California Community Reinvestment Corporation

Consolidated Financial Statements with Report of Independent Auditors
September 30, 2022 and 2021

CALIFORNIA COMMUNITY REINVESTMENT CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2022 AND 2021

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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 statement of financial position as of September 30, 2022, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year 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, 2022, and the changes in their net assets and their cash flows for the year 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.

Prior Period Consolidated Financial Statements

The consolidated financial statements of California Community Reinvestment Corporation as of September 30, 2021 were audited by other auditors whose reported dated December 14, 2021 expressed an unmodified opinion on those statements.

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 16, 2022

CALIFORNIA COMMUNITY REINVESTMENT CORPORATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2022 and 2021

	2022	2021
ASSETS		
Cash and cash equivalents	$ 25,360,602	$ 29,137,604
Investment securities	27,336,705	33,908,211
Real estate loans:		
Loan receivable	147,181,442	97,797,487
Allowance for loan losses	(3,081,164)	(2,590,421)
Deferred loan fees, net	(1,296,429)	(922,197)
Real estate loans, net	142,803,849	94,284,869
Interest receivable	1,100,181	854,351
Equipment and furniture, net	38,602	92,681
Restricted cash - posted collateral	4,583,827	1,045,675
Other assets	571,875	559,327
Total assets	$ 201,795,641	$ 159,882,718
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	$ 1,328,598	$ 1,313,851
Interest payable	514,085	299,413
Deferred revenue	5,980,518	4,743,605
Notes payable	124,572,261	79,544,681
Total liabilities	132,395,462	85,901,550
COMMITMENT AND CONTINGENCIES		
NET ASSETS		
Without donor restrictions		
Undesignated	68,318,130	73,410,744
Board-Designated	355,000	455,000
With donor restrictions		
Purpose restricted	727,049	115,424
Total net assets	69,400,179	73,981,168
Total liabilities and net assets	$ 201,795,641	$ 159,882,718

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, 2022 and 2021

	2022	2021
Changes in net assets without donor restrictions		
Revenues, gains and other support:		
Interest income, loans	$ 6,619,534	$ 5,254,398
Investment (loss) income, net	(2,777,291)	749,440
Loan, commitment, rate lock and prepayment fees	935,444	2,345,983
Loan sale premium, net	-	40,778,992
Credit enhancement fees and other income	469,794	947,113
Loan servicing income, net	2,119,816	2,048,675
Total revenues and gains	7,367,297	52,124,601
Net assets released from restrictions:		
Grant proceeds returned	(586,680)	-
Satisfaction of program restrictions	42,055	572,954
Total revenues, gains and other support	6,822,672	52,697,555
Expenses:		
Program services:		
Affordable housing financing and servicing	11,092,586	9,369,709
Scholarship	42,055	66,000
Other	100,000	120,000
Total program services	11,234,641	9,555,709
Supporting services		
General and administrative	780,645	693,209
Total expenses	12,015,286	10,248,918
(Decrease) increase in net assets without donor restrictions	(5,192,614)	42,448,637
Changes in net assets with donor restrictions		
Unexpended grant proceeds	586,680	-
Contributions	67,000	171,304
Net assets released from restrictions	(42,055)	(572,954)
Increase (decrease) in net assets with donor restrictions	611,625	(401,650)
(Decrease) increase in net assets	(4,580,989)	42,046,987
Net assets, beginning of year	73,981,168	31,934,181
Net assets, end of year	$ 69,400,179	$ 73,981,168

See notes to consolidated financial statements

CALIFORNIA COMMUNITY REINVESTMENT CORPORATION

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED SEPTEMBER 30, 2022

WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021

	2022							2021
	Program Services				Supporting Services			
EXPENDITURES	Affordable Housing Financing and Servicing	Scholarship	Grants	Total Program Services	General and Administrative	Total Supporting Services	Total	Total
Interest	$ 4,841,070	$ -	$ -	$ 4,841,070	$ -	$ -	$ 4,841,070	$ 3,773,858
Salaries and employee benefits	4,447,536	-	-	4,447,536	572,936	572,936	5,020,472	4,810,834
Occupancy	223,117	-	-	223,117	29,670	29,670	252,787	243,944
Professional services	586,715	-	-	586,715	94,387	94,387	681,102	309,313
Provision for loan losses	490,743	-	-	490,743	-	-	490,743	377,350
Marketing and business development	46,500	-	-	46,500	-	-	46,500	33,250
Utilities and maintenance	156,277	-	-	156,277	17,364	17,364	173,641	175,905
Professional conferences and meetings	19,729	-	-	19,729	2,921	2,921	22,650	5,841
Depreciation	49,956	-	-	49,956	9,301	9,301	59,257	84,344
Insurance	74,662	-	-	74,662	54,066	54,066	128,728	129,179
Miscellaneous	156,281	42,055	100,000	298,336	-	-	298,336	305,100
Total 2022 Functional Expenses	$ 11,092,586	$ 42,055	$ 100,000	$ 11,234,641	$ 780,645	$ 780,645	$ 12,015,286	$ 10,248,918
Total 2021 Functional Expenses	$ 9,369,709	$ 66,000	$ 120,000	$ 9,555,709	$ 693,209	$ 693,209	$ 10,248,918	

