



REPORT OF INDEPENDENT AUDITORS
AND CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

CRAFT3 AND SUBSIDIARIES

December 31, 2021 and 2020

Table of Contents

	PAGE
Report of Independent Auditors	1–2
Consolidated Financial Statements	
Consolidated statements of financial position	3
Consolidated statements of activities	4
Consolidated statement of functional expenses – 2021	5
Consolidated statement of functional expenses – 2020	6
Consolidated statements of cash flows	7
Notes to consolidated financial statements	8–33
Supplementary Information	
Consolidating statement of financial position	34–35
Consolidating statement of activities	36

Report of Independent Auditors

The Board of Directors
Craft3 and Subsidiaries

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Craft3 and Subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows 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 Craft3 and Subsidiaries as of December 31, 2021 and 2020, and the results of their operations 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 Craft3 and Subsidiaries and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Craft3 and Subsidiaries' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the 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 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 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 Craft3 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Craft3 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 audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matter

Other Information

Our audits were conducted for the purpose of forming opinions on the consolidated financial statements as a whole. The consolidating statement of financial position as of December 31, 2021 and the consolidating statements of activities for the year then ended are presented for the purposes of additional analysis and are not a required part of the consolidated financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.



Portland, Oregon
April 29, 2022

Craft3 and Subsidiaries

Consolidated Statements of Financial Position

ASSETS	December 31,	
	2021	2020
CURRENT ASSETS		
Cash and cash equivalents	\$ 19,108,932	\$ 28,347,100
Restricted cash and cash equivalents	6,270,410	5,232,620
Investments, at fair value	26,740,801	21,915,588
Restricted investments, at fair value	-	2,261,615
Grants receivable	879,600	764,600
Accrued interest, other receivables, and prepaid expenses	1,449,911	2,337,159
Current portion of commercial loans receivable, net deferred loan fees	11,461,046	21,540,824
Current portion of consumer loans receivable, net deferred loan fees	4,099,299	2,013,471
Total current assets	70,009,999	84,412,977
LOANS RECEIVABLE		
Commercial loans, net deferred loan fees	101,101,640	90,222,444
Consumer loans, net deferred loan fees	28,238,818	28,849,638
Total loans receivable, net	129,340,458	119,072,082
Less: current portion, net deferred loan fees	(15,560,345)	(23,554,295)
Less: reserve for loan losses	(7,765,218)	(8,140,148)
Total loan receivable, net of current portion	106,014,895	87,377,639
OTHER ASSETS		
Cash and cash equivalents, restricted for loan loss reserves	631,394	607,637
Furniture and equipment, net	434,256	508,591
Foreclosed and other repossessed assets	1,172,191	3,947,642
Other	5,000	5,444
Total other assets	2,242,841	5,069,314
Total assets	\$ 178,267,735	\$ 176,859,930
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 2,707,802	\$ 3,982,532
Current portion of long-term debt	21,084,132	26,082,089
Total current liabilities	23,791,934	30,064,621
LONG-TERM DEBT		
Notes payable	95,030,918	104,002,295
Equity equivalent investments and subordinated notes payable	12,197,568	12,197,568
Total long-term debt	107,228,486	116,199,863
Less: current portion	(21,084,132)	(26,082,089)
Total long-term debt, net of current portion	86,144,354	90,117,774
Total liabilities	109,936,288	120,182,395
NET ASSETS		
Without donor restrictions	63,696,149	55,737,252
With donor restrictions	4,635,298	940,283
Total net assets	68,331,447	56,677,535
Total liabilities and net assets	\$ 178,267,735	\$ 176,859,930

See accompanying notes.

Craft3 and Subsidiaries

Consolidated Statements of Activities

	For the Year Ended December 31,					
	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT						
Interest income on outstanding loans	\$ 8,692,699	\$ -	\$ 8,692,699	\$ 6,464,328	\$ -	\$ 6,464,328
Grants and contributions	3,252,033	10,740,539	13,992,572	8,485,997	10,738,525	19,224,522
Loan origination and servicing fees	1,410,999	-	1,410,999	1,228,986	-	1,228,986
Investment income (loss), net	290,252	-	290,252	(42,495)	-	(42,495)
NMTC management and servicing fees	522,536	-	522,536	374,365	-	374,365
Miscellaneous income	1,526,387	-	1,526,387	5,162	-	5,162
Net assets released from restrictions	7,045,524	(7,045,524)	-	10,227,953	(10,227,953)	-
Total revenue and other support	22,740,430	3,695,015	26,435,445	26,744,296	510,572	27,254,868
EXPENSES						
Program services						
Commercial lending activities	7,715,028	-	7,715,028	14,176,979	-	14,176,979
Consumer lending activities	3,124,713	-	3,124,713	2,522,415	-	2,522,415
Consulting and management services	786,526	-	786,526	701,075	-	701,075
Total program services	11,626,267	-	11,626,267	17,400,469	-	17,400,469
Supporting services						
Management and administration	2,388,351	-	2,388,351	1,933,594	-	1,933,594
Development	367,305	-	367,305	331,638	-	331,638
Total supporting services	2,755,656	-	2,755,656	2,265,232	-	2,265,232
Total expenses	14,381,923	-	14,381,923	19,665,701	-	19,665,701
Change in net assets before unrealized gains (losses)	8,358,507	3,695,015	12,053,522	7,078,595	510,572	7,589,167
NET UNREALIZED GAINS (LOSSES) ON INVESTMENTS	(399,610)		(399,610)	314,274	-	314,274
Change in net assets	7,958,897	3,695,015	11,653,912	7,392,869	510,572	7,903,441
NET ASSETS, beginning of year	55,737,252	940,283	56,677,535	48,344,383	429,711	48,774,094
NET ASSETS, end of year	\$ 63,696,149	\$ 4,635,298	\$ 68,331,447	\$ 55,737,252	\$ 940,283	\$ 56,677,535

Craft3 and Subsidiaries Consolidated Statements of Functional Expenses

For the Year Ended December 31, 2021

	Program Services			Supporting Services				Total
	Commercial Lending Activities	Consumer Lending Activities	Consulting and Management Services	Total Program Services	Management and Administration	Development	Total Supporting Services	
Expenses								
Salaries and wages	\$ 3,332,010	\$ 1,698,673	\$ 470,345	\$ 5,501,028	\$ 800,713	\$ 213,784	\$ 1,014,497	\$ 6,515,525
Interest expense	2,033,124	167,544	-	2,200,668	-	-	-	2,200,668
Grants made	1,866,666	-	-	1,866,666	-	-	-	1,866,666
Payroll taxes and fringe benefits	1,010,136	383,574	102,130	1,495,840	204,999	50,821	255,820	1,751,660
Occupancy expenses	228,691	110,657	29,509	368,857	162,297	22,131	184,428	553,285
Consultants	38,101	4,249	106,590	148,940	367,462	27,000	394,462	543,402
Technology expense	219,443	106,182	28,315	353,940	155,734	21,236	176,970	530,910
Loan servicing expenses	186,795	308,427	-	495,222	-	-	-	495,222
Taxes and licenses	77,493	37,497	9,999	124,989	54,995	7,499	62,494	187,483
Insurance	49,816	24,104	6,428	80,348	35,353	4,821	40,174	120,522
Professional fees	240	-	24,842	25,082	68,301	13,952	82,253	107,335
Depreciation	34,326	16,609	4,429	55,364	24,360	3,322	27,682	83,046
Travel	25,677	2,926	1,413	30,016	15,441	445	15,886	45,902
Office supplies	15,438	7,470	1,992	24,900	10,956	1,494	12,450	37,350
(Recapture of) provision for loan losses	(1,424,028)	215,000	-	(1,209,028)	-	-	-	(1,209,028)
Other operating costs	21,100	41,801	534	63,435	487,740	800	488,540	551,975
Total expenses	\$ 7,715,028	\$ 3,124,713	\$ 786,526	\$ 11,626,267	\$ 2,388,351	\$ 367,305	\$ 2,755,656	\$ 14,381,923
Percent of total expenses	54%	22%	5%	81%	17%	3%	19%	100%

See accompanying notes.

