Consolidated Financial Statements and Supplementary Schedules For the Years Ended December 31, 2021 and 2020 With Independent Auditor's Report



Consolidated Financial Statements and Supplementary Schedules Years Ended December 31, 2021 and 2020

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#### INDEPENDENT AUDITOR'S REPORT

Board of Directors
Opportunity Finance Network

## Opinion

We have audited the consolidated financial statements of Opportunity Finance Network and Subsidiaries, which comprise the consolidated statements of financial condition as of December 31, 2021 and 2020, and the related consolidated statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Opportunity Finance Network and Subsidiaries as of December 31, 2021 and 2020, and the change in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Opportunity Finance Network and Subsidiaries and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Opportunity Finance Network and Subsidiaries' ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.



## Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit
  procedures that are appropriate in the circumstances, but not for the purpose of
  expressing an opinion on the effectiveness of Opportunity Finance Network and
  Subsidiaries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Opportunity Finance Network and Subsidiaries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

## Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The



consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

April 28, 2022

Mitchell: Titus, LLP

Consolidated Statements of Financial Position December 31, 2021 and 2020

	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 69,741,739	\$ 38,973,724
Restricted cash	577,815	5,502,517
Certificates of deposit	208,093	206,879
Short-term investments (Notes 2 and 4)	604,716	504,769
Current portion of loans receivable, net of allowance for loan losses (Notes 5 and 6)	32,521,423	34,501,182
Interest and other receivables	817,095	442,460
Grants receivable (Note 8)	2,087,500	2,130,000
Other assets	159,747	147,479
Total current assets	106,718,128	82,409,010
Noncurrent assets		
Long-term investments (Notes 2 and 4)	3,206,244	3,118,201
CDFI and other investments (Notes 2 and 4)	2,667,697	2,245,408
Loans receivable, net of current portion and allowance for loan losses (Notes 5 and 6)	111,391,344	100,268,112
Equity equivalent investments (Note 7)	29,500,000	29,500,000
Fixed assets, net (Note 9)	870,596	971,273
Total noncurrent assets	147,635,881	136,102,994
Total assets	\$ 254,354,009	\$ 218,512,004
LIABILITIES AND NET ASSETS  Current liabilities		
Accounts payable and accrued expenses	\$ 604,662	\$ 885,505
Deferred revenue and advanced payments received	309,101	1,112,500
Deferred lease incentive and tenant allowance	1,443,341	1,537,618
Funds held for third party	577,815	5,502,517
Current portion of notes payable (Note 10)	21,019,562	18,866,560
Total current labilities	23,954,481	27,904,700
Noncurrent liabilities		
Notes payable (Note 10)	88,695,000	84,227,962
Other liabilities (Note 11)	12,000,000	12,000,000
Total noncurrent labilities	100,695,000	96,227,962
Total labilities	124,649,481	124,132,662
COMMITMENTS AND CONTINGENCIES (Notes 14 and 15)		
NET ASSETS (Note 13)		
Without donor restrictions		
Without donor restrictions	57,654,885	52,877,898
Non-controlling interest in consolidated subsidiaries	28,978,084	29,059,556
Total net assets without donor restrictions	86,632,969	81,937,454
With donor restrictions		
Operating	3,101,559	2,246,888
Re-granting	37,965,000	9,675,000
Financing	2,005,000	520,000
Total net assets with donor restrictions	43,071,559	12,441,888
Total net assets	129,704,528	94,379,342
Total labilities and net assets	\$ 254,354,009	\$ 218,512,004

Consolidated Statements of Activities Years Ended December 31, 2021 and 2020

		2021		2020			
	Without Donor Restrictions Restrictions Total		Total	Without Donor Restrictions	With Donor Restrictions		
OPERATING REVENUE AND SUPPORT Net financing income							
Interest income - loans	\$ 5,578,897	\$ -	\$ 5,578,897	\$ 5,670,575	\$ -	\$ 5,670,575	
Less: Interest expense	(1,606,045)	-	(1,606,045)	(1,726,463)	-	(1,726,463)	
Less: Provision for loan losses	(278,167)		(278,167)	(1,000,246)		(1,000,246)	
Total net financing income	3,694,685	-	3,694,685	2,943,866	-	2,943,866	
OTHER REVENUE AND SUPPORT							
Dues (Note 18)	769,779	-	769,779	694,644	-	694,644	
Fees - Registration (Note 18)	129,700	-	129,700	167,675	-	167,675	
Fees - Strength (Note 18)	71,060	-	71,060	34,988	-	34,988	
Fees - Financial Services (Note 18)	2,407,095	-	2,407,095	2,199,522	-	2,199,522	
Sponsorships (Note 18)	1,388,000	-	1,388,000	1,403,000	-	1,403,000	
Investment income, net	210,561	-	210,561	373,059	-	373,059	
Grants - operating	145,000	2,698,136	2,843,136	641,500	3,226,443	3,867,943	
Donations and in-kind services	636,723	250,000	886,723	114,800	-	114,800	
Net assets released from restrictions (Note 13)	2,093,465	(2,093,465)		2,795,788	(2,795,788)		
Total operating revenue and support	11,546,068	854,671	12,400,739	11,368,842	430,655	11,799,497	
OPERATING EXPENSES							
Salaries, payroll taxes and benefits	5,651,530	-	5,651,530	5,235,226	-	5,235,226	
Contractor fees	792,299	-	792,299	858,883	-	858,883	
Program support (Note 1)	2,117,178	-	2,117,178	1,966,777	-	1,966,777	
Professional services	373,659	-	373,659	632,856	-	632,856	
Occupancy	488,072		488,072	496,649		496,649	
Total operating expenses	9,422,738		9,422,738	9,190,391		9,190,391	
Change in net assets - operating	2,123,330	854,671	2,978,001	2,178,451	430,655	2,609,106	

Consolidated Statements of Activities *(continued)* Years Ended December 31, 2021 and 2020

		2021		2020			
			<b>Without Donor</b>	With Donor	_		
	Restrictions	Restrictions	Total	Restrictions	Restrictions	Total	
NON-OPERATING SUPPORT, EXPENSE AND LOSS Support - financing and pass-through grants Grants and other contributions - financing and pass-							
through grants	\$ 863,519	\$ 43,108,765	\$ 43,972,284	\$ 307,476	\$ 16,924,787	\$ 17,232,263	
Net assets released from restrictions (Note 13)	13,333,765	(13,333,765)	- (10.975.000)	12,794,787	(12,794,787)	- (12 220 797)	
Expenses - pass-through grants - grants to CDFIs	(10,875,000)		(10,875,000)	(12,229,787)		(12,229,787)	
Change In net assets - non-operating	3,322,284	29,775,000	33,097,284	872,476	4,130,000	5,002,476	
Change in net assets before non-controlling interest capital contributions and distributions	5,445,614	30,629,671	36,075,285	3,050,927	4,560,655	7,611,582	
Capital contributions from non-controlling interest members (Note 13) Distributions to non-controlling interest	-	-	-	2,375,000	-	2,375,000	
members (Note 13)	(750,099)		(750,099)	(563,229)		(563,229)	
Change In net assets	4,695,515	30,629,671	35,325,186	4,862,698	4,560,655	9,423,353	
Net assets							
Beginning	81,937,454	12,441,888	94,379,342	77,074,756	7,881,233	84,955,989	
Ending	\$ 86,632,969	\$ 43,071,559	\$ 129,704,528	\$ 81,937,454	\$ 12,441,888	\$ 94,379,342	

Consolidated Statements of Cash Flows Years Ended December 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 35,325,186	\$ 9,423,353
Adjustments to reconcile change in net assets to net		
cash provided by operating activities		
Non-controlling Interest capital contributions	-	(2,375,000)
Non-controlling interest distributions	750,099	563,229
Amortization of accrued loss on disposal of lease	(24,199)	(24,013)
Depreciation and amortization	159,979	156,240
Provision for loan losses	278,167	1,000,246
Deferred loan fees, net	(6,980)	(7,089)
Amortization of premiums/discounts on investments	7,805	10,200
Deferred lease incentive expense	(3,130)	465,236
Amortization of deferred lease incentive and tenant allowance	(91,147)	(91,413)
Reimbursements received from landlord for tenant allowance	-	-
Distributions from CDFI and other Investments	<del>-</del>	-
Net realized/unrealized (gain) loss on Investments	(72,657)	(254,390)
Forgiveness of notes payable	(5,538,400)	-
(Increase) decrease in	()	
Interest and other receivables	(374,635)	325,924
Grants receivable	42,500	(1,370,000)
Other assets	(12,268)	161,234
Increase (decrease) in	(050,044)	(440.040)
Accounts payable and accrued expenses	(256,644)	(419,949)
Deferred revenue and advanced payments received	(803,399)	1,040,250
Funds held for third party	(4,924,702)	5,502,517
Net cash provided by operating activities	24,455,575	14,106,575
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of furniture and equipment	(59,302)	(26,653)
Purchases of certificates of deposit	(1,214)	(2,199)
Purchases of investments	(122,138)	(875,456)
Proceeds from sale of investments	-	1,148,718
Purchases of CDFI and other investments	(455,189)	(1,193,210)
Distributions from CDFI and other investments	31,900	8,790
Loans receivable repayments	32,770,012	14,124,140
Loans receivable disbursed	(97,784,672)	(21,700,000)
Proceeds from transfer of loans receivable	55,600,000	-
Equity equivalent investments repayments	-	1,000,000
Equity equivalent investments disbursed		(2,500,000)
Net cash used in investing activities	(10,020,603)	(10,015,870)

Consolidated Statements of Cash Flows *(continued)* Years Ended December 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES Proceeds from notes payable and other liabilities Repayment of notes payable Non-controlling interest capital contributions received Non-controlling interest distributions paid	\$ 34,925,000 (22,766,560) - (750,099)	\$ 28,383,400 (4,380,528) 2,375,000 (563,229)
Net cash provided by financing activities	11,408,341	25,814,643
Increase in cash, cash equivalents, and restricted cash	25,843,313	29,905,348
Cash, cash equivalents, and restricted cash Beginning Ending	44,476,241 \$ 70,319,554	14,570,893 \$ 44,476,241
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION Cash paid during the year for Interest	\$ 1,605,512	\$ 1,468,821

Consolidated Statements of Functional Expenses Year Ended December 31, 2021

		General and				
	Financial Services	Strength	Voice	Program Sub-total	Administrative (Note 12)	Grand Total
Salaries, payroll taxes and						
fringe benefits	\$ 1,728,475	\$ 1,429,917	\$ 987,928	\$ 4,146,321	\$ 1,505,210	\$ 5,651,530
Contractor fees	120,520	425,832	240,790	787,142	5,156	792,299
Program support (Note 1)	360,785	1,024,691	360,874	1,746,350	370,828	2,117,178
Professional services	282,542	35,868	23,240	341,650	32,009	373,659
Occupancy	158,631	129,670	83,997	372,298	115,775	488,072
Interest	1,606,045	-	-	1,606,045	-	1,606,045
Provision for loan losses	278,167	-	-	278,167	-	278,167
Grants to CDFIs	9,800,000	1,075,000		10,875,000		10,875,000
Total expenses	\$ 14,335,166	\$ 4,120,978	\$ 1,696,830	\$ 20,152,973	\$ 2,028,977	\$ 22,181,950

