Florida Community Loan Fund, Inc.

Financial Statement and Independent Auditor's Report
June 30, 2022 and 2021

Contents

Independent Auditor's Report

Board of Directors
Florida Community Loan Fund, Inc.

Opinion

We have audited the financial statements of Florida Community Loan Fund, Inc., which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Florida Community Loan Fund, Inc. as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 Florida Community Loan Fund, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements of Florida Community Loan Fund, Inc. as of and for the year ended June 30, 2021 were audited by another auditor whose report dated October 27, 2021, expressed an unmodified opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 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 Florida Community Loan Fund, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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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 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 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 Florida Community Loan Fund, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Florida Community Loan Fund, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

CohnReznick LLP

Bethesda, Maryland
October 26, 2022

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Florida Community Loan Fund, Inc.
Statements of Financial Position
For the Years Ended June 30, 2022 and 2021

	2022	2021
Assets		
Current assets:		
Cash and cash equivalents,		
of which $1,000,000 in 2022 and $525,000 in 2021 is restricted	$ 25,907,936	$ 23,078,882
Investments, current portion	5,968,982	2,581,960
Loans receivable, net of allowance for loan losses		
in 2022 – $726,600; 2021 – $1,198,025	13,211,409	18,933,569
Other current assets	1,413,386	1,098,580
Total current assets	46,501,713	45,692,991
Investments, net of current portion	1,918,779	3,639,950
Federal Home Loan Bank stock, at cost	55,200	52,000
Loans receivable, net of allowance for loan losses		
in 2022 – $4,286,150; 2021 – $3,663,511	79,220,508	58,653,585
Furniture and equipment, net of accumulated depreciation		
in 2022 – $178,649; 2021 – $144,875	175,901	172,201
Total assets	$ 127,872,101	$ 108,210,727
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$ 944,947	$ 715,775
Deferred revenue	2,240,000	525,000
Notes payable, bonds payable and lines of credit, current portion	5,795,007	3,394,685
Other liabilities – equity equivalent investments, current portion	3,000,000	500,000
Total current liabilities	11,979,954	5,135,460
Notes payable, bonds payable and lines of credit, net of current portion		
and debt issuance costs	60,803,637	48,952,767
Other liabilities – equity equivalent investments, net of current portion	8,750,000	11,250,000
Total liabilities	81,533,591	65,338,227
Commitments and contingencies (Notes 5, 7, 11 and 12)		
Net assets without donor restrictions:		
Designated by the Board for loans	37,497,926	35,620,928
Undesignated	8,479,133	6,293,123
	45,977,059	41,914,051
With donor restrictions	361,451	958,449
Total net assets	46,338,510	42,872,500
Total liabilities and net assets	$ 127,872,101	$ 108,210,727

See notes to financial statements.

Florida Community Loan Fund, Inc.
Statements of Activities
Years Ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:						
Contributions of cash and other financial assets	$ 717,010	$ -	$ 717,010	$ 786,500	$ -	$ 786,500
Contributions of nonfinancial assets	124,443	-	124,443	172,991	-	172,991
Grant revenue	200,000	1,626,265	1,826,265	222,000	603,750	825,750
Investment income/(loss), net of fees	(409,660)	-	(409,660)	137,936	-	137,936
Interest on loans receivable	4,133,853	-	4,133,853	3,752,754	-	3,752,754
Fees and other	2,189,401	-	2,189,401	2,025,070	-	2,025,070
Net assets released from restrictions	2,223,263	(2,223,263)	-	1,168,081	(1,168,081)	-
Total revenues	9,178,310	(596,998)	8,581,312	8,265,332	(564,331)	7,701,001
Expenses:						
Program services	4,460,718	-	4,460,718	4,277,108	-	4,277,108
Supporting services:						
Management and general	775,591		775,591	624,953	-	624,953
Fundraising	231,238	-	231,238	174,553	-	174,553
Total supporting services	1,006,829	-	1,006,829	799,506	-	799,506
Total expenses	5,467,547	-	5,467,547	5,076,614	-	5,076,614
Other items						
Gain on forgiveness of debt	352,245	-	352,245	-	-	-
Change in net assets	4,063,008	(596,998)	3,466,010	3,188,718	(564,331)	2,624,387
Net assets:						
Beginning	41,914,051	958,449	42,872,500	38,725,333	1,522,780	40,248,113
Ending	$ 45,977,059	$ 361,451	$46,338,510	$ 41,914,051	$ 958,449	$42,872,500

See notes to financial statements.

Florida Community Loan Fund, Inc.
Statement of Functional Expenses
Year Ended June 30, 2022

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Supporting Services: Total Supporting Services	Total Expenses
Payroll and related costs	$ 1,778,218	$ 504,363	$ 171,718	$ 676,081	$ 2,454,299
Interest expense	1,648,541	-	-	-	1,648,541
Provision for loan losses	235,398	-	-	-	235,398
Professional fees	181,400	170,289	578	170,867	352,267
Office and administrative	129,384	42,319	9,328	51,647	181,031
Marketing	128,490	-	32,122	32,122	160,612
Occupancy	216,313	45,804	15,595	61,399	277,712
Membership and training	44,907	-	-	-	44,907
Depreciation	26,307	5,570	1,897	7,467	33,774
Other	71,760	7,246	-	7,246	79,006
Total expenses	$ 4,460,718	$ 775,591	$ 231,238	$ 1,006,829	$ 5,467,547

See notes to financial statements.

Florida Community Loan Fund, Inc.
Statement of Functional Expenses
Year Ended June 30, 2021

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Supporting Services: Total Supporting Services	Total Expenses
Payroll and related costs	$ 1,808,893	$ 417,182	$ 113,725	$ 530,907	$ 2,339,800
Interest expense	1,363,968	-	-	-	1,363,968
Provision for loan losses	452,331	-	-	-	452,331
Professional fees	59,231	114,409	688	115,097	174,328
Office and administrative	108,168	41,254	6,710	47,964	156,132
Marketing	156,895	-	39,224	39,224	196,119
Occupancy	201,238	45,793	12,483	58,276	259,514
Membership and training	40,792	-	-	-	40,792
Depreciation	27,751	6,315	1,723	8,038	35,789
Other	57,841	-	-	-	57,841
Total expenses	$ 4,277,108	$ 624,953	$ 174,553	$ 799,506	$ 5,076,614

See notes to financial statements.

Florida Community Loan Fund, Inc.
Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	$ 3,466,010	$ 2,624,387
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	33,774	35,789
Amortization of debt issuance costs	11,005	11,005
Provision for loan losses	235,398	452,331
Net unrealized and realized losses on investments	541,744	16,618
Forgiveness of PPP loan	(345,000)	-
Distribution on earnings from equity method investments	(3,200)	-
Changes in operating assets and liabilities:		
Grant receivable	-	100,000
Other current assets	(314,806)	(34,729)
Accounts payable and accrued liabilities	229,172	(128,065)
Deferred revenue	1,715,000	247,000
Net cash provided by operating activities	5,569,097	3,324,336
Cash flows from investing activities:		
Purchases of investments	(4,990,493)	(5,363,304)
Sales of investments	2,782,898	4,641,892
Net change in loans receivable	(15,080,161)	(632,753)
Purchase of furniture and equipment	(37,474)	(1,366)
Net cash used in investing activities	(17,325,230)	(1,355,531)
Cash flows from financing activities:		
Proceeds from notes payable, bonds payable and lines of credit	17,565,087	9,050,000
Repayments on notes payable, bonds payable and lines of credit	(2,979,900)	(1,872,553)
Net cash provided by financing activities	14,585,187	7,177,447
Net increase in cash and cash equivalents	2,829,054	9,146,252
Cash and cash equivalents:		
Beginning	23,078,882	13,932,630
Ending	$ 25,907,936	$ 23,078,882
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 1,648,540	$ 1,495,090

See notes to financial statements.

