OPPORTUNITY FINANCE NETWORK AND SUBSIDIARIES

Consolidated Financial Statements and Supplementary Schedules
For the Years Ended December 31, 2022 and 2021
With Independent Auditor's Report

MITCHELL TITUS
ACHIEVING EXCELLENCE TOGETHER

OPPORTUNITY FINANCE NETWORK AND SUBSIDIARIES
Consolidated Financial Statements and Supplementary Schedules
Years Ended December 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Opportunity Finance Network

Opinion

We have audited the consolidated financial statements of Opportunity Finance Network and Subsidiaries, which comprise the consolidated statements of financial condition as of December 31, 2022 and 2021, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Opportunity Finance Network and Subsidiaries as of December 31, 2022 and 2021, and the change in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Opportunity Finance Network and Subsidiaries and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Opportunity Finance Network and Subsidiaries' ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

1625 K Street NW
Washington, DC 20006
T +1 202 293 7500
F +1 202 465 3149
mitchelltitus.com

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Supplementary Information

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 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

MITCHELL TITUS

accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit 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 GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Mitchell & Titus, LLP

April 27, 2023

OPPORTUNITY FINANCE NETWORK AND SUBSIDIARIES

Consolidated Statements of Financial Position

As of December 31, 2022 and 2021

	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	$ 63,407,929	$ 69,741,739
Restricted cash	1,252,700	577,815
Certificates of deposit	208,302	208,093
Short-term investments (Notes 2 and 4)	26,154,777	604,716
Current portion of loans receivable, net of allowance for loan losses (Notes 5 and 6)	14,474,019	32,521,423
Interest and other receivables	658,965	817,095
Grants receivable (Note 8)	3,175,000	2,087,500
Other assets	240,522	159,747
Total current assets	109,572,214	106,718,128
Noncurrent assets		
Long-term investments (Notes 2 and 4)	3,090,533	3,206,244
CDFI and other investments (Notes 2 and 4)	9,995,228	2,667,697
Loans receivable, net of current portion and allowance for loan losses (Notes 5 and 6)	165,070,250	111,391,344
Equity equivalent investments (Note 7)	37,800,000	29,500,000
Right-of-use assets	3,194,099	-
Fixed assets, net (Note 9)	732,707	870,596
Total noncurrent assets	219,882,817	147,635,881
Total assets	$ 329,455,031	$ 254,354,009
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	$ 1,046,735	$ 604,662
Deferred revenue and advanced payments received	129,778	309,101
Deferred lease incentive and tenant allowance	-	1,443,341
Funds held for third party	1,252,700	577,815
Current portion of notes payable (Note 10)	13,450,000	21,019,562
Total current labilities	15,879,213	23,954,481
Noncurrent liabilities		
Operating lease liability	4,538,027	-
Notes payable (Note 10)	120,920,000	88,695,000
Other liabilities (Note 11)	12,000,000	12,000,000
Total noncurrent labilities	137,458,027	100,695,000
Total labilities	153,337,240	124,649,481
COMMITMENTS AND CONTINGENCIES (Notes 14 and 15)		
NET ASSETS (Note 13)		
Without donor restrictions		
Without donor restrictions	66,533,037	57,654,885
Without donor restrictions, board designated	25,000,000	-
Non-controlling interest in consolidated subsidiaries	36,569,313	28,978,084
Total net assets without donor restrictions	128,102,350	86,632,969
With donor restrictions		
Operating	7,642,941	3,101,559
Re-granting	31,385,000	37,965,000
Financing	8,987,500	2,005,000
Total net assets with donor restrictions	48,015,441	43,071,559
Total net assets	176,117,791	129,704,528
Total labilities and net assets	$ 329,455,031	$ 254,354,009

The accompanying notes are an integral part of these consolidated financial statements.

OPPORTUNITY FINANCE NETWORK AND SUBSIDIARIES

Consolidated Statements of Activities *(continued)*

Years Ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
OPERATING REVENUE AND SUPPORT						
Net financing income						
Interest income - loans	$ 6,052,094	$ -	$ 6,052,094	$ 5,578,897	$ -	$ 5,578,897
Less: Interest expense	(1,805,108)	-	(1,805,108)	(1,606,045)	-	(1,606,045)
Less: Provision for loan losses	(2,119,915)	-	(2,119,915)	(278,167)	-	(278,167)
Total net financing income	2,127,071	-	2,127,071	3,694,685	-	3,694,685
OTHER REVENUE AND SUPPORT						
Dues (Note 18)	866,950	-	866,950	769,779	-	769,779
Fees - Registration (Note 18)	1,497,052	-	1,497,052	129,700	-	129,700
Fees - Strength (Note 18)	23,332	-	23,332	71,060	-	71,060
Fees - Financial Services (Note 18)	3,212,053	-	3,212,053	2,407,095	-	2,407,095
Sponsorships (Note 18)	1,928,583	-	1,928,583	1,388,000	-	1,388,000
Investment income, net	278,407	-	278,407	210,561	-	210,561
Grants - operating	-	6,515,000	-	145,000	2,698,136	2,843,136
Donations and in-kind services	25,486	-	25,486	636,723	250,000	886,723
Net assets released from restrictions (Note 13)	2,091,118	(2,091,118)	-	2,093,465	(2,093,465)	-
Total operating revenue and support	12,050,052	4,423,882	16,473,934	11,546,068	854,671	12,400,739
OPERATING EXPENSES						
Salaries, payroll taxes and benefits	5,744,402	-	5,744,402	5,651,530	-	5,651,530
Contractor fees	554,406	-	554,406	792,299	-	792,299
Program support (Note 1)	4,075,075	-	4,075,075	2,117,178	-	2,117,178
Professional services	357,856	-	357,856	373,659	-	373,659
Occupancy	491,935	-	491,935	488,072	-	488,072
Total operating expenses	11,223,674	-	11,223,674	9,422,738	-	9,422,738
Change in net assets - operating	826,378	4,423,882	5,250,260	2,123,330	854,671	2,978,001

The accompanying notes are an integral part of these consolidated financial statements.

OPPORTUNITY FINANCE NETWORK AND SUBSIDIARIES

Consolidated Statements of Activities *(continued)*

Years Ended December 31, 2022 and 2021

	2022			2021		
	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 and other contributions - financing and pass-through grants	$ 27,701,180	$ 28,026,250	$ 55,727,430	$ 863,519	$ 43,108,765	$ 43,972,284
Net assets released from restrictions (Note 13)	27,506,250	(27,506,250)	-	13,333,765	(13,333,765)	-
Expenses - pass-through grants - grants to CDFIs	(21,400,000)	-	(21,400,000)	(10,875,000)	-	(10,875,000)
Change In net assets - non-operating	33,807,430	520,000	34,327,430	3,322,284	29,775,000	33,097,284
Change in net assets before non-controlling interest capital contributions and distributions	34,633,808	4,943,882	39,577,690	5,445,614	30,629,671	36,075,285
Capital contributions from non-controlling interest members (Note 13)	7,545,455	-	7,545,455	-	-	-
Distributions to non-controlling interest members (Note 13)	(709,882)	-	(709,882)	(750,099)	-	(750,099)
Change In net assets	41,469,381	4,943,882	46,413,263	4,695,515	30,629,671	35,325,186
Net assets						
Beginning	86,632,969	43,071,559	129,704,528	81,937,454	12,441,888	94,379,342
Ending	$ 128,102,350	$ 48,015,441	$ 176,117,791	$ 86,632,969	$ 43,071,559	$ 129,704,528

The accompanying notes are an integral part of these consolidated financial statements.

