NOVOGRADAC & COMPANY LLP®

California Community Reinvestment Corporation

Consolidated Financial Statements with Report of Independent Auditors
September 30, 2024 and 2023

CALIFORNIA COMMUNITY REINVESTMENT CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2024 AND 2023

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Report of Independent Auditors

To the Board of Directors of
California Community Reinvestment Corporation:

Opinion

We have audited the accompanying consolidated financial statements of California Community Reinvestment Corporation and subsidiaries, which comprise the consolidated statements of financial position as of September 30, 2024 and 2023, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of California Community Reinvestment Corporation and subsidiaries as of September 30, 2024 and 2023, and the changes 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of California Community Reinvestment Corporation and subsidiaries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about California Community Reinvestment Corporation and its subsidiaries' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, California Community Reinvestment Corporation adopted changes related to measuring and disclosing credit losses on financial assets. Our opinion is not modified with respect to this matter.

Novogradac & Company LLP

Walnut Creek, CA
December 13, 2024

CALIFORNIA COMMUNITY REINVESTMENT CORPORATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2024 and 2023

	2024	2023
ASSETS		
Cash and cash equivalents	$ 19,902,043	$ 18,438,485
Investment securities	25,853,540	27,060,781
Federal Home Loan Bank of San Francisco stock	1,736,200	-
Real estate loans:		
Loan receivable	303,491,477	192,048,694
Allowance for loan losses	(475,344)	(1,006,432)
Deferred loan fees, net	(2,687,931)	(1,630,160)
Real estate loans, net	300,328,202	189,412,102
Interest receivable	1,815,742	1,027,664
Right-of-use asset, net	1,151,533	-
Equipment and furniture, net	18,122	11,655
Restricted cash - posted collateral	6,312,382	5,996,165
Other assets	840,186	841,232
Total assets	$ 357,957,950	$ 242,788,084
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	$ 1,045,363	$ 1,219,689
Interest payable	1,019,699	583,065
Deferred revenue	4,529,477	5,864,724
Operating lease payable	1,290,156	-
Notes payable	268,518,441	159,677,582
Total liabilities	276,403,136	167,345,060
COMMITMENT AND CONTINGENCIES		
NET ASSETS		
Without donor restrictions		
Undesignated	80,599,310	74,912,469
Board-Designated	355,000	355,000
With donor restrictions		
Purpose restricted	600,504	175,555
Total net assets	81,554,814	75,443,024
Total liabilities and net assets	$ 357,957,950	$ 242,788,084

See notes to consolidated financial statements

CALIFORNIA COMMUNITY REINVESTMENT CORPORATION

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED SEPTEMBER 30, 2024 and 2023

	2024	2023
Changes in net assets without donor restrictions		
Revenues, gains and other support:		
Interest income, loans	$ 12,392,546	$ 8,618,701
Interest income, sweep	3,827,806	1,771,104
Dividend revenue	84,047	-
Investment income, net	1,912,548	3,306,859
Loan, commitment, rate lock and prepayment fees	1,718,235	1,630,601
Credit enhancement fees and other income	437,499	447,770
Loan servicing income, net	2,307,077	2,075,879
Total revenues and gains	22,679,758	17,850,914
Net assets released from restrictions:		
Grant proceeds returned	(137,319)	(53,959)
Satisfaction of program restrictions	70,323	628,505
Total revenues, gains and other support	22,612,762	18,425,460
Expenses:		
Program services:		
Affordable housing financing and servicing	15,954,211	10,900,645
Scholarship	60,323	41,825
Total program services	16,014,534	10,942,470
Supporting services		
General and administrative	911,387	888,651
Total expenses	16,925,921	11,831,121
Increase in net assets without donor restrictions	5,686,841	6,594,339
Changes in net assets with donor restrictions		
Unexpended grant proceeds	137,319	53,959
Contributions	357,953	23,052
Net assets released from restrictions	(70,323)	(628,505)
Increase (decrease) in net assets with donor restrictions	424,949	(551,494)
Increase in net assets	6,111,790	6,042,845
Net assets, beginning of year	75,443,024	69,400,179
Net assets, end of year	$ 81,554,814	$ 75,443,024

See notes to consolidated financial statements

CALIFORNIA COMMUNITY REINVESTMENT CORPORATION

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED SEPTEMBER 30, 2024

WITH SUMMARIZED COMPARATIVE TOTALS FOR 2023

	2024							2023
	Program Services				Supporting Services			
EXPENDITURES	Affordable Housing Financing and Servicing	Scholarship	Grants	Total Program Services	General and Administrative	Total Supporting Services	Total	Total
Interest	$ 9,584,159	$ -	$ -	$ 9,584,159	$ -	$ -	$ 9,584,159	$ 6,437,763
Salaries and employee benefits	5,101,299	-	-	5,101,299	630,498	630,498	5,731,797	5,956,278
Occupancy	223,111	-	-	223,111	27,575	27,575	250,686	262,023
Professional services	675,776	-	-	675,776	168,944	168,944	844,720	541,157
Provision for loan losses	(531,088)	-	-	(531,088)	-	-	(531,088)	(2,074,732)
Marketing and business development	57,566	-	-	57,566	-	-	57,566	40,089
Utilities and maintenance	116,338	-	-	116,338	12,927	12,927	129,265	185,543
Professional conferences and meetings	51,070	-	-	51,070	6,312	6,312	57,382	26,836
Depreciation	6,963	-	-	6,963	2,984	2,984	9,947	32,387
Insurance	85,821	-	-	85,821	62,147	62,147	147,968	148,404
Miscellaneous	583,196	60,323	-	643,519	-	-	643,519	275,373
Total 2024 Functional Expenses	$ 15,954,211	$ 60,323	$ -	$ 16,014,534	$ 911,387	$ 911,387	$ 16,925,921	$ 11,831,121
Total 2023 Functional Expenses	$ 10,900,645	$ 41,825	$ -	$ 10,942,470	$ 888,651	$ 888,651	$ 11,831,121	

