

Opportunity Finance Network and Subsidiaries

Consolidated Financial Report
December 31, 2019

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RSM US LLP

Independent Auditor's Report

Board of Directors
Opportunity Finance Network

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Opportunity Finance Network and Subsidiaries (the Organization), which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, 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. 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 and Subsidiaries as of December 31, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Organization adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)* and all subsequent ASUs that modified Topic 606. The Organization has elected to apply the modified retrospective method to adopt the new standard in 2019. Our opinion is not modified with respect to this matter.

RSM US LLP

Blue Bell, Pennsylvania
April 29, 2020

Opportunity Finance Network and Subsidiaries

Consolidated Statements of Financial Position December 31, 2019 and 2018

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 14,570,893	\$ 8,415,454
Certificates of deposit	204,680	200,598
Short-term investments (Note 2, 4)	727,169	661,945
Current portion of loans receivable, net of allowance for loan losses (Note 5, 6)	20,431,285	27,014,779
Interest and other receivables	768,384	107,210
Current portion of grants receivable (Note 8)	555,000	1,348,230
Other assets	308,713	88,734
Total current assets	37,566,124	37,836,950
Noncurrent assets:		
Long-term investments (Note 2, 4)	2,924,873	2,950,521
CDFI and other investments (Note 2, 4)	1,060,988	1,001,496
Loans receivable, net of current portion and allowance for loan losses (Note 5, 6)	107,755,306	99,582,462
Equity equivalent investments (Note 7)	28,000,000	8,500,000
Grants receivable, net of current portion (Note 8)	205,000	-
Fixed assets, net (Note 9)	1,100,860	114,548
Total noncurrent assets	141,047,027	112,149,027
Total assets	\$ 178,613,151	\$ 149,985,977
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,329,467	\$ 531,144
Deferred revenue and advanced payments received	72,250	65,750
Deferred lease incentive and tenant allowance	1,163,795	-
Current portion of notes payable (Note 10)	13,280,528	4,325,000
Total current liabilities	15,846,040	4,921,894
Noncurrent liabilities:		
Notes payable (Note 10)	65,811,122	77,222,088
Other liabilities (Note 11)	12,000,000	7,000,000
Total noncurrent liabilities	77,811,122	84,222,088
Total liabilities	93,657,162	89,143,982
Commitments and contingencies (Note 14, 15)		
Net assets: (Note 13)		
Without donor restrictions:		
Without donor restrictions	50,507,550	49,314,378
Non-controlling interest in consolidated subsidiaries	26,567,206	7,912,578
Total net assets without donor restrictions	77,074,756	57,226,956
With donor restrictions:		
Operating	1,501,014	1,503,966
Re-granting	5,500,000	995,000
Financing	880,219	1,116,073
Total net assets with donor restrictions	7,881,233	3,615,039
Total net assets	84,955,989	60,841,995
Total liabilities and net assets	\$ 178,613,151	\$ 149,985,977

See notes to consolidated financial statements.

Opportunity Finance Network and Subsidiaries

Consolidated Statements of Activities Years Ended December 31, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue and support:						
Net financing income:						
Interest income – loans	\$ 5,188,492	\$ -	\$ 5,188,492	\$ 4,617,105	\$ -	\$ 4,617,105
Interest income – certificates of deposit (CDFI)	-	-	-	22,792	-	22,792
Less interest expense	(1,546,263)	-	(1,546,263)	(1,534,869)	-	(1,534,869)
Less provision for loan losses	(162,891)	-	(162,891)	(51,052)	-	(51,052)
Total net financing income	3,479,338	-	3,479,338	3,053,976	-	3,053,976
Other revenue and support:						
Dues (Note 18)	623,729	-	623,729	419,267	-	419,267
Fees – Registration (Note 18)	1,045,780	-	1,045,780	982,830	-	982,830
Fees – Strength (Note 18)	70,764	-	70,764	1,070,246	-	1,070,246
Fees – Financial Services (Note 18)	1,169,511	-	1,169,511	523,467	-	523,467
Sponsorships (Note 18)	1,678,750	-	1,678,750	1,689,900	-	1,689,900
Investment income, net	249,334	-	249,334	48,148	-	48,148
Grants – operating	175,000	1,474,871	1,649,871	175,000	1,914,785	2,089,785
Donations and in-kind services	96,769	-	96,769	88,391	-	88,391
Net assets released from restrictions (Note 13)	1,578,677	(1,578,677)	-	1,624,830	(1,624,830)	-
Total operating revenue and support	10,167,652	(103,806)	10,063,846	9,676,055	289,955	9,966,010
Operating expenses:						
Salaries, payroll taxes and benefits	4,639,182	-	4,639,182	4,587,123	-	4,587,123
Contractor fees	594,140	-	594,140	508,287	-	508,287
Program support (Note 1)	2,947,544	-	2,947,544	3,125,001	-	3,125,001
Professional services	396,496	-	396,496	345,640	-	345,640
Occupancy	552,971	-	552,971	453,867	-	453,867
Operating grants – other	5,000	-	5,000	20,000	-	20,000
Total operating expenses	9,135,333	-	9,135,333	9,039,918	-	9,039,918
Change in net assets – operating	1,032,319	(103,806)	928,513	636,137	289,955	926,092

(Continued)

Opportunity Finance Network and Subsidiaries

Consolidated Statements of Activities (Continued) Years Ended December 31, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Non-operating support, expense and loss:						
Support – financing and pass-through grants:						
Grants – financing and pass-through	\$ -	\$ 5,340,213	\$ 5,340,213	\$ -	\$ 1,695,000	\$ 1,695,000
Net assets released from restrictions (Note 13)	970,213	(970,213)	-	137,500	(137,500)	-
Expenses – pass-through grants – grants to CDFIs	(270,213)	-	(270,213)	-	-	-
Loss on disposal of lease (Note 15)	(150,000)	-	(150,000)	(153,524)	-	(153,524)
Change in net assets – non-operating	550,000	4,370,000	4,920,000	(16,024)	1,557,500	1,541,476
Change in net assets before non-controlling interest capital contributions and distributions	1,582,319	4,266,194	5,848,513	620,113	1,847,455	2,467,568
Capital contributions from non-controlling interest members (Note 13)	18,525,000	-	18,525,000	5,213,636	-	5,213,636
Distributions to non-controlling interest members (Note 13)	(259,519)	-	(259,519)	(50,000)	-	(50,000)
Change in net assets	19,847,800	4,266,194	24,113,994	5,783,749	1,847,455	7,631,204
Net assets:						
Beginning	57,226,956	3,615,039	60,841,995	51,443,207	1,767,584	53,210,791
Ending	\$ 77,074,756	\$ 7,881,233	\$ 84,955,989	\$ 57,226,956	\$ 3,615,039	\$ 60,841,995

See notes to consolidated financial statements.