OPPORTUNITY FINANCE NETWORK AND SUBSIDIARIES
Consolidated Statements of Cash Flows *(continued)*
Years Ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 46,413,263	$ 35,325,186
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Non-controlling Interest capital contributions	(7,545,455)	-
Non-controlling interest distributions	709,882	750,099
Donated CDFI and other investments	(2,533,747)	-
Amortization of accrued loss on disposal of lease	(16,669)	(24,199)
Depreciation and amortization	158,711	159,979
Provision for loan losses	2,119,915	278,167
Deferred loan fees, net	(1,970)	(6,980)
Amortization of premiums/discounts on investments	8,920	7,805
Deferred lease incentive expense	(8,266)	(3,130)
Amortization of deferred lease incentive and tenant allowance	(91,147)	(91,147)
Net realized/unrealized (gain} loss on Investments	760,746	(72,657)
Forgiveness of notes payable	-	(5,538,400)
(Increase) decrease in		
Interest and other receivables	158,130	(374,635)
Grants receivable	(1,087,500)	42,500
Other assets	(80,775)	(12,268)
Right-of-use assets	(4,538,027)	-
Increase (decrease) in		
Accounts payable and accrued expenses	458,742	(256,644)
Deferred revenue and advanced payments received	(179,323)	(803,399)
Funds held for third party	674,885	(4,924,702)
Operating lease liability	4,538,027	-
Net cash provided by operating activities	39,918,342	24,455,575
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of furniture and equipment	(20,822)	(59,302)
Purchases of certificates of deposit	(209)	(1,214)
Purchases of institutional insured liquid deposits	(25,327,626)	-
Purchases of investments	(1,785,313)	(122,138)
Proceeds from sale of investments	1,000,000	-
Purchases of CDFI and other investments	(4,966,250)	(455,189)
Distributions from CDFI and other investments	81,390	31,900
Loans receivable repayments	12,280,605	32,770,012
Loans receivable disbursed	(74,430,053)	(97,784,672)
Proceeds from transfer of loans receivable	24,400,000	55,600,000
Equity equivalent investments repayments	-	-
Equity equivalent investments disbursed	(8,300,000)	-
Net cash used in investing activities	(77,068,278)	(10,020,603)

The accompanying notes are an integral part of these consolidated financial statements.

OPPORTUNITY FINANCE NETWORK AND SUBSIDIARIES
Consolidated Statements of Cash Flows *(continued)*
Years Ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable and other liabilities	$ 57,600,000	$ 34,925,000
Repayment of notes payable	(32,944,562)	(22,766,560)
Non-controlling interest capital contributions received	7,545,455	-
Non-controlling interest distributions paid	(709,882)	(750,099)
Net cash provided by financing activities	31,491,011	11,408,341
(Decrease) increase in cash, cash equivalents, and restricted cash	(5,658,925)	25,843,313
Cash, cash equivalents, and restricted cash		
Beginning	70,319,554	44,476,241
Ending	$ 64,660,629	$ 70,319,554
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for		
Interest	$ 1,721,226	$ 1,605,512

The accompanying notes are an integral part of these consolidated financial statements.

OPPORTUNITY FINANCE NETWORK AND SUBSIDIARIES
Consolidated Statements of Functional Expenses
Year Ended December 31, 2022

	Program				General and Administrative (Note 12)	Grand Total
	Financial Services	Strength	Voice	Program Sub-total		
Salaries, payroll taxes and fringe benefits	$ 1,630,972	$ 1,529,878	$ 1,045,458	$ 4,206,308	$ 1,538,094	$ 5,744,402
Contractor fees	50,984	429,991	58,463	539,438	14,968	554,406
Program support (Note 1)	438,699	2,866,843	330,770	3,636,312	438,763	4,075,075
Professional services	260,566	31,830	28,838	321,234	36,622	357,856
Occupancy	147,079	113,900	103,193	364,172	127,763	491,935
Interest	1,805,108	-	-	1,805,108	-	1,805,108
Provision for loan losses	2,119,915	-	-	2,119,915	-	2,119,915
Grants to CDFIs	8,025,000	13,375,000	-	21,400,000	-	21,400,000
Total expenses	$ 14,478,323	$ 18,347,442	$ 1,566,722	$ 34,392,487	$ 2,156,210	$ 36,548,697

The accompanying notes are an integral part of these consolidated financial statements.

OPPORTUNITY FINANCE NETWORK AND SUBSIDIARIES
Consolidated Statements of Functional Expenses
Year Ended December 31, 2021

	Program				General and	
	Financial Services	Strength	Voice	Program Sub-total	Administrative (Note 12)	Grand Total
Salaries, payroll taxes and fringe benefits	$ 1,728,475	$ 1,429,917	$ 987,928	$ 4,146,321	$ 1,505,210	$ 5,651,530
Contractor fees	120,520	425,832	240,790	787,142	5,156	792,299
Program support (Note 1)	360,785	1,024,691	360,874	1,746,350	370,828	2,117,178
Professional services	282,542	35,868	23,240	341,650	32,009	373,659
Occupancy	158,631	129,670	83,997	372,298	115,775	488,072
Interest	1,606,045	-	-	1,606,045	-	1,606,045
Provision for loan losses	278,167	-	-	278,167	-	278,167
Grants to CDFIs	9,800,000	1,075,000	-	10,875,000	-	10,875,000
Total expenses	$ 14,335,166	$ 4,120,978	$ 1,696,830	$ 20,152,973	$ 2,028,977	$ 22,181,950

The accompanying notes are an integral part of these 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 to Pennsylvania from California. The predecessor corporation to OFN, Opportunity Finance Corporation (formerly National Community Capital Association), was incorporated on 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 390 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 to Washington, DC from Philadelphia to strengthen its ability to expand partnerships and resources for the CDFI industry. This change was effective in January 2019. OFN continues to maintain a satellite office in Philadelphia, Pennsylvania.

In 2022, OFN was re-certified as a CDFI as part of a required recertification process instituted by the Community Development Financial Institutions Fund (CDFI Fund) of the U.S. Department of the Treasury.

OFN operates 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 for CDFI practitioners, partners and investors.

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Organization *(continued)*

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, change lives and increase 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 and investments to CDFIs.

Within OFN’s Finance Fund, OFN started two programs in 2020: Grow with Google Small Business Fund and Finance Justice Fund.

Grow with Google Small Business Fund: In June 2020, OFN launched the Grow with Google Small Business Fund in partnership with Google Endeavor, LLC (Google). This program delivers responsible financing through CDFIs to help small businesses and nonprofits hit by the COVID-19 pandemic and other economic challenges. OFN closed a $170 million lending facility with Google, which includes a $33.75 million loan to OFN from Google, and a Delegated Servicing Agreement. For each CDFI loan closed, OFN makes a loan to the borrower from the Finance Fund (funded through the Google-OFN loan), amounting to 20% of the overall lending, and Google makes a loan for the other 80% to the borrower. The fund had $168.75 million outstanding as of December 31, 2021 and 2022. OFN’s portion reflected in the Finance Fund is $33.75 million for both years. OFN also received $10 million in grants from Google.org in 2020, of which $8.5 million was used for pass-through grants to CDFIs in conjunction with OFN financing.