Note 1. Nature of Operations and Significant Accounting Policies

Nature of operations: The Florida Community Loan Fund, Inc. (the Loan Fund or Organization) was incorporated in 1994 as a not-for-profit Florida corporation and is exempt from income taxation under Section 501(c)(3) of the Internal Revenue Code (IRC). The Loan Fund provides loans primarily to qualifying not-for-profit organizations that provide social services, affordable housing and economic development programs for low-income communities and their residents throughout Florida. Also, the Loan Fund provides on-site technical assistance to its not-for-profit borrowers and prospective borrowers through partnerships with leading technical assistance providers in the state. The United States Department of the Treasury's Community Development Financial Institutions Fund (CDFI Fund) certified the Loan Fund as a Community Development Financial Institution (CDFI) in 1996. The Loan Fund is also certified as a Community Development Entity (CDE) under the New Markets Tax Credits (NMTC) Program of the United States Department of the Treasury.

The Loan Fund receives support from financial institutions, foundations, religious and non-profit organizations, individuals and federal and state agencies through low-interest loans, permanent loan capital grants and operating grants. Internal sources of revenue includes interest and fees from its loan programs, upfront and ongoing fees from its NMTC program and interest income on idle capital.

A summary of the Loan Fund's significant accounting policies follows:

Basis of financial statement presentation: A not-for-profit organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

- ***Net assets without donor restrictions:*** Net assets that are not subject to donor-imposed stipulations but may be designated for specific purposes by action of the Board of Directors. Net assets designated by the Board of Directors for these purposes were $37,497,926 and $35,620,928 as of June 30, 2022 and 2021, respectively.

- ***Net assets with donor restrictions:*** Net assets subject to donor-imposed stipulations that may, or will be met, either by actions of the Loan Fund and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

  Net assets with donor restrictions restricted for specified purposes at June 30, 2022 and 2021, were $361,451 and $958,449, respectively. The Loan Fund has no net assets with donor restrictions restricted in perpetuity.

The Loan Fund's policy is to prepare its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Use of estimates: The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates that are particularly susceptible to change in the near term include the allowance for loan losses. Actual results could differ from those estimates.

Note 1. Nature of Operations and Significant Accounting Policies (Continued)

Cash and cash equivalents: The Loan Fund considers cash equivalents to include any investment in money market funds, certificates of deposit, commercial paper, treasury bills and investment securities with maturities at the time of purchase of three months or less. The Loan Fund maintains cash and cash equivalents with various major financial institutions. Qualifying savings balances are insured by the Federal Deposit Insurance Corporation (FDIC). From time to time, balances may exceed amounts insured by the FDIC. Additionally, restricted cash represents funds required to be segregated by the donor's agreement.

Investments and investment income: Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Realized gains and losses are recognized when securities are sold. Unrealized gains and losses are recognized as the change in fair value of securities between reporting periods. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

On January 29, 2019, the Loan Fund obtained a 33.33% ownership interest in the Parramore Asset Stabilization Fund, LLC (PASF); the Loan Fund accounts for its investment in PASF under the equity method of accounting. Under the equity method of accounting, an investee company's accounts are not reflected within the Loan Fund's statements of financial position and statements of activities and changes in net assets; however, the Organization's share of the earnings or losses of the investee company is reflected in investment income (loss) in the accompanying statements of activities. The amount of the Loan Fund's investment in PASF as of June 30, 2022 and 2021, is $470,257 and $808,389, respectively, and is included in investments on the accompanying statements of financial position.

Loans receivable: Loans are stated at the principal amount outstanding. The allowance for loan losses is netted with loans receivable. Interest income on loans is accrued at the loan's stated interest rate on the principal balance outstanding.

Interest on loans is recognized over the terms of the loans and is calculated using the simple-interest method on principal amounts outstanding. The accrual of interest on loans is generally discontinued when a loan is greater than 90 days past due or when, in the opinion of management, full repayment of principal and interest is in doubt. Past due status is based on contractual terms of the loans. Interest accrued but uncollected for loans placed on nonaccrual status is reversed against interest income. Interest on these loans is accounted for on the cash or cost-recovery basis until the loans qualify for returns to accrual status. Accrual of interest is generally resumed when the customer is current on all principal and interest payments and collectability of the loan is no longer in doubt.

It is the policy of the Loan Fund to discontinue the accrual of interest when loan payments are delinquent for 90 days based on contractual terms and, in management's opinion, the timely collection of interest or principal becomes uncertain, unless the loan principal and interest are determined by management to be fully collateralized and in the process of collection. Any unpaid amounts of interest previously accrued on these delinquent loans are then reversed from income. Interest on these loans is recognized when paid by the borrower only if collection of principal is likely to occur. A nonaccrual loan may be reinstated to an accrual status when contractual principal and interest payments are current, and collection is reasonably assured.

Note 1. Nature of Operations and Significant Accounting Policies (Continued)

Allowance for loan losses: The allowance for loan losses is established through a provision for loan losses charged to expense. Loans are charged-off against the allowance when management determines that the loan is uncollectible. Subsequent recoveries of amounts previously charged-off are credited to the allowance. The allowance for loan losses consists of specific and general components and is maintained at a level believed adequate by management to absorb estimated losses inherent in the portfolio after considering various factors, including prevailing economic conditions, diversification and size of the loan portfolio, current financial status and credit standing of the borrowers, the status and level of non-performing assets, past loan loss experience and adequacy of collateral and specific impaired loans. The specific component relates to loans that are individually classified as impaired.

The allowance for loan losses is allocated between current and long-term on the accompanying statements of financial position based on a specific identification method to be consistent with the classification of the associated loan receivable balance.

The Loan Fund finances a diverse group of borrowers, including nonprofit community-based organizations, nonprofit and for-profit developers, and special needs housing providers throughout Florida through term, construction, acquisition/rehab and predevelopment lending.

Management has categorized loans into risk categories generally based on the nature of the project. These risk categories and the relevant risk characteristics are as follows:

Rental housing: Rental housing loans and lines of credit support the development and preservation of affordable rental housing, predominantly to multi-family housing projects. Rental housing loans generally have terms of up to 25 years with amortizations of up to 35 years and interest rates that generally range from 0.0% to 6.5%. Loans for land acquisition and/or construction also run the risk that projects will not be completed on time or in accordance with specifications and projected costs. All of such loans are secured by real estate.

Supportive housing: Supportive housing combines housing, either permanent rental or transitionary housing, with social services provided by nonprofit organizations. Supportive housing loans generally have terms of up to 15 years with amortizations of up to 30 years and interest rates that generally range from 0.0% to 6.5%. Loans for land acquisition and/or construction also run the risk that projects will not be completed on time or in accordance with specifications and projected costs. All of such loans are secured by real estate.

For sale housing: For sale housing loans and lines of credit support the development of affordable single-family home ownership. For sale housing loans generally have terms of up to 10 years with amortizations of up to 10 years and interest rates that generally range from 4.0% to 5.5%. Loans for land acquisition and/or construction also run the risk that projects will not be completed on time or in accordance with specifications and projected costs. All of such loans are secured by real estate or liquid collateral.

