

NORTHERN CALIFORNIA
COMMUNITY LOAN FUND

SEPTEMBER 30, 2017 AND 2016

INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

Northern California Community Loan Fund

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A Century Strong

Independent Auditors' Report

THE BOARD OF DIRECTORS
NORTHERN CALIFORNIA COMMUNITY LOAN FUND
San Francisco, California

Report on the Financial Statements

We have audited the accompanying financial statements of **NORTHERN CALIFORNIA COMMUNITY LOAN FUND (NCCLF)**, which comprise the statement of financial position as of September 30, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northern California Community Loan Fund as of September 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Hood & Strong LLP

San Francisco, California
January 12, 2018

Northern California Community Loan Fund

Statement of Financial Position

September 30, 2017 and 2016

	2017			2016		
	General Fund	Loan Fund	Total	General Fund	Loan Fund	Total
Assets						
Current Assets:						
Cash and cash equivalents (Note 4)	\$ 2,672,761	\$ 10,049,166	\$ 12,721,927	\$ 2,448,217	\$ 2,908,366	\$ 5,356,583
Contributions receivable	342,500		342,500	58,750		58,750
Accrued interest and other receivables	798,753	2,073	800,826	589,524	2,073	591,597
Prepaid expenses	217,659		217,659	130,941		130,941
Investments (Notes 4)	6,468,079	9,271,427	15,739,506	4,932,474	15,054,917	19,987,391
Funds held in trust (Note 3)	2,294,473		2,294,473	1,577,720		1,577,720
Loans receivable - current portion, net of allowance for loan loss of \$350,605 and \$861,136 (Note 6)		5,075,799	5,075,799		8,039,908	8,039,908
Total current assets	12,794,225	24,398,465	37,192,690	9,737,626	26,005,264	35,742,890
Loans Receivable - long-term portion, net of allowance for loan loss of \$2,920,255 and \$1,942,346 (Note 6)		38,526,850	38,526,850		25,949,566	25,949,566
Program Related Investments - notes receivable (Note 2)	282,644		282,644	172,490		172,490
Deposits	25,712		25,712	25,712		25,712
Properties Held for Sale (Note 2)		435,939	435,939		435,939	435,939
Property and Equipment, net	50,791		50,791	47,378		47,378
Total assets	\$ 13,153,372	\$ 63,361,254	\$ 76,514,626	\$ 9,983,206	\$ 52,390,769	\$ 62,373,975
Liabilities and Net Assets						
Current Liabilities:						
Accounts payable and accrued expenses	\$ 618,607	\$	\$ 618,607	\$ 588,335		\$ 588,335
Accrued interest payable	317,992	1,310	319,302	289,090	\$ 53	289,143
Deferred revenue and other liabilities	1,727,335	4,350,000	6,077,335	699,715		699,715
Funds held in trust (Note 3)	2,294,473		2,294,473	1,577,720		1,577,720
Notes payable - current portion (Note 7)		6,880,000	6,880,000		5,157,194	5,157,194
Total current liabilities	4,958,407	11,231,310	16,189,717	3,154,860	5,157,247	8,312,107
Notes Payable, net of current portion (Note 7)		39,917,417	39,917,417		35,098,794	35,098,794
Total liabilities	4,958,407	51,148,727	56,107,134	3,154,860	40,256,041	43,410,901
Net Assets:						
Unrestricted:						
Board designated (Note 2)	3,500,000	1,000,000	4,500,000	3,400,000	1,000,000	4,400,000
Undesignated	3,934,807	11,212,527	15,147,334	2,858,452	11,134,728	13,993,180
Total unrestricted	7,434,807	12,212,527	19,647,334	6,258,452	12,134,728	18,393,180
Temporarily restricted (Note 9)	760,158		760,158	569,894		569,894
Total net assets	8,194,965	12,212,527	20,407,492	6,828,346	12,134,728	18,963,074
Total liabilities and net assets	\$ 13,153,372	\$ 63,361,254	\$ 76,514,626	\$ 9,983,206	\$ 52,390,769	\$ 62,373,975

See accompanying notes to financial statements.

Northern California Community Loan Fund

Statement of Activities

Years Ended September 30, 2017 and 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and Revenue:						
Program fees:						
New market tax credit program fees (Note 12)	\$ 1,171,260		\$ 1,171,260	\$ 1,742,097		\$ 1,742,097
Consulting and contract fees	1,800,300		1,800,300	1,113,330		1,113,330
Loan fees	488,378		488,378	212,170		212,170
Grants and contributions	656,683	\$ 570,250	1,226,933	524,144	\$ 956,250	1,480,394
Government contract revenue	551,997		551,997	134,753		134,753
Special event income, net of direct expenses of \$73,928 and \$31,076	54,530		54,530	74,573		74,573
Interest and investment income, net of interest expense of \$758,335 and \$757,010 (Note 4)	2,035,402		2,035,402	1,872,334		1,872,334
Net realized and unrealized gain (loss) on investments (Note 4)	228,161		228,161	218,149		218,149
In-kind contributions	171,346		171,346	345,265		345,265
Net assets released from restrictions (Note 9)	379,986	(379,986)	-	553,022	(553,022)	-
Total support and revenue	7,538,043	190,264	7,728,307	6,789,837	403,228	7,193,065
Expenses:						
Program services:						
Direct lending	2,130,259		2,130,259	1,659,425		1,659,425
New markets tax credits	349,405		349,405	559,218		559,218
Consulting and training	2,099,079		2,099,079	1,926,759		1,926,759
Strategic Initiatives	525,083		525,083	480,591		480,591
Capitalization	352,011		352,011	410,364		410,364
Total program services	5,455,837	-	5,455,837	5,036,357	-	5,036,357
Supporting services:						
Management and general	368,286		368,286	346,899		346,899
Fundraising	459,766		459,766	404,301		404,301
Total supporting services	828,052	-	828,052	751,200	-	751,200
Total expenses	6,283,889	-	6,283,889	5,787,557	-	5,787,557
Change in Net Assets	1,254,154	190,264	1,444,418	1,002,280	403,228	1,405,508
Net Assets, beginning of year	18,393,180	569,894	18,963,074	17,390,900	166,666	17,557,566
Net Assets, end of year	\$ 19,647,334	\$ 760,158	\$ 20,407,492	\$ 18,393,180	\$ 569,894	\$ 18,963,074

See accompanying notes to financial statements.