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Organization *(continued)*

Finance Justice Fund (FJF): The FJF, launched in November 2020, is OFN's latest CDFI industry capital-building initiative to aggregate capital from corporate and philanthropic sources and aims to make loans and grants to CDFIs, which will serve the most underserved communities, including Black, Latinx, Native and rural communities, and other areas of persistent poverty. In November 2020, OFN closed a $100 million lending facility with Twitter, Inc. (Twitter), which included a $20 million loan to OFN from Twitter, and a Loan Purchase and Delegated Servicing Agreement. Of the Twitter facility, $20.0 million and $10.3 million of loans are reflected in full in OFN's consolidated statements of financial position as of December 31, 2022 and 2021, respectively, because OFN retains all rights and obligations associated with these loans. At December 31, 2022, OFN had funded $100.0 million of loans under the Loan Purchase and Delegated Servicing Agreement with Twitter, and transferred $80.0 million (80% of each loan) to Twitter as of December 31, 2022 and held $20.0 million (20% of each loan) on its consolidated statement of financial position. The loans transferred to Twitter are not reflected in the accompanying consolidated statements of financial position. OFN has no recourse for loans transferred to Twitter. OFN's continuing involvement with transferred loans includes certain asset management services, including monitoring and servicing loans on behalf of Twitter under the Loan Purchase and Delegated Servicing Agreement. OFN earned $539,500 in asset management fees associated with the transferred loans in 2022 and $161,167 in 2021. OFN closed three other loans payable totaling $60 million for the FJF in 2022 and $30 million in 2021. OFN also received grants for the FJF in 2022 and 2021. In 2021 and 2022, OFN disbursed $5,150,000 and $7,675,000, respectively, for pass-through grants in conjunction with FJF loans.

OFN is the sole member of NCCA General Partner, LLC.

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 CDFI Fund of the U.S. Department of the Treasury. Certification as a CDE means that an organization meets the CDE eligibility requirements set forth in the statute governing the NMTC program and the CDFI Fund's CDE Certification Guidance document (Federal Register Vol. 66, No. 245).

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Organization *(continued)*

These requirements state that a CDE must be a legal entity; must demonstrate a primary mission of serving, or providing investment capital for low-income communities or low-income persons; and must maintain accountability to low-income communities through representation on the governing Board or advisory Board(s) of the CDE. The CDFI Fund approved a national service area for each of these new CDEs. As of December 31, 2021, Opportunity Fund III, LP was capitalized and active (see Note 14). Transactions in Opportunity Fund I, LP and Opportunity Fund II, LP were repaid during 2021 and these funds were inactive as of December 31, 2021. The remaining two entities were not yet capitalized and are 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, Texas, 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. In 2021, the fund added on $8,800,000 in investments: $5,000,000 from Woodforest, $3,000,000 from American Express National Bank, and $800,000 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, 2022, Woodforest made capital contributions of $9,715,911 in CCIF, American Express National Bank made capital contributions of $2,829,545 and OFN made capital contributions of $1,254,545 in CCIF, and CCIF, in turn, made $13,800,000 in EQ2 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 EQ2 to CDFIs 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, 2022, HSBC made capital contributions of $23,750,000 in G2G and OFN made capital contributions of $1,250,000 in G2G, and G2G, in turn, made $25,000,000 in EQ2 to CDFIs. One EQ2 for $1,000,000 was repaid in December 2020, resulting in $24,000,000 of EQ2 outstanding at December 31, 2022.

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Consolidation

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

Use of Estimates

The consolidated 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, Cash Equivalents, and Restricted Cash

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

OFN held $1,252,700 of restricted cash as of December 31, 2022 related to its partnerships with Google and Twitter under the Delegated Services Agreements. This is cash held for Google and Twitter for interest payments from CDFIs on Google and Twitter's portion of loans. OFN holds a corresponding liability account (Funds Held for Third Party) related to this cash.

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, including restricted cash, in excess of FDIC limits approximated $62 million as of December 31, 2022.

At December 31, 2022, 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.

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated statements of financial position. Interest and dividend income is recognized when earned. Any unrealized gains or losses are reported in the consolidated 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 consolidated 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 depends on the facts and circumstances and requires the use of significant judgment.

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

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

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments *(continued)*

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, 2022 and 2021, 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 the 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, 2022, one loan for $1,500,000 was on non-accrual and at December 31, 2021, no loans were on non-accrual.

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Loans Receivable *(continued)*

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 management believes is adequate 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 that considers, among other factors, borrower financial condition and other risks impacting the loan portfolio. As of December 31, 2022, one loan in the portfolio for $1,500,000 was deemed impaired. As of December 31, 2021, no loans in the portfolio were deemed impaired.

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

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Loans Receivable *(continued)*

Allowance for Loan Losses (continued)

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 consolidated statements of activities as net assets released from restrictions.

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Contributions and Grants *(continued)*

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 promiser, are recorded when the conditions on which they depend are substantially met.

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 restrictions when the time restrictions expire or the contributions are used for their restricted purpose, at which time they are reported in the consolidated 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 is recognized when the event is held (see Note 18).

Sponsorships

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

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 require specialized skills provided by individuals possessing those skills, which would typically need to be purchased if not provided by donation. OFN recognized donated legal services in the amounts of $24,500 and $82,200 in 2022 and 2021, respectively. These amounts are included in donations and in-kind services in the consolidated 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 OFN, 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 2022 and 2021, pass-through grant revenue and the corresponding pass-through grant expenses relate to CDFI financing and 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 expenses; and office expenses.

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. 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.

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 that 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, 2022 and 2021. NCCA General Partner, LLC is a wholly owned limited liability company of OFN and is a disregarded entity 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 in the consolidated financial statements. Consequently, no accrual for interest and penalties was deemed necessary for the years ended December 31, 2022 and 2021. 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 2019.

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 are G2G are required to file and do file tax returns with the U.S. federal and state jurisdictions.

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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. OFN adopted this ASU effective January 1, 2022. See Note 15 for further details of this adoption.

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. OFN adopted this ASU effective January 1, 2022.

In July 2018, the 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. OFN adopted this ASU effective January 1, 2022.

Recent Accounting Pronouncements Not Yet Adopted

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 consolidated statement of activities as the amounts expected to be collected change. The ASU is effective for OFN as of January 1, 2023.

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Recent Accounting Pronouncements Not Yet Adopted *(continued)*

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 OFN as of January 1, 2023, the amendments related to ASC 815 were effective for OFN as of January 1, 2021, and the amendments related to ASC 825 were effective for the OFN as of January 1, 2020. The amendments already effective related to ASC 825 did not impact OFN’s consolidated financial statements.

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 OFN as of January 1, 2023.

NOTE 2 INVESTMENTS AND CDFI AND OTHER INVESTMENTS

Investments consisted of the following at December 31:

	2022	2021
U.S. Treasury securities	$ 1,627,407	$ 961,666
U.S. Government agency securities	534,675	837,212
Institutional Insured Liquid Deposits	25,327,625	-
Corporate bonds	1,453,671	2,011,462
Other marketable securities	301,932	620
	$ 29,245,310	$ 3,810,960
Short-term investments	$ 26,154,777	$ 604,716
Long-term investments	3,090,533	3,206,244
	$ 29,245,310	$ 3,810,960

NOTE 2 INVESTMENTS AND CDFI AND OTHER INVESTMENTS *(continued)*

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

	2022	2021
Common stock – Southern Bancorp, Inc.	$ 999,996	$ 999,996
Domestic Small Capital Pay for Success Fund I, LP	85,791	167,181
Bright Community Capital Holdings LLC	1,500,000	1,500,000
Lafayette Square USA, Inc.	7,408,921	-
Economic Justice Partnership	20	20
Investments in New Markets Tax Credit entities (Note 14)	500	500
	$ 9,995,228	$ 2,667,697

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, 2022 or 2021.

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, LP., 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 toward its $500,000 capital commitment as requested by the fund. No indicators of impairment or observable price changes were noted as of December 31, 2022 or 2021.

