



Q2 2016

REPORT TO INVESTORS

OPPORTUNITYFINANCE  TM
NETWORK

**We Believe in Opportunity.
For All.**

OFN.ORG

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About Opportunity Finance Network

Opportunity Finance Network (OFN) is the nation’s leading network of community development financial institutions (CDFIs), with 240 high-performing CDFI Members that provide financing to benefit low-income and low-wealth people and places in all 50 states, and manage more than \$11 billion in capital. OFN’s mission is to lead CDFIs and their partners to ensure that low-income and low-wealth people and communities have access to affordable, responsible financial products and services.

Headquartered in Philadelphia, OFN has assets of more than \$138 million and 40 full-time employees as of June 30, 2016. OFN is led by a ten-person executive team that draws experience from all sectors of the financial industry to drive six key program areas: financing, strategic initiatives, public policy, knowledge sharing, strategic consulting, strategic communications, and small business initiatives. OFN also functions as the leading voice for the CDFI industry through presentations, articles, and public relations.

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Financing

OFN Financial Services includes the OFN Financing Fund, which makes loans to and investments in Member CDFIs. OFN Managed Asset Services underwrites and manages the socially responsible investments of clients.



Investing in CDFIs via the OFN Financing Fund.

As of 6/30/2016, OFN's Financing Fund had \$125 million in loans and investments outstanding or committed, including \$65.0 million in loans outstanding under the NEXT Awards. During the second quarter of 2016, OFN closed four loans totaling \$9.4 million.

Managing Assets for CDFI Investors. OFN provides underwriting and monitoring services for third-party investments in CDFIs, leveraging its underwriting and CDFI expertise to make it easier for institutional investors to invest in CDFIs. In the second quarter of 2016, OFN underwrote two loans for third party clients, totaling \$600,000.

Issuing Bonds. OFN is an approved Qualified Issuer under the CDFI Fund Bond Guarantee Program ("BGP"), helping creditworthy CDFIs access long-term, affordable capital. Under this new Federal Credit Program, CDFIs can borrow up to 30 years at a small premium to U.S. Treasuries. In addition to the \$100 million bond closed in 2014 and the \$227 million in bonds issued in 2015, OFN submitted an application in the first quarter of 2016 for another multi-party bond on behalf of several Member CDFIs totaling \$177 million. The multi-party bond group includes a diverse range of rural and urban CDFIs. If approved, this will continue OFN's contribution to the opportunity finance industry by increasing access to responsible and affordable capital for CDFIs and the communities they work in.

New Markets Tax Credit Program. OFN was awarded a \$15 million Round 10 New Markets Tax Credit (NMTC) allocation in 2013. In the first quarter of 2016, OFN closed one NMTC transaction for \$5 million, completely deploying the remainder of its \$15 million NMTC allocation award by collaborating with two OFN Members to finance a grocery-anchored shopping center. OFN's NMTC strategy is to increase OFN Members' access to NMTC allocation. OFN's NMTC strategy fits within OFN's overall financing strategy to lead the industry in efficient, scalable, and affordable financing products that can provide significant new capitalization for its Member CDFIs.



Strategic Initiatives

Strategic Initiatives develops and executes key industry initiatives that increase capital, resources, capacity, and/or visibility for the opportunity finance industry.



The Wells Fargo NEXT Awards for Opportunity Finance

recognize and reward high-performing CDFIs that demonstrate compelling strategies to expand coverage in low-income, low-wealth, and other

disinvested communities. Partners include Wells Fargo, Prudential, the MacArthur Foundation, and the Kresge Foundation. The 2016 NEXT Awards again have the subtheme of **Consumer Financial Services**. Applications for the **NEXT Opportunity Award** and **NEXT Seed Capital Award** closed in March. In July, after reviewing all of the applications, OFN and the NEXT Awards Selection Committee selected the awardees who will be announced publicly in August. OFN will celebrate the 10th anniversary of the NEXT Awards at the NEXT Awards Ceremony at the OFN Conference in Atlanta, GA in October. Please visit nextawards.org to read success stories, view the press release from the 2015 Awards, and watch videos.

Consumer Finance. To leverage the consumer finance theme of the NEXT Awards, OFN is facilitating industry-building consumer finance activities with support from Prudential, including a [consumer financial services webinar series](#). The series began in 2015, and in June 2016, OFN successfully completed its sixth webinar in the series, *The Power and Potential of CDFI Credit Union and Loan Fund Partnerships*.

Performance Counts. Performance Counts is an industry-led collaborative effort to develop industry standards and best practices around financial statements and financial management, and serve as an industry forum for sharing information, documents, and ideas. Performance Counts has published [three papers](#), with the latest in 2015 on Liquidity and Cash Management. In 2016, Performance Counts is discussing the topics of financial covenants and loan agreement issues. Performance Counts also hosts an online community for CDFI CFOs and other financial professionals, which, as of Q2 2016, includes more than 100 individuals.

Talent Development. OFN's emerging strategy for talent development seeks to recruit, train, and retain a qualified and capable workforce for the opportunity finance industry for the next ten to twenty years. OFN's talent strategy has four components—Leadership, Diversity, Education, and Career Development—and is incorporated across OFN's various lines of business. In June 2016, OFN, along with the Carsey School of Public Policy, hosted the first session of its training course on the [fundamentals of the opportunity finance industry](#) at the University of New Hampshire. Read the [blog](#) post which summarizes the successful course. OFN and Carsey will offer the next course in September in Seattle, WA.

Diverse Community Capital Program. OFN is contracted by Wells Fargo to support its [Wells Fargo Works for Small Business®: Diverse Community Capital program](#). Launched in the fall of 2015, this three-year initiative is delivering \$75 million in grants



and lending capital to CDFIs that serve diverse-owned small businesses with a particular focus on African-American owned businesses. The program also provides social capital programs offered through OFN to help CDFIs increase their capacity to lend to diverse small businesses, including knowledge networks, consulting, and other collaborative efforts.



