COMMUNITY REINVESTMENT FUND, INC.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

COMMUNITY REINVESTMENT FUND, INC. AND SUBSIDIARIES
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Community Reinvestment Fund, Inc. and Subsidiaries
Minneapolis, Minnesota

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Community Reinvestment Fund, Inc. and Subsidiaries (a Minnesota corporation) which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Community Reinvestment Fund, Inc. and Subsidiaries as of June 30, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Community Reinvestment Fund, Inc. 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 Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Community Reinvestment Fund, Inc.'s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Community Reinvestment Fund, Inc.'s 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
September 27, 2022

COMMUNITY REINVESTMENT FUND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
YEARS ENDED JUNE 30, 2022 AND 2021

	2022			2021		
	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
ASSETS						
Cash and Cash Equivalents	$ 42,330,581	$ 4,720,769	$ 47,051,350	$ 52,680,170	$ 4,150,458	$ 56,830,628
Certificates of Deposit	2,001,512	$ -	2,001,512	-	-	-
Funds Held for Others	7,523,050	-	7,523,050	10,048,056	-	10,048,056
Loans Receivable:						
Loans Held for Sale	7,923,674	-	7,923,674	14,393,478	-	14,393,478
Investment Loan, Net	42,375,995	-	42,375,995	167,350,001	-	167,350,001
Total Loans Receivable	50,299,669	-	50,299,669	181,743,479	-	181,743,479
Retained Interest in Securitized Loans	1,985,384	-	1,985,384	3,941,331	-	3,941,331
Interest Receivable	430,098	-	430,098	1,191,257	-	1,191,257
Grants Receivable	69,351	-	69,351	148,602	28,841	177,443
Software and Equipment, Net	3,696,336	-	3,696,336	2,201,252	-	2,201,252
Intangible Asset	1,406,196	-	1,406,196	1,406,196	-	1,406,196
Servicing Asset	1,541,913	-	1,541,913	1,818,000	-	1,818,000
Accounts Receivable	2,665,892	-	2,665,892	3,599,457	-	3,599,457
Other Asset	865,969	-	865,969	2,597,811	-	2,597,811
Total Assets	$ 114,815,951	$ 4,720,769	$ 119,536,720	$ 261,375,611	$ 4,179,299	$ 265,554,910
LIABILITIES AND NET ASSETS						
LIABILITIES						
Accounts Payable and Accrued Expenses	$ 5,800,831	$ -	$ 5,800,831	$ 6,883,589	$ -	$ 6,883,589
Refundable Advances	-	3,084,000	3,084,000	1,500,000	2,600,000	4,100,000
Funds Due to Others	7,523,050	-	7,523,050	10,048,056	-	10,048,056
Collateralized Borrowings	10,440,320	-	10,440,320	146,696,177	-	146,696,177
Subordinated Notes Payable	15,500,000	-	15,500,000	15,700,000	-	15,700,000
Notes Payable	19,566,666	-	19,566,666	22,781,118	-	22,781,118
Total Liabilities	58,830,867	3,084,000	61,914,867	203,608,940	2,600,000	206,208,940
NET ASSETS	55,985,084	1,636,769	57,621,853	57,766,671	1,579,299	59,345,970
Total Liabilities and Net Assets	$ 114,815,951	$ 4,720,769	$ 119,536,720	$ 261,375,611	$ 4,179,299	$ 265,554,910

See accompanying Notes to Consolidated Financial Statements.

