# Opportunity Finance Network

Consolidated Financial and Compliance Report
December 31, 2015

**Contents**

**Independent Auditor's Report**

To the Board of Directors
Opportunity Finance Network
Philadelphia, Pennsylvania

**Report on the Financial Statements**
We have audited the accompanying consolidated financial statements of Opportunity Finance Network which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

***Management's Responsibility for the Financial Statements***
Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

***Opinion***
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Opportunity Finance Network as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matter***
*Supplementary Information*
Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary consolidated statements of financial position by fund and the 2015 schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***
In accordance with *Government Auditing Standards*, we have also issued our reports dated April 29, 2016 and April 30, 2015 on our consideration of Opportunity Finance Network's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of these reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Opportunity Finance Network's internal control over financial reporting and compliance.

RSM US LLP

Blue Bell, Pennsylvania
April 29, 2016

**Opportunity Finance Network**

**Consolidated Statements of Financial Position**
**December 31, 2015 and 2014**

| | 2015 | 2014 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | **$ 16,533,157** | $ 14,645,378 |
| Certificates of deposit | **31,745** | 272,014 |
| Short-term investments (Note 2, 4) | **759,035** | 382,945 |
| Current portion of loans receivable, net of allowance for loan losses (Note 5, 6) | **8,595,032** | 10,543,780 |
| Interest and other receivables | **535,028** | 315,837 |
| Grants receivable (Note 7) | **898,141** | 3,325,853 |
| Other assets | **119,758** | 81,302 |
| **Total current assets** | **27,471,896** | 29,567,109 |
| Noncurrent assets: | | |
| Long-term investments (Note 2, 4) | **3,280,708** | 3,684,875 |
| CDFI and other investments (Note 3, 4) | **4,110,032** | 4,160,982 |
| Loans receivable, net of current portion and allowance for loan losses (Note 5, 6) | **97,505,923** | 87,684,699 |
| Furniture and equipment, net (Note 8) | **177,831** | 163,845 |
| **Total noncurrent assets** | **105,074,494** | 95,694,401 |
| **Total assets** | **$ 132,546,390** | $ 125,261,510 |
| **Liabilities and Net Assets** | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | **$ 1,593,208** | $ 781,425 |
| Deferred revenue | **170,000** | - |
| Current portion of notes payable (Note 9) | **2,500,000** | 15,000,000 |
| **Total current liabilities** | **4,263,208** | 15,781,425 |
| Noncurrent liabilities: | | |
| Notes payable (Note 9) | **68,950,000** | 53,085,000 |
| Other liabilities (Note 10) | **5,000,000** | 3,000,000 |
| **Total noncurrent liabilities** | **73,950,000** | 56,085,000 |
| **Total liabilities** | **78,213,208** | 71,866,425 |
| Commitments and Contingencies (Note 13, 14) | | |
| Net assets: | | |
| Unrestricted net assets (Note 12) | **35,787,455** | 32,475,540 |
| Temporarily restricted - Operating | **3,238,793** | 1,636,074 |
| Temporarily restricted - Re-granting | **1,150,001** | 1,788,406 |
| Temporarily restricted - Financing | **14,156,933** | 17,495,065 |
| Total temporarily restricted net assets (Note 12) | **18,545,727** | 20,919,545 |
| **Total net assets** | **54,333,182** | 53,395,085 |
| **Total liabilities and net assets** | **$ 132,546,390** | $ 125,261,510 |

See notes to consolidated financial statements.

**Opportunity Finance Network**

**Consolidated Statements of Activities**
**Years Ended December 31, 2015 and 2014**

| | 2015 Unrestricted | 2015 Temporarily Restricted | 2015 Total | 2014 Unrestricted | 2014 Temporarily Restricted | 2014 Total |
|---|---|---|---|---|---|---|
| Operating revenue and support: | | | | | | |
| Earned revenue: | | | | | | |
| Net financing income: | | | | | | |
| Interest income - loans | **$ 3,666,517** | **$ -** | **$ 3,666,517** | $ 3,405,597 | $ - | $ 3,405,597 |
| Interest income - certificates of deposit (CDFI) | **120,033** | **-** | **120,033** | 120,034 | - | 120,034 |
| Less: Interest expense | **(1,084,681)** | **-** | **(1,084,681)** | (1,023,018) | - | (1,023,018) |
| Less: Provision for loan losses | **(257,858)** | **-** | **(257,858)** | (357,422) | - | (357,422) |
| **Total net financing income** | **2,444,011** | **-** | **2,444,011** | 2,145,191 | - | 2,145,191 |
| Other earned revenue: | | | | | | |
| Dues | **365,688** | **-** | **365,688** | 349,525 | - | 349,525 |
| Fees - Consulting | **1,181,995** | **-** | **1,181,995** | 1,116,837 | - | 1,116,837 |
| Fees - Knowledge Sharing | **785,386** | **-** | **785,386** | 720,942 | - | 720,942 |
| Fees - Financial Services | **1,169,261** | **-** | **1,169,261** | 595,560 | - | 595,560 |
| Fees - Strategic Initiatives | **159,541** | **-** | **159,541** | 82,414 | - | 82,414 |
| Other fees | **17,276** | **-** | **17,276** | 106,480 | - | 106,480 |
| Investment income | **125,912** | **-** | **125,912** | 135,467 | - | 135,467 |
| **Total other earned revenue** | **3,805,059** | **-** | **3,805,059** | 3,107,225 | - | 3,107,225 |
| **Total net earned revenue** | **6,249,070** | **-** | **6,249,070** | 5,252,416 | - | 5,252,416 |
| Contributions and support - operating: | | | | | | |
| Contributions - operating: | | | | | | |
| Grants - operating | **425,000** | **5,105,380** | **5,530,380** | 1,345,000 | 2,344,947 | 3,689,947 |
| Donations and in-kind services | **110,073** | **-** | **110,073** | 65,607 | - | 65,607 |
| **Total contributions - operating** | **535,073** | **5,105,380** | **5,640,453** | 1,410,607 | 2,344,947 | 3,755,554 |
| Net assets released from restrictions (Note 12) | **3,777,470** | **(3,777,470)** | **-** | 2,313,617 | (2,313,617) | - |
| **Total contributions and support - operating** | **4,312,543** | **1,327,910** | **5,640,453** | 3,724,224 | 31,330 | 3,755,554 |
| **Total operating revenue and support** | **10,561,613** | **1,327,910** | **11,889,523** | 8,976,640 | 31,330 | 9,007,970 |

(Continued)

**Opportunity Finance Network**

**Consolidated Statements of Activities (Continued)**
**Years Ended December 31, 2015 and 2014**

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | **Unrestricted** | **Temporarily Restricted** | **Total** | Unrestricted | Temporarily Restricted | Total |
| Operating expenses: | | | | | | |
| Salaries, payroll taxes, and benefits | **$ 4,948,581** | **$ -** | **$ 4,948,581** | $ 4,264,550 | $ - | $ 4,264,550 |
| Contractor fees | **1,351,234** | **-** | **1,351,234** | 814,812 | - | 814,812 |
| Program support (Note 1) | **3,337,102** | **-** | **3,337,102** | 2,911,524 | - | 2,911,524 |
| Professional services | **236,853** | **-** | **236,853** | 163,199 | - | 163,199 |
| Occupancy | **395,116** | **-** | **395,116** | 366,986 | - | 366,986 |
| Operating grant - other | **50,000** | **-** | **50,000** | 200,000 | - | 200,000 |
| **Total operating expenses** | **10,318,886** | **-** | **10,318,886** | 8,721,071 | - | 8,721,071 |
| **Operating excess** | **242,727** | **1,327,910** | **1,570,637** | 255,569 | 31,330 | 286,899 |
| Other changes - gain (loss) on investments: | | | | | | |
| Net realized gain on investments | **4,640** | **-** | **4,640** | 9,528 | - | 9,528 |
| Net unrealized (loss) on investments | **(45,952)** | **-** | **(45,952)** | (30,681) | - | (30,681) |
| **Change in net assets - operating** | **201,415** | **1,327,910** | **1,529,325** | 234,416 | 31,330 | 265,746 |
| Non-operating revenue and support: | | | | | | |
| Revenue and support - financing and pass-through grants: | | | | | | |
| Contributions - financing and pass-through grants: | | | | | | |
| Grants - financing capital | **-** | **-** | **-** | 1,147,000 | 4,700,000 | 5,847,000 |
| Grants - pass-through | **10,500** | **352,963** | **363,463** | - | 247,935 | 247,935 |
| | **10,500** | **352,963** | **363,463** | 1,147,000 | 4,947,935 | 6,094,935 |
| Net assets released from restrictions (Note 12) | **4,054,691** | **(4,054,691)** | **-** | 3,948,238 | (3,948,238) | - |
| **Total revenue and support - financing and pass-through grants** | **4,065,191** | **(3,701,728)** | **363,463** | 5,095,238 | 999,697 | 6,094,935 |
| Expenses - financing and pass-through grants | | | | | | |
| Grants to CDFIs | **954,691** | **-** | **954,691** | 961,513 | - | 961,513 |
| **Total expenses - financing and pass-through grants** | **954,691** | **-** | **954,691** | 961,513 | - | 961,513 |
| Change in net assets - financing and pass-through grants | **3,110,500** | **(3,701,728)** | **(591,228)** | 4,133,725 | 999,697 | 5,133,422 |
| Revenue and support - other non-operating (Note 17) | **-** | **-** | **-** | 871,775 | - | 871,775 |
| Expenses - other non-operating (Note 17) | **-** | **-** | **-** | 871,775 | - | 871,775 |
| **Change in net assets - other non-operating** | **-** | **-** | **-** | - | - | - |
| **Total change in net assets** | **3,311,915** | **(2,373,818)** | **938,097** | 4,368,141 | 1,031,027 | 5,399,168 |
| Net Assets | | | | | | |
| Beginning | **32,475,540** | **20,919,545** | **53,395,085** | 28,107,399 | 19,888,518 | 47,995,917 |
| Ending | **$ 35,787,455** | **$ 18,545,727** | **$ 54,333,182** | $ 32,475,540 | $ 20,919,545 | $ 53,395,085 |

See notes to consolidated financial statements.