CALIFORNIA COMMUNITY REINVESTMENT CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from:		
Loan, commitment, rate lock, and prepayment fees	$ 1,591,336	$ 1,671,186
Service fees and other income	2,307,077	2,075,879
Interest income, loans	11,604,468	8,691,218
Interest income, sweep	3,868,510	1,771,104
Dividend revenue	84,047	-
Contributions	357,953	23,052
Cash received from operations	19,813,391	14,232,439
Cash paid to:		
Employees	(5,995,082)	(6,057,513)
Member banks for interest on notes payable	(9,147,525)	(6,368,783)
Vendors for operations	(1,656,260)	(1,131,334)
Cash paid for operations	(16,798,867)	(13,557,630)
Net cash provided by operating activities	3,014,524	674,809
CASH FLOWS FROM INVESTING ACTIVITIES		
Loans originated	(117,525,033)	(51,138,876)
Loan repayments	6,082,250	6,271,624
Distributions from investment securities	3,119,790	3,582,783
Purchase of Federal Home Loan Bank of San Francisco stock	(1,736,200)	-
Purchases of furniture and equipment	(16,415)	(5,440)
Net cash used in investing activities	(110,075,608)	(41,289,909)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable - member banks	114,381,942	39,520,561
Payments on notes payable - member banks	(5,541,083)	(4,415,240)
Net cash provided by financing activities	108,840,859	35,105,321
Net change in cash, cash equivalents and restricted cash	1,779,775	(5,509,779)
Cash, cash equivalents and restricted cash at beginning of year	24,434,650	29,944,429
Cash, cash equivalents and restricted cash at end of year	$ 26,214,425	$ 24,434,650
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING		
Increase in right-of-use asset, net and operating lease payable	$ 1,259,000	$ -

See notes to consolidated financial statements

CALIFORNIA COMMUNITY REINVESTMENT CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023

	2024	2023
Reconciliation of increase (decrease) in net assets		
to net cash provided by operating activities:		
Change in net assets	$ 6,111,790	$ 6,042,845
Adjustments to reconcile change in net assets		
to net cash provided by operating activities:		
Lease expense - amortization	107,467	-
Depreciation	9,947	32,387
Provision for loan losses	(531,088)	(2,074,732)
Investment (income) loss, net	(1,912,548)	(3,306,859)
Changes in operating assets and liabilities:		
Deferred loan fees	1,057,771	333,731
Interest receivable	(788,078)	72,517
Other assets	1,046	(269,357)
Accounts payable and accrued expenses	(174,326)	(108,909)
Interest payable, member banks	436,634	68,980
Deferred revenue	(1,335,247)	(115,794)
Operating lease payable	31,156	-
Net cash provided by operating activities	$ 3,014,524	$ 674,809
Reconciliation of cash:		
As reported within the consolidated statements of		
financial position:		
Cash and cash equivalents	$ 19,902,043	$ 18,438,485
Restricted cash - posted collateral	6,312,382	5,996,165
As shown in the consolidated statements of cash flows	$ 26,214,425	$ 24,434,650

1. Organization and summary of significant accounting policies

Organization and nature of business

California Community Reinvestment Corporation ("CCRC") is a private, not-for-profit organization established for the purpose of providing financing and technical assistance to facilitate the development of affordable housing in the State of California. Loan funding is primarily provided by a consortium of member banks that contribute funding through a credit and security agreement or participation agreement (the "Agreement"). CCRC was approved as a HUD Title II FHA multifamily lender through September 30, 2020, at which time it withdrew from the program.

CCRC/PSP, LLC ("CCRC/PSP") was formed in February 2012 for the purpose of designing and implementing other financial or economic models, plans, programs, or strategies which would facilitate the development of, and/or enhance the availability of affordable housing in the state of California. CCRC is the sole member of CCRC/PSP.

CCRC Affordable Housing Partners, LLC ("Housing Partners") was formed in March 2000 to provide financing and technical assistance, at any stage of affordable housing in the State of California, to facilitate the development of affordable housing in the State of California, to acquire, rehabilitate and dispose of financially troubled and/or dilapidated housing in order to enhance the availability of affordable housing in the State of California, and to engage in such other lawful business as may be determined by CCRC, the sole member of Housing Partners.

CCRC Depositor, LLC ("Depositor") was formed in September 2017 to serve as the depositor in connection with the sale and securitization of mortgage loans with Federal Home Loan Mortgage Corporation ("Freddie Mac"). CCRC is the sole member of Depositor.

