CALIFORNIA COMMUNITY REINVESTMENT CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2019 AND 2018

KALLMAN+THOMPSON+LOGAN, LLP

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REINVESTMENT CORPORATION**

**CONSOLIDATED
FINANCIAL STATEMENTS**

YEARS ENDED SEPTEMBER 30, 2019 AND 2018

Contents

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
California Community Reinvestment Corporation
Glendale, California

We have audited the accompanying consolidated financial statements of California Community Reinvestment Corporation and subsidiaries (the “Company”) which comprise the consolidated statements of financial position as of September 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the two years then ended, and the related notes to the consolidated financial statements.

Management’s Responsibility for the Consolidated Financial Statements

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

Auditor’s Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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.

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

(Continued)

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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, 2019, and the changes in its net assets and its 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 2018 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 12, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 22, 2020 on our consideration of California Community Reinvestment Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of California Community Reinvestment Corporation’s internal control over financial reporting or on compliance. Also, in accordance with Government Auditing Standards and the Consolidated Guide for Audits of HUD Programs, issued by the U.S. Department of Housing and Urban Development, Office of Inspector General (the Guide), we have also issued an opinion dated January 22, 2020, on California Community Reinvestment Corporation’s compliance with certain provisions of laws, regulations, contracts, and grant agreement, and other matters that could have a direct and material effect on a major HUD program. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards in considering California Community Reinvestment Corporation's internal control over financial reporting and compliance.

KALLMAN+THOMPSON+LOGAN, LLP

Los Angeles, CA
January 22, 2020

CALIFORNIA COMMUNITY
REINVESTMENT CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2019 AND 2018

	2019	2018
Assets		
Cash and cash equivalents	$ 3,554,709	$ 2,825,290
Investment securities	21,378,324	16,173,992
Real estate loans:		
Loans	192,349,390	142,323,289
Allowance for loan losses	(3,605,430)	(3,545,251)
Deferred loan fees	(1,583,074)	(1,200,681)
Real estate loans, net	187,160,886	137,577,357
Interest receivable	1,099,535	842,954
Furniture and equipment, net	168,713	192,462
Other assets	592,899	488,460
Total assets	$ 213,955,066	$ 158,100,515
Liabilities and Net Assets		
Accounts payable and accrued expenses	$ 903,330	$ 887,275
Interest payable	759,162	540,485
Deferred revenue	3,210,862	3,323,150
Notes payable	180,568,776	123,557,136
Total liabilities	185,442,130	128,308,046
Commitments and contingencies		
Net assets:		
Without donor restrictions	25,894,110	29,711,075
With donor restrictions:		
Purpose restricted	2,618,826	81,394
Total net assets	28,512,936	29,792,469
Total liabilities and net assets	$ 213,955,066	$ 158,100,515

CALIFORNIA COMMUNITY REINVESTMENT CORPORATION
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	2019	2018
Changes in net assets without donor restrictions:		
Revenues, gains and other support:		
Interest income, loans	$ 9,538,253	$ 8,832,555
Investment income, net	1,362,735	91,946
Loan, commitment, rate lock and prepayment fees	1,832,355	1,993,399
Loan sale premium, net	-	3,627,284
Credit enhancement fees and other income	542,577	549,203
Loan servicing income, net	1,540,660	1,329,422
Contributions	50,000	-
Total revenues and gains	14,866,580	16,423,809
Net assets released from restrictions:		
Satisfaction of program restrictions	667,168	50,000
Total revenues, gains and other support	15,533,748	16,473,809
Expenses:		
Affordable housing financing and servicing	18,658,624	11,420,294
Scholarship	56,000	50,000
Total program services	18,714,624	11,470,294
Supporting services	636,089	482,993
Total expenses	19,350,713	11,953,287
Increase (decrease) in net assets without donor restrictions	(3,816,965)	4,520,522
Changes in net assets with donor restrictions:		
Contributions and grant	3,204,600	55,600
Net assets released from restrictions	(667,168)	(50,000)
Increase in net assets with donor restrictions	2,537,432	5,600
Increase (decrease) in net assets	(1,279,533)	4,526,122
Net assets, beginning of year	29,792,469	25,266,347
Net assets, end of year	$ 28,512,936	$ 29,792,469

CALIFORNIA COMMUNITY
REINVESTMENT CORPORATION
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2019
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2018