Northern California Community Loan Fund

Statement of Functional Expenses

Year Ended September 30, 2017

	Program Services					Supporting Services			Total
	Direct Lending	New Markets Tax Credits	Consulting and Training	Strategic Initiatives	Capitalization	Program Services Total	Management and General	Fundraising	
Operating Expenses:									
Salaries and benefits	\$ 1,303,088	\$ 251,952	\$ 1,445,182	\$ 249,614	\$ 252,200	\$ 3,502,036	\$ 218,619	\$ 371,724	\$ 4,092,379
Consultants and legal	45,457	40,218	322,581	225,647	15,474	649,377	65,749	10,066	725,192
Office expenses	73,977	23,934	83,838	8,853	10,432	201,034	37,851	16,155	255,040
Rent (Note 8)	96,418	18,999	117,846	17,324	18,082	268,669	18,968	28,609	316,246
Travel, outreach, and other	81,657	6,686	66,507	16,700	13,298	184,848	19,495	20,869	225,212
Total operating expenses	1,600,597	341,789	2,035,954	518,138	309,486	4,805,964	360,682	447,423	5,614,069
Other Expenses:									
Depreciation	9,487	1,869	11,583	1,705	1,781	26,425	1,866	2,815	31,106
Provision for loan losses	467,368					467,368			467,368
In-kind legal and technological services	52,807	5,747	51,542	5,240	40,744	156,080	5,738	9,528	171,346
Total expenses	\$ 2,130,259	\$ 349,405	\$ 2,099,079	\$ 525,083	\$ 352,011	\$ 5,455,837	\$ 368,286	\$ 459,766	\$ 6,283,889

See accompanying notes to financial statements.

Northern California Community Loan Fund

Statement of Functional Expenses

Year Ended September 30, 2016

	Program Services					Supporting Services			Total
	Direct Lending	New Markets Tax Credits	Consulting and Training	Strategic Initiatives	Capitalization	Program Services Total	Management and General	Fundraising	
Operating Expenses:									
Salaries and benefits	\$ 1,049,765	\$ 440,375	\$ 1,348,065	\$ 168,991	\$ 250,197	\$ 3,257,393	\$ 222,388	\$ 333,021	\$ 3,812,802
Consultants and legal	23,759	31,938	309,228	281,144	23,277	669,346	47,916	2,882	720,144
Office expenses	50,315	24,963	60,615	3,724	7,743	147,360	28,381	12,393	188,134
Rent (Note 8)	77,468	32,259	107,276	11,014	19,235	247,252	17,558	27,471	292,281
Travel, outreach, and other	8,175	18,272	63,626	11,822	14,119	116,014	24,445	18,816	159,275
Total operating expenses	1,209,482	547,807	1,888,810	476,695	314,571	4,437,365	340,688	394,583	5,172,636
Other Expenses:									
Depreciation	7,141	2,973	9,888	1,015	1,773	22,790	1,618	2,532	26,940
Provision for loan losses	242,716					242,716			242,716
In-kind legal and technological services	200,086	8,438	28,061	2,881	94,020	333,486	4,593	7,186	345,265
Total expenses	\$ 1,659,425	\$ 559,218	\$ 1,926,759	\$ 480,591	\$ 410,364	\$ 5,036,357	\$ 346,899	\$ 404,301	\$ 5,787,557

See accompanying notes to financial statements.

Northern California Community Loan Fund

Statement of Cash Flows

<i>Years Ended September 30,</i>	2017	2016
Cash Flows from Operating Activities:		
Change in net assets	\$ 1,444,418	\$ 1,405,508
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	31,106	26,941
Allowance for loan losses	467,368	746,204
Realized and unrealized gain on investments	(228,161)	(218,149)
Changes in operating assets and liabilities:		
Contributions receivable	(283,750)	(8,750)
Accrued interest and other receivables	(209,229)	(63,006)
Prepaid expenses and deposits	(86,718)	(17,034)
Accounts payable and accrued expenses	30,272	17,481
Accrued interest payable	30,159	6,664
Deferred revenue and other liabilities	5,377,620	287,965
Net cash provided by operating activities	6,573,085	2,183,824
Cash Flows from Investing Activities:		
Purchases of investments	(496,913)	(8,828,396)
Proceeds from sale of investments	4,972,960	8,205,949
Loan disbursements to borrowers	(21,753,771)	(13,084,729)
Loan principal payments from borrowers	11,563,074	6,119,042
Acquisition of property and equipment	(34,520)	(25,842)
Net cash used in investing activities	(5,749,170)	(7,613,976)
Cash Flows from Financing Activities:		
Proceeds from notes payable	10,532,622	7,068,084
Repayments of notes payable	(3,991,193)	(6,086,195)
Net cash provided by financing activities	6,541,429	981,889
Net Change in Cash and Cash Equivalents	7,365,344	(4,448,263)
Cash and Cash Equivalents, beginning of year	5,356,583	9,804,846
Cash and Cash Equivalents, end of year	\$ 12,721,927	\$ 5,356,583
Supplemental Cash Flow Information:		
Cash paid for interest during the year	\$ 728,123	\$ 750,098
Property and equipment included in accounts payable and accrued expenses	\$ 11,198	
Noncash Information:		
Notes receivable charged off		\$ 627,528

See accompanying notes to financial statements.

Northern California Community Loan Fund

Notes to Financial Statements

Note 1 - Nature of Organization:

Northern California Community Loan Fund (NCCLF) was formed as a California nonprofit corporation in 1987. As a certified Community Development Financial Institution (CDFI), NCCLF's mission is to promote economic justice and alleviate poverty by increasing the financial resilience and sustainability of community-based nonprofits and enterprises. Through flexible financial products and sound advice, we create opportunities to make socially responsible investments that revitalize Northern California communities. The following is a summary of NCCLF's programs:

Programs

Direct Lending: NCCLF provides flexible and creative financing to support nonprofits and enterprises that benefit low-income communities. NCCLF provides financing in five primary sectors: affordable housing, community facilities, human services, food enterprises, and economic development. Integral to NCCLF's lending program, NCCLF also provides technical assistance to its borrowers as needed to help them understand their financial position and appropriate use of debt financing.