Opportunity Finance Network and Subsidiaries

Consolidated Statements of Cash Flows Years Ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 24,113,994	\$ 7,631,204
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Non-controlling interest capital contributions	(18,525,000)	(5,213,636)
Non-controlling interest distributions	259,519	50,000
Loss on disposal of lease	-	153,524
Amortization of accrued loss on disposal of lease	(23,994)	(15,736)
Depreciation	116,165	69,706
Provision for loan losses	162,891	51,052
Deferred loan fees, net	(7,308)	(7,305)
Amortization of premiums/discounts on investments	3,903	(2,452)
Deferred lease incentive expense	168,511	-
Amortization of deferred lease incentive and tenant allowance	(30,116)	-
Reimbursements received from landlord for tenant allowance	438,000	-
Distributions from CDFI and other investments	5,397	9,643
Net realized/unrealized (gain) loss on investments	(137,573)	48,751
(Increase) decrease in:		
Interest and other receivables	(661,174)	454,930
Grants receivable	588,230	(832,830)
Other assets	(219,979)	59,333
Increase (decrease) in:		
Accounts payable and accrued expenses	822,317	(658,709)
Deferred revenue and advanced payments received	6,500	(83,000)
Net cash provided by operating activities	7,080,283	1,714,475
Cash flows from investing activities:		
Purchases of furniture and equipment	(515,077)	(36,447)
Purchases of certificates of deposit	(4,082)	(200,598)
Proceeds from maturities of certificates of deposit	-	4,031,872
Purchases of investments	(576,571)	(645,441)
Proceeds from sale of investments	665,268	835,484
Purchases of CDFI and other investments	(84,912)	(999,996)
Distributions from CDFI and other investments	25,420	-
Loans receivable repayments	11,601,732	4,736,129
Loans receivable disbursed	(13,346,665)	(10,235,718)
Equity equivalent investments disbursed	(19,500,000)	(5,600,000)
Net cash used in investing activities	(21,734,887)	(8,114,715)
Cash flows from financing activities:		
Proceeds from notes payable and other liabilities	8,294,562	2,497,088
Repayment of notes payable	(5,750,000)	(2,100,000)
Non-controlling interest capital contributions received	18,525,000	5,213,636
Non-controlling interest distributions paid	(259,519)	(50,000)
Net cash provided by financing activities	20,810,043	5,560,724
Increase(decrease) in cash and cash equivalents	6,155,439	(839,516)
Cash and cash equivalents:		
Beginning	8,415,454	9,254,970
Ending	\$ 14,570,893	\$ 8,415,454
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest	\$ 1,521,575	\$ 1,529,206
Supplemental schedule of non-cash investing and financing activities:		
Leasehold improvements acquired via tenant allowance	\$ 587,400	\$ -

See notes to consolidated financial statements.

Opportunity Finance Network and Subsidiaries

**Consolidated Statements of Functional Expenses
Years Ended December 31, 2019 and 2018**

2019	Program			Program Sub-total	General and Administrative (Note 12)	Grand Total
	Financial Services	Strength	Voice			
Salaries, payroll taxes and fringe benefits	\$ 1,378,072	\$ 1,341,135	\$ 805,783	\$ 3,524,990	\$ 1,114,192	\$ 4,639,182
Contractor fees	142,505	251,314	73,261	467,080	127,060	594,140
Program support (Note 1)	445,627	2,014,271	357,050	2,816,948	130,596	2,947,544
Professional services	268,118	40,708	24,393	333,219	63,277	396,496
Occupancy	150,880	158,689	94,398	403,967	149,004	552,971
Interest	1,546,263	-	-	1,546,263	-	1,546,263
Provision for loan losses	162,891	-	-	162,891	-	162,891
Grants to CDFIs	-	275,213	-	275,213	-	275,213
Total expenses	\$ 4,094,356	\$ 4,081,330	\$ 1,354,885	\$ 9,530,571	\$ 1,584,129	\$ 11,114,700

2018	Program			Program Sub-total	General and Administrative (Note 12)	Grand Total
	Financial Services	Strength	Voice			
Salaries, payroll taxes and fringe benefits	\$ 1,073,017	\$ 1,580,569	\$ 890,220	\$ 3,543,806	\$ 1,043,317	\$ 4,587,123
Contractor fees	16,070	244,244	130,980	391,294	116,993	508,287
Program support (Note 1)	330,430	2,333,445	307,718	2,971,593	153,408	3,125,001
Professional services	216,117	46,876	30,309	293,302	52,338	345,640
Occupancy	109,855	156,860	85,636	352,351	101,516	453,867
Interest	1,534,869	-	-	1,534,869	-	1,534,869
Provision for loan losses	51,052	-	-	51,052	-	51,052
Grants to CDFIs	-	20,000	-	20,000	-	20,000
Total expenses	\$ 3,331,410	\$ 4,381,994	\$ 1,444,863	\$ 9,158,267	\$ 1,467,572	\$ 10,625,839

See notes to consolidated financial statements.

Opportunity Finance Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Organization and Significant Accounting Policies

Organization: Opportunity Finance Network (OFN) was initially formed on July 2, 1986 and re-incorporated on February 9, 2006, in order to change the state of incorporation 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 (IRC). Effective December 31, 2008, OFN merged with its predecessor organization, Opportunity Finance Corporation.

OFN is the leading national network of Community Development Financial Institutions (CDFIs). Through its network of more than 280 Members, OFN invests in opportunities that benefit low-income, low-wealth people and communities in all 50 states. OFN's core purpose is to align capital with social, economic and political justice. OFN's mission is to lead CDFIs and their partners to ensure that low-income, low-wealth people and underserved communities have access to affordable, responsible financial products and services. OFN believes that justice for all begins with opportunity for all.

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

In 2019, 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.

OFN is led by an eight-person leadership team in three key program areas:

Financial services: expanding access to responsible, affordable capital: OFN leverages capital to help Member CDFIs provide opportunity in underserved markets.

Strength: building potential for impact: OFN strengthens the CDFI industry by providing peer learning opportunities, research, innovative networking platforms (CDFI Connect® Community), and signature annual events—like the OFN Conference and Small Business Finance Forum—for CDFI practitioners, partners and investors.

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

OFN has two fund categories:

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

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

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

Opportunity Finance Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Organization and Significant Accounting Policies (Continued)

In 2004, OFN formed a wholly controlled organization, NCCA General Partner, LLC, to initially operate as the general partner of CDFI Tax Credit Fund I, LP. CDFI Tax Credit Fund I, LP was formed to manage an initial allocation of New Markets Tax Credits (NMTC) from the U.S. Department of Treasury. Its primary purpose is serving or providing investment capital for "low-income communities" or "low-income persons," consistent with the NMTC program requirements, and was dissolved in 2019 as the transaction under this allocation was fully repaid in 2018. In 2013, OFN formed an additional five entities to receive and manage new allocations under the NMTC program of the U.S. Department of Treasury: Opportunity Fund I, LP, Opportunity Fund II, LP, Opportunity Fund III, LP, Opportunity Fund IV, LP, and Opportunity Fund V, LP. NCCA General Partner, LLC serves as the general partner for these five new entities. In December 2013, OFN applied for and received Community Development Entity (CDE) certification for all five newly-formed entities from the 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).

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, 2019, Opportunity Fund I, LP, Opportunity Fund II, LP, and Opportunity Fund III, LP were capitalized and active (see Note 14). The remaining two entities were not yet capitalized and not yet active.

In November 2016, OFN formed CDFI Community Investment Fund I, LLC (CCIF), a Delaware Limited Liability Company, where OFN is the Managing Member and Woodforest National Bank (Woodforest), which is headquartered in Woodlands, TX, is the Limited Member. CCIF was formed to make equity equivalent investments (EQ2) to CDFI and similar development organizations that serve low- and moderate-income populations in the United States and meet the certification requirements established by the CDFI Fund. The initial fund capitalization was \$5,500,000; \$5,000,000 from Woodforest and \$500,000 from OFN. There is an option for additional follow-on investments up to a fund size of \$22,000,000. As the managing member of the fund, OFN is responsible for underwriting, asset management, and servicing of the investments. As of December 31, 2019, Woodforest had made capital contributions of \$5,000,000 in CCIF and OFN had made capital contributions \$500,000 in CCIF, and CCIF had, in turn, made \$5,500,000 in EQ2 investments to CDFIs.