	2019						2018
	Program Services			Supporting Services			
	Affordable Housing Financing and Servicing	Scholarship	Total Program Services	General and Administrative	Total Supporting Services	Total	Total
Interest, member banks	$ 8,204,859	$ -	$ 8,204,859	$ -	$ -	$ 8,204,859	$ 7,334,818
Salaries and employee benefits	3,338,261	-	3,338,261	438,174	438,174	3,776,435	3,606,299
Bond sale cost	6,272,336	-	6,272,336	-	-	6,272,336	-
Occupancy	202,765	-	202,765	28,423	28,423	231,188	225,241
Professional services	177,965	-	177,965	81,967	81,967	259,932	295,501
Provision for loan losses	60,179	-	60,179	-	-	60,179	(14,785)
Marketing and business development	20,388	-	20,388	-	-	20,388	23,616
Utilities and maintenance	96,733	-	96,733	8,723	8,723	105,456	91,882
Professional conferences and meetings	26,471	-	26,471	26,471	26,471	52,942	54,590
Depreciation	62,507	-	62,507	8,762	8,762	71,269	64,897
Insurance	58,909	-	58,909	42,658	42,658	101,567	98,512
Miscellaneous	137,251	56,000	193,251	911	911	194,162	172,716
Total 2019 Functional Expenses	$ 18,658,624	$ 56,000	$ 18,714,624	$ 636,089	$ 636,089	$ 19,350,713	$ 11,953,287
Total 2018 Functional Expenses	$ 11,420,294	$ 50,000	$ 11,470,294	$ 482,993	$ 482,993	$ 11,953,287	

CALIFORNIA COMMUNITY
REINVESTMENT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	2019	2018
Cash flows from operating activities:		
Cash received from:		
Loan, commitment, rate lock and prepayment fees	$ 2,796,217	$ 1,383,460
Service fees and other income	1,540,660	1,884,224
Interest income	9,359,231	9,451,278
Contributions and grant	3,254,600	55,600
Cash received from operations	16,950,708	12,774,562
Cash paid to:		
Employees	(3,869,517)	(3,641,997)
Member banks for interest on notes payable	(7,986,182)	(7,915,210)
Vendors for operations	(1,112,118)	(830,761)
Vendors for bond sale costs	(6,272,336)	-
Cash paid for operations	(19,240,153)	(12,387,968)
Net cash (used in) provided by operating activities	(2,289,445)	386,594
Cash flows from investing activities:		
Loans originated	(61,458,719)	(30,775,341)
Loan repayments	11,432,618	4,508,185
Proceeds from sale of loans	-	135,648,480
Distributions from investment securities	3,308,914	2,608,345
Purchase of investment securities	(7,228,069)	-
Purchases of furniture and equipment	(47,520)	(59,648)
Net cash (used in) provided by investing activities	(53,992,776)	111,930,021
Cash flows from financing activities:		
Proceeds from notes payable - member banks	68,070,271	29,630,429
Payments on notes payable - member banks	(11,058,631)	(141,014,741)
Net cash provided by (used in) financing activities	57,011,640	(111,384,312)
Net increase in cash and cash equivalents	729,419	932,303
Cash and cash equivalents, beginning of year	2,825,290	1,892,987
Cash and cash equivalents, end of year	$ 3,554,709	$ 2,825,290

Continued

CALIFORNIA COMMUNITY
REINVESTMENT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	2019	2018
Reconciliation of increase (decrease) in net assets to net cash (used in) provided by operating activities:		
Increase (decrease) in net assets	($ 1,279,533)	$ 4,526,122
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	71,269	64,897
Provision for loan losses	60,179	(14,785)
Investment income, net	(1,285,177)	(91,946)
Loan sale premium	-	(3,627,284)
Changes in operating assets and liabilities:		
Deferred loan fees	382,393	(834,255)
Interest receivable	(256,581)	618,723
Other assets	(104,439)	105,522
Accounts payable and accrued expenses	16,055	104,676
Interest payable, member banks	218,677	(580,392)
Deferred revenue	(112,288)	115,316
Net cash (used in) provided by operating activities	($ 2,289,445)	$ 386,594
Supplemental disclosure of non-cash investing activities:		
Investment securities received from sale of loans	-	$ 18,690,391

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 is also approved as a HUD Title II FHA multifamily lender.

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. The accounts of CCRC/PSP have been consolidated with CCRC.

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. The accounts of Housing Partners have been consolidated with CCRC.

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 Freddie Mac. The accounts of Depositor have been consolidated with CCRC.

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. The accounts of TEBS Depositor have been consolidated with CCRC.

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.

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

Organization and nature of business (continued)

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, 2019 and 2018, CCRC was servicing loans totaling $301,211,194 and $203,466,917, 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.

Cash and cash equivalents

For purposes of the consolidated statements of cash flows, 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 balance in the accounts at September 30, 2019 and 2018 was $57,259,190 and $51,092,127, respectively; such amounts are not reflected on the Company's consolidated statements of financial position at September 30, 2019 and 2018.