CCRC TESS Depositor I LLC ("TESS Depositor") was formed in January 2019 to serve as the depositor in connection with the sale and securitization of tax-exempt bonds with Freddie Mac. The sale and securitization transactions were completed by CCRC as fiscal agent and bondholders' agent under the tax-exempt bond program. CCRC is the sole member of TESS Depositor.

CCRC also acts in the capacity of a fiscal agent and bondholders' agent for the tax-exempt bond program, the objective of which is to provide financing to developers for the development and/or rehabilitation of multifamily housing to low-income households. The program provides access to 4% tax credit equity and permanent financing at competitive tax-exempt rates. This program results in additional Community Reinvestment Act investment/lending opportunities for the member banks. Under this program, the member banks purchase revenue bonds from a bond issuer. Using the proceeds from the issuance of the bonds, the bond issuer then provides permanent financing to the borrower. The fiscal agent originates the loan to the borrower on behalf of the bond issuer and services the loan on behalf of the bond issuer and the bondholders. CCRC, as the bondholders' agent, also performs bond registrar and paying agent functions.

Bond program loans and related borrowings have not been reflected in the accompanying consolidated financial statements as CCRC is acting in the capacity of agent for the member banks and provides only paying agent functions. CCRC retains a servicing fee for its services, which is recorded in the consolidated statements of activities. At September 30, 2024 and 2023, CCRC was servicing loans totaling $634,707,848 and $545,170,120 under this program.

1. Organization and summary of significant accounting policies (continued)

Summary of significant accounting policies

Principles of consolidation
The consolidated financial statements include the accounts of CCRC and its wholly owned subsidiaries (collectively, the "Company"). All significant inter-company transactions and accounts have been eliminated.

Financial statement presentation
The financial statements of the Company have been prepared on the accrual basis of accounting to conform to accounting principles generally accepted in the United States of America ("U.S. GAAP") as applicable to non-profit organizations.

Net assets and the changes therein have been classified and reported as follows:

Without donor restrictions, undesignated – These consist of amounts that have no donor-imposed stipulations and can be spent or utilized at the discretion of the Company.

Without donor restrictions, board-designated – These consist of resources that the Board of Directors has designated to be used for the Bridging the Digital Divide Program.

With donor restrictions – These include contributions that are restricted by the donor for a specific purpose or time period. These restrictions may expire with time or may be satisfied and removed by actions of the Company according to the intentions of the donor.

Cash and cash equivalents
The Company considers all highly liquid debt instruments and investments purchased with an original maturity of three months or less to be cash equivalents.

Restricted cash is not considered cash and cash equivalents, and includes cash held with financial institutions as collateral to Freddie Mac under a under a reimbursement and security agreement.

Federal Home Loan Bank of San Francisco Stock
The Company holds stocks of the Federal Home Loan Bank of San Francisco (FHLB), a privately held bank, with fixed redemption amounts. These are accounted for using the cost method.

Under the cost method, the stocks purchased are recorded on the balance sheet at the historical purchase price, and are not modified unless stocks are sold, or additional stocks were purchased. Any dividends received are recorded as income on the consolidated statements of activities and changes in net assets.

Reserve accounts
The Company holds certain borrower reserve balances to be remitted to third parties on behalf of the borrowers or returned to the borrowers. The balances in the accounts at September 30, 2024 and 2023 were $174,072,403 and $150,641,235, respectively; such amounts are not reflected in the Company's consolidated statements of financial position at September 30, 2024 and 2023.

1. Organization and summary of significant accounting policies (continued)

Summary of significant accounting policies (continued)

Mortgage Servicing Rights
Upon the sale or securitization of mortgage loans, the Company may retain the servicing rights which are initially measured at fair value. The Company determines fair value at quoted market prices, if available. However, quotes are generally not available for servicing rights retained, so management estimates fair value using the present value of future expected cash flows based on management's best estimates of the key assumptions including credit losses, prepayment speeds, forward yield curves, and discount rates commensurate with the risks involved.

Fair values of financial instruments
The estimated fair value amounts as of September 30, 2024 and 2023 have been determined using available market information and appropriate valuation methodologies. However, considerable judgment is required to interpret market data to develop estimates of fair value. Accordingly, the estimates described below are not necessarily indicative of the amounts the Company could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

FASB Accounting Standards Codification ("ASC") 820 establishes a framework for using fair value to measure assets and liabilities and defines fair value as the price that would be received to sell an asset or paid to transfer a liability as opposed to the price that would be paid to acquire the asset or received to assume the liability. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. A fair value measure should reflect the assumptions that market participants would use in pricing the asset or liability, including the assumptions about the risk inherent in a particular valuation technique, the effect of a restriction on the sale or use of an asset and the value based on inputs the Company uses to derive fair value measurements. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 inputs: Quoted market prices (unadjusted) for identical assets or liabilities traded in active markets

Level 2 inputs: Quoted market prices for similar instruments traded in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market

Level 3 inputs: Significant unobservable inputs for the asset or liability that rely on management's own estimates for assumptions that market participants would use in pricing the asset or liability that include option pricing models, discounted cash flow models and similar techniques, but may also include the use of market prices of assets or liabilities that are not directly comparable to the subject asset or liability

1. Organization and summary of significant accounting policies (continued)

Summary of significant accounting policies (continued)

Fair values of financial instruments (continued)
Investment securities are valued at fair value based upon an income approach using a valuation model. The valuation model includes assumptions regarding projections of future cash flows, prepayment rates, default rates and interest only strip terms. These securities bear the risk of loan prepayment or default that may result in the Company not recovering all or a portion of its recorded investment. When appropriate, valuations are adjusted for various factors including default or prepayment status of the underlying mortgage loans. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the securities existed and may change materially in the near term.