**Opportunity Finance Network**

**Consolidated Statements of Cash Flows**
**Years Ended December 31, 2015 and 2014**

| | 2015 | 2014 |
|---|---|---|
| Cash flows from operating activities: | | |
| Change in net assets | **$ 938,097** | $ 5,399,168 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | **66,264** | 70,883 |
| Provision for loan losses | **257,858** | 357,422 |
| Amortization of premiums/discounts on investments | **10,036** | 4,333 |
| Net realized and unrealized loss on investments | **41,312** | 21,153 |
| (Increase) decrease in: | | |
| Interest and other receivables | **(219,191)** | 153,251 |
| Grants receivable | **2,427,712** | 3,726,546 |
| Other assets | **(38,456)** | (30,590) |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | **811,783** | 234,465 |
| Deferred revenue | **170,000** | (60,689) |
| **Net cash provided by operating activities** | **4,465,415** | 9,875,942 |
| Cash flows from investing activities: | | |
| Purchases of furniture and equipment | **(80,250)** | (81,191) |
| Proceeds from sale of certificates of deposit | **240,269** | 240,269 |
| Purchases of investments | **(402,109)** | (1,362,041) |
| Proceeds from sale of investments | **375,000** | 1,351,170 |
| Purchases of CDFI and other investments | **-** | (1,000) |
| Distributions from CDFI and other investments | **54,788** | 261,000 |
| Loans receivable repayments | **4,966,597** | 7,957,411 |
| Loans receivable disbursed | **(13,096,931)** | (23,003,280) |
| **Net cash used in investing activities** | **(7,942,636)** | (14,637,662) |
| Cash flows from financing activities: | | |
| Proceeds from notes payable and other liabilities | **17,600,000** | 9,650,000 |
| Repayment of notes payable | **(12,235,000)** | (2,015,000) |
| **Net cash provided by financing activities** | **5,365,000** | 7,635,000 |
| **Net increase in cash and cash equivalents** | **1,887,779** | 2,873,280 |
| Cash and cash equivalents: | | |
| Beginning of year | **14,645,378** | 11,772,098 |
| End of year | **$ 16,533,157** | $ 14,645,378 |
| Supplemental disclosure of cash flow information: | | |
| Cash paid during the year for: | | |
| Interest | **$ 1,015,888** | $ 1,041,947 |

See notes to consolidated financial statements.

**Opportunity Finance Network**

**Consolidated Statements of Functional Expenses**
**Years Ended December 31, 2015 and 2014**

| **2015** | **Program** | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Financial Services** | **Strategic Initiatives** | **Knowledge Sharing** | **Public Policy** | **Strategic Consulting** | **Strategic Communi-cations** | **Program Sub-total** | **General and Administrative (Note 11)** | **Sub-total** | **Aeris Insight Inc. (Note 17)** | **Grand Total** |
| Salaries, payroll taxes and fringes | **$ 911,424** | **$ 340,269** | **$ 733,273** | **$ 525,944** | **$ 672,154** | **$ 489,758** | **3,672,822** | **$ 1,275,759** | **$ 4,948,581** | **$ -** | **$ 4,948,581** |
| Contractor fees | **278,325** | **26,800** | **89,460** | **170,583** | **649,427** | **124,964** | **1,339,559** | **11,675** | **1,351,234** | **-** | **1,351,234** |
| Program support (Note 1) | **537,443** | **287,133** | **1,324,976** | **200,375** | **231,008** | **730,868** | **3,311,803** | **25,299** | **3,337,102** | **-** | **3,337,102** |
| Professional services | **96,588** | **13,816** | **20,900** | **17,942** | **15,359** | **8,763** | **173,368** | **63,485** | **236,853** | **-** | **236,853** |
| Occupancy | **75,654** | **31,965** | **76,602** | **46,041** | **56,296** | **32,118** | **318,676** | **76,440** | **395,116** | **-** | **395,116** |
| Interest | **1,084,681** | **-** | **-** | **-** | **-** | **-** | **1,084,681** | **-** | **1,084,681** | **-** | **1,084,681** |
| Provision for loan losses | **257,858** | **-** | **-** | **-** | **-** | **-** | **257,858** | **-** | **257,858** | **-** | **257,858** |
| Grants to CDFIs | **950,000** | **4,691** | **-** | **-** | **50,000** | **-** | **1,004,691** | **-** | **1,004,691** | **-** | **1,004,691** |
| Grants to Aeris | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Total expenses** | **$ 4,191,973** | **$ 704,674** | **$ 2,245,211** | **$ 960,885** | **$ 1,674,244** | **$ 1,386,471** | **$ 11,163,458** | **$ 1,452,658** | **$ 12,616,116** | **$ -** | **$ 12,616,116** |

| 2014 | Program | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Financial Services | Strategic Initiatives | Knowledge Sharing | Public Policy | Strategic Consulting | Strategic Communi-cations | Program Sub-total | General and Administrative (Note 11) | Sub-total | Aeris Insight Inc. (Note 17) | Grand Total |
| Salaries, payroll taxes and fringes | $ 701,949 | $ 80,864 | $ 785,881 | $ 462,170 | $ 614,924 | $ 451,056 | $ 3,096,844 | $ 1,167,705 | $ 4,264,549 | $ 867,975 | $ 5,132,524 |
| Contractor fees | 76,638 | 11,208 | 27,183 | 137,008 | 409,831 | 141,107 | 802,975 | 11,838 | 814,813 | - | 814,813 |
| Program support (Note 1) | 599,939 | 86,239 | 1,224,092 | 320,514 | 380,251 | 257,102 | 2,868,137 | 43,388 | 2,911,525 | 3,800 | 2,915,325 |
| Professional services | 71,344 | 2,857 | 14,377 | 11,062 | 12,219 | 8,542 | 120,401 | 42,798 | 163,199 | - | 163,199 |
| Occupancy | 75,063 | 14,048 | 63,795 | 49,959 | 53,699 | 36,464 | 293,028 | 73,957 | 366,985 | - | 366,985 |
| Interest | 1,023,018 | - | - | - | - | - | 1,023,018 | - | 1,023,018 | - | 1,023,018 |
| Provision for loan losses | 357,422 | - | - | - | - | - | 357,422 | - | 357,422 | - | 357,422 |
| Grants to CDFIs | 849,999 | 11,514 | - | - | 100,000 | - | 961,513 | - | 961,513 | - | 961,513 |
| Grants to Aeris | 50,000 | 50,000 | 50,000 | - | 50,000 | - | 200,000 | - | 200,000 | - | 200,000 |
| Total expenses | $ 3,805,372 | $ 256,730 | $ 2,165,328 | $ 980,713 | $ 1,620,924 | $ 894,271 | $ 9,723,338 | $ 1,339,686 | $ 11,063,024 | $ 871,775 | $ 11,934,799 |

See notes to consolidated financial statements.

## Note 1. Organization and Significant Accounting Policies

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

OFN is the leading national network of Community Development Financial Institutions (CDFIs). Through its network of over 250 Members, OFN invests in opportunities that benefit low-income, low-wealth people and communities in all 50 states. OFN's core purpose is to align capital with social, economic, and political justice. OFN's mission is to lead CDFIs and their partners to ensure that low-income, low-wealth people and underserved communities have access to affordable, responsible financial products and services. OFN believes that justice for all begins with opportunity for all.

OFN's headquarters is based in Philadelphia, Pennsylvania. OFN also maintains a satellite office in Washington, D.C.

In 2013, OFN was re-certified as a Community Development Financial Institution (CDFI), as part of a required recertification process instituted by the Community Development Financial Institution Fund (CDFI Fund) of the United States Department of the Treasury. Organizations were required to apply for re-certification if their original or most recent certification had passed its initial three-year term.

OFN operates the *Wells Fargo NEXT Awards for Opportunity Finance* (the NEXT Awards) in partnership with Wells Fargo, the John D. and Catherine T. MacArthur Foundation (2007-2014), the Kresge Foundation (2010-2014), and Prudential Insurance (joined as a new partner in 2014). The purpose of the NEXT Awards is to propel high-potential CDFIs to the next level of growth, success, and staying power. The NEXT Awards started in 2007 and provides between $6.0 and $8.4 million in annual awards (loans and grants) to CDFIs.

OFN is led by a 4-person leadership team and a 12-person executive team to drive six key program areas:

***Financial services:*** OFN provides the following primary financing services: OFN's Finance Fund (on balance-sheet lending and investing to and alongside Member CDFIs); Asset Management (fee-based business providing underwriting and monitoring services to third party investors in CDFIs), New Markets Tax Credit activity, the CDFI Fund Bond Guarantee Program, and other financing research and development.

