CCRC was approved as a HUD Title II FHA multifamily lender through September 30, 2020, at which time it withdrew from the program.

CCRC/PSP, LLC ("CCRC/PSP") was formed in February 2012 for the purpose of designing and implementing other financial or economic models, plans, programs, or strategies which would facilitate the development of, and/or enhance the availability of affordable housing in the state of California. CCRC is the sole member of CCRC/PSP.

CCRC Affordable Housing Partners, LLC ("Housing Partners") was formed in March 2000 to provide financing and technical assistance, at any stage of affordable housing in the State of California, to facilitate the development of affordable housing in the State of California, to acquire, rehabilitate and dispose of financially troubled and/or dilapidated housing in order to enhance the availability of affordable housing in the State of California, and to engage in such other lawful business as may be determined by CCRC, the sole member of Housing Partners.

CCRC Depositor, LLC ("Depositor") was formed in September 2017 to serve as the depositor in connection with the sale and securitization of mortgage loans with Federal Home Loan Mortgage Corporation ("Freddie Mac"). CCRC is the sole member of Depositor.

CCRC TESS Depositor I LLC ("TESS Depositor") was formed in January 2019 to serve as the depositor in connection with the sale and securitization of tax-exempt bonds with Freddie Mac. The sale and securitization transactions were completed by CCRC as fiscal agent and bondholders' agent under the tax-exempt bond program. CCRC is the sole member of TESS Depositor.

CCRC also acts in the capacity of a fiscal agent and bondholders' agent for the tax-exempt bond program, the objective of which is to provide financing to developers for the development and/or rehabilitation of multifamily housing to low-income households. The program provides access to 4% tax credit equity and permanent financing at competitive tax-exempt rates. This program results in additional Community Reinvestment Act investment/lending opportunities for the member banks. Under this program, the member banks purchase revenue bonds from a bond issuer. Using the proceeds from the issuance of the bonds, the bond issuer then provides permanent financing to the borrower. The fiscal agent originates the loan to the borrower on behalf of the bond issuer and services the loan on behalf of the bond issuer and the bondholders. CCRC, as the bondholders' agent, also performs bond registrar and paying agent functions.

Bond program loans and related borrowings have not been reflected in the accompanying consolidated financial statements as CCRC is acting in the capacity of agent for the member banks and provides only paying agent functions. CCRC retains a servicing fee for its services, which is recorded in the consolidated statements of activities. At September 30, 2023 and 2022, CCRC was servicing loans totaling $545,170,120 and $444,958,546, under this program.

1. Organization and summary of significant accounting policies (continued)

Summary of significant accounting policies

Principles of consolidation

The consolidated financial statements include the accounts of CCRC and its wholly owned subsidiaries (collectively, the "Company"). All significant inter-company transactions and accounts have been eliminated.

Financial statement presentation

The financial statements of the Company have been prepared on the accrual basis of accounting to conform to accounting principles generally accepted in the United States of America ("U.S. GAAP") as applicable to non-profit organizations.

Net assets and the changes therein have been classified and reported as follows:

Without donor restrictions, undesignated – These consist of amounts that have no donor-imposed stipulations and can be spent or utilized at the discretion of the Company.

Without donor restrictions, board-designated – These consist of resources that the Board of Directors has designated to be used for the Bridging the Digital Divide Program.

With donor restrictions – These include contributions that are restricted by the donor for a specific purpose or time period. These restrictions may expire with time or may be satisfied and removed by actions of the Company according to the intentions of the donor.

Cash and cash equivalents

The Company considers all highly liquid debt instruments and investments purchased with an original maturity of three months or less to be cash equivalents.

Reserve accounts

The Company holds certain borrower reserve balances to be remitted to third parties on behalf of the borrowers or returned to the borrowers. The balances in the accounts at September 30, 2023 and 2022 were $150,641,235 and $140,179,164, respectively; such amounts are not reflected in the Company's consolidated statements of financial position at September 30, 2023 and 2022.

Mortgage Servicing Rights

Upon the sale or securitization of mortgage loans, the Company may retain the servicing rights which are initially measured at fair value. The Company determines fair value at quoted market prices, if available. However, quotes are generally not available for servicing rights retained, so management estimates fair value using the present value of future expected cash flows based on management's best estimates of the key assumptions including credit losses, prepayment speeds, forward yield curves, and discount rates commensurate with the risks involved.