Consolidated Statements of Functional Expenses Year Ended December 31, 2020

		General and				
	Financial Services	Strength	Voice	Program Sub-total	Administrative (Note 12)	Grand Total
	<u> </u>	Strength	VOICE	<u> </u>	(Note 12)	IOtal
Salaries, payroll taxes and						
fringe benefits	\$ 1,610,106	\$ 1,490,832	\$ 953,399	\$ 4,054,336	\$ 1,180,890	\$ 5,235,226
Contractor fees	58,550	503,199	225,895	787,644	71,239	858,883
Program support (Note 1)	308,363	1,033,377	337,209	1,678,949	287,828	1,966,777
Professional services	504,928	44,837	28,782	578,547	54,309	632,856
Occupancy	148,700	143,456	92,021	384,177	112,472	496,649
Interest	1,726,463	-	-	1,726,463	-	1,726,463
Provision for loan losses	1,000,246	-	-	1,000,246	-	1,000,246
Grants to CDFIs	3,850,000	8,350,000		12,200,000	29,787.00	12,229,787
Total expenses	\$ 9,207,355	\$ 11,565,701	\$ 1,637,306	\$ 22,410,362	\$ 1,736,525	\$ 24,146,887

Notes to Consolidated Financial Statements Years Ended December 31, 2021 and 2020

## NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

#### **Organization**

Opportunity Finance Network (OFN) was initially formed on July 2, 1986 and re-incorporated on February 9, 2006, in order to change the state of incorporation to Pennsylvania from California. The predecessor corporation to OFN, Opportunity Finance Corporation (formerly National Community Capital Association), was incorporated on July 2, 1986 under the laws of the state of California. OFN incorporated a new organization on February 9, 2006 under the laws of the Commonwealth of Pennsylvania and is a publicly supported organization under Section 501(c)(3) of the Internal Revenue Code (IRC). Effective December 31, 2008, OFN merged with its predecessor organization, Opportunity Finance Corporation.

OFN is the leading national network of community development financial institutions (CDFIs). Through its network of more than 360 members, OFN invests in opportunities that benefit low-income, low-wealth people and communities in all 50 states. OFN's core purpose is to align capital with social, economic and political justice. OFN's mission is to lead CDFIs and their partners to ensure that low-income, low-wealth people and underserved communities have access to affordable, responsible financial products and services. OFN believes that justice for all begins with opportunity for all.

In late 2017, OFN announced it would relocate its headquarters to Washington, DC from Philadelphia to strengthen its ability to expand partnerships and resources for the CDFI industry. This change was effective in January 2019. OFN continues to maintain a satellite office in Philadelphia, Pennsylvania.

In 2021, OFN was re-certified as a CDFI as part of a required recertification process instituted by the Community Development Financial Institutions Fund (CDFI Fund) of the United States Department of the Treasury.

OFN operates in three key program areas:

## **Financial Services**

Expanding access to responsible, affordable capital: OFN leverages capital to help member CDFIs provide opportunity in underserved markets.

## Strength

Building potential for impact: OFN strengthens the CDFI industry by providing peer learning opportunities, research, innovative networking platforms (CDFI Connect® Community), and signature annual events for CDFI practitioners, partners and investors.

Notes to Consolidated Financial Statements Years Ended December 31, 2021 and 2020

## NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Organization (continued)

## <u>Voice</u>

Amplifying the CDFI message and securing stakeholder support: Across multiple platforms and audiences, OFN's strategic communications and policy advocacy drive the message that CDFI investments transform communities, change lives and increase resources to CDFIs.

## OFN has two fund categories:

*General:* Represents resources to carry out the mission of the Organization other than the activities classified as Finance.

*Finance:* Represents resources available for the specific purpose of providing loans and investments to CDFIs.

Within OFN's Finance Fund, OFN started two programs in 2020: Grow with Google Small Business Fund and Finance Justice Fund.

Grow with Google Small Business Fund: In June 2020, OFN launched the Grow with Google Small Business Fund in partnership with Google Endeavor, LLC (Google). This program delivers responsible financing through CDFIs to help small businesses and nonprofits hit by the COVID-19 pandemic and other economic challenges. OFN closed a \$170 million lending facility with Google, which includes a \$33.75 million loan to OFN from Google, and a Delegated Servicing Agreement. For each CDFI loan closed, OFN makes a loan to the borrower from the Finance Fund (funded through the Google-OFN loan), amounting to 20% of the overall lending, and Google makes a loan for the other 80% to the borrower. The fund had \$81.6 million and \$168.75 million outstanding as of December 31, 2020 and December 31, 2021, respectively. OFN's portion reflected in the Finance Fund is \$16.32 million at December 31, 2020 and \$33.75 million at December 31, 2021. OFN also received \$10 million in grants from Google.org in 2020, of which \$8.5 million was used for pass-through grants to CDFIs in conjunction with OFN financing.

Notes to Consolidated Financial Statements Years Ended December 31, 2021 and 2020

## NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Organization (continued)

Finance Justice Fund (FJF): The FJF, launched in November 2020, is OFN's latest CDFI industry capital-building initiative to aggregate capital from corporate and philanthropic sources and aims to make loans and grants to CDFIs, which will serve the most underserved communities, including Black, Latinx, Native and rural communities, and other areas of persistent poverty and disinvestment. In November 2020, OFN closed a \$100 million lending facility with Twitter, Inc. (Twitter), which includes a \$20 million loan to OFN from Twitter, and a Loan Purchase and Delegated Servicing Agreement. OFN closed three other loans payable totaling \$30 million for the FJF in 2021; no amount was outstanding on these lending facilities as of December 31, 2021. OFN funded \$79.8 million of CDFI loans under the FJF in 2021. Of these amounts, \$10.3 million of loans are reflected in full in OFN's consolidated statements of financial position because OFN retains all rights and obligations associated with these loans. OFN funded \$69.5 million of loans under the Loan Purchase and Delegated Servicing Agreement with Twitter, and transferred \$55.6 million (80% of each loan) to Twitter in 2021 and held \$13.9 million (20% of each loan) on its consolidated statement of financial position. The loans transferred to Twitter are not reflected in the accompanying consolidated statements of financial position. OFN has no recourse for loans transferred to Twitter. OFN's continuing involvement with transferred loans includes certain asset management services, including monitoring and servicing loans on behalf of Twitter under the Loan Purchase and Delegated Servicing Agreement. OFN received \$161,167 in asset management fees associated with the transferred loans. OFN also received grants for the FJF in 2020 and 2021. In 2021, OFN disbursed \$5,150,000 for pass-through grants in conjunction with FJF loans.

OFN is the sole member of NCCA General Partner, LLC.

In 2004, OFN formed a wholly controlled organization, NCCA General Partner. LLC, to initially operate as the general partner of CDFI Tax Credit Fund I, LP. CDFI Tax Credit Fund I, LP was formed to manage an initial allocation of New Markets Tax Credits (NMTC) from the U.S. Department of Treasury. Its primary purpose is serving or providing investment capital for "low-income communities" or "low-income persons," consistent with the NMTC program requirements, and was dissolved in 2019 as the transaction under this allocation was fully repaid in 2018. In 2013, OFN formed an additional five entities to receive and manage new allocations under the NMTC program of the U.S. Department of Treasury: Opportunity Fund I, LP, Opportunity Fund II, LP, Opportunity Fund III, LP, Opportunity Fund IV, LP, and Opportunity Fund V, LP, NCCA General Partner, LLC serves as the general partner for these five new entities. In December 2013, OFN applied for and received community development entity (CDE) certification for all five newly formed entities from the CDFI Fund of the United States Department of the Treasury. Certification as a CDE means that an organization meets the CDE eligibility requirements set forth in the statute governing the NMTC program and the CDFI Fund's CDE Certification Guidance document (Federal Register Vol. 66, No. 245).

Notes to Consolidated Financial Statements Years Ended December 31, 2021 and 2020

## NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

## Organization (continued)

These requirements state that a CDE must be a legal entity; must demonstrate a primary mission of serving, or providing investment capital for low-income communities or low-income persons; and must maintain accountability to low-income communities through representation on the governing Board or advisory Board(s) of the CDE. The CDFI Fund approved a national service area for each of these new CDEs. As of December 31, 2021, Opportunity Fund III, LP was capitalized and active (see Note 14). Transactions in Opportunity Fund I, LP and Opportunity Fund II, LP were repaid during 2021 and these funds were inactive as of December 31, 2021. The remaining two entities were not yet capitalized and are not yet active.

In November 2016, OFN formed CDFI Community Investment Fund I, LLC (CCIF), a Delaware limited liability company, where OFN is the managing member and Woodforest National Bank (Woodforest), which is headquartered in Woodlands, Texas, is the limited member. CCIF was formed to make equity equivalent investments (EQ2) to CDFI and similar development organizations that serve low- and moderate-income populations in the United States and meet the certification requirements established by the CDFI Fund. The initial fund capitalization was \$5,500,000; \$5,000,000 from Woodforest and \$500,000 from OFN. There is an option for additional follow-on investments up to a fund size of \$22,000,000. In 2021, the fund added on \$8,800,000 in investments; \$5,000,000 from Woodforest, \$3,000,000 from American Express National Bank, and \$800,000 from OFN. As the managing member of the fund, OFN is responsible for underwriting, asset management, and servicing of the investments. As of December 31, 2021, Woodforest had made capital contributions of \$5,000,000 in CCIF and OFN had made capital contributions of \$500,000 in CCIF, and CCIF had, in turn, made \$5,500,000 in EQ2 to CDFIs.

In October 2018, OFN formed Good to Grow CDFI Investment Fund, LLC (G2G), a Delaware limited liability company, where OFN is the managing member and HSBC Bank USA, N.A. (HSBC) is the limited member. G2G was formed to make EQ2 to CDFIs and similar development organizations that serve low- and moderate-income populations in the United States. The initial fund capitalization was \$25,000,000; \$23,750,000 from HSBC and \$1,250,000 from OFN. As the managing member of the fund, OFN is responsible for underwriting, asset management, and servicing of the investments. As of December 31, 2021, HSBC had made capital contributions of \$23,750,000 in G2G and OFN had made capital contributions of \$1,250,000 in G2G, and G2G had, in turn, made \$25,000,000 in EQ2 to CDFIs. One EQ2 for \$1,000,000 was repaid in December 2020, resulting in \$24,000,000 of EQ2 outstanding at December 31, 2021.

Notes to Consolidated Financial Statements Years Ended December 31, 2021 and 2020

## NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

## Consolidation

The consolidated financial statements (collectively, the financial statements) include the accounts of OFN, NCCA General Partner, LLC, CCIF, and G2G (collectively, the Organization). All significant inter-company accounts and transactions have been eliminated in consolidation.

## Use of Estimates

The consolidated financial statements of the Organization are prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP), and require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of support and expenses during the reported periods. Actual results could differ from those estimates.