The fair value of the pledged investment securities is determined using the fair values provided by the custodian.

Real estate loans
Real estate loans are reported at the principal amount outstanding, net of an allowance for loan losses and deferred loan fees. Interest income is recognized on the accrual basis according to the contractual terms of the loans. Interest income is not recognized on loans past due 90 days or if collection of interest is deemed by management to be unlikely.

Loans for which the accrual of interest has been discontinued are designated nonaccrual loans. All interest previously accrued but uncollected is reversed against current period interest income. Income on such loans is then recognized only to the extent that cash is received and when the ultimate collection of the carrying amount of the loan is probable. If and when borrowers demonstrate the ability to repay a loan in accordance with the terms of a loan classified as nonaccrual, the loan may be returned to accrual status.

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the amortization plan established in the contractual terms of the loan. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Impairment is measured by reference to the present value of expected future cash flows, discounted at the loan's original interest rate or to the estimated fair value of the collateral. If the valuation of the impaired loan is less than the recorded investment in the loan, the Company recognizes the impairment by creating a specific allowance for loan losses with a corresponding charge to the provision for loan losses or by adjusting an existing allowance for the impaired loan with a corresponding charge or credit to the provision.

Loans for which the borrower is experiencing financial difficulty and the Company has granted an economic concession to the borrower are referred to as troubled debt restructurings. Prior to modifying a borrower's loan terms, the Company performs an evaluation of the borrower's financial condition and ability to service the modified loan terms. The types of concessions granted may include interest rate reductions and/or term extensions.

1. Organization and summary of significant accounting policies (continued)

Summary of significant accounting policies (continued)

Real estate loans (continued)
Nonrefundable fees and direct costs associated with the origination of loans are deferred and netted against the outstanding loan balances. Net deferred loan origination fees are recognized in income over the remaining loan terms using the level yield method. Commitment fees are deferred and recognized as revenue over the life of the loans, if the commitments are exercised, or upon the expiration of the commitments.

The Company also received fees from potential borrowers to lock in the interest rates on the loans. These fees were deferred and amortized over the rate lock periods. Fees received from the prepayment of loans are recorded as revenue when received.

Real estate loans held for sale
Real estate loans are initially classified as held for sale when they are identified as being available for immediate sale and a formal plan exists to sell them.

Gains or losses resulting from loan sales are recognized at the time of sale based on the difference between net sale proceeds and the book value of loans sold. Loans held for sale are valued at the lower of cost or fair market value determined on an aggregate basis for all loans in inventory. Market value is based on commitments from purchasers. There were no loans held for sale as of September 30, 2024 and 2023.

Real estate loans receivable and allowance for credit losses
Real estate loans receivables are measured at amortized cost basis and presented at the amount expected to be collected, net of deferred loan origination fees and unearned discounts, as applicable. The Company records an allowance for credit losses based on losses expected to arise over the contractual term of the financial asset. Assets are written off when the Company deems the loan receivable to be uncollectable. Write-offs are recognized as a deduction from the allowance for credit losses. Expected recoveries of amounts previously written off, which do not exceed the aggregate of previous write-offs, are included in determining the allowance account. As of September 30, 2024 and 2023, the allowance for credit losses were $475,344 and $1,006,432, respectively.

The Company's loan loss reserve calculation methodology introduces three changes: (1) Lower Loan Loss Provision factors, (2) a loss severity calculation tied to a project's loan-to-value ("LTV"), and (3) Individual Impairment Determinations assigned by management to a subset of loans rated "7" or higher for which management has determined a special provision is warranted. In acknowledgement of the current expected credit loss ("CECL") requirement that loan loss provisions reflect current and historic market conditions, the Company will review and, as appropriate, revise calculation factors annually. Although management uses many factors to estimate credit losses, because of uncertainties associated with local economic conditions, collateral values, and future cash flows, it is reasonably possible that a material change could occur in the allowance for credit loan losses in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

Loans that are 90 days or more past due, based on the contractual terms of the loan, are classified on nonaccrual status. Uncollectable interest previously accrued is charged off, or an allowance is established by a charge to interest income. Interest income on nonaccrual loans is recognized only to the extent cash payments are received and the principal balance is believed to be collectable. A loan previously classified on nonaccrual status will resume accruing interest based on the contractual terms of the loan when payments on the loan become current. There were no loans on nonaccrual status at September 30, 2024 and 2023.

1. Organization and summary of significant accounting policies (continued)

Summary of significant accounting policies (continued)

Real estate loans receivable and allowance for credit losses (continued)
Loan origination and commitment fees, as well as certain direct origination costs, are deferred and recognized into income ratably over the term of the loan. Amortization of deferred loan fees is discontinued when a loan is placed on nonaccrual status.