Real estate loans

Real estate loans are reported at the principal amount outstanding, net of an allowance for loan losses and deferred loan fees. Interest income is recognized on the accrual basis according to the contractual terms of the loans. Interest income is not recognized on loans past due 90 days or if collection of interest is deemed by management to be unlikely.

1. Organization and summary of significant accounting policies (continued)

Summary of significant accounting policies (continued)

Real estate loans (continued)

Loans for which the accrual of interest has been discontinued are designated nonaccrual loans. All interest previously accrued but uncollected is reversed against current period interest income. Income on such loans is then recognized only to the extent that cash is received and when the ultimate collection of the carrying amount of the loan is probable. If and when borrowers demonstrate the ability to repay a loan in accordance with the terms of a loan classified as nonaccrual, the loan may be returned to accrual status.

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the amortization plan established in the contractual terms of the loan. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Impairment is measured by reference to the present value of expected future cash flows, discounted at the loan's original interest rate or to the estimated fair value of the collateral. If the valuation of the impaired loan is less than the recorded investment in the loan, the Company recognizes the impairment by creating a specific allowance for loan losses with a corresponding charge to the provision for loan losses or by adjusting an existing allowance for the impaired loan with a corresponding charge or credit to the provision.

Loans for which the borrower is experiencing financial difficulty and the Company has granted an economic concession to the borrower are referred to as troubled debt restructurings. Prior to modifying a borrower's loan terms, the Company performs an evaluation of the borrower's financial condition and ability to service the modified loan terms. The types of concessions granted may include interest rate reductions and/or term extensions.

Nonrefundable fees and direct costs associated with the origination of loans are deferred and netted against the outstanding loan balances. Net deferred loan origination fees are recognized in income over the remaining loan terms using the level yield method. Commitment fees are deferred and recognized as revenue over the life of the loans, if the commitments are exercised, or upon the expiration of the commitments.

The Company also received fees from potential borrowers to lock in the interest rates on the loans. These fees were deferred and amortized over the rate lock periods. Fees received from the prepayment of loans are recorded as revenue when received.

Loans held for sale

Loans are initially classified as held for sale when they are identified as being available for immediate sale and a formal plan exists to sell them.

Gains or losses resulting from loan sales are recognized at the time of sale based on the difference between net sale proceeds and the book value of loans sold. Loans held for sale are valued at the lower of cost or fair market value determined on an aggregate basis for all loans in inventory. Market value is based on commitments from purchasers. There were no loans held for sale as of September 30, 2023 and 2022.

1. Organization and summary of significant accounting policies (continued)

Summary of significant accounting policies (continued)

Allowance for loan losses
The determination of the balance in the allowance for loan losses is based on an analysis of the loan portfolio and reflects an amount that, in management's judgment. Is adequate to provide for probable incurred losses that are inherent in the portfolio after giving consideration to the character of the loan portfolio, current economic conditions, past credit loss experience, and such other factors that deserve current recognition in estimating credit losses. Unanticipated changes in the economy of the Company's primary lending area may affect the balance of the allowance. Because the allowance is based on estimates, ultimate losses may vary from management's estimates. The allowance is increased by provisions charged to expense and reduced by net recoveries.

Furniture and equipment
Furniture and equipment are recorded at cost and depreciated on a straight-line basis over the estimated useful lives of the respective assets, which range from three to five years.

Net assets with donor restrictions
Contributions and grants are recognized as revenues when they are received or unconditionally pledged. The Company reports contributions and grants as restricted support if it is received with donor stipulations that limit its use. 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 consolidated statements of activities as net assets released from restrictions. At September 30, 2023, net assets with donor restrictions consisted of amounts restricted for scholarships and amounts restricted for affordable housing financing of $121,596 and $53,959, respectively. At September 30, 2022, net assets with donor restrictions consisted of amounts restricted for scholarships and amounts restricted for affordable housing financing of $140,369 and $586,680, respectively.