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 invests in renewable energy projects. OFN made all payments toward its $1,500,000 capital commitment. No indicators of impairment or observable price changes were noted as of December 31, 2022 or 2021.

On October 14, 2022, OFN received a donation of 170,993.511 of restricted Common Stock of Lafayette Square USA, Incorporated, a business development corporation. At that time, OFN also received $12,466,250 in cash to be drawn down by Lafayette Square USA. An additional 36,466.802 shares were purchased on December 20, 2022. In 2022, the shares had an unrealized loss of $91,079. The investment is valued at fair value based on net asset value per share information received from the investee.

NOTE 2 INVESTMENTS AND CDFI AND OTHER INVESTMENTS *(continued)*

Investments in NMTC entities are accounted for on the equity method (see Note 14). Investment income, net consists of the following at December 31:

	2022	2021
Interest income	$ 1,049,153	$ 147,904
Fees	(10,000)	(10,000)
Realized gains/(losses)	(3,220)	178,815
Unrealized gains/(losses)	(757,526)	(106,158)
	$ 278,407	$ 210,561

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 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, 2022 and 2021, OFN had $64,828,310 and $46,146,105, respectively, of cash and short-term investments in its Operating Fund. Of these amounts, $20,122,669 and $6,389,231 are without donor restrictions and $44,705,641 and $39,756,874 are not available due to donor restrictions to cover certain operating expenses, pass-through grant expenses, and other activities at December 31, 2022 and 2021, respectively.

In its Financing Fund, OFN holds $28,001,438 and $26,918,165 in cash and marketable securities as of December 31, 2022 and 2021, 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 and Operating Fund, OFN has $29,245,310 and $3,810,960, which are invested in short- and long-term investments at December 31, 2022 and 2021, respectively.

NOTE 3 LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES *(continued)*

To help manage its liquidity needs, OFN has a line of credit from Deutsche Bank for $10.0 million and $7.5 million from TD Bank, N.A. Of these lines of credit, $0 million was undrawn as of December 31, 2022 and is available to meet OFN's operating and capital liquidity needs.

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

	2022	**2021**
Total assets, at December 31, 2022	$ 329,455,031	$ 254,354,009
Less: Financing Fund assets, net of elimination	(210,207,923)	(173,677,758)
Less: Good to Grow CDFI Investment Fund, LLC assets	(25,199,708)	(25,202,510)
Less: CDFI Community Investment Fund I, LLC assets	(13,921,960)	(5,571,827)
Total assets in general fund	80,125,440	49,901,914
Less: Other assets	(240,522)	(159,747)
Less: Right-of-use assets	(3,194,099)	-
Less: Fixed assets	(732,707)	(870,596)
Financial assets in general fund	75,958,112	48,871,571
Less: Restricted cash	(1,252,700)	(577,815)
Less: Investments not available for operations	(7,409,421)	-
Less: Assets not available due to donor restrictions	(46,527,941)	(41,066,559)
Financial assets available to meet cash needs for general expenditures within 1 year	**$ 20,768,050**	**$ 7,227,197**

NOTE 4 FAIR VALUE MEASUREMENTS

Fair Value on a Recurring Basis

The following presents the assets reported on the consolidated statements of financial position at their fair value as of December 31, by level within the fair value hierarchy:

	2022	Level 1	Level 2	Level 3
Investments				
U.S. Treasury securities	$ 1,627,407	$ 1,627,407	$ -	$ -
U.S. Government agency securities	534,675	-	534,675	-
Institutional insured liquid deposits	25,327,625	25,327,625	-	-
Corporate bonds	1,453,671	-	1,453,671	-
Other marketable securities	301,932	-	301,932	-
	29,245,310	26,955,032	2,290,278	-
Investments valued using net asset value per share				
CDFI and other investments	7,408,921	-	-	-
Total investments valued at fair value on a recurring basis	$ 36,654,231	$ 26,955,032	$ 2,290,278	$ -

	2021	Level 1	Level 2	Level 3
Investments				
U.S. Treasury securities	$ 961,666	$ 961,666	$ -	$ -
U.S. Government agency securities	837,212	-	837,212	-
Corporate bonds	2,011,462	-	2,011,462	-
Other marketable securities	620	-	620	-
	$ 3,810,960	$ 961,666	$ 2,849,294	$ -

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). Investments valued at fair value on a recurring basis using net asset value per share information reported to OFN are also reported in the table above.

There were no assets or liabilities that were measured at fair value on a non-recurring basis as of December 31, 2022 or 2021.

NOTE 5 LOANS RECEIVABLE

Loans receivable at December 31 are as follows:

	2022	2021
Loans to CDFIs	$ 185,055,379	$ 146,417,921
Participation loans with CDFIs		
Manufactured housing	-	815,502
Healthcare	2,386,717	2,459,226
	2,386,717	3,274,728
	187,442,096	149,692,649
Less: Amortized deferred loan fees	967	2,937
Less: Allowance for loan losses	7,896,860	5,776,945
	$ 179,544,269	$ 143,912,767

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 2032.

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. There is one remaining participation loan at December 31, 2022, which is set to mature in 2023.

The weighted-average interest rate on all loans receivables was 2.9% and 3.1% for the years ended December 2022 and 2021, 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.

NOTE 6 CREDIT QUALITY *(continued)*

Loan Origination/Risk Management *(continued)*

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.

Age Analysis of Past Due Loans

The following tables represent an aging of loans by category as of December 31, 2022 and 2021. All of the loans were current as to principal and/or interest payments contractually due:

2022	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	$ -	$ -	$ -	$ -	$ 185,055,379	$ 185,055,379	$ 1,500,000
Participation loans							
Manufactured housing	-	-	-	-	-	-	-
Healthcare	-	-	-	-	2,386,717	2,386,717	-
	$ -	$ -	$ -	$ -	$ 187,442,096	$ 187,442,096	$ 1,500,000

2021	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	$ -	$ -	$ -	$ -	$ 146,417,921	$ 146,417,921	$ -
Participation loans							
Manufactured housing	-	-	-	-	815,502	815,502	-
Healthcare	-	-	-	-	2,459,226	2,459,226	-
	$ -	$ -	$ -	$ -	$ 149,692,649	$ 149,692,649	$ -

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.

NOTE 6 CREDIT QUALITY *(continued)*

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. The Acceptable rating was split into three categories during 2021 for further distinction (Acceptable +, Acceptable, Acceptable -).

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 that require OFN management's close attention. Deterioration in asset quality, capitalization, earnings or incidence of operating deficits reflects potential weakness. If left uncorrected, performance may result in deterioration of the repayment prospects at some future date. The potential for credit loss will need to be assessed on a case-by-case basis.

Doubtful

Credit classification reflects inherent weaknesses of a substandard credit, plus added characteristics that make collection on the basis of currently existing facts and conditions that are highly questionable. The possibility of loss exists if identified deficiencies are not corrected.

However, important and reasonably specific pending factors may work to the advantage and strengthening of the credit. Potential for credit loss will need to be assessed on a case-by-case basis.