Public Policy

OFN's main activities in implementing the [2016 CDFI Policy Agenda](#) during the second quarter of 2016 centered around OFN's Annual Advocacy Day, held on May 24-25. Advocacy Day was key to advancing OFN's public policy priorities, particularly those involving "Improve Access to Federal Resources for CDFIs" and "Get Involved."

Advocacy Day

OFN's 2016 Advocacy Day brought 63 participants from 47 CDFIs to Washington, DC to advocate for the opportunity finance industry. At this year's bipartisan Congressional Awards Reception, OFN honored Sen. John Boozman (R-AR), Sen. Chris Coons (D-DE), Rep. Keith Ellison (D-MN), and Rep. Jaime Herrera Beutler (R-WA) for their support of the CDFI industry and the policies that foster economic growth in distressed communities nationwide.



Advocacy Day included over 100 Congressional meetings with members of Congress and their staff in both chambers and on both sides of the aisle. Participants asked members of Congress to support \$250 million in FY 2017 appropriations funding for the CDFI Fund, as well as a continuation of the CDFI Bond Guarantee Program through FY 2017. OFN Members also met with representatives from the U.S. Department of Agriculture and the Federal Housing Finance Agency.

The Virtual Advocacy Day campaign helped OFN engage with Members and allies in DC and across the country, resulting in more than two million impressions across social media—500,000 more than last year. Advocacy Day activities ended with a briefing by the Office of Management and Budget (OMB) at the White House. Participants met with senior OMB officials for a discussion on the impact the CDFI industry makes on communities across the country.

Improve CDFI Access to Federal Resources

The messages carried by CDFIs on Advocacy Day focused on CDFI Fund FY 2017 appropriations and extension of the CDFI Bond Guarantee Program. OFN also responded to a request for comment issued by the CDFI Fund on interim regulations for the Capital Magnet Fund program. In May, the House Appropriations Committee recommended a \$250 million appropriation for the CDFI Fund for FY 2017 and \$250 million for the CDFI Bond Guarantee Program. In June, the Senate Appropriations Committee recommended \$233.5 million appropriation for the CDFI Fund for FY 2017 and \$500 million for the CDFI Bond Guarantee Program.

Increase State Resources for CDFIs

OFN stayed engaged in state-level work by presenting at the Treasury Department's State Small Business Credit Initiative Conference in May and by monitoring state legislative developments.



Get Involved

OFN offers its Members an array of tools and resources to support involvement in the CDFI Policy Agenda. In addition to fact sheets, background information, and training to support Advocacy Day participants, OFN held two webinars to provide background on effective advocacy along with information on participating in the Virtual Advocacy Day.



Knowledge Sharing

Knowledge Sharing transforms the CDFI field with peer learning, training, research, and analysis.

In the second quarter, Knowledge continued researching quality jobs and depository institutions. The first project is a qualitative study of how CDFIs are promoting the creation of quality jobs. Funded by the Surdna Foundation, this research is based on interviews with five CDFIs that are actively promoting the creation of quality jobs. The paper will be published by the end of August. The second project is a longitudinal study of CDFI credit unions and CDFI banks funded by Capital One.



In the second quarter, Knowledge Sharing held three regional meetings: the Northeast Regional meeting in Brunswick, Maine; the Southeast regional meeting in Washington, DC (in conjunction with OFN's Advocacy Day); and the West regional meeting in Los Angeles. More than 200 people attended the three regional meetings held in the second quarter, representing 112 CDFIs, funders, investors, government agencies, and other stakeholders.

From June 8-9, OFN held the 2016 Small Business Finance Forum in Chicago. The 2016 Small Business Finance Forum drew a record crowd, and featured a partnership with the SBA Microloan Intermediaries Training program. More than 400 people attended, with representatives from 144 CDFIs, 11 banks, 7 federal and local government agencies, and 39 foundations, consulting firms, and other industry stakeholders.

The hot topic throughout the Forum was hearing from the borrower's perspective. With insights covering a range of topics—from what the predatory lending landscape really looks like, to why it is critical for CDFIs and other mission-driven lenders to innovate within the industry in order to reach small businesses—there was a significant sense that the need for affordable capital for small businesses, as well as the support and technical assistance that CDFIs provide, has never been more important.

In Q2 Knowledge Sharing also continued to plan for the 2016 OFN Conference in Atlanta in October, issuing the Call for Sessions for the 2016 OFN Conference and working with OFN's Georgia Members to plan the CDFI industry's premier annual event.



Strategic Consulting

OFN's Strategic Consulting team advances OFN's mission to lead CDFIs, CDFI investors, and their partners to ensure that low-income, low-wealth, and other disinvested people and communities have access to affordable, responsible financial products and services. For more than 20 years, Strategic Consulting has provided unparalleled CDFI industry expertise and experience when delivering Services for CDFI Investors, Services for CDFIs, and CDFI Industry Capacity Building Initiatives. In the second quarter of 2016, Strategic Consulting continued work on several exciting initiatives benefiting CDFIs and CDFI investors.



CDFI Industry Capacity Building Initiatives

New Initiatives beginning in 2016

Through the **Wells Fargo Diverse Community Capital** program, OFN offers opportunities for CDFIs to develop replicable strategies to increase lending to diverse small businesses. The first Knowledge Network of 19 CDFIs was launched in Q1 to provide Wells awardees with opportunities to share and document best practices around underwriting, marketing, and tailored products. During Q2, the Knowledge Network had its first in-person meeting at the Small Business Finance Forum, during which innovative approaches to increase lending to diverse small business owners were proposed. OFN plans to follow through on these approaches in Q3. Additionally, three members of the Knowledge Network led a session on underwriting best practices.

The **Consumer Finance Knowledge Network** is an initiative that arose from the 2015 NEXT Awards. OFN has convened a knowledge network of CDFIs that are actively providing employer-based small dollar loans and exploring expansion opportunities in underserved communities. A paper will document best practices and opportunities for others in the industry to consider offering this important new loan product.