In October 2018, OFN formed Good to Grow CDFI Investment Fund, LLC (G2G), a Delaware Limited Liability Company, where OFN is the Managing Member and HSBC Bank USA, N.A. (HSBC) is the Limited Member. G2G was formed to make equity equivalent investments (EQ2) to CDFI and similar development organizations that serve low and moderate-income populations in the United States. The initial fund capitalization was \$25,000,000; \$23,750,000 from HSBC and \$1,250,000 from OFN. As the managing member of the fund, OFN is responsible for underwriting, asset management, and servicing of the investments. As of December 31, 2019, HSBC had made capital contributions of \$21,375,000 in G2G and OFN had made capital contributions \$1,125,000 in G2G, and G2G had, in turn, made \$22,500,000 in EQ2 investments to CDFIs.

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

Opportunity Finance Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Organization and Significant Accounting Policies (Continued)

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

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

Concentration of credit risk: The Organization maintains cash in various financial institutions. The balance at each institution is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The cash balances in excess of FDIC limits approximated \$14 million as of December 31, 2019.

At December 31, 2019, most of OFN's loans receivable were due from various CDFIs. As such, the ability of the Organization's borrowers to honor their contracts is dependent upon the viability of the individual CDFIs and the CDFI industry.

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

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 net assets without donor restrictions, unless explicit donor intent or law restricts their use. Specifically identified cost is used for investments sold. Investments are recorded at fair value and are classified as Level 1, 2 or 3 (see Note 4).

The Organization determines the fair value of each investment at the 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.

Opportunity Finance Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Organization and Significant Accounting Policies (Continued)

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.

Loans receivable:

Loans: Loans receivable are stated at the principal amount outstanding, net of amortized deferred loan fees and allowance for losses. Interest income on loans is accrued on the principal outstanding at the loans' stated interest rate. Direct origination costs, if significant, would be deferred and amortized using the effective interest method over the respective lives of the related loans and recorded as an adjustment to loan fee revenue. At December 31, 2019 and 2018, direct origination costs were not deemed significant.

Non-accrual loans: The accrual of interest on outstanding loans is discontinued at the time the loan is 90-days delinquent unless the credit is well-secured and in 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, 2019 and 2018, 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, 2019 and 2018, no loans in the portfolio were deemed impaired.

Opportunity Finance Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Organization and Significant Accounting Policies (Continued)

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.

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

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

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

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

When the donor restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the 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.

Opportunity Finance Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Organization and Significant Accounting Policies (Continued)

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

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

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

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

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 \$95,978 and \$88,000 in 2019 and 2018, respectively. These amounts are included in donations and in-kind services in the statements of activities.

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

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

Re-granting or pass-through grants (revenue and expenses) are defined as grants and donations that the Organization receives from donors that are restricted to re-granting to CDFIs. In 2019 and 2018, pass-through grant revenue and corresponding pass-through grant expenses relate to the awards and CDFI capacity building programs.

Program support expenses: The expense line item for Program Support includes all third-party expenses except contractor fees, professional services, and occupancy. These include event-related costs; travel and meals; staff development; vendors; memberships; public relations; technology; publications; Board-related expenses; recruiting 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 statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that cannot be directly attributed to a specific program are charged to a program based on the most appropriate allocation base. Salary is allocated based on estimates of time and effort. Payroll taxes, fringe benefits, occupancy, and certain portions of program support (e.g. Board-related expenses; recruiting expenses; and office expenses) are allocated based on budgeted payroll by business line.

Opportunity Finance Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Organization and Significant Accounting Policies (Continued)

Income taxes: OFN is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the IRC. In addition, OFN qualifies for charitable contribution deductions and has been classified as an organization that is not a private foundation. Income which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. The Organization had no significant net unrelated business income for the years ended December 31, 2019 and 2018. NCCA General Partner, LLC and OFN GP, LLC are wholly owned Limited Liability Companies of OFN and are disregarded entities for income tax purposes.

Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements. Consequently, no accrual for interest and penalties was deemed necessary for the years ended December 31, 2019 and 2018. The Organization files tax returns in the U.S. federal and state jurisdictions. Generally, the Organization is no longer subject to tax examination by the U.S. federal or state tax authorities for years before 2016.

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

Recent accounting pronouncements adopted: In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), which clarifies the principles for recognizing revenue based on the core principle that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. OFN adopted ASU 2014-09 and all subsequent ASUs that modified Topic 606 on January 1, 2019. This ASU excludes from its scope revenue recognition related to interest and dividend income from investments and loans, loan fees, and grants and contributions.

OFN has elected to apply the modified retrospective method to adopt the new standard. Utilizing the practical expedients allowed under the modified retrospective adoption method, Topic 606 was only applied to existing contracts for which OFN has remaining performance obligations as of January 1, 2019, and new contracts entered into after January 1, 2019. Topic 606 was not applied to contracts that were completed prior to January 1, 2019. The comparative information has not been restated under the modified retrospective method and continues to be reported under the accounting standards in effect for those periods. There were no material changes in the timing of recognition of revenue and therefore no material impacts to the statement of financial position upon adoption. Additional disclosures related to revenue are included in Note 18.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. ASU 2016-15 provides guidance on how certain cash receipts and cash payments should be presented and classified in the statement of cash flows with the objective of reducing existing diversity in practice with respect to these items. OFN adopted this ASU as of January 1, 2019, and retrospectively applied this ASU to 2018, resulting in no significant impact on the OFN's consolidated statement of cash flows.

Opportunity Finance Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Organization and Significant Accounting Policies (Continued)

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU clarifies the accounting guidance for contributions received and made, including guidance to help an entity evaluate whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determine whether a contribution is conditional. As required by ASU 2018-08, Opportunity Finance Network applied the requirements on a modified prospective basis to agreements that either were not completed as of January 1, 2019 or entered into after January 1, 2019. There was not a material impact on OFN's consolidated financial statements upon the adoption of ASU 2018-08.

OFN is currently evaluating the effect that the following updated standards will have on the financial statements.

Recent accounting pronouncements not yet adopted: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. This ASU is effective for OFN as of January 1, 2021.

In July 2018, the FASB issued ASU 2018-10, *Codification Improvements to Topic 842, Leases*, which makes narrow scope improvements to the standard for specific issues. This ASU is effective for OFN as of January 1, 2021.

In July 2018, FASB also issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*. ASU 2018-11 provides lessors with a practical expedient, in certain circumstances, to not separate nonlease components from the associated lease component, similar to the expedient provided for lessees. This ASU is effective for OFN as of January 1, 2021.

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

In April 2019, the FASB issued ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*. This ASU was issued as part of the FASB's ongoing project to improve upon its Accounting Standards Codification (ASC), and to clarify and improve areas of guidance related to recently issued standards on credit losses, hedging, and recognition and measurement. This guidance contains several effective dates. The amendments related to ASC 326 are effective for the OFN as of January 1, 2023, the amendments related to ASC 815 are effective for the OFN as of January 1, 2021, and the amendments related to ASC 825 are effective for the OFN as of January 1, 2020.

Opportunity Finance Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Organization and Significant Accounting Policies (Continued)

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

Reclassifications: Certain reclassifications were made in the 2018 financial statements to conform to the current year presentation with no effect on the changes in net assets or net assets.