New Markets Tax Credit: NCCLF is certified by the U. S. Department of Treasury - Community Development Financial Institutions Fund (CDFI Fund) as a Community Development Entity (CDE) for the purpose of participating in its New Markets Tax Credit (NMTC) Program. NCCLF uses tax credit allocations to generate new equity capital investments to support real estate projects that benefit low-income communities including multi-tenant nonprofit centers, nonprofit community facilities, and mixed-use affordable housing developments.

Consulting and Training: NCCLF provides technical expertise and training to nonprofit organizations serving low-income communities. NCCLF offers consulting services which help community organizations build their financial-management and facility-acquisition and facility-management capacity:

Financial Consulting Program strengthens nonprofits by delivering technical assistance in financial management.

Real Estate Consulting Program provides technical assistance to nonprofits that are facing decisions regarding current facilities or are planning for new or renovated facilities.

In addition, NCCLF also manages several different grant and loan programs for private foundations, local government agencies, and other third parties.

Strategic Initiatives: NCCLF develops and manages targeted programs that will facilitate technical assistance and provide financial tools such as credit enhancements for small businesses and nonprofits engaged in community development work. Strategic Initiatives also coordinates strategic planning and program efforts and promotes alignment across the organization.

Northern California Community Loan Fund

Notes to Financial Statements

Capitalization: NCCLF is a socially responsible investment opportunity for individuals and organizations interested in putting their capital to work in low-income communities in Northern California. NCCLF uses loans and contributions to capitalize its revolving loan fund. NCCLF's investors and contributors include individuals, trusts, foundations, nonprofit organizations, religious organizations, health organizations, corporations and financial institutions.

Note 2 - Summary of Significant Accounting Policies:

a. Basis of Presentation and Description of Net Assets

NCCLF reports using the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America, and provides information regarding its financial position and activities according to the three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted Net Assets - The portion of net assets that is neither temporarily nor permanently restricted by donor-imposed stipulations. These net assets are intended for use of management and the Board of Directors for general operating support and lending, as well as a board designated operating reserve fund.

The Board of Directors has designated \$3,000,000 in unrestricted net assets for a six-month operating reserve and future program development, \$500,000 for the Community Catalyst Program Related Investments, and \$1,000,000 of unrestricted net assets to increase the capital reserve for the loan fund.

Temporarily Restricted Net Assets - The portion of net assets of which use by NCCLF is limited by donor-imposed stipulations that either can be fulfilled and removed by actions of NCCLF or expire by passage of time.

Permanently Restricted Net Assets - The portion of net assets that are restricted to investments in perpetuity and of which use by NCCLF is limited by donor-imposed stipulations that neither can be removed by actions of NCCLF nor otherwise expire by passage of time. NCCLF has no permanently restricted net assets at September 30, 2017 and 2016, respectively.

b. Revenue Recognition

Contributions and pledges are recognized at their fair value when received or unconditionally promised. Contributions that are restricted by the donor are reported as increases in temporarily restricted or permanently restricted net assets depending upon the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Conditional promises are not included as support until such time as the conditions are substantially met. Conditional promises received in advance are recorded as deferred revenue until the conditions have been met.

Northern California Community Loan Fund

Notes to Financial Statements

At September 30, 2017 and 2016, NCCLF has conditional grants of \$1,322,790 and \$468,977, respectively. These grants require NCCLF to meet certain performance criteria to earn the funds and therefore have not been recognized in the financial statements.

NCCLF uses the allowance method to account for uncollectible contributions based on historical experience and an evaluation of the outstanding receivables at the end of the year. At September 30, 2017, management determined that no allowance is deemed necessary.

Government awards are recognized as revenue when allowable activities or expenditures under the respective awards are substantially completed or incurred.

NCCLF receives in-kind donations of software and technological services as well as pro bono legal services for work on commercial real estate transactions, securities offerings, and general corporate work. NCCLF's contributed services are stated at their estimated fair market value, if they are ordinarily purchased and are of a specialized nature. The value of these services for 2017 and 2016 was \$171,346 and \$345,265, respectively.

c. Cash and Cash Equivalents

Cash is defined as cash in demand deposits accounts as well as cash on hand. Cash equivalents are highly liquid investments that are readily convertible to known amounts of cash. NCCLF maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. NCCLF has not experienced any losses in such accounts. Management believes that NCCLF is not exposed to any significant cash credit risk.

d. Loans Receivable

Loans receivable are reported at their outstanding principal balances adjusted for charge-offs, allowance for loan losses, and unearned interest, if any.

Interest income is accrued on principal loan balances. NCCLF accrues interest on past due loans at the regular rate of interest or at the default rate of interest for loans that are in default. Loans may be placed on nonaccrual status when any portion of the principal or interest is ninety days past due or earlier when concern exists as to the ultimate collectability of principal or interest, as evaluated at least quarterly. NCCLF makes every effort to collect all interest payments from the borrower even after loans are placed on nonaccrual status for accounting purposes.

Loans return to accrual status when principal and interest become current and are anticipated to be fully collectible. Payments received on nonaccrual loans receivable are first applied to outstanding principal or interest depending on the circumstances of each particular loan.

Northern California Community Loan Fund

Notes to Financial Statements

Loan origination fees are recognized immediately; which management has determined is not materially different from generally accepted accounting principles. Management has the intent and ability to hold these loans until maturity or payoff.

e. Allowance for Loan Losses

Management's determination of the level of allowance for loan losses rests upon various judgments and assumptions, including current and projected economic conditions, prior loan loss experience, the value of the underlying collateral, continuing review of the portfolio of loan and commitments, and evaluation of credit risk related to certain individual borrowers. Management considers the allowance for loan losses adequate to cover losses inherent in loans and loan commitments. However, because of uncertainties associated with these judgments and assumptions, it is reasonably possible that management's estimate of credit losses inherent in the loan portfolio and the related allowance may change materially in the near-term. The allowance is increased or decreased by the provision (recapture) for loan losses, which is charged to expense and reduced by charge-offs, net of recoveries. The loan loss reserve was estimated at 6.98% and 7.62% as of September 30, 2017 and 2016, respectively.