Furniture and equipment
Furniture and equipment are recorded at cost and depreciated on a straight-line basis over the estimated useful lives of the respective assets, which range from three to five years.

Net assets with donor restrictions
Contributions and grants are recognized as revenues when they are received or unconditionally pledged. The Company reports contributions and grants as restricted support if it is received with donor stipulations that limit its use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. At September 30, 2024, net assets with donor restrictions consisted of amounts restricted for scholarships, amounts restricted for affordable housing financing, and amount restricted for other grants of $219,226, $191,278, and $190,000, respectively. At September 30, 2023, net assets with donor restrictions consisted of amounts restricted for scholarships and amounts restricted for affordable housing financing of $121,596 and $53,959, respectively.

Credit enhancement fee
The Company reports credit enhancement fee income in developer, broker fees, and other income. Credit enhancement fee income on participation interests sold consists of the Company's subordinated participation interest which is provided to reduce the risk to the buyer of a borrower's default. For the fiscal years ended September 30, 2024 and 2023, the credit enhancement fee income totaled $433,999 and $447,770, respectively.

Grants
Grant expenditures are recognized in the period the grant is approved provided the grant is not subject to future donor-imposed conditions. Conditional grants are recognized as grant expense and as grants payable in the period in which the grantee meets the conditions of the grant. Unconditional grants awarded under the Scholarship Program during the year ended September 30, 2024 amounted to $60,323. Unconditional grants awarded under the Scholarship Program during the year ended September 30, 2023 amounted to $41,825.

Functional allocation of expenses
The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying consolidated statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefitted. These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and employee benefits, occupancy, professional services, utilities and maintenance, professional conferences and meetings, depreciation, insurance, and miscellaneous expenses. These expenses are allocated on the basis of estimates of time and effort by employees. Expenses directly identifiable to specific programs and supporting activities are presented accordingly.

1. Organization and summary of significant accounting policies (continued)

Summary of significant accounting policies (continued)

Use of estimates in the preparation of the consolidated financial statements
The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates reflected in the consolidated financial statements relate to the allowance for loan losses and the estimated fair value of investment securities. Actual results could differ from those estimates.

Risks and uncertainties
Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position.

Prior year summarized comparative information
The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset or functional expense classifications. Such information does not include sufficient detail to constitute a presentation in accordance with U.S. GAAP. Accordingly, such information should be read in conjunction with the Company's consolidated financial statements as of and for the year ended September 30, 2023, from which the summarized information was derived.

Leases
The Company determines if an arrangement is a lease at inception. An arrangement is a lease if the arrangement conveys a right to direct the use of and to obtain substantially all of the economic benefits from the use of an asset for a period of time in exchange for consideration.

Operating lease right-of use assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The Company uses a risk-free rate at the commencement date in determining the present value of lease payments.

The operating lease right-of-use asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Change in accounting principle
On June 16, 2016, FSAB introduced, ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* to provide financial statement users with improved information about expected credit loss on financial assets, as well as improve users' ability to understand the realizability of assets held at each reporting period.

The Company adopted ASU 2016-13 for effective October 1, 2023. The adoption of ASC 326 did not have a material impact on its consolidated financial statements and related disclosures.

2. Investments

In the process of modeling loan sales and securitization strategies, the Board of Directors has approved the purchase and retention of securities and interest-only strips associated with loan sales and securitizations.

The investment goal of the Company is to ensure that it has adequate liquid assets to manage short-term operating cash flow needs while promoting prudent corporate stewardship of overall assets by establishing investment guidelines to maximize returns while maintaining and monitoring risk within the overall portfolio.

Investment securities and pledged investment securities consist of:

	2024	2023
Investment securities:		
Interest-only strips:		
Guaranteed by Freddie Mac	$ 5,349,457	$ 7,625,166
Subordinate and not guaranteed By Freddie Mac	6,568,655	6,472,815
Total investment securities	11,918,112	14,097,981
Pledged investment securities:		
Collateralized mortgage obligation Guaranteed by Freddie Mac	13,935,428	12,962,800
Total	$ 25,853,540	$ 27,060,781

As required by the terms of its November 2020 loan securitization sale, the Company is obligated to provide collateral to Freddie Mac under a reimbursement and security agreement. The collateral requirement is fulfilled by pledging investment securities and posting cash collateral which amounted to $13,935,428 and $6,312,382, respectively, as of September 30, 2024 and $12,962,800 and $5,996,165, respectively, as of September 30, 2023.

During the years ended September 30, 2024 and 2023, income from investments consisted of:

	2024	2023
Amortization of discount	$ 887,614	$ 949,391
Adjustment to fair value	706,080	2,032,207
Interest income	318,854	325,261
Investment income, net	$ 1,912,548	$ 3,306,859

The changes in unrealized gains or losses related to Level 3 investments still held at September 30, 2024 and 2023 amounted to $706,080 and $2,032,207 respectively, and are included in investment income, net in the accompanying consolidated statements of activities.

3. Real estate loans

The Company primarily originates real estate loans for affordable housing in California. Loans originated by the Company are primarily funded by advances from member banks and are secured by a first deed of trust on the subject property of each respective loan.