#### Cash, Cash Equivalents, and Restricted Cash

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

OFN held \$577,815 of restricted cash as of December 31, 2021 related to its partnerships with Google and Twitter under the Delegated Services Agreements. This is cash held for Google and Twitter for interest payments from CDFIs on Google and Twitter's portion of loans. OFN holds a corresponding liability account (Funds Held for Third Party) related to this cash.

## Concentration of Credit Risk

The Organization maintains cash in various financial institutions. The balance at each institution is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The cash balances, including restricted cash, in excess of FDIC limits approximated \$68 million as of December 31, 2021.

At December 31, 2021, most of OFN's loans receivable were due from various CDFIs. As such, the ability of the Organization's borrowers to honor their contracts is dependent upon the viability of the individual CDFIs and the CDFI industry.

## **Certificates of Deposit**

These are deposits held with insured financial institutions and carried at cost.

Notes to Consolidated Financial Statements Years Ended December 31, 2021 and 2020

## NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated statements of financial position. Interest and dividend income is recognized when earned. Any unrealized gains or losses are reported in the statements of activities as a change in net assets without donor restrictions, unless explicit donor intent or law restricts their use. Specifically identified cost is used for investments sold.

Investments are recorded at fair value and are classified as Level 1, 2 or 3 (see Note 4).

The Organization determines the fair value of each investment at the consolidated statement of financial position date. Fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the reporting entity transacts. Fair value measurements are separately disclosed by level within the fair value hierarchy. Fair value is best determined based upon quoted market prices. In many instances, however, there are no quoted market prices for the Organization's various financial instruments. In cases where quoted market prices are not available, fair values are estimated using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

Recent fair value guidance provides a consistent definition of fair value, focused on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. Any significant decrease in the volume and level of activity for the asset or liability may require a change in valuation technique or the use of multiple valuation techniques. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment.

The fair value is a reasonable point within the range that is most representative of fair value under current market conditions. In accordance with this guidance, the Organization groups its assets and liabilities carried at fair value in three levels as follows:

<u>Level 1</u>: Unadjusted quoted prices in active markets for identical assets or liabilities.

Notes to Consolidated Financial Statements Years Ended December 31, 2021 and 2020

## NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

## <u>Investments</u> (continued)

#### Level 2:

Valuation is determined from observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or inputs that are observable for the asset or liability, either directly or Indirectly through market corroboration, for substantially the full term of the financial instrument.

## Level 3:

Valuation is derived from model-based and other techniques in which one significant input is unobservable in the market and which may be based on the Organization's own estimates about assumptions that a market participant would use to value the asset or liability.

## Loans Receivable

#### Loans

Loans receivable are stated at the principal amount outstanding, net of amortized deferred loan fees and allowance for losses. Interest income on loans is accrued on the principal outstanding at the loans' stated interest rate. Direct origination costs, if significant, would be deferred and amortized using the effective interest method over the respective lives of the related loans and recorded as an adjustment to loan fee revenue. At December 31, 2021 and 2020, direct origination costs were not deemed significant.

#### Non-Accrual Loans

The accrual of interest on outstanding loans is discontinued at the time the loan is 90 days delinquent unless the credit is well-secured and in the process of collection. All interest accrued but not collected would be reversed against interest income. In all cases, loans are placed on non-accrual or charged-off at an earlier date if collection of principal or interest is considered doubtful. At December 31, 2021 and 2020, no loans were on non-accrual.

Notes to Consolidated Financial Statements Years Ended December 31, 2021 and 2020

## NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Loans Receivable (continued)

Allowance for Loan Losses

The allowance for loan losses is a valuation reserve that management believes will be adequate to absorb possible losses on existing loans that may become uncollectible. It is established through a provision for loan losses charged to expense. In addition, loans deemed to be uncollectible are charged against the allowance. Subsequent recoveries, if any, are credited to the allowance. The allowance is based upon management's periodic review of the collectability of loans and is maintained at a level management believes is adequate to absorb estimated potential losses after considering changes in internal and external factors, past loss experience, the nature and volume of the portfolio and current economic conditions. The allowance, however, is an estimate that could change if there are significant changes in the portfolio and/or economic conditions.

The allowance consists of specific and general components. The specific component relates to loans that would be classified impaired. For such loans, an allowance would be established when the discounted cash flows (or collateral value, less costs of disposal for collateral dependent loans, or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers loans not deemed impaired and would be based on historical loss experience adjusted for qualitative factors. These would include internal factors, such as trends in policies, underwriting standards, charge-offs, non-accruals and credit management processes, operating performance and management, as well as external factors, such as national and local economic conditions and industry trends. In the absence of historical losses, management determines the allowance based upon the Organization's risk rating system that considers, among other factors, borrower financial condition and other risks impacting the loan portfolio. As of December 31, 2021 and 2020, no loans in the portfolio were deemed impaired.

A loan would be considered impaired when, based on current information and events, it is probable that the Organization would be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is generally measured on a case-by-case basis using the fair value of the collateral, less estimated costs to sell. If the loan is collateral dependent, the present value of expected future cash flows is discounted at the loan's effective interest rate or the loan's observable market price.

Notes to Consolidated Financial Statements Years Ended December 31, 2021 and 2020

## NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

## Loans Receivable (continued)

Allowance for Loan Losses (continued)

Impaired loans also include troubled debt restructurings (TDRs), if any, where management has modified loan terms and made concessions to borrowers in financial difficulty. Consequently, the allowance for loan losses related to TDRs that are performing under the modified terms is based on discounted cash flows using the loan's initial effective interest rate or the fair value of the collateral for certain collateral-dependent loans.

#### Below-Market Interest Rate Loans

U.S. GAAP requires that when a nonprofit organization receives or makes loans of cash that carry interest rates below the prevailing market rate, the imputed interest be recorded as contributions received or paid, respectively. OFN both receives and makes loans with stated rates of interest that vary from the prevailing market rates for commercial loans. However, OFN considers its market to be the CDFI industry as opposed to the financial institutions industry in general. Consequently, OFN believes there is no material difference between community development finance market rates and the stated rates of loans in its portfolio. OFN accounts for these loans at the stated rates.

## Furniture and Equipment

Furniture and equipment are stated at cost. Depreciation is provided on the straight-line basis over the estimated useful lives of three to five years for equipment, seven years for furniture and five years for software.

## **Deferred Revenue**

Deferred revenue consists of amounts received in advance for fees for contracted services. Amounts will be recognized when such services are provided.

## **Contributions and Grants**

The Organization accounts for contributions received as net assets without donor restrictions or net assets with donor restrictions depending on the existence or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions depending on the nature of the restriction.

When the donor restrictions expire (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.

Notes to Consolidated Financial Statements Years Ended December 31, 2021 and 2020

## NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

## Contributions and Grants (continued)

Contributions receivable, which represent unconditional promises to give, are recognized as revenue in the period awarded and as assets, decreases of liabilities, or decreases of expenses depending on the form of the benefits received. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected over periods in excess of one year are recorded at the net present value of the estimated cash flows beyond one year using a risk-adjusted rate of return appropriate for the expected term of the promise to give.

Conditional promises to give, which depend on the occurrence of a specified future and uncertain event to bind the promiser, are recorded when the conditions on which they depend are substantially met.

#### **Net Assets**

Net assets are classified as net assets without donor restrictions or net assets with donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Net assets with donor restrictions are contributions with temporary, donor-imposed time or purpose restrictions. Net assets with donor restrictions become net assets without donor restrictions when the time restrictions expire or the contributions are used for their restricted purpose, at which time they are reported in the consolidated statements of activities as net assets released from restrictions.

## Non-controlling Interest in Consolidated Subsidiaries

The non-controlling interest represents the equity interest in CCIF and G2G, exclusive of OFN's interest. OFN consolidates CCIF's and G2G's financial statements as OFN is the managing member and presumed to control the entities as the non-managing member does not have substantive kick-out rights or substantive participating rights.

## Other Revenue

Dues are billed on a calendar year basis for the current year. Fee revenue for contracted services is recognized as services are provided. Fee revenue for conferences and events is recognized when the event is held (see Note 18).

## **Sponsorships**

Sponsorships are considered exchange transactions and recognized as revenue when the related event occurs (see Note 18).

Notes to Consolidated Financial Statements Years Ended December 31, 2021 and 2020

## NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

## Grants to Others

Unconditional grants to be awarded to others are recorded as an expense and a liability when approved by the Organization and communicated (promised) to the grantee.

## **Donated Goods and Services**

OFN recognizes donated services that either create or enhance nonfinancial assets or require specialized skills provided by individuals possessing those skills, which would typically need to be purchased if not provided by donation. OFN recognized donated legal services in the amounts of \$82,200 and \$77,000 in 2021 and 2020, respectively. These amounts are included in donations and inkind services in the consolidated statements of activities.

## Operating, Capital and Pass-Through Grants

Operating revenue and support include revenue from operating lines of business and grants for operating expenses. Operating expenses include all expenses of the Organization, with the exception of pass-through grants to CDFIs.

Capital grants and support are restricted by the donor or designated by the Board for lending capital, which will be used to finance CDFIs or otherwise support the Organization's lending activity.

Re-granting or pass-through grants (revenue and expenses) are defined as grants and donations that the Organization receives from donors that are restricted to re-granting to CDFIs. In 2021 and 2020, pass-through grant revenue and corresponding pass-through grant expenses relate to CDFI financing and capacity building programs.

#### **Program Support Expenses**

The expense line item for Program Support includes all third-party expenses, except contractor fees, professional services, and occupancy. These include event-related costs; travel and meals; staff development; vendors; memberships; public relations; technology; publications; Board-related expenses; recruiting expenses; and office expenses.

Notes to Consolidated Financial Statements Years Ended December 31, 2021 and 2020

## NOTE 1 ORGANIZATION AND 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 consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that cannot be directly attributed to a specific program are charged to a program based on the most appropriate allocation base. Salary is allocated based on estimates of time and effort. Payroll taxes, fringe benefits, occupancy, and certain portions of program support (e.g., Board-related expenses; recruiting expenses; and office expenses) are allocated based on budgeted payroll by business line.

#### **Income Taxes**

OFN is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the IRC. In addition, OFN qualifies for charitable contribution deductions and has been classified as an organization that is not a private foundation. Income that is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. The Organization had no significant net unrelated business income for the years ended December 31, 2021 and 2020. NCCA General Partner, LLC is a wholly owned limited liability company of OFN and is a disregarded entity for income tax purposes.

Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment in the consolidated financial statements. Consequently, no accrual for interest and penalties was deemed necessary for the years ended December 31, 2021 and 2020. The Organization files tax returns in the U.S. federal and state jurisdictions. Generally, the Organization is no longer subject to tax examination by the U.S. federal or state tax authorities for years before 2018.

CCIF and G2G, consolidated subsidiaries of OFN, are Delaware limited liability companies. CCIF and G2G have elected to be treated as pass-through entities for income tax purposes and, as such, are not subject to income taxes. Rather, all items of taxable income, deductions, gains, and losses are passed through to and are reported by its members on their respective income tax returns. CCIF and G2G are not required to take any tax positions in order to qualify as pass-through entities. CCIF are G2G are required to file and do file tax returns with the U.S. federal and state jurisdictions.