Craft3 and Subsidiaries

Consolidated Statements of Functional Expenses

For the Year Ended December 31, 2020

	Program Services			Supporting Services			Total	
	Commercial Lending Activities	Consumer Lending Activities	Consulting and Management Services	Total Program Services	Management and Administration	Development		Total Supporting Services
Expenses								
Salaries and wages	\$ 3,587,840	\$ 1,250,275	\$ 471,343	\$ 5,309,458	\$ 777,522	\$ 198,008	\$ 975,530	\$ 6,284,988
Interest expense	2,643,880	205,080	-	2,848,960	1,750	-	1,750	2,850,710
Grants made	2,989,537	-	-	2,989,537	-	-	-	2,989,537
Payroll taxes and fringe benefits	930,436	353,116	117,521	1,401,073	181,433	45,229	226,662	1,627,735
Occupancy expenses	233,004	112,744	7,516	353,264	165,358	15,033	180,391	533,655
Consultants	24,553	2,224	66,250	93,027	233,360	30,013	263,373	356,400
Technology expense	199,211	96,392	6,426	302,029	141,375	12,852	154,227	456,256
Loan servicing expenses	502,592	199,901	-	702,493	-	-	-	702,493
Taxes and licenses	64,317	28,880	1,925	95,122	42,357	3,851	46,208	141,330
Insurance	51,785	25,057	1,670	78,512	36,751	3,341	40,092	118,604
Professional fees	2,411	-	24,962	27,373	79,778	11,732	91,510	118,883
Depreciation	69,617	33,686	2,246	105,549	49,406	4,491	53,897	159,446
Travel	18,146	6,246	319	24,711	31,228	3,336	34,564	59,275
Office supplies	15,837	7,663	511	24,011	11,239	1,022	12,261	36,272
Provision for loan losses	2,841,170	197,255	-	3,038,425	-	-	-	3,038,425
Other operating costs	2,643	3,896	386	6,925	182,037	2,730	184,767	191,692
Total expenses	<u>\$ 14,176,979</u>	<u>\$ 2,522,415</u>	<u>\$ 701,075</u>	<u>\$ 17,400,469</u>	<u>\$ 1,933,594</u>	<u>\$ 331,638</u>	<u>\$ 2,265,232</u>	<u>\$ 19,665,701</u>
Percent of total expenses	<u>72%</u>	<u>13%</u>	<u>4%</u>	<u>88%</u>	<u>10%</u>	<u>2%</u>	<u>12%</u>	<u>100%</u>

Craft3 and Subsidiaries

Consolidated Statements of Cash Flows

	Years Ended December 31,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 11,653,912	\$ 7,903,441
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	83,046	159,446
(Recapture of) provision for loan losses	(1,209,028)	3,038,425
Net unrealized losses (gains) on investments	399,610	(314,274)
Net realized losses on investments	7,547	442,550
Net amortization and accretion of premiums and discounts on investments	266,735	117,727
Gain on sale of foreclosed and repossessed assets	(321,346)	-
Impairment of foreclosed and repossessed assets	-	357,362
Changes in operating assets and liabilities		
Grants receivable	(115,000)	1,922,578
Accrued interest, other receivables, and prepaid expenses	887,248	399,444
Other assets	444	78,519
Accounts payable and accrued expenses	(1,274,730)	1,143,902
	10,378,438	15,249,120
CASH FLOWS FROM INVESTING ACTIVITIES		
Net change in loans receivable	(9,434,278)	3,602,497
Purchases of investments	(22,021,634)	(33,881,493)
Proceeds from sales and maturities of investments	18,784,144	17,001,850
Purchases of furniture and equipment	(8,711)	(103,316)
Proceeds from sales of foreclosed and repossessed assets	3,096,797	1,417,753
	(9,583,682)	(11,962,709)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt	21,796,140	31,368,631
Principal payments on long-term debt	(30,767,517)	(24,451,854)
	(8,971,377)	6,916,777
CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(8,176,621)	10,203,188
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, beginning of year	34,187,357	23,984,169
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, end of year	\$ 26,010,736	\$ 34,187,357
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest on long-term debt	\$ 2,663,376	\$ 2,814,762
SUPPLEMENTAL NONCASH DISCLOSURES		
Net acquisition of real assets in settlement of loans	\$ -	\$ 3,690,117

See accompanying notes.

Craft3 and Subsidiaries

Notes to Consolidated Financial Statements

Note 1 – Organization and Summary of Significant Accounting Policies

Craft3 is a Washington nonprofit corporation with a mission to strengthen economic, ecological, and family resilience in Pacific Northwest communities. Craft3 provides loans and assistance to entrepreneurs, nonprofits, individuals, and others who may not have access to traditional financing.

Funding for Craft3's lending and other activities comes from grants and loans made to Craft3 by financial institutions, governmental entities, nonprofit organizations, and individuals.

Craft3 is certified as a Community Development Financial Institution by the Community Development Financial Institutions Fund, a division within the U.S. Department of the Treasury.

Craft3 Future Fund ("CFF") is a wholly-owned, not-for-profit subsidiary of Craft3. CFF is utilized to originate Sharia-compliant investments in Washington and Oregon.

Craft3 Other Owned WA Properties LLC ("WA OREO") is a wholly-owned subsidiary of Craft3. WA OREO was established to hold real assets acquired through deeds-in-lieu of foreclosure.

Windfarm Investments, Inc. ("Windfarm") is a wholly-owned, for-profit subsidiary of Craft3. Windfarm was created to facilitate the funding of a New Markets Tax Credit ("NMTC") investment.

Craft3 Investment II, LLC ("Investment II") is 99.99% owned by Craft3 and 0.01% owned by Windfarm. Investment II is utilized to manage a leverage loan in a NMTC transaction utilizing allocation from an unrelated community development entity.

Principles of consolidation

These consolidated financial statements include the accounts of Craft3 and its wholly-owned subsidiaries, CFF, WA OREO, Windfarm, and Investment II (collectively, "Craft3"). All material intercompany balances and transactions have been eliminated in consolidation.

Related entities

Craft3 is related to a series of limited liability companies ("LLCs") that were established to take advantage of the NMTC program, which is described in Note 14 to these consolidated financial statements. Craft3 manages the LLCs, but does not have a controlling interest. Accordingly, Craft3's investment in the LLCs is accounted for at cost, subject to possible impairment. Craft3 earns management and other fees for activities related to the LLCs.

Basis of accounting

The accompanying consolidated financial statements of Craft3 have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (U.S. GAAP). Under the accrual basis of accounting, contributions are recognized when promised, revenues are recognized when earned and expenses are recognized when incurred.

Craft3 is required to report information regarding its financial position and activities according to the following classes of net assets:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor restrictions. A portion of these net assets may be designated by the Board of Directors for specific purposes.

Craft3 and Subsidiaries

Notes to Consolidated Financial Statements

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Net assets with donor restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses and fair value measurements.

Cash and cash equivalents

All short-term deposits and investments with an original maturity of three months or less are considered to be unrestricted cash and cash equivalents unless the amounts are restricted. Craft3 has cash balances in excess of federally insured limits. Craft3 places its cash and restricted cash with high quality financial institutions.

Restricted cash

Restricted cash consists of cash with limitations on Craft3's ability to use it for general operating expenses due to restrictions imposed by donors, grantors and financial institutions.

Below is a reconciliation of cash, cash equivalents and restricted cash reported within the statement of financial position that sum to the amounts shown in the statement of cash flows as of December 31:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 19,108,932	\$ 28,347,100
Restricted cash		
Self-Help Credit Union Reserve Accounts	631,394	607,637
U.S. Department of Agriculture Intermediary Relending Program ("IRP")	5,640,965	4,806,042
U.S. Small Business Administration Intermediary Lending Program ("ILP")	<u>629,445</u>	<u>426,578</u>
Total restricted cash	<u>6,901,804</u>	<u>5,840,257</u>
Total cash, cash equivalents, and restricted cash	<u>\$ 26,010,736</u>	<u>\$ 34,187,357</u>

The Self-Help Credit Union Reserve accounts represent loan loss reserves set up as a result of the Self-Help Energy Loan Sale discussed in Note 7.

Craft3 and Subsidiaries

Notes to Consolidated Financial Statements

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

The U.S. Department of Agriculture Intermediary Relending Program requires cash used in this program to be segregated and deposited in a dedicated bank account.

The U.S. Small Business Administration Intermediary Lending Program requires cash used in this program to be segregated and deposited in a dedicated bank account.

Investments

Investments are carried at fair value. Net investment income (loss) is reported in the statements of activities and consists of interest and dividend income, realized capital gains and losses, less external and direct internal investment expenses. Unrealized capital gains and losses are presented separately. Amortization of premiums and accretions of discounts are recognized in interest income over the period to estimated maturity.

Grants receivable, accrued interest, and other receivables

Receivables consist of amounts owed to Craft3 from customers, related party LLCs, grantor agencies, and accrued interest on loans receivable.

Accounts and grants receivable are stated at their principal balances and are generally uncollateralized. As of December 31, 2021 and 2020, Craft3 determined that no allowance for doubtful accounts was required.