***Strategic consulting:*** OFN provides consulting services to CDFIs, CDFI investors, and other key industry stakeholders to improve the performance and capacity of the CDFI industry. Strategic Consulting works on engagements with major foundations, financial institutions, nonprofits, the federal government, and social investors.

***Knowledge sharing:*** OFN provides the following primary Knowledge Sharing activities: OFN's Annual Conference, Knowledge Networks, Membership, CDFI Data Project, and other research, peer learning, and knowledge sharing activities for CDFIs, funders, investors, and other key stakeholders.

**Note 1. Organization and Significant Accounting Policies (Continued)**

***Public policy:*** Through its Opportunity Agenda, OFN provides public education, federal and state advocacy, and policy development work on behalf of CDFIs and the opportunity finance industry to increase the amount of capital, access, and resources available to CDFIs.

***Strategic initiatives:*** OFN develops and executes key industry initiatives that increase capital, resources, capacity, and/or visibility for the opportunity finance industry. Strategic Initiatives works on initiatives that are cross-functional and multi-year. In 2015 and 2014, initiatives include the NEXT Awards, Performance Counts (an industry-led financial reporting best practices initiative), industry-wide Talent Development, and the Create Jobs for USA Fund. In November 2011, OFN partnered with Starbucks Corporation (Starbucks) and the Starbucks Foundation to launch the *Create Jobs for USA Fund* to mobilize donations from individuals, the Starbucks Foundation, and other institutions to provide capital grants to CDFIs for job creation and retention in low-income and economically underserved communities throughout the U.S. The Create Jobs for USA Fund raised $15.3 million as of December 31, 2014 and disbursed all donations to CDFI awardees as capital grants. In connection with the management and administration of the Create Jobs for USA Fund, OFN earned fees of $-0- and $82,414 in 2015 and 2014, respectively, from the Starbucks Foundation.

***Strategic communications:*** OFN pursues awareness, visibility, and reputation-building for the opportunity finance field by building and connecting CDFIs and Partners to the Opportunity Finance brand. Strategic Communications' integrated marketing campaigns create a broad base of support for CDFIs and the people and communities they serve. In 2015, OFN entered into a multiple year grant agreement with Sam's Club Giving Program to launch a campaign to empower small business owners, particularly women and minorities age 40 and under, to better understand their financing options and better equip them to access responsible capital for their small businesses.

OFN has three fund categories:

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

***Finance:*** Represents resources available for the specific purpose of providing loans, grants, and investments to CDFIs. It also includes capital for the NEXT Awards.

***Create Jobs for USA:*** Represents funds raised to pass-through to CDFIs as capital grants to support job creation and retention. This fund ceased operations in January 2015.

OFN is the sole member of NCCA General Partner, LLC and OFN GP, LLC, which is dormant.

In 2004, OFN formed a wholly-controlled organization, NCCA General Partner, LLC, to initially operate as the general partner of CDFI Tax Credit Fund I, LP. CDFI Tax Credit Fund I, LP was formed to manage an initial allocation of New Markets Tax Credits (NMTC) from the U.S. Department of Treasury. Its primary purpose is serving or providing investment capital for "low-income communities" or "low-income persons," consistent with the NMTC program requirements (Note 13). In 2013, OFN formed an additional five entities to receive and manage new allocations under the NMTC program of the U.S. Department of Treasury: Opportunity Fund I, LP, Opportunity Fund II, LP, Opportunity Fund III, LP, Opportunity Fund IV, LP, and Opportunity Fund V, LP. NCCA General Partner, LLC serves as the general partner for these five new entities. In December 2013, OFN applied for and received Community Development Entity (CDE) certification for all five newly-formed entities from the Community Development Financial Institutions Fund (the CDFI Fund) of the United States Department of the Treasury. Certification as a CDE means that an organization meets the CDE eligibility requirements set forth in the statute governing the NMTC program and the CDFI Fund's CDE Certification Guidance document (Federal Register Vol. 66, No. 245).

## Note 1. Organization and Significant Accounting Policies (Continued)

These requirements state that a CDE must be a legal entity; must demonstrate a primary mission of serving, or providing investment capital for, low-income communities or low-income persons; and must maintain accountability to low-income communities through representation on the governing board or advisory board(s) of the CDE. The CDFI Fund approved a national service area for each of these new CDEs. As of December 31, 2015, Opportunity Fund I, LP and Opportunity Fund II, LP were capitalized and active (see Note 13). The remaining three entities were not yet capitalized and not yet active.

In 2010, OFN formed a wholly-controlled organization, OFN GP, LLC, a Delaware limited liability company, to operate as one of two general partners in the Communities at Work Fund LP (CAWF) along with Community Investment Partners, Inc. In January 2011, OFN GP LLC withdrew as general partner of CAWF, and its responsibilities were assumed by Community Investment Partners, Inc. CAWF's primary purpose is to make loans to CDFIs that finance small businesses and community service organizations in low-income and low-wealth communities. OFN had an original loan commitment of $500,000 to CAWF, of which $63,104 and $86,050 was outstanding as of December 31, 2015 and 2014, respectively. OFN's remaining unused commitment expired as of December 31, 2012. CAWF is expected to be wound down by mid-2016.

**Consolidation:** The consolidated financial statements include the accounts of OFN, NCCA General Partner, LLC and OFN GP LLC. All significant inter-company accounts and transactions have been eliminated in consolidation.

**Use of estimates:** The financial statements of OFN are prepared in conformity with accounting principles generally accepted in the United States of America and require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of support and expenses during the reported periods. Actual results could differ from those estimates.

**Cash and cash equivalents:** OFN considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

**Concentration of credit risk:** OFN maintains cash in various financial institutions. The balance at each institution is insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. The cash balances in excess of FDIC limits approximated $15.8 million as of that date.

At December 31, 2015, most of OFN's loans receivable were due from various CDFIs. As such, the ability of the Organization's borrowers to honor their contracts is dependent upon the viability of the individual CDFIs and the CDFI industry. Approximately 46 percent of the loans receivable are due from eight CDFIs, of which four of these CDFI loans are rated Strong (see Note 6).

**Certificates of deposit:** These are deposits held with insured financial institutions and carried at cost.

**Investments:** Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statements of financial position. Interest and dividend income is recognized when earned. Any unrealized gains or losses are reported in the Statements of Activities as a change in unrestricted net assets, unless explicit donor intent or law restricts their use. Specifically identified cost is used for investments sold. Investments are recorded at fair value and are classified as Level 1, 2, or 3 (Note 4).

## Note 1. Organization and Significant Accounting Policies (Continued)

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

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

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

**Level 1:** Unadjusted quoted prices in active markets for identical assets or liabilities.

**Level 2:** Valuation is determined from observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument.

**Level 3:** Valuation is derived from model-based and other techniques in which one significant input is unobservable in the market and which may be based on the Organization’s own estimates about assumptions that a market participant would use to value the asset or liability.

Investments for which prices are not observable are generally investments in limited partnerships. The determination of fair value using these methodologies takes into account consideration of a range of factors, including but not limited to the price at which the investment was acquired, the nature of the investment, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance and financing transactions subsequent to the acquisition of the investment. These valuation methodologies involve a significant degree of judgment by the Organization.

**Loans receivable:**

***Loans:*** Loans receivable are stated at the principal amount outstanding, net of deferred loan costs and allowance for losses. Interest income on loans is accrued on the principal outstanding at the loans’ stated interest rate. Direct origination costs, if significant, would be deferred and amortized using the effective interest method over the respective lives of the related loans and recorded as an adjustment to loan fee revenue. At December 31, 2015 and 2014, direct origination costs were not deemed significant.

## Note 1. Organization and Significant Accounting Policies (Continued)

***Non-accrual loans:*** The accrual of interest on outstanding loans is discontinued at the time the loan is 90-days delinquent unless the credit is well-secured and in process of collection. All interest accrued but not collected would be reversed against interest income. In all cases, loans are placed on non-accrual or charged-off at an earlier date if collection of principal or interest is considered doubtful. At December 31, 2015 and 2014, no loans were on non-accrual.

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

The allowance consists of specific and general components. The specific component relates to loans that would be classified impaired. For such loans, an allowance would be established when the discounted cash flows (or collateral value, less costs of disposal for collateral dependent loans, or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers loans not deemed impaired and would be based on historical loss experience adjusted for qualitative factors. These would include internal factors such as trends in policies, underwriting standards, charge-offs, non-accruals and credit management processes, operating performance and management, as well as external factors such as national and local economic conditions and industry trends. In the absence of historical losses, management determines the allowance based upon the Organization's risk rating system which considers, among other factors, borrower financial condition and other risks impacting the loan portfolio. As of December 31, 2015 and 2014, no loans in the portfolio were deemed impaired.

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

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

## Note 1. Organization and Significant Accounting Policies (Continued)

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

**Furniture and equipment:** Furniture and equipment are stated at cost. Depreciation is provided on the straight-line basis over the estimated useful lives of 3 to 5 years for equipment, 7 years for furniture and 5 years for software.

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

**Contributions and grants:** The Organization accounts for contributions received as unrestricted, temporarily restricted, or permanently restricted depending on the existence or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction.

When the donor restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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

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

**Net assets:** Net assets are classified as unrestricted, temporarily restricted, or permanently restricted. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Temporarily restricted net assets are contributions with temporary, donor-imposed time or purpose restrictions. Temporarily restricted net assets become unrestricted when the time restrictions expire or the contributions are used for their restricted purpose at which time they are reported in the statement of activities as net assets released from restrictions. Permanently restricted net assets represent contributions received subject to donor restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Organization. The Organization has no permanently restricted net assets at December 31, 2015 or 2014.