See notes to consolidated financial statements

CALIFORNIA COMMUNITY REINVESTMENT CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from:		
Loan, commitment, rate lock, and prepayment fees	$ 2,803,285	$ 2,924,204
Service fees and other income	2,119,816	2,048,675
Interest income	6,373,704	5,754,014
Contributions	67,000	171,304
Cash received from operations	11,363,805	10,898,197
Cash paid to:		
Employees	(4,969,610)	(4,829,239)
Member banks for interest on notes payable	(4,626,398)	(4,383,573)
Vendors for operations	(1,439,309)	(1,078,251)
Cash paid for operations	(11,035,317)	(10,291,063)
Net cash provided by operating activities	328,488	607,134
CASH FLOWS FROM INVESTING ACTIVITIES		
Loans originated	(55,584,439)	(55,163,982)
Loan repayments	6,200,484	8,277,751
Proceeds from sale of loans	-	211,355,993
Distributions from investment securities	3,794,215	3,817,543
Purchases of furniture and equipment	(5,178)	(35,131)
Net cash (used in) provided by investing activities	(45,594,918)	168,252,174
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable - member banks	51,347,845	41,136,491
Payments on notes payable - member banks	(6,320,265)	(186,263,081)
Net cash provided by (used in) financing activities	45,027,580	(145,126,590)
Net change in cash, cash equivalents and restricted cash	(238,850)	23,732,718
Cash, cash equivalents and restricted cash at beginning of year	30,183,279	6,450,561
Cash, cash equivalents and restricted cash at end of year	$ 29,944,429	$ 30,183,279

See notes to consolidated financial statements

CALIFORNIA COMMUNITY REINVESTMENT CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	2022	2021
Reconciliation of (decrease) increase in net assets		
to net cash provided by operating activities:		
Change in net assets	$ (4,580,989)	$ 42,046,987
Adjustments to reconcile change in net assets		
to net cash provided by operating activities:		
Depreciation	59,257	84,344
Provision for loan losses	490,743	377,350
Investment income, net	2,777,291	(749,440)
Loan sale premium	-	(40,778,992)
Cancellation of debt income	-	(450,000)
Changes in operating assets and liabilities:		
Deferred loan fees	374,232	(1,055,575)
Interest receivable	(245,830)	499,616
Other assets	(12,548)	69,764
Accounts payable and accrued expenses	14,747	176,112
Interest payable, member banks	214,672	(609,715)
Deferred revenue	1,236,913	996,683
'Net cash provided by operating activities	$ 328,488	$ 607,134
Noncash financing and investing activities:		
Investment securities received and pledged in connection with loan securitization sale	$ -	$ 18,953,785
Reconciliation of cash:		
As reported within the consolidated statements of financial position:		
Cash and cash equivalents	$ 25,360,602	$ 29,137,604
Restricted cash - posted collateral	4,583,827	1,045,675
As shown in the consolidated statements of cash flows	$ 29,944,429	$ 30,183,279

See notes to consolidated financial statements

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, 2022 and 2021, CCRC was servicing loans totaling $444,958,546 and $383,644,287, 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 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, 2022 and 2021 were $140,179,164 and $122,313,638, respectively; such amounts are not reflected in the Company's consolidated statements of financial position at September 30, 2022 and 2021.

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, 2022 and 2021.

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, 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. At September 30, 2021, net assets with donor restrictions consisted of amounts restricted for scholarships of $115,424.

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, 2022 and 2021, the credit enhancement fee income totaled $469,794 and $497,113, 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 and Bridging the Digital Divide Program during the year ended September 30, 2022 amounted to $42,055 and $100,000, respectively. Unconditional grants awarded under the Scholarship Program and Bridging the Digital Divide Program during the year ended September 30, 2021 amounted to $66,000 and $120,000, 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.