As an exciting next step to the two-day **Business Model for Growth: A Workshop for Small Business Lenders** held in Durham in February, workshop participants were eligible to apply for an 8-month intensive cohort experience, culminating in the creation of a business plan for small business lending. The **Business Model for Growth Cohort** launched April 2016, with continued support from BB&T. The Cohort provides an opportunity for a group of five CDFIs, from throughout BB&T's footprint, to significantly and strategically increase small business lending in their own organizations. The Cohort experience builds on the concepts introduced in the February workshop, through monthly webinars for additional training, bi-monthly cohort calls for peer learning, and monthly sessions with an expert mentor.



Continuation of Existing Programs

OFN continues to build capacity among small business lenders through the multi-year **Goldman Sachs 10,000 Small Businesses Financing Initiative**. In Q2, the 24 small business lenders in the two-year Small Business Finance Collaborative convened in Chicago, just prior to the 2016 Small Business Finance Forum, to dive deep into priority issues focused on common growth opportunities and challenges. To take their peer learning model further and to focus on specific topics of shared interest, the group is planning a series of CDFI site visits, hosted by several Collaborative members, beginning in Q3 and continuing into Q4.

The Strategic Consulting team completed a series of public webinars—also sponsored by GS10KSB—focused on growth and innovation for small business lenders. Featured speakers on each webinar included members of the Finance Collaborative who integrated these operational strategies, tools, and best practices into their lending. OFN delivered the final four webinars in Q2 to more than 175 practitioners. Topics included *Customer Acquisition and Retention*, *Lending Life Cycle – Part One: Finding Existing Barriers to Loan Growth*, *Lending Life Cycle – Part Two: Lending Life Cycle and Technology*, and *Talent Management*. The recorded webinars are now available as an online resource library to benefit mission-driven lenders across the country.

Strategic Consulting continues to lead the CDFI Fund's **Expanding CDFI Coverage in Underserved Areas** capacity building initiative to fill the gaps in CDFI service coverage in disinvested communities in the United States and its territories. OFN is currently completing the provision of one-to-one technical assistance to 44 CDFIs. To complete its commitment to deliver 15 public webinars, OFN delivered the final five webinars on expanding CDFI coverage—drawing 198 practitioners—in Q2. Topics included *Guidelines to CDFI Portfolio Management*, *Offering a New-Equity Product; Small Dollar Loans; Increasing Impact of Community Development Credit Unions through High Impact Products and Services*; and *Looking Forward: Industry Trends*.

The **Baltimore CDFI Roundtable**, supported by an OFN partnership with the Annie E. Casey Foundation, met once in Q2. At that meeting, members of the Detroit CDFI Coalition shared with the Roundtable their experience organizing as a coalition and collaborating to increase their impact in Detroit. The Baltimore CDFIs have formed a leadership committee that is responsible for driving the agenda of future in-person gatherings. Additionally, a series of meetings focusing on increasing small business lending opportunities and challenges started in Q2.

With support from BBVA Compass, the new **Center for Opportunity Finance Leadership** is under development and will launch at the OFN Conference in Atlanta, with training to begin early 2017.

Services for CDFI Investors: The Strategic Consulting team continues to work with banks, foundations, and impact investors to implement or improve their CDFI investment programs. Plans are underway for a series of invitation-only sessions for investors at the upcoming OFN Conference in Atlanta. Recent engagements with CDFI investors in this quarter have included CDFI underwriting trainings for both bank and government agency lenders, and ongoing work with investor clients.



Strategic Communications

Strategic Communications pursues visibility for OFN and CDFIs by crafting the **opportunity finance** category brand. It tells the CDFI story, connects Members to the brand, highlights strategic industry issues and initiatives, and delivers marketing for OFN line of business programs, products, and services. Its campaigns attract broad audiences—including policy makers, investors, funders, and borrowers—to lay the foundation for the opportunity finance movement.



In Q2, based on a Q1 analysis of website traffic and user behavior, the team updated OFN's primary website, ofn.org, to improve the user experience, showcase popular content, and improve OFN's promotional capability. **OFN launched the web refresh in May** with a more interactive and mobile-friendly home page and improved navigation to help audiences quickly identify where they want to go.

At the same time, the team also launched the [OFN blog](#), **evolving the CDFI Connect news service to a new interactive format and a prominent position on the OFN homepage**. The new CDFI Connect features frequent posts from OFN staff and guest authors, covering CDFI news, events, policy, publications, jobs, and more. As a result of the web refresh, the website bounce rate is down 5%. Just a few weeks into producing CDFI Connect, OFN has already showcased timely news and the latest in thought leadership for the opportunity finance industry. The blog has featured posts from 18 members of the OFN staff and has supported several OFN events through live blogging. OFN welcomes reader comments on each post and promotes new blog readership via social outreach and an emailed digest.

CDFI Connect has been instrumental in supporting several partner initiatives. OFN interviewed Connie Smith of Wells Fargo on the second round opening of the [Wells Fargo Diverse Community Capital](#) (DCC) program. The blog also highlighted the Goldman Sachs [Small Business Finance Collaborative](#) and the [Wells Fargo DCC Knowledge Network](#) through blog posts and social media support. It also announced the finalists of the [Wells Fargo NEXT Awards for Opportunity Finance](#) and the NEXT Seed Capital Award finalists.

In the second quarter OFN convened three regional meetings, Advocacy Day, and the Small Business Finance Forum. For 2016, **Strategic Communications staff decided to have a stronger physical presence at all OFN events**. To that end, all events were staffed by at least one member of the strategic communications team so the team could be onsite to engage with Members, raise awareness of OFN's communication efforts, and answer questions.

For Advocacy Day, Strategic Communications collaborated with Public Policy on new and updated [fact sheets](#), developed six new borrower stories for key states, supported participating Members through the development of four new profiles and 35 updated profiles, and launched a [Virtual Advocacy Day](#) social media campaign



with nearly 2 million impressions from May 24-May 25 (including participation from policy makers). The team also provided visibility for the four congressional offices that were named in the Congressional Champion Award via press releases and other outreach.

Strategic Communications partnered with Knowledge Sharing in the promotion and support of the [Small Business Finance Forum](#), which attracted its largest attendance to date, with 382 attendees. Communications staff were onsite to cover the event on social media and the blog, as well as to oversee and support event production.