Note 2. Investments and CDFI and Other Investments

Investments consisted of the following at December 31:

	2019	2018
U.S. Treasury securities	\$ 547,860	\$ 634,840
U.S. Government agency securities	1,339,307	1,102,298
Corporate bonds	1,764,255	1,874,708
Other marketable securities	620	620
	<u>\$ 3,652,042</u>	<u>\$ 3,612,466</u>
Short-term investments	\$ 727,169	\$ 661,945
Long-term investments	2,924,873	2,950,521
	<u>\$ 3,652,042</u>	<u>\$ 3,612,466</u>

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

	2019	2018
Common stock – Southern Bancorp, Inc.	\$ 999,996	\$ 999,996
Domestic Small Capital Pay for Success Fund I, LP	59,492	-
Investments in New Markets Tax Credit entities (Note 14)	1,500	1,500
	<u>\$ 1,060,988</u>	<u>\$ 1,001,496</u>

On December 10, 2018, OFN purchased 101,729 shares of Southern Bancorp, Inc. for \$999,996. The investment does not have a readily determinable fair value and is accounted for at cost with adjustments to fair value when there are observable price changes in orderly transactions or indicators of impairment. Management evaluates periodically for impairment. No indicators of impairment or observable price changes were noted as of December 31, 2019 or 2018.

On January 28, 2019, OFN purchased 375 Class A units and 125 Class B units of the Domestic Small Cap Pay For Success Fund I, L.P., becoming a limited partner in the fund. The fund invests in social welfare transactions that will be repaid through a performance-based contract between the borrower and a Government Authority, insurer, hospital or hospital system, or similar institution. OFN will make payments towards its \$500,000 capital commitment as requested by the fund. OFN's investment in Domestic Small Cap Pay For Success Fund I, L.P. is accounted for on the equity method.

Opportunity Finance Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 2. Investments and CDFI and Other Investments (Continued)

The following is a summary of the audited financial information for Domestic Small Cap Pay for Success Fund I L.P. as of and for the year ended December 31 2019:

Total assets	\$	1,210,758
Total liabilities		22,184
Partners' capital		1,188,574
Total revenue		62,586
Total expenses		34,972
Net income		27,614
Partner contributions		890,439
Partner distributions		583,127

Investments in new markets tax credit entities are accounted for on the equity method (see Note 14).

Investment income, net consists of the following at December 31:

	2019	2018
Interest income	\$ 121,769	\$ 106,899
Fees	(10,008)	(10,000)
Realized gains	2,040	27,082
Unrealized gains(losses)	135,533	(75,833)
	<u>\$ 249,334</u>	<u>\$ 48,148</u>

Note 3. Liquidity and Availability of Financial Resources

OFN has Investment and Cash Management Policies that guide its management of short- and long-term cash and investments. These policies relate to managing both operating and capital liquidity. OFN has a policy to maintain operating reserves in highly liquid investments or accounts at a level equal to a minimum of three months of operating expenses (excluding loan loss reserves). In addition, OFN has a policy to maintain liquidity reserves and/or have in place a line of credit equal to either 7.5% of total loans payable (including equity equivalent investments, EQ2) or the total of the six months of notes payable (including EQ2) due to investors and outstanding commitments to borrowers and investees or the total amount required by an investor covenant, whichever is greatest.

In practice, OFN maintains an Operating Fund for its operating activity and a Financing Fund for its lending and investment activity. As of December 31, 2019 and 2018, OFN had \$10,985,332 and \$6,174,963, respectively, of cash and short term investments in its Operating Fund. Of this amount, \$4,744,318 and \$4,324,227 is without donor restrictions and \$6,241,014 and \$1,850,736 is not available due to donor restrictions to cover certain operating expenses, respectively.

In its Financing Fund, OFN holds \$7,327,518 and \$6,000,000 in cash and marketable securities as of December 31, 2019 and 2018, respectively. All of this cash and investments is without donor restrictions, and can be used to make loans and for investor repayments. Of its cash and investments in the Financing Fund, OFN has \$2,924,873 and \$3,600,000, which are invested through the investment firm, CIBC, in marketable securities, respectively.

To help manage its liquidity needs, OFN has a line of credit from Deutsche Bank for \$10 million. \$10 million of this line of credit was undrawn as of December 31, 2019, and available to meet OFN's operating and capital liquidity needs.

Opportunity Finance Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 3. Liquidity and Availability of Financial Resources (Continued)

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

	2019	2018
Total assets at December 31, 2019	\$ 178,613,151	\$ 149,985,977
Less Financing Fund assets, net of elimination	(136,573,597)	(134,296,813)
Less Good to Grow CDFI Investment Fund, LLC assets	(22,669,108)	(3,006,542)
Less CDFI Community Investment Fund I, LLC assets	(5,567,803)	(5,567,645)
Total assets in general fund	13,802,643	7,114,977
Less other assets	(308,713)	(88,734)
Less fixed assets	(1,100,860)	(114,548)
Financial assets in general fund	12,393,070	6,911,695
Less assets not available due to donor restrictions	(7,001,014)	(2,498,966)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,392,056</u>	<u>\$ 4,412,729</u>

Note 4. Fair Value Measurements

Fair value on a recurring basis: The following presents the assets reported on the statements of financial position at their fair value as of December 31, by level:

	2019	Level 1	Level 2	Level 3
Investments:				
U.S. Treasury securities	\$ 547,860	\$ 547,860	\$ -	\$ -
U.S. Government agency securities	1,339,307	-	1,339,307	-
Corporate bonds	1,764,255	-	1,764,255	-
Other marketable securities	620	-	620	-
	<u>\$ 3,652,042</u>	<u>\$ 547,860</u>	<u>\$ 3,104,182</u>	<u>\$ -</u>
	2018	Level 1	Level 2	Level 3
Investments:				
U.S. Treasury securities	\$ 634,840	\$ 634,840	\$ -	\$ -
U.S. Government agency securities	1,102,298	-	1,102,298	-
Corporate bonds	1,874,708	-	1,874,708	-
Other marketable securities	620	-	620	-
	<u>\$ 3,612,466</u>	<u>\$ 634,840</u>	<u>\$ 2,977,626</u>	<u>\$ -</u>

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).

There were no assets or liabilities that were measured at fair value on a non-recurring basis as of December 31, 2019 or 2018.

Opportunity Finance Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 5. Loans Receivable

Loans receivable at December 31 are as follows:

	2019	2018
Loans to CDFIs	\$ 127,333,423	\$ 125,790,018
Participation loans with CDFIs:		
Manufactured housing	852,554	869,355
Healthcare	2,589,910	2,318,245
Healthy foods	1,926,240	1,979,576
	<u>5,368,704</u>	<u>5,167,176</u>
	132,702,127	130,957,194
Less amortized deferred loan fees	17,003	24,311
Less allowance for loan losses	4,498,533	4,335,642
	<u>\$ 128,186,591</u>	<u>\$ 126,597,241</u>

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 2.0% to 5.0%, are due during the term of the loans with lump-sum repayments of principal due upon maturity. Maturities vary through 2029.

Other loans consist of loan participations purchased from member CDFIs. These are amortizing loans with interest rates ranging from 4.9% to 7.0% and secured by the land, real estate, infrastructure and/or improvements. The loans are set to mature from 2020 to 2022.

The weighted average interest rate on all loans receivable was 3.6% and 3.5% for the years ended December 2019 and 2018, respectively.

Note 6. Credit Quality

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

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

Opportunity Finance Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 6. Credit Quality (Continued)

Age analysis of past due loans: The following tables represent an aging of loans by category as of December 31, 2019 and 2018. All of the loans were current as to principal and/or interest payments contractually due:

2019	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	\$ -	\$ -	\$ -	\$ -	\$ 127,333,423	\$ 127,333,423	\$ -
Participation loans:							
Manufactured housing	-	-	-	-	852,554	852,554	-
Healthcare	-	-	-	-	2,589,910	2,589,910	-
Healthy foods	-	-	-	-	1,926,240	1,926,240	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 132,702,127</u>	<u>\$ 132,702,127</u>	<u>\$ -</u>

2018	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	\$ -	\$ -	\$ -	\$ -	\$ 125,790,018	\$ 125,790,018	\$ -
Participation loans:							
Manufactured housing	-	-	-	-	869,355	869,355	-
Healthcare	-	-	-	-	2,318,245	2,318,245	-
Healthy foods	-	-	-	-	1,979,576	1,979,576	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 130,957,194</u>	<u>\$ 130,957,194</u>	<u>\$ -</u>

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.