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

**Donated goods and services:** OFN recognizes donated services that either create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. OFN recognized donated legal services in the amounts of $109,506 and $65,000 in 2015 and 2014, respectively. These amounts are included in donations and in-kind services in the consolidated statements of activities.

## Note 1. Organization and Significant Accounting Policies (Continued)

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

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

Re-granting or pass-through grants (revenue and expenses) are defined as grants and donations that the Organization receives from donors that are restricted to re-granting to CDFIs. In 2015 and 2014, pass-through grant revenue and corresponding pass-through grant expenses relate to the NEXT Awards and Create Jobs for USA Fund programs. In 2014, pass-through grants were also received on behalf of CARS, Inc. (now Aeris Insight, Inc.) in accordance with its fiscal agent agreement with OFN, which was terminated in July 2013 when CARS, Inc. received its tax exempt determination from the IRS.

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

**Functional allocation of expenses:** The costs of providing the various programs and other activities have been summarized on a functional basis in the Consolidated Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Income taxes:** The Organization is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for charitable contribution deductions and has been classified as an organization that is not a private foundation. Income which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. The Organization had no net unrelated business income for the years ended December 31, 2015 and 2014, respectively.

Management evaluated the Organization’s tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements. Consequently, no accrual for interest and penalties was deemed necessary for the years ended December 31, 2015 and 2014. The Organization files tax returns in the U.S. federal jurisdiction and Commonwealth of Pennsylvania. Generally, the Organization is no longer subject to tax examination by the U.S. federal or state tax authorities for years before 2012.

**Recent accounting pronouncements:** In January 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities (Subtopic 825-10). ASU 2016-01 includes a number of amendments that address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. One of the amendments eliminates the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities. The amendments in this update are effective for the Organization for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The Organization has elected to early adopt the amendment that no longer requires disclosure of the fair value of financial instruments that are not measured at fair value described above during the year ended December 31, 2015. The Organization has not yet determined the effect on the financial statements of adopting the other amendments included in ASU 2016-01.

## Note 1. Organization and Significant Accounting Policies (Continued)

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB voted to delay the effective date of the proposed standard (ASU 2015-14, Revenue from Contracts with Customers, Deferral of the Effective Date). The updated standard will be effective for annual reporting periods beginning after December 15, 2018. The impact of adopting ASU on the Organization's financial statements for subsequent periods has not yet been determined.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) which supersedes FASB ASC Topic 840, Leases (Topic 840) and provides principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than twelve months regardless of classification. Leases with a term of twelve months or less will be accounted for similar to existing guidance for operating leases. Lessor accounting is mostly unchanged from the current model, but updated to align with certain changes to the lessee accounting model and the new revenue recognition standard. The ASU is effective for annual reporting periods beginning after December 15, 2019, with early adoption permitted. The impact of adopting ASU on the Company's financial statements for subsequent periods has not yet been determined.

## Note 2. Investments

Investments consisted of the following at December 31:

| | 2015 | 2014 |
|---|---|---|
| U.S. Treasury Securities | $ 791,921 | $ 810,519 |
| U.S. Government Agency Securities | 659,923 | 675,153 |
| Corporate Bonds | 2,587,279 | 2,581,528 |
| Other Marketable Securities | 620 | 620 |
| | $ 4,039,743 | $ 4,067,820 |
| | | |
| Short-term investments | $ 759,035 | $ 382,945 |
| Long-term Investments | 3,280,708 | 3,684,875 |
| | $ 4,039,743 | $ 4,067,820 |

## Note 3. CDFI and Other Investments

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

| | 2015 | 2014 |
|---|---|---|
| Investments in limited partnerships | $ 108,187 | $ 159,143 |
| Certificates of deposit (CDFI) | 4,000,000 | 4,000,000 |
| Investments in new markets tax credit entities (Note 13) | 1,845 | 1,839 |
| | $ 4,110,032 | $ 4,160,982 |

Investments in limited partnerships (Partnerships) consist of two community development venture capital funds that invest in private companies as of December 31, 2015 and 2014. The Partnerships value all of their investments at fair value, as determined in good faith by the General Partner. In establishing the estimated fair value of non-publicly traded securities, the General Partner may give consideration to current financial position and current and historical operating results of the company, sales prices of recent public or private transactions in the same or similar securities, waterfall analysis, industry multiples, market comparables, significant events affecting the issuer, including pending mergers and acquisitions, and other factors affecting value.

As of December 31, 2015 and 2014, OFN has no additional capital commitments to these Partnerships. OFN is entitled to receive distributions from these Partnerships based on net eligible cash flows.

The Certificates of Deposit are carried at cost. Investments in new markets tax credit entities are accounted for on the equity method.

## Note 4. Fair Value Measurements

**Fair value on a recurring basis:** The following presents the assets reported on the Consolidated Statements of Financial Position at their fair value as of December 31, by level:

| | 2015 | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Investments: | | | | |
| U.S. Treasury Securities | $ 791,921 | $ 791,921 | $ - | $ - |
| U.S. Government Agency Securities | 659,923 | 297,101 | 362,822 | - |
| Corporate Bonds | 2,587,279 | 2,082,608 | 504,671 | - |
| Other Marketable Securities | 620 | - | 620 | - |
| | $ 4,039,743 | $ 3,171,630 | $ 868,113 | $ - |
| Other investments: | | | | |
| Investments in limited partnerships | $ 108,187 | $ - | $ - | $ 108,187 |

| | 2014 | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Investments: | | | | |
| U.S. Treasury Securities | $ 810,519 | $ 810,519 | $ - | $ - |
| U.S. Government Agency Securities | 675,153 | 305,498 | 369,655 | - |
| Corporate Bonds | 2,581,528 | 2,070,697 | 510,831 | - |
| Other Marketable Securities | 620 | - | 620 | - |
| | $ 4,067,820 | $ 3,186,714 | $ 881,106 | $ - |
| Other investments: | | | | |
| Investments in limited partnerships | $ 159,143 | $ - | $ - | $ 159,143 |

## Note 4. Fair Value Measurements (Continued)

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

**Other investments:** The fair value of other investments is generally based upon the ending capital value evidenced by the issuers' K-1 or audited financial statements. In some instances, the equity method is used as most closely approximating fair value.

There was no change in the valuation techniques used to measure fair value of investments and other investments in the years ended December 31, 2015 and 2014.

The changes in investments measured at fair value for which the OFN used Level 3 inputs to determine fair value are as follows for the years ended December 31:

| | 2015 | 2014 |
|---|---|---|
| Balance, beginning of year | $ 159,143 | $ 407,679 |
| Net change in realized gain | 3,832 | 12,464 |
| Repayments of investments | - | - |
| Distributions from investments | (54,788) | (261,000) |
| Balance, end of year | $ 108,187 | $ 159,143 |

There were no assets or liabilities that were measured at fair value on a non-recurring basis as of December 31, 2015 or 2014.

## Note 5. Loans Receivable

Loans receivable at December 31 are as follows:

| | 2015 | 2014 |
|---|---|---|
| Loans to CDFIs | $ 103,476,275 | $ 95,260,714 |
| Participation loans with CDFIs: | | |
| Manufactured Housing | 2,612,419 | 2,651,871 |
| Charter Schools | 1,762,275 | 1,797,425 |
| Healthy Foods | 2,000,000 | 2,013,907 |
| | 6,374,694 | 6,463,203 |
| | 109,850,969 | 101,723,917 |
| Less: Amortized loan fees | 3,383 | 6,665 |
| Less: Allowance for loan losses | 3,746,631 | 3,488,773 |
| | $ 106,100,955 | $ 98,228,479 |

## Note 5. Loans Receivable (Continued)

Loans to CDFIs are primarily unsecured loans for which interest on loans is calculated using the simple interest method on principal amounts outstanding. In most cases, quarterly payments of interest only, with rates ranging from 3.00 percent to 5.50 percent, are due during the term of the loans with lump sum repayments of principal due upon maturity. Maturities vary through 2025.

Other loans consist of loan participations purchased from member CDFIs. These are amortizing loans with interest rates ranging from 4.88 percent to 7.50 percent and secured by the land, real estate, infrastructure, and/or improvements. The loans are set to mature from 2016 to 2024.

## Note 6. Credit Quality

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

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

**Age analysis of past due loans:** The following tables represent an aging of loans by category as of December 31, 2015 and 2014. All of the loans were current as to principal and/or interest payments contractually due.

| 2015 | 30 - 59 Days Past Due | 60 - 89 Days Past Due | 90+ Days and Still Accruing | Total Past Due | Current | Total Loans | Non-accrual |
|---|---|---|---|---|---|---|---|
| CDFI loans | $ - | $ - | $ - | $ - | $103,476,275 | $103,476,275 | $ - |
| Participation loans: | | | | | | | |
| Manufactured Housing | - | - | - | - | 2,612,419 | 2,612,419 | - |
| Charter Schools | - | - | - | - | 1,762,275 | 1,762,275 | - |
| Healthy Foods | - | - | - | - | 2,000,000 | 2,000,000 | - |
| | $ - | $ - | $ - | $ - | $109,850,969 | $109,850,969 | $ - |

| 2014 | 30 - 59 Days Past Due | 60 - 89 Days Past Due | 90+ Days and Still Accruing | Total Past Due | Current | Total Loans | Non-accrual |
|---|---|---|---|---|---|---|---|
| CDFI loans | $ - | $ - | $ - | $ - | $ 95,260,714 | $ 95,260,714 | $ - |
| Participation loans: | | | | | | | |
| Manufactured Housing | - | - | - | - | 2,651,871 | 2,651,871 | - |
| Charter Schools | - | - | - | - | 1,797,425 | 1,797,425 | - |
| Healthy Foods | - | - | - | - | 2,013,907 | 2,013,907 | - |
| | $ - | $ - | $ - | $ - | $101,723,917 | $101,723,917 | $ - |

## Note 6. Credit Quality (Continued)

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

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

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

***Acceptable*** credit classification reflects moderate credit risk. Overall, minimum underwriting standards will be met as supported in satisfactory asset quality and performance, adequate capitalization, and limited, but sufficient liquidity.