NOTE 6 CREDIT QUALITY *(continued)*

The following tables summarize the portfolio by category of loan and the internally assigned credit quality ratings for those categories at December 31, 2022 and 2021, excluding deferred loan fees:

	2022			
		Participation Loans		
	CDFI Loans	Manufactured Housing	Healthcare	Total
Outstanding	$ -	$ -	$ -	$ -
Strong	70,184,603	-	-	70,184,603
Acceptable +	40,761,363	-	-	40,761,363
Acceptable	61,609,413	-	2,386,717	63,996,130
Acceptable -	9,250,000	-	-	9,250,000
Acceptable with care	1,750,000	-	-	1,750,000
Substandard	-	-	-	-
Doubtful	1,500,000	-	-	1,500,000
	$ 185,055,379	$ -	$ 2,386,717	$ 187,442,096

	2021			
		Participation Loans		
	CDFI Loans	Manufactured Housing	Healthcare	Total
Outstanding	$ -	$ -	$ -	$ -
Strong	52,854,550	-	-	52,854,550
Acceptable +	37,965,908	-	-	37,965,908
Acceptable	47,197,463	815,502	2,459,226	50,472,191
Acceptable -	5,300,000	-	-	5,300,000
Acceptable with care	3,100,000.00	-	-	3,100,000.00
Substandard	-	-	-	-
Doubtful	-	-	-	-
	$ 146,417,921	$ 815,502	$ 2,459,226	$ 149,692,649

Allowance for Loan Losses

The following tables summarize the allowance for loan losses as of and for the years ended December 31, 2022 and 2021, by loan category and the amount by category of the loans evaluated individually or collectively for impairment.

	2022			
		Participation Loans		
	CDFI Loans	Manufactured Housing	Healthcare	Total
Allowance for loan losses				
Beginning balance	$ 5,654,143	$ 30,581	$ 92,221	$ 5,776,945
Charge-offs	-	-	-	-
Recoveries	-	-	-	-
Provision for loan losses	2,153,215	(30,581)	(2,719)	2,119,915
Ending balance	$ 7,807,358	$ -	$ 89,502	$ 7,896,860

NOTE 6 CREDIT QUALITY *(continued)*

Allowance for Loan Losses *(continued)*

	2021			
		Participation Loans		
	CDFI Loans	Manufactured Housing	Healthcare	Total
Allowance for loan losses				
Beginning balance	$ 5,372,722	$ 31,299	$ 94,757	$ 5,498,778
Charge-offs	-	-	-	-
Recoveries	-	-	-	-
Provision for loan losses	281,421	(718)	(2,536)	278,167
Ending balance	$ 5,654,143	$ 30,581	$ 92,221	$ 5,776,945

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

	2022	2021
Current	$ 479,743	$ 1,067,004
Noncurrent	7,417,117	4,709,941
	$ 7,896,860	$ 5,776,945

The allowance for loan losses as a percentage of loans outstanding was 4.2% of OFN's loan portfolio at December 31, 2022 and 3.9% of OFN’s loan portfolio at December 31, 2021.

The allowance for loan losses is based on management's estimates of the creditworthiness 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.

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, 2022, OFN has one loan for $1,500,000 that was classified as impaired and no loans classified as TDRs. At December 31, 2021, OFN had no loans classified as impaired or as TDRs.

NOTE 6 CREDIT QUALITY *(continued)*

<u>Loans to Related Interests</u>

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. At December 31, 2022 and 2021, loans in the amounts of approximately $15.2 million and $16.0 million, respectively, were receivable from CDFIs whose representatives are members of OFN's Board of Directors at December 31, 2022 and 2021.

NOTE 7 EQUITY EQUIVALENT INVESTMENTS

As of December 31, 2022, CCIF had $13.8 million in EQ2 investments outstanding to 26 CDFIs and as of December 31, 2021, CCIF had $5.5 million in EQ2 investments outstanding to 14 CDFIs. The EQ2 are unsecured and due between 2023 and 2032, with extension options to extend the maturity date. All EQ2 carry an interest rate of 3.0% and interest is paid quarterly. As of December 31, 2022, all EQ2 were current on payments. The EQ2 were underwritten based on credit quality and considerations related to geography.

As of December 31, 2022 and 2021, G2G had $24.0 million in EQ2 investments outstanding to 21 CDFIs. The EQ2 are unsecured and due between 2028 and 2029, with two one-year options to extend the maturity date. All EQ2 carry an interest rate of 3.0% and interest is paid quarterly. As of December 31, 2022, all EQ2 were current on payments. The EQ2 were underwritten based on credit quality and considerations related to geography.

Management evaluates periodically for impairment. No impairment was noted as of December 31, 2022 or 2021.

NOTE 8 GRANTS RECEIVABLE

Grants were receivable from the following organizations at December 31:

	2022	2021
Tides Foundation/Google.org	$ -	$ 250,000
Citi Foundation	2,950,000	-
Robert Wood Johnson Foundation	100,000	-
Surdna Foundation	125,000	-
Wells Fargo	-	-
JP Morgan Chase	-	587,500
Kellogg Foundation	-	750,000
Winston Salem	-	500,000
	$ 3,175,000	$ 2,087,500

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

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

	2022	2021
Receivable in one year or less	$ 3,175,000	$ 2,087,500
Receivable in one to five years	-	-
	$ 3,175,000	$ 2,087,500

In addition, the Organization has a conditional grant receivable from Tides Foundation as of December 31, 2022 for $250,000. This grant is conditional on the occurrence of a specified future and uncertain event. As such, the conditional grant receivable is not reflected above.

NOTE 9 FIXED ASSETS

Fixed assets consisted of the following at December 31:

	2022	2021
Equipment	$ 941,004	$ 939,119
Furniture and fixtures	369,649	350,712
Software	71,433	71,433
Leasehold improvements	763,436	763,436
	2,145,522	2,124,700
Less: Accumulated depreciation	1,412,815	1,254,104
	$ 732,707	$ 870,596

Total depreciation and amortization expense for the years ended December 31, 2022 and 2021, was $158,711 and $159,979, respectively.

NOTE 10 NOTES PAYABLE

The following table is a summary of notes payable at December 31:

Lender	Interest Rate	Final Maturity Date	Amount 2022	Amount 2021
Bank of America	2.50%	December 2024	$ -	$ 10,500,000
Bank of America	1.00%	March 2022	-	1,250,000
Bank of America	1.00%	July 2032	10,000,000	-
Capital One	2.00%	March 2022	-	1,000,000
Capital One	1.00%	May 2025	1,500,000	-
CNote Group, Inc.	3.25% - 3.50%	May 2022	-	594,562
Chase New Markets Corporation	1.00%	October 2036	4,500,000	-
Google Endeavor LLC	0% - 1%	June, 2030	33,750,000	33,750,000
John D. and Catherine T. MacArthur Foundation	1.00%	October 2023	9,000,000	17,000,000
JPMorgan Chase Bank N.A.	2.00%	October 2031	6,000,000	-
Nextdoor Inc	0.75%	June 2032	5,000,000	-
NY Quarterly Meeting of the Religious Society of Friends	2.30%	September 2023	700,000	700,000
Oportun Inc.	1.00%	September 2026	2,000,000	2,000,000
PNC Bank	2.75%	March 2022	-	7,500,000
PNC Bank	3.25%	June 2026	-	2,500,000
PNC Bank	2.00%	April 2032	10,000,000	-
Prudential Foundation	1.00%	January 2032	5,000,000	5,000,000
Robert Wood Johnson Foundation	0.50%	May 2037	7,500,000	-
The Kresge Foundation	1.00%	December 2022	-	2,500,000
Truist Bank	1.00%	June 2031	5,500,000	-
Twitter Inc	1.00%	May 2032	20,000,000	13,900,000
Deutsche Bank Trust Company Americas	LIBOR plus 2.00%	December 2025	-	-
Other	0.50% - 2.50%	2023 to 2027	13,920,000	11,520,000
			$ 134,370,000	$ 109,714,562
Current portion of notes payable			$ 13,450,000	$ 21,019,562
Note payable, noncurrent			120,920,000	88,695,000
			$ 134,370,000	$ 109,714,562

At December 31, 2022, the undrawn amount of the total borrowing available under two revolving line of credits was $17.5 million.