Credit enhancement fee
The Company reports credit enhancement fee income in developer, broker fees, and other income. Credit enhancement fee income on participation interests sold consists of the Company's subordinated participation interest which is provided to reduce the risk to the buyer of a borrower's default. For the fiscal years ended September 30, 2023 and 2022, the credit enhancement fee income totaled $447,770 and $469,794, respectively.

Grants
Grant expenditures are recognized in the period the grant is approved provided the grant is not subject to future donor-imposed conditions. Conditional grants are recognized as grant expense and as grants payable in the period in which the grantee meets the conditions of the grant. Unconditional grants awarded under the Scholarship Program during the year ended September 30, 2023 amounted to $41,825. Unconditional grants awarded under the Scholarship Program and Bridging the Digital Divide Program during the year ended September 30, 2022 amounted to $42,055 and $100,000, respectively.

1. Organization and summary of significant accounting policies (continued)

Summary of significant accounting policies (continued)

Functional allocation of expenses
The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying consolidated statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefitted. These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and employee benefits, occupancy, professional services, utilities and maintenance, professional conferences and meetings, depreciation, insurance, and miscellaneous expenses. These expenses are allocated on the basis of estimates of time and effort by employees. Expenses directly identifiable to specific programs and supporting activities are presented accordingly.

Use of estimates in the preparation of the consolidated financial statements
The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates reflected in the consolidated financial statements relate to the allowance for loan losses and the estimated fair value of investment securities. Actual results could differ from those estimates.

Risks and uncertainties
Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position.

Leases
The Company determines if an arrangement is a lease at inception. An arrangement is a lease if the arrangement conveys a right to direct the use of and to obtain substantially all of the economic benefits from the use of an asset for a period of time in exchange for consideration.

Operating lease right-of use assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The Company uses a risk-free rate at the commencement date in determining the present value of lease payments.

The operating lease right-of-use asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

1. Organization and summary of significant accounting policies (continued)

Summary of significant accounting policies (continued)

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

FASB ASC 842 was adopted October 1, 2022, with certain practical expedients available. FASB ASC 842 did not have a material impact on the financial statements and, accordingly, no operating lease right-of-use asset or lease liability was recorded in the accompanying financial statements.

Recent accounting pronouncements
On June 16, 2016, FSAB introduced, ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The new accounting standard reflects a change in GAAP from an incurred loss methodology to an expected credit loss methodology. The Company will adopt ASU 2016-13 for fiscal year starting October 1, 2023.

2. Investments

In the process of modeling loan sales and securitization strategies, the Board of Directors has approved the purchase and retention of securities and interest-only strips associated with recent loan sales and securitizations.

The investment goal of the Company is to ensure that it has adequate liquid assets to manage short-term operating cash flow needs while promoting prudent corporate stewardship of overall assets by establishing investment guidelines to maximize returns while maintaining and monitoring risk within the overall portfolio.

Investment securities and pledged investment securities consist of:

	2023	2022
Investment securities:		
Interest-only strips:		
Guaranteed by Freddie Mac	$ 7,625,166	$ 8,438,173
Subordinate and not guaranteed By Freddie Mac	6,472,815	4,652,822
Total investment securities	14,097,981	13,090,995
Pledged investment securities:		
Collateralized mortgage obligation Guaranteed by Freddie Mac	12,962,800	14,245,710
Total	$ 27,060,781	$ 27,336,705

2. Investments (continued)

As required by the terms of its November 2020 loan securitization sale, the Company is obligated to provide collateral to Freddie Mac under a reimbursement and security agreement. The collateral requirement is fulfilled by pledging investment securities and posting cash collateral which amounted to $12,962,800 and $5,996,165, respectively, as of September 30, 2023 and $14,245,710 and $4,583,827, respectively, as of September 30, 2022.

During the years ended September 30, 2023 and 2022, income (loss) from investments consisted of:

	2023	2022
Amortization of discount	$ 949,391	$ 1,026,185
Adjustment to fair value	2,032,207	(4,135,989)
Interest income	325,261	332,513
Investment income (loss), net	$ 3,306,859	$ (2,777,291)

The changes in unrealized gains or losses related to Level 3 investments still held at September 30, 2023 and 2022 amounted to $2,032,207 and $(4,135,989) respectively, and are included in investment income (loss), net in the accompanying consolidated statements of activities.