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

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

***Doubtful*** credit classification reflects inherent weaknesses of a substandard credit, plus added characteristics that make collection on the basis of currently existing facts and conditions that are highly questionable. There exists possibility of loss if identified deficiencies are not corrected. However, important and reasonably specific pending factors may work to the advantage and strengthening of the credit. Potential for credit loss will need to be assessed on a case-by-case basis.

## Note 6. Credit Quality (Continued)

The following tables summarize the portfolio by category of loan and the internally assigned credit quality ratings for those categories at December 31, 2015 and 2014, excluding deferred loan costs.

| | | Participation Loans | | | |
|---|---|---|---|---|---|
| 2015 | CDFI Loans | Manufactured Housing | Charter School | Healthy Foods | Total |
| Outstanding | $ - | $ - | $ - | $ - | $ - |
| Strong | 39,589,109 | 553,908 | - | - | 40,143,017 |
| Acceptable | 58,695,149 | 1,569,776 | 1,762,275 | 2,000,000 | 64,027,200 |
| Acceptable with care | 5,192,017 | 488,735 | $ - | - | 5,680,752 |
| Substandard | - | - | - | - | - |
| Doubtful | - | - | - | - | - |
| | $ 103,476,275 | $ 2,612,419 | $ 1,762,275 | $ 2,000,000 | $ 109,850,969 |

| | | Participation Loans | | | |
|---|---|---|---|---|---|
| 2014 | CDFI Loans | Manufactured Housing | Charter School | Healthy Foods | Total |
| Outstanding | $ - | $ - | $ - | $ - | $ - |
| Strong | 39,068,186 | 562,357 | - | - | 39,630,543 |
| Acceptable | 52,477,565 | 1,593,320 | - | 2,000,000 | 56,070,885 |
| Acceptable with care | 3,714,963 | 496,194 | $ 1,797,425 | 13,907 | 6,022,489 |
| Substandard | - | - | - | - | - |
| Doubtful | - | - | - | - | - |
| | $ 95,260,714 | $ 2,651,871 | $ 1,797,425 | $ 2,013,907 | $ 101,723,917 |

## Note 6. Credit Quality (Continued)

**Allowance for loan losses:** The following tables summarize the allowance for loan losses as of and for the years ended December 31, 2015 and 2014, by loan category and the amount by category of the loans evaluated individually or collectively for impairment.

| | 2015 | | | | |
|---|---|---|---|---|---|
| | | Participation Loans | | | |
| | CDFI Loans | Manufactured Housing | Charter School | Healthy Foods | Total |
| Allowance for loan losses: | | | | | |
| Beginning balance | $ 3,188,362 | $ 98,618 | $ 125,820 | $ 75,973 | $ 3,488,773 |
| Charge-offs | - | - | - | - | - |
| Recoveries | - | - | - | - | - |
| Provision for loan losses | 320,053 | (1,467) | (59,755) | (973) | 257,858 |
| Ending Balance | $ 3,508,415 | $ 97,151 | $ 66,065 | $ 75,000 | $ 3,746,631 |

| | 2014 | | | | |
|---|---|---|---|---|---|
| | | Participation Loans | | | |
| | CDFI Loans | Manufactured Housing | Charter School | Healthy Foods | Total |
| Allowance for loan losses: | | | | | |
| Beginning balance | $ 2,771,452 | $ 99,986 | $ 183,280 | $ 76,633 | $ 3,131,351 |
| Charge-offs | - | - | - | - | - |
| Recoveries | - | - | - | - | - |
| Provision for loan losses | 416,910 | (1,368) | (57,460) | (660) | 357,422 |
| Ending Balance | $ 3,188,362 | $ 98,618 | $ 125,820 | $ 75,973 | $ 3,488,773 |

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

| | 2015 | 2014 |
|---|---|---|
| Current | $ 483,656 | $ 230,634 |
| Noncurrent | 3,262,975 | 3,258,139 |
| | $ 3,746,631 | $ 3,488,773 |

The allowance for loan losses as a percentage of loans outstanding at December 31, 2015 and 2014 was 3.3 percent and 3.4 percent, respectively, of OFN's loan portfolio.

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

## Note 6. Credit Quality (Continued)

Impaired loans include loans modified in TDRs where concessions have been granted to borrowers experiencing financial difficulties. These concessions could include a reduction of interest rate on the loan, payment extensions, forbearance, or other actions intended to maximize collection. At December 31, 2015 and 2014, OFN had no loans classified as impaired or as TDRs.

**Loans to related interests:** OFN extends loans to CDFIs in accordance with its Financing and Portfolio Management Policies. Consistent with these policies, OFN may extend loans to organizations whose representatives are elected to OFN's Board of Directors by OFN's members; however, no Board member other than the Organization's President and CEO sits on the Investment Committee that approves all loans. During the years ended December 31, 2015 and 2014, there were two new loans made to related interests totaling $1.79 million. At December 31, 2015 and 2014, loans in the amounts of approximately $23.0 million and approximately $20.5 million, respectively, were receivable from CDFIs whose representatives are members of OFN's Board of Directors.

## Note 7. Grants Receivable

Grants were receivable from the following organizations at December 31:

| | 2015 | 2014 |
|---|---|---|
| Wells Fargo | $ - | $ 3,300,853 |
| Goldman Sachs | 295,641 | 25,000 |
| Prudential Foundation | 500,000 | - |
| Other | 102,500 | - |
| | $ 898,141 | $ 3,325,853 |

Grants receivable are due in the normal course of the Organization's operations and are unsecured. Grants receivable are due to be collected as follows at December 31:

| | 2015 | 2014 |
|---|---|---|
| Receivable in one year or less | $ 898,141 | $ 3,375,000 |
| Less: present value discount | - | (49,147) |
| | $ 898,141 | $ 3,325,853 |

## Note 8. Furniture and Equipment

Furniture and equipment consist of the following at December 31:

| | 2015 | 2014 |
|---|---|---|
| Equipment | $ 689,914 | $ 634,564 |
| Furniture and fixtures | 184,684 | 169,926 |
| Software | 10,142 | - |
| | 884,740 | 804,490 |
| Less: accumulated depreciation | 706,909 | 640,645 |
| | $ 177,831 | $ 163,845 |

Total depreciation expense for the years ended December 31, 2015 and 2014 was $66,264 and $70,883, respectively.

## Note 9. Notes Payable

Following is a summary of notes payable at December 31:

| Lender | Interest Rate | Final Maturity Date | Amount 2015 | Amount 2014 |
|---|---|---|---|---|
| Bank Hapaolim B.M. | 2.50% | November 2016 | $ 500,000 | $ 500,000 |
| Bank of America (1) | 2.50% | December 2015 | - | 9,500,000 |
| Bank of America (2) | 1.00% | March 2022 | 4,250,000 | 4,250,000 |
| Bank of America (1) | 2.50% | December 2024 | 10,500,000 | - |
| Capital One | 1.00% | January 2019 | 1,000,000 | 1,000,000 |
| Dignity Health (formerly Catholic Healthcare West) | 2.50% | March 2016 | - | 500,000 |
| Evangelical Lutheran Church in America | 2.00% | June 2015 | - | 400,000 |
| John D. and Catherine T. MacArthur Foundation | 2.00% | January 2016 | - | 335,000 |
| John D. and Catherine T. MacArthur Foundation | 1.00% | October 2022 | 25,000,000 | 25,000,000 |
| John D. and Catherine T. MacArthur Foundation | 1.00% | December 2024 | 5,000,000 | 5,000,000 |
| NY Quarterly Meeting of the Religious Society of Frien | 2.25% | October 2018 | 100,000 | 100,000 |
| NY Quarterly Meeting of the Religious Society of Frien | 3.00% | March 2017 | 250,000 | 250,000 |
| NY Quarterly Meeting of the Religious Society of Frien | 2.25% | April 2017 | 150,000 | 150,000 |
| PNC Bank | 3.25% | June 2015 | - | 2,500,000 |
| PNC Bank | 2.75% | March 2022 | 5,000,000 | - |
| Presbyterian Church (USA) Foundation | 2.00% | November 2025 | 1,000,000 | 1,000,000 |
| Prudential Foundation | 1.00% | December 2025 | 2,500,000 | - |
| The Ford Foundation | 1.00% | May 2017 | 2,000,000 | 3,000,000 |
| The Ford Foundation | 1.00% | June 2018 | 3,000,000 | 3,000,000 |
| The Kresge Foundation | 1.00% | December 2022 | 10,000,000 | 10,000,000 |
| Deutsche Bank Trust Company Americas (3) | 2.23% | September 2015 | - | 500,000 |
| Other (4) | 1.75% - 2.50% | June 2017 to March 2020 | 1,200,000 | 1,100,000 |
| | | | $ 71,450,000 | $ 68,085,000 |
| | | | | |
| Current portion of notes payable | | | $ 2,500,000 | $ 15,000,000 |
| Note payable, noncurrent | | | 68,950,000 | 53,085,000 |
| | | | $ 71,450,000 | $ 68,085,000 |

(1) On December 29, 2014, OFN signed a new $10.5 million 10-year credit facility from Bank of America at the same interest rate of 2.50 percent, replacing the existing $9.5 million facility. The new facility was drawn upon and became effective upon the full repayment of all outstanding balances under the existing facility.