(a) OFN received a Payroll Protection Program loan from PNC Bank in the amount of $538,400 in December 2020. The full amount of this loan was forgiven in 2021.

NOTE 10 NOTES PAYABLE *(continued)*

The weighted-average interest rate on the loans payable was 1.2% and 1.4% for the years ended December 31, 2022 and 2021, respectively.

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, 2022, OFN was in full compliance with all financial covenants to which it was subject.

The minimum annual repayment requirements on notes payable as of December 31, 2022, are as follows:

Year Ending	2022
2023	$ 13,450,000
2024	1,775,000
2025	9,725,000
2026	6,595,000
2027	1,575,000
Thereafter	101,250,000
	$ 134,370,000

NOTE 11 OTHER LIABILITIES

Other liabilities are comprised of 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 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." The following is a summary of the EQ2 at December 31:

				Amount	
Lender	**Repayment Terms**	**Interest Rate**	**Maturity Date**	**2022**	**2021**
PNC Bank	Quarterly interest only	2.50%	August 2029	$ 5,000,000	$ 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
				$ 12,000,000	$ 12,000,000

NOTE 12 FUNCTIONAL EXPENSES

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

	2022	2021
Included in net financing income	$ 3,925,023	$ 1,884,212
Operating expenses	11,223,674	9,422,738
Expenses – pass-through grants	21,400,000	10,875,000
	$ 36,548,697	$ 22,181,950

The 2022 breakout of expenses, as a percentage of total functional expenses, are as follows: program expenses (94.10%) and general and administrative expenses 5.90%). The 2021 breakout of expenses, as a percent of total functional expenses, are as follows: program expenses (90.90%) and general and administrative expenses (9.10%). The general and administrative category includes fundraising expenses of $509,652 and $405,411 for the years ended December 31, 2022 and 2021, respectively.

NOTE 13 NET ASSETS

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

	2022	2021
Net assets without donor restrictions	$ 66,533,037	$ 57,654,885
Net assets without donor restrictions, board-designated	25,000,000	-
Non-controlling interest in consolidated subsidiaries	36,569,313	28,978,084
Total net assets without donor restrictions	$ 128,102,350	$ 86,632,969

In 2022, OFN received a $25,000,000 unrestricted one-time donation. Of that amount, the Board of Directors designated $12,500,000 toward the General Fund and $12,500,000 toward the Financing Fund for future use.

The non-controlling interest in consolidated subsidiaries represents Woodforest's and American Express' 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 consolidated statements of financial position. A summary of the members' equity of CCIF and G2G for the years ended December 31, 2022 and 2021 is as follows:

NOTE 13 NET ASSETS *(continued)*

CCIF

	OFN	Woodforest	American Express	Total
Balance, December 31, 2020	$ 505,820	$ 5,058,204	$ -	$ 5,564,024
Capital contributions	-	-	-	-
Net income	10,225	102,245	-	112,470
Distributions	(10,500)	(105,000)	-	(115,500)
Balance, December 31, 2021	505,545	5,055,449	-	5,560,994
Capital contributions	754,545	4,715,911	2,829,545	8,300,001
Net income	18,907	160,956	28,112	207,975
Distributions	(14,304)	(129,614)	(13,383)	(157,301)
Balance, December 31, 2022	$ 1,264,693	$ 9,802,702	$ 2,844,274	$ 13,911,669

G2G

	OFN	HSBC	Total
Balance, January 1, 2021	$ 1,263,230	$ 24,001,352	$ 25,264,582
Capital contributions	-	-	-
Net income	29,810	566,382	596,192
Distributions	(33,953)	(645,099)	(679,052)
Balance, December 31, 2021	1,259,087	23,922,635	25,181,722
Capital contributions	-	-	-
Net income	29,820	566,588	596,408
Distributions	(29,836)	(566,886)	(596,722)
Balance, December 31, 2022	$ 1,259,071	$ 23,922,337	$ 25,181,408

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 the member's capital accounts in a manner consistent with distributions.

NOTE 13 NET ASSETS *(continued)*

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

	December 31, 2021	Grants and Contributions	Net Assets Released	December 31, 2022
Operating				
Program support	$ 3,101,559	$ 6,515,000	$ (1,973,618)	$ 7,642,941
Financing				
Financing capital - Finance Fund	2,005,000	740,000	(1,257,500)	1,487,500
Financing capital - General Fund	-	12,466,250	(4,966,250)	7,500,000
Re-granting				
CDFI capacity building	37,965,000	14,820,000	(21,400,000)	31,385,000
Total net assets with donor restrictions	$ 43,071,559	$ 34,541,250	$ (29,597,368)	$ 48,015,441

	December 31, 2020	Grants and Contributions	Net Assets Released	December 31, 2021
Operating				
Program support	$ 2,246,888	$ 2,948,136	$ (2,093,465)	$ 3,101,559
Financing				
Financing capital	520,000	3,943,765	(2,458,765)	2,005,000
Re-granting				
CDFI capacity building	9,675,000	39,165,000	(10,875,000)	37,965,000
Total net assets with donor restrictions	$ 12,441,888	$ 46,056,901	$ (15,427,230)	$ 43,071,559

NOTE 14 NEW MARKETS TAX CREDIT PROGRAM

In 2013, OFN received an NMTC program allocation for Round 10 of $15,000,000 from the 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 two NMTC transactions, which were repaid in full in December 2021 and the related entities remain inactive.

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 an 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.

NOTE 14 NEW MARKETS TAX CREDIT PROGRAM *(continued)*

As a 0.01% general partner, NCCA General Partner, LLC is entitled to 0.01% of any income of 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 2022 and 2021, NCCA General Partner, LLC earned $25,005 and $84,556, respectively, in management fees related to qualified equity investments under management.

NCCA General Partner, LLC's investment in Opportunity Fund III, LP is accounted for under the equity method of accounting. OFN's contribution in the amount of $500 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 III, LP, as of and for the years ended December 31:

	2022	2021
Total assets	$ 5,013,309	$ 5,000,500
Total liabilities	12,809	-
Partners' capital	$ 5,000,500	$ 5,000,500
Total revenue	$ 51,235	$ 459,119
Total expenses	-	96,663
Net income	$ 51,235	$ 362,456
Partner contributions	$ -	$ -
Partner distributions	$ 51,235	$ 7,516,289
Assignment of net assets	$ -	$ 2,635,200

As part of the one remaining $5,000,000 NMTC transaction, 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

Leases

Nature of Leases

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

When OFN entered into the 2018 DC lease, OFN also subleased its existing DC 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.

The accrued loss on the disposal of the lease is $28,458 and $45,126 as of December 31, 2022 and 2021, respectively, and is reflected in accounts payable and accrued expenses. Amortization of the accrued disposal loss was $16,669 and $24,199 in 2022 and 2021, respectively.

OFN entered into a new 11-year lease in August 2019 for its new DC headquarters. This lease includes 15 months of free rent and $1,025,399 in a tenant improvement allowance. In 2022, OFN also entered into a lease amendment for an expansion space within the same property. The commencement date of the lease amendment is expected in 2023.

In 2019, OFN entered into a new three-year lease in Philadelphia to better accommodate a smaller Philadelphia-based staff as the headquarters moved to Washington, DC. In 2022, OFN entered into a three-year extension of the Philadelphia lease.