The allowance for loan losses is reported separately for current and non-current portions of the loans receivable based on a pro-rata allocation made using the ratio of the corresponding outstanding principal balances of the respective notes receivable.

f. Program Related Investments – Notes Receivable

Program related investments are investments that would not be made were it not for the relationship of the investment to NCCLF's programmatic mission. Although the underlying investments may or may not have a profit motive, that is not the primary focus of the investment by NCCLF.

NCCLF's Community Catalyst Program provides forgivable predevelopment loans at 0% interest to nonprofit organizations for affordable housing and community facility development projects in underserved communities in Northern and Central California.

Program related investments consist of loans to organizations which support NCCLF's mission. NCCLF records notes receivable at cost. They are evaluated for impairment annually and written down when appropriate. Community Catalyst commitments as of September 30, 2017 and 2016 totaled \$525,000 and \$405,000, respectively. As of September 30, 2017 and 2016 total amounts outstanding under this program were \$282,644 and \$172,490, respectively. During the year ended September 30, 2017, repayments of \$22,000 were received.

Northern California Community Loan Fund

Notes to Financial Statements

g. Investments

Investments are stated at fair value, and the net unrealized appreciation or depreciation on investments is included in the change in net assets in the accompanying statement of activities. The values of debt and equity securities and mutual funds are based on their quoted market prices. Gains and losses that result from market fluctuations are recognized in the statement of activities in the period such fluctuations occur. Dividend and interest income are accrued when earned.

h. Fair Value Measurements

NCCLF carries certain assets and liabilities at fair value. 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. NCCLF classifies its financial assets and liabilities according to three levels, and maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value.

Level 1 - Quoted market prices (unadjusted) in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date.

Level 2 - Observable inputs other than quoted prices included within Level 1 for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for the asset or liability that are not corroborated by market data.

i. Fair Value of Financial Instruments

Financial instruments included in NCCLF's Statement of Financial Position as of September 30, 2017 and 2016 which are not required to be measured at fair value on a recurring basis include cash and cash equivalents, contributions and other receivables, accounts payable and accrued expenses including accrued interest payable and liability for the funds held in trust. The carrying values of these instruments approximate their fair value due to the short maturity of these instruments.

Management believes that the carrying values of the loans receivable and notes payable including related receivable and payable for accrued interest are not materially different from estimates of the corresponding fair values.

j. Properties Held for Sale

Real property held for sale can be acquired either via foreclosure proceedings or via the borrower's signing over the deed to the property. These properties are recorded at the lower of the adjusted carrying amount at the time the property is acquired or fair value.

Northern California Community Loan Fund

Notes to Financial Statements

In 2008, NCCLF received a parcel of land from a borrower as a settlement for outstanding amounts owed to NCCLF in a foreclosure. Upon receipt of the title to the land, NCCLF relieved the borrower of \$567,877 of outstanding principal and interest. In 2009, NCCLF adjusted the carrying amount of land to reflect the present value of expected cash flows and recognized \$131,938 of impairment loss. At September 30, 2017 and 2016, this land is carried at \$435,939. Subsequent to September 30, 2017, NCCLF entered into an agreement to sell the property to an unrelated third party for \$385,000.

k. Property and Equipment

Property and equipment are stated at cost, if purchased, or, at approximate fair value, if donated. Depreciation is computed using the straight-line method, over the estimated useful lives of the assets, which range from three to five years. Depreciation expense during 2017 and 2016 was \$31,106 and \$26,941, respectively.

l. Subordinate Notes Payable

Subordinate notes payable are subordinated promissory notes with a rolling term (maturity) feature that lenders are classifying as Equity Equivalent Investments (EQ2). EQ2s are unique to the CDFI industry. They were created as a mechanism for not-for-profit CDFI's to acquire equity-like capital.

m. Below Market Interest Rate Loans

Accounting principles generally accepted in the United States of America require not-for-profit organizations to record interest expense (income) and contribution revenue (expense) in connection with loans that are interest free or that have below market interest rates. The Loan Fund believes there is no material difference between prevailing community development finance market rates and the stated rates of loans receivable in its portfolios, notes payable or other liabilities. Consequently, no adjustments have been made to the financial statements to reflect rate differentials.

n. Income Taxes

NCCLF is exempt from federal income taxes on related income under Section 501(c)(3) of the Internal Revenue Code and from California franchise and/or income taxes under Section 23701(d) of the Revenue and Taxation Code.

NCCLF follows the guidance of Accounting for Uncertainty in Income Taxes issued by the Financial Accounting Standards Board. As of September 30, 2017, management evaluated NCCLF's tax positions and concluded that NCCLF had maintained its tax-exempt status and had taken no uncertain tax positions that require adjustment to the financial statements.

Northern California Community Loan Fund

Notes to Financial Statements

o. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

p. Functional Expenses Allocation

The costs of providing program services and supporting services are summarized on a functional basis in the Statement of Activities and Statement of Functional Expenses. Accordingly, certain costs are allocated among program services and supporting services based on the estimates of employees' time incurred and on usage of resources.

q. Funds Held in Trust

NCCLF receives and distributes assets under certain intermediary arrangements. NCCLF holds such funds as funds held in trust. Distributions of such funds are managed by NCCLF according to the guidelines of the specific programs. These funds are invested in money market accounts.

r. Financial Statements and Reclassifications

Certain reclassifications have been made to the 2016 financial statements in order to conform to the 2017 presentation. These reclassifications had no impact on net assets or the change in net assets.

s. Recent Accounting Pronouncements

Adopted

In August 2014, FASB issued ASU 2014-15 - Presentation of Financial Statements Going Concern: Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern. The Update provides U.S. GAAP guidance on management's responsibility in evaluating whether there is substantial doubt about a company's ability to continue as a going concern and about related footnote disclosures. For each reporting period, management will be required to evaluate whether there are conditions or events that raise substantial doubt about a company's ability to continue as a going concern within one year from the date the financial statements are issued. The amendments in this Update are effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. NCCLF's adoption of the guidance did not have an impact on the financial statements and disclosures.