(2) This was originally a $5 million facility under which OFN has drawn $4.25 million, as of December 31, 2014. The remaining undrawn $750,000 availability expired on June 30, 2014.

(3) On December 15, 2015, OFN signed a new $5.0 million 3-year credit facility with Deutsche Bank Trust Company Americas, replacing the existing $5.0 million facility. OFN fully paid all outstanding amounts under the old facility and has not yet borrowed under the new facility.

(4) Included in Other is an undrawn but committed $5.0 million maximum 5-year credit facility with Calvert Social Investment Foundation, which was signed on March 31, 2015.

The weighted average interest rate on loans payable was 1.44 percent and 1.47 percent for the years ended December 31, 2015 and 2014, respectively.

### Note 9. Notes Payable (Continued)

Some of OFN's loan agreements include financial covenants, including current ratios, loan loss reserve ratios, net operating income, and net worth requirements. There are also various reporting requirements. As of December 31, 2015, OFN was in compliance with all financial covenants to which it was subject.

The minimum annual repayment requirements on notes payable as of December 31, 2015 are as follows:

| | |
|---|---|
| Years ending December 31: | |
| 2016 | $ 2,500,000 |
| 2017 | 2,875,000 |
| 2018 | 1,200,000 |
| 2019 | 3,825,000 |
| 2020 | 10,800,000 |
| Thereafter | 50,250,000 |
| | $ 71,450,000 |

### Note 10. Other Liabilities

Other Liabilities are comprised of Equity Equivalent investments (EQ2). An EQ2 investment has a renewable long-term maturity or an indefinite evergreen maturity term as of the closing date, has limited call provisions, and is fully subordinate to all other OFN liabilities. Additional information on EQ2 investments is described in a letter published by the Office of the Comptroller of the Currency on June 27, 1996 and in a technical memo published by OFN in 2001, "An Equity Equivalent Primer." In October 2014, OFN renegotiated the terms of the below $2 million EQ2 to increase the available amount from $2 million at 4.00 percent to $5 million at 2.00 percent and converted the EQ2 term from that of a perpetual maturity to a 10-year defined term with a 2-year principal repayment period if Wells Fargo elects not to renew the EQ2 after 10 years. As of December 31, 2015, OFN had fully drawn down on the $5 million EQ2.

Following is a summary of the equity equivalent investments at December 31:

| | | | | Amount | |
|---|---|---|---|---|---|
| Lender | Repayment Terms | Interest Rate | Maturity Date | 2015 | 2014 |
| Wells Fargo | Quarterly interest only | 2.00% | October 2026 | $ 5,000,000 | $ 3,000,000 |
| | | | | $ 5,000,000 | $ 3,000,000 |

On September 4, 2015, OFN signed new EQ2 agreement for $1.0 million with 2.0 percent interest rate maturing 2026. As of December 31, 2015, OFN had not yet drawn down under this new EQ2 Agreement.

## Note 11. Functional Expenses

Total expenses per the Consolidated Statements of Functional Expenses are reflected in the Consolidated Statements of Activities as follows for the years ended December 31:

| | 2015 | 2014 |
|---|---|---|
| Included in net financing income | $ 1,342,539 | $ 1,380,440 |
| Operating expenses | 10,318,886 | 8,721,071 |
| Expenses - pass-through grants | 954,691 | 961,513 |
| Expenses - other non-operating | - | 871,775 |
| | $ 12,616,116 | $ 11,934,799 |

The general and administrative category includes fundraising expenses of $457,646 and $414,345 for the years ended December 31, 2015 and 2014, respectively. The 2015 breakout of expenses, as a percentage of total functional expenses, are as follows: program expenses (87.2 percent), general and administrative expenses (9.2 percent), and fundraising expenses (3.6 percent). The 2014 breakout of expenses, as a percentage of total functional expenses, are as follows: program expenses (87.8 percent), general and administrative expenses (8.8 percent), and fundraising expenses (3.4 percent).

## Note 12. Net Assets

Unrestricted net assets as of December 31 were as follows:

| | 2015 | 2014 |
|---|---|---|
| Unrestricted, undesignated net assets | $ 12,166,217 | $ 8,888,393 |
| Unrestricted, board designated, financing | 23,621,238 | 23,587,147 |
| Total unrestricted net assets | $ 35,787,455 | $ 32,475,540 |

## Note 12. Net Assets (Continued)

Temporarily restricted net assets at December 31 consist of the following:

| | January 1, 2015 | Grants and Contributions | Net Assets Released | December 31, 2015 |
|---|---|---|---|---|
| Operating: | | | | |
| General operating support | $ 300,000 | $ - | $ 300,000 | $ - |
| Program support | 1,336,074 | 5,105,380 | 3,202,661 | 3,238,793 |
| Total operating | 1,636,074 | 5,105,380 | 3,502,661 | 3,238,793 |
| Financing: | | | | |
| CDFI Financing Capital | 2,857,311 | - | 1,768,559 | 1,088,752 |
| CDFI Healthy Foods Financing Capital | 3,000,000 | - | 1,400,000 | 1,600,000 |
| Awards Financing Capital | 11,637,754 | 36,677 | 206,250 | 11,468,181 |
| Total financing | 17,495,065 | 36,677 | 3,374,809 | 14,156,933 |
| Re-granting | | | | |
| Awards Pass-Through Grants | 1,787,531 | 312,470 | 950,000 | 1,150,001 |
| Create Jobs for USA Pass-Through Grants | 875 | 3,816 | 4,691 | - |
| Total re-granting | 1,788,406 | 316,286 | 954,691 | 1,150,001 |
| Total temporarily restricted net assets | $ 20,919,545 | $ 5,458,343 | $ 7,832,161 | $ 18,545,727 |

| | January 1, 2014 | Grants and Contributions | Net Assets Released | December 31, 2014 |
|---|---|---|---|---|
| Operating: | | | | |
| General operating support | $ - | $ 300,000 | $ - | $ 300,000 |
| Program support | 1,401,123 | 2,036,523 | 2,101,572 | 1,336,074 |
| Total operating | 1,401,123 | 2,336,523 | 2,101,572 | 1,636,074 |
| Financing: | | | | |
| CDFI Financing Capital | 1,183,560 | 1,700,000 | 26,249 | 2,857,311 |
| CDFI Healthy Foods Financing Capital | 2,986,725 | 3,000,000 | 2,986,725 | 3,000,000 |
| Awards Financing Capital | 11,815,125 | 108,425 | 285,796 | 11,637,754 |
| Total financing | 15,985,410 | 4,808,425 | 3,298,770 | 17,495,065 |
| Re-granting | | | | |
| Awards Pass-Through Grants | 2,500,666 | 136,864 | 849,999 | 1,787,531 |
| Create Jobs for USA Pass-Through Grants | 1,319 | 11,070 | 11,514 | 875 |
| Total re-granting | 2,501,985 | 147,934 | 861,513 | 1,788,406 |
| Total temporarily restricted net assets | $ 19,888,518 | $ 7,292,882 | $ 6,261,855 | $ 20,919,545 |

## Note 13. New Markets Tax Credit Program

In 2004, OFN received a NMTC program allocation of $8,000,000 from the Community Development Financial Institutions Fund of the U.S. Department of Treasury. OFN formed CDFI Tax Credit Fund I, LP to obtain designated equity investments from investors and make qualified investments in community development entities in accordance with the terms under the NMTC program. NCCA General Partner, LLC operates as the general partner of CDFI Tax Credit Fund I, LP.

As a .01 percent general partner, NCCA General Partner, LLC, is entitled to .01 percent of any income of CDFI Tax Credit Fund I, LP. In addition, as general partner, NCCA General Partner, LLC, is entitled to an annual management fee of 0.5 percent of the aggregate amount of the Qualified Equity Investments. In 2015 and 2014, NCCA General Partner, LLC earned $33,716 and $33,716, respectively, of management fees related to qualified equity investments under management.

NCCA General Partner, LLC's investment of $845 and $839, respectively, at December 31, 2015 and 2014 in CDFI Tax Credit Fund I, LP is accounted for under the equity method of accounting and included in other investments.

The following is a summary of the audited financial information of CDFI Tax Credit Fund I, LP as of and for the years ended December 31:

| | 2015 | 2014 |
|---|---|---|
| Total assets | $ 6,528,809 | $ 6,331,401 |
| Total liabilities | 2,810 | 2,810 |
| Partners' capital | 6,525,999 | 6,328,591 |
| Total revenue | 294,478 | 97,082 |
| Total expenses | 33,716 | 253,027 |
| Net income (loss) | 260,762 | (155,945) |
| Partner distributions | 63,354 | 58,985 |

As part of the NMTC transaction, OFN has provided a guarantee to the investors and administrative partner in the event OFN or its affiliates cause an NMTC recapture event. The guarantee obligation is limited to the amount of fees that have been paid to OFN as part of the NMTC transaction ($880,000). The seven-year compliance and recapture period ended in 2015; therefore, OFN no longer has a contingent liability under this transaction.