The Company's loan portfolio at September 30, 2024 and 2023 consists of:

	2024	2023
Affordable Housing Multifamily	$ 303,491,477	$ 192,048,694

The Company, to the extent that it is financially able, will maintain loan loss reserves and has the responsibility for any loan losses suffered. Only after the Company is not able to absorb potential losses will the losses become the financial responsibility of the member banks. In addition, the Company will continue to make monthly payments to its member banks even if it has not received payments from its borrowers.

The Company evaluates the credit quality of its loan portfolio based on internal credit risk ratings using numerous factors, including debt coverage and loan to value ratios, collateral, collection experience, and other internal factors. Internal credit risk ratings include pass, special mention, substandard, and specific reserve.

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

	2024	2023
Pass	$ 286,305,901	$ 174,450,855
Special mention	9,248,107	12,616,042
Substandard	766,038	4,981,797
Special provision	7,171,431	-
Total	$ 303,491,477	$ 192,048,694

The allowance for loan losses is composed of specific allowances for certain loans and general allowances grouped into loan pools based upon similar credit quality characteristics.

3. Real estate loans (continued)

Activity in the allowance for loan losses for the years ended September 30, 2024 and 2023 is shown below:

	2024	2023
Allowance of loan losses:		
Balance, beginning of year	$ 1,006,432	$ 3,081,164
Activities during the year		
Charge-offs	-	-
Recoveries	-	-
Provision	(531,088)	(2,074,732)
Balance, end of year	$ 475,344	$ 1,006,432
Ending balance:		
Individually evaluated for impairment	-	$ -
Collectively evaluated for impairment	$ 475,344	$ 1,006,432
Loans receivable:		
Ending balance:		
Individually evaluated for impairment	-	$ -
Collectively evaluated for impairment	$ 303,491,477	$ 192,048,695

A loan is considered impaired when it is probable that the Company will be unable to collect all amounts due, including principal and interest, according to the contractual terms of the related agreement. No loans were considered to be impaired at September 30, 2024 or 2023.

An age analysis of loans receivable as of September 30, 2024 and 2023 is as follows:

	2024	2023
Past due:		
30-59 days	$ -	$ -
60-89 days	-	-
Greater than 90 days	-	-
Total past due	-	-
Current	303,491,477	192,048,694
Total loans receivable	$ 303,491,477	$ 192,048,694
Total loans past due greater than 90 days, accruing	$ -	$ -

3. Real estate loans (continued)

Aggregate scheduled loan receivables principal payments for the next five years and thereafter are as follows:

Year ending September 30,	
2025	$ 9,049,997
2026	6,695,566
2027	10,849,479
2028	10,077,348
2029	8,387,279
Thereafter	258,431,808
Total	$ 303,491,477

4. Furniture and equipment

As of September 30, 2024 and 2023, the Organization's fixed assets consist of the following:

	2024	2023
Furniture and equipment	$ 602,396	$ 585,981
Less: accumulated depreciation	(584,274)	(574,326)
Furniture and equipment, net	$ 18,122	$ 11,655

5. Notes payable

Funding for loans originated by the Company is primarily provided by borrowings from member banks under the Agreement. As stated in the Agreement, the terms of the Company's borrowings from member banks are substantially the same as the terms of the loans the Company originates. The member banks receive an assignment of the collateral for the loans originated equal to their respective equity percentage interest in the loans. A nominal interest rate spread is retained by the Company.

Based on the terms of the Agreement, such participations by member banks are accounted for as secured borrowings with a pledge of collateral, and accordingly, the real estate loans and notes payable are included in the Company's consolidated statements of financial position. As of September 30, 2024 and 2023, notes payable under the Agreement with member banks amounted to $238,126,095 and $131,878,031, respectively.

In March 2015, the Company entered into a loan and security agreement with a former member bank which provides for a revolving credit facility of up to a maximum amount of $50,000,000. The credit facility expires on March 31, 2025. Borrowings under the facility are to be used for the funding of real estate loans and bear interest at a fixed interest rate, determined by the lender at the time of borrowing plus 1.00%. Borrowings are collateralized by the related real estate loan including the real estate loan collateral. On September 30, 2024 and 2023, there were borrowings outstanding of $26,392,346 and $23,799,551, respectively, on this credit facility.

5. Notes payable (continued)

The Company entered into an Equity Equivalent Investment Agreement ("EQ2)" with a member bank in March 2019. The EQ2 provided a single non-revolving advance of $4,000,000 for the extension of affordable housing loans and the purchase and sale of assets or participations and/or the general recycling of assets in order to make additional capital available. Interest on the unpaid principal amount bore interest at 3%, payable quarterly, in arrears. The outstanding principal balance of the EQ2 and accrued but unpaid interest were due and payable at maturity on March 11, 2024. Based on satisfaction of certain terms and conditions, the maturity date may be automatically extended for one additional five-year period unless the Company provides a written request not to extend the term. During 2024, the EQ2 was automatically extended with a maturity date of March 11, 2029, and interest rate of 4.125%. The outstanding balance of the EQ2 was $4,000,000 as of September 30, 2024 and 2023.