3. Real estate loans

The Company primarily originates real estate loans for affordable housing in California. Loans originated by the Company are primarily funded by advances from member banks and are secured by a first deed of trust on the subject property of each respective loan.

The Company's loan portfolio at September 30, 2023 and 2022 consists of:

	2023	2022
Affordable Housing Multifamily	$ 192,048,694	$ 147,181,442

The Company, to the extent that it is financially able, will maintain loan loss reserves and has the responsibility for any loan losses suffered. Only after the Company is not able to absorb potential losses will the losses become the financial responsibility of the member banks. In addition, the Company will continue to make monthly payments to its member banks even if it has not received payments from its borrowers.

The Company evaluates the credit quality of its loan portfolio based on internal credit risk ratings using numerous factors, including debt coverage and loan to value ratios, collateral, collection experience, and other internal factors. Internal credit risk ratings include pass, special mention, substandard, and specific reserve.

Loans held for investment by credit quality category are as follows:

	2023	2022
Pass	$ 174,450,855	$ 134,825,569
Special mention	12,616,042	7,222,415
Substandard	4,981,797	5,133,458
Specific reserve	-	-
Total	$ 192,048,694	$ 147,181,442

The allowance for loan losses is composed of specific allowances for certain loans and general allowances grouped into loan pools based upon similar credit quality characteristics.

3. Real estate loans (continued)

Activity in the allowance for loan losses for the years ended September 30, 2023 and 2022 is shown below:

	2023	2022
Allowance of loan losses:		
Balance, beginning of year	$ 3,081,164	$ 2,590,421
Activities during the year		
Charge-offs	-	-
Recoveries	-	-
Provision	(2,074,732)	490,743
Balance, end of year	$ 1,006,432	$ 3,081,164
Ending balance:		
Individually evaluated for impairment	-	$ 192,616
Collectively evaluated for impairment	$ 1,006,432	$ 2,888,548
Loans receivable:		
Ending balance:		
Individually evaluated for impairment	-	$ 1,284,106
Collectively evaluated for impairment	$ 192,048,695	$ 145,897,336

A loan is considered impaired when it is probable that the Company will be unable to collect all amounts due, including principal and interest, according to the contractual terms of the related agreement. No loans were considered to be impaired at September 30, 2023 or 2022.

An age analysis of loans receivable as of September 30, 2023 and 2022 is as follows:

	2023	2022
Past due:		
30-59 days	$ -	$ -
60-89 days	-	1,284,106
Greater than 90 days	-	-
Total past due	-	1,284,106
Current	192,048,694	145,897,336
Total loans receivable	$ 192,048,694	$ 147,181,442
Total loans past due greater than 90 days, accruing	$ -	$ -

3. Real estate loans (continued)

Aggregate scheduled loan receivables principal payments for the next five years and thereafter are as follows:

Year ending September 30,	
2024	$ 4,778,396
2025	5,963,940
2026	6,612,156
2027	5,032,027
2028	5,559,389
Thereafter	164,102,786
Total	$ 192,048,694

4. Furniture and equipment

As of September 30, 2023 and 2022, the Organization's fixed assets consist of the following:

	2023	2022
Furniture and equipment	$ 585,981	$ 580,541
Less: accumulated depreciation	(574,326)	(541,939)
Furniture and equipment, net	$ 11,655	$ 38,602

5. Notes payable

Funding for loans originated by the Company is primarily provided by borrowings from member banks under the Agreement. As stated in the Agreement, the terms of the Company's borrowings from member banks are substantially the same as the terms of the loans the Company originates. The member banks receive an assignment of the collateral for the loans originated equal to their respective equity percentage interest in the loans. A nominal interest rate spread is retained by the Company.

Based on the terms of the Agreement, such participations by member banks are accounted for as secured borrowings with a pledge of collateral, and accordingly, the real estate loans and notes payable are included in the Company's consolidated statements of financial position. As of September 30, 2023 and 2022, notes payable under the Agreement with member banks amounted to $131,878,031 and $95,790,883, respectively.