Community facilities: Community facilities loans are construction or acquisition/rehab loans provided to nonprofit organizations focused on social services or educational services, including family health care centers, educational facilities and social services facilities. Community facilities loans generally have terms of up to 10 years with amortizations of up to 30 years and interest rates that generally range from 0.0% to 6.0%. Loans for land acquisition and/or construction also run the risk that projects will not be completed on time or in accordance with specifications and projected costs. All of such loans are secured by real estate.

Note 1. Nature of Operations and Significant Accounting Policies (Continued)

Commercial real estate: Commercial real estate loans are construction or acquisition/rehab loans for non-residential real estate, with an emphasis on borrowers that provide amenities to or stimulate economic development in low-income communities. Commercial real estate loans generally have terms of up to 10 years with amortizations of up to 30 years and interest rates that generally range from 0.0% to 6.0%. Loans for land acquisition and/or construction also run the risk that projects will not be completed on time or in accordance with specifications and projected costs. All of such loans are secured by real estate.

A loan is considered impaired when, based on current information and events, it is probable that the Loan Fund will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. The Loan Fund monitors all loans in the portfolio on an ongoing basis and reviews loan classifications for all loans in the portfolio in accordance with its lending policies. The amount of impairment, if any, is measured on a loan-by-loan basis as either the present value of expected future cash flows discounted at the loan's effective interest rate or the loan's observable market price, or the fair value of the collateral less estimated selling costs if the loan is collateral dependent and is included in the allowance for loan losses.

Troubled debt restructurings are separately identified for impairment disclosures and are measured at the present value of estimated future cash flows using the loan's effective rate at inception. If a troubled debt restructuring is considered to be a collateral dependent loan, the loan is reported at the fair value of the collateral less estimated selling costs. For troubled debt restructurings that subsequently default, the Loan Fund determines the amount of reserve in accordance with the accounting policy for the allowance for loan losses.

Furniture and equipment: Furniture and equipment is carried at cost less accumulated depreciation. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Depreciation is calculated on the straight-line method over estimated useful lives ranging from five to seven years. Major renewals, betterments and replacements are capitalized. Maintenance and repairs are charged to expense as incurred.

Impairment of long-lived assets: Long-lived assets are evaluated for impairment whenever events or changes in circumstances have indicated that an asset may not be recoverable and are grouped with other assets to the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. If the sum of the projected undiscounted cash flows (excluding interest charges) is less than the carrying value of the assets, the assets will be written down to the estimated fair value and such loss is recognized in income from continuing operations in the period in which the determination is made. Management determined that no impairment of long-lived assets existed as of June 30, 2022 and 2021.

Other liabilities – equity equivalent investments: Other liabilities are subordinated promissory notes with a rolling term (maturity) feature that lenders are classifying as Equity Equivalent Investments (EQ2). EQ2s are unique to the CDFI industry. They were created as a mechanism for not-for-profit CDFIs to acquire equity-like capital.

Note 1. Nature of Operations and Significant Accounting Policies (Continued)

Deferred revenue: The Loan Fund records the amount of proceeds of certain government award programs and other loan capital grants, which it has not committed to qualifying projects, as deferred revenue. During fiscal years 2022 and 2021, the Loan Fund received awards and grants totaling $1,715,000 and $1,350,750, respectively. As of June 30, 2022 and 2021, $2,240,000 and $525,000, respectively, of the funds were not yet committed to qualifying projects.

Below market interest rate loans: U.S. GAAP requires not-for-profit organizations to record interest expense (income) and contribution revenue (expense) in connection with loans that are interest free or that have below market interest rates. The Loan Fund believes there is no material difference between prevailing community development finance market rates and the stated rates of loans receivable in its portfolios, notes payable or other liabilities. Consequently, no adjustments have been made to the financial statements to reflect rate differentials.

Debt issuance costs: Debt issuance costs are amortized over the term of the long-term debt using the effective interest method. As of June 30, 2022 and 2021, unamortized debt issuance costs were $187,094 and $198,099, respectively, which are included in non-current liabilities as a direct reduction of the related long-term debt.

Income taxes: The Organization is exempt from federal income taxes under Section 501(c)(3) of the IRC and from state income taxes under similar provisions of the Florida Statutes. Accordingly, no provision for federal and state income taxes has been recorded in the accompanying financial statements. In addition, management assessed whether there were any uncertain tax positions which may give rise to income tax liabilities and determined that there were no such matters requiring recognition in the accompanying financial statements. Generally, The Loan Fund is no longer subject to income tax examination by the U.S. federal and state tax authorities for years before 2018.

Contributions of cash and financial assets: Contribution revenue is recognized when earned and received. Management analyzes a contribution if it is conditional or unconditional in accordance with Accounting Standards Update No. 2018-08, Not-for-Profit Entities (Topic 958). Unconditional contributions are treated as revenues upon execution of the agreement, while conditional contributions are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met as the barrier to overcome and the right of return of assets transferred or the right of release are removed. Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Unconditional pledges to give are recorded as contributions when pledged at the net present value of the amounts expected to be collected. Unconditional pledges to give that are expected to be received in future periods are discounted annually using the current interest rate the funds would earn. Amortization of the discount is recorded as contribution revenue.

Grant revenue is recognized as barriers are met. The Loan Fund received $1,826,265 and $825,750 in federal funds from the CDFI Fund in the form of grants during fiscal years 2022 and 2021, respectively, of which $1,826,265 and $825,750 was expended as of June 30, 2022 and 2021, respectively.

Note 1. Nature of Operations and Significant Accounting Policies (Continued)

Contributions of nonfinancial assets: The loan fund recognized contribution of nonfinancial assets within revenue, which was a professional advertisement service. Contributed services are valued and reported at the estimated fair value.

Fees: The Loan Fund receives fees in connection with the NMTC Program (the Program). Fee revenue is recognized in accordance with Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*, which provides a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to separate performance obligations
- Recognize revenue when (or as) each performance obligation is satisfied

Sub-allocation fees from the Program are recognized upon the closing of the transaction, receipt of the funds and once any other terms of the sub-allocation fee agreement are satisfied. Asset management fees under the Program are recognized annually based upon the terms in the asset management agreement.

Functional allocation of expenses: Costs of provided services have been detailed on a functional basis in the accompanying statements of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to the function. Certain other costs have been allocated among program and supporting services benefited. Such allocations are determined by management on an equitable basis that is consistently applied.

Fair value measurements: Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Loan Fund uses various methods including market and income approaches. Based on these approaches, the Loan Fund often uses certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated or generally unobservable inputs. The Loan Fund uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

New accounting pronouncements: In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases (Topic 842),* which supersedes Topic 840, Leases. ASU 2016-02 requires a lessee to recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less for which there is not an option to purchase the underlying asset that the lessee is reasonably certain to exercise, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities and should recognize lease expense for such leases generally on a straight-line basis over the lease term. The accounting applied by a lessor is largely unchanged from that applied under previous U.S. GAAP with key aspects of the guidance being aligned with the revenue recognition guidance in Topic 606, *Revenue from Contracts with Customers*.