The aggregate scheduled principal payments based on each loan's respective amortization schedule at September 30, 2024 are as follows:

Annual principal payments are as follows:

Year ending September 30,	
2025	$ 7,406,144
2026	5,786,230
2027	9,584,996
2028	8,687,076
2029	10,278,835
Thereafter	226,775,160
Total	$ 268,518,441

6. Commitments and contingency

Loan commitments

The Company is a party to loan commitments with off-balance-sheet risk in the normal course of business to meet the financing needs of its borrowers. Commitments to extend credit are agreements to lend as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The Company evaluates each borrower's creditworthiness on a case-by-case basis. The value of collateral obtained upon extension of credit is based upon management's real estate evaluation and only includes income-producing property.

6. Commitments and contingency (continued)

As of September 30, 2024 and 2023, commitments and deferred fees were as follows:

	2024	2023
Loan commitments unfunded	$ 167,328,695	$ 268,601,246
Deferred revenue on loan commitments Unfunded:		
Nonrefundable loan application commitment fees	$ 4,529,477	$ 5,864,724

For the years ended September 30, 2024 and 2023, loan, commitment, rate lock and prepayment fees were as follows:

	2024	2023
Prepayment fees	$ -	$ 242,280
Amortization of deferred fees	162,874	117,678
Fees earning, bond deals	1,163,334	1,093,360
Other	392,027	177,283
Total	$ 1,718,235	$ 1,630,601

Lease commitment
The Company has an operating lease agreement which commenced in April 2017. Under the terms of this lease, the Company pays monthly rental commencing August 2017 through October 2024. In February 2024, the lease was amended and extended through April 2030. For the years ended September 30, 2024, and 2023, the lease expense was $250,686 and $262,023, respectively and is included in occupancy in the accompanying consolidated statements of functional expenses. As of September 30, 2024 and 2023, operating lease payable was $1,290,156 and $0, respectively.

A summary of the future minimum lease payments follows:

Year ending September 30,	
2025	$ 124,906
2026	277,291
2027	285,610
2028	294,178
2029	303,003
Thereafter	180,457
Total lease payments	1,465,445
Less: imputed interest	(175,289)
Total	$ 1,290,156

Contingency
Beginning with the year ended September 30, 2018, the Company sold loans in its capacity as owner or fiscal agent and bondholder, in the form of securitizations guaranteed, in part, by Freddie Mac. In connection with these loan sales, the Company provided various representations and warranties related to the loans sold. Those representations and warranties generally relate to, among other things, the ownership of the loans, the validity of the lien securing the loan, the loans' compliance with criteria for inclusion in the transaction, ability to deliver required documentation, and compliance with applicable laws. Generally, these representations and warranties may be enforced at any time over the life of the loan.

7. Transactions with member banks

At September 30, 2024 and 2023, the Company had $18,863,729 and $18,438,485 respectively, on deposit with a member bank. In lieu of interest, the Company received an earnings credit against fees of 0.76% during the years ended September 30, 2024 and 2023. Starting March 27, 2023, the Company started to sweep Reserve Account and Operating Account balances and earned $3,827,806, and $1,771,104 for the years ended September 30, 2024 and 2023, respectively. Such deposits were in excess of the amount insured by the Federal Deposit Insurance Corporation.

As of September 30, 2024 and 2023, CCRC-funded loans totaled $38,881,345 and $36,018,734, respectively.

Interest expense related to the loans financed by member banks and a former member bank amounted to $9,584,159 and $6,437,763 for the years ended September 30, 2024 and 2023, respectively.

8. Deferred compensation plan

The Company has a 401(k) deferred compensation plan (the "Plan") which allows for employer matching and discretionary profit-sharing contributions. The Plan is offered to all full-time employees who are 21 years or older and have been with the Company for more than three months. For the years ended September 30, 2024 and 2023, the Company's contributions into the Plan totaled $290,279 and $270,591, respectively.

9. Tax status

CCRC is a qualified charitable organization under Section 501(c)(3) of the Internal Revenue Code and under the State of California tax regulations and therefore, is not subject to federal or state income taxes in connection with its exempt activities.

U.S. GAAP requires management to evaluate tax positions taken by CCRC and to recognize a tax liability (or asset) if CCRC has taken an uncertain tax position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions, and has concluded that as of September 30, 2024, there are no uncertain tax positions taken or expected to be taken that would require the recognition of the liability (or asset) or disclosure in the consolidated financial statements. CCRC is subject to routine audits by taxing jurisdictions and could be subject to income tax if certain issues were found by the IRS that could result in the disqualification of CCRC's tax exempt status.

10. Fair values of financial instruments

Assets measured at fair value on a recurring basis by level within the ASC 820 fair value hierarchy at September 30, 2024 and 2023 are as follows:

	September 30, 2024			
	Level 1	Level 2	Level 3	Fair Value Measurements
Investment securities:				
Interest-only strips:				
Guaranteed by Freddie Mac	$ -	$ -	$ 5,349,457	$ 5,349,457
Subordinate and not guaranteed by Freddie Mac	-	-	6,568,655	6,568,655
Total investment securities	-	-	11,918,112	11,918,112
Pledged investment securities:				
Collateralized mortgage Obligation guaranteed by Freddie Mac	-	-	13,935,428	13,935,428
Total	$ -	$ -	$ 25,853,540	$ 25,853,540