Opportunity Finance Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 6. Credit Quality (Continued)

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.

The following tables summarize the portfolio by category of loan and the internally assigned credit quality ratings for those categories at December 31, 2019 and 2018, excluding deferred loan fees:

2019	CDFI Loans	Participation Loans			Total
		Manufactured Housing	Healthcare	Healthy Foods	
Outstanding	\$ -	\$ -	\$ -	\$ -	\$ -
Strong	49,220,459	-	-	-	49,220,459
Acceptable	75,011,772	852,554	2,589,910	1,926,240	80,380,476
Acceptable with care	2,114,286	-	-	-	2,114,286
Substandard	986,906	-	-	-	986,906
Doubtful	-	-	-	-	-
	<u>\$ 127,333,423</u>	<u>\$ 852,554</u>	<u>\$ 2,589,910</u>	<u>\$ 1,926,240</u>	<u>\$ 132,702,127</u>

2018	CDFI Loans	Participation Loans			Total
		Manufactured Housing	Healthcare	Healthy Foods	
Outstanding	\$ -	\$ -	\$ -	\$ -	\$ -
Strong	51,295,459	-	-	-	51,295,459
Acceptable	72,219,559	869,355	2,318,245	1,979,576	77,386,735
Acceptable with care	2,275,000	-	-	-	2,275,000
Substandard	-	-	-	-	-
Doubtful	-	-	-	-	-
	<u>\$ 125,790,018</u>	<u>\$ 869,355</u>	<u>\$ 2,318,245</u>	<u>\$ 1,979,576</u>	<u>\$ 130,957,194</u>

Opportunity Finance Network and Subsidiaries

Notes to Consolidated Financial Statements

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, 2019 and 2018, by loan category and the amount by category of the loans evaluated individually or collectively for impairment.

	2019				
	Participation Loans				Total
	CDFI Loans	Manufactured Housing	Healthcare	Healthy Foods	
Allowance for loan losses:					
Beginning balance	\$ 4,141,873	\$ 32,601	\$ 86,934	\$ 74,234	\$ 4,335,642
Charge-offs	-	-	-	-	-
Recoveries	-	-	-	-	-
Provision for loan losses	155,332	(629)	10,188	(2,000)	162,891
Ending balance	\$ 4,297,205	\$ 31,972	\$ 97,122	\$ 72,234	\$ 4,498,533

	2018				
	Participation Loans				Total
	CDFI Loans	Manufactured Housing	Healthcare	Healthy Foods	
Allowance for loan losses:					
Beginning balance	\$ 4,163,929	\$ 33,191	\$ 12,470	\$ 75,000	\$ 4,284,590
Charge-offs	-	-	-	-	-
Recoveries	-	-	-	-	-
Provision for loan losses	(22,056)	(590)	74,464	(766)	51,052
Ending balance	\$ 4,141,873	\$ 32,601	\$ 86,934	\$ 74,234	\$ 4,335,642

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

	2019	2018
Current	\$ 809,135	\$ 879,147
Noncurrent	3,689,398	3,456,495
	\$ 4,498,533	\$ 4,335,642

The allowance for loan losses as a percentage of loans outstanding was 3.4% of OFN's loan portfolio at both the years ended December 31, 2019 and 2018.

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.

Opportunity Finance Network and Subsidiaries

Notes to Consolidated Financial Statements

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, 2019 and 2018, OFN had no loans classified as impaired or as TDRs.

Loans to related interests: OFN extends loans to CDFIs in accordance with its Financing and Portfolio Management Policies. Consistent with these policies, OFN may extend loans to organizations whose representatives are elected to OFN's Board of Directors by OFN's members; however, no Board member sits on the Investment Committee that approves all loans. During the years ended December 31, 2019 and 2018, there were two new loans made to related interest and total loans renewed totaling \$6,250,000. At December 31, 2019 and 2018, loans in the amounts of approximately \$12.4 and \$10.7 million, respectively, were receivable from CDFIs whose representatives are members of OFN's Board of Directors during 2019 and 2018, respectively.

Note 7. Equity Equivalent Investments

As of December 31, 2019 and 2018, CCIF had \$5.5 million in EQ2 investments outstanding to 14 CDFIs. The EQ2s are unsecured and due between 2023 and 2028, with two one-year options to extend the maturity date. All EQ2s carry an interest rate of 3.0% and interest is paid quarterly. As of December 31, 2019, all EQ2s were current on payments. The EQ2s were underwritten based on credit quality and considerations related to geography.

As of December 31, 2019 and 2018, G2G had \$22.5 million and \$3 million in EQ2 investments outstanding to 17 and two CDFIs, respectively. The EQ2s are unsecured and due between 2028 and 2029, with two one-year options to extend the maturity date. All EQ2s carry an interest rate of 3.0% and interest is paid quarterly. As of December 31, 2019, all EQ2s were current on payments. The EQ2s were underwritten based on credit quality and considerations related to geography.

Management evaluates periodically for impairment. No impairment was noted as of December 31, 2019 or 2018.

Note 8. Grants Receivable

Grants were receivable from the following organizations at December 31:

CDFI Fund	-	700,000
Robert Wood Johnson Foundation	250,000	250,000
Mary Reynolds Babcock Foundation	-	150,000
Bank of America	100,000	-
Wells Fargo Foundation	410,000	-
Other	-	95,000
	<u>\$ 760,000</u>	<u>\$ 1,348,230</u>

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

Opportunity Finance Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 8. Grants Receivable (Continued)

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

	2019	2018
Receivable in less than one year	\$ 555,000	\$ 1,348,230
Receivable in one to five years	205,000	-
	<u>\$ 760,000</u>	<u>\$ 1,348,230</u>

In addition, the Organization has a conditional grant receivable as of both December 31, 2019 and 2018, from Goldman Sachs in the amount of \$246,600 and a conditional grant receivable from Wells Fargo Foundation in the amount of \$555,479, both of these grants are conditional on the occurrence of a specified future and uncertain event. As such, the conditional grants receivable are not reflected above.

Note 9. Fixed Assets

Fixed assets consist of the following at December 31:

	2019	2018
Equipment	\$ 863,542	\$ 760,986
Furniture and fixtures	352,127	208,491
Software	69,705	69,705
Leasehold improvements	753,371	14,942
	<u>2,038,745</u>	<u>1,054,124</u>
Less accumulated depreciation	937,885	939,576
	<u>\$ 1,100,860</u>	<u>\$ 114,548</u>

Total depreciation expense for the years ended December 31, 2019 and 2018, was \$116,165 and \$69,706, respectively.