Notes to Consolidated Financial Statements Years Ended December 31, 2021 and 2020

## NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

## Recent Accounting Pronouncements Not Yet Adopted

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for salestype leases, direct financing leases and operating leases. This ASU is effective for OFN as of January 1, 2022.

In July 2018, the FASB issued ASU 2018-10, *Codification Improvements to Topic 842, Leases*, which makes narrow scope improvements to the standard for specific issues. This ASU is effective for OFN as of January 1, 2022.

In July 2018, the FASB also issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*. ASU 2018-11 provides lessors with a practical expedient, in certain circumstances, to not separate nonlease components from the associated lease component, similar to the expedient provided for lessees. This ASU is effective for OFN as of January 1, 2022.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement* of *Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the consolidated statement of activities as the amounts expected to be collected change. The ASU is effective for OFN as of January 1, 2023.

Notes to Consolidated Financial Statements Years Ended December 31, 2021 and 2020

## NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements Not Yet Adopted (continued)

In April 2019, the FASB issued ASU 2019-04, *Codification Improvements* to *Topic 326, Financial Instruments-Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments.* This ASU was issued as part of the FASB's ongoing project to improve upon its Accounting Standards Codification (ASC), and to clarify and improve areas of guidance related to recently issued standards on credit losses, hedging, and recognition and measurement. This guidance contains several effective dates. The amendments related to ASC 326 are effective for the OFN as of January 1, 2023, the amendments related to ASC 815 are effective for the OFN as of January 1, 2020. The amendments related to ASC 825 were effective for the OFN as of January 1, 2020. The amendments related to ASC 825 did not impact OFN's consolidated financial statements.

In May 2019, the FASB issued ASU 2019-05, *Credit Losses (Topic 326): Targeted Transition Relief.* This ASU provides entities that have certain instruments within the scope of Subtopic 326-20, *Financial Instruments - Credit Losses - Measured at Amortized Cost*, with an option to irrevocably elect the fair value option in Subtopic 825-10, *Financial Instruments - Overall*, applied on an instrument-by-instrument basis for eligible instruments, upon adoption of Topic 326. For entities that have not yet adopted the credit losses standard, the ASU is effective when they implement the credit losses standard. As such, the ASU is effective for the OFN as of January 1, 2023.

#### NOTE 2 INVESTMENTS AND CDFI AND OTHER INVESTMENTS

Investments consisted of the following at December 31:

		2021		2020
U.S. Treasury securities	\$	961,666	\$	813,226
U.S. Government agency securities		837,212		1,069,383
Corporate bonds		2,011,462		1,739,741
Other marketable securities		620		620
	\$	3,810,960	\$	3,622,970
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Short-term investments	\$	604,716	\$	504,769
Long-term investments		3,206,244		3,118,201
	\$	3,810,960	\$	3,622,970

Notes to Consolidated Financial Statements Years Ended December 31, 2021 and 2020

## NOTE 2 INVESTMENTS AND CDFI AND OTHER INVESTMENTS (continued)

CDFI and other investments consisted of the following at December 31:

	2021		2020
Common stock – Southern Bancorp, Inc. Domestic Small Capital Pay for Success	\$ 999,996	\$	999,996
Fund I, LP	167,181		103,912
Bright Community Capital Holdings LLC	1,500,000		1,140,000
Economic Justice Partnership	20		-
Investments in New Markets Tax Credit			
entities (Note 14)	 500		1,500
	\$ 2,667,697	\$	2,245,408

On December 10, 2018, OFN purchased 101,729 shares of Southern Bancorp, Inc. for \$999,996. The investment does not have a readily determinable fair value and is accounted for at cost with adjustments to fair value when there are observable price changes in orderly transactions or indicators of impairment. Management evaluates periodically for impairment. No indicators of impairment or observable price changes were noted as of December 31, 2021 or 2020.

On January 28, 2019, OFN purchased 375 Class A units and 125 Class B units of the Domestic Small Cap Pay For Success Fund I, LP., becoming a limited partner in the fund. The fund invests in social welfare transactions that will be repaid through a performance-based contract between the borrower and a Government Authority, insurer, hospital or hospital system, or similar institution. OFN will make payments toward its \$500,000 capital commitment as requested by the fund. No indicators of impairment or observable price changes were noted as of December 31, 2021 or 2020.

On October 1, 2018, OFN purchased 150 Class A units in Bright Community Capital Holdings LLC, becoming a Class A Member in the fund. The fund invests in renewable energy projects. OFN made all payments toward its \$1,500,000 capital commitment. No indicators of impairment or observable price changes were noted as of December 31, 2021 or 2020.

Notes to Consolidated Financial Statements Years Ended December 31, 2021 and 2020

## NOTE 2 INVESTMENTS AND CDFI AND OTHER INVESTMENTS (continued)

Investments in new markets tax credit entities are accounted for on the equity method (see Note 14). Investment income, net consists of the following at December 31:

	 2021	 2020
Interest income	\$ 147,904	\$ 128,669
Fees	(10,000)	(10,000)
Realized gains/(losses)	178,815 <sup>°</sup>	174,619 <sup>°</sup>
Unrealized gains/(losses)	 (106,158)	79,771
	\$ 210,561	\$ 373,059

#### NOTE 3 LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

OFN has investment and cash management policies that guide its management of short- and long-term cash and investments. These policies relate to managing both operating and capital liquidity.

OFN has a policy to maintain operating reserves in highly liquid investments or accounts at a level equal to a minimum of three months of operating expenses (excluding loan-loss reserves). In addition, OFN has a policy to maintain liquidity reserves and/or have in place a line of credit equal to either 7.5% of total loans payable (including EQ2) or the total of the six months of notes payable (including EQ2) due to investors and outstanding commitments to borrowers and investees or the total amount required by an investor covenant, whichever is greatest.

In practice, OFN maintains an Operating Fund for its operating activity and a Financing Fund for its lending and investment activity. As of December 31, 2021 and 2020, OFN had \$46,146,105 and \$22,902,467, respectively, of cash and short-term investments in its Operating Fund. Of this amount, \$6,389,231 and \$7,608,062 is without donor restrictions and \$39,756,874 and \$15,294,405 is not available due to donor restrictions to cover certain operating expenses and pass-through grant expenses at December 31, 2021 and 2020, respectively.

In its Financing Fund, OFN holds \$26,918,165 and \$24,060,505 in cash and marketable securities as of December 31, 2021 and 2020, respectively. All of this cash and investments is without donor restrictions, and can be used to make loans and for investor repayments. Of its cash and investments in the Financing Fund and Operating Fund, OFN has \$3,810,960 and \$3,622,970, which are invested through the investment firm, CIBC, in marketable securities, respectively.

Notes to Consolidated Financial Statements Years Ended December 31, 2021 and 2020

## NOTE 3 LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES (continued)

To help manage its liquidity needs, OFN has a line of credit from Deutsche Bank for \$10 million and \$7.5 million from TD Bank, N.A. Of these lines of credit, \$17.5 million was undrawn as of December 31, 2021 and is available to meet OFN's operating and capital liquidity needs.

Financial assets available to meet cash needs for general expenditure within one year of the consolidated statement of financial position date are as follows:

	2021	2020
Total assets at December 31, 2021 Less: Financing Fund assets, net of	\$ 254,354,009	\$ 218,512,004
elimination  Less: Good to Grow CDFI Investment	(173,677,758)	(161,059,195)
Fund, LLC assets  Less: CDFI Community Investment Fund I,	(25,202,510)	(25,297,510)
LLC assets	(5,571,827)	(5,571,858)
Total assets in general fund Less: Other assets Less: Fixed assets	49,901,914 (159,747) (870,596)	26,583,441 (147,479) (971,273)
Financial assets in general fund	48,871,571	25,464,689
Less: Restricted cash Less: Assets not available due to donor	(577,815)	(5,502,517)
restrictions	(41,066,559)	(11,921,888)
Financial assets available to meet cash needs for general expenditures within 1 year	\$ 7,227,197	\$ 8,040,284
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#### NOTE 4 FAIR VALUE MEASUREMENTS

## Fair Value on a Recurring Basis

The following presents the assets reported on the statements of financial position at their fair value as of December 31, by level within the fair value hierarchy:

	2021		Level 1	 Level 2	 _evel 3
Investments					
U.S. Treasury securities	\$	961,666	\$ 961,666	\$ -	\$ -
U.S. Government agency securities		837,212	-	837,212	-
Corporate bonds		2,011,462	-	2,011,462	-
Other marketable securities		620	 	 620	 -
	\$	3,810,960	\$ 961,666	\$ 2,849,294	\$ 

Notes to Consolidated Financial Statements Years Ended December 31, 2021 and 2020

## NOTE 4 FAIR VALUE MEASUREMENTS (continued)

Fair Value on a Recurring Basis (continued)

	2020		Level 1	Level 2		L	evel 3
Investments							
U.S. Treasury securities	\$	813,226	\$ 813,226	\$	-	\$	-
U.S. Government agency securities		1,069,383	-		1069383		-
Corporate bonds		1,739,741	-		1739741		-
Other marketable securities		620	 -		620		
	\$	3,622,970	\$ 813,226	\$	2,809,744	\$	_

## <u>Investments</u>

The fair value of these securities is the market value provided by recognized broker-dealers based upon quoted prices for identical securities (Level 1) or for similar securities (Level 2).

There were no assets or liabilities that were measured at fair value on a non-recurring basis as of December 31, 2021 or 2020.

#### NOTE 5 LOANS RECEIVABLE

Loans receivable at December 31 are as follows:

	2021	2020
Loans to CDFIs	\$ 146,417,921	\$ 136,916,512
Participation loans with CDFIs:		
Manufactured housing	815,502	834,628
Healthcare	2,459,226	2,526,848
Healthy foods		
	3,274,728	3,361,476
	149,692,649	140,277,988
Less: Amortized deferred loan fees	2,937	9,916
Less: Allowance for loan losses	5,776,945	5,498,778
	\$ 143,912,767	\$ 134,769,294

Loans to CDFIs are primarily unsecured loans for which interest on loans is calculated using the simple interest method on principal amounts outstanding. In most cases, quarterly payments of interest only, with rates ranging from 1.0% to 5.0%, are due during the term of the loans with lump-sum repayments of principal due upon maturity. Maturities vary through 2031.

Notes to Consolidated Financial Statements Years Ended December 31, 2021 and 2020

## NOTE 5 LOANS RECEIVABLE (continued)

Other loans consist of loan participations purchased from member CDFIs. These are amortizing loans with interest rates ranging from 4.9% to 7.0% and secured by the land, real estate, infrastructure and/or improvements. The loans are set to mature in 2022.

The weighted-average interest rate on all loans receivables was 3.1% and 3.3% for the years ended December 2021 and 2020, respectively.

#### NOTE 6 CREDIT QUALITY

#### Loan Origination/Risk Management

OFN has lending policies and procedures in place that are designed to provide financing capital to support CDFIs within an acceptable level of risk. Management reviews and updates these policies and procedures on a regular basis. The Board of Directors approves any changes to policies. A reporting system supplements the review process by providing management with monthly, quarterly, and annual reports related to loan quality, concentrations of credit, loan delinquencies and non-performing and potential problem loans. Diversification in the loan portfolio by borrower, purpose, geography and loan type is a means of managing risk associated with fluctuations in economic conditions.