Prior year summarized comparative information and reclassification
The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset or functional expense classifications. Such information does not include sufficient detail to constitute a presentation in accordance with U.S. GAAP. Accordingly, such information should be read in conjunction with the Company's consolidated financial statements as of and for the year ended September 30, 2021, from which the summarized information was derived.

Subsequent events
Subsequent events have been evaluated through December 16, 2022, which is the date the consolidated financial statements were available to be issued, and there are no subsequent events requiring disclosure.

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:

	2022	2021
Investment securities:		
Interest-only strips:		
Guaranteed by Freddie Mac	$ 8,438,173	$ 10,697,352
Subordinate and not guaranteed By Freddie Mac	4,652,822	5,261,100
Total investment securities	13,090,995	15,958,452
Pledged investment securities:		
Collateralized mortgage obligation Guaranteed by Freddie Mac	14,245,710	17,949,759
Total	$ 27,336,705	$ 33,908,211

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 $14,245,710 and $4,583,827, respectively, as of September 30, 2022.

During the years ended September 30, 2022 and 2021, (loss) income from investments consisted of:

	2022	2021
Amortization of discount	$ 1,026,185	$ 1,352,487
Adjustment to fair value	(4,135,989)	(891,162)
Interest income	332,513	288,115
Investment (loss) income, net	$ (2,777,291)	$ 749,440

The changes in unrealized gains or losses related to Level 3 investments still held at September 30, 2022 and 2021 amounted to $(4,135,989) and $(891,162) respectively, and are included in investment income, 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, 2022 and 2021 consists of:

	2022	2021
Affordable Housing Multifamily	$ 147,181,442	$ 97,797,487

On November 24, 2020, the Company completed a securitized sale of mortgage loans totaling $189.5 million ($190.1 million at September 30, 2020). Under the securitization structure, Freddie Mac guaranteed 100% of principal and related interest, and the Company agreed to reimburse Freddie Mac for any amounts paid by Freddie Mac under the Freddie Mac guarantee up to $19.0 million. The Company purchased guaranteed certificates issued under this loan securitization sale worth $19.2 million, which were then pledged to Freddie Mac as collateral for the Company's reimbursement obligation. In connection with the transaction, the Company retained certain loan servicing rights, as sub-servicer. In accordance with ASC 860, Transfers and Servicing, the Company recorded the securitization as a sale and recognized a gain of $40,778,992 for the year ended September 30, 2021.

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:

	2022	2021
Pass	$ 134,825,569	$ 86,558,532
Special mention	7,222,415	5,868,755
Substandard	5,133,458	5,370,200
Specific reserve	-	-
Total	$ 147,181,442	$ 97,797,487

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, 2022 and 2021 is shown below:

	2022	2021
Allowance of loan losses:		
Balance, beginning of year	$ 2,590,421	$ 2,213,071
Activities during the year		
Charge-offs	-	-
Recoveries	-	-
Provision	490,743	377,350
Balance, end of year	$ 3,081,164	$ 2,590,421
Ending balance:		
Individually evaluated for impairment	$ 192,616	$ -
Collectively evaluated for impairment	$ 2,888,548	$ 2,590,421
Loans receivable:		
Ending balance:		
Individually evaluated for impairment	$ 1,284,106	$ -
Collectively evaluated for impairment	$ 145,897,336	$ 97,797,487

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, 2022 or 2021.

An age analysis of loans receivable as of September 30, 2022 and 2021 is as follows:

	2022	2021
Past due:		
30-59 days	$ -	$ -
60-89 days	1,284,106	-
Greater than 90 days	-	-
Total past due	1,284,106	-
Current	145,897,336	97,797,487
Total loans receivable	$ 147,181,442	$ 97,797,487
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,	
2023	$ 8,000,601
2024	10,225,101
2025	11,522,439
2026	7,777,115
2027	8,764,317
Thereafter	100,891,869
Total	$ 147,181,442

4. Furniture and equipment

As of September 30, 2022 and 2021, the Organization's fixed assets consist of the following:

	2022	2021
Furniture and equipment	$ 580,541	$ 575,363
Less: accumulated depreciation	(541,939)	(482,682)
Furniture and equipment, net	$ 38,602	$ 92,681

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, 2022 and 2021, notes payable under the Agreement with member banks amounted to $95,790,883 and $50,165,191, 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, 2023. 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, 2022 and 2021, there were borrowings outstanding of $24,781,378 and $25,379,490, 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, 2022 and 2021.