Loans receivable and reserves for loan losses

Loans receivable are stated at the amount of unpaid principal, reduced by net deferred unamortized origination fees, and by general and specific reserves for loan losses. Interest income on loans is recognized when earned. Loans are made to individuals, businesses, and nonprofit agencies located in the Pacific Northwest. Loans to businesses and nonprofits generally require collateral and personal guarantees from the principal owners or members of management.

A loan is placed on non-accrual status when it is specifically determined to be impaired and when, in the opinion of management, there is an indication that the borrower may be unable to make payments as they become due. Craft3's policy requires that a loan be placed on non-accrual status when payments are 90 days or more past due and the value of the related collateral does not exceed the outstanding balance due. Interest income generally is not recognized on impaired loans. Payments received on such loans are applied as a reduction of the loan principal balance until it is reduced to zero, and then applied to interest income. If the loan was past due when placed in nonaccrual status, the borrower must remain current on contractual payments for a period of six months before it may be reinstated.

The reserves (general and specific) for loan losses are maintained at a level that, in management's judgment, is adequate to absorb credit losses inherent in the loan portfolio as of the date of the statement of financial condition in consideration of the nature of the portfolio, credit concentrations, trends in historical loss experience, specific impaired loans, and economic conditions. Reserves for impaired loans are generally determined after considering collateral values. An increase to reserves increases the provision for loan losses, which is charged to expense. The reserve is reduced by loan charge-offs, net of recoveries.

Craft3 and Subsidiaries

Notes to Consolidated Financial Statements

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Impairment is considered to exist when it is probable that not all amounts due will be collected under the terms of the loan receivable. Factors considered by Management in determining whether a loan is impaired include payment status and ability of collecting scheduled principal and interest payments when due. If Management determines that the value of the impaired loan is less than the recorded investment in the loan, Craft3 considers the impairment in the calculation of the overall allowance for loan losses.

Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. 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.

In situations where, for economic or legal reasons related to a borrower's financial difficulties, Craft3 grants a concession for other than an insignificant period of time to the borrower that Craft3 would not otherwise consider, the related loan is classified as a troubled debt restructuring (TDR). Management strives to identify borrowers in financial difficulty early and work with them to modify their loan to more affordable terms before it is charged off. Concessions could include a reduction in the interest rate to a rate that is below market on the loan, payment extensions, forgiveness of principal, forbearance, and other actions designed to maximize collections. In cases where Craft3 grants the borrower new terms that provide for a reduction of either interest or principal, Craft3 measures any impairment as noted above for impaired loans. TDR loans are classified as impaired until they are fully repaid or charged off. TDR loans are subject to the same nonaccrual and charge off policies as noted above with respect to their restructured principal balance.

Credit quality indicators

Craft3's credit risk management is monitored with a loan risk rating system. The originating loan officer assigns borrowers an initial risk rating, which is based primarily on a thorough analysis of each borrower's financial capacity to repay in conjunction with economic trends. Approvals are made based upon the amount of inherent credit risk specific to the transaction and are reviewed for appropriateness by loan officer and credit management personnel. Loans are monitored by loan officers and credit management personnel for deterioration in a borrower's financial condition, which would impact the ability of the borrower to perform under the contract. Risk ratings are adjusted periodically during term loan reviews or upon identification of specific events affecting borrower ability to repay.

Loans are risk rated into the following categories (Credit Quality Indicators):

Pass (risk rating of 4–5) – These loans range from minimal credit risk to lower than average, but still acceptable, credit risk.

Pass Watch List (risk rating of 6) – Pass Watch List loans usually require more than normal management attention. Loans that qualify for the Pass Watch List may involve borrowers with adverse financial trends, higher debt/equity ratios, or weaker liquidity positions, but not to the degree of being considered a problem loan where risk of loss may be apparent. Additionally, loans are placed on the watch list if they are regularly on the 30+ day past due list or become more than 60 days past due (unless there is a realistic plan for the loan to become current before it becomes 120 days past due).

Craft3 and Subsidiaries

Notes to Consolidated Financial Statements

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Problem (risk rating of 7–8) – Loans are classified as Problem loans when the borrower's primary source of repayment capacity is impaired to the point that the borrower's payments do not cover principal payments on a reasonable amortization rate; a voluntary liquidation plan has been negotiated; or the loan is more than 120 days past due (unless there is a realistic plan for the loan to become current before it becomes 180 days past due).

Loss – Whenever any portion of a loan is deemed uncollectible, in part or in whole, a partial or full charge-off will be made against the reserve for loan losses based on a conservative estimate of the realizable liquidation value. A loan that becomes 180 days past due must be charged off unless there are realistic expectations that the borrower can bring the account current or a realistic restructure can be negotiated.

Furniture and equipment

Furniture and equipment are recorded at cost. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets ranging from 3 to 30 years, or in the case of leasehold improvements, the lesser of the useful life of the asset or the lease term. Purchases of assets with a cost in excess of \$2,500 are capitalized. Maintenance and repairs are charged to expense as incurred and major replacements and improvements are capitalized. Furniture and equipment balances are shown net of accumulated depreciation of \$1,058,297 and \$975,251 at December 31, 2021 and 2020, respectively.

Foreclosed and repossessed assets

Foreclosed and repossessed assets are recorded in other assets in the consolidated statements of financial position and are property acquired through foreclosure or other proceedings. When these assets are acquired, any excess of the loan balance over the estimated fair value is charged to the allowance for loan losses. Holding costs, subsequent write-downs to fair value, if any, or any disposition gains or losses are included in commercial and consumer lending activities in the consolidated statements of functional expenses.

Revenue and revenue recognition

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met and barriers to entitlement have been satisfied.

Craft3 accounts for revenue arising from contracts with customers under the guidance of Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers* ("Topic 606"). The revenue that falls within the scope of Topic 606 includes NMTC management and servicing fees. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the performance obligation is completed which occurs when related services are performed or expenditures are incurred, respectively. A significant portion of Craft3's revenues come from interest income on loans, grants and contributions, loan origination and servicing fees, and investment income (loss) which are outside the scope of ASC Topic 606.

Craft3 and Subsidiaries

Notes to Consolidated Financial Statements

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

NMTC management and servicing fees – Revenues typically consist of administrative activities related to reporting, invoicing, consultation, and monitoring compliance requirements. Fees are billed during the quarter the services are provided and due by the end of the quarter in which the fees are earned. The performance obligation is completed as the transaction occurs and the fees are recognized at the time each specific service is provided to the customer.

Interest income

Interest income consists of interest earned on loans and interest earned on certificates of deposits and money market accounts. Interest income is recognized in the period earned.

Deferred fee income

Craft3 charges fees based on loan types and related funding requirements. Loan fees (less direct expenses) are deferred and recognized ratably over the term of the loan, for loans exceeding \$20,000.

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 activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are allocated on the basis of time and effort.

Income taxes

Craft3 is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. See Note 13 for further discussion. Craft3 is subject to certain business and occupation taxes, which apply equally to for-profit and nonprofit businesses, imposed by state and local taxing authorities. The taxes are assessed on a percentage of a portion of Craft3's revenues. Unrelated business income tax, if any, is insignificant and no tax provision has been made in the accompanying consolidated financial statements.

Craft3 had no uncertain tax positions as of December 31, 2021 and 2020. Interest and penalties related to unrecognized tax benefits are recognized by Craft3 as an administrative expense. During the years ended December 31, 2021 and 2020, Craft3 recognized no interest and penalties.

Fair value of assets and liabilities

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Generally accepted accounting principles establish a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Craft3 and Subsidiaries

Notes to Consolidated Financial Statements

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Accounting principles describe three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets and liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The degree of judgment utilized in measuring fair value generally correlates to the level of pricing observability. Assets and liabilities with readily available active quoted prices, or for which fair value can be measured from actively quoted prices, generally will have a higher degree of pricing observability and a lesser degree of judgment utilized in measuring fair value. Conversely, assets and liabilities rarely traded or not quoted will generally have little or no pricing observability and a higher degree of judgment utilized in measuring fair value. Pricing observability is impacted by a number of factors, including the type of asset or liability, whether it is new to the market and not yet established, and the characteristics specific to the transaction.

Craft3 used the following methods and significant assumptions to estimate fair value for its assets and liabilities measured and carried at fair value in the financial statements on a recurring or nonrecurring basis:

Investments – Fair values of investments are obtained from an independent pricing service. The fair value measurements consider both observable and unobservable data that may include active quotes, dealer quotes, market spreads, cash flows, and the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information, and bond terms and conditions, among other things. When market quotes are not readily accessible or available, alternative approaches are utilized, such as matrix or model pricing.