Northern California Community Loan Fund

Notes to Financial Statements

Pronouncements effective in the future

In August 2016, the FASB issued ASU 2016-14 – Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance, and cash flows. The amendments in the Update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Application to interim financial statements is permitted but not required in the initial year of application. Early application of the amendments in the Update is permitted and applied retrospectively. NCCLF is currently evaluating the impact of this pronouncement on its financial statements.

In February 2016, the Financial Accounting Standards Board (FASB) issued authoritative guidance regarding Leases. The new standard will supersede much of the existing authoritative literature for leases. This guidance requires lessees, among other things, to recognize right-of-use assets and liabilities on their balance sheet for all leases with lease terms longer than twelve months. The standard will be effective for the Organization, since it is not deemed a public business entity, for its fiscal year beginning after December 15, 2019, and for interim periods beginning after December 15, 2020 with early application permitted. Entities are required to use modified retrospective application for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements with the option to elect certain transition reliefs. NCCLF is currently evaluating the guidance and we are not certain of the impact but are assessing its implications.

t. Subsequent Events:

NCCLF evaluated subsequent events from September 30, 2017 through January 12, 2018, the date these financial statements were available to be issued, and has determined that there were no material subsequent events that required recognition or additional disclosures in these financial statements except as disclosed in Notes 2j and 6.

Note 3 - Funds Held In Trust:

Greater Oakland Fund consists of funds from foundation sources. It makes both grants and loans to nonprofit affordable housing developers and nonprofit organizations engaging in projects that aim to revitalize targeted low-income neighborhoods in Oakland. The fund provides both non-recoverable site characterization grants and recoverable pre-development grants to enable the organizations to explore the project feasibility. If a project proceeds with construction, the recoverable pre-development grant is repaid through construction financing and returned to the grant pool for use in future projects.

Northern California Community Loan Fund

Notes to Financial Statements

Nonprofit Displacement Mitigation Fund consists of grant funds from three agencies of the City and County of San Francisco intended to support arts, cultural, and social service organizations in San Francisco at risk of displacement or subject to lease renewals at substantially higher rates amidst a volatile real estate market. Financial assistance awards may be used for professional services; rent stipends; moving expenses; tenant improvements; and furnishing, fixtures, and equipment.

Nonprofit Space Stabilization Program consists of grant funds from the San Francisco Office of Economic and Workforce Development. This program supports nonprofit organizations in San Francisco who are facing barriers to growth due to their real estate or at risk of displacement or subject to lease renewals at substantially higher rates amidst a volatile real estate market. Financial assistance awards may be used for professional services; rent stipends; holding costs; moving expenses; tenant improvements; and furnishing, fixtures, and equipment.

Nonprofit Space Investment Fund consists of grant funds from the San Francisco Office of Economic and Workforce Development. This program provides critical financial support to nonprofits for the acquisition of new, permanent space. Grant awards are used for the acquisition of property in San Francisco.

NCCLF manages other small targeted grant pools for varying purposes. NCCLF underwrites grants for these pools in accordance with the conditions imposed by the original source of the funds. NCCLF also disburses, monitors and reports on these grants.

On occasion, NCCLF also includes reserve funds for various transactions where NCCLF is authorized to release the funds based on the terms of the transaction.

A summary of activity in these programs at September 30, is as follows:

	2017	2016
Funds held in trust, beginning of year	\$ 1,577,720	\$ 1,259,243
Grant funds received	2,554,770	2,641,023
Grants disbursed	(1,829,393)	(2,273,627)
Interest income	661	1,093
Program fees	(9,285)	(50,012)
<u>Funds held in trust, end of year</u>	<u>\$ 2,294,473</u>	<u>\$ 1,577,720</u>

Northern California Community Loan Fund

Notes to Financial Statements

Note 4 - Investments:

At September 30, investments are stated at fair value and consist of the following:

	2017		2016	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	\$ 190,465	\$ 190,465	\$ 2,686,189	\$ 2,686,189
Mutual and exchange traded funds	4,585,132	5,008,846	6,265,304	6,265,755
Fixed income	9,826,762	9,816,005	10,119,137	10,037,413
Privately held stock	260,012	247,800	290,398	279,319
	14,862,371	15,263,116	19,361,028	19,268,676
Certificates of deposit	476,390	476,390	718,715	718,715
Total	\$ 15,338,761	\$ 15,739,506	\$ 20,079,743	\$ 19,987,391

NCCLF's investments are made in accordance with an investment policy that has been approved by the Board of Directors. The Finance Committee monitors the investment strategy and portfolio performance on an ongoing basis and provides regular updates to the Board of Directors.

For the year ended September 30, interest and investment income consist of the following:

	2017	2016
Interest and dividends from investments	\$ 411,522	\$ 643,855
Interest from loans receivable	2,382,215	1,985,489
	2,793,737	2,629,344
Less interest expense on loans payable	(758,335)	(757,010)
	\$ 2,035,402	\$ 1,872,334

Northern California Community Loan Fund

Notes to Financial Statements

For the year ended September 30, net realized and unrealized gain (loss) on investments consist of the following:

	2017	2016
Net realized loss	\$ (246,762)	\$ (332,436)
Net unrealized gain	474,923	550,585
	<u>\$ 228,161</u>	<u>\$ 218,149</u>

Investment balances include \$9,271,427 in the loan fund. This \$9,271,427, and an additional \$10,049,166 in cash and cash equivalents, is designated for the following purposes:

	2017	2016
Undisbursed to closed loans (Note 6)	\$ 2,096,468	\$ 1,450,614
Committed loans (Note 6)	6,555,000	3,645,000
Liquidity reserves	7,019,613	6,038,398
Available for lending	3,649,512	6,829,271
	<u>\$ 19,320,593</u>	<u>\$ 17,963,283</u>
Cash and cash equivalents	\$ 10,049,166	\$ 2,908,366
Investments	9,271,427	15,054,917
	<u>\$ 19,320,593</u>	<u>\$ 17,963,283</u>

Northern California Community Loan Fund

Notes to Financial Statements

Note 5 - Fair Value of Measurements:

The table below summarizes NCCLF's assets measured at fair value at September 30, 2017 on a recurring basis:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 190,465			\$ 190,465
Mutual and exchange traded funds:				
Equity	5,008,846			5,008,846
Fixed income:				
U.S. Treasury notes and bonds	3,001,255			3,001,255
Municipal bonds	2,858,822			2,858,822
Corporate bonds		\$ 3,955,928		3,955,928
Privately held stock:				
Investment in limited liability companies			\$ 13,600	13,600
Federal Home Loan Bank Stock			234,200	234,200
	11,059,388	3,955,928	247,800	15,263,116
Funds held in trust:				
Cash and cash equivalents (Note 3):	2,294,473			2,294,473
Total assets held at fair market value	\$ 13,353,861	\$ 3,955,928	\$ 247,800	\$ 17,557,589

The fair value schedule above does not include certificates of deposit. Certificates of deposit are excluded from fair value measurements as they do not meet the definition of an equity security.