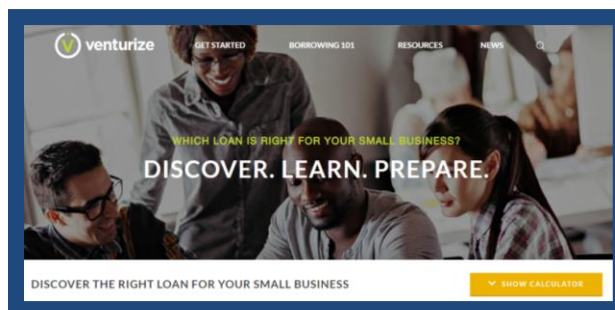
The team's **Public Relations** efforts played a strong role in the [Venturize](#) launch at the Small Business Finance Forum. The team recruited borrower stories from Members and conducted pitching through a social media photo and story contest. Strategic Communications secured interviews that were featured in publications in [Forbes](#), [Black Enterprise](#), [Generocity](#), [NNPA Black Press USA](#), and the [Business Journals](#). The team's communications efforts also played a role in securing a commitment from the [Clinton Global Initiative](#). The team continues to support Venturize through daily social media posts, through outreach and partnership with Members, and at national events.

Strategic Communications also began planning for OFN's Annual [Conference](#), establishing a Conference Theme, and submitting an RFP for a creative vendor. This resulted in a partnership with [Pixel Parlor](#), a Philadelphia-local, Certified B-Corporation, woman-owned marketing and design small business. The Conference theme will be revealed in Q3.



Small Business Initiatives

Small Business Initiatives develops and executes programs that directly impact small business borrowers, with a primary focus on providing resources to help small business owners access capital.



Venturize Platform. This year, OFN, with support from Sam’s Club Giving Program, launched the Venturize campaign. Venturize educates small business owners who have the most trouble accessing traditional credit, providing them with the information they need to make the best choice for their small businesses. Venturize provides clear, trustworthy information and mobile-friendly tools to compare financing options or prepare a loan application—with no strings attached.

Reaching 250,000 Small Business Owners. Venturize launched on June 8 at OFN’s annual Small Business Finance Forum. The campaign is targeted to educate 250,000 small business owners by the end of 2017, and in its first week Venturize had 10,778 unique users.

Technical Assistance. In 2017, Venturize will broaden its reach by offering technical assistance and additional technology tools for small business owners to access responsible capital.

Commitment to Clinton Global Initiative (CGI). In addition to the work with Venturize, Small Business Initiatives made a commitment to CGI to engage 250,000 small business owners who are women and people of color under the age of forty, empowering them to make more informed loan decisions. Venturize will also secure commitments from ten for-profit entities to promote the mission of ensuring responsible and transparent capital to small business owners.



Appendix A: Financial Performance

Attached are OFN's unaudited financial statements, as of 6/30/16. A highlight of financial performance based on the unaudited financial statements is as follows:

- **Operating Performance.** For the quarter ending 6/30/16, OFN posted an unrestricted operating deficit of \$680,000, which is approximately what was budgeted year-to-date. For the year, OFN has budgeted a \$260,000 operating surplus or approximately a 2% unrestricted operating margin. For the quarter ending 6/30/16, OFN's self-sufficiency ratio was 54.8%, which represents the percentage of operating expenses (excluding pass-through grants) that were covered through earned revenue sources. For the quarter, OFN generated \$4.6 million in unrestricted net operating revenue (net of interest expense and loan loss reserves), which included approximately \$2.5 million in net earned income and \$2.2 million in grants/donations (including net assets released from restriction). Of the net earned income, approximately 55% reflects income related to financing activities, with the balance representing Consulting fees, Knowledge Sharing revenue, membership dues, and other program revenue.
- **Balance Sheet.** As of 6/30/16, OFN's total assets were approximately \$139 million, representing a \$6 million or 5% increase from 12/31/15. OFN's net asset ratio remained strong at 38.9%, and OFN's adjusted net asset ratio (which excludes temporarily restricted net assets for operations and pass-through grants) was 35.7% as of 6/30/16.
- **Portfolio Performance.** As of 6/30/16, OFN's loans and investments outstanding were approximately \$123.9 million. OFN's allowance for loan losses represented 3.2% of Gross Loans and Investments. OFN re-evaluates its portfolio regularly and adjusts risk ratings and reserves as appropriate. OFN currently has no delinquencies greater than 30 days, and OFN has not experienced a charge-off in its financing history.
- **Credit Rating.** In July 2013, OFN was rated for the first time by Aeris (formerly known as CDFI Assessment and Ratings System [CARS], Inc), an external credit rating agency for the CDFI industry. OFN was awarded a 1AAA+ rating, the highest rating possible, awarded to less than 5% of the CDFI industry. In August 2015, Aeris completed its latest annual rating review process. OFN maintained its 1AAA+ rating.



Appendix B: Organizational Update

OFN's core senior management team and Board of Directors remain strong.

- **Senior Staff changes.** After more than 20 years at OFN's helm, Mark Pinsky stepped down as President and CEO to explore new challenges and opportunities.

The OFN Board, including Board Chair Lori Chatman, President of Enterprise Community Loan Fund, and Board Vice Chair Dave Glaser, President of Montana-Idaho CDC, has named Fran Lutz as Interim CEO. Fran, who joined OFN in 2012 as CFO, has 20 years of international banking, capital markets, and wealth management experience. Beth Lipson, who brings 19 years of leadership with OFN, will resume her former role as CFO on an interim basis. Reflecting its commitment to OFN and its work, the Board has also asked Penelope Douglas, a longtime OFN board member and CDFI founder, to serve as Senior Advisor during our transition.

The Board is laying the groundwork for a national CEO search. OFN's goal is to engage multiple perspectives and have a new CEO on board at OFN as soon as possible.

- **Board of Directors.** There were no Board of Directors changes at OFN during Q2 2016.