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

In December 2014, OFN closed a $5,000,000 transaction under its Round 10 NMTC $15,000,000 allocation, through Opportunity Fund I, LP, in partnership with Community Health Center Capital Fund, for a NMTC-related financing to a Qualified Low Income Community Business that owns a Medical Facility located in Ironton, OH.

In December 2014, OFN closed a second $5,000,000 transaction under its Round 10 NMTC $15,000,000 allocation, through Opportunity Fund II, LP, in partnership with Leviticus 25:32 Alternative Fund, for a NMTC-related financing to a Qualified Low Income Community Business that owns a Community Health Center located in Brockton, MA.

## Note 13. New Markets Tax Credit Program (Continued)

As a .01 percent general partner, NCCA General Partner, LLC, is entitled to .01 percent of any income of Opportunity Fund I, LP and Opportunity Fund II, LP. In addition, as general partner, NCCA General Partner, LLC, is entitled to an annual management fee of 0.5 percent of the aggregate amount of the Qualified Equity Investments. In 2015, NCCA General Partner, LLC earned $48,646 in management fees related to qualified equity investments under management.

NCCA General Partner, LLC's investment in Opportunity Fund I, LP and Opportunity Fund II, LP is accounted for under the equity method of accounting. The amount of $500 for each entity is included in other investments at December 31, 2014.

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

| | 2015 | 2014 |
|---|---|---|
| Total assets | $ 10,016,133 | $ 10,010,951 |
| Total liabilities | 15,000 | 3,472 |
| Partners' capital | 10,001,133 | 10,007,479 |
| Total revenue | 408,290 | 8,030 |
| Total expenses | 88,858 | 1,007 |
| Net income | 319,432 | 7,023 |
| Partner distributions | 325,778 | - |

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

## Note 14. Commitments and Contingencies

OFN leases it offices under non-cancelable operating leases. For the years ended December 31, 2015 and 2014, total rental expenses under leases amounted to approximately $288,648 and $280,241, respectively. At December 31, 2015, OFN was obligated under its non-cancelable operating lease arrangements, for all office facilities as follows:

| | |
|---|---|
| Years ending December 31: | |
| 2016 | $ 336,415 |
| 2017 | 346,503 |
| 2018 | 328,970 |
| 2019 | 324,876 |
| 2020 | 277,464 |
| Thereafter | - |
| | $ 1,614,228 |

## Note 14. Commitments and Contingencies (Continued)

In connection with the lease, OFN has an irrevocable bank standby letter of credit, expiring November 24, 2015 in the amount of $30,933. A certificate of deposit in a similar amount is held by the same bank.

Commitments to extend credit amounted to $3,706,350 and $4,255,534 as of December 31, 2015 and 2014, respectively.

## Note 15. CDFI Fund Bond Guarantee Program

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

In 2013, the CDFI Fund approved OFN to serve as a Qualified Issuer and issue a $100 million 29.5-year bond on behalf of Clearinghouse CDFI, an Eligible CDFI under the Bond Program.

In 2014, OFN and Clearinghouse CDFI executed bond documents. As of December 31, 2015 and 2014, Clearinghouse CDFI had drawn down $62 million and $18 million, respectively under its $100 million bond facility. OFN earned $1,003,320 and $375,892 in fees related to the Bond Program for the years ended December 31, 2015 and 2014, respectively.

In 2015, the CDFI Fund approved OFN to serve as a Qualified Issuer and issue two bonds totaling $227 million 29.5-year bond on behalf of two groups of Eligible CDFIs under the Bond Program: (1) $100 million on behalf of Clearinghouse CDFI and (2) $127 million on behalf of the following seven CDFIs: Community Ventures Corporation, Community Loan Fund of New Jersey, Citizen Potawatomi Community Development Corporation, Bridgeway Capital, Inc., Federation of Appalachian Housing Enterprises, Inc., Kentucky Highlands Investment Corporation, and The Chicago Community Loan Fund. As of December 31, 2015, no amounts were drawn down under these two bond facilities.

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

## Note 16. Deferred Compensation

OFN has a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers all employees of the organization. OFN contributed $26,741 and $32,955 for the years ended December 31, 2015 and 2014, respectively.

## Note 17. Aeris Insight, Inc. (formerly known as CARS, Inc.)

From 2004 through 2011, CDFI Assessment and Ratings System, Inc. (CARS, Inc.) had operated as an independent program within OFN. CARS, Inc. became a separate independent legal entity, effective January 1, 2012.

As part of the spin-off, CARS, Inc. entered into a Service Agreement with OFN under which OFN provides CARS, Inc. with certain administrative and support services such as finance and accounting, human resources, and information technology. On June 25, 2014, CARS, Inc. changed its name to Aeris Insight, Inc. (Aeris). In exchange for these services, for the years ended December 31, 2015 and 2014, Aeris paid OFN fees under the Service Agreement in the amount of $15,000 and $92,750, respectively. These fees are recorded as Other Fees in the Statement of Activities. Effective December 2014, this Service Agreement was extended to June 2015 and amended to cover only finance and accounting services, after which there were no remaining shared services arrangements between OFN and Aeris.

OFN made an operating grant to Aeris in the amount of $0 and $200,000 during the years ended December 31, 2015 and 2014, respectively. The grant served the goals of OFN's program areas.

In addition to the service fee, through December 31, 2014, OFN billed Aeris directly for certain expenses paid by OFN on behalf of Aeris. These expenses include salaries and benefits of OFN employees that were leased to Aeris as well as certain expenses for telephone, travel, insurance, etc. For the year ended December 31, 2014, OFN billed Aeris $871,775 for these expenses as follows: Salaries and benefits - $867,975 and Program Support - $3,800. Effective December 2014, Aeris and OFN completely separated staff, payroll, occupancy, lease, and all related expenses.

## Note 18. Subsequent Events

Management has evaluated subsequent events through April 29, 2016, the date the consolidated financial statements were available to be issued and noted the following that would warrant disclosure in the consolidated financial statements.

On March 24, 2016, the Organization entered into a new lease agreement for additional office space. The ten-year lease commences on May 1, 2016. Total minimum base rent payable for the additional office space is $15,694, $24,016, $52,664, $68,207, $70,254 and $411,591 for the years ending December 31, 2016, 2017, 2018, 2019, 2020 and thereafter, respectively.

**Opportunity Finance Network**

**Consolidated Statements of Financial Position by Fund**
**December 31, 2015 and 2014**

| | 2015 | | | | | 2014 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | General | Finance | NEXT Awards | Create Jobs for USA Fund | Total | General | Finance | NEXT Awards | Create Jobs for USA Fund | Total |
| **Assets** | | | | | | | | | | |
| Current assets: | | | | | | | | | | |
| Cash and cash equivalents | **$ 6,643,064** | **$ 6,240,093** | **$ 3,650,000** | **$ -** | **$ 16,533,157** | $ 4,785,249 | $ 6,409,254 | $ 3,450,000 | $ 875 | $ 14,645,378 |
| Certificates of deposit | **31,745** | **-** | **-** | **-** | **31,745** | 272,014 | - | - | - | 272,014 |
| Short term investments | **-** | **759,035** | **-** | **-** | **759,035** | - | 382,945 | - | - | 382,945 |
| Current portion of loans receivable, net of allowance for loan losses | **-** | **8,595,032** | **-** | **-** | **8,595,032** | - | 5,731,280 | 4,812,500 | - | 10,543,780 |
| Interest and other receivables | **535,028** | **-** | **-** | **-** | **535,028** | 315,837 | - | - | - | 315,837 |
| Grants receivable | **898,141** | **-** | **-** | **-** | **898,141** | 25,000 | - | 3,300,853 | - | 3,325,853 |
| Other assets | **119,758** | **-** | **-** | **-** | **119,758** | 81,302 | - | - | - | 81,302 |
| **Total current assets** | **8,227,736** | **15,594,160** | **3,650,000** | **-** | **27,471,896** | 5,479,402 | 12,523,479 | 11,563,353 | 875 | 29,567,109 |
| Noncurrent assets: | | | | | | | | | | |
| Long term investments | **-** | **3,280,708** | **-** | **-** | **3,280,708** | - | 3,684,875 | - | - | 3,684,875 |
| CDFI and other investments | **1,845** | **108,187** | **4,000,000** | **-** | **4,110,032** | 1,839 | 159,143 | 4,000,000 | - | 4,160,982 |
| Loans receivable, net of current portion and allowance for loan losses | **-** | **38,574,105** | **58,931,818** | **-** | **97,505,923** | - | 38,393,221 | 49,291,478 | - | 87,684,699 |
| Furniture and equipment, net | **177,831** | **-** | **-** | **-** | **177,831** | 163,845 | - | - | - | 163,845 |
| **Total noncurrent assets** | **179,676** | **41,963,000** | **62,931,818** | **-** | **105,074,494** | 165,684 | 42,237,239 | 53,291,478 | - | 95,694,401 |
| **Total assets** | **$ 8,407,412** | **$ 57,557,160** | **$ 66,581,818** | **$ -** | **$ 132,546,390** | $ 5,645,086 | $ 54,760,718 | $ 64,854,831 | $ 875 | $ 125,261,510 |

(Continued)