Opportunity Finance Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 10. Notes Payable

Following is a summary of notes payable at December 31:

Lender	Interest Rate	Final Maturity Date	Amount	
			2019	2018
Bank of America	2.50%	December 2024	\$ 10,500,000	\$ 10,500,000
Bank of America	1.00%	March 2022	3,250,000	4,250,000
Calvert Social Investment Foundation	3.50%	May 2021	3,000,000	3,000,000
Calvert Social Investment Foundation	3.50%	May 2021	2,000,000	2,000,000
Capital One	2.00%	March 2022	1,000,000	1,000,000
CNote Group, Inc.	3.00% - 3.50%	May 2022	1,241,650	647,088
Dignity Health (formerly Catholic Healthcare West)	2.50%	June 2021	1,000,000	1,000,000
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 Friends	2.00%	October 2020	200,000	200,000
NY Quarterly Meeting of the Religious Society of Friends	2.75%	September 2020	500,000	500,000
Oportun Inc.	2.00%	September 2021	1,000,000	1,000,000
PNC Bank	2.75%	March 2022	7,500,000	7,500,000
PNC Bank	3.25%	June 2026	2,500,000	-
Presbyterian Church (USA) Foundation	2.00%	November 2025	1,000,000	1,000,000
Prudential Foundation	1.00%	January 2027	5,000,000	5,000,000
Republic Bank	3.00%	September 2020	500,000	500,000
The Kresge Foundation	1.00%	December 2022	7,500,000	10,000,000
Deutsche Bank Trust Company Americas (a)	LIBOR plus 2.00%	December 2022	-	2,000,000
Other	2.00% - 2.75%	January 2020 to November 2024	1,400,000	1,450,000
			<u>\$ 79,091,650</u>	<u>\$ 81,547,088</u>
Current portion of notes payable			\$ 13,280,528	\$ 4,325,000
Note payable, noncurrent			65,811,122	77,222,088
			<u>\$ 79,091,650</u>	<u>\$ 81,547,088</u>

(a) At December 31, 2019, undrawn amount of the total borrowing available under this revolving line of credit was \$10 million.

The weighted average interest rate on loans payable was 1.7% for years ended December 31, 2019 and 2018.

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, 2019, OFN was in full compliance with all financial covenants to which it was subject.

Opportunity Finance Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 10. Notes Payable (Continued)

The minimum annual repayment requirements on notes payable and other liabilities (see Note 11) as of December 31, 2019, are as follows:

Years ending December 31:

2020	\$ 13,280,528	\$ 12,780,528
2021	20,116,560	22,116,560
2022	23,269,562	22,675,000
2023	7,525,000	6,900,000
2024	8,275,000	-
Thereafter	18,625,000	19,750,000
	<u>\$ 91,091,650</u>	<u>\$ 84,222,088</u>

Note 11. 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."

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

Lender	Repayment Terms	Interest Rate	Maturity Date	Amount	
				2019	2018
BBVA USA	Quarterly interest only	2.50%	August 2029	\$ 5,000,000	\$ -
Wells Fargo	Quarterly interest only	2.00%	October 2026	5,000,000	5,000,000
Wells Fargo	Quarterly interest only	2.00%	April 2026	1,000,000	1,000,000
Wells Fargo	Quarterly interest only	2.00%	December 2029	1,000,000	1,000,000
				<u>\$ 12,000,000</u>	<u>\$ 7,000,000</u>

Note 12. Functional Expenses

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

	2019	2018
Included in net financing income	\$ 1,709,154	\$ 1,585,921
Operating expenses	9,135,333	9,039,918
Expenses – pass-through grants	270,213	-
	<u>\$ 11,114,700</u>	<u>\$ 10,625,839</u>

The 2019 breakout of expenses, as a percentage of total functional expenses, are as follows: program expenses (85.8%) and general and administrative expenses (14.2%). The 2018 breakout of expenses, as a percentage of total functional expenses, are as follows: program expenses (86.2%) and general and administrative expenses (13.8%). The general and administrative category includes fundraising expenses of \$326,075 and \$344,126 for the years ended December 31, 2019 and 2018, respectively.

Opportunity Finance Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 13. Net Assets

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

	2019	2018
Net assets without donor restrictions	\$ 50,507,550	\$ 49,314,378
Non-controlling interest in consolidated subsidiaries	26,567,206	7,912,578
Total net assets without donor restrictions	<u>\$ 77,074,756</u>	<u>\$ 57,226,956</u>

The non-controlling interest in consolidated subsidiaries represents Woodforest's capital account in CCIF and HSBC's capital account in G2G. OFN presents the non-controlling interest in CCIF and G2G, its consolidated subsidiaries, as a separate line item within net assets in the statements of financial position. A summary of the members' equity of CCIF and G2G for the years ended December 31, 2019 and 2018 were as follows:

CCIF

	OFN	Woodforest	Total
Balance, December 31, 2017	\$ 265,146	\$ 2,651,468	\$ 2,916,614
Capital contributions	236,364	2,363,636	2,600,000
Net income	9,268	92,679	101,947
Distributions	(5,000)	(50,000)	(55,000)
Balance, December 31, 2018	505,778	5,057,783	5,563,561
Capital contributions	-	-	-
Net income	10,133	101,325	111,458
Distributions	(10,118)	(101,182)	(111,300)
Balance, December 31, 2019	<u>\$ 505,793</u>	<u>\$ 5,057,926</u>	<u>\$ 5,563,719</u>

G2G

	OFN	HSBC	Total
Balance, January 1, 2018	\$ -	\$ -	\$ -
Capital contributions	150,000	2,850,000	3,000,000
Net income	252	4,795	5,047
Distributions	-	-	-
Balance, December 31, 2018	150,252	2,854,795	3,005,047
Capital contributions	975,000	18,525,000	19,500,000
Net income	15,149	287,822	302,971
Distributions	(8,333)	(158,337)	(166,670)
Balance, December 31, 2019	<u>\$ 1,132,068</u>	<u>\$ 21,509,280</u>	<u>\$ 22,641,348</u>

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

Opportunity Finance Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 13. Net Assets (Continued)

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

	December 31, 2018	Grants and Contributions	Grant Modification	Net Assets Released	December 31, 2019
Operating:					
Program support	\$ 1,503,966	\$ 1,474,871	\$ -	\$ (1,477,823)	\$ 1,501,014
Financing:					
Financing capital	1,116,073	565,000	-	(800,854)	880,219
Re-granting					
CDFI capacity building	995,000	4,775,213	-	(270,213)	5,500,000
Total net assets with donor restrictions	<u>\$ 3,615,039</u>	<u>\$ 6,815,084</u>	<u>\$ -</u>	<u>\$ (2,548,890)</u>	<u>\$ 7,881,233</u>
	December 31, 2017	Grants and Contributions	Grant Modification	Net Assets Released	December 31, 2018
Operating:					
Program support	\$ 996,938	\$ 1,914,785	\$ -	\$ (1,407,757)	\$ 1,503,966
Financing:					
Financing capital	770,646	700,000	-	(354,573)	1,116,073
Re-granting					
CDFI capacity building	-	995,000	-	-	995,000
Total net assets with donor restrictions	<u>\$ 1,767,584</u>	<u>\$ 3,609,785</u>	<u>\$ -</u>	<u>\$ (1,762,330)</u>	<u>\$ 3,615,039</u>

Note 14. New Markets Tax Credit Program

In 2013, OFN received a NMTC program allocation for Round 10 of \$15,000,000 from the CDFI Fund 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, Ohio.

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, Massachusetts.

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

Opportunity Finance Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 14. New Markets Tax Credit Program (Continued)

As a .01% general partner, NCCA General Partner, LLC, is entitled to .01% of any income of Opportunity Fund I, LP, Opportunity Fund II, LP, and Opportunity Fund III, LP. In addition, as general partner, NCCA General Partner, LLC, is entitled to an annual management fee of 0.5% of the aggregate amount of the Qualified Equity Investments. In 2019 and 2018, NCCA General Partner, LLC earned \$71,000 in each year, in management fees related to qualified equity investments under management.