OFN finances loans to, and in participation with, member CDFIs. For loans to CDFIs, the OFN conducts an analysis of the CDFI's capital structure, asset quality, earnings, operating cash flows, management, liquidity, and impact, as well as the structure of the loan. For participation loans, OFN conducts an analysis of both the member CDFI as well as evaluates the end project's mission, financial status and projections, cash flows, loan structure and collateral coverage.

## Age Analysis of Past Due Loans

The following tables represent an aging of loans by category as of December 31, 2021 and 2020. All of the loans were current as to principal and/or interest payments contractually due:

							2	021				
	30-59 Days Past Due		60-89 Days Past Due		90+ Days and Still Accruing		Total Past Due		Current	Total Loans	Non Accrual	
CDFI loans Participation loans	\$	-	\$	-	\$	-	\$	-	\$ 146,417,921	\$ 146,417,921	\$	-
Manufactured housing		-		-		-		-	815,502	815,502		-
Healthcare		-		-		-		-	2,459,226	2,459,226		-
Healthy foods		-		-		-		-				-
	\$		\$	-	\$	-	\$		\$ 149,692,649	\$ 149,692,649	\$	-

Notes to Consolidated Financial Statements Years Ended December 31, 2021 and 2020

## NOTE 6 CREDIT QUALITY (continued)

## Age Analysis of Past Due Loans (continued)

							2	020				
	D	0-59 ays st Due	D	60-89 Days Past Due		90+ Days and Still Accruing		otal st Due	Current	Total Loans	Non-Accrual	
CDFI loans Participation loans	\$	-	\$	-	\$	-	\$	-	\$ 136,916,512	\$ 136,916,512	\$	-
Manufactured housing		-		-		-		-	834,628	834,628		-
Healthcare		-		-		-		-	2,526,848	2,526,848		-
Healthy foods		-		-		-		-				-
	\$		\$		\$		\$	-	\$ 140,277,988	\$ 140,277,988	\$	-

## Credit Quality Indicators

OFN assigns internal credit classifications at the inception of each loan. These ratings are reviewed by OFN management on a quarterly or annual basis as well as periodic internal reviews when loans are renewed or if the borrower experiences delinquencies in contractual expectations that would cause a downgrade in the quality of the loan. The following definitions summarize the basis for each classification.

## **Outstanding**

Credit classification reflects little to no credit risk. This assessment is supported by the borrower's superior asset quality, capitalization, liquidity and earnings capacity.

## Strong

Credit classification reflects minimal credit risk. Borrowers in this category show overall solid asset quality with stable or improving delinquencies, substantial net assets, low leverage, surpluses from operations and stable liquidity.

## Acceptable

Credit classification reflects moderate credit risk. Overall, minimum underwriting standards will be met as supported in satisfactory asset quality and performance, adequate capitalization, and limited, but sufficient liquidity. The Acceptable rating was split into three categories during 2020 for further distinction (Acceptable +, Acceptable, Acceptable -).

## Acceptable with Care

Credit classification reflects borrowers with potential weaknesses that require more frequent staff attention. Watch credits are considered acceptable quality, but may have some, but not all of the characteristics of a substandard credit.

Notes to Consolidated Financial Statements Years Ended December 31, 2021 and 2020

## NOTE 6 CREDIT QUALITY (continued)

## Substandard

Credit classification reflects borrowers with identifiable risks that require OFN management's close attention. Deterioration in asset quality, capitalization, earnings or incidence of operating deficits reflects potential weakness. If left uncorrected, performance may result in deterioration of the repayment prospects at some future date. The potential for credit loss will need to be assessed on a case-by-case basis.

## Doubtful

Credit classification reflects inherent weaknesses of a substandard credit, plus added characteristics that make collection on the basis of currently existing facts and conditions that are highly questionable. The possibility of loss exists if identified deficiencies are not corrected.

However, important and reasonably specific pending factors may work to the advantage and strengthening of the credit. Potential for credit loss will need to be assessed on a case-by-case basis.

The following tables summarize the portfolio by category of loan and the internally assigned credit quality ratings for those categories at December 31, 2021 and 2020, excluding deferred loan fees:

					2021				
				Partic	cipation Loans	6			
		M	Manufactured		He	ealthy			
	CDFI Loans		Housing		lealthcare	F	oods	Total	
Outstanding	\$ -	\$	_	\$	_	\$	_	\$	_
Strong	52,854,550		-		-		_	52.	854,550
Acceptable +	37,965,908		-		_		_		965,908
Acceptable	47,197,463		815,502		2,459,226		_	50,	472,191
Acceptable -	5,300,000	)	-		· · · · -		_	5,	300,000
Acceptable with care	3,100,000	)	-		-		-	3,	100,000
Substandard	-		-		-		-		-
Doubtful							-		
	\$ 146,417,921	\$	815,502	\$	2,459,226	\$	-	\$ 149,	692,649
					2020				
				Partic	ipation Loans	3			
		M	anufactured			He	althy		
	CDFI Loans		Housing	H	lealthcare	F	oods	Tc	otal
Outstanding	\$ -	\$	-	\$	-	\$	_	\$	_
Strong	52,918,186	<b>i</b>	-		-		-	52,9	918,186
Acceptable +	8,397,727	,	-		-		-	8,3	397,727
Acceptable	65,902,038	3	834,628		2,526,848		-	69,2	263,514
Acceptable -	7,045,000	)	-		-		-	7,0	045,000
Acceptable with care	2,653,562	2	-		-		-	2,6	653,562
Substandard	-		-		-		-		-
Doubtful							-		
	\$ 136,916,513	\$	834,628	\$	2,526,848	\$	-	\$ 140,2	277,989

Notes to Consolidated Financial Statements Years Ended December 31, 2021 and 2020

## NOTE 6 CREDIT QUALITY (continued)

## Allowance for Loan Losses

The following tables summarize the allowance for loan losses as of and for the years ended December 31, 2021 and 2020, by loan category and the amount by category of the loans evaluated individually or collectively for impairment.

					Particii	2021 pation Loans	1				
	CDFI Loans			ufactured ousing		althcare		Healthy Foods		Total	
Allowance for loan losses Beginning balance Charge-offs Recoveries Provision for loan losses	\$	5,372,722 - - - 281,421	\$	31,299 - - (718)	\$	94,757 - - (2,536)	\$	- - -	\$	5,498,778 - - 278,167	
Ending balance	\$	5,654,143	\$	30,581	\$	92,221	\$	-	\$	5,776,945	
						2020					
					Particip	ation Loans					
			Man	ufactured			ŀ	lealthy	ıy		
	С	DFI Loans	H	ousing	He	althcare		Foods		Total	
Allowance for loan losses											
Beginning balance	\$	4,297,205	\$	31,972	\$	97,122	\$	72,234	\$	4,498,533	
Charge-offs		-		-		-		-		-	
Recoveries		-		-		- (2.225)		(=0.004)		-	
Provision for loan losses		1,075,518		(673)		(2,365)		(72,234)		1,000,246	
Ending balance	\$	5,372,723	\$	31,299	\$	94,757	\$		\$	5,498,779	

The following table is a summary of the current and noncurrent portions of the allowance for loans losses at December 31:

	2021	2020
Current Noncurrent	\$ 1,067,004 4,709,941	\$ 1,212,072 4,286,706
	\$ 5,776,945	\$ 5,498,778

The allowance for loan losses as a percentage of loans outstanding was 3.9% of OFN's loan portfolio at December 31, 2020 and 3.9% of OFN's loan portfolio at December 31, 2021.

The allowance for loan losses is based on management's estimates of the creditworthiness of its borrowers, current economic conditions and historical information. Ultimate losses, however, may vary materially from current estimates. Management reviews these estimates on an ongoing basis and, as changes become necessary, adjusts the provision accordingly. The Finance Committee and the Board of Directors review the portfolio and loan-loss reserves at least annually.

Notes to Consolidated Financial Statements Years Ended December 31, 2021 and 2020

## NOTE 6 CREDIT QUALITY (continued)

## Allowance for Loan Losses (continued)

Impaired loans include loans modified in TDRs where concessions have been granted to borrowers experiencing financial difficulties. These concessions could include a reduction of interest rate on the loan, payment extensions, forbearance or other actions intended to maximize collection. At December 31, 2021 and 2020, OFN had no loans classified as impaired or as TDRs.

## Loans to Related Interests

OFN extends loans to CDFIs in accordance with its financing and portfolio management policies. Consistent with these policies, OFN may extend loans to organizations whose representatives are elected to OFN's Board of Directors by OFN's members; however, no Board member sits on the Investment Committee that approves all loans. At December 31, 2021 and 2020, loans in the amounts of approximately \$16.0 million and \$10.0 million, respectively, were receivable from CDFIs whose representatives are members of OFN's Board of Directors at December 31, 2021 and 2020, respectively.

## NOTE 7 EQUITY EQUIVALENT INVESTMENTS

As of December 31, 2021 and 2020, CCIF had \$5.5 million in EQ2 investments outstanding to 14 CDFIs. The EQ2 are unsecured and due between 2023 and 2028, with two one-year options to extend the maturity date. All EQ2 carry an interest rate of 3.0% and interest is paid quarterly. As of December 31, 2021, all EQ2 were current on payments. The EQ2 were underwritten based on credit quality and considerations related to geography.

As of December 31, 2021 and 2020, G2G had \$24.0 million in EQ2 investments outstanding to 21 CDFIs. The EQ2 are unsecured and due between 2028 and 2029, with two one-year options to extend the maturity date. All EQ2 carry an interest rate of 3.0% and interest is paid quarterly. As of December 31, 2021, all EQ2 were current on payments. The EQ2 were underwritten based on credit quality and considerations related to geography.

Management evaluates periodically for impairment. No impairment was noted as of December 31, 2021 or 2020.

Notes to Consolidated Financial Statements Years Ended December 31, 2021 and 2020

## NOTE 8 GRANTS RECEIVABLE

Grants were receivable from the following organizations at December 31:

	 2021		2020
Tides Foundation/Google.org	\$ 250,000	\$	1,750,000
Robert Wood Johnson Foundation	-		50,000
Surdna Foundation	-		125,000
Wells Fargo	-		205,000
JPMorgan Chase Bank NA	587,500		-
Kellogg Foundation	750,000		-
Winston Salem Foundation/Trust Bank	500,000		-
	\$ 2,087,500	\$	2,130,000

Grants receivable are due in the normal course of the Organization's operations and are unsecured.

Grants receivable are due to be collected as follows at December 31:

	 2021	-	2020
Receivable in one year or less Receivable in one to five years	\$ 2,087,500		\$ 2,130,000
	\$ 2,087,500	_	\$ 2,130,000

In addition, the Organization has a conditional grant receivable from Tides Foundation as of December 31, 2021 for \$4,750,000. This grant is conditional on the occurrence of a specified future and uncertain event. As such, the conditional grant receivable is not reflected above.