In March 2015, the Company entered into a loan and security agreement with a former member bank which provides for a revolving credit facility of up to a maximum amount of $50,000,000. The credit facility expires on March 31, 2025. Borrowings under the facility are to be used for the funding of real estate loans and bear interest at a fixed interest rate, determined by the lender at the time of borrowing plus 1.00%. Borrowings are collateralized by the related real estate loan including the real estate loan collateral. On September 30, 2023 and 2022, there were borrowings outstanding of $23,799,551 and $24,781,378, respectively, on this credit facility.

5. Notes payable (continued)

The Company entered into an Equity Equivalent Investment Agreement ("EQ2)" with a member bank in March 2019. The EQ2 provided a single non-revolving advance of $4,000,000 for the extension of affordable housing loans and the purchase and sale of assets or participations and/or the general recycling of assets in order to make additional capital available. Interest on the unpaid principal amount shall bear interest at 3%, payable quarterly, in arrears. The outstanding principal balance of the EQ2 and accrued but unpaid interest are due and payable at maturity in March 2024. Based on satisfaction of certain terms and conditions, the maturity date may be automatically extended for one additional five-year period unless the Company provides a written request not to extend the term. The outstanding balance of the EQ2 was $4,000,000 as of September 30, 2023 and 2022.

The aggregate scheduled principal payments based on each loan's respective amortization schedule at September 30, 2023 are as follows:

Annual principal payments are as follows:

Year ending September 30,	
2024	$ 7,875,366
2025	4,955,397
2026	5,551,416
2027	4,019,136
2028	4,215,311
Thereafter	133,060,956
Total	$ 159,677,582

6. Commitments and contingency

Loan commitments

The Company is a party to loan commitments with off-balance-sheet risk in the normal course of business to meet the financing needs of its borrowers. Commitments to extend credit are agreements to lend as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The Company evaluates each borrower's creditworthiness on a case-by-case basis. The value of collateral obtained upon extension of credit is based upon management's real estate evaluation and only includes income-producing property.

6. Commitments and contingency (continued)

As of September 30, 2023 and 2022, commitments and deferred fees were as follows:

	2023	2022
Loan commitments unfunded	$ 268,601,246	$ 277,405,269
Deferred revenue on loan commitments Unfunded:		
Nonrefundable loan application commitment fees	$ 5,864,724	$ 5,980,518

For the years ended September 30, 2023 and 2022, deferred loan, commitment, and rate lock fees were as follows:

	2023	2022
Prepayment fees	$ 242,280	$ 26,317
Amortization of deferred fees	117,678	95,783
Fees earning, bond deals	1,093,360	763,150
Other	177,283	50,194
Total	$ 1,630,601	$ 935,444

Lease commitment

The Company has an operating lease agreement which commenced in April 2017. Under the terms of this lease, the Company pays monthly rental commencing August 2017 through October 2024. A summary of the future minimum lease payments follows:

Year ending September 30,	
2024	266,564
2025	22,237
Total	$ 288,801

Contingency

Beginning with the year ended September 30, 2018, the Company sold loans in its capacity as owner or fiscal agent and bondholder, in the form of securitizations guaranteed, in part, by Freddie Mac. In connection with these loan sales, the Company provided various representations and warranties related to the loans sold. Those representations and warranties generally relate to, among other things, the ownership of the loans, the validity of the lien securing the loan, the loans' compliance with criteria for inclusion in the transaction, ability to deliver required documentation, and compliance with applicable laws. Generally, these representations and warranties may be enforced at any time over the life of the loan.

7. Transactions with member banks

At September 30, 2023 and 2022, the Company had $18,438,485 and $25,360,602 respectively, on deposit with a member bank. In lieu of interest, the Company received an earnings credit against fees of 0.76% during the years ended September 30, 2023 and 2022. Starting March 27, 2023, the Company started to sweep Reserve Account and Operating Account balances and earned $1,771,104 for the year ended September 30, 2023. Such deposits were in excess of the amount insured by the Federal Deposit Insurance Corporation.

As of September 30, 2023 and 2022, CCRC-funded loans totaled $36,018,734 and $26,605,295, respectively.

Interest expense related to the loans financed by member banks amounted to $6,437,763 and $4,841,070 for the years ended September 30, 2023 and 2022, respectively.