Foreclosed and repossessed assets – Fair values of foreclosed and repossessed assets are measured based on the underlying assets' observable market price or discounted cash flow models. For real estate, prices are derived from independent appraisals, recent sales and offers, less disposition costs. For non-real estate assets, fair values are estimated based on observable sales and discounted future cash flows.

Agency transactions

During the year ended December 31, 2020, Craft3 received \$4,452,000 from grantors to provide grants to businesses and individuals meeting eligibility criteria established by the grantor. Craft3 fully disbursed the funds as of December 31, 2020 and accounted for the funds as agency transactions, with no impact to the change in net assets for the year ended December 31, 2020. As part of the grant award, Craft3 received \$224,750 for administrative costs, which are presented within the consolidated statements of activities. There were no agency transactions for the year ended December 31, 2021.

Craft3 and Subsidiaries

Notes to Consolidated Financial Statements

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Reclassifications

Certain amounts in the prior year consolidated financial statements have been reclassified to conform to the current year presentation. The reclassifications had no impact on previously reported net assets.

Subsequent events

Subsequent events are events or transactions that occur after the date of the consolidated statement of financial position but before the consolidated financial statements are issued. Craft3 recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated statements of financial position, including the estimates inherent in the process of preparing the consolidated financial statements.

Craft3 has evaluated subsequent events through April 29, 2022, which is the date the consolidated financial statements became available for issuance.

Note 2 – Investments

Investments consist of the following as of December 31:

	<u>2021</u>	<u>2020</u>
Unrestricted Investments		
Municipal bonds	\$ 15,145,404	\$ 8,551,063
Corporate bonds	6,628,569	7,045,083
Federal agency securities	3,990,268	5,823,732
Foreign bonds	976,560	495,710
Restricted Investments		
U.S. Government obligations	<u>-</u>	<u>2,261,615</u>
Total	<u>\$ 26,740,801</u>	<u>\$ 24,177,203</u>

Debt instruments issued by agencies of the U.S. Government include debt issued by Fannie Mae and the Federal Home Loan Bank System.

A portion of the investments are restricted for the Intermediary Relending Program.

The net unrealized loss on investments as of December 31, 2021 was \$85,057 and the net unrealized gain on investments as of December 31, 2020 was \$314,289.

Craft3 and Subsidiaries

Notes to Consolidated Financial Statements

Note 3 – Fair Value Measurements

The following table presents information about assets measured at fair value on a recurring and nonrecurring basis as of December 31, 2021 and 2020, and indicates the fair value hierarchy of the valuation technique utilized by Craft3 to determine such fair value:

	Fair Value Measurements at Report Date Using:			
	Fair Value	Level 1	Level 2	Level 3
December 31, 2021				
Recurring items				
Investments				
Municipal bonds	\$ 15,145,404	\$ -	\$ 15,145,404	\$ -
Corporate bonds	6,628,569	6,628,569	-	-
Federal agency securities	3,990,268	-	3,990,268	-
Foreign bonds	976,560	976,560	-	-
Total recurring items	<u>\$ 26,740,801</u>	<u>\$ 7,605,129</u>	<u>\$ 19,135,672</u>	<u>\$ -</u>
Nonrecurring items				
Foreclosed and repossessed assets	<u>\$ 1,172,191</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,172,191</u>
December 31, 2020				
Recurring items				
Investments				
Municipal bonds	\$ 8,551,063	\$ -	\$ 8,551,063	\$ -
Corporate bonds	7,045,083	7,045,083	-	-
Federal agency securities	5,823,732	-	5,823,732	-
U.S. Government obligations	2,261,615	2,261,615	-	-
Foreign bonds	495,710	495,710	-	-
Total recurring items	<u>\$ 24,177,203</u>	<u>\$ 9,802,408</u>	<u>\$ 14,374,795</u>	<u>\$ -</u>
Nonrecurring items				
Foreclosed and repossessed assets	<u>\$ 3,947,642</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,947,642</u>

Recurring assets are initially measured at fair value and are required to be re-measured at fair value in the consolidated financial statements at each reporting date. Assets measured on a nonrecurring basis are assets that due to an event or circumstance, were required to be re-measured at fair value after initial recognition in the financial statements at some time during the reporting period.

Craft3 utilizes the following valuation technique, significant unobservable inputs, and qualitative information about the unobservable inputs for its assets classified as Level 3 and measured at fair value on a nonrecurring basis at December 31, 2021 and 2020. Foreclosed or repossessed assets are comprised of real estate valued using market values assessed by a professional appraiser with additional discounts for selling costs and a private company investment valued using a discounted cash flow model based on sales of units of the investment and income generating activities.

Craft3 and Subsidiaries

Notes to Consolidated Financial Statements

Note 4 – Grants Receivable

Grants receivable consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
U.S. Department of Treasury	\$ 590,000	\$ -
Oregon Metro	245,000	-
Northwest Area Foundation	-	720,000
City of Spokane	<u>44,600</u>	<u>44,600</u>
Total grants receivable	<u>\$ 879,600</u>	<u>\$ 764,600</u>

Note 5 – Related Parties

The equity associated with CFF, WA OREO, Investment II, and Windfarm are included within net assets without donor restrictions in these consolidated financial statements. The equity and net assets (liabilities) included in the consolidated financial statements at December 31, 2021 and 2020, for these subsidiaries was:

	<u>2021</u>	<u>2020</u>
Windfarm	\$ 632	\$ 632
WA OREO	299,952	2,350,729
Investment II	8,283	(1,473,739)
CFF	<u>3,965,068</u>	<u>1,337,532</u>
Total	<u>\$ 4,273,935</u>	<u>\$ 2,215,154</u>

Note 6 – Loans Receivable

Customers may access one or more types of loan products available from Craft3. No single customer (individual, business, or principal) shall access from Craft3 more than \$3,500,000 in loans without government enhancement and the maximum loan size, in aggregate, to any customer may not exceed \$10,000,000 of total principal outstanding to a borrower, coborrower, guarantor, or in situations where common collateral is used, regardless of a government enhancement. The Board of Directors, as an exception to the policy, must specifically approve any loan or investment that will cause a violation of this policy. The borrower exposure limit excludes amounts loaned to borrowers from other entities that may be managed by Craft3, namely the related party LLCs discussed in Note 14.

Craft3 and Subsidiaries

Notes to Consolidated Financial Statements

Note 6 – Loans Receivable (continued)

Commercial loans are generally made to small and mid-size businesses and nonprofit organizations in a variety of industries located in the Pacific Northwest. Consumer loans generally consist of clean water (that is, septic system repair and replacement) and energy retrofit loans.

The following table represents the approximate number of loans outstanding by specific industries at December 31:

	2021			2020		
	Number of Loans	Balance	Percentage of Total	Number of Loans	Balance	Percentage of Total
Clean water	999	\$ 17,487,185	13%	1,051	\$ 17,984,303	15%
Manufacturing	40	16,700,560	13%	46	17,153,008	14%
Clean energy	21	13,844,767	11%	23	14,314,069	12%
Real estate	35	14,053,821	11%	24	13,167,962	11%
Agriculture	17	12,695,849	10%	16	10,464,312	9%
Energy retrofit	1,204	9,868,054	8%	1,234	10,241,237	9%
Services	59	4,679,641	3%	79	6,262,909	5%
Fish, shellfish, seafood	10	6,556,069	5%	10	6,313,988	5%
Other	40	3,558,852	3%	40	5,678,275	5%
Retail	48	4,428,952	3%	57	5,190,718	4%
Tourism	36	8,539,586	7%	24	5,159,416	4%
Professional services	57	10,435,232	8%	33	3,406,013	3%
Community development	10	5,495,446	4%	13	3,778,624	3%
Education	44	761,358	1%	62	309,795	1%
Forestry, wood products	1	452,725	0%	1	39,885	0%
Totals	2,621	129,558,097	100%	2,713	119,464,514	100%
Net deferred loan origination fees		(217,639)			(392,432)	
Reserve for loan losses		(7,765,218)			(8,140,148)	
		\$ 121,575,240			\$ 110,931,934	

Loans receivable consist of the following at December 31:

	2021	2020
Commercial loans receivable	\$ 101,319,279	\$ 90,614,876
Consumer loans receivable	28,238,818	28,849,638
Total loans receivable	\$ 129,558,097	\$ 119,464,514

Craft3 and Subsidiaries
Notes to Consolidated Financial Statements

Note 6 – Loans Receivable (continued)

The current portion of loans receivable at December 31, is summarized as follows:

	<u>2021</u>	<u>2020</u>
Current portion of commercial loans receivable	\$ 11,493,117	\$ 21,654,685
Current portion of consumer loans receivable	4,099,299	2,013,471
Less: net deferred loan fees	<u>(32,071)</u>	<u>(113,861)</u>
Total current portion loans receivable, net	<u>\$ 15,560,345</u>	<u>\$ 23,554,295</u>

The long-term portion of loans receivable at December 31, is summarized as follows:

	<u>2021</u>	<u>2020</u>
Total loans receivable	\$ 129,558,097	\$ 119,464,514
Less: current portion, net	(15,560,345)	(23,554,295)
Less: loan loss reserve	(7,765,218)	(8,140,148)
Less: net deferred loan fees	<u>(217,639)</u>	<u>(392,432)</u>
Total long-term portion loans receivable, net	<u>\$ 106,014,895</u>	<u>\$ 87,377,639</u>

Activity in the loan loss reserve for the years ended December 31, is as follows:

	<u>2021</u>	<u>2020</u>
Loan loss reserve, beginning of year	\$ 8,140,148	\$ 7,344,675
Charge-offs	(1,853,713)	(3,905,519)
Recoveries	2,687,811	1,662,567
(Recapture of) provision for loan losses	<u>(1,209,028)</u>	<u>3,038,425</u>
Loan loss reserve, end of year	<u>\$ 7,765,218</u>	<u>\$ 8,140,148</u>

The loan loss reserve is composed of a general reserve and a specific reserve as follows at December 31:

	<u>2021</u>	<u>2020</u>
General reserve	\$ 7,683,892	\$ 7,341,878
Specific reserve	<u>81,326</u>	<u>798,270</u>
Total reserve	<u>\$ 7,765,218</u>	<u>\$ 8,140,148</u>

The general loan loss reserve is measured on loans collectively evaluated for impairment. The specific loan loss reserve is measured on loans individually evaluated for impairment.

Craft3 and Subsidiaries

Notes to Consolidated Financial Statements

Note 6 – Loans Receivable (continued)

Management believes the reserve for loan losses is adequate to offset future loan losses in Craft3's current loan portfolio. When determining the reserve for loan losses, management considers factors that mitigate losses, including collateral associated with loans receivable. When a loan is determined to be uncollectible, it is charged against the loan loss reserve. Most loans offered by Craft3 are collateralized. Because of inherent uncertainties in estimating the reserve for loan losses, it is at least reasonably possible that the estimates used will change in the near term.

As a participant in the Small Business Administration's Community Advantage Program (CA Program), Craft3 is required to maintain a minimum 5% allowance for loan losses reserve for the unguaranteed portion of loans funded under the CA Program. As of December 31, 2021 and 2020, Craft3's reserves met the requirements of the CA Program.

Future principal payments scheduled to be received on loans receivable are as follows for the year ending December 31:

2022	\$ 15,592,416
2023	13,845,561
2024	10,385,919
2025	11,482,372
2026	15,980,021
Thereafter	<u>62,271,808</u>
	<u>\$ 129,558,097</u>

Note 7 – Energy Loan Sale

On December 1, 2013, and October 1, 2015, Craft3 sold 1,252 and 438 energy loans ("the Loans") respectively, to Self-Help Credit Union ("SHCU"). The Loans were sold at par and the total principal balance of the Loans was \$15,700,426 for the sale that occurred on December 1, 2013, and \$6,443,833 for the sale that occurred on October 1, 2015. At December 31, 2021 and 2020, the outstanding balance of the sold loans serviced by Craft3 was \$1,898,302 and \$2,993,398, respectively. As part of the sale agreement, Craft3 provided certain cash credit enhancements in support of the Loans (collectively known as "the Reserve Sources"). The Reserve Sources guarantee 30% of the Loans. Under the terms of the sale agreement, Craft3 funded and pledged two accounts ("the Reserve Accounts") to SHCU. At December 31, 2021, the Reserve Accounts are included in restricted cash on the consolidated statements of financial position, and balances were as follows:

- Craft3 SHCU Reserve Account balance of \$145,785
- Craft3 Self-Help Federal Credit Union ("SHFCU") Reserve Account balance of \$399,687

SHCU may withdraw the loss amount from the Reserve Sources in the event that payments on any of the Loans become 150 days or more delinquent. SHCU is responsible for the potential loss on the first 20% of losses and Craft3 is responsible for the remaining 50% of losses related to the Loans.

Craft3 and Subsidiaries

Notes to Consolidated Financial Statements

Note 8 – Credit Quality and Reserve for Loan Losses

The following tables show the loan portfolio allocation by Craft3's internal risk ratings:

	December 31, 2021			
	Pass	Pass – Watch List	Problem	Total Loans
Clean water	\$ 17,165,851	\$ 167,940	\$ 153,394	\$ 17,487,185
Manufacturing	15,318,400	1,134,818	247,342	16,700,560
Clean energy	12,093,952	1,750,815	-	13,844,767
Real estate	12,211,669	1,842,152	-	14,053,821
Agriculture	12,695,849	-	-	12,695,849
Energy retrofit	9,501,460	222,478	144,116	9,868,054
Services	2,455,731	2,198,548	25,362	4,679,641
Fish, shellfish, seafood	5,905,340	578,166	72,563	6,556,069
Other	3,461,436	97,416	-	3,558,852
Retail	2,699,002	1,414,649	315,301	4,428,952
Tourism	8,210,839	328,747	-	8,539,586
Professional services	9,886,466	-	548,766	10,435,232
Community development	4,978,042	279,219	238,185	5,495,446
Education	761,358	-	-	761,358
Forestry, wood products	452,725	-	-	452,725
Totals	\$ 117,798,120	\$ 10,014,948	\$ 1,745,029	\$ 129,558,097

	December 31, 2020			
	Pass	Pass – Watch List	Problem	Total Loans
Clean water	\$ 17,629,687	\$ 137,075	\$ 217,541	\$ 17,984,303
Manufacturing	15,838,008	118,734	1,196,266	17,153,008
Clean energy	14,291,747	22,322	-	14,314,069
Real estate	12,879,370	-	288,592	13,167,962
Agriculture	9,710,562	753,750	-	10,464,312
Energy retrofit	9,736,401	249,413	255,423	10,241,237
Services	3,723,544	2,453,431	85,934	6,262,909
Fish, shellfish, seafood	777,608	78,726	5,457,654	6,313,988
Other	5,139,247	107,559	431,469	5,678,275
Retail	3,051,761	1,576,337	562,620	5,190,718
Tourism	4,716,389	443,027	-	5,159,416
Professional services	1,150,538	1,150,147	1,105,328	3,406,013
Community development	3,116,392	662,232	-	3,778,624
Education	305,040	4,755	-	309,795
Forestry, wood products	39,885	-	-	39,885
Totals	\$ 102,106,179	\$ 7,757,508	\$ 9,600,827	\$ 119,464,514

Craft3 and Subsidiaries

Notes to Consolidated Financial Statements

Note 8 – Credit Quality and Reserve for Loan Losses (continued)

The following table shows an aging analysis of the loan portfolio by the time past due:

	December 31, 2021							Total Loans
	Current	1–30 Days Past Due	31–60 Days Past Due	61–90 Days Past Due	91–120 Days Past Due	120+ Days Past Due	Loans on Non-Accrual	
Clean water	\$ 16,991,332	\$ 312,221	\$ 68,712	\$ -	\$ 28,672	\$ 19,234	\$ 67,014	\$ 17,487,185
Manufacturing	12,812,295	3,640,923	-	-	-	-	247,342	16,700,560
Clean energy	13,844,767	-	-	-	-	-	-	13,844,767
Real estate	14,053,821	-	-	-	-	-	-	14,053,821
Agriculture	12,695,849	-	-	-	-	-	-	12,695,849
Energy retrofit	9,734,147	-	-	52,136	37,676	28,847	15,248	9,868,054
Services	4,654,279	-	-	-	-	-	25,362	4,679,641
Fish, shellfish, seafood	6,483,506	-	-	-	-	-	72,563	6,556,069
Other	3,558,852	-	-	-	-	-	-	3,558,852
Retail	4,113,651	-	-	-	-	-	315,301	4,428,952
Tourism	8,480,690	58,896	-	-	-	-	-	8,539,586
Professional services	9,886,464	-	-	-	-	-	548,768	10,435,232
Community development	5,257,261	-	-	-	-	-	238,185	5,495,446
Education	738,138	20,000	3,220	-	-	-	-	761,358
Forestry, wood products	452,725	-	-	-	-	-	-	452,725
Totals	\$ 123,757,777	\$ 4,032,040	\$ 71,932	\$ 52,136	\$ 66,348	\$ 48,081	\$ 1,529,783	\$ 129,558,097