Notes to Consolidated Financial Statements Years Ended December 31, 2021 and 2020

## NOTE 9 FIXED ASSETS

Fixed assets consist of the following at December 31:

	2021			2020		
Equipment Furniture and fixtures Software Leasehold improvements	\$	939,119 350,712 71,433 763,436		\$	881,545 350,712 69,705 763,436	
Less: Accumulated depreciation	\$	2,124,700 1,254,104 870,596		\$	2,065,398 1,094,125 971,273	

Total depreciation and amortization expense for the years ended December 31, 2021 and 2020, was \$159,979 and \$156,240, respectively.

## NOTE 10 NOTES PAYABLE

The following table is a summary of notes payable at December 31:

Lender	Interest Rate	Final Maturity Date		Amount 2021	 Amount 2020
Bank of America	2.50%	December 2024	\$	10,500,000	\$ 10,500,000
Bank of America	1.00%	March 2022		1,250,000	2,250,000
Calvert Social Investment Foundation	3.50%	May 2021		-	3,000,000
Calvert Social Investment Foundation	3.50%	May 2021		-	2,000,000
Capital One	2.00%	March 2022		1,000,000	1,000,000
CNote Group, Inc.	3.25% - 3.50%	May 2022		594,562	861,122
Dignity Health (formerly Catholic Healthcare West)	2.50%	June 2021		-	1,000,000
Google Endeavor LLC	0% - 1%	June, 2030		33,750,000	16,320,000
John D. and Catherine T. MacArthur Foundation	1.00%	October 2023		17,000,000	25,000,000
John D. and Catherine T. MacArthur Foundation	1.00%	January 2025		-	5,000,000
NY Quarterly Meeting of the Religious Society of Friends	2.30%	September 2023		700,000	700,000
Oportun Inc.	2.00%	September 2021		-	1,000,000
Oportun Inc.	1.00%	September 2026		2,000,000	· · · · · · · ·
PNC Bank	2.75%	March 2022		7,500,000	7,500,000
PNC Bank	3.25%	June 2026		2,500,000	2,500,000
PNC Bank (PPP Loan)	1.00%	June 2026		-	538,400
Presbyterian Church (USA) Foundation	2.00%	November 2025		<del>.</del>	1,000,000
Prudential Foundation	1.00%	January 2027		5,000,000	5,000,000
The Kresge Foundation	1.00%	December 2022		2,500,000	5,000,000
Twitter Inc	1.00%	December 2031		13,900,000	<del>.</del>
Deutsche Bank Trust Company Americas	LIBOR plus 2.00%	December 2024			5,000,000
Other	0.50% - 2.75%	2022 to 2027		11,520,000	 7,925,000
			\$	109,714,562	\$ 103,094,522
Current portion of notes payable			\$	21,019,562	\$ 18,866,560
Note payable, noncurrent			_	88,695,000	84,227,962
			\$	109,714,562	\$ 103,094,522

At December 31, 2021, undrawn amount of the total borrowing available under two revolving line of credits was \$17.5 million.

- (a) OFN received a Payroll Protection Program loan from PNC Bank in the amount of \$538,400 in December 2020. This full amount of this loan was forgiven in 2021.
- (b) Three loans totaling \$30 million closed in 2021 and are not reflected on the above table as there was no outstanding balance as of December 31, 2021.

Notes to Consolidated Financial Statements Years Ended December 31, 2021 and 2020

## NOTE 10 NOTES PAYABLE (continued)

The weighted-average interest rate on loans payable was 1.4% for both years ended December 31, 2021 and 2020.

Some of OFN's loan agreements include financial covenants, including current ratios, loan-loss reserve ratios, net operating income, and net worth requirements. There are also various reporting requirements. As of December 31, 2021, OFN was in full compliance with all financial covenants to which it was subject.

The minimum annual repayment requirements on notes payable as of December 31, 2021, are as follows:

Years Ending December 31:		2021		
2022	\$	21,019,562		
2023	,	19,075,000		
2024		8,525,000		
2025		8,400,000		
2026		10,345,000		
Thereafter		42,350,000		
	\$	109,714,562		

## NOTE 11 OTHER LIABILITIES

Other liabilities are comprised of EQ2. An EQ2 investment has a renewable long-term maturity or an indefinite evergreen maturity term as of the closing date, has limited call provisions and is fully subordinate to all other OFN liabilities. Additional information on EQ2 is described in a letter published by the Office of the Comptroller of the Currency on June 27, 1996, and in a technical memo published by OFN in 2001, "An Equity Equivalent Primer." The following is a summary of the EQ2 at December 31:

					Amount				
Lender	Repayment Terms	Interest Rate	Maturity Date	2021	2020				
BBVA USA	Quarterly interest only	2.50%	August 2029	\$ 5,000,000	\$ 5,000,000				
Wells Fargo	Quarterly interest only	2.00%	October 2026	5,000,000	5,000,000				
Wells Fargo	Quarterly interest only	2.00%	April 2026	1,000,000	1,000,000				
Wells Fargo	Quarterly interest only	2.00%	December 2029	1,000,000	1,000,000				
				\$ 12,000,000	\$ 12,000,000				

Notes to Consolidated Financial Statements Years Ended December 31, 2021 and 2020

## NOTE 12 FUNCTIONAL EXPENSES

Total expenses per the consolidated statements of functional expenses are reflected in the consolidated statements of activities as follows for the years ended December 31:

	2021	2020
Included in net financing income	\$ 1,884,212	
Operating expenses	9,422,738	9,190,391
Expenses – pass-through grants	10,875,000	12,229,787
	\$ 22,181,950	\$ 24,146,887

The 2021 breakout of expenses, as a percentage of total functional expenses, are as follows: program expenses (90.9%) and general and administrative expenses 9.1%). The 2020 breakout of expenses, as a percent of total functional expenses, are as follows: program expenses (92.8%) and general and administrative expenses (7.2%). The general and administrative category includes fundraising expenses of \$405,411 and \$334,408 for the years ended December 31, 2021 and 2020, respectively.

## NOTE 13 NET ASSETS

Net assets without donor restrictions as of December 31 were as follows:

	2021	2020
Net assets without donor restrictions Non-controlling interest in consolidated	\$ 57,654,885	\$ 52,877,898
subsidiaries	28,978,084	29,059,556
Total net assets without donor restrictions	\$ 86,632,969	\$ 81,937,454

The non-controlling interest in consolidated subsidiaries represents Woodforest's capital account in CCIF and HSBC's capital account in G2G. OFN presents the non-controlling interest in CCIF and G2G, its consolidated subsidiaries, as a separate line item within net assets in the consolidated statements of financial position. A summary of the members' equity of CCIF and G2G for the years ended December 31, 2021 and 2020 were as follows:

Notes to Consolidated Financial Statements Years Ended December 31, 2021 and 2020

## NOTE 13 NET ASSETS (continued)

## **CCIF**

	 OFN	\	Voodforest	 Total
Balance, December 31, 2019 Capital contributions Net income Distributions	\$ 505,793 - 10,141 (10,114)	\$	5,057,926 - 101,414 (101,136)	\$ 5,563,719 - 111,555 (111,250)
Balance, December 31, 2020 Capital contributions Net income Distributions	505,820 - 10,225 (10,500)		5,058,204 - 102,245 (105,000)	 5,564,024 - 112,470 (115,500)
Balance, December 31, 2021	\$ 505,545	\$	5,055,449	\$ 5,560,994
<u>G2G</u>	 OFN		HSBC	 Total
Balance, January 1, 2020 Capital contributions Net income Distributions	\$ 1,132,068 125,000 30,482 (24,320)	\$	21,509,280 2,375,000 579,165 (462,093)	\$ 22,641,348 2,500,000 609,647 (486,413)
Balance, December 31, 2020 Capital contributions Net income Distributions	 1,263,230 - 29,810 (33,953)		24,001,352 - 566,382 (645,099)	 25,264,582 - 596,192 (679,052)
Balance, December 31, 2021	\$ 1,259,087	\$	23,922,635	\$ 25,181,722

Any income received in the funds, including interest and principal payments, net of expenses and reinvestment options, shall be distributed on a quarterly basis; provided that OFN, as managing member, will be entitled to withhold distribution amounts necessary for: (i) creating reserves for reasonable and necessary expenses (ii) creating reasonable reserves for repayment of indebtedness, and (iii) fund a loan-loss reserve. Each distribution would be made to members in proportion to their respective percentage interest. Any loss or deduction would be allocated to the member's capital accounts in a manner consistent with distributions.

Notes to Consolidated Financial Statements Years Ended December 31, 2021 and 2020

## NOTE 13 NET ASSETS (continued)

Net assets with donor restrictions at December 31 consist of the following:

	December 31, 2020	Grants and Contributions	Grant Modification	Net Assets Released	December 31, 2021
Operating Program support Financing Financing capital Re-granting CDFI capacity building	\$ 2,246,888 520,000 9,675,000	\$ 2,948,136 3,943,765 39,165,000	\$ -	\$ (2,093,465) (2,458,765) (10,875,000)	\$ 3,101,559 2,005,000 37,965,000
Total net assets with donor restrictions	\$ 12,441,888	\$ 46,056,901	\$ -	\$ (15,427,230)	\$ 43,071,559
	December 31, 2019	Grants and Contributions	Grant Modification	Net Assets Released	December 31, 2020
Operating Program support Financing Financing capital Re-granting CDFI capacity building	,				•

## NOTE 14 NEW MARKETS TAX CREDIT PROGRAM

In 2013, OFN received a NMTC program allocation for Round 10 of \$15,000,000 from the CDFI Fund. OFN formed the following five entities to receive and manage new allocations under the NMTC program: Opportunity Fund I, LP, Opportunity Fund II, LP, Opportunity Fund IV, LP, and Opportunity Fund V, LP. NCCA General Partner, LLC also serves as the general partner for these five new entities. In December 2013, OFN applied for and subsequently received CDE certification for all five newly formed entities from the CDFI Fund.

In December 2014, OFN closed a \$5,000,000 transaction under its Round 10 NMTC \$15,000,000 allocation, through Opportunity Fund I, LP, in partnership with Community Health Center Capital Fund, for an NMTC-related financing to a qualified low-income community business that owns a medical facility located in Ironton, Ohio. This transaction was repaid in full in December 2021 and Opportunity Fund I, LP was inactive as of December 31, 2021.

In December 2014, OFN closed a second \$5,000,000 transaction under its Round 10 NMTC \$15,000,000 allocation, through Opportunity Fund II, LP, in partnership with Leviticus 25:32 Alternative Fund, for an NMTC-related financing to a qualified low-income community business that owns a community health center located in Brockton, Massachusetts. This transaction was repaid in full in December 2021 and Opportunity Fund II, LP was inactive as of December 31, 2021.

Notes to Consolidated Financial Statements Years Ended December 31, 2021 and 2020

## NOTE 14 NEW MARKETS TAX CREDIT PROGRAM (continued)

In April 2016, OFN closed a third \$5,000,000 transaction under its Round 10 NMTC \$15,000,000 allocation, through Opportunity Fund III, LP, in partnership with South Carolina Community Loan Fund, for an NMTC-related financing to a health foods-related grocery-anchored community shopping center called the Renaissance Shops, located in Greensboro, North Carolina, which was identified as a USDA-designated Food Desert.