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

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

	2019	2018
Total assets	\$ 14,840,792	\$ 14,883,061
Total liabilities	8,750	8,750
Partners' capital	14,832,042	14,874,311
Total revenue	459,754	459,675
Total expenses	88,858	88,857
Net income	370,896	370,818
Partner contributions	-	-
Partner distributions	413,165	413,164

As part of the three \$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 15. Commitments and Contingencies

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

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

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

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

Opportunity Finance Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 15. Commitments and Contingencies (Continued)

The accrued loss on disposal of lease is \$93,428 and \$117,422 as of December 31, 2019 and 2018, respectively, and is reflected in accounts payable and accrued expenses. Amortization of the accrued disposal loss was \$23,994 and \$15,736 in 2019 and 2018, respectively.

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

In 2019 entered into a new three-year lease in Philadelphia to better accommodate a smaller Philadelphia-based staff as the headquarters moved to Washington, D.C. When OFN entered into the 2019 Philadelphia lease, OFN also signed a termination agreement on its existing Philadelphia lease, and recorded a \$150,000 loss on the disposal of the lease.

For the years ended December 31, 2019 and 2018, total rental expenses under leases amounted to approximately \$586,980 and \$400,261, respectively.

At December 31, 2019, total future minimal lease payments under the leases and future sublease rentals are as follows:

Years ending December 31:	Operating Lease	Sublease
2020	\$ 185,693	\$ (50,393)
2021	656,271	(52,408)
2022	659,944	(54,505)
2023	611,219	(18,646)
2024	626,896	-
	<u>\$ 2,740,023</u>	<u>\$ (175,952)</u>

Commitments to extend credit amounted to \$2,080,000 and \$411,755 as of December 31, 2019 and 2018, respectively.

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

On October 1, 2018, OFN purchased 150 Class A units in Bright Community Capital Holdings LLC, becoming a Class A Member in the fund. The fund will invest in renewable energy projects in the United States with the goal of helping to create economically and environmentally healthy communities, particularly for low-income people. OFN will make payments towards its \$1,500,000 capital commitment as requested by the fund. As of December 31, 2019, OFN has funded \$0 on its capital commitment. As a Class A Member, OFN is a non-voting member of the fund with its liabilities limited to its capital commitment.

As discussed in Note 2, in 2019, OFN became a limited partner in Domestic Small Cap Pay for Success Fund I, L.P. OFN will make payments towards its \$500,000 capital commitment as requested by the fund. As of December 31, 2019, OFN has funded \$84,912 on its capital commitment. As a limited partner, OFN does not participate in the management of the fund and has no liability beyond its capital commitment.

Opportunity Finance Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 16. CDFI Fund Bond Guarantee Program

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

In 2013, the CDFI Fund approved OFN to serve as a Qualified Issuer and issue a \$100 million 29.5-year bond on behalf of Clearinghouse CDFI, an Eligible CDFI under the Bond Program. In 2014, OFN and Clearinghouse CDFI executed bond documents. As of December 31, 2019 and 2018, Clearinghouse CDFI had drawn down the entire \$100 million under this facility and the amount outstanding was \$89,956,991 and \$93,400,808, 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., FAHE, Kentucky Highlands Investment Corporation, and The Chicago Community Loan Fund. As of December 31, 2019 and 2018, \$184,304,662 and \$170,689,604, respectively, was drawn down under these two bond facilities, and \$173,632,243 and \$165,028,422, respectively, was outstanding.

In 2017, the CDFI Fund approved OFN to serve as a Qualified Issuer and issue a \$145 million 29.5-year bond on behalf of one group of eight Eligible CDFIs under the Bond Program: Building Hope, Coastal Enterprises, Inc., Community First Fund, Florida Community Loan Fund, Greater Minnesota Housing Fund, Homewise, Inc., Housing Trust Silicon Valley, and Impact Seven. During 2019, Coastal Enterprises, Inc. withdrew from the Bond Program, leaving a total bond commitment of \$125 million. As of December 31, 2019 and 2018, \$53,901,852 and \$24,795,584, respectively, was drawn down under this facility, and \$53,475,521 and \$24,795,584, respectively, was outstanding.

In 2019, the CDFI Fund approved OFN to serve as a Qualified Issuer and issue a \$100 million 29.5-year bond on behalf of one group of three Eligible CDFIs under the Bond Program: Community Loan Fund of New Jersey, FAHE, and Greater Minnesota Housing Fund. As of December 31, 2019, \$7,711,684 was drawn down under this bond facility and was outstanding.

OFN earned \$920,565 and \$443,432 in fees related to the Bond Program for the years ended December 31, 2019 and 2018, respectively.

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

Note 17. Deferred Compensation

OFN has a tax-deferred annuity plan qualified under Section 403(b) of the IRC. The plan covers all employees of the organization. OFN contributed \$27,496 and \$24,445 for the years ended December 31, 2019 and 2018, respectively.

Opportunity Finance Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 18. Revenue Recognition

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

Disaggregation of revenue: The following table presents OFN's 2019 revenue disaggregated by primary performance obligation:

	<u>At a point in time</u>	<u>Over time</u>
Sponsorship	\$ 1,678,750	\$ -
Registration Fees	1,045,780	-
Strength Fees	-	70,764
Financial Services - Bond QI fees, Asset management fees-NMTC	-	869,511
Financial Services - Bond QI Closing fees	300,000	-
Dues	-	623,729
	<u>\$ 3,024,530</u>	<u>\$ 1,564,004</u>

Performance obligations:

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

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

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

Financial services fees: asset management & ongoing bond qualified issuer fees: OFNs asset management fee revenue is substantially generated from the OFN's involvement in managing the following entities: three New Markets Tax Credit Entities, Opportunity Fund I, Opportunity Fund II, and Opportunity Fund III. The fees for the NMTC entities are earned based on fixed amounts specified in the agreements. Revenue is recognized over time for the NMTC entities as the entities simultaneously receives and consume the benefits provided by the OFN's performance under the agreements. Fees are paid quarterly for the NMTC entities.

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

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

Opportunity Finance Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 18. Revenue Recognition (Continued)

Dues: OFN receives Member and Ally dues for certain benefits CDFIs and other partners received for being a Member or Ally of OFN. Revenue is recognized over time as Members and Allies receive and consume the benefits provided by the OFN's over the year. Annual membership dues are billed at the beginning March for the year and are due within 30 days of the billing date.

Contract balances: The timing of revenue recognition, billings, cash collections results in billed accounts receivable and deferred revenue on the consolidated statement of financial position. Accounts receivable include amounts due from customers that are unconditional. Deferred revenue consists of billings in excess of revenue recognized. The following table provides information about receivables and deferred revenue from contracts with customers as of December 31:

	2019	2018
Accounts receivable	\$ 177,824	\$ 22,558
Deferred revenue	42,463	65,750

Note 19. Subsequent Events

Management has evaluated subsequent events through April 29, 2020, 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 10, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a pandemic. While this event is expected to impact the world economy, the extent to which this event will impact OFN's financial position will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and actions taken to contain the coronavirus or its impact, among others.