Adoption of New Accounting Standard

Effective January 1, 2022, OFN adopted the new lease accounting guidance in ASC 842, *Leases*. OFN selected the package of practical expedients permitted in ASC 842. Accordingly, OFN accounted for its existing operating leases as operating leases under the new guidance, without reassessing whether the contracts contain leases under ASC 842 and whether classification of the operating leases would be different under ASC 842. As a result of the adoption of the new lease accounting guidance, OFN recognized on January 1, 2022 (a) a lease liability of $5,000,844, which represents the present value of the remaining lease payments of $5,691,521, discounted using a risk-free discount rate of 0.25% per year and (b) a right-of-use asset of $3,557,503, which represents the lease liability of $5,000,844 adjusted for deferred lease incentive and tenant allowances of $1,443,341.

NOTE 15 COMMITMENTS AND CONTINGENCIES *(continued)*

Adoption of New Accounting Standard

For the years ended December 31, 2022 and 2021, total operating lease costs, as well as operating cash flows from operating leases, amounted to approximately $615,600 and $650,005, respectively, before sublease payments and amortization of tenant improvements.

At December 31, 2022, total future minimal lease payments under the leases and future sublease rentals are as follows:

Years Ending December 31:	Operating Lease	Sublease
2023	$ 678,223	$ (18,646)
2024	701,672	-
2025	719,621	-
2026	609,350	-
2027	589,907	-
Thereafter	1,805,955	-
	$ 5,104,728	$ (18,646)

At December 31, 2022, the undiscounted future cash flows of $5,086,082 are discounted by a present value adjustment of $548,055, resulting in an operating lease liability of $4,538,027 reported in the accompanying consolidated statement of financial position as of December 31, 2022.

The weighted-average remaining lease term for operating leases at December 31, 2022 is 7.42 years. The weighted-average discount rate for operating leases at December 31, 2022 is 2.98%.

Other commitments

Commitments to extend credit amounted to $3,719,947 and $3,250,000 as of December 31, 2022 and 2021, respectively.

In 2019, OFN became a limited partner in Domestic Small Cap Pay for Success Fund I, LP. OFN will make payments toward its $500,000 capital commitment as requested by the fund. As of December 31, 2022, OFN has $266,709 remaining 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.

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, 2022 and 2021, Clearinghouse CDFI had drawn down the entire $100 million under this facility and the amounts outstanding were $66,702,101 and $82,809,472, respectively.

In 2015, the CDFI Fund approved OFN to serve as a Qualified Issuer and issue two 29.5-year bonds totaling $227 million 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, 2022 and 2021, $221,291,349 and $221,297,349, respectively, were drawn down under these two bond facilities, and $181,493,864 and $197,584,307, respectively, were 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, 2022 and 2021, $83,638,684 and $77,144,232, respectively, were drawn down under this facility, and $78,433,826 and $74,131,176, respectively, were 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, 2022 and 2021, $78,677,450 and $55,687,162, respectively, were drawn down under this bond facility and was outstanding.

NOTE 16 CDFI FUND BOND GUARANTEE PROGRAM *(continued)*

In 2022, the CDFI Fund approved OFN to serve as a Qualified Issuer and issue a $130 million, 29.5-year bond on behalf of one group of three eligible CDFIs under the Bond Program: Charter School Development Corporation, Community Ventures Corporation, and Greater Minnesota Housing Fund. As of December 31, 2022, there was $0 drawn down under this bond facility.

OFN earned $1,299,089 and $756,540 in fees related to the Bond Program for the years ended December 31, 2022 and 2021, respectively.

All bonds issued by OFN, as a Qualified Issuer, under the Bond Program are off-balance-sheet transactions and a 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, which covers all employees of the Organization. For the years ended December 31, 2022 and 2021, OFN contributed $45,606 and $41,938, respectively.

NOTE 18 REVENUE RECOGNITION

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

Disaggregation of Revenue: The following table presents the Organization's revenue disaggregated by primary performance obligation:

	2022		2021	
	At a Point in Time	Over Time	At a Point in Time	Over Time
Sponsorships	$ 1,928,583	$ -	$ 1,388,000	$ -
Registration fees	1,497,052	-	129,700	-
Strength fees	-	23,332	-	71,060
Financial Services - Bond QI fees, asset management fees, NMTC	-	2,366,047	-	1,746,845
Financial Services - Bond QI Closing fees, structuring fees	846,006	-	660,250	-
Dues	-	866,950	-	769,779
	$ 4,271,641	$ 3,256,329	$ 2,177,950	$ 2,587,684

NOTE 18 REVENUE RECOGNITION *(continued)*

Performance obligations

Sponsorships: Sponsorship revenue is generated from organizations that commit to being sponsors for OFN events, including the annual conference, small business finance forum, regional meetings, and other trainings. The Organization has sponsor brochures and materials that 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 OFN's 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 that 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 and Ongoing Bond Qualified Issuer Fees: OFN asset management fee revenue is substantially generated from the Organization's involvement in managing the following entities: CCIF, GTG, and three NMTC entities, Opportunity Fund I, Opportunity Fund II, and Opportunity Fund III, as well as fees from its Grow with Google Small Business Fund and Finance Justice Fund. The fees for managing CCIF and G2G are earned based on the outstanding principal amount of EQ2 in the funds, and the fees for the NMTC entities are earned based on fixed amounts specified in the agreements. Revenue is recognized over time for CCIF, G2G, and the NMTC entities as the entities simultaneously receive and consume the benefits provided by the Organization's performance under the agreements. Fees are paid monthly for CCIF and G2G and quarterly for the NMTC entities. A closing fee from Grow with Google was paid and recognized at the closing of the transaction with Google, and asset management fees are earned based on the outstanding principal amount of loans serviced for Google. Closing fees from Twitter and Nextdoor were paid at the closing of the transactions and recognized as loans are made under the Finance Justice Fund, and asset management fees are earned based on the outstanding principal amount of loans serviced for Twitter.

The Organization 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 Organization's performance under the agreements. Fees are paid monthly.

NOTE 18 REVENUE RECOGNITION *(continued)*

Performance obligations (continued)

Financial Services: Bond Qualified Issuer Closing Fees: The Organization 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.

Dues: The Organization 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 Organization’s over the year.

Contract Balances: The timing of revenue recognition, billings, cash collections results in billed accounts receivable and customer advances (deferred revenue and advanced payments received) on the consolidated statements of financial position. Accounts receivable include amounts due from customers that are unconditional. Deferred revenue and advanced payments received consist of advance payments and billings in excess of revenue recognized. The following table provides information about receivables, and deferred revenue and advanced payments received from contracts with customers as of December 31:

	2022	2021
Accounts receivable	$ 645,381	$ 837,466
Deferred revenue	124,778	297,851

NOTE 19 SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 27, 2023, the date the consolidated financial statements were available to be issued, and noted the following that would warrant disclosure in the consolidated financial statements.

In March 2023, OFN signed a contract with a new CEO and President to start June 2023.