Note 1. Nature of Operations and Significant Accounting Policies (Continued)

Certain qualitative disclosures along with specific quantitative disclosures will be required so that users are able to understand more about the nature of an entity's leasing activities. ASU 2016-02 will be effective for fiscal years beginning after December 15, 2021 (the Loan Fund's fiscal year 2023). At transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach, which includes a number of optional practical expedients related to the identification and classification of leases that commenced before the effective date of ASU 2016- 02. An entity that elects to use the practical expedients will, in effect, continue to account for leases that commenced before the effective date in accordance with previous U.S. GAAP unless the lease is modified, except that lessees are required to recognize a right-of-use asset and a lease liability for all operating leases at each reporting date based on the present value of the remaining minimum rental payments that were tracked and disclosed under previous U.S. GAAP. The Loan Fund has determined approximately $200,000 decrease in Net Assets for cumulative effect by recognizing approximately $1,700,000 of right-of-use asset and approximately $1,900,000 of lease obligation on July 1, 2022.

In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 amends guidance on reporting credit losses for assets held at amortized cost basis and available for sale debt securities. For assets held at amortized cost basis, ASU 2016-13 eliminates the probable initial recognition threshold in current U.S. GAAP and, instead, requires an entity to reflect its current estimate of all expected credit losses. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial assets to present the net amount expected to be collected. This ASU affects entities holding financial assets and net investment in leases that are not accounted for at fair value through net income. The amendments affect loans, debt securities, trade receivables, net investments in leases, off balance sheet credit exposures, reinsurance receivables and any other financial assets not excluded from the scope that have the contractual right to receive cash. The amendments in ASU 2016-13 are effective for not-for-profit entities for fiscal years beginning after December 15, 2022 (the Loan Fund's fiscal year 2024). The Loan Fund is currently evaluating the impact this ASU will have on its financial statements.

In September 2020, FASB issued ASU No. 2020-07 - *Not-for-Profit Entities (Topic 958).* The core principle of Topic 958 is to increase transparency about measurement of contributed nonfinancial assets (also known as "gifts-in-kind") received by not-for-profit organizations, including transparency on how those assets are used and how they are valued.

The provisions of ASU 2020-07 (Topic 958) are effective, on a retrospective basis for the Loan Fund on July 1, 2021.

Reclassifications

Reclassifications have been made to certain prior year balances to conform to the current year presentation. Such reclassifications were made for comparative purposes only and do not restate the prior year's financial statements.

Note 2. New Markets Tax Credit Program

The Loan Fund has been granted status by the United States Department of the Treasury as a certified Community Development Entity (CDE), under the New Markets Tax Credit Program (NMTC) administered by the CDFI Fund. During fiscal years 2004 through 2022, the Loan Fund received allocations totaling $351 million for this program. During fiscal years 2014 and 2015, the Loan Fund received $4.8 million and $6.4 million, respectively, in state of Florida allocation from the Florida New Markets Development Program. The Loan Fund has seventeen active CDEs (collectively, the CDE LLCs), as of June 30, 2022. FCNMF17, LLC; FCNMF 18, LLC; FCNMF 19, LLC; FCNMF 20, LLC; FCNMF 21, LLC; FCNMF 22, LLC; FCNMF 23, LLC; FCNMF 24, LLC; FCNMF 25, LLC; FCNMF 26, LLC; FCNMF 27, LLC; FCNMF 28, LLC; FCNMF 29, LLC, FCNMF 30, LLC, FCNMF 31, LLC, FCNMF 32, LLC, and FCNMF 33, LLC.

The CDE LLCs were formed as Florida limited liability companies in which the Loan Fund serves as the Managing Member with a 0.01% interest and unrelated Investor Members as regular members with a 99.99% interest. The Loan Fund does not consolidate these entities due to the rights granted to the investor members as defined in the respective operating agreements. The investor members' rights overcome the presumption of control of the managing member.

As of June 30, 2022 and 2021, the total investment amount is $20,848 and $18,417, respectively, and included in other current assets in the statement of financial position.

The fiscal year end for these companies is December 31, and each company except FCNMF 32, LLC and FCNMF 33, LLC has an annual audit performed by an independent auditor after its first complete year of operations. Below is a summary of the unaudited interim financial information for these companies for the 12-month periods ended June 30, 2022 and 2021:

	2022	2021
Total assets	$ 159,861,561	$ 170,154,332
Total liabilities	249,345	321,069
Members’ equity	159,612,216	169,833,263
Total revenue	1,984,627	2,059,801
Total expenses	1,841,821	2,074,850
Total other income	67,720	124,190
Net (loss) income	210,526	109,141

The active CDE LLCs have made qualified low-income community investments (QLICIs) within the meaning of the NMTC program and IRC Section 45D. The Loan Fund entered into agreements with the Investor Members who provided approximately $ 212,417,094 in cumulative qualified equity investments (QEIs) as of June 30, 2022 to make QLICIs from the active CDE LLCs. By making QLICIs, the CDE LLCs enable Investor Members to claim approximately $82,842,667 of NMTC over seven-year credit period. In connection for obtaining allocation, establishing the CDE LLCs, and making sub-allocation to the CDE LLCs, the Loan Fund earned upfront fees of $1,225,000 and $987,000 as of June 30, 2022 and 2021, respectively, which are included as a component of fees and other in the accompanying statements of activities.

Terms of the agreements with the Investor Members require the Loan Fund to maintain certain covenants to avoid recapture of NMTC and possible reimbursement of a portion of upfront fees it has received. At June 30, 2022, the Loan Fund is in compliance with all covenants that would cause a recapture of NMTC and management expects to maintain compliance throughout the seven-year life of each NMTC.

Note 3. Investments

A summary of the Loan Fund's investments at fair value as of June 30, 2022 and 2021, is as follows:

	2022	2021
Current:		
Mutual funds	$ 2,507,780	$ 2,095,690
Debt securities:		
Domestic corporate debt securities	450,947	486,270
Certificate of deposit	3,010,255	-
Total current securities	5,968,982	2,581,960
Noncurrent:		
Debt securities:		
Domestic corporate debt securities	1,397,914	2,272,658
Foreign corporate debt securities	50,608	53,864
Certificate of deposit	-	505,039
Other investment	470,257	808,389
Total noncurrent securities	1,918,779	3,639,950
	$ 7,887,761	$ 6,221,910

The Loan Fund invests in various investment securities in accordance with its investment policy. These investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the uncertainty related to changes in their values, it is reasonable to expect that changes in the values of the investment securities will occur in the near term and that such changes could materially affect the investment balance.

Investment expenses are netted against investment income. Investment returns consist of interest and dividends and realized and unrealized gains and losses. Investment return is summarized for the years ended June 30, 2022 and 2021, as follows:

	2022	2021
Interest and dividends, net of investment expenses	$ 132,084	$ 154,554
Net realized and unrealized (losses) gains	(541,744)	(16,618)
Investment income, net	$ (409,660)	$ 137,936

Note 4. Participation Loans and Loan Servicing

The transfer of loan participations by the Loan Fund meets the requirements to be recognized as sale transactions and, as such, these loans serviced for others in which the Loan Fund serves as lead lender as defined in the participation agreements are excluded from loans receivable and liabilities in the accompanying statements of financial position. The unpaid principal balances of loans serviced for others at June 30, 2022 and 2021, are as follows:

	2022	2021
Loan portfolio serviced for:		
Miami Homes for All	$ 135,565	$ 143,481

Note 5. Loans Receivable

Loans receivable at June 30, 2022 and 2021, are classified as follows:

	2022	2021
Loans by collateral:		
1.0% – 6.125%, secured by real estate (mortgage)	$ 96,855,429	$ 81,689,659
0.0%, Unsecured	589,238	759,031
	97,444,667	82,448,690
Less allowance for loan losses	(5,012,750)	(4,861,536)
	$ 92,431,917	$ 77,587,154