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.

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

Summary of significant accounting policies (continued)

Loans held for sale (continued)
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.

Donor restricted net assets
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, 2019 and 2018, net assets with donor restrictions represented amounts restricted for scholarships and financing for affordable housing.

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, 2019 and 2018, the credit enhancement fee income totaled $542,577 and $549,203, 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 statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. 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.

Reclassification

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

Adoption of new accounting standard

For the year ended September 30, 2019, the Company adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification and provides information about liquidity and availability of resources. The changes required by the update have been applied retrospectively to all periods presented. A key change under ASU 2016-14 is the terminology of net asset classes used in these financial statements. Amounts previously reported as temporarily and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions. Additionally, ASU 2016-14 requires a presentation of expenses on a functional basis.

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

Summary of significant accounting policies (continued)

Adoption of new accounting standard (continued)

As a result of the adoption of ASU 2016-14, unrestricted net assets amounting to $29,711,075 as of September 30, 2018 was reclassified as net assets without donor restrictions. In addition, temporarily restricted net assets of $81,394 as of September 30, 2018 were reclassified as net assets with donor restrictions.

2. 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, 2019 and 2018 is shown in the following table:

	2019	2018
Affordable Housing Multifamily	$ 192,349,390	$ 142,323,289
Loans held for sale	$ -	$ -

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.

2. REAL ESTATE LOANS (CONTINUED)

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

	2019	2018
Pass	$ 177,796,289	$ 119,418,352
Special mention	10,531,262	17,996,314
Substandard	4,021,839	4,908,623
Specific reserve	-	-
Total	$ 192,349,390	$ 142,323,289

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.

Activity in the allowance for loan losses for the years ended September 30, 2019 and 2018 is shown in the following table:

	2019	2018
Allowance for loan losses:		
Balance, beginning of year	$ 3,545,251	$ 3,560,036
Charge-offs	-	-
Recoveries	-	-
Provision	60,179	(14,785)
Balance, end of year	$ 3,605,430	$ 3,545,251
Ending balance:		
Individually evaluated for impairment	$ -	$ -
Collectively evaluated for impairment	$ 3,605,430	$ 3,545,251
Loans receivable:		
Ending balance:		
Individually evaluated for impairment	$ -	$ -
Collectively evaluated for impairment	$ 192,349,390	$ 142,323,289

2. REAL ESTATE LOANS (CONTINUED)

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, 2019 or 2018.

An age analysis of loans receivable as of September 30, 2019 and 2018 is as follows:

	2019	2018
Past due:		
30-59 days	$ -	$ -
60-89 days	-	-
Greater than 90 days	-	-
Total past due	-	-
Current	192,349,390	142,323,289
Total loans receivable	$ 192,349,390	$ 142,323,289
Total loans past due greater than 90 days, accruing	$ -	$ -

3. FURNITURE AND EQUIPMENT

A summary of furniture and equipment at September 30, 2019 and 2018 are as follows:

	2019	2018
Furniture and equipment	$ 525,720	$ 478,200
Accumulated depreciation	(357,007)	(285,738)
Furniture and equipment, net	$ 168,713	$ 192,462

4. 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.

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, 2021. 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, 2019 and 2018, there were borrowings outstanding of $7,541,988 and $5,600,000, 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.

4. NOTES PAYABLE (CONTINUED)

The aggregate scheduled principal payments based on each loan's respective amortization schedule at September 30, 2019, are as follows:

Years ending September 30,	
2020	$ 4,255,750
2021	4,420,581
2022	11,079,619
2023	4,983,232
2024	4,715,378
Thereafter	151,114,216
	$ 180,568,776

5. 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.

As of and for the years ended September 30, 2019 and 2018, the summary of deferred fees and commitments are as follows:

	2019	2018
Loan commitments unfunded	$ 130,940,549	$ 123,766,177
Deferred revenue on loan commitments unfunded:		
Nonrefundable loan application commitment fees	$ 3,210,862	$ 3,323,150

5. COMMITMENTS AND CONTINGENCY (CONTINUED)

Loan commitments (continued)
For the years ended September 30, 2019 and 2018, loan, commitment and rate lock fees were as follows:

	2019	2018
Prepayment fees	$ 627,415	$ -
Amortization of deferred fees, including $983,673 in 2018 upon sale of loans	156,280	1,093,665
Fees earned, bond deals	1,005,667	846,008
Other	42,993	53,726
Total	$ 1,832,355	$ 1,993,399

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,	
2020	$ 236,839
2021	243,944
2022	251,262
2023	258,800
2024	266,564
Thereafter	22,237
	$ 1,279,646

Contingency
During the years ended September 30, 2019 and 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 the sale, 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.