SUPPLEMENTARY INFORMATION

OPPORTUNITY FINANCE NETWORK AND SUBSIDIARIES
Consolidating Statement of Financial Position
As of December 31, 2022

	General	Financing	Total OFN (1)	CCIF	G2G	Elimination	Total
ASSETS							
Current assets							
Cash and cash equivalents	$ 37,212,531	$ 24,910,905	$ 62,123,436	$ 109,535	$ 1,174,958	$ -	$ 63,407,929
Restricted cash	1,252,700	-	1,252,700	-	-	-	1,252,700
Certificates of deposit	208,302	-	208,302	-	-	-	208,302
Short-term investments	26,154,777	-	26,154,777	-	-	-	26,154,777
Current portion of loans receivable, net of allowance for loan losses	-	14,474,019	14,474,019	-	-	-	14,474,019
Interest and other receivables	645,381	-	645,381	12,425	24,750	(23,591)	658,965
Grants receivable	3,075,000	100,000	3,175,000	-	-	-	3,175,000
Other assets	240,522	-	240,522	-	-	-	240,522
Total current assets	68,789,213	39,484,924	108,274,137	121,960	1,199,708	(23,591)	109,572,214
Noncurrent assets							
Long-term investments	-	3,090,533	3,090,533	-	-	-	3,090,533
CDFI and other investments	7,409,421	5,109,571	12,518,992	-	-	(2,523,764)	9,995,228
Loans receivable, net of current portion and allowance for loan losses	-	165,070,250	165,070,250	-	-	-	165,070,250
Equity equivalent investments	-	-	-	13,800,000	24,000,000	-	37,800,000
Right-of-use assets	3,194,099	-	3,194,099	-	-	-	3,194,099
Fixed assets, net	732,707	-	732,707	-	-	-	732,707
Total noncurrent assets	11,336,227	173,270,354	184,606,581	13,800,000	24,000,000	(2,523,764)	219,882,817
Total assets	$ 80,125,440	$ 212,755,278	$ 292,880,718	$ 13,921,960	$ 25,199,708	$ (2,547,355)	$ 329,455,031
LIABILITIES AND NET ASSETS							
Current liabilities							
Accounts payable and accrued expenses	$ 1,046,735	$ -	$ 1,046,735	$ 10,291	$ 13,300	$ (23,591)	$ 1,046,735
Deferred revenue and advanced payments received	124,778	-	124,778	-	5,000	-	129,778
Deferred lease incentive and tenant allowance	-	-	-	-	-	-	-
Funds held for third party	1,252,700	-	1,252,700	-	-	-	1,252,700
Current portion of notes payable	-	13,450,000	13,450,000	-	-	-	13,450,000
Total current labilities	2,424,213	13,450,000	15,874,213	10,291	18,300	(23,591)	15,879,213
Noncurrent liabilities							
Operating lease liability	4,538,027	-	4,538,027	-	-	-	4,538,027
Notes payable	-	120,920,000	120,920,000	-	-	-	120,920,000
Other liabilities	-	12,000,000	12,000,000	-	-	-	12,000,000
Total noncurrent labilities	4,538,027	132,920,000	137,458,027	-	-	-	137,458,027
Total labilities	6,962,240	146,370,000	153,332,240	10,291	18,300	(23,591)	153,337,240

OPPORTUNITY FINANCE NETWORK AND SUBSIDIARIES

Consolidating Statement of Financial Position *(continued)*

As of December 31, 2022

	General	Financing	Total OFN (1)	CCIF	G2G	Elimination	Total
COMMITMENTS AND CONTINGENCIES							
NET ASSETS							
Without donor restrictions							
Without donor restrictions	$ 14,135,259	$ 52,397,778	$ 66,533,037	$ 1,264,693	$ 1,259,071	$ (2,523,764)	$ 66,533,037
Without donor restrictions, board designated	12,500,000	12,500,000	25,000,000	-	-	-	25,000,000
Non-controlling interest in consolidated subsidiaries	-	-	-	12,646,976	23,922,337	-	36,569,313
Total net assets without donor restrictions	26,635,259	64,897,778	91,533,037	13,911,669	25,181,408	(2,523,764)	128,102,350
With donor restrictions							
Operating	7,642,941	-	7,642,941	-	-	-	7,642,941
Re-granting	31,385,000	-	31,385,000	-	-	-	31,385,000
Financing	7,500,000	1,487,500	8,987,500	-	-	-	8,987,500
Total net assets with donor restrictions	46,527,941	1,487,500	48,015,441	-	-	-	48,015,441
Total net assets	73,163,200	66,385,278	139,548,478	13,911,669	25,181,408	(2,523,764)	176,117,791
Total labilities and net assets	$ 80,125,440	$ 212,755,278	$ 292,880,718	$ 13,921,960	$ 25,199,708	$ (2,547,355)	$ 329,455,031

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

OPPORTUNITY FINANCE NETWORK AND SUBSIDIARIES

Consolidating Statement of Activities

Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total OFN (1)	CCIF	G2G	Elimination	Total
OPERATING REVENUE AND SUPPORT							
Net financing income							
Interest income - loans	$ 5,053,860	$ -	$ 5,053,860	$ 278,234	$ 720,000	$ -	$ 6,052,094
Less: Interest expense	(1,805,108)	-	(1,805,108)	-	-	-	(1,805,108)
Less: Provision for loan losses	(2,119,915)	-	(2,119,915)	-	-	-	(2,119,915)
Total net financing income	1,128,837	-	1,128,837	278,234	720,000	-	2,127,071
OTHER REVENUE AND SUPPORT							
Dues	866,950	-	866,950	-	-	-	866,950
Fees - Registration	1,497,052	-	1,497,052	-	-	-	1,497,052
Fees - Strength	23,332	-	23,332	-	-	-	23,332
Fees - Financial services	3,399,312	-	3,399,312	-	-	(187,259)	3,212,053
Sponsorships	1,928,583	-	1,928,583	-	-	-	1,928,583
Investment income, net	327,134	-	327,134	-	-	(48,727)	278,407
Grants - operating	-	6,515,000	6,515,000	-	-	-	6,515,000
Donations and in-kind services	25,486	-	25,486	-	-	-	25,486
Net assets released from restrictions	2,091,118	(2,091,118)	-	-	-	-	-
Total operating revenue and support	11,287,804	4,423,882	15,711,686	278,234	720,000	(235,986)	16,473,934
OPERATING EXPENSES							
Salaries, payroll taxes and benefits	5,744,402	-	5,744,402	-	-	-	5,744,402
Contractor fees	554,406	-	554,406	-	-	-	554,406
Program support	4,068,483	-	4,068,483	70,259	123,592	(187,259)	4,075,075
Professional services	357,856	-	357,856	-	-	-	357,856
Occupancy	491,935	-	491,935	-	-	-	491,935
Total operating expenses	11,217,082	-	11,217,082	70,259	123,592	(187,259)	11,223,674
Change in net assets - operating	70,722	4,423,882	4,494,604	207,975	596,408	(48,727)	5,250,260

OPPORTUNITY FINANCE NETWORK AND SUBSIDIARIES

Consolidating Statement of Activities *(continued)*

Year Ended December 31, 2022

	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 and other contributions - financing and pass -through grants	$ 27,701,180	$ 28,026,250	$ 55,727,430	$ -	$ -	$ -	$ 55,727,430
Net assets released from restrictions	27,506,250	(27,506,250)	-	-	-	-	-
Expenses - pass-through grants - grants to CDFIs	(21,400,000)	-	(21,400,000)	-	-	-	(21,400,000)
Change In net assets - non-operating	33,807,430	520,000	34,327,430	-	-	-	34,327,430
Change in net assets before non-controlling interest capital contributions and distributions	33,878,152	4,943,882	38,822,034	207,975	596,408	(48,727)	39,577,690
Capital contributions - managing member	-	-	-	754,545	-	(754,545)	-
Capital contributions - non-controlling interest member	-	-	-	7,545,455	-	-	7,545,455
Distributions to members	-	-	-	(157,300)	(596,722)	44,140	(709,882)
Change in net assets	33,878,152	4,943,882	38,822,034	8,350,675	(314)	(759,132)	46,413,263
Net assets							
Beginning	57,654,885	43,071,559	100,726,444	5,560,994	25,181,722	(1,764,632)	129,704,528
Ending	$ 91,533,037	$ 48,015,441	$ 139,548,478	$ 13,911,669	$ 25,181,408	$ (2,523,764)	$ 176,117,791

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