Scheduled principal payments on loans receivable subsequent to June 30, 2022, are as follows:

Years ending June 30:	
2023	$ 13,938,009
2024	5,916,565
2025	12,715,025
2026	7,661,401
2027	7,235,566
Thereafter	49,978,101
	$ 97,444,667

Note 5. Loans Receivable (Continued)

Loans by type at June 30, 2022 and 2021, are as follows:

	2022	
	Outstanding	Undisbursed
Loans by type:		
Rental housing	$ 49,520,029	$ 11,402,269
Supportive housing	8,833,948	782,227
For sale housing	11,177,885	11,465,421
Community facility	11,418,990	135
Commercial real estate	16,493,815	527,581
	$ 97,444,667	$ 24,177,633

	2021	
	Outstanding	Undisbursed
Loans by type:		
Rental housing	$ 39,542,963	$ 7,512,223
Supportive housing	9,089,390	591,179
For sale housing	12,240,880	9,746,404
Community facility	12,412,910	217,537
Commercial real estate	9,162,547	218,509
	$ 82,448,690	$ 18,285,852

The undisbursed portion of loans shown above are loans closed but not fully disbursed and are available to be drawn upon by the borrowers, such as construction loans and lines of credit.

As part of the ongoing monitoring of the credit quality of the Loan Fund's loan portfolio, management categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt and comply with various terms of their loan agreements. The Loan Fund considers current financial information, historical payment experience, credit documentation, public information and current economic trends. Generally, all loans receive a financial review no less than twice per year to monitor and adjust, if necessary, the credit's risk profile.

The Loan Fund categorizes loans into the following risk categories based on relevant information about the ability of borrowers to service their debt:

Excellent/acceptable: The loan is well protected by the current worth and paying capacity of the borrower (or guarantors, if any) or by the fair value, less cost to acquire and sell, of any collateral in a timely manner.

Weak: A loan with a risk rating of five has potential weaknesses and deserves closer attention by management. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or in the Loan Fund's credit position at some future date. Weak loans are not adversely classified and do not expose the Loan Fund to sufficient risk to warrant adverse classification.

Note 5. Loans Receivable (Continued)

Inadequate/substandard: An inadequate/substandard loan, or risk rating of six through eight, is a loan with well-defined weaknesses that puts repayment at risk. These loans are often inadequately protected by the current sound worth and paying capacity of the borrower or of the collateral pledged. These loans are characterized by the possibility that the Loan Fund will sustain some loss of principal and/or interest if the risks are not addressed.

Doubtful: A loan that has weaknesses, or a risk rating of nine, inherent in the inadequate/substandard category, with the added risk that the weaknesses make collection in full, on the basis of currently known facts, conditions and values, highly questionable and improbable. The possibility of loss is extremely likely, but it is not identified at this point due to pending factors.

Loss: A loan classified as loss, or risk rated 10, is considered uncollectible and of such little value that its continuance on the Loan Fund's books as an asset is not warranted. This classification does not necessarily mean that an asset has no recovery value; but rather, there is much doubt about whether how much, or when, the recovery would occur. As such, it is not practical or desirable to defer the write-off. Therefore, there is no balance to report.

The following tables present the risk category of loans evaluated by internal asset classification based on the most recent analysis performed at June 30, 2022 and 2021:

	2022			
	Excellent/ Acceptable	Weak	Inadequate/ Substandard	Total
Rental housing	$ 48,028,048	$ 1,087,829	$ 404,152	$ 49,520,029
Supportive housing	6,847,021	1,785,871	201,056	8,833,948
For sale housing	11,177,885	-	-	11,177,885
Community facility	10,380,099	43,610	995,281	11,418,990
Commercial real estate	15,806,026	-	687,789	16,493,815
	$ 92,239,079	$ 2,917,310	$ 2,288,278	$ 97,444,667

	2021			
	Excellent/ Acceptable	Weak	Inadequate/ Substandard	Total
Rental housing	$ 38,159,097	$ 814,305	$ 569,561	$ 39,542,963
Supportive housing	6,808,036	2,071,098	210,256	9,089,390
For sale housing	12,040,588	-	200,292	12,240,880
Community facility	11,339,135	100,000	973,775	12,412,910
Commercial real estate	7,467,655	351,711	1,343,181	9,162,547
	$ 75,814,511	$ 3,337,114	$ 3,297,065	$ 82,448,690

Note 5. Loans Receivable (Continued)

As of June 30, 2022 or 2021, there were no loans classified as doubtful or loss.

	2022					
	Rental Housing	Supportive Housing	For Sale Housing	Community Facilities	Commercial Real Estate	Total
Allowance for Loan Losses						
Beginning balance	$ 2,173,023	$ 623,021	$ 622,886	$ 666,531	$ 776,075	$ 4,861,536
Provision for loan losses (recoveries)	311,863	2,303	(94,557)	(161,922)	177,711	235,398
Recoveries of amounts previously charged off	-	-	1,875	-	-	1,875
Write-off of uncollectible loans	-	(86,059)	-	-	-	(86,059)
Ending balance	$ 2,484,886	$ 539,265	$ 530,204	$ 504,609	$ 953,786	$ 5,012,750
End of year allowance amount allocated:						
Loans individually evaluated for impairment	$ 21,347	$ -	$ -	$ 85,685	$ 220,000	$ 327,032
Loans collectively evaluated for impairment	2,463,539	539,265	530,204	418,924	733,786	4,685,718
	$ 2,484,886	$ 539,265	$ 530,204	$ 504,609	$ 953,786	$ 5,012,750
Loans:						
Individually evaluated for impairment	$ 404,152	$ 201,056	$ -	$ 995,281	$ 687,789	$ 2,288,278
Collectively evaluated for impairment	49,115,877	8,632,892	11,177,885	10,423,709	15,806,026	95,156,389
	$ 49,520,029	$ 8,833,948	$ 11,177,885	$ 11,418,990	$ 16,493,815	$ 97,444,667

	2021					
	Rental Housing	Supportive Housing	For Sale Housing	Community Facilities	Commercial Real Estate	Total
Allowance for Loan Losses						
Beginning balance	$ 2,230,553	$ 633,694	$ 498,446	$ 745,041	$ 559,670	$ 4,667,404
Provision for loan losses (recoveries)	(57,530)	89,327	116,940	(78,510)	382,104	452,331
Recoveries of amounts previously charged off	-	-	7,500	-	-	7,500
Write-off of uncollectible loans	-	(100,000)	-	-	(165,699)	(265,699)
Ending balance	$ 2,173,023	$ 623,021	$ 622,886	$ 666,531	$ 776,075	$ 4,861,536
End of year allowance amount allocated:						
Loans individually evaluated for impairment	$ 40,135	$ -	$ 80,978	$ 223,268	$ 220,000	$ 564,381
Loans collectively evaluated for impairment	2,132,888	623,021	541,908	443,263	556,075	4,297,155
	$ 2,173,023	$ 623,021	$ 622,886	$ 666,531	$ 776,075	$ 4,861,536
Loans:						
Individually evaluated for impairment	$ 569,561	$ 210,256	$ 200,292	$ 1,651,359	$ 665,598	$ 3,297,066
Collectively evaluated for impairment	38,973,402	8,879,134	12,040,588	10,761,551	8,496,949	79,151,624
	$ 39,542,963	$ 9,089,390	$ 12,240,880	$ 12,412,910	$ 9,162,547	$ 82,448,690