Appendix C: Membership

OFN welcomed two new Members in Q2, bringing Membership to a total of 240

 **Harlem Entrepreneurial Fund**– New York, NY

 **Network for Oregon Affordable Housing (NOAH)** – Portland, OR



Appendix D: Detailed Financial Information

- Unaudited Financial Statement
- Portfolio Monitoring Report
- Financing Fund Report

OPPORTUNITY FINANCE NETWORK
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
PERIOD ENDED JUNE 30, 2016
WITH COMPARATIVE INFORMATION FOR 2015 (AUDITED)

	As of June 30, 2016			As of December 31, 2015 (Audited)		
	GENERAL	FINANCING	TOTAL	GENERAL	FINANCING	TOTAL
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	\$ 6,064,274	\$ 7,105,093	13,169,367	\$ 6,625,040	\$ 9,870,034	16,495,074
Interest and other receivables	405,280	-	405,280	535,028	-	535,028
Current portion of grants receivable	725,641	-	725,641	898,141	-	898,141
Short-term investments	296,602	-	296,602	49,769	-	49,769
Current portion of loans receivable	-	9,308,863	9,308,863	-	13,891,188	13,891,188
Allowance for loan losses, current	-	(316,520)	(316,520)	-	(483,656)	(483,656)
TOTAL CURRENT ASSETS	7,491,797	16,097,436	23,589,233	8,107,978	23,277,566	31,385,544
NONCURRENT ASSETS						
Loans receivable - net of current portion	-	110,576,914	110,576,914	-	95,959,783	95,959,783
Community development investments	-	4,000,000	4,000,000	-	4,000,000	4,000,000
Amortized loan fees	-	(9,003)	(9,003)	-	(3,385)	(3,385)
Allowance for loan losses, noncurrent	-	(3,685,436)	(3,685,436)	-	(3,262,975)	(3,262,975)
Net Loans & Investments Receivable - noncurrent	-	110,882,475	110,882,475	-	96,693,423	96,693,423
Grants receivable - noncurrent	-	-	-	-	-	-
Long term investments	-	4,057,227	4,057,227	-	4,059,802	4,059,802
Equity investments in CDFIs	-	8,499	8,499	-	108,187	108,187
Furniture and equipment, net	198,708	-	198,708	177,831	-	177,831
TOTAL NONCURRENT ASSETS	198,708	114,948,201	115,146,909	177,831	100,861,412	101,039,243
OTHER ASSETS	83,148	-	83,148	121,603	-	121,603
TOTAL ASSETS	\$ 7,773,653	\$ 131,045,637	\$ 138,819,290	\$ 8,407,412	\$ 124,138,978	\$ 132,546,390
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts payable and accrued expenses	\$ 776,863	\$ -	\$ 776,863	\$ 1,258,208	\$ 335,000	\$ 1,593,208
Deferred Revenue	\$ 28,611	\$ -	\$ 28,611	\$ 170,000	-	170,000
Grants Payable	\$ -	\$ -	\$ -	\$ -	-	-
Current portion of notes payable	\$ -	\$ 2,975,000	\$ 2,975,000	\$ -	2,500,000	2,500,000
TOTAL CURRENT LIABILITIES	805,474	2,975,000	3,780,474	1,428,208	2,835,000	4,263,208
NONCURRENT LIABILITIES						
Notes payable net of current portion	-	75,975,000	75,975,000	-	68,950,000	68,950,000
Other Liabilities net of current portion (Note 1)	-	5,000,000	5,000,000	-	5,000,000	5,000,000
TOTAL LIABILITIES	805,474	83,950,000	84,755,474	1,428,208	76,785,000	78,213,208
NET ASSETS						
Unrestricted	3,137,594	9,925,806	13,063,400	3,740,411	8,425,806	12,166,217
Unrestricted - Designated for Financing	-	23,621,238	23,621,238	-	23,621,238	23,621,238
Temporarily restricted - Operations	3,830,585	-	3,830,585	3,238,793	-	3,238,793
Temporarily restricted - Pass Thru Grants	-	1,150,001	1,150,001	-	1,150,001	1,150,001
Temporarily restricted - Financing	-	12,398,592	12,398,592	-	14,156,933	14,156,933
TOTAL NET ASSETS	6,968,179	47,095,637	54,063,816	6,979,204	47,353,978	54,333,182
TOTAL LIABILITIES AND NET ASSETS	\$ 7,773,653	\$ 131,045,637	\$ 138,819,290	\$ 8,407,412	\$ 124,138,978	\$ 132,546,390
KEY RATIOS						
Net Assets/ Total Assets			38.9%			41.0%
(Net Assets + Sub Debt + EQ2)/ Total Assets			42.5%			44.8%
Adjusted Net Asset Ratio (Note 2)			35.7%			38.0%
Months of Operating Liquidity (Note 3)			5.5			7.1
Total Gross Loans Receivable		\$ 123,885,777			\$ 113,850,971	

Note 1: Other liability is unsecured, subordinated term loan from one investor.

Note 2: Adj Net Asset Ratio = (Unrestricted Net Assets + Temporarily Restricted NA for Financing) / (Total Assets - Net Assets for Pass-Through Grants)

Note 3: Months of Operating Liquidity = Cash & Cash Equiv + ST inv in Gen'l Fund / Projected Average Monthly Operating Exp (excl. LLR)

Consolidated financial statements include Opportunity Finance Network, NCCA General Partner LLC, and OFN GP LLC

**OPPORTUNITY FINANCE NETWORK
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR-TO-DATE JUNE 30, 2016
WITH COMPARATIVE INFORMATION FOR 2015 (AUDITED)**