	December 31, 2020							Total Loans
	Current	1–30 Days Past Due	31–60 Days Past Due	61–90 Days Past Due	91–120 Days Past Due	120+ Days Past Due	Loans on Non-Accrual	
Clean water	\$ 17,711,765	\$ 146,467	\$ 54,524	\$ -	\$ -	\$ -	\$ 71,547	\$ 17,984,303
Manufacturing	16,180,523	-	-	-	-	-	972,485	17,153,008
Clean energy	14,314,069	-	-	-	-	-	-	14,314,069
Real estate	12,879,370	-	-	-	-	-	288,592	13,167,962
Agriculture	10,464,312	-	-	-	-	-	-	10,464,312
Energy retrofit	10,168,572	-	-	3,815	25,264	-	43,586	10,241,237
Services	6,176,975	-	-	-	-	-	85,934	6,262,909
Fish, shellfish, seafood	589,911	-	-	-	-	-	5,724,077	6,313,988
Other	5,584,676	93,599	-	-	-	-	-	5,678,275
Retail	4,628,098	-	-	-	-	-	562,620	5,190,718
Tourism	5,017,340	142,076	-	-	-	-	-	5,159,416
Professional services	2,300,685	-	-	-	-	-	1,105,328	3,406,013
Community development	3,778,624	-	-	-	-	-	-	3,778,624
Education	241,295	68,500	-	-	-	-	-	309,795
Forestry, wood products	39,885	-	-	-	-	-	-	39,885
Totals	\$ 110,076,100	\$ 450,642	\$ 54,524	\$ 3,815	\$ 25,264	\$ -	\$ 8,854,169	\$ 119,464,514

Craft3 and Subsidiaries

Notes to Consolidated Financial Statements

Note 8 – Credit Quality and Reserve for Loan Losses (continued)

Included in fish, shellfish, and seafood and community development categories, respectively, as of December 31, 2020, are two loans funded by Craft3 and Investment II to an unrelated borrower arising from the same NMTC transaction. The loans had a combined balance of \$5,580,028. Both loans were placed on non-accrual in April 2020. As the financing held a 90% USDA B&I guarantee, in July 2020, Craft3 requested repayment under the guarantee. During 2021, the guarantee was honored and the loans repaid in full. Because of the NMTC structure of the financing, the funds received are being held with the investor awaiting redeployment.

The following tables present the recorded investment in loans by portfolio segment and based on impairment method:

	December 31, 2021		
	Commercial	Consumer	Total Loans
Loans individually evaluated for impairment	\$ 5,623,841	\$ 297,510	\$ 5,921,351
Loans collectively evaluated for impairment	<u>95,695,438</u>	<u>27,941,308</u>	<u>123,636,746</u>
Totals	<u>\$ 101,319,279</u>	<u>\$ 28,238,818</u>	<u>\$ 129,558,097</u>
	December 31, 2020		
	Commercial	Consumer	Total Loans
Loans individually evaluated for impairment	\$ 10,851,493	\$ 864,207	\$ 11,715,700
Loans collectively evaluated for impairment	<u>79,763,383</u>	<u>27,985,431</u>	<u>107,748,814</u>
Totals	<u>\$ 90,614,876</u>	<u>\$ 28,849,638</u>	<u>\$ 119,464,514</u>

Craft3 and Subsidiaries

Notes to Consolidated Financial Statements

Note 8 – Credit Quality and Reserve for Loan Losses (continued)

The following tables present loans individually evaluated for impairment by class of loans:

	December 31, 2021				
	Unpaid Contractual Principal Balance	Recorded Investment with No Allowance	Recorded Investment with an Allowance	Total Recorded Investment	Specific Allowance
Commercial	\$ 5,623,841	\$ 4,462,038	\$ 1,161,803	\$ 5,623,841	\$ 81,326
Consumer	297,510	-	297,510	297,510	7,450
	<u>\$ 5,921,351</u>	<u>\$ 4,462,038</u>	<u>\$ 1,459,313</u>	<u>\$ 5,921,351</u>	<u>\$ 88,776</u>

	December 31, 2020				
	Unpaid Contractual Principal Balance	Recorded Investment with No Allowance	Recorded Investment with an Allowance	Total Recorded Investment	Specific Allowance
Commercial	\$ 12,215,277	\$ 7,706,219	\$ 3,145,274	\$ 10,851,493	\$ 776,665
Consumer	864,207	-	864,207	864,207	21,605
	<u>\$ 13,079,484</u>	<u>\$ 7,706,219</u>	<u>\$ 4,009,481</u>	<u>\$ 11,715,700</u>	<u>\$ 798,270</u>

Interest recognized on impaired loans subsequent to the determination of impairment was immaterial to the consolidated financial statements for the years ended December 31, 2021 and 2020.

As of December 31, 2021 and 2020, loans on nonaccrual were as follows:

	2021	2020
Commercial	\$ 1,447,520	\$ 8,739,036
Consumer	82,263	115,133
	<u>\$ 1,529,783</u>	<u>\$ 8,854,169</u>

The following table presents troubled debt restructurings as of December 31, 2021 and 2020:

	2021	2020
Commercial – principal balance	<u>\$ 4,427,995</u>	<u>\$ 5,121,448</u>
Commercial – loan count	<u>14</u>	<u>18</u>

Note 8 – Credit Quality and Reserve for Loan Losses (continued)

During the years ended December 31, 2021 and 2020, Craft3 restructured commercial loans totaling \$1,168,721 and \$2,133,644, respectively. There were no TDRs that defaulted during the years ended December 31, 2021 and 2020 and for which the default occurred within 12 months of the modification date.

During 2020, Craft3 processed approximately 232 loan modifications, totaling approximately \$35,135,079 for borrowers impacted by COVID-19 related economic disruption. These modifications were short term in nature and resulted in insignificant delays in cash flows. As such, they were not considered troubled debt restructurings. Of these loan modifications, none remained under a deferral as of December 31, 2021 and six loans totaling approximately \$4,074,000 were under a deferral as of December 31, 2020.

The loans were predominately business loans ranging between approximately \$3,000 and \$1,000,000 each. Non-performance by borrowers in accordance with modified loan terms or an increase in requested modifications may reduce Craft3 expected cash flows from loan repayment, require an increase to loan loss reserves and loan charge offs may increase depending on the collectability of cash flows.

Craft3 and Subsidiaries

Notes to Consolidated Financial Statements

Note 9 – Long-Term Debt

Long-term debt consists of the following as of December 31:

Long-term notes payable

	<u>2021</u>	<u>2020</u>
Notes payable to financial institutions in varying amounts with interest rates ranging from 1% to 5.38%. Notes are unsecured and the final due date is May 15, 2027.	\$ 31,878,884	\$ 44,472,013
Notes payable to individuals, businesses, nonprofit organizations, and trusts in varying amounts with interest rates ranging from 0% to 4.25%. Notes are unsecured and have a variety of due dates; the final due date is December 31, 2042.	44,450,565	42,676,877
Notes payable to U.S. Department of Agriculture with 1% interest rates. Notes are secured by the program receivables and a portion of restricted cash, and the final due date is October 20, 2044.	5,162,010	5,613,040
Note payable from Craft3 Investment II, LLC to Pacesetter CDE XXIV, LLC with a variable interest rate based on the Wall Street Journal Prime Rate plus 4.25%. The note is unsecured and was repaid in full during 2021.	-	1,180,903
Notes payable to federal, state and local government agencies in varying amounts with interest rates ranging from 0.70% to 1.3%. Notes are unsecured and the final due date is July 1, 2039.	<u>13,539,459</u>	<u>10,059,462</u>
Total long-term notes payable	95,030,918	104,002,295
Less: current portion	<u>(17,356,213)</u>	<u>(24,102,731)</u>
	<u>\$ 77,674,705</u>	<u>\$ 79,899,564</u>

Craft3 and Subsidiaries
Notes to Consolidated Financial Statements

Note 9 – Long-Term Debt (continued)

Equity equivalent investments and subordinated debt

	2021	2020
Notes payable to financial institutions in varying amounts with interest rates ranging from 1% to 4%. Notes are unsecured with a variety of due dates; the final due date is July 31, 2029.	\$ 8,697,568	\$ 8,697,568
Note payable to the U.S. Department of Treasury CDFI Fund with an interest rate of 2.4%. Note is unsecured and matures March 1, 2023.	1,500,000	1,500,000
Subordinated note payable to a CDFI investment fund with a rate of 3%. Note is unsecured and matures September 30, 2029.	1,000,000	1,000,000
Subordinated note payable to a private foundation with an interest rate of 1%. Note is unsecured and matures June 30, 2022.	1,000,000	1,000,000
Total equity equivalent investments and subordinated notes payable	12,197,568	12,197,568
Less: current portion	(3,727,919)	(1,979,358)
	\$ 8,469,649	\$ 10,218,210

Equity equivalent investments (or "EQ2") is debt that is subordinated to all other Craft3 debt and may only be repaid when, and if, its repayment does not materially impair Craft3's operating or loan capital liquidity.