**Opportunity Finance Network**

**Consolidated Statements of Financial Position by Fund (Continued)**
**December 31, 2015 and 2014**

| | 2015 | | | | | 2014 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | General | Finance | NEXT Awards | Create Jobs for USA Fund | Total | General | Finance | NEXT Awards | Create Jobs for USA Fund | Total |
| **Liabilities and Net Assets** | | | | | | | | | | |
| Current liabilities: | | | | | | | | | | |
| Accounts payable and accrued expenses | $ 1,258,208 | $ 335,000 | $ - | $ - | $ 1,593,208 | $ 446,425 | $ 335,000 | $ - | $ - | $ 781,425 |
| Deferred revenue | 170,000 | - | - | - | 170,000 | - | - | - | - | - |
| Current portion of notes payable | - | 2,500,000 | - | - | 2,500,000 | - | 15,000,000 | - | - | 15,000,000 |
| **Total current liabilities** | 1,428,208 | 2,835,000 | - | - | 4,263,208 | 446,425 | 15,335,000 | - | - | 15,781,425 |
| Noncurrent liabilities: | | | | | | | | | | |
| Notes payable | - | 26,450,000 | 42,500,000 | - | 68,950,000 | - | 13,085,000 | 40,000,000 | - | 53,085,000 |
| Other liabilities | - | 5,000,000 | - | - | 5,000,000 | - | 3,000,000 | - | - | 3,000,000 |
| **Total noncurrent liabilities** | - | 31,450,000 | 42,500,000 | - | 73,950,000 | - | 16,085,000 | 40,000,000 | - | 56,085,000 |
| **Total liabilities** | 1,428,208 | 34,285,000 | 42,500,000 | - | 78,213,208 | 446,425 | 31,420,000 | 40,000,000 | - | 71,866,425 |
| Commitments and Contingencies | | | | | | | | | | |
| Net assets: | | | | | | | | | | |
| Unrestricted | 3,740,411 | 8,425,806 | - | - | 12,166,217 | 3,562,587 | 5,325,806 | - | - | 8,888,393 |
| Unrestricted - Board designated for financing activity | - | 12,157,601 | 11,463,637 | - | 23,621,238 | - | 12,157,601 | 11,429,546 | - | 23,587,147 |
| Total unrestricted net assets | 3,740,411 | 20,583,407 | 11,463,637 | - | 35,787,455 | 3,562,587 | 17,483,407 | 11,429,546 | - | 32,475,540 |
| Temporarily restricted - Operating | 3,238,793 | - | - | - | 3,238,793 | 1,636,074 | - | - | - | 1,636,074 |
| Temporarily restricted - Re-granting | - | - | 1,150,001 | - | 1,150,001 | - | - | 1,787,531 | 875 | 1,788,406 |
| Temporarily restricted - Financing | - | 2,688,753 | 11,468,180 | - | 14,156,933 | - | 5,857,311 | 11,637,754 | - | 17,495,065 |
| Total temporarily restricted net assets | 3,238,793 | 2,688,753 | 12,618,181 | - | 18,545,727 | 1,636,074 | 5,857,311 | 13,425,285 | 875 | 20,919,545 |
| **Total net assets** | 6,979,204 | 23,272,160 | 24,081,818 | - | 54,333,182 | 5,198,661 | 23,340,718 | 24,854,831 | 875 | 53,395,085 |
| **Total liabilities and net assets** | $ 8,407,412 | $ 57,557,160 | $ 66,581,818 | $ - | $ 132,546,390 | $ 5,645,086 | $ 54,760,718 | $ 64,854,831 | $ 875 | $ 125,261,510 |

**Opportunity Finance Network**

**Schedule of Expenditures of Federal Awards**
**Year Ended December 31, 2015**

| Federal Grantor/Program Title | Federal CFDA Number | Total Federal Expenditures |
|---|---|---|
| U.S. Department of Treasury | | |
| Community Development Financial Institutions Fund | | |
| Direct Programs: | | |
| Community Development Financial Institutions Program | 21.020 | $ 3,400,000 |
| Community Development Financial Institutions Bond Guarantee Program | 21.014 | 62,000,000 |
| **Total expenditures of federal awards** | | $ 65,400,000 |

See notes to schedule of expenditures of federal awards.

## Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Opportunity Finance Network under programs of the federal government for the year ended December 31, 2015. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Opportunity Finance Network, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Opportunity Finance Network.

## Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations,* or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Opportunity Finance Network has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

## Note 3. Community Development Financial Institutions Bond Guarantee Program

The Community Development Financial Institutions (CDFI) Bond Guarantee Program (Bond Program) was enacted through the Small Business Jobs Act of 2010 (Public Law 111-240) on September 27, 2010. The legislation directs the Treasury Department to guarantee the full amount of bonds issued to support CDFIs that make investments for eligible community or economic development purposes.

In 2013, the CDFI Fund approved OFN to serve as a Qualified Issuer and issue a $100 million 29.5-year bond on behalf of Clearinghouse CDFI, an Eligible CDFI under the Bond Program. As a Qualified Issuer, OFN’s primary duties are as a program administrator, monitoring Clearinghouse CDFI’s compliance with all Bond Program requirements.

OFN and Clearinghouse CDFI have executed bond loan documents. As of December 31, 2014, Clearinghouse CDFI drew down $18 million under its first $100 million bond facility. For the year ended December 31, 2015, Clearinghouse CDFI drew down $44 million under its first $100 million bond facility. As of December 31, 2015, the outstanding bonds guaranteed by the U.S. Treasury is $62,000,000 and is included in federal expenditures presented in the Schedule.

In 2015, the CDFI Fund approved OFN to issue an additional eight 29.5-year bonds on behalf of Eligible CDFIs under the Bond Program. OFN issued a second $100 million bond on behalf of Clearinghouse CDFI, and $127 million on behalf of the following seven CDFIs: a $15 million bond on behalf of Community Ventures Corporation, a $28 million bond on behalf of Community Loan Fund of New Jersey, Inc., a $16 million bond on behalf of Citizen Potawatomi Community Development Corporation, a $15 million bond on behalf of Bridgeway Capital, Inc., a $15 million bond on behalf of Federation Appalachian Housing Enterprises, Inc., a $10 million bond on behalf of Kentucky Highlands Investment Corporation, and a $28 million bond on behalf of The Chicago Community Loan Fund.

OFN and the Eligible CDFIs have executed bond loan documents. As of December 31, 2015, no funds have been drawn on the 2015 Bonds.

## Note 4. Community Development Financial Institutions Program

Financial assistance grant funds from the Community Development Financial Institutions Fund are considered expended once they are expensed for authorized uses. Therefore, grant funds of $3,400,000 are included in federal expenditures presented in the Schedule.

**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

To the Board of Directors
Opportunity Finance Network
Philadelphia, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Opportunity Finance Network, which comprise the consolidated statement of financial position as of December 31, 2015, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated April 29, 2016.

**Internal Control Over Financial Reporting**
In planning and performing our audit of the financial statements, we considered Opportunity Finance Network's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Opportunity Finance Network's internal control. Accordingly, we do not express an opinion on the effectiveness of Opportunity Finance Network's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**Compliance and Other Matters**
As part of obtaining reasonable assurance about whether Opportunity Finance Network's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

Blue Bell, Pennsylvania
April 29, 2016

**Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance**

To the Board of Directors
Opportunity Finance Network
Philadelphia, Pennsylvania

**Report on Compliance for the Major Federal Program**
We have audited Opportunity Finance Network's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Opportunity Finance Network's major federal program for the year ended December 31, 2015. Opportunity Finance Network's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***
Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***
Our responsibility is to express an opinion on compliance for the Opportunity Finance Network's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Opportunity Finance Network's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Opportunity Finance Network's compliance.

***Opinion on the Major Federal Program***
In our opinion, Opportunity Finance Network complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2015.

**Report on Internal Control over Compliance**

Management of Opportunity Finance Network is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Opportunity Finance Network's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Opportunity Finance Network's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

RSM US LLP

Blue Bell, Pennsylvania
July 19, 2016

**Opportunity Finance Network**

**Schedule of Findings and Questioned Costs**
**Year Ended December 31, 2015**

I. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the consolidated financial statements audited were prepared in accordance with GAAP: unmodified

Internal control over financial reporting:

| | | | | |
|---|---|---|---|---|
| ▪ Material weakness(es) identified? | ______ | Yes | X | No |
| ▪ Significant deficiency(ies) identified? | ______ | Yes | X | None Reported |
| Noncompliance material to financial statements noted? | ______ | Yes | X | No |

Federal Awards

Internal control over major programs:

| | | | | |
|---|---|---|---|---|
| ▪ Material weakness(es) identified? | ______ | Yes | X | No |
| ▪ Significant deficiency(ies) identified? | ______ | Yes | X | None Reported |

Type of auditor's report issued on compliance for major federal program: unmodified

| | | | | |
|---|---|---|---|---|
| ▪ Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)? | ______ | Yes | X | No |

Identification of major programs:

| CFDA Number | Name of Federal Program |
|---|---|
| 21.014 | Community Development Financial Institutions Bond Guarantee Program |

| | | | | |
|---|---|---|---|---|
| Dollar threshold used to distinguish between type A and type B programs | $750,000 | | | |
| Auditee qualified as low-risk auditee? | ______ | Yes | X | No |

II. Financial Statement Findings

No matters were reported.

III. Findings and Questioned Costs for Federal Awards

No matters were reported.

**Opportunity Finance Network**

**Summary Schedule of Prior Audit Findings**
**Year Ended December 31, 2015**

A. Findings and Questioned Costs

No matters were reported.