	YTD June 30, 2016			2015 (Audited)		
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
OPERATING ACTIVITIES						
REVENUE AND SUPPORT						
Grants and Donations						
Grants for Operations	\$ 175,000	\$ 2,229,757	\$ 2,404,757	\$ 425,000	\$ 5,105,380	\$ 5,530,380
Donations & Other Contributions	1,189	-	1,189	110,073	-	110,073
Net Assets Released from Restrictions - ALL	258,341	(258,341)	-	274,809	(274,809)	-
Net Assets Released from Restrictions - Operations	1,637,965	(1,637,965)	-	3,502,661	(3,502,661)	-
Net Grants and Donations	2,072,495	333,451	2,405,946	4,312,543	1,327,910	5,640,453
NET EARNED INCOME						
Interest on Loans	2,007,388	-	2,007,388	3,666,517	-	3,666,517
Interest on Portfolio CDs	60,025	-	60,025	120,033	-	120,033
Interest Expense and Fees	(590,628)	-	(590,628)	(1,084,681)	-	(1,084,681)
Provision for Loan Loss Expense	(255,325)	-	(255,325)	(257,858)	-	(257,858)
Net Financing Income	1,221,460	-	1,221,460	2,444,011	-	2,444,011
Dues	369,663	-	369,663	365,688	-	365,688
Fees - Consulting	375,039	-	375,039	1,181,995	-	1,181,995
Fees - Conference	5,000	-	5,000	710,611	-	710,611
Fees - Contract Income from Aeris	-	-	-	15,000	-	15,000
Fees - Financial Services	184,941	-	184,941	1,123,221	-	1,123,221
Fees - NMTC	22,226	-	22,226	46,040	-	46,040
Fees - Knowledge Sharing	117,660	-	117,660	74,775	-	74,775
Fees - Strategic Initiatives	136,389	-	136,389	159,541	-	159,541
Fees - Other (incl. expense reimbursement income)	1,575	-	1,575	2,276	-	2,276
Investment Income - Interest	57,578	-	57,578	125,912	-	125,912
Investment Income - Realized Gains/Losses	(350)	-	(350)	4,640	-	4,640
NET EARNED INCOME	2,491,181	-	2,491,181	6,253,710	-	6,253,710
TOTAL NET REVENUE AND SUPPORT	4,563,676	333,451	4,897,127	10,566,253	1,327,910	11,894,163
OPERATING EXPENSES - FUNCTIONAL LINE ITEM						
Personnel & Benefits	2,759,461	-	2,759,461	4,948,581	-	4,948,581
Contractor	473,197	-	473,197	1,351,234	-	1,351,234
Direct Program Expenses	1,418,835	-	1,418,835	2,767,410	-	2,767,410
Occupancy Expense	184,148	-	184,148	395,116	-	395,116
Indirect Expense	390,387	-	390,387	856,545	-	856,545
Operating Grants	18,000	-	18,000	-	-	-
TOTAL OPERATING EXPENSES (exc. Int Exp & LLR)	5,244,028	-	5,244,028	10,318,886	-	10,318,886
CHANGE IN OPERATING NET ASSETS BEFORE UNREALIZED GAIN OR LOSS	(680,352)	333,451	(346,901)	247,367	1,327,910	1,575,277
Unrealized Gains/losses- investments in idle funds	77,535	-	77,535	(45,958)	-	(45,958)
Net unrealized gains (losses) - investments in CDFIs	-	-	-	6	-	6
NET CHANGE IN OPERATING NET ASSETS	(602,817)	333,451	(269,366)	201,415	1,327,910	1,529,325
CAPITAL AND PASS-THROUGH ACTIVITIES						
REVENUE AND SUPPORT						
Grants for Financing - Loan/Investment Capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grants and Donations for Pass-thru Grants	-	-	-	10,500	352,963	363,463
Other Contributions	-	-	-	-	-	-
Net Assets Released from Restrictions - Capital	1,500,000	(1,500,000)	-	3,100,000	(3,100,000)	-
Net Assets Released from Restrictions - Pass-thru Grants	-	-	-	954,691	(954,691)	-
TOTAL NET REVENUE AND SUPPORT	1,500,000	(1,500,000)	-	4,065,191	(3,701,728)	363,463
EXPENSES						
Pass-Through Grants to CDFIs (1)	-	-	-	954,691	-	954,691
TOTAL EXPENSES	-	-	-	954,691	-	954,691
NET CHANGE IN CAPITAL AND PASS-THROUGH NET ASSETS	1,500,000	(1,500,000)	-	3,110,500	(3,701,728)	(591,228)
TOTAL CHANGE IN NET ASSETS	897,183	(1,166,549)	(269,366)	3,311,915	(2,373,818)	938,097
TOTAL NET ASSETS - BEGINNING OF YEAR	35,787,455	18,545,727	54,333,182	32,475,540	20,919,545	53,395,085
TOTAL NET ASSETS - END OF PERIOD	\$ 36,684,638	\$ 17,379,178	\$ 54,063,816	\$ 35,787,455	\$ 18,545,727	\$ 54,333,182

KEY RATIOS

Unrestricted Operating Margin (excl. unreal. & in-kind)	-14.9%	2.4%
Earned Operating Revenue (gross) /Total Exp (excl pass-thru & unreal. & in-kind)	54.8%	65.1%
Gross Spread on Total Funds	2.5%	2.5%
Gross Spread on Financing Fund Outstandings	3.0%	3.0%

Note 1: Pass-through grant expense includes pass-through grants for the NEXT Awards and Create Jobs for USA.

Consolidated financial statements include Opportunity Finance Network, NCCA General Partner LLC, and OFN GP LLC