Northern California Community Loan Fund

Notes to Financial Statements

The table below summarizes NCCLF's assets measured at fair value at September 30, 2016 on a recurring basis:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 2,686,189			\$ 2,686,189
Mutual and exchange traded funds:				
Equity	4,366,545			4,366,545
Fixed Income	1,899,210			1,899,210
Fixed income:				
U.S. Treasury notes and bonds	1,054,312			1,054,312
Government-sponsored securities	2,429,931			2,429,931
Corporate bonds		\$ 5,986,033		5,986,033
Fixed rate securities	567,137			567,137
Privately held stock:				
Investment in limited liability companies			\$ 15,319	15,319
Federal Home Loan Bank Stock			264,000	264,000
	13,003,324	5,986,033	279,319	19,268,676
Funds held in trust:				
Cash and cash equivalents (Note 3):	1,577,720			1,577,720
Total assets held at fair market value	\$ 14,581,044	\$ 5,986,033	\$ 279,319	\$ 20,846,396

The fair value schedule above does not include certificates of deposit. Certificates of deposit are excluded from fair value measurements as they do not meet the definition of an equity security.

Northern California Community Loan Fund

Notes to Financial Statements

Note 6 - Loans Receivable and Allowance for Loan Losses:

Loans receivable at September 30, are summarized as follows:

	2017	2016
Affordable/supportive housing	\$ 17,447,232	\$ 8,162,703
Community facilities	24,690,224	26,048,788
Food financing	3,796,819	1,647,607
Economic development	939,234	933,868
<hr/>		
Total loans receivable	46,873,509	36,792,956
Less allowance for loan losses	(3,270,860)	(2,803,482)
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	43,602,649	33,989,474
Less current portion, net of allowance for loan losses	(5,075,799)	(8,039,908)
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Long-term portion, net of allowance for loan losses	\$ 38,526,850	\$ 25,949,566

As of September 30, 2017, NCCLF was negotiating a participation agreement with another lender to assume \$2,275,000 of one community facility loan included in those listed above. The agreement was executed after year end and NCCLF received the participation funds in November 2017.

At September 30, 2017, loans receivables, net of allowance for loan losses, consist of secured and unsecured notes with interest rates ranging from 3% to 8.5%.

Annual maturities of notes receivable are as follows:

Year ending	
September 30,	
2018	\$ 5,426,404
2019	4,959,443
2020	8,644,688
2021	6,000,822
2022	4,522,295
Thereafter	17,319,857
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	\$ 46,873,509

Northern California Community Loan Fund

Notes to Financial Statements

Loan Origination/Risk Management

NCCLF has certain lending policies and procedures in place that are designed to provide financing capital within an acceptable level of risk. Management reviews these policies and procedures on a regular basis. The Board of Directors and the Loan Committee approve any changes to these policies. A reporting system supplements the review process by providing management and board members with frequent reports related to loan quality, concentrations of credit, loan delinquencies, and non-performing and potential problem loans. Diversification in the loan portfolio is a means of managing risk associated with fluctuations in economic conditions.

Age Analysis of Past Due Loans

The following table represents an aging of loans as of September 30, respectively:

	2017	2016
30 – 59 days past due	\$ 2,547,064	\$ 113,491
60 – 89 days past due	-	-
90+ days past due and still accruing	50,754	-
Non-accrual	-	-
<hr/>		
Total past due	2,597,818	113,491
Current	44,275,691	36,679,465
<hr/>		
Total loans	\$ 46,873,509	\$ 36,792,956

Subsequent to year end, the loans that had been 30-59 past due as of September 30, 2017 were brought current by the borrower.

Credit Quality

As part of the on-going monitoring of the credit quality of NCCLF's portfolio, management classifies loans into risk categories based on relevant information about the ability of borrowers to service their debt and comply with various terms of their loan agreements. NCCLF considers current financial information, historical payment experience, collateral value, credit documentation, public information and current economic trends. Loans are reviewed quarterly and more frequently if necessary in order to monitor and adjust, if necessary, the loan's risk profile.

Northern California Community Loan Fund

Notes to Financial Statements

The following definitions summarize the basis for each classification:

Strong/Acceptable – The loan is adequately protected by the current worth and paying capacity of the borrower (or guarantors, if any) or by the fair value, less cost to acquire and sell, of any collateral in a timely manner.

Watch – A loan that has potential weaknesses and requires closer monitoring by management. If left uncorrected, performance may result in deterioration of the repayment prospects for the loan or in NCCLF’s credit position at some future date. Watch loans are not adversely classified and do not expose NCCLF to sufficient risk to warrant adverse classification.

Substandard – A loan with definite weaknesses that puts repayment at risk. These loans may be inadequately protected by the current sound worth and paying capacity of the borrower or of the collateral pledged. These loans are characterized by the possibility that NCCLF will sustain some loss of principal and/or interest if the risks are not addressed.

Doubtful – A loan that has weaknesses similar to the substandard category with the added risk that the weaknesses make collection in full, on the basis of currently known facts, conditions and values, highly questionable and improbable. The possibility of loss is extremely likely, but it is not identified presently due to pending factors.

The following table summarizes the loan portfolio and the internally assigned credit quality ratings for those categories at September 30, respectively.