On May 5, 2020, the Company received loan proceeds of $450,000 pursuant to the Paycheck Protection Program ("PPP"). The PPP was established under the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") and is administered by the U.S. Small Business Administration. Under the terms of the CARES Act, PPP loan recipients can apply for loan forgiveness. The Company qualified for loan forgiveness and the entire balance of the loan was forgiven on April 14, 2021. Accordingly, there was no outstanding balance on the PPP loan as of September 30, 2021. Credit enhancement fees and other income for the year ended September 30, 2021 includes $450,000 of cancellation of debt income relating to the PPP loan forgiveness.

The aggregate scheduled principal payments based on each loan's respective amortization schedule at September 30, 2022 are as follows:

Annual principal payments are as follows:

Year ending September 30,	
2023	$ 3,148,330
2024	8,429,247
2025	4,897,663
2026	3,162,662
2027	3,324,539
Thereafter	101,609,820
Total	$ 124,572,261

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, 2022 and 2021, commitments and deferred fees were as follows:

	2022	2021
Loan commitments unfunded	$ 277,405,269	$ 191,536,671
Deferred revenue on loan commitments Unfunded:		
Nonrefundable loan application commitment fees	$ 5,980,518	$ 4,743,605

For the years ended September 30, 2022 and 2021, loan, commitment, and rate lock fees were as follows:

	2022	2021
Prepayment fees	$ 26,317	$ 94,010
Amortization of deferred fees, including $1,514,740 in 2021 upon sale of loans	95,783	1,598,509
Fees earning, bond deals	763,150	582,537
Other	50,194	70,927
Total	$ 935,444	$ 2,345,983

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,	
2023	258,800
2024	266,564
2025	22,237
Total	$ 547,601

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, 2022 and 2021, the Company had $25,360,602 and $29,137,604 respectively, on deposit with a member bank. In lieu of interest, the Company received an earnings credit against fees which ranged from 0.16% to 0.76% during the years ended September 30, 2022 and 2021. Such deposits were in excess of the amount insured by the Federal Deposit Insurance Corporation.

As of September 30, 2022 and 2021, CCRC-funded loans totaled $26,605,295 and $22,222,831, respectively.

Interest expense related to the loans financed by member banks amounted to $4,841,070 and $3,773,858 for the years ended September 30, 2022 and 2021, 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, 2022 and 2021, the Company's contributions into the Plan totaled $285,632 and $220,057, 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, 2022, 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, 2022 and 2021 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, 2022 and 2021 are as follows:

	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

	September 30, 2021			
	Level 1	Level 2	Level 3	Fair Value Measurements
Investment securities:				
Interest-only strips:				
Guaranteed by Freddie Mac	$ -	$ -	$ 10,697,352	$ 10,697,352
Subordinate and not guaranteed by Freddie Mac	-	-	5,261,100	5,261,100
Total investment securities	-	-	15,958,452	15,958,452
Pledged investment securities:				
Collateralized mortgage Obligation guaranteed by Freddie Mac	-	-	17,949,759	17,949,759
Total	$ -	$ -	$ 33,908,211	$ 33,908,211

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, 2022 and 2021:

	2022	2021
Balance, beginning of year	$ 33,908,211	$ 18,022,529
Activities during the year:		
Purchases	-	18,953,785
Amortization of discount	1,026,185	1,352,487
Payments received	(3,461,702)	(3,529,428)
Adjustment to fair value	(4,135,989)	(891,162)
Balance, end of year	$ 27,336,705	$ 33,908,211

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.

As of September 30, 2021, the grant from CDFI of $3,150,000 was fully expended. During the year ended September 30, 2022, proceeds from principal payments and earnings totaling $586,680 was returned to the Company and reclassified as unexpended balance. The unexpected balance of $586,680 is included in net assets with donor restrictions in the accompanying consolidated statements of financial position at September 30, 2022.

12. Liquidity

As of September 30, 2022, the following financial assets and liquidity sources are available for general operating expenditures in the year ending September 30, 2022:

Cash and cash equivalents	$	25,360,602
Investment securities		27,336,705
Interest receivable		1,100,181
Less:		
Pledged investment securities		(14,245,710)
Bond loans to be funded by Capital Magnet Fund Award		(2,126,272)
Contributions received with donor restrictions		(140,369)
Board-designation for the Bridging the Digital Divide program		(355,000)
Cash balance reserved by the board		(3,200,000)
	$	33,730,137

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 $18,275,513 of CCRC self-funded loans which are available for participation at September 30, 2022. This amount is not included in the schedule above.