COMMUNITY REINVESTMENT FUND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
INTEREST INCOME						
Interest Income	$ 4,829,645	$ -	$ 4,829,645	$ 5,065,179	$ -	$ 5,065,179
Accreted Interest Income	184,186	-	184,186	263,682	-	263,682
Total Interest Income	5,013,831	-	5,013,831	5,328,861	-	5,328,861
INTEREST EXPENSE	1,435,003	-	1,435,003	1,816,857	-	1,816,857
Net Interest Income	3,578,828	-	3,578,828	3,512,004	-	3,512,004
PROVISION FOR LOAN LOSSES	1,292,703	-	1,292,703	1,748,744	-	1,748,744
Net Interest Income After Provision for Loan Losses	2,286,125	-	2,286,125	1,763,260	-	1,763,260
OTHER REVENUE (EXPENSE)						
Realized Gains on Loan Sales	2,482,594	-	2,482,594	1,604,710	-	1,604,710
Loan Servicing, Management, and Transaction Fees	16,569,467	-	16,569,467	31,544,348	-	31,544,348
Grants	1,666,163	8,818,265	10,484,428	15,102,260	13,761,041	28,863,301
Change in Retained Interest Fair Value	(168,382)	-	(168,382)	(2,529)	-	(2,529)
Other	(189,741)	-	(189,741)	-	-	-
Total Other Revenue	20,360,101	8,818,265	29,178,366	48,248,789	13,761,041	62,009,830
Net Assets Released from Restrictions	8,760,795	(8,760,795)	-	17,064,183	(17,064,183)	-
Total Other Revenue (Expense)	29,120,896	57,470	29,178,366	65,312,972	(3,303,142)	62,009,830
Total Net Revenue (Expense)	31,407,021	57,470	31,464,491	67,076,232	(3,303,142)	63,773,090
OTHER EXPENSE						
Financial Services and Administrative	20,712,555	-	20,712,555	18,301,961	-	18,301,961
Professional and Consulting Services	7,489,475	-	7,489,475	10,466,727	-	10,466,727
Depreciation	1,433,563	-	1,433,563	384,615	-	384,615
Donations Expense	2,695,865	-	2,695,865	8,054,716	-	8,054,716
Taxes	97,000	-	97,000	2,585,000	-	2,585,000
Amortization of Servicing Rights	760,150	-	760,150	436,361	-	436,361
Other	83,444	-	83,444	107,036	-	107,036
Total Other Expenses	33,272,052	-	33,272,052	40,336,416	-	40,336,416
CHANGE IN NET ASSETS PRIOR TO ISSUANCE OF OPTION AWARDS	(1,865,031)	57,470	(1,807,561)	26,739,816	(3,303,142)	23,436,674
Issuance of Option Awards	83,444	-	83,444	107,036	-	107,036
CHANGE IN NET ASSETS	(1,781,587)	57,470	(1,724,117)	26,846,852	(3,303,142)	23,543,710
Net Assets - Beginning of Year	57,766,671	1,579,299	59,345,970	30,919,819	4,882,441	35,802,260
NET ASSETS - END OF YEAR	$ 55,985,084	$ 1,636,769	$ 57,621,853	$ 57,766,671	$ 1,579,299	$ 59,345,970

See accompanying Notes to Consolidated Financial Statements.

COMMUNITY REINVESTMENT FUND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ (1,724,117)	$ 23,543,710
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	1,433,563	384,615
Amortization of Servicing Rights	760,150	436,361
Net Unrealized Gain on Certificates of Deposit	(1,512)	-
Accreted Interest Income on Retained Interest	(184,186)	(263,682)
Provision for Loan Losses	1,292,703	1,748,744
Change in Retained Interest Fair Value	168,382	2,529
Realized Gains on Loan Sales	(2,482,594)	(1,604,710)
Accreted Interest Income on Loan Discount	(1,050,616)	(655,698)
PPP Deferred Revenue	(6,512,602)	(731,646)
Originations of Loans Held for Sale	(18,972,051)	(49,689,338)
Proceeds from Sales of Loans Held for Sale	27,480,132	45,010,854
Payments on Loans Held for Sale	815,560	888,144
Change in Operating Assets and Liabilities:		
Grants Receivable	108,092	264,004
Interest Receivable	761,159	(729,633)
Accounts Receivable	933,565	17,623,520
Other Assets	1,414,051	(96,074)
Accounts Payable and Accrued Expenses	(1,082,758)	1,493,427
Refundable Advance	(1,016,000)	(500,000)
Funds Due to Others	(2,525,006)	970,822
Net Cash Provided (Used) by Operating Activities	(384,085)	38,095,949
CASH FLOWS FROM INVESTING ACTIVITIES		
Origination of Loans	(10,952,835)	(215,169,251)
Loan Receivable Payments and Other	318,478,463	325,629,591
Purchase of Certificates of Deposit	(2,000,000)	-
Purchase of Loans Receivable	(1,234,514)	-
Payments on Participated Loans	(175,734,108)	(227,583,788)
Sale of Participations	150,000	99,274,000
Payments on Retained Interest in Securitized Loans	1,971,751	716,351
Purchase of Software and Equipment	(2,928,647)	(1,645,077)
Net Cash Provided (Used) by Investing Activities	127,750,110	(18,778,174)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Note Payable	-	2,500,000
Payments on Notes Payable	(3,214,452)	(38,825,217)
Proceeds from Revolving Credit Lines	8,000,000	10,000,000
Payments on Revolving Credit Lines	(8,000,000)	(17,500,000)
Proceeds from Collateralized Borrowings	431,171	371,787,915
Payments on Collateralized Borrowings	(136,687,028)	(324,473,206)
Proceeds from Subordinated Notes Payable	-	600,000
Payments on Subordinated Notes Payable	(200,000)	(200,000)
Net Cash Provided (Used) by Financing Activities	(139,670,309)	3,889,492
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	(12,304,284)	23,207,267
Cash and Cash Equivalents and Restricted Cