CALIFORNIA COMMUNITY REINVESTMENT CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2021 AND 2020

KALLMAN + LOGAN
& COMPANY, LLP

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Contents

KALLMAN + LOGAN & COMPANY, LLP

INDEPENDENT AUDITOR'S REPORT

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We have audited the accompanying consolidated financial statements of California Community Reinvestment Corporation and subsidiaries (the "Company") which comprise the consolidated statement of financial position as of September 30, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

(Continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of California Community Reinvestment Corporation and subsidiaries as of September 30, 2021, 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.

Reporting on Summarized Comparative Information

We have previously audited the California Community Reinvestment Corporation's 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 17, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

KALLMAN+LOGAN & COMPANY, LLP

Los Angeles, CA
December 14, 2021

CALIFORNIA COMMUNITY
REINVESTMENT CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2021 AND 2020

	2021	2020
Assets		
Cash	$ 29,137,604	$ 6,450,561
Investment securities	33,908,211	18,022,529
Real estate loans:		
Loans receivable	97,797,487	50,259,018
Loans held for sale	-	190,183,024
Allowance for loan losses	(2,590,421)	(2,213,071)
Deferred loan fees, net	(922,197)	(1,977,772)
Real estate loans, net	94,284,869	236,251,199
Interest receivable	854,351	1,353,967
Furniture and equipment, net	92,681	141,894
Restricted cash - posted collateral	1,045,675	-
Other assets	559,327	629,091
Total assets	$ 159,882,718	$ 262,849,241
Liabilities and Net Assets		
Accounts payable and accrued expenses	$ 1,313,851	$ 1,137,739
Interest payable	299,413	909,128
Deferred revenue	4,743,605	3,746,922
Notes payable	79,544,681	225,121,271
Total liabilities	85,901,550	230,915,060
Commitments and contingencies		
Net assets:		
Without donor restrictions		
Undesignated	73,410,744	31,417,107
Board-Designated	455,000	-
With donor restrictions:		
Purpose restricted	115,424	517,074
Total net assets	73,981,168	31,934,181
Total liabilities and net assets	$ 159,882,718	$ 262,849,241

CALIFORNIA COMMUNITY
REINVESTMENT CORPORATION
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021	2020
Changes in net assets without donor restrictions:		
Revenues, gains and other support:		
Interest income, loans	$ 5,254,398	$ 11,385,430
Investment income, net	749,440	1,385,642
Loan, commitment, rate lock and prepayment fees	2,345,983	2,251,223
Loan sale premium, net	40,778,992	-
Credit enhancement fees and other income	947,113	522,973
Loan servicing income, net	2,048,675	1,619,275
Total revenues and gains	52,124,601	17,164,543
Net assets released from restrictions:		
Satisfaction of program restrictions	572,954	2,148,252
Total revenues, gains and other support	52,697,555	19,312,795
Expenses:		
Program services:		
Affordable housing financing and servicing	9,369,709	13,087,350
Scholarship	66,000	41,374
Other	120,000	-
Total program services	9,555,709	13,128,724
Supporting services		
General and administrative	693,209	661,074
Total expenses	10,248,918	13,789,798
Increase in net assets without donor restrictions	42,448,637	5,522,997
Changes in net assets with donor restrictions:		
Contributions	171,304	46,500
Net assets released from restrictions	(572,954)	(2,148,252)
Decrease in net assets with donor restrictions	(401,650)	(2,101,752)
Increase in net assets	42,046,987	3,421,245
Net assets, beginning of year	31,934,181	28,512,936
Net assets, end of year	$ 73,981,168	$ 31,934,181

See notes to consolidated financial statements

CALIFORNIA COMMUNITY
REINVESTMENT CORPORATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2021
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2020

	2021							2020
	Program Services				Supporting Services			
	Affordable Housing Financing and Servicing	Scholarship	Other	Total Program Services	General and Administrative	Total Supporting Services	Total	Total
Interest	$ 3,773,858	$ -	$ -	$ 3,773,858	$ -	$ -	$ 3,773,858	$ 9,687,788
Salaries and employee benefits	4,297,437	-	-	4,297,437	513,397	513,397	4,810,834	4,469,719
Occupancy	217,043	-	-	217,043	26,901	26,901	243,944	239,489
Professional services	241,048	-	-	241,048	68,265	68,265	309,313	233,403
Provision for loan losses	377,350	-	-	377,350	-	-	377,350	(1,392,359)
Marketing and business development	33,250	-	-	33,250	-	-	33,250	11,015
Utilities and maintenance	158,315	-	-	158,315	17,590	17,590	175,905	144,545
Professional conferences and meetings	2,920	-	-	2,920	2,921	2,921	5,841	30,882
Depreciation	75,044	-	-	75,044	9,300	9,300	84,344	76,709
Insurance	74,924	-	-	74,924	54,255	54,255	129,179	109,005
Miscellaneous	118,520	66,000	120,000	304,520	580	580	305,100	179,602
Total 2021 Functional Expenses	$ 9,369,709	$ 66,000	$ 120,000	$ 9,555,709	$ 693,209	$ 693,209	$ 10,248,918	$ 13,789,798
Total 2020 Functional Expenses	$ 13,087,350	$ 41,374	$ -	$ 13,128,724	$ 661,074	$ 661,074	$ 13,789,798	

See notes to consolidated financial statements

CALIFORNIA COMMUNITY
REINVESTMENT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021	2020
Cash flows from operating activities:		
Cash received from:		
Loan, commitment, rate lock, and prepayment fees	$ 2,924,204	$ 3,874,759
Service fees and other income	2,048,675	1,619,275
Interest income	5,754,014	11,269,270
Contributions	171,304	46,500
Cash received from operations	10,898,197	16,809,804
Cash paid to:		
Employees	(4,829,239)	(4,405,241)
Member banks for interest on notes payable	(4,383,573)	(9,537,822)
Vendors for operations	(1,078,251)	(984,007)
Cash paid for operations	(10,291,063)	(14,927,070)
Net cash provided by operating activities	607,134	1,882,734
Cash flows from investing activities:		
Loans originated	(55,163,982)	(58,010,383)
Loan repayments	8,277,751	9,917,731
Proceeds from sale of loans	211,355,993	-
Distributions from investment securities	3,817,543	4,603,165
Purchases of furniture and equipment	(35,131)	(49,890)
Net cash provided by (used in) investing activities	168,252,174	(43,539,377)
Cash flows from financing activities:		
Proceeds from notes payable - member banks	41,136,491	53,678,230
Payments on notes payable - member banks	(186,263,081)	(9,125,735)
Net cash provided by (used in) financing activities	(145,126,590)	44,552,495
Net increase in cash	23,732,718	2,895,852
Cash, beginning of year	6,450,561	3,554,709
Cash and restricted cash, end of year	$ 30,183,279	$ 6,450,561

Continued

CALIFORNIA COMMUNITY
REINVESTMENT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021	2020
Reconciliation of increase in net assets		
to net cash provided by operating activities:		
Increase in net assets	$ 42,046,987	$ 3,421,245
Adjustments to reconcile change in net assets		
to net cash provided by operating activities:		
Depreciation	84,344	76,709
Provision for loan losses	377,350	(1,392,359)
Investment income, net	(749,440)	(1,247,370)
Loan sale premium	(40,778,992)	-
Cancellation of debt income	(450,000)	-
Changes in operating assets and liabilities:		
Deferred loan fees	(1,055,575)	394,698
Interest receivable	499,616	(254,432)
Other assets	69,764	(36,192)
Accounts payable and accrued expenses	176,112	234,409
Interest payable, member banks	(609,715)	149,966
Deferred revenue	996,683	536,060
Net cash provided by operating activities	$ 607,134	$ 1,882,734

	2021	2020
Noncash financing and investing activities:		
Transfer of loans held for investment to loans held for sale	$ -	$ 190,183,024
Investment securities received and pledged in connection with loan securitization sale	$ 18,953,785	$ -

	2021	2020
Reconciliation of cash:		
As reported within the consolidated statements of financial position:		
Cash	$ 29,137,604	$ 6,450,561
Restricted cash - posted collateral	1,045,675	-
As shown in the consolidated statements of cash flows	$ 30,183,279	$ 6,450,561

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 TEBS Depositor I LLC ("TEBS 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 TEBS Depositor.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Organization and nature of business (continued)

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, 2021 and 2020, CCRC was servicing loans totaling $383,644,287 and $344,359,594, respectively, under this program.

Summary of significant accounting policies

Principles of consolidation

The consolidated financial statements include the accounts of CCRC and its wholly owned subsidiaries (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.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of significant accounting policies (continued)

Financial statement presentation (continued)

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, 2021 and 2020 were $122,313,638 and $100,897,490, respectively; such amounts are not reflected in the Company's consolidated statements of financial position at September 30, 2021 and 2020.

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.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of significant accounting policies (continued)

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.

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, 2021, net assets with donor restrictions consisted of amounts restricted for scholarships of $115,424. As of September 30, 2020, net assets with donor restrictions consisted of amounts restricted for scholarships and amounts restricted for affordable housing financing of $85,120 and $431,954, respectively.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of significant accounting policies (continued)

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, 2021 and 2020, the credit enhancement fee income totaled $497,113 and $522,973, 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, 2021 amounted to $66,000 and $120,000, respectively. Unconditional grants awarded under the Scholarship Program during the year ended September 30, 2020 amounted to $41,374.

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.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of significant accounting policies (continued)

Risks and uncertainties

In March 2020, the World Health Organization declared the outbreak of the novel coronavirus ("COVID-19") as a global pandemic, which continues to spread throughout the United States and around the world. States and cities have taken measures to help mitigate the spread of COVID-19, including mandating the closure of certain public spaces, businesses, and schools. COVID-19 and actions taken to mitigate the spread of it have adversely affected and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the Unites States. Due to the COVID-19 pandemic, market interest rates have declined significantly, with the 10-year Treasury bond falling below 1% on March 3, 2020. Reductions in interest rates and its effect on business and consumer confidence as well as other effects of the COVID-19 pandemic may adversely affect the Company's financial condition and results of operations in future periods. It is unknown how long the adverse conditions associated with the COVID-19 pandemic will last and what the complete financial effect will be to the Company. It is reasonably possible that estimates made in the financial statements could be materially and adversely impacted in the near term as a result of these conditions, including expected credit losses on loans and investments.

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 loan-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, 2020, from which the summarized information was derived.

Certain prior year financial statement amounts have been reclassified to conform to current year presentation.

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:

	2021	2020
Investment securities:		
Interest-only strips:		
Guaranteed by Freddie Mac	$ 10,697,352	$ 12,077,210
Subordinate and not guaranteed by Freddie Mac	5,261,100	5,945,319
Total investment securities	15,958,452	18,022,529
Pledged investment securities:		
Collateralized mortgage obligation Guaranteed by Freddie Mac	17,949,759	-
Total	$ 33,908,211	$ 18,022,529

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 $17,949,759 and $1,045,675, respectively, as of September 30, 2021.

2. INVESTMENTS (CONTINUED)

During the years ended September 30, 2021 and 2020, income from investments consisted of:

	2021	2020
Amortization of discount	$ 1,352,487	$ 1,184,929
Adjustment to fair value	(891,162)	62,441
Interest income	288,115	138,272
Investment income, net	$ 749,440	$ 1,385,642

The changes in unrealized gains or losses related to Level 3 investments still held at September 30, 2021 and 2020 amounted to ($891,162) and $62,441 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, 2021 and 2020 consists of:

	2021	2020
Affordable Housing Multifamily	$ 97,797,487	$ 50,259,018
Loans held for sale	$ -	$ 190,183,024

During the year ended September 30, 2020, the Company transferred $190,183,024 of loans held for investment to loans held for sale.

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.

3. REAL ESTATE LOANS (CONTINUED)

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:

	2021	2020
Pass	$ 86,558,532	$ 37,907,522
Special mention	5,868,755	6,742,513
Substandard	5,370,200	5,608,983
Specific reserve	-	-
Total	$ 97,797,487	$ 50,259,018

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, 2021 and 2020 is shown below:

	2021	2020
Allowance for loan losses:		
Balance, beginning of year	$ 2,213,071	$ 3,605,430
Activities during the year:		
Charge-offs	-	-
Recoveries	-	-
Provision	377,350	(1,392,359)
Balance, end of year	$ 2,590,421	$ 2,213,071
Ending balance:		
Individually evaluated for impairment	$ -	$ -
Collectively evaluated for impairment	$ 2,590,421	$ 2,213,071
Loans receivable:		
Ending balance:		
Individually evaluated for impairment	$ -	$ -
Collectively evaluated for impairment	$ 97,797,487	$ 50,259,018

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, 2021 or 2020.