	2017	2016
Strong/acceptable	\$ 46,079,704	\$ 34,136,187
Watch	793,805	2,626,769
Total loans	\$ 46,873,509	\$ 36,762,956

Northern California Community Loan Fund

Notes to Financial Statements

Allowance for loan losses

Changes in the allowance for loan losses for the years ended September 30, are as follows:

	2017	2016
Beginning balance	\$ 2,803,492	\$ 3,188,305
Charge-offs		(1,131,016)
Recoveries		503,487
Provision for loan losses	467,368	242,716
<u>Ending Balance</u>	<u>\$ 3,270,860</u>	<u>\$ 2,803,492</u>

During the years ended September 30, 2017 and September 30, 2016, NCCLF did not have any loans on nonaccrual status.

Troubled Debt Restructures

A troubled debt restructure is a loan where NCCLF granted a concession that would not otherwise have been considered but for the borrower's financial difficulties. Once a loan is modified as a troubled debt restructure it remains in that category until such time as it is repaid or charged-off.

During the years ended September 30, 2017 and September 30, 2016, troubled debt restructures were \$300,000 and \$0, respectively.

Information about troubled debt restructures as of and for the years ended September 30, 2017 and 2016 is summarized as follows:

	2017	2016
<u>Balance of loans restructured during FY17 or previous years</u>	<u>\$ 281,816</u>	<u>\$ 905,652</u>

During 2017, NCCLF received \$905,652 in repayment on loans that had been restructured in previous years.

Northern California Community Loan Fund

Notes to Financial Statements

Commitments to Extend Credit

In the normal course of business to meet the financing needs of its borrowers NCCLF is a party to commitments to extend credit. Those instruments involve, to varying degrees, elements of credit, liquidity and interest rate risk in excess of the amount recognized in the accompanying statement of financial position. NCCLF uses the same credit policies in making commitments to extend credit as it does for extension of credits reflected on the statement of financial position. NCCLF's exposure to credit loss in the event of nonperformance by the other party for commitments to extend credit is represented by the contractual amount of those instruments. Commitments to extend credit include new loan commitments, line of credit and construction loan agreements to lend to a borrower as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses. Since some of the commitments may expire without being fully drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

At September 30, 2017, NCCLF had a total of \$8,651,468 in loan commitments that had not yet been disbursed. These undisbursed loan commitments included 11 revolving lines of credit with a total undrawn balance of \$1,901,550 and 5 pre-development, acquisition, construction or equipment loans (or interest reserves related thereto) totaling \$6,749,918.

NCCLF evaluates each borrower's creditworthiness on a case-by-case basis. The amount of collateral obtained, if any, is based on management's credit evaluation of the borrower.

Note 7 - Notes Payable:

Notes payable at September 30, 2017 and 2016 are as follows:

	2017	2016
To public and private foundations, at annual interest rates of 0.5% to 3.5%, unsecured notes mature in 2017 to 2025.	\$ 3,948,000	\$ 4,416,193
To health system organizations, at annual interest rates of 2.25% to 3%, unsecured, notes mature in 2017 to 2024.	3,950,000	2,950,000
To financial institutions, at annual interest rates of 0% to 3%, unsecured, notes mature in 2017 to 2029.	20,275,000	17,375,000
To other organizations, at annual interest rates of 0% to 2.75%, unsecured, notes mature in 2017 to 2024.	6,347,338	3,760,000

Northern California Community Loan Fund

Notes to Financial Statements

To religious organizations, at annual interest rates of 0.5% to 3%, unsecured, notes mature in 2017 to 2025.	2,325,000	2,325,000
To individuals and trusts, at annual interest rates of 0% to 3.75%, unsecured, notes mature in 2017 to 2027.	9,202,079	8,679,795
To government entities at rates of 1% to 2.75% unsecured, notes matures in 2018 to 2019.	750,000	750,000
	46,797,417	40,255,988
Less current portion	(6,880,000)	(5,157,194)
	\$ 39,917,417	\$ 35,098,794

The Notes Payable balance includes subordinated promissory notes with rolling term (maturity) feature that lenders are classifying as Equity Equivalent Investments (EQ2). If the EQ2 notes continue to comply with the requirements as described in their respective agreements, the notes will retain the rolling term feature ranging from two to five years beyond their original maturity dates. The notes bear interest from 0% to 3% per annum, and are unsecured and subordinate to all other liabilities. As of September 30, 2017 and 2016, NCCLF has a total of \$8,500,000 and \$3,500,000 of EQ2 notes, respectively.

Annual maturities of notes payable are as follows:

Year ending		
September 30,		
2018		\$ 6,880,000
2019		6,351,131
2020		6,512,000
2021		4,596,476
2022		7,340,000
Thereafter		15,117,810
		\$ 46,797,417

Certain loan agreements contain restrictive financial covenants that require, among other things, maintenance of minimum amounts and ratios of liquidity, net assets, net income, delinquent loans and loss reserves. There are also various reporting requirements. As of September 30, 2017, NCCLF was in compliance with all financial covenants to which it was subject.

At September 30, 2017, NCCLF had a total of \$2,000,000 of available and committed funds that had not yet been borrowed.

Northern California Community Loan Fund

Notes to Financial Statements

Note 8 - Lease Commitment:

NCCLF leases its office facilities under a non-cancellable operating lease, which expires on November 30, 2019. The following represents the future estimated minimum lease payments:

Year ending September 30,		
2018	\$	324,000
2019		326,000
2020		55,000
		<hr/>
	\$	705,000

Rental expense for the year ended September 30, 2017 and 2016 amounted to \$316,246 and \$292,281, respectively.

Note 9 - Temporarily Restricted Net Assets:

Temporarily restricted net assets at September 30, 2017 and 2016 were available for the following purposes:

	2017	2016
General operations		\$ 850
Consulting	\$ 467,000	142,166
Lending	2,450	12,450
New program development	290,708	414,428
	<hr/>	<hr/>
	\$ 760,158	\$ 569,894

Net assets were released from restrictions by incurring expenditures satisfying the restricted purposes, or by occurrences of other events specified by donors, as follows:

	2017	2016
General operations	\$ 850	\$ 34,150
Consulting	226,666	45,050
Lending	10,000	154,500
New program development	142,470	319,322
	<hr/>	<hr/>
	\$ 379,986	\$ 553,022

Northern California Community Loan Fund

Notes to Financial Statements

Note 10 - Retirement Plan:

NCCLF's employees participate in a 403(b) defined contribution plan (the "Plan"). Employees are eligible to contribute to the Plan on their dates of hire. NCCLF's contributions, which cover employees who complete six months of service, are discretionary. Employees' contributions are fully vested at all times, whereas NCCLF's contributions vest in three years. NCCLF contributed \$156,171 and \$152,698 for the years ended September 30, 2017 and 2016, respectively.