Note 5. Loans Receivable (Continued)

As of June 30, 2022 or 2021, scheduled principal payments on mortgages and loans receivable past due are as follows:

	2022					
		Non-Accrual Loans				
	Current Loans and 1-30 Days Past Due	Loans 31-90 Days Past Due	Loans 91+ Days Past Due	Total Past Due and Non-Accrual Loans	Current Loans	Total Loans
Rental housing	$ -	$ 40,354	$ 363,798	$ 404,152	$ 49,115,877	$ 49,520,029
Supportive housing	201,056	-	-	201,056	8,632,892	8,833,948
For sale housing	-	-	-	-	11,177,885	11,177,885
Community facility	42,063	-	-	42,063	11,376,927	11,418,990
Commercial real estate	50,000	-	637,789	687,789	15,806,026	16,493,815
Total loans	$ 293,119	$ 40,354	$ 1,001,587	$ 1,335,060	$ 96,109,607	$ 97,444,667

	2021					
		Non-Accrual Loans				
	Current Loans and 1-30 Days Past Due	Loans 31-90 Days Past Due	Loans 91+ Days Past Due	Total Past Due and Non-Accrual Loans	Current Loans	Total Loans
Rental housing	$ 49,123	$ -	$ (377,328)	$ 426,451	$ 39,116,512	$ 39,542,963
Supportive housing	210,256	-	-	210,256	8,879,134	9,089,390
For sale housing	-	-	(200,292)	200,292	12,040,588	12,240,880
Community facility	-	-	-	-	12,412,910	12,412,910
Commercial real estate	677,584	-	(665,598)	1,343,182	7,819,365	9,162,547
Total loans	$ 936,963	$ -	$ (1,243,218)	$ 2,180,181	$ 80,268,509	$ 82,448,690

Information about nonaccrual and impaired loans as of and for the years ended June 30, 2022 and 2021, is summarized as follows:

	2022					
	Rental Housing	Supportive Housing	For Sale Housing	Community Facilities	Commercial Real Estate	Total
Impaired loans with a valuation allowance	$ 20,500	$ -	$ -	$ 953,218	$ 637,789	$ 1,611,507
Impaired loans without a valuation allowance	383,652	201,056	-	42,063	50,000	676,771
Allowance related to impaired loans	21,347	-	-	85,685	220,000	327,032
Average investment in impaired loans during 2021	486,857	205,656	100,146	1,323,320	676,693	2,792,672
Loans on non-accrual status	404,152	201,056	-	995,281	687,789	2,288,278
Interest income recognized on impaired loans during the year	-	-	-	45,534	-	45,534

	2021					
	Rental Housing	Supportive Housing	For Sale Housing	Community Facilities	Commercial Real Estate	Total
Impaired loans with a valuation allowance	$ 163,610	$ -	$ 200,292	$ 1,651,359	$ 665,598	$ 2,680,859
Impaired loans without a valuation allowance	405,951	210,256	-	-	-	616,207
Allowance related to impaired loans	40,135	-	80,978	223,268	220,000	564,381
Average investment in impaired loans during 2021	613,317	263,256	275,452	1,322,006	746,447	3,220,478
Loans on non-accrual status	426,451	210,256	200,292	677,584	665,598	2,180,181
Interest income recognized on impaired loans during the year	7,669	-	-	83,293	-	90,962

No interest income was recognized on a cash basis during 2022 and 2021.

Note 5. Loans Receivable (Continued)

Impaired loans include loans modified in troubled debt restructurings 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.

The following table presents impaired loans classified as troubled debt restructurings and the financial effects of troubled debt restructurings for the years ended June 30, 2022 and 2021:

	2022			
Number of Loans	Pre-Modification Outstanding Loan Balance	Post-Modification Outstanding Loan Balance	Forgiven Principal	Lost Interest Income
Supportive housing	$ -	$ -	$ -	$ -

	2021			
Number of Loans	Pre-Modification Outstanding Loan Balance	Post-Modification Outstanding Loan Balance	Forgiven Principal	Lost Interest Income
Supportive housing	$ 210,256	$ 210,256	$ -	$ -

During the fiscal year ended June 30, 2022, there were no troubled debt modifications.

During the fiscal year ended June 30, 2021, one supportive housing loan with an outstanding balance of $210,256 was modified twice to allow reduced payments through July 2021. This loan was a 2019 impaired loan.

In its estimate of the specific allowance for loan losses, management considers the probability of troubled debt restructurings and its impact on expected cash flows in accordance with the loan policies and impaired loans guidance for troubled debt restructurings.

At June 30, 2022 and 2021, the recorded investment of loans receivable secured by real estate for which formal foreclosure proceedings are in process is approximately $0 and $200,000, respectively.

During 2020, the Loan Fund began offering loan payment relief options to customers impacted by the COVID-19 pandemic, including interest-only and forbearance options. Consistent with accounting and regulatory guidance, temporary modifications granted under these programs are not considered TDRs. Loans which have been modified under these programs during the year ended June 30, 2022 and 2021, were $0 and $880,219, respectively. As of June 30, 2022 and 2021, loans for which the interest-only and/or forbearance period have not expired totaled $0 and $880,219, respectively.

Note 6. Concentration of Credit Risk

As of June 30, 2022, all the Loan Fund's loans receivable was due from borrowers located throughout Florida. Therefore, the Loan Fund's exposure to credit risk is significantly affected by changes in the economy and real estate markets in Florida.

Note 7. Notes Payable, Bonds Payable and Lines of Credit

In September 2017, Opportunity Finance Network (OFN), as a Qualified Issuer under the United States Department of Treasury's CDFI Bond Guarantee Program, issued a $30,000,000 Future Advance Promissory Bond, 2017-4 (the 2017-4 Bond) on behalf of the Organization. The 2017-4 Bond qualifies as tax-exempt, which requires the Organization to use the proceeds for specified purposes, as defined in the bond agreement between OFN and the Organization, signed in conjunction with the bond issuance. In accordance with the loan agreement, the $30,000,000 is available to be drawn down for the financing or refinancing for community or economic development purposes, debt issuance costs in an amount not to exceed 1% of Bond Loan proceeds and capitalization of loan loss reserves in an amount that is up to 5% of the par amount of the 2017-4 Bond, or such other amount that is determined by the CDFI Fund in its sole discretion.

As of June 30, 2022 and 2021, the Loan Fund draws totaled $11,365,650 and $2,955,650 on the 2017-4 Bond, respectively. Interest on the 2017-4 Bond is calculated at a variable rate equal to three eighths of 1% per annum (0.375%) over the current average yield on outstanding marketable obligations of the United States of comparable maturity, as determined by the Secretary of the Treasury. The 2017-4 Bond matures on March 15, 2047. The 2017-4 Bond is collateralized by a designated portion of the Loan Funds' loan receivables and cash.