6. TRANSACTIONS WITH MEMBER BANKS

At September 30, 2019 and 2018, the Company had $3,554,709 and $2,825,290, respectively, on deposit with a member bank. In lieu of interest, CCRC received an earnings credit against fees at 0.5%. Such amounts were in excess of the amount insured by the Federal Deposit Insurance Corporation.

As of September 30, 2019 and 2018, CCRC-funded loans totaled $15,665,531 and $18,633,195, respectively.

Interest expense related to the loans financed by member banks amounted to $8,204,859 and $7,334,818 for the years ended September 30, 2019 and 2018, respectively.

7. DEFERRED COMPENSATION PLAN

The Company has established a 403(b) deferred compensation plan (the "Plan") for its employees. 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. Effective January 1, 2000, the Plan was converted to a 401(k) deferred compensation plan, which allows for employer matching and discretionary profit-sharing contributions. Eligibility requirements and vesting did not change from the conversion. For the years ended September 30, 2019 and 2018, the Company's contributions into the 401(k) plan totaled $165,383 and $155,706, respectively.

8. 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.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by CCRC and to recognize a tax liability (or asset) if CCRC has taken an uncertain 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, 2019, there are no uncertain positions taken or expected to be taken that would require 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.

9. FAIR VALUES OF FINANCIAL INSTRUMENTS

The estimated fair value amounts as of September 30, 2019 and 2018, 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 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: Are quoted market prices (unadjusted) for identical assets or liabilities traded in active markets.

Level 2 inputs: Are 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: Are significant unobservable inputs for the asset or liability and 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 consist of interest only strips which are guaranteed by Freddie Mac and non-guaranteed subordinate Freddie Mac certificates. The interest only strips amounted to $14,664,254 and $16,173,992 at September 30, 2019 and 2018, respectively. The non-guaranteed subordinate Freddie Mac certificates were acquired during the year ended September 30, 2019 and were valued at $6,714,070 as of September 30, 2019.

9. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

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. Such securities are classified in Level 3 of the fair value hierarchy.

There were no transfers between Level 1 and Level 2 securities for the year ended September 30, 2019.

Management additionally considers whether loans underlying the related securities are delinquent, in default or prepaying, and adjusts the fair value down as appropriate.

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, 2019 and 2018:

	2019	2018
Balance, beginning of year	$ 16,173,992	$ -
Purchases	7,228,069	18,690,391
Amortization of discount	802,177	534,834
Payments received	(3,308,914)	(2,608,345)
Adjustment to fair value	483,000	(442,888)
Balance, end of year	$ 21,378,324	$ 16,173,992

During the year, income from investments consisted of:

	2019	2018
Amortization of discount	$ 802,177	$ 534,834
Adjustment to fair value	483,000	(442,888)
Interest income	77,558	-
Investment income, net	$ 1,362,735	$ 91,946

The change in unrealized gains or losses related to Level 3 investments is included in investment income, net in the accompanying statement of activities.

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9. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

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 explained below:

Cash and Cash Equivalents - The carrying amounts approximate fair values due to the short-term nature of these instruments.

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 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.

Notes Payable Member Banks - 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.

10. GOVERNMENT GRANT

In March 2019, the Company entered into a 2018 Capital Magnet Fund Assistance Agreement with the Community Development Financial Institutions Fund (the "Agreement"). The 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 was received in full during 2019.

The 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 Agreement.

As of September 30, 2019, the Company expended $611,168, as defined in the Agreement, and as a result, the unexpended balance of $2,538,832 is reflected in net assets with donor restrictions on the accompanying consolidated statement of financial position at September 30, 2019.

11. LIQUIDITY

As of September 31, 2019, the following financial assets and liquidity sources are available for general operating expenditures in the year ending September 30, 2020:

Cash and cash equivalents	$ 3,554,709
Investment securities	21,378,324
Interest receivable	1,099,535
Less:	
Restricted government grant	(2,538,832)
Contributions received with donor restrictions	(79,994)
Cash balance reserved by the board	(1,000,000)
	$ 22,413,742

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. The balance of self-funded loans at September 30, 2019 was $15,665,531. This amount is not included in the schedule above.

12. SUBSEQUENT EVENTS

The date to which events occurring after September 30, 2019, the date of the most recent consolidated statement of financial position, have been evaluated for possible adjustment or disclosure to the financial statements is January 22, 2020, which is the date on which the consolidated financial statements were available to be issued.