	September 30, 2023			
	Level 1	Level 2	Level 3	Fair Value Measurements
Investment securities:				
Interest-only strips:				
Guaranteed by Freddie Mac	$ -	$ -	$ 7,625,166	$ 7,625,166
Subordinate and not guaranteed by Freddie Mac	-	-	6,472,815	6,472,815
Total investment securities	-	-	14,097,981	14,097,981
Pledged investment securities:				
Collateralized mortgage Obligation guaranteed by Freddie Mac	-	-	12,962,800	12,962,800
Total	$ -	$ -	$ 27,060,781	$ 27,060,781

10. Fair values of financial instruments (continued)

The following table illustrates the changes in the fair value of all financial assets measured on a recurring basis using significant unobservable inputs (Level 3) for the years ended September 30, 2024 and 2023:

	2024	2023
Balance, beginning of year	$ 27,060,781	$ 27,336,705
Activities during the year:		
Purchases	-	-
Amortization of discount	887,614	949,391
Payments received	(2,800,935)	(3,257,522)
Adjustment to fair value	706,080	2,032,207
Balance, end of year	$ 25,853,540	$ 27,060,781

11. Government grant

In March 2019, the Company entered into a 2018 Capital Magnet Fund Assistance Agreement with the Community Development Financial Institutions Fund (the "CDFI Agreement"). The CDFI Agreement provided a total grant to the Company of $3,150,000 of which $150,000 was designated for direct administrative costs. The $3,150,000 grant was received in full during the year ended September 30, 2019.

The CDFI Agreement provides that amounts should be considered expended once the Company commits for use the grant, or a portion thereof, as evidenced by an executed, written, legally binding commitment agreement with a qualified family, developer, or project sponsor, as defined in the CDFI Agreement.

During the years ended September 30, 2024 and 2023, proceeds from principal payments and earnings totaling $137,319 and $53,959, respectively, were returned to the Company and reclassified as unexpended balance. The unexpended balance of $191,278 and $53,959, respectively, is included in net assets with donor restrictions in the accompanying consolidated statements of financial position at September 30, 2024 and 2023.

In January 2024, the Company entered into a grant agreement with California Pollution Control Financing Authority with a grant term of two years. Under the agreement the Company received grant in amount of $200,000, the funds are to be used by the Company to enhance Company's data management practices and systems. During the years ended September 30, 2024, and 2023, an amount of $10,000 and $0, respectively, were expended and were recorded as net assets released from operations: satisfaction of program conditions in the accompanying consolidated statements of activities and changes in net assets. The unexpended balance of $190,000 and $0, respectively, is included in net assets with donor restrictions in the accompanying consolidated statements of financial position at September 30, 2024 and 2023.

12. Liquidity

As of September 30, 2024, the following financial assets and liquidity sources are available for general operating expenditures in the year ending September 30, 2024:

Cash and cash equivalents	$ 19,902,043
Investment securities	25,853,540
Interest receivable	1,815,742
Less:	
Pledged investment securities	(13,935,428)
Contributions received with donor restrictions	(357,953)
Board-designation for the Bridging the Digital Divide program	(355,000)
Cash balance reserved by the board	(5,734,354)
	$ 27,188,590

As part of the Company's liquidity management, it has a policy to structure its financial resources to be available as its general expenditures, including debt service requirements, liabilities, and other obligations come due. In addition, the Company invests excess cash in self-funded loans which can be participated to the member banks, if needed. Loans receivable in the consolidated statement of financial position includes $29,957,282 of CCRC self-funded loans which are available for participation at September 30, 2024. This amount is not included in the schedule above.

13. Federal Home Loan Bank of San Francisco

On November 24, 2023, the Company was approved to become a member of the Federal Home Loan Bank of San Francisco. As a member, the Company must purchase and maintain stock in the FHLB of San Francisco. At September 30, 2024 and 2023, Company's total investment in FHLB stock was $1,736,200 and $0, respectively. For the year ended September 30, 2024 and 2023, dividend income was $84,047 and $0, respectively.

FHLB has approved the Company for $35,000,000 in total financing availability. This financing availability is administered through an Advances and Security Agreement with FHLB. Under the terms of the agreement, the Company may obtain advances from the FHLB. The borrowing capacity is determined based on collateral pledged, generally consisting of investment securities and loans, at the time of the borrowing. As of September 30, 2024, the total borrowing capacity based upon collateral pledged was $15,505,840. As of September 30, 2024, the Company has not requested an advance from the FHLB.

14. CDFI Bond Guarantee Program

The CDFI Bond Guarantee Program provides CDFIs long-term credit at below market interest rates through the issuance of bonds that are 100% guaranteed by CDFI Fund. The Company submitted its BGP application in partnership with a Bank of America affiliate, Bank of America CDFI Funding Corporation, which under BGP serves as the Qualified Issuer. As Qualified Issuer, Bank of America will sell the guaranteed bonds to the Federal Financing Bank and use the proceeds to extend up to $100,000,000 in credit to the Company. The Company closed the BGP transaction on November 1, 2023, and may request advances over the five-year period that started on the closing date. As of September 30, 2024, the Company has not requested an advance.

15. Subsequent events

Subsequent events have been evaluated through December 13, 2024, which is the date the financial statements were available to be issued, and there are no subsequent events requiring disclosure.