Notes payable, bonds payable, other than the 2017-4 Bond and lines of credit, are unsecured and include amounts due to foundations, individuals, financial institutions, corporations, religious organizations, the federal CDFI Fund and trade associations. The 2017-4 Bond is collateralized by a first lien on loans receivable, cash, and other credit enhancements. The Loan Fund's obligations under notes payable, bonds payable and lines of credit at June 30, 2022 and 2021 consist of the following amounts:

Note 7. Notes Payable, Bonds Payable and Lines of Credit (Continued)

		2022		2021
Unsecured:				
1.73%-2.103%: Two (2) and one (1), respectively, convertible lines of credit, interest-only, payable quarterly, matures September 2025.	$	10,000,000	$	10,000,000
2.0%: Three (3) lines of credit, interest-only, payable periodically, with $450,000 annual principal payments beginning February 2022, $750,000 annual principal payments beginning December 2019, and $675,000 annual principal payments beginning June 2023, maturing February 2024, December 2023, and June 2026, respectively.		9,550,000		7,750,000
3.0%: Two (2) notes payable, interest-only, payable quarterly, with $909,091 annual principal payments beginning September 2026, and $1,666,667 annual principal payments beginning March 2030, respectively. Matures September 2027 and March 2032, respectively.		7,727,273		3,636,364
2.0%: One (1) investment bonds payable, interest-only, payable semi-annually, matures August 2024. The Organization received a temporary rate reduction to 0.25% from January 2020 through December 2020.		5,000,000		5,000,000
2.25%: One (1) line of credit, interest-only, payable quarterly, converting to 5 year term December 2021, interest-only until maturity in December 2027.		4,000,000		4,000,000
3.45%: One (1) note payable; principal and interest payable quarterly, in payments of $83,333,33 beginning June 2019, remaining principal and interest due March 2024.		3,525,000		3,858,333
2.99%: One (1), notes payable, interest-only, payable monthly, matures June 2027.		2,896,321		3,000,000
2.0%-2.8%: Six (6) investment bonds payable, interest-only, payable annually, maturities 2024 through 2028.		3,000,000		3,000,000
2.0%-2.9%: Thirteen (13) notes payable and lines of credit, interest-only, payable periodically, maturities through March 2025.		2,413,000		2,313,000
2.50%: One (1) note payable, interest-only, payable quarterly, matures January 2023.		2,000,000		2,000,000
3.50%: One (1) note payable, interest-only, payable quarterly, matures November 2024.		1,000,000		1,000,000
3.0%: One (1) note payable, interest-only, payable monthly, matures January 2030.		1,000,000		1,000,000
2.5%: One (1) note payable, interest-only, payable annually, matures September 2024. Effective April 30, 2020, the Organization received a temporary rate reduction to 2.0% through September 30, 2021.		1,000,000		1,000,000
2.0%: One (1) note payable, interest-only, payable quarterly, matures May 2027.		1,000,000		-
2.50%: One (1) note payable, interest-only, payable quarterly, with four consecutive $375,000 biennial principal payments beginning May 2017, final $500,000 principal payment in May 2025 at maturity.		875,000		875,000
3.0%: Five (5), notes payable, principal and interest, or interest-only, payable periodically, various maturities through March 2026.		675,000		745,000
0%-1.9%: Six (6) notes payable; various maturities through May 2027.		324,040		274,040
1.0%: One (1), Paycheck Protection Program notes payable, monthly principal and interest payments due beginning August 2021. Loan was forgiven in May 2022 in accordance with the CARES Act.		-		345,000
Subtotal		55,985,634		49,796,737
Secured:				
1.94%-2.53%: Six (6) and one (1) bond payable, respectively, principal and interest payable monthly in payments of $56,055, with various maturities through March 2047.		10,800,104		2,748,814
Total		66,785,738		52,545,551
Less current portion		(5,795,007)		(3,394,685)
Less debt issuance costs related to non-current bond payable		(187,094)		(198,099)
	$	60,803,637	$	48,952,767

Note 7. Notes Payable, Bonds Payable and Lines of Credit (Continued)

Principal maturity requirements on notes payable subsequent to June 30, 2022, are as follows:

Years ending June 30:		
2023	$	5,795,007
2024		9,972,282
2025		10,521,227
2026		13,300,547
2027		5,970,778
Thereafter		21,225,898
	$	66,785,738

Note 8. Other Liabilities – Equity Equivalent Investments

The Organization has outstanding amounts due under equity equivalent subordinated promissory note agreements at June 30, 2022 and 2021, as follows:

	2022	2021
PNC (fka BBVA Compass), 2% interest-only, payable quarterly. Initial ten-year term; unsecured; subordinated, and initially matures in December 2025, with annual one-year extended maturity dates thereafter.	$ 5,000,000	$ 5,000,000
Wells Fargo, 2% interest-only, payable quarterly. Initial ten-year term; unsecured; subordinated, and initially matures in June 2023, with one two-year extended maturity date thereafter.	2,500,000	2,500,000
Good to Grow Fund EQ2, 3% interest-only, payable annually, Initial ten-year term, unsecured; subordinated and initially matures in June 2029 with two one-year extended maturity dates thereafter.	1,500,000	1,500,000
Raymond James Bank, 2% interest-only, payable quarterly. Initial ten-year term, unsecured; subordinated and initially matures in March 2030, with five one-year extended maturity dates thereafter.	1,000,000	1,000,000
Raymond James Bank, 2% interest-only, payable quarterly. Initial ten-year term, unsecured; subordinated and initially matures in December 2023, with one five-year extended maturity date thereafter.	500,000	500,000
Regions Bank, 2% interest-only, payable quarterly. Initial ten-year term; unsecured; subordinated and initial maturity date of July 1, 2012, with maturity date reset annually thereafter; current reset date of July 1, 2023.	500,000	500,000
Regions Bank, 2% interest-only, payable annually. Initial ten-yearterm; unsecured; subordinated and initial mature date of January 17, 2016, with maturity date reset annually thereafter; current reset date of January 17, 2023.	500,000	500,000
CIT Bank (fka Mutual of Omaha Bank), 2% interest-only, payable quarterly. Initial ten-year term, unsecured; subordinated and initially matures in April 2028 with annual one-year extended maturity dates thereafter.	250,000	250,000
	11,750,000	11,750,000
Less current portion	(3,000,000)	(500,000)
	$ 8,750,000	$ 11,250,000

Note 8. Other Liabilities – Equity Equivalent Investments (Continued)

These notes are subordinated to all other debt of the Loan Fund.

Principal maturity requirements on equity equivalent investments subsequent to June 30, 2022, are as follows:

Years ending June 30:	
2023	$ 3,000,000
2024	500,000
2025	-
2026	5,000,000
2027	-
Thereafter	2,750,000
	$ 11,750,000

Note 9. Liquidity and Availability of Resources

As of June 30, 2022, the following reflects the Loan Fund's financial assets, reduced by amounts not available for general use because of contractual or donor-imposed restrictions, board designations and amounts set aside for operating reserve within one year of June 30, 2022.

	2022	2021
Financial assets		
Cash and cash equivalents	$ 25,907,939	$ 23,078,882
Loans receivable, net	92,431,917	77,587,154
Investments and Federal Home Loan Bank stock	7,942,961	6,273,910
Other financial assets	396,947	419,938
Total financial assets	126,679,764	107,359,884
Less those unavailable for general expenditures within one year, due to:		
Reserved for loan capital:		
Loans receivable, net	(92,431,917)	(77,587,154)
Investments available for loans	(1,235,615)	(4,993,569)
Available cash and equivalents designated by the board for loan capital	(15,460,308)	(12,005,080)
Cash with donor-imposed restrictions	(1,301,451)	(956,451)
Grant receivable – with donor restriction	-	-
Not due within one year:		
Equity investment in related entities	(3,480,512)	(1,313,428)
Other financial assets	(60,848)	(58,417)
Financial assets available to meet cash needs for general expenditures within one year	$ 12,709,114	$ 10,445,785

Note 9. Liquidity and Availability of Resources (Continued)

The Loan Fund is substantially supported by earned revenues (New Markets Tax Credit fees and interest income on its loans receivable to borrowers) and public support. The Loan Fund maintains sufficient capital and operating reserves in order to service its debt obligations, fund additional loans and pay general expenditures as they become due. Some financial assets may not be available to meet cash needs within one year.