The current portion of long-term debt is summarized at December 31:

	2021	2020
Long-term notes payable	\$ 17,356,213	\$ 24,102,731
Equity equivalent investments and subordinated notes payable	3,727,919	1,979,358
	\$ 21,084,132	\$ 26,082,089

Craft3 and Subsidiaries

Notes to Consolidated Financial Statements

Note 9 – Long-Term Debt (continued)

The following is a summary of scheduled principal maturities of all long-term debt for the years ending December 31:

2022	\$ 21,084,132
2023	10,852,349
2024	16,941,564
2025	17,415,425
2026	7,962,176
Thereafter	<u>32,972,840</u>
	<u>\$ 107,228,486</u>

A number of Craft3's notes payable credit agreements contain restrictive covenants related to minimum capital requirements, the ratio of net assets to total assets, and liquidity, as defined. As of December 31, 2021, management believes Craft3 was in compliance with all covenants.

In April 2020, Craft3 received a loan through the Small Business Administration (SBA) in the amount of \$1,246,159, under the criteria outlined in the Paycheck Protection Program (PPP) of the CARES Act of 2020. Under the terms of the agreement, payments of principal and interest are due starting November 2020 and the loan accrues interest at a rate of 1.00% per annum. In April 2021, the loan was forgiven in full by the SBA and the forgiveness is included in grant income as Craft3 accounted for its PPP loan as a conditional contribution.

Craft3 has a \$10 million revolving line of credit with Banner Bank. At the borrower's option, the line of credit shall bear interest at a rate of either prime or 30-day LIBOR plus 2.80%. The line is scheduled to mature in December 2024. As of December 31, 2021 and 2020, there was no outstanding balance on the line of credit.

Craft3 has a \$10 million revolving line of credit with Wells Fargo. The line of credit bears interest at 30-day LIBOR plus 2.25%. The line matures in February 2024. As of December 31, 2021 and 2020, the outstanding balance was \$10 million and the interest rate was \$2.39%.

Craft3 has a \$5 million revolving line of credit with HSBC. The line of credit shall bear interest at a rate of 1.89% with minimum draws in the amount of \$250,000 and to fund eligible loan programs. The line matures in November 2024. As of December 31, 2021 and 2020, there was no outstanding balance on the line of credit.

Additionally, Craft3 has draw down borrowing facilities totaling \$8,425,000 from financial institutions, nonprofits and private foundations that may be used to drawn upon to fund eligible loan programs under the debt agreements. These facilities have varying maturities through 2042. The interest rates range from 0% to 2% and there was \$128,548 outstanding under these agreements as of December 31, 2021 and no borrowings outstanding as of December 31, 2020.

Craft3 and Subsidiaries

Notes to Consolidated Financial Statements

Note 10 – Leasing Agreements

Craft3 leases office space and other properties under non-cancelable operating leases that expire at various dates through 2031. Craft3 also leases property under month-to-month agreements. Expenditures under these leases are included on the consolidated statements of functional expenses as occupancy expenses. The following is a summary of future minimum lease payments for the years ending December 31:

2022	\$ 416,212
2023	444,141
2024	356,558
2025	310,509
2026	292,367
Thereafter	<u>576,553</u>
	<u>\$ 2,396,340</u>

Rent expense was \$429,561 and \$419,666 for the years ended December 31, 2021 and 2020, respectively.

Note 11 – Grants and Contributions

Grants and contributions were provided by the following organizations during the years ended December 31:

	<u>2021</u>	<u>2020</u>
Chicago Community Foundation	\$ -	\$ 10,000,000
Municipal and state grants	2,801,567	4,260,194
Other private foundation grants	4,528,581	3,590,000
Financial institution grants	3,000,000	1,088,000
Community Development Financial Institutions Fund	2,416,265	-
Others	<u>1,246,159</u>	<u>286,328</u>
Total grants and contributions	<u>\$ 13,992,572</u>	<u>\$ 19,224,522</u>

During the year ended December 31, 2020, Craft3 was awarded a one-time unrestricted grant in the amount of \$10 million from the Chicago Community Foundation. This grant is nonrecurring and Craft3 is using the funds to advance its mission.

Note 12 – Contingent Liabilities and Funds Subject to Recapture

Federal grants and loans are subject to audit and adjustment by grantor agencies. Any disallowed claims or findings of noncompliance with grant terms as a result of such an audit may constitute a liability to Craft3.

Craft3 and Subsidiaries

Notes to Consolidated Financial Statements

Note 13 – Federal Income Taxes

All Craft3 subsidiaries are organized as limited liability corporations ("LLCs"). Net income from the LLCs is passed through to Craft3, which is a nonprofit corporation organized under Internal Revenue Code Section 501(c)(3). No liability has been recorded for uncertain tax positions as of December 31, 2021 or 2020, and management believes no material uncertain tax positions have been taken.

Note 14 – New Markets Tax Credits

Craft3 has applied for and received allocations of NMTCs within the meaning of the Internal Revenue Code. These credits can be offered to certain investors for the purpose of stimulating increased investment and economic growth in low-income communities.

Craft3 is related to a series of LLCs that are used to take advantage of the NMTCs. In some cases, NMTC program periods expired, and Craft3 obtained 100% control of the LLCs (included in the consolidated financial results or the entities were dissolved at the end of the NMTC period). In other cases, Craft3 owns 0.01% of each of these entities, and they are accounted for at cost and totaled \$5,000 as of December 31, 2021 and 2020. Craft3 earns management and loan servicing fees from the NMTCs which totaled \$432,536 and \$299,170 for the years ended December 31, 2021 and 2020, respectively.

Craft3 and Subsidiaries

Notes to Consolidated Financial Statements

Note 15 – Net Assets with Donor Restrictions

Net assets with donor restrictions by purpose and net assets released from restrictions (by grantor/donor) as of December 31, 2021 and 2020 and for the years ended December 31, 2021 and 2020 are as follows:

	2020	Grants and Contributions	Net Assets Released	2021
Subject to expenditure for specified purpose:				
Lending activities				
Meyer Memorial Trust Manufactured Homes Grant	\$ 200,000	\$ -	\$ (200,000)	\$ -
JPMC Advancing Cities	500,000	4,030,279	(2,686,813)	1,843,466
CDFI Rapid Response Program	-	1,826,265	(277,469)	1,548,796
CDFI 2021 FA Grant	-	590,000	-	590,000
Metro 2021	-	499,036	(290,000)	209,036
OFN Google Grant	125,000	-	-	125,000
Various lending grants	-	485,605	(166,605)	319,000
Wells Fargo OFB	-	3,011,712	(3,011,712)	-
King County NDC	-	290,000	(290,000)	-
Various COVID-19 related awards	115,283	7,642	(122,925)	-
Total net assets with donor restrictions	<u>\$ 940,283</u>	<u>\$ 10,740,539</u>	<u>\$ (7,045,524)</u>	<u>\$ 4,635,298</u>
	2019	Grants and Contributions	Net Assets Released	2020
Subject to expenditure for specified purpose:				
Lending activities				
Meyer Memorial Trust Manufactured Homes Grant	\$ 125,000	\$ 75,000	\$ -	\$ 200,000
JPMC Advancing Cities	-	500,000	-	500,000
OFN Google Grant	-	125,000	-	125,000
Various COVID-19 related awards	-	9,318,525	(9,203,242)	115,283
	<u>125,000</u>	<u>10,018,525</u>	<u>(9,203,242)</u>	<u>940,283</u>
General operations				
Union Bank KNCP Grant	142	25,000	(25,142)	-
JPMC Small Business Phase II	42,444	-	(42,444)	-
Northwest Area Foundation – Uplift America	227,125	-	(227,125)	-
NWAF CFRP Subgrants	35,000	695,000	(730,000)	-
	<u>304,711</u>	<u>720,000</u>	<u>(1,024,711)</u>	<u>-</u>
Total net assets with donor restrictions	<u>\$ 429,711</u>	<u>\$ 10,738,525</u>	<u>\$ (10,227,953)</u>	<u>\$ 940,283</u>

Craft3 and Subsidiaries

Notes to Consolidated Financial Statements

Note 15 – Net Assets with Donor Restrictions (continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Satisfaction of purpose restrictions:		
Lending activities	\$ 7,045,524	\$ 9,203,242
General operations	<u>-</u>	<u>1,024,711</u>
Total net assets with donor restrictions released	<u>\$ 7,045,524</u>	<u>\$ 10,227,953</u>

There were no net assets restricted for Board designated purposes or required to be held in perpetuity as of December 31, 2021 or 2020.