3. REAL ESTATE LOANS (CONTINUED)

An age analysis of loans receivable as of September 30, 2021 and 2020 is as follows:

	2021	2020
Past due:		
30-59 days	$ -	$ -
60-89 days	-	-
Greater than 90 days	-	-
Total past due	-	-
Current	97,797,487	50,259,018
Total loans receivable	$ 97,797,487	$ 50,259,018
Total loans past due greater than 90 days, accruing	$ -	$ -

4. FURNITURE AND EQUIPMENT

Furniture and equipment at September 30, 2021 and 2020 consist of:

	2021	2020
Furniture and equipment	$ 575,363	$ 540,232
Accumulated depreciation	(482,682)	(398,338)
Furniture and equipment, net	$ 92,681	$ 141,894

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, 2021 and 2020, notes payable under the Agreement with member banks amounted to $50,165,191 and $202,857,644, respectively.

In March 2015, the Company entered into a loan and security agreement with a 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. At September 30, 2021 and 2020, there were borrowings outstanding of $25,379,490 and $17,813,627, respectively, on this credit facility.

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, 2021 and 2020.

5. NOTES PAYABLE (CONTINUED)

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. 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, 2021 are as follows:

Years ending September 30,	
2022	$ 3,449,307
2023	2,664,078
2024	8,915,653
2025	3,622,787
2026	1,825,157
Thereafter	59,067,699
	$ 79,544,681

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)

Loan commitments (continued)
As of September 30, 2021 and 2020, commitments and deferred fees were as follows:

	2021	2020
Loan commitments unfunded	$ 191,536,671	$ 119,014,937
Deferred revenue on loan commitments unfunded:		
Nonrefundable loan application commitment fees	$ 4,743,605	$ 3,746,922

For the years ended September 30, 2021 and 2020, loan, commitment, and rate lock fees were as follows:

	2021	2020
Prepayment fees	$ 94,010	$ 1,092,137
Amortization of deferred fees, including $1,514,740 in 2021 upon sale of loans	1,598,509	146,595
Fees earned, bond deals	582,537	522,527
Other	70,927	489,964
Total	$ 2,345,983	$ 2,251,223

Lease commitment
The Company has a seven-year and eight-month 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:

Years ending September 30,	
2022	$ 251,262
2023	258,800
2024	266,564
2025	22,237
	$ 798,863

6. COMMITMENTS AND CONTINGENCY (CONTINUED)

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, 2021 and 2020, the Company had $29,137,604 and $6,450,561 respectively, on deposit with a member bank. In lieu of interest, CCRC received an earnings credit against fees which ranged from 0.16% to 0.50% during the years ended September 30, 2021 and 2020. Such deposits were in excess of the amount insured by the Federal Deposit Insurance Corporation.

As of September 30, 2021 and 2020, CCRC-funded loans totaled $22,222,831 and $19,661,822, respectively.

Interest expense related to the loans financed by member banks amounted to $3,773,858 and $9,687,788 for the years ended September 30, 2021 and 2020, 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 one year. For the years ended September 30, 2021 and 2020, the Company's contributions into the Plan totaled $220,057 and $193,246, 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, 2021, 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, 2021 and 2020 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.

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

10. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

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, 2021 and 2020 are as follows:

	2021			
	Level 1	Level 2	Level 3	Total
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

	2020			
	Level 1	Level 2	Level 3	Total
Investment securities:				
Interest-only strips:				
Guaranteed by Freddie Mac	$ -	$ -	$ 12,077,210	$ 12,077,210
Subordinate and not guaranteed by Freddie Mac	-	-	5,945,319	5,945,319
Total	$ -	$ -	$ 18,022,529	$ 18,022,529

There were no transfers between Level 1 and Level 2 securities during the years ended September 30, 2021 and 2020.