As a 0.01% general partner, NCCA General Partner, LLC is entitled to 0.01% of any income of Opportunity Fund I, LP, Opportunity Fund II, LP, and Opportunity Fund III, LP. In addition, as general partner, NCCA General Partner, LLC is entitled to an annual management fee of 0.5% of the aggregate amount of the Qualified Equity Investments. In 2021 and 2020, NCCA General Partner, LLC earned \$84,556 and \$71,000, respectively, in management fees related to qualified equity investments under management.

NCCA General Partner, LLC's investment in Opportunity Fund I, LP, Opportunity Fund II, LP and Opportunity Fund III, LP is accounted for under the equity method of accounting. OFN's contributions in the amount of \$500 for each entity is included in CDFI and other investments on the consolidated statements of financial position.

The following is a summary of the combined unaudited financial information of Opportunity Fund I, LP, Opportunity Fund II, LP, and Opportunity Fund III, LP, as of and for the years ended December 31:

		2021		2020			
Total assets Total liabilities	\$	5,000,500	\$	14,798,281 8,750			
Partners' capital	\$	5,000,500	\$	14,789,531			
Total revenue Total expenses Net income	\$ \$	459,119 96,663 362,456	\$ \$	460,044 88,857 371,187			
Partner contributions	\$	-	\$	-			
Partner distributions	\$	7,516,289	\$	413,697			
Assignment of net assets	\$	2,635,200	\$	-			

Notes to Consolidated Financial Statements Years Ended December 31, 2021 and 2020

## NOTE 14 NEW MARKETS TAX CREDIT PROGRAM (continued)

As part of the one remaining \$5,000,000 NMTC transaction, OFN provided a guarantee to the investors and administrative partner in the event OFN or its affiliates cause an NMTC recapture event. The guarantee obligation is limited to the amount of fees that have been paid to OFN as part of the NMTC transaction. Management of OFN believes the likelihood that OFN will become obligated under this contingent liability is remote.

#### NOTE 15 COMMITMENTS AND CONTINGENCIES

In 2019, OFN moved both its headquarters in Washington, DC to a new location and moved its satellite office in Philadelphia to a new location.

In late 2017, OFN announced it would relocate its headquarters to Washington, DC from Philadelphia to strengthen its ability to expand partnerships and resources for the CDFI industry. This change was effective in January 2019. OFN continues to maintain a satellite office in Philadelphia, Pennsylvania.

In 2018, OFN entered into a new one-year lease in Washington, DC to accommodate a growing DC-based staff while it looked for permanent space for its DC headquarters. In March 2019, OFN signed a new month-to-month lease at the same property for additional space. This additional space was needed as OFN hired new DC-based staff until OFN moved into its new headquarters in August 2019. Those two leases expired in August 2019 when OFN moved into its new DC headquarters.

When OFN entered into the 2018 DC lease, OFN also subleased its existing DC office to a third party. As a result of this sublease, OFN recorded a \$153,524 loss on the disposal of the lease in 2018, which amounts to the difference in OFN's lease obligation and the sublease payments over the life of the lease, as well as other expenses related to the sublease.

The accrued loss on the disposal of the lease is \$45,126 and \$69,325 as of December 31, 2021 and 2020, respectively, and is reflected in accounts payable and accrued expenses. Amortization of the accrued disposal loss was \$24,199 and \$24,103 in 2021 and 2020, respectively.

OFN entered in a new 11-year lease in August 2019 for its new DC headquarters. This lease includes 15 months of free rent and \$1,025,399 in a tenant improvement allowance.

In 2019, OFN entered into a new three-year lease in Philadelphia to better accommodate a smaller Philadelphia-based staff as the headquarters moved to Washington, DC.

Notes to Consolidated Financial Statements Years Ended December 31, 2021 and 2020

## NOTE 15 COMMITMENTS AND CONTINGENCIES (continued)

For the years ended December 31, 2021 and 2020, total rental expenses under leases amounted to approximately \$650,005 and \$650,302, respectively, before sublease payments and amortization of tenant improvements.

At December 31, 2021, total future minimal lease payments under the leases and future sublease rentals are as follows:

		Operating				
Years Ending December 31:		Lease	S	Sublease		
2022	\$	659,944	\$	(54,505)		
2023		611,219		(18,646)		
2024		626,896		-		
2025		642,962		-		
2026		602,949		-		
Thereafter		2,395,863				
	_\$	5,539,833	\$	(73,151)		

Commitments to extend credit amounted to \$3,250,000 and \$2,080,000 as of December 31, 2021 and 2020, respectively.

OFN has an employment agreement with its Chief Executive Officer and President, which renews annually subject to the terms of the agreement and provides for severance payments under certain circumstances.

On October 1, 2018, OFN purchased 150 Class A units in Bright Community Capital Holdings LLC, becoming a Class A Member in the fund. The fund will invest in renewable energy projects in the United States, with the goal of helping to create economically and environmentally healthy communities, particularly for low-income people. OFN will make payments toward its \$1,500,000 capital commitment as requested by the fund. As of December 31, 2021, OFN has \$0 remaining on its capital commitment. As a Class A Member, OFN is a non-voting member of the fund with its liabilities limited to its capital commitment.

In 2019, OFN became a limited partner in Domestic Small Cap Pay for Success Fund I, LP. OFN will make payments toward its \$500,000 capital commitment as requested by the fund. As of December 31, 2021, OFN has \$266,709 remaining on its capital commitment. As a limited partner, OFN does not participate in the management of the fund and has no liability beyond its capital commitment.

Notes to Consolidated Financial Statements Years Ended December 31, 2021 and 2020

#### NOTE 16 CDFI FUND BOND GUARANTEE PROGRAM

The CDFI Bond Guarantee Program (BGP or Bond Program) was enacted through the Small Business Jobs Act of 2010 (Public Law 111-240) on September 27, 2010. The legislation directs the Treasury Department to guarantee the full amount of bonds issued to support CDFIs that make investments for eligible community or economic development purposes. The bonds provide a source of long-term capital to CDFIs. The Federal Financing Bank, a financing arm of the U.S. Treasury, will purchase all of the bonds issued under the BGP, including the OFN Bonds (detailed below), and the U.S. Treasury will guarantee repayment. The bonds will not be remarketed or sold to any other investors.

In 2013, the CDFI Fund approved OFN to serve as a Qualified Issuer and issue a \$100 million, 29.5-year bond on behalf of Clearinghouse CDFI, an Eligible CDFI under the Bond Program. In 2014, OFN and Clearinghouse CDFI executed bond documents. As of December 31, 2021 and 2020, Clearinghouse CDFI had drawn down the entire \$100 million under this facility and the amount outstanding was \$82,809,472 and \$86,429,574, respectively.

In 2015, the CDFI Fund approved OFN to serve as a Qualified Issuer and issue two 29.5-year bonds totaling \$227 million on behalf of two groups of eligible CDFIs under the Bond Program: (1) \$100 million on behalf of Clearinghouse CDFI and (2) \$127 million on behalf of the following seven CDFIs: Community Ventures Corporation, Community Loan Fund of New Jersey, Citizen Potawatomi Community Development Corporation, Bridgeway Capital, Inc., FAHE, Kentucky Highlands Investment Corporation, and the Chicago Community Loan Fund. As of December 31, 2021 and 2020, \$221,297,349 and \$221,297,349, respectively, was drawn down under these two bond facilities, and \$197,584,307 and \$204,545,453, respectively, was outstanding.

In 2017, the CDFI Fund approved OFN to serve as a Qualified Issuer and issue a \$145 million, 29.5-year bond on behalf of one group of eight eligible CDFIs under the Bond Program: Building Hope, Coastal Enterprises, Inc., Community First Fund, Florida Community Loan Fund, Greater Minnesota Housing Fund, Homewise, Inc., Housing Trust Silicon Valley, and Impact Seven. During 2019, Coastal Enterprises, Inc. withdrew from the Bond Program, leaving a total bond commitment of \$125 million. As of December 31, 2021 and 2020, \$77,144,232 and \$67,569,232, respectively, was drawn down under this facility, and \$74,131,176 and \$66,296,971, respectively, was outstanding.

In 2019, the CDFI Fund approved OFN to serve as a Qualified Issuer and issue a \$100 million, 29.5-year bond on behalf of one group of three Eligible CDFIs under the Bond Program: Community Loan Fund of New Jersey, FAHE, and Greater Minnesota Housing Fund. As of December 31, 2021 and 2020, \$55,687,162 and \$16,986,138, respectively, was drawn down under this bond facility and was outstanding.

Notes to Consolidated Financial Statements Years Ended December 31, 2021 and 2020

## NOTE 16 CDFI FUND BOND GUARANTEE PROGRAM (continued)

OFN earned \$756,540 and \$713,957 in fees related to the Bond Program for the years ended December 31, 2021 and 2020, respectively.

All bonds issued by OFN, as a Qualified Issuer, under the Bond Program are off-balance-sheet transactions and a 100% non-recourse obligation of OFN. The bonds are payable solely from the payments made by the eligible CDFIs and their related collateral. The bonds are full-recourse, on-balance-sheet transactions for the eligible CDFIs. No bond proceeds or bond loan repayment proceeds flow through OFN or accounts controlled by OFN. As a Qualified Issuer, OFN's primary duties are as a program administrator, monitoring eligible CDFIs' compliance with all Bond Program requirements.

#### NOTE 17 DEFERRED COMPENSATION

OFN has a tax-deferred annuity plan qualified under Section 403(b) of the IRC, which covers all employees of the Organization. For the years ended December 31, 2021 and 2020, OFN contributed \$41,938 and \$36,567, respectively.

#### NOTE 18 REVENUE RECOGNITION

The following disclosures discuss the Organization's revenue recognition practices upon the adoption of ASU 2014-09 on January 1, 2019.

**Disaggregation of Revenue:** The following table presents the Organization's revenue disaggregated by primary performance obligation:

	2021			2020										
	At a Point in Time Over Time				Over Time		At a Point in Time						_ 0	ver Time
Sponsorships	\$	1,388,000	\$	-	\$	1,403,000	\$	-						
Registration fees		129,700		-		167,675		-						
Strength fees		-		71,060		-		34,988						
Financial Services - Bond QI fees, asset management fees, NMTC Financial Services - Bond QI closing		-		1,746,845		-		899,522						
fees, structuring fees		660,250		-		1,300,000		-						
Dues				769,779		<u> </u>		694,644						
	\$	2,177,950	\$	2,587,684	\$	2,870,675	\$	1,629,154						

#### Performance Obligations

**Sponsorships:** Sponsorship revenue is generated from organizations that commit to being sponsors for OFN events, including the annual conference, small business finance forum, regional meetings, and other trainings. The Organization has sponsor brochures and materials that detail various sponsor level amounts and benefits. Revenue is recognized at a point in time when the event takes place.

Notes to Consolidated Financial Statements Years Ended December 31, 2021 and 2020

## NOTE 18 REVENUE RECOGNITION (continued)

**Registration Fees:** Registration fees are generated from fees to participants to attend OFNs events, including the annual conference, small business finance forum, regional meetings, and other trainings. Prices vary by event and type of registrant (*e.g.*, members, nonmembers). OFN has websites that detail the registration fees. Revenue is recognized at a point of time when the event takes place.