Note 16 – Liquidity and Funds Available

The following table reflects Craft3's financial assets as of December 31, 2021 and 2020 available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. Other considerations of non-liquid assets are donor restricted assets for specific expenditures, contractual reserve requirements, or governing board designations.

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 19,108,932	\$ 28,347,100
Investments, at fair value	26,740,801	21,915,588
Accrued interest and other receivables	1,171,559	1,964,881
Current portion of loans receivable, net	<u>15,560,345</u>	<u>23,554,295</u>
	<u>\$ 62,581,637</u>	<u>\$ 75,781,864</u>

As part of Craft3's liquidity management plan, management invests cash in excess of daily requirements in short-term investments and money market funds. See Note 9 for available borrowings.

Note 17 – Cybersecurity Incidents

In the second quarter of 2021, an unknown party compromised and accessed a Craft3 email inbox. This cybersecurity incident culminated in Craft3 receiving and subsequently funding certain fraudulent disbursement requests of approximately \$180,000. These amounts were unrecoverable and recorded as operational losses during the year ended December 31, 2021 within management and administration supporting services in the consolidated statement of activities.

In quarter three 2021, a Craft3 borrower suffered a cybersecurity incident resulting in the compromise of one or more email inboxes, including the email of their CEO. As a result, Craft3 received fraudulent disbursement instructions from the borrower's compromised email address. These fraudulent email requests instructed Craft3 to transfer funds from the borrower's line of credit to fraudulent bank accounts. Because the instructions originated from the borrower's CEO's account (which had been previously verified as trustworthy) and copied the borrower's controller, Craft3 disbursed the funds as requested. A net amount of approximately \$590,000 advanced from borrower's line of credit was not recoverable and the balance advanced on the line of credit was charged off against the allowance for loan losses during the year ended December 31, 2021.

Craft3, together with guidance from the Board, outside consultants, and relevant management staff, has implemented improved disbursement controls, callback/verification policies, and additional procedures as recommended. Craft3 has implemented procedures to monitor, evaluate, and provide training on such measures to mitigate the risk of similar events in the future.

Supplementary Information

Craft3 and Subsidiaries

Consolidating Statement of Financial Position

December 31, 2021

	Craft3	WA OREO	Craft3 Future Fund	Craft3 Investment II, LLC	Windfarm Investments, Inc.	Eliminating Entries	Consolidated Total
ASSETS							
CURRENT ASSETS							
Cash and cash equivalents	\$ 18,406,705	\$ 299,952	\$ 393,992	\$ 8,283	\$ -	\$ -	\$ 19,108,932
Restricted cash and cash equivalents	6,270,410	-	-	-	-	-	6,270,410
Investments, at fair value	26,740,801	-	-	-	-	-	26,740,801
Restricted investments, at fair value	-	-	-	-	-	-	-
Grants receivable	879,600	-	-	-	-	-	879,600
Accrued interest, other receivables, and prepaid expenses	1,432,987	-	16,924	-	-	-	1,449,911
Current portion of commercial loans receivable, net	11,212,018	-	249,028	-	-	-	11,461,046
Current portion of consumer loans receivable, net	4,099,299	-	-	-	-	-	4,099,299
Total current assets	69,041,820	299,952	659,944	8,283	-	-	70,009,999
LOANS RECEIVABLE							
Commercial loans, net*	97,323,858	-	3,777,782	-	-	-	101,101,640
Consumer loans, net	28,238,818	-	-	-	-	-	28,238,818
Total loans receivable	125,562,676	-	3,777,782	-	-	-	129,340,458
Less: current portion, net	(15,311,317)	-	(249,028)	-	-	-	(15,560,345)
Less: reserve for loan losses	(7,542,718)	-	(222,500)	-	-	-	(7,765,218)
Total loans receivable, net of current portion and reserve for loan losses	102,708,641	-	3,306,254	-	-	-	106,014,895
OTHER ASSETS							
Cash and cash equivalents restricted for loan loss reserves	631,394	-	-	-	-	-	631,394
Furniture and equipment, net	434,256	-	-	-	-	-	434,256
Foreclosed and repossessed assets	1,172,191	-	-	-	-	-	1,172,191
Investment in subsidiaries	4,273,303	-	-	-	-	(4,273,303)	-
Other	4,368	-	-	-	632	-	5,000
Total other assets	6,515,512	-	-	-	632	(4,273,303)	2,242,841
Total assets	\$ 178,265,973	\$ 299,952	\$ 3,966,198	\$ 8,283	\$ 632	\$ (4,273,303)	\$ 178,267,735

*\$1,235,345 in CFF column represents a Sharia compliant investment

Craft3 and Subsidiaries
Consolidating Statement of Financial Position
December 31, 2021

	Craft3	WA OREO	Craft3 Future Fund	Craft3 Investment II, LLC	Windfarm Investments, Inc.	Eliminating Entries	Consolidated Total
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES							
Accounts payable and accrued expenses	\$ 2,706,672	\$ -	\$ 1,130	\$ -	\$ -	\$ -	\$ 2,707,802
Current portion of long-term liabilities	21,084,132	-	-	-	-	-	21,084,132
Total current liabilities	23,790,804	-	1,130	-	-	-	23,791,934
LONG-TERM DEBT							
Notes payable	95,030,918	-	-	-	-	-	95,030,918
Equity equivalent investments	12,197,568	-	-	-	-	-	12,197,568
Total long-term debt	107,228,486	-	-	-	-	-	107,228,486
Less: current portion	(21,084,132)	-	-	-	-	-	(21,084,132)
Total long-term debt, net of current portion	86,144,354	-	-	-	-	-	86,144,354
Total liabilities	109,935,158	-	1,130	-	-	-	109,936,288
NET ASSETS							
Without donor restrictions	63,645,517	299,952	3,965,068	1,498,163	1,200	(5,713,751)	63,696,149
With donor restrictions	4,685,298	-	-	(1,489,880)	(568)	1,440,448	4,635,298
Total net assets	68,330,815	299,952	3,965,068	8,283	632	(4,273,303)	68,331,447
Total liabilities and net assets	\$ 178,265,973	\$ 299,952	\$ 3,966,198	\$ 8,283	\$ 632	\$ (4,273,303)	\$ 178,267,735

Craft3 and Subsidiaries
Consolidating Statement of Activities
December 31, 2021

	Craft3	WA OREO	Craft3 Future Fund	Craft3 Investment II, LLC	Windfarm Investments, Inc.	Eliminating Entries	Consolidated Total
REVENUE AND OTHER SUPPORT							
Interest income on outstanding loans	\$ 8,382,551	\$ -	\$ 219,128	\$ 91,020	\$ -	\$ -	\$ 8,692,699
Grants and contributions	13,992,572	-	-	-	-	-	13,992,572
Loan origination and servicing fees	1,390,635	-	20,364	-	-	-	1,410,999
Investment loss	290,252	-	-	-	-	-	290,252
NMTC management and service fees	522,536	-	-	-	-	-	522,536
Miscellaneous income (loss)	2,057,970	300,000	-	1,034,817	-	(1,866,400)	1,526,387
Total revenue and other support	26,636,516	300,000	239,492	1,125,837	-	(1,866,400)	26,435,445
EXPENSES							
Program services							
Commercial lending activities	7,916,147	-	155,067	(356,186)	-	-	7,715,028
Consumer lending activities	3,124,713	-	-	-	-	-	3,124,713
Consulting and management services	786,526	-	-	-	-	-	786,526
Total program services	11,827,386	-	155,067	(356,186)	-	-	11,626,267
Supporting services							
Management and administration	2,388,303	48	-	-	-	-	2,388,351
Development	367,305	-	-	-	-	-	367,305
Total supporting services	2,755,608	48	-	-	-	-	2,755,656
Total expenses	14,582,994	48	155,067	(356,186)	-	-	14,381,923
Change in net assets before unrealized gains	12,053,522	299,952	84,425	1,482,023	-	(1,866,400)	12,053,522
NET UNREALIZED LOSS ON INVESTMENTS							
	(399,610)	-	-	-	-	-	(399,610)
Change in net assets	\$ 11,653,912	\$ 299,952	\$ 84,425	\$ 1,482,023	\$ -	\$ (1,866,400)	\$ 11,653,912