8. Deferred compensation plan

The Company has a 401(k) deferred compensation plan (the "Plan") which allows for employer matching and discretionary profit-sharing contributions. The Plan is offered to all full-time employees who are 21 years or older and have been with the Company for more than three months. For the years ended September 30, 2023 and 2022, the Company's contributions into the Plan totaled $270,591 and $285,632, respectively.

9. Tax status

CCRC is a qualified charitable organization under Section 501(c)(3) of the Internal Revenue Code and under the State of California tax regulations and therefore, is not subject to federal or state income taxes in connection with its exempt activities.

U.S. GAAP requires management to evaluate tax positions taken by CCRC and to recognize a tax liability (or asset) if CCRC has taken an uncertain tax position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions, and has concluded that as of September 30, 2023, there are no uncertain tax positions taken or expected to be taken that would require the recognition of the liability (or asset) or disclosure in the consolidated financial statements. CCRC is subject to routine audits by taxing jurisdictions and could be subject to income tax if certain issues were found by the IRS that could result in the disqualification of CCRC's tax exempt status.

10. Fair values of financial instruments

The estimated fair value amounts as of September 30, 2023 and 2022 have been determined using available market information and appropriate valuation methodologies. However, considerable judgment is required to interpret market data to develop estimates of fair value. Accordingly, the estimates described below are not necessarily indicative of the amounts the Company could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

10. Fair values of financial instruments (continued)

FASB Accounting Standards Codification ("ASC") 820 establishes a framework for using fair value to measure assets and liabilities and defines fair value as the price that would be received to sell an asset or paid to transfer a liability as opposed to the price that would be paid to acquire the asset or received to assume the liability. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. A fair value measure should reflect the assumptions that market participants would use in pricing the asset or liability, including the assumptions about the risk inherent in a particular valuation technique, the effect of a restriction on the sale or use of an asset and the value based on inputs the Company uses to derive fair value measurements. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 inputs: Quoted market prices (unadjusted) for identical assets or liabilities traded in active markets

Level 2 inputs: Quoted market prices for similar instruments traded in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market

Level 3 inputs: Significant unobservable inputs for the asset or liability that rely on management's own estimates for assumptions that market participants would use in pricing the asset or liability that include option pricing models, discounted cash flow models and similar techniques, but may also include the use of market prices of assets or liabilities that are not directly comparable to the subject asset or liability

Investment securities are valued at fair value based upon an income approach using a valuation model. The valuation model includes assumptions regarding projections of future cash flows, prepayment rates, default rates and interest only strip terms. These securities bear the risk of loan prepayment or default that may result in the Company not recovering all or a portion of its recorded investment. When appropriate, valuations are adjusted for various factors including default or prepayment status of the underlying mortgage loans. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the securities existed and may change materially in the near term.

The fair value of the pledged investment securities is determined using the fair values provided by the custodian.

10. Fair values of financial instruments (continued)

Assets measured at fair value on a recurring basis by level within the ASC 820 fair value hierarchy at September 30, 2023 and 2022 are as follows:

	September 30, 2023			
	Level 1	Level 2	Level 3	Fair Value Measurements
Investment securities:				
Interest-only strips:				
Guaranteed by Freddie Mac	$ -	$ -	$ 7,625,166	$ 7,625,166
Subordinate and not guaranteed by Freddie Mac	-	-	6,472,815	6,472,815
Total investment securities	-	-	14,097,981	14,097,981
Pledged investment securities:				
Collateralized mortgage Obligation guaranteed by Freddie Mac	-	-	12,962,800	12,962,800
Total	$ -	$ -	$ 27,060,781	$ 27,060,781

	September 30, 2022			
	Level 1	Level 2	Level 3	Fair Value Measurements
Investment securities:				
Interest-only strips:				
Guaranteed by Freddie Mac	$ -	$ -	$ 8,438,173	$ 8,438,173
Subordinate and not guaranteed by Freddie Mac	-	-	4,652,822	4,652,822
Total investment securities	-	-	13,090,995	13,090,995
Pledged investment securities:				
Collateralized mortgage Obligation guaranteed by Freddie Mac	-	-	14,245,710	14,245,710
Total	$ -	$ -	$ 27,336,705	$ 27,336,705

10. Fair values of financial instruments (continued)

The following table illustrates the changes in the fair value of all financial assets measured on a recurring basis using significant unobservable inputs (Level 3) for the years ended September 30, 2023 and 2022:

	2023	2022
Balance, beginning of year	$ 27,336,705	$ 33,908,211
Activities during the year:		
Purchases	-	-
Amortization of discount	949,391	1,026,185
Payments received	(3,257,522)	(3,461,702)
Adjustment to fair value	2,032,207	(4,135,989)
Balance, end of year	$ 27,060,781	$ 27,336,705

Other financial instruments not required to be reported at fair value
The methods and assumptions used to estimate the fair value of each class of financial instrument for which it is practicable to estimate that value are:

Real estate loans - Based on sales to third parties, current interest rates offered by the Company, and the interest rates related to the loan portfolio, the carrying amounts of loans receivable are estimated to approximate fair value. It is the Company's opinion that the allowance for estimated loan losses results in a fair valuation of such loans receivable.

Notes payable - Based on the current interest rates on notes payable to member banks and the interest rates related to the existing borrowings, the carrying amounts of such borrowings are estimated to approximate fair values.

Interest receivable and Interest payable - The carrying amounts of these items are a reasonable estimate of their fair values due to their short-term nature.

11. Government grant

In March 2019, the Company entered into a 2018 Capital Magnet Fund Assistance Agreement with the Community Development Financial Institutions Fund (the "CDFI Agreement"). The CDFI Agreement provided a total grant to the Company of $3,150,000 of which $150,000 was designated for direct administrative costs. The $3,150,000 grant was received in full during the year ended September 30, 2019.

The CDFI Agreement provides that amounts should be considered expended once the Company commits for use the grant, or a portion thereof, as evidenced by an executed, written, legally binding commitment agreement with a qualified family, developer, or project sponsor, as defined in the CDFI Agreement.

During the years ended September 30, 2023 and 2022, proceeds from principal payments and earnings totaling $53,959 and $586,680, respectively, were returned to the Company and reclassified as unexpended balance. The unexpended balance of $53,959 and $586,680, respectively, is included in net assets with donor restrictions in the accompanying consolidated statements of financial position at September 30, 2023 and 2022.

12. Liquidity

As of September 30, 2023, the following financial assets and liquidity sources are available for general operating expenditures in the year ending September 30, 2023:

Cash and cash equivalents	$ 18,438,485
Investment securities	27,060,781
Interest receivable	1,027,664
Less:	
Pledged investment securities	(12,962,800)
Bond loans to be funded by Capital Magnet Fund Award	(960,876)
Contributions received with donor restrictions	(23,052)
Board-designation for the Bridging the Digital Divide program	(355,000)
Cash balance reserved by the board	(6,592,517)
	$ 25,632,685

As part of the Company's liquidity management, it has a policy to structure its financial resources to be available as its general expenditures, including debt service requirements, liabilities, and other obligations come due. In addition, the Company invests excess cash in self-funded loans which can be participated to the member banks, if needed. Loans receivable in the consolidated statement of financial position includes $28,011,519 of CCRC self-funded loans which are available for participation at September 30, 2023. This amount is not included in the schedule above.

13. Subsequent events

Subsequent events have been evaluated through December 14, 2023, which is the date the financial statements were available to be issued. The following is a summary of significant transactions through December 14, 2023.

- The CDFI Bond Guarantee Program provides CDFIs long-term credit at below market interest rates through the issuance of bonds that are 100% guaranteed by CDFI Fund. The Company submitted its BGP application in partnership with a Bank of America affiliate, Bank of America CDFI Funding Corporation, which under BGP serves as the Qualified Issuer. As Qualified Issuer, Bank of America will sell the guaranteed bonds to the Federal Financing Bank and use the proceeds to extend up to $100,000,000 in credit to the Company. The Company closed the BGP transaction on November 1, 2023, and may request advances over the five-year period that started on the closing date. As of December 14, 2023, the Company has not requested an advance.
- On November 24, 2023, CCRC was approved to become a member of the Federal Home Loan Bank of San Francisco. Upon acceptance, CCRC became eligible to obtain credit equal to $35,000,000 with terms of 84 months. Membership also provides CCRC access to the Bank's Community Investment Credit Programs. As of December 14, 2023, the Company has not requested an advance.