**Strength Fees:** OFN receives fees for performing certain capacity building services for the CDFI industry. Fees are earned over a period of time based on estimate of work completed under the contracts.

Financial Services Fees: Asset Management and Ongoing Bond Qualified Issuer Fees: OFN asset management fee revenue is substantially generated from the Organization's involvement in managing the following entities: CCIF, GTG, and three New Markets Tax Credit Entities, Opportunity Fund I, Opportunity Fund II, and Opportunity Fund III, as well as fees from its Grow with Google Small Business Fund and Finance Justice Fund. The fees for managing CCIF and G2G are earned based on the outstanding principal amount of EQ2 in the funds, and the fees for the NMTC entities are earned based on fixed amounts specified in the agreements. Revenue is recognized over time for CCIF, G2G, and the NMTC entities as the entities simultaneously receive and consume the benefits provided by the Organization's performance under the agreements. Fees are paid monthly for CCIF and G2G and quarterly for the NMTC entities. A closing fee from Grow with Google was paid and recognized at closing of the transaction with Google, and asset management fees are earned based on the outstanding principal amount of loans serviced for Google. A closing fee from Twitter was paid at closing of the transaction with Twitter and recognized as loans are made under the Finance Justice Fund, and asset management fees are earned based on the outstanding principal amount of loans serviced for Twitter.

The Organization receives ongoing fees in its role as Qualified Issuer under the Bond Guarantee Program, based on responsibilities outlined in the bond loan agreements. The fees are earned based on the outstanding principal amount of bond loans. Revenue is recognized over time as the CDFIs simultaneously receives and consume the benefits provided by the Organization's performance under the agreements. Fees are paid monthly.

**Financial Services: Bond Qualified Issuer Closing Fees:** The Organization receives closing fees from the eligible CDFIs in a bond at the time of closing based on fee agreements with the CDFIs for its role as qualified issuer under the Bond Guarantee Program. Revenue is recognized at a point in time when all obligations are met for bond closing.

**Dues:** The Organization receives Member and Ally dues for certain benefits CDFIs and other partners received for being a Member or Ally of OFN. Revenue is recognized over time as Members and Allies receive and consume the benefits provided by the Organization's over the year.

Notes to Consolidated Financial Statements Years Ended December 31, 2021 and 2020

## NOTE 18 REVENUE RECOGNITION (continued)

**Contract Balances:** The timing of revenue recognition, billings, cash collections results in billed accounts receivable and customer advances (deferred revenue and advanced payments received) on the consolidated statements of financial position. Accounts receivable include amounts due from customers that are unconditional. Deferred revenue and advanced payments received consists of advance payments and billings in excess of revenue recognized. The following table provides information about receivables, and deferred revenue and advanced payments received from contracts with customers as of December 31:

	2021		2020		
Accounts receivable Deferred revenue	\$	837,466 297,851	\$	115,597 1,086,250	

#### NOTE 19 SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 28, 2022, the date the consolidated financial statements were available to be issued, and noted the following that would warrant disclosure in the consolidated financial statements.

In April 2022, OFN closed a \$10 million senior loan with PNC Bank, which was a refinance of two existing loans for \$2.5 million and \$7.5 million. OFN also closed a new \$10 million Equity Equivalent Investment (EQ2) with PNC Bank to support the Finance Justice Fund. There were no funds drawn down on the EQ2 at closing.



Consolidating Statement of Financial Position December 31, 2021

	General	Financing	Total OFN (1)	CCIF	G2G	Elimination	Total
ASSETS							
Current assets							
Cash and cash equivalents	\$ 44,755,481	\$ 23,711,921	\$ 68,467,402	\$ 71,827	\$ 1,202,510	\$ -	\$ 69,741,739
Restricted cash	577,815	-	577,815	- -	-	-	577,815
Certificates of deposit	208,093	-	208,093	-	-	-	208,093
Short-term Investments	604,716	-	604,716	-	-	-	604,716
Current portion of loans receivable,							
net of allowance for loan losses	-	32,521,423	32,521,423	-	-	-	32,521,423
Interest and other receivables	837,466	-	837,466	-	-	(20,371)	817,095
Grants receivable	1,887,500	200,000	2,087,500	-	-	-	2,087,500
Other assets	159,747		159,747				159,747
Total current assets	49,030,818	56,433,344	105,464,162	71,827	1,202,510	(20,371)	106,718,128
Noncurrent assets							
Long-term investments	-	3,206,244	3,206,244	_	-	-	3,206,244
CDFI and other investments	500	4,431,829	4,432,329	_	-	(1,764,632)	2,667,697
Loans receivable, net of current portion						,	
and allowance for loan losses	-	111,391,344	111,391,344	-	-	-	111,391,344
Equity equivalent investments	-	-	-	5,500,000	24,000,000	-	29,500,000
Fixed assets, net	870,596		870,596				870,596
Total noncurrent assets	871,096	119,029,417	119,900,513	5,500,000	24,000,000	(1,764,632)	147,635,881
Total assets	\$ 49,901,914	\$175,462,761	\$225,364,675	\$ 5,571,827	\$ 25,202,510	\$ (1,785,003)	\$254,354,009
LIABILITIES AND NET ASSETS							
Current liabilities							
Accounts payable and accrued expenses	\$ 604,662	\$ -	\$ 604,662	\$ 7,083	\$ 13,288	\$ (20,371)	\$ 604,662
Deferred revenue and advanced payments received	297,851	-	297,851	3,750	7,500	-	309,101
Deferred lease incentive and tenant allowance	1,443,341	-	1,443,341	-	-	-	1,443,341
Funds held for third party	577,815	-	577,815	-	-	-	577,815
Current portion of notes payable		21,019,562	21,019,562				21,019,562
Total current labilities	2,923,669	21,019,562	23,943,231	10,833	20,788	(20,371)	23,954,481
Noncurrent liabilities							
Notes payable	-	88,695,000	88,695,000	-	-	-	88,695,000
Other liabilities		12,000,000	12,000,000				12,000,000
Total noncurrent labilities		100,695,000	100,695,000				100,695,000
Total labilities	2,923,669	121,714,562	124,638,231	10,833	20,788	(20,371)	124,649,481

Consolidating Statement of Financial Position *(continued)* December 31, 2021

	General	Financing	Total OFN (1)	CCIF	G2G	Elimination	Total
COMMITMENTS AND CONTINGENCIES							
NET ASSETS Without donor restrictions Without donor restrictions Non-controlling interest in consolidated subsidiaries	\$ 5,911,686 -	\$ 51,743,199 -	\$ 57,654,885 -	\$ 505,545 5,055,449	\$ 1,259,087 23,922,635	\$ (1,764,632) -	\$ 57,654,885 28,978,084
Total net assets without donor restrictions	5,911,686	51,743,199	57,654,885	5,560,994	25,181,722	(1,764,632)	86,632,969
With donor restrictions							
Operating	3,101,559	-	3,101,559	-	-	-	3,101,559
Re-granting	37,965,000	-	37,965,000	-	-	-	37,965,000
Financing		2,005,000	2,005,000				2,005,000
Total net assets with donor restrictions	41,066,559	2,005,000	43,071,559				43,071,559
Total net assets	46,978,245	53,748,199	100,726,444	5,560,994	25,181,722	(1,764,632)	129,704,528
Total labilities and net assets	\$ 49,901,914	\$175,462,761	\$225,364,675	\$ 5,571,827	\$ 25,202,510	\$ (1,785,003)	\$254,354,009

<sup>(1)</sup> Includes OFN and NCCA General Partner, LLC

Consolidating Statement of Activities Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total OFN (1)	 CCIF	 G2G	Elimination	Total
OPERATING REVENUE AND SUPPORT Net financing income							
Interest income - loans	\$ 4,693,897	\$ -	\$ 4,693,897	\$ 165,000	\$ 720,000	\$ -	\$ 5,578,897
Less: Interest expense	(1,606,045)	-	(1,606,045)	-	-	-	(1,606,045)
Less: Provision for loan losses	(278,167)		(278,167)	-			(278,167)
Total net financing income	2,809,685	-	2,809,685	165,000	720,000	-	3,694,685
OTHER REVENUE AND SUPPORT							
Dues	769,779	-	769,779	-	-	-	769,779
Fees - Registration	129,700	-	129,700	-	-	-	129,700
Fees - Strength	71,060	-	71,060	-	-	-	71,060
Fees - Financial services	2,576,085	-	2,576,085	-	-	(168,990)	2,407,095
Sponsorships	1,388,000	-	1,388,000	-	-	-	1,388,000
Investment income, net	250,596	-	250,596	-	-	(40,035)	210,561
Grants - operating	145,000	2,698,136	2,843,136	-	-	-	2,843,136
Donations and in-kind services	636,723	250,000	886,723	-	-	-	886,723
Net assets released from restrictions	2,093,465	(2,093,465)		 	 		
Total operating revenue and support	10,870,093	854,671	11,724,764	 165,000	 720,000	(209,025)	12,400,739
OPERATING EXPENSES							
Salaries, payroll taxes and benefits	5,651,530	-	5,651,530	-	-	-	5,651,530
Contractor fees	792,299	-	792,299	-	-	-	792,299
Program support	2,109,830	-	2,109,830	52,530	123,808	(168,990)	2,117,178
Professional services	373,659	-	373,659	-	-	-	373,659
Occupancy	488,072		488,072	-	 -		488,072
Total operating expenses	9,415,390		9,415,390	 52,530	 123,808	(168,990)	9,422,738
Change in net assets - operating	1,454,703	854,671	2,309,374	 112,470	596,192	(40,035)	2,978,001

Consolidating Statement of Activities *(continued)* Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total OFN (1)	CCIF	G2G	Elimination	Total
NON-OPERATING SUPPORT, EXPENSE AND LOSS Support - financing and pass-through grants Grants and other contributions - financing and pass-through grants Net assets released from restrictions Expenses - pass-through grants - grants to CDFIs	\$ 863,519 13,333,765 (10,875,000)	\$ 43,108,765 (13,333,765)	\$ 43,972,284 - (10,875,000)	\$ - - -	\$ - - -	\$ - - -	\$ 43,972,284 - (10,875,000)
Change In net assets - non-operating	3,322,284	29,775,000	33,097,284				33,097,284
Change in net assets before non-controlling interest capital contributions and distributions	4,776,987	30,629,671	35,406,658	112,470	596,192	(40,035)	36,075,285
Capital contributions - managing member Capital contributions - non-controlling interest	-	-	-	-	-	-	-
member	-	-	-	-	-	-	-
Distributions to members				(115,500)	(679,052)	44,453	(750,099)
Change in net assets	4,776,987	30,629,671	35,406,658	(3,030)	(82,860)	4,418	35,325,186
Net assets	E2 077 000	40 444 000	GE 240 706	F F64 004	25 264 592	(4.700.050)	04 270 242
Beginning 	52,877,898	12,441,888	65,319,786	5,564,024	25,264,582	(1,769,050)	94,379,342
Ending	\$ 57,654,885	\$ 43,071,559	\$100,726,444	\$ 5,560,994	\$ 25,181,722	\$ (1,764,632)	\$129,704,528

<sup>(1)</sup> Includes OFN and NCCA General Partner, LLC.