Note 11 - Related Party Transactions:

NCCLF operates a revolving loan fund that provides socially motivated investors with an opportunity to be part of NCCLF's mission of financing affordable housing, community facilities, food enterprises, and vital human services. Qualified institutions and individuals invest in the form of fixed rate loans. NCCLF aggregates these loans into a capital pool which NCCLF uses to finance appropriate community and economic development projects.

The president and several members of the board of directors chose to support NCCLF's mission by lending money to the organization's capital pool, which are included in notes payable in the accompanying financial statements. These loans were accepted on terms that conform to NCCLF's standard policies for accepting loans into the investment pool.

The total outstanding loans that were received from board members, advisory board members and institutions with which they are affiliated are \$2,078,000 and \$78,000 as of September 30, 2017 and 2016, each respectively.

The loans extended by NCCLF from the capital pool to finance appropriate community and economic development projects include loans to organizations that have connections with the members of the Board of Directors. These loans were made on terms that conform to NCCLF's standard lending policies.

The total outstanding loans that were made to organizations with which board members or advisory board members are affiliated are \$2,020,000 and \$1,000,000 as of September 30, 2017 and 2016, respectively.

Such transactions are subject to NCCLF's conflict of interest policy and each loan received or made by the NCCLF is reviewed in advance for any potential conflict of interest or legal issues. As such, Board members are required to disclose potential conflicts of interest annually and throughout the year as circumstances change. Board members are also required to recuse themselves from voting on transactions on which they may be potentially conflicted.

Northern California Community Loan Fund

Notes to Financial Statements

Note 12 - New Markets Tax Credit Program:

As of September 30, 2017, NCCLF had received New Market Tax Credit Program (Program) allocations totaling \$158,000,000 (accumulatively). The Program is administered by the Community Development Financial Institutions (CDFI) Fund pursuant to Section 45D of the Internal Revenue Code. In accordance with the terms of the Program, NCCLF has formed 18 for-profit community development entities (collectively the CDE LLCs), the first 17 of which had been activated as of September 30, 2017:

Northern California Community Loan Fund NMTC Sub-CDE I, LLC
Northern California Community Loan Fund NMTC Sub-CDE II, LLC
Northern California Community Loan Fund NMTC Sub-CDE III, LLC
Northern California Community Loan Fund NMTC Sub-CDE IV, LLC
Northern California Community Loan Fund NMTC Sub-CDE V, LCC
Northern California Community Loan Fund NMTC Sub-CDE VI, LLC
Northern California Community Loan Fund NMTC Sub-CDE VII, LLC
Northern California Community Loan Fund NMTC Sub-CDE VIII, LLC
Northern California Community Loan Fund NMTC Sub-CDE IX, LLC
Northern California Community Loan Fund NMTC Sub-CDE X, LLC
Northern California Community Loan Fund NMTC Sub-CDE XI, LLC
Northern California Community Loan Fund NMTC Sub-CDE XII, LLC
NCCLF NMTC Sub-CDE 13, LLC
NCCLF NMTC Sub-CDE 14, LLC
NCCLF NMTC Sub-CDE 15, LLC
NCCLF NMTC Sub-CDE 16, LLC
NCCLF NMTC Sub-CDE 17, LLC

NCCLF NMTC Sub-CDE 18, LLC was formed for the NMTC allocations but had conducted no financial activity as of September 30, 2017.

Additionally, during the year ended September 30, 2017, Northern California Community Loan Fund NMTC Sub-CDE I, LLC was dissolved.

The CDE LLCs were formed as California limited liability companies in which the Loan Fund will serve as the managing member with a 0.01% interest and unrelated investor members as regular members with a 99.99% interest. NCCLF does not consolidate these entities due to the rights granted to the investor members as defined in the respective operating agreements. The investor members' rights overcome the presumption of control of the managing member.

Northern California Community Loan Fund

Notes to Financial Statements

As of September 30, 2017 and 2016 the total amount of NCCLF's aggregated investment in all the CDE LLCs was \$13,600 and \$15,319, respectively. The fiscal year end for all the CDE LLCs is December 31, and each company is subject to various compliance requirements such as annual audits or compilations once it has been activated. Below is a summary of the unaudited interim financial information for these companies for the interim 9-month periods ended September 30:

	2017	2016
Total Assets	\$ 131,183,715	\$ 148,475,738
Total Liabilities	192,111	194,380
Total Members' Equity	130,991,604	148,281,358
Total Revenue	1,735,671	1,625,679
Total Expenses	1,071,115	1,061,842
Total Net Income	664,556	563,837

The active CDE LLCs have made qualified low-income community investments (QLICIs) within the meaning of the NMTC programs and IRC Section 45D. The Loan Fund entered into agreements with the Investor Members who provided approximately \$158,000,000 in cumulative qualified equity investments (QEIs) as of September 30, 2017 to make QLICIs from the active CDE LLCs. By making QLICIs, the CDE LLCs enable Investor Members to claim approximately \$61,620,000 of NMTC over a seven-year credit period. In connection with obtaining allocation, establishing the CDE LLCs, and making sub-allocation to the CDE LLCs, the Loan Fund earned upfront fees of \$240,600 and \$1,109,400 as of September 30, 2017 and 2016 respectively, which are included as a component of New Markets Tax Credit fees in the accompanying statements of activities.

Terms of the agreements with the Investor Members require the Loan Fund to maintain certain covenants to avoid recapture of NMTC and possible reimbursement of a portion of upfront fees it has received. At September 30, 2017, the Loan Fund is in compliance with all covenants that would cause a recapture of NMTC and management expects to maintain compliance throughout the seven-year life of each NMTC.