RSM US LLP

Independent Auditor's Report on the Supplementary Information

Board of Directors
Opportunity Finance Network

We have audited the consolidated financial statements of Opportunity Finance Network and Subsidiaries as of and for the years ended December 31, 2019 and 2018, and have issued our report thereon, which contains an unmodified opinion on those financial statements. See pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis rather than to present the financial position and activities of the individual entities and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

RSM US LLP

Blue Bell, Pennsylvania
April 29, 2020

Opportunity Finance Network and Subsidiaries

Consolidating Statement of Financial Position

December 31, 2019

	General	Financing	Total OFN (1)	CCIF	G2G	Elimination	Total
Assets							
Current assets:							
Cash and cash equivalents	\$ 10,053,483	\$ 4,402,645	\$ 14,456,128	\$ 44,740	\$ 70,025	\$ -	\$ 14,570,893
Certificates of deposit	204,680	-	204,680	-	-	-	204,680
Short-term investments	727,169	-	727,169	-	-	-	727,169
Current portion of loans receivable, net of allowance for loan losses	-	20,431,285	20,431,285	-	-	-	20,431,285
Interest and other receivables	678,082	-	678,082	23,063	99,083	(31,844)	768,384
Current portion of grants receivable	555,000	-	555,000	-	-	-	555,000
Other assets	308,713	-	308,713	-	-	-	308,713
Total current assets	12,527,127	24,833,930	37,361,057	67,803	169,108	(31,844)	37,566,124
Noncurrent assets:							
Long-term investments	-	2,924,873	2,924,873	-	-	-	2,924,873
CDFI and other investments	1,500	2,697,349	2,698,849	-	-	(1,637,861)	1,060,988
Loans receivable, net of current portion and allowance for loan losses	-	107,755,306	107,755,306	-	-	-	107,755,306
Equity equivalent investment	-	-	-	5,500,000	22,500,000	-	28,000,000
Grants receivable, net of current portion	205,000	-	205,000	-	-	-	205,000
Fixed assets, net	1,100,860	-	1,100,860	-	-	-	1,100,860
Total noncurrent assets	1,307,360	113,377,528	114,684,888	5,500,000	22,500,000	(1,637,861)	141,047,027
Total assets	\$ 13,834,487	\$ 138,211,458	\$ 152,045,945	\$ 5,567,803	\$ 22,669,108	\$ (1,669,705)	\$ 178,613,151
Liabilities and Net Assets							
Current liabilities:							
Accounts payable and accrued expenses	\$ 1,329,467	\$ -	\$ 1,329,467	\$ 4,084	\$ 27,760	\$ (31,844)	\$ 1,329,467
Deferred revenue and advanced payments received	72,250	-	72,250	-	-	-	72,250
Deferred lease incentive and tenant allowance	1,163,795	-	1,163,795	-	-	-	1,163,795
Current portion of notes payable	-	13,280,528	13,280,528	-	-	-	13,280,528
Total current liabilities	2,565,512	13,280,528	15,846,040	4,084	27,760	(31,844)	15,846,040
Noncurrent liabilities:							
Notes payable	-	65,811,122	65,811,122	-	-	-	65,811,122
Other liabilities	-	12,000,000	12,000,000	-	-	-	12,000,000
Total noncurrent liabilities	-	77,811,122	77,811,122	-	-	-	77,811,122
Total liabilities	2,565,512	91,091,650	93,657,162	4,084	27,760	(31,844)	93,657,162
Commitments and contingencies							
Net assets:							
Without donor restrictions:							
Without donor restrictions	4,267,961	46,239,589	50,507,550	505,793	1,132,068	(1,637,861)	50,507,550
Non-controlling interest in consolidated subsidiaries	-	-	-	5,057,926	21,509,280	-	26,567,206
Total net assets without donor restrictions	4,267,961	46,239,589	50,507,550	5,563,719	22,641,348	(1,637,861)	77,074,756
With donor restrictions:							
Operating	1,501,014	-	1,501,014	-	-	-	1,501,014
Re-granting	5,500,000	-	5,500,000	-	-	-	5,500,000
Financing	-	880,219	880,219	-	-	-	880,219
Total net assets with donor restrictions	7,001,014	880,219	7,881,233	-	-	-	7,881,233
Total net assets	11,268,975	47,119,808	58,388,783	5,563,719	22,641,348	(1,637,861)	84,955,989
Total liabilities and net assets	\$ 13,834,487	\$ 138,211,458	\$ 152,045,945	\$ 5,567,803	\$ 22,669,108	\$ (1,669,705)	\$ 178,613,151

(1) Includes OFN, NCCA General Partner, LLC and OFN GP, LLC (dormant entity).

Opportunity Finance Network and Subsidiaries

Consolidating Statement of Activities Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total OFN (1)	CCIF	G2G	Elimination	Total
Operating revenue and support:							
Net financing income:							
Interest income – loans	\$ 4,653,702	\$ -	\$ 4,653,702	\$ 165,124	\$ 369,666	\$ -	\$ 5,188,492
Less interest expense	(1,546,263)	-	(1,546,263)	-	-	-	(1,546,263)
Less provision for loan losses	(162,891)	-	(162,891)	-	-	-	(162,891)
Total net financing income	2,944,548	-	2,944,548	165,124	369,666	-	3,479,338
Other revenue and support:							
Dues	623,729	-	623,729	-	-	-	623,729
Fees – Registration	1,045,780	-	1,045,780	-	-	-	1,045,780
Fees – Strength	70,764	-	70,764	-	-	-	70,764
Fees – Financial Services	1,280,254	-	1,280,254	-	-	(110,743)	1,169,511
Sponsorships	1,678,750	-	1,678,750	-	-	-	1,678,750
Investment income, net	274,616	-	274,616	-	-	(25,282)	249,334
Grants – operating	175,000	1,474,871	1,649,871	-	-	-	1,649,871
Donations and in-kind services	96,769	-	96,769	-	-	-	96,769
Net assets released from restrictions	1,578,677	(1,578,677)	-	-	-	-	-
Total operating revenue and support	9,768,887	(103,806)	9,665,081	165,124	369,666	(136,025)	10,063,846
Operating expenses:							
Salaries, payroll taxes, and benefits	4,639,182	-	4,639,182	-	-	-	4,639,182
Contractor fees	594,140	-	594,140	-	-	-	594,140
Program support	2,937,926	-	2,937,926	53,666	66,695	(110,743)	2,947,544
Professional services	396,496	-	396,496	-	-	-	396,496
Occupancy	552,971	-	552,971	-	-	-	552,971
Operating grants – other	5,000	-	5,000	-	-	-	5,000
Total operating expenses	9,125,715	-	9,125,715	53,666	66,695	(110,743)	9,135,333
Change in net assets – operating	643,172	(103,806)	539,366	111,458	302,971	(25,282)	928,513

(Continued)

Opportunity Finance Network and Subsidiaries

Consolidating Statement of Activities (Continued) Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total OFN (1)	CCIF	G2G	Elimination	Total
Non-operating support, expense and loss:							
Support – financing and pass-through grants:							
Grants – financing and pass-through	\$ -	\$ 5,340,213	\$ 5,340,213	\$ -	\$ -	\$ -	\$ 5,340,213
Net assets released from restrictions	970,213	(970,213)	-	-	-	-	-
Expenses – pass-through grants – grants to CDFIs	(270,213)	-	(270,213)	-	-	-	(270,213)
Loss on disposal of lease	(150,000)	-	(150,000)	-	-	-	(150,000)
Change in net assets – non-operating	550,000	4,370,000	4,920,000	-	-	-	4,920,000
Change in net assets before capital contributions and distributions	1,193,172	4,266,194	5,459,366	111,458	302,971	(25,282)	5,848,513
Capital contributions – managing member	-	-	-	-	975,000	(975,000)	-
Capital contributions – non-controlling interest members	-	-	-	-	18,525,000	-	18,525,000
Distributions to members	-	-	-	(111,300)	(166,670)	18,451	(259,519)
Change in net assets	1,193,172	4,266,194	5,459,366	158	19,636,301	(981,831)	24,113,994
Net assets:							
Beginning	49,314,378	3,615,039	52,929,417	5,563,561	3,005,047	(656,030)	60,841,995
Ending	\$ 50,507,550	\$ 7,881,233	\$ 58,388,783	\$ 5,563,719	\$ 22,641,348	\$ (1,637,861)	\$ 84,955,989

(1) Includes OFN, NCCA General Partner, LLC and OFN GP, LLC (dormant entity).