Opportunity Finance Network - 2016 Portfolio Report

Summary as of:	12/31/2014		12/31/2015		6/30/2016	
	Actual	% of Outstanding	Actual	% of Outstanding	Actual	% of Outstanding
TOTAL FINANCING FUND CAPITAL						
LOANS - Outstanding						
CDFI Loans	\$ 95,260,714	90%	\$ 103,476,275	91%	\$ 113,550,260	92%
Participation Loans	\$ 6,463,204	6%	\$ 6,374,694	6%	\$ 6,335,517	5%
Total Loans	\$ 101,723,918	96%	\$ 109,850,969	96%	\$ 119,885,777	97%
INVESTMENTS - Outstanding						
Certificate of Deposit in CDFIs	\$ 4,000,000	4%	\$ 4,000,000	4%	\$ 4,000,000	3%
Equity Investments	\$ 159,143	0%	\$ 108,187	0%	\$ 8,499	0%
Total Investments	\$ 4,159,143	4%	\$ 4,108,187	4%	\$ 4,008,499	3%
TOTAL LOANS & INVESTMENTS (\$) - Outstanding	\$ 105,883,061	100%	\$ 113,959,156	100%	\$ 123,894,276	100%
Total # of Borrowers (CDFIs)	41	34%	51	37%	55	38%
Total # of Loans (CDFIs)	63	53%	71	51%	75	51%
Total # of Borrowers (Participations)	6	5%	7	5%	7	5%
Total # of Loans (Participations)	7	6%	7	5%	7	5%
Total # of Equity Investees	2	2%	2	1%	2	1%
TOTAL OUTSTANDING COMMITMENTS (not yet funded)	\$ 4,754,914	4%	\$ 3,706,350	3%	\$ 714,286	1%
PORTFOLIO COMPOSITION						
Risk Rating (a)						
Outstanding (\$)	\$ -	0%	\$ -	0%	\$ -	0%
Loans (#)	0	0%	0	0%	0	0%
Strong (\$)	\$ 43,630,543	41%	\$ 44,143,017	39%	\$ 53,130,615	43%
Loans (#)	21	30%	22	28%	24	29%
Acceptable (\$)	\$ 56,070,886	53%	\$ 64,027,200	56%	\$ 65,605,384	53%
Loans (#)	39	57%	49	63%	51	62%
Acceptable with Care (formerly Watch) (\$)	\$ 6,022,489	6%	\$ 5,680,752	5%	\$ 5,149,778	4%
Loans (#)	9	13%	7	9%	7	9%
Substandard (\$)	\$ -	0%	\$ -	0%	\$ -	0%
Loans (#)	0	0%	0	0%	0	0%
Doubtful (\$)	\$ -	0%	\$ -	0%	\$ -	0%
Loans (#)	0	0%	0	0%	0	0%
TOTAL (Loans + CD; Equity Investments excluded)	\$ 105,723,918	100%	\$ 113,850,969	100%	\$ 123,885,777	100%
Geography						
Rural	\$ 42,295,751	40%	\$ 43,363,301	38%	\$ 51,192,315	41%
Urban	\$ 63,428,167	60%	\$ 70,487,668	62%	\$ 72,693,462	59%
Total Loans by Geography	\$ 105,723,918	100%	\$ 113,850,969	100%	\$ 123,885,777	100%
Primary Type of Financing						
Housing	\$ 56,778,280	54%	\$ 46,934,340	41%	\$ 46,850,507	38%
Business / Microenterprise	\$ 32,580,871	31%	\$ 47,590,714	42%	\$ 57,727,749	47%
Consumer	\$ 5,000,000	5%	\$ 8,000,000	7%	\$ 8,000,000	6%
Community Facilities	\$ 11,364,767	11%	\$ 11,325,915	10%	\$ 11,307,521	9%
Total by Type of Financing Entity	\$ 105,723,918	100%	\$ 113,850,969	100%	\$ 123,885,777	100%
Size of CDFIs						
Less than \$20 million (\$ Outstanding)	\$ 7,691,402	7%	\$ 15,403,951	14%	\$ 17,515,794	14%
Borrower (#)	8	20%	18	30%	19	31%
Between \$20 and \$50 million (\$ Outstanding)	\$ 29,366,222	28%	\$ 21,336,364	19%	\$ 22,086,364	18%
Borrower (#)	15	37%	12	20%	12	19%
Between \$50 and \$75 million (\$ Outstanding)	\$ -	0%	\$ 11,197,553	10%	\$ 11,388,640	9%
Borrower (#)	-	0%	6	10%	5	8%
Greater than \$75 million (\$ Outstanding)	\$ 68,666,294	65%	\$ 65,913,101	58%	\$ 72,894,979	59%
Borrower (#)	18	44%	24	40%	26	42%
Total by Size of CDFI (\$)	\$ 105,723,918	100%	\$ 113,850,969	100%	\$ 123,885,777	100%
Total by Size of CDFI (#)	41	100%	60	100%	62	100%
Policy Limits Check:						
\$ amount of Largest Borrower (includes NEXT)	\$ 8,100,000	8%	\$ 9,318,180	8%	\$ 9,318,180	8%
Sub-Debt, Secondary Capital & Equity Invest/Equity Capital + EQ2 (see Note A)	4.4%	< 30%	11.0%	< 30%	10.9%	< 30%
PRODUCTION						
\$ amount in Pipeline (including loans approved but not closed)	\$ 9,925,000	9%	\$ 7,308,913	6%	\$ 6,120,000	5%
# of loans in Pipeline (including loans approved but not closed)	24	20%	16	12%	8	5%
Loans Closed - YTD						
General Funding Financing Loans (\$)	\$12,650,000	12%	\$9,925,000	9%	\$10,000,000	8%
General Funding Financing Loans (#)	17	14%	8	11%	4	5%
Energy Efficiency Financing Loans (\$)	\$ -	0%	\$0	0%	\$0	0%
Energy Efficiency Financing Loans (#)	0	0%	0	0%	0	0%
Healthy Food Financing Loans (\$)	\$ 1,000,000	1%	\$1,900,000	2%	\$0	0%
Healthy Food Financing Loans (#)	1	1%	2	3%	0	0%
Catalyst Financing Loans (\$)	\$ 500,000	0%	\$2,500,000	2%	\$750,000	1%
Catalyst Financing Loans (#)	1	1%	4	6%	2	3%
Next Award Financing Loans (\$)	\$ 7,500,000	7%	\$5,000,000	4%	\$0	0%
Next Award Financing Loans (#)	3	3%	3	4%	0	0%
TOTAL LOANS CLOSED (\$)	\$ 21,650,000	20%	\$ 19,325,000	17%	\$ 10,750,000	9%
TOTAL LOANS CLOSED (#)	22	18%	17	12%	6	4%
TOTAL LOANS CLOSED (\$) (new loans only, excluding renewals)	\$ 13,450,000	13%	\$ 10,800,000	9%	\$ 6,250,000	5%
PERFORMANCE						
# of borrowers not in compliance with financial covenants	0	0%	0	0%	0	0%
\$ amount of loans > 30 days delinquent or matured (see Note C)	\$ -	0%	\$ -	0%	\$ -	0%
Charge offs \$	\$ -	0%	\$ -	0%	\$ -	0%
# of loans modified in loan portfolio (see Note B)	2	2%	2	1%	0	0%
\$ amount modified in loan portfolio	\$ 2,900,000	3%	\$2,900,000	3%	\$0	0%
# of TDRs in loan portfolio	0	0%	0	0%	0	0%
RESERVES FOR LOANS						
Allowance for Loan Losses (\$)	\$ 3,488,773	3.29%	\$ 3,746,633	3.29%	\$ 4,001,956	3.23%

Notes:

(A) Current OFN policy does not explicitly include subordinate debt in the numerator of this calculation. It is included here to fully reflect this category of higher risk capital.
 (B) Loans modified/restructured are loans where OFN has restructured the payment/condition terms at some point during the life of the loan.