The Loan Fund's cash management and liquidity policies ensure adequate resources are available to meet capital requirements and that funds are available as general expenditures and other obligations become due. In the event of a sudden need for financing capital, the Loan Fund maintains available lines of credit sufficient to meet these needs. Financial assets reserved for loan capital are removed from the calculation above, as such assets are not part of the Loan Fund's assets available to meet needs for general expenditures. Additionally, as discussed in Note 7, the Loan Fund has available approximately $18,600,000 on a $30,000,000 bond, which draw period ends in September 2022,to be used for the funding of loans. As part of its cash management policies, the Loan Fund aims to maintain operating liquidity balances of at least three months. As of June 30, 2022, the Loan Fund had operating liquidity equivalent to 18-month projected operating expenses.

Note 10. Net Assets

As of June 30, 2022 and 2021, net assets without donor restrictions totals $45,977,059 and $41,914,051, and consists of $37,497,926 and $35,620,928 designated by the Board of Directors for loans and $8,479,133 and $6,293,123 undesignated, respectively.

Net assets with donor restrictions for a specified purpose at June 30, 2022 and 2021, are as follows:

	2022	2021
Healthy food access initiative:		
Loan capital grants	$ -	$ 466,998
Program expense grants	60,000	60,000
	60,000	526,998
Rental housing initiative:		
Program expense grants	301,451	431,451
	301,451	431,451
Total net assets with donor restrictions	$ 361,451	$ 958,449

The CDFI Fund provided loan capital grants for the healthy food access initiative as of June 30, 2021.

ReFresh provided grants for program expenses related to healthy food access initiative as of June 30, 2022 and 2021.

The JP Morgan Chase Foundation provided a PRO Neighborhoods loan capital and program expense grant for the rental housing initiative as of June 30, 2022 and 2021.

Note 11. Commitments

Commitments to extend credit: In the normal course of business to meet the financing needs of its borrowers the Loan Fund is a party to commitments to extend credit. Those instruments involve, to varying degrees, elements of credit, liquidity and interest rate risk in excess of the amount recognized in the statements of financial position. The Loan Fund uses the same credit policies in making commitments to extend credit as it does for extension of credits recorded in the statements of financial position. The Loan Fund's exposure to credit loss in the event of nonperformance by the other party for commitments to extend credit is represented by the contractual amount of those instruments.

Commitments to extend credit include loan commitments and line of credit agreements to lend to a borrower as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses. Since many of the commitments may expire without being fully drawn upon, the total commitment amounts do not necessarily represent future cash requirements. There were eight loan commitments at June 30, 2022, for $11,516,500, and seven loan commitments at June 30, 2021, for $8,618,500. In addition, undisbursed borrowers' lines of credit approximated $24,178,000 and $18,286,000 (see Note 5) at June 30, 2022 and 2021, respectively.

The Loan Fund evaluates each borrower's creditworthiness on a case-by-case basis. The amount of collateral obtained, if any, is based on management's credit evaluation of the borrower.

Note 12. Lease Commitments

The Loan Fund leases its office site and other office equipment. These leases have remaining terms of one to 10 years and are accounted for as operating leases. Rent expense under the said leases was approximately $277,712 and $259,514 for the years ended June 30, 2022 and 2021, respectively, and is included in occupancy and office and administrative in the accompanying statements of functional expenses. Total commitments for future rentals, by year and in the aggregate, to be paid as of June 30, 2022, are as follows:

Years ending June 30:	
2023	$ 279,558
2024	290,266
2025	288,540
2026	280,818
2027	287,875
Thereafter	752,167
	$ 2,179,224

Note 13. Employee Retirement Plan

The Loan Fund has a defined contribution retirement plan for employees, which permits pre-tax contributions to the plan by participants pursuant to Section 403(b) of the IRC up to the legal maximums, as defined. The Loan Fund makes contributions based on a formula set forth in its personnel policies. Participants are immediately vested in their contributions and the Loan Fund's contributions. The Loan Fund made contributions to the plan for the fiscal years ended June 30, 2022 and 2021, of approximately $201,000 and $203,000, respectively, which are included in payroll and related costs in the accompanying statements of functional expenses.

Note 14. Fair Value Measurements

The fair value measurement accounting literature provides a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels are defined as follows:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement on a recurring or nonrecurring basis.

	2022			
	Level 1	Level 2	Level 3	Total
Fixed Income:				
Mutual funds	$ 2,507,780	$ -	$ -	$ 2,507,780
Debt securities:				
Domestic corporate debt secuities	-	1,848,861	-	1,848,861
Foreign corporate debt securities	-	50,608	-	50,608
	$ 2,507,780	$ 1,899,469	$ -	$ 4,407,249

	2021			
	Level 1	Level 2	Level 3	Total
Fixed Income:				
Short-term bonds	$ 2,095,690	$ -	$ -	$ 2,095,690
Debt securities:				
Domestic corporate debt secuities	-	2,758,928	-	2,758,928
Foreign corporate debt securities	-	53,864	-	53,864
	$ 2,095,690	$ 2,812,792	$ -	$ 4,908,482

The fair value of actively traded investment securities are based on quoted market prices. Fair value of inactively traded investment securities are based on quoted market prices of similar securities or based on observable inputs like interest rates using either a market or income valuation approach and are generally classified as Level 2. There were no transfers of securities between fair value hierarchy categories during the years ended June 30, 2022 or 2021.

Note 14. Fair Value Measurements (Continued)

Impaired loans include certain loans for which an allowance for loan losses has been calculated based upon the fair value of underlying real estate collateral. The allowance for loan losses was calculated by reference to real estate appraisals that used a combination of cost, market and income approaches to valuation and/or reported tax assessed values, adjusted to reflect management's estimate of selling costs. In some cases, appraised values were adjusted based on management's assessment of changes in market conditions since the appraisal date.

Non-accrual loans and loans past due 90 days still on accrual include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans. Impaired loans include commercial loans that are individual evaluated for impairment and deemed impaired (i.e., individually classified impaired loans) as well as troubled debt restructurings for all loan portfolio segments. The sum of non-accrual loans and loans past due 90 days still on accrual will differ from the total impaired loan amount.

Note 15. Subsequent Events

Events that occur after the statement of financial position date, but before the financial statements were available to be issued, must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of financial position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of financial position date require disclosure in the accompanying notes. Management evaluated the activity of the Organization through October 26, 2022 (the date the financial statements were available to be issued), and concluded that the following subsequent event has occurred and requires disclosure:

During June 2022, the Loan Fund was notified of a $10 million Capital Magnet Fund award from the CDFI Fund. As the grant agreement was not finalized and the Loan Fund did not receive any of the grant funds during the year ended June 30, 2022, the grant revenue was not recognized. The Loan Fund anticipates execution of the agreement during the year ended June 30, 2023 and will recognize the full award amount as revenue upon execution of the grant agreement.

Note 16. COVID-19

On January 30, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a "Public Health Emergency of International Concern" and, on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had, and are expected to continue to have, an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Organization operates. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to, among other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic. The Loan Fund considered the impact of COVID-19 on significant estimates as of June 30, 2022 and 2021. The Loan Fund believes that the economic uncertainties that have arisen could continue to negatively impact interest income and borrowers' ability.