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, 2021 and 2020:

	2021	2020
Balance, beginning of year	$ 18,022,529	$ 21,378,324
Activities during the year:		
Purchases	18,953,785	-
Amortization of discount	1,352,487	1,184,929
Payments received	(3,529,428)	(4,603,165)
Adjustment to fair value	(891,162)	62,441
Balance, end of year	$ 33,908,211	$ 18,022,529

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, 2019, the unexpended balance of the grant from CDFI was $2,538,832. During the years ended September 30, 2021 and 2020, the Company expended $431,954 and $2,106,878, as defined in the Agreement. The unexpended balance of $431,954 at September 30, 2020 is included in net assets with donor restrictions in the accompanying consolidated statements of financial position at September 30, 2020. There was no unexpended balance under the CDFI Agreement at September 30, 2021.

12. LIQUIDITY

As of September 30, 2021, the following financial assets and liquidity sources are available for general operating expenditures in the year ending September 30, 2021:

Cash	$ 29,137,604
Investment securities	33,908,211
Interest receivable	854,351
Less:	
Pledged investment securities	(17,949,759)
Bond loans to be funded by Capital Magnet Fund Award	(3,000,000)
Contributions received with donor restrictions	(115,424)
Board-designation for the Bridging the Digital Divide program	(455,000)
Cash balance reserved by the board	(3,200,000)
	$ 39,179,983

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 $15,278,566 of CCRC self-funded loans which are available for participation at September 30, 2021. This amount is not included in the schedule above.

13. SUBSEQUENT EVENTS

The date to which events occurring after September 30, 2021, the date of the most recent consolidated statement of financial position, have been evaluated for possible adjustment or disclosure to the consolidated financial statements is December 14, 2021, which is the date on which the consolidated financial statements were available to be issued.

KALLMAN + LOGAN & COMPANY, LLP

December 14, 2021

To the Board of Directors
California Community Reinvestment Corporation

MICHAEL CARTER
ARTHUR DELLINGER JR.
FRANCES KALLMAN
LEONARD KLEIN
STEPHEN LOGAN
DEEANNA MACHOVEC
THOMAS MCMILLAN
ABRAHAM MIZRAHI
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AND CALIFORNIA
SOCIETY OF CERTIFIED
PUBLIC ACCOUNTANTS

We have audited the consolidated financial statements of California Community Reinvestment Corporation and subsidiaries ("CCRC") for the year ended September 30, 2021, and we have issued our report thereon dated December 14, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 29, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Significant Accounting Policies
Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by CCRC are described in Note 1 to the consolidated financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended September 30, 2021. We noted no transactions entered into by CCRC during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the consolidated financial statements in the proper period.

Management Judgments and Accounting Estimates
Accounting estimates are an integral part of the consolidated financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the consolidated financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the consolidated financial statements were:

a) The allowance for loan losses was based on an analysis of the loan portfolio.

b) The fair value of investment securities was based on an income approach using a valuation model.

c) The fair value of pledged investment securities was determined using the fair values provided by the custodian.

We evaluated the key factors and assumptions used to develop the allowance for loan losses and fair value of investment securities and pledged investment securities in determining that they are reasonable in relation to the consolidated financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has determined that the effects of the uncorrected financial statement misstatements, as summarized in Exhibit A, are immaterial, both individually and in the aggregate, to the consolidated financial statements taken as a whole.

Other Communications

Difficulties Encountered in Performing the Audit
We received full cooperation from management, and therefore, encountered no significant difficulties in performing and completing our audit.

Disagreements with Management
For purposes of this letter, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the consolidated financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations
We have requested certain representations from management that are included in the management representation letter dated December 14, 2021.

Management Consultations with Other Independent Accountants
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves the application of an accounting principle to CCRC's consolidated financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

<u>Other Audit Findings or Issues</u>
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the CCRC's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

We were pleased to serve CCRC as its independent auditors and look forward to our continued relationship. This information is intended solely for the use of the Board of Directors and management of CCRC and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Kallman+Logan & Company, LLP

KALLMAN+LOGAN & COMPANY, LLP

KALLMAN + LOGAN & COMPANY, LLP

December 14, 2021

To the Board of Directors
California Community Reinvestment Corporation

MICHAEL CARTER
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MEMBER AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS AND CALIFORNIA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

In planning and performing our audit of the consolidated financial statements of California Community Reinvestment Corporation and subsidiaries (the "Company") as of and for the year ended September 30, 2021 in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Company's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, the Board of Directors, others within the organization, and Federal Home Loan Mortgage Corporation and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Kallman+Logan & Company, LLP

KALLMAN+LOGAN & COMPANY, LLP