Opportunity Finance Network - 2015 Financing & Capitalization Summary Report

Summary as of:	Actual 12/31/13	Actual 12/31/14	Actual 12/31/15	Actual 06/30/16
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Financing Fund (including Next Awards)

Capitalization Summary

Senior Debt Capital	\$ 60,450,000	\$ 68,085,000	\$ 71,450,000	\$ 77,950,000
Subordinated Debt Capital	\$ -	\$ -	\$ 5,000,000	\$ 6,000,000
EQ2 Capital	\$ 3,000,000	\$ 3,000,000	\$ -	\$ -
Equity	\$ 40,685,093	\$ 46,408,018	\$ 46,111,036	\$ 45,945,636
<i>Total Financing Fund Capital</i>	\$ 104,135,093	\$ 117,493,018	\$ 122,561,036	\$ 129,895,636
LESS: Liquidity Reserve (7.5% of non-NEXT)	\$ (2,133,750)	\$ (2,331,375)	\$ (2,546,250)	\$ (3,033,750)
<i>Total Capital Available</i>	\$ 102,001,343	\$ 115,161,643	\$ 120,014,786	\$ 126,861,886
PLUS: Allowance for Loan Losses	\$ 3,131,354	\$ 3,488,773	\$ 3,746,633	\$ 4,001,956
Total Financing Capital Available (including LLR)	\$ 105,132,697	\$ 118,650,416	\$ 123,761,419	\$ 130,863,842
Loans & Investments Outstanding: Financing Fund	\$ 38,589,008	\$ 45,883,060	\$ 48,959,155	\$ 58,894,275
Loans & Investments Outstanding: NEXT Awards	\$ 52,500,000	\$ 60,000,001	\$ 65,000,001	\$ 65,000,001
Total Outstanding and Committed	\$ 91,089,008	\$ 105,883,061	\$ 113,959,156	\$ 123,894,276
Capital Available in Cash for Financing	\$ 14,043,689	\$ 12,767,355	\$ 9,802,263	\$ 6,969,566
Committed Funding Loans and Lines of Credit	\$ 8,500,000	\$ 7,600,000	\$ 11,000,000	\$ 7,500,000
OFN Lending Commitments	\$ (9,303,109)	\$ (6,005,534)	\$ (3,706,350)	\$ (714,286)
LESS: Additional Liquidity Reserve allocation	\$ (509,625)	\$ (52,500)	\$ (675,000)	\$ (525,000)
Capital Available for Financing including Commitments	\$ 12,730,955	\$ 14,309,321	\$ 16,420,913	\$ 13,230,280
Borrower Loans Receivable (within 180 days)	\$ -	\$ -	\$ 780,104	\$ 6,829,959
Funding Loans Payable (within 180 days)	\$ (1,705,000)	\$ (6,900,000)	\$ (2,000,000)	\$ (500,000)
Adjusted Capital Available for Financing	\$ 11,025,955	\$ 7,409,321	\$ 15,201,017	\$ 19,560,239

Pipeline Summary - Funding & Lending

New Funder Loans Approved, but not yet closed	\$ -	\$ -	\$ -	\$ -
Funder Loan Renewals in Conversation/Underwriting	\$ -	\$ -	\$ -	\$ -
Perspective Funders in Conversation	\$ -	\$ -	\$ 2,000,000	\$ 2,000,000
Total Funders Pipeline	\$ -	\$ -	\$ 2,000,000	\$ 2,000,000
New Loans Approved, but not yet closed	\$ -	\$ -	\$ 1,100,000	\$ -
Renewals Approved, but not yet closed	\$ -	\$ -	\$ 408,913	\$ -
New Loans in Underwriting	\$ -	\$ -	\$ 2,900,000	\$ 2,870,000
Renewals in Underwriting	\$ -	\$ -	\$ 300,000	\$ -
Prospective Loans, Staff is gathering underwriting materials	\$ -	\$ -	\$ 1,560,000	\$ 1,950,000
Staff in contact with Prospective Borrower	\$ -	\$ -	\$ 525,000	\$ -
Total Borrowers Pipeline	\$ -	\$ -	\$ 6,793,913	\$ 4,820,000
Net Projected Capital Available for Financing	\$ -	\$ -	\$ 10,407,103.64	\$ 16,740,239

Financial Health Ratios

Asset Quality				
Allowance for Loan Losses (% of total loans outstanding)	3.44%	3.29%	3.29%	3.23%
Financial Capital				
Equity as a % of Total Financing Capital	39.07%	39.50%	37.62%	35.37%
Equity (including subdebt & EQ2) as a % of Total Financing Capital	41.95%	42.05%	41.70%	39.99%
Asset Liability Maturity Gap Analysis				
Weighted Average Time to Mat. from Report Date (Yrs) - Loans	5.19	4.99	5.04	4.58
Weighted Average Time to Mat. from Report Date (Yrs) - Funding	5.75	5.80	7.18	6.69
Rate Spread Analysis				
Weighted Average Lending Rate on Portfolio	3.83%	3.62%	3.54%	3.52%
Weighted Average Cost of Debt Capital	1.65%	1.47%	1.44%	1.63%
Weighted Average Cost of Total Capital	1.01%	0.87%	0.90%	1.05%
Lending Spread on Cost of Debt Capital	2.18%	2.15%	2.10%	1.89%
Lending Spread on Cost of Total Equity Capital	2.82%	2.75%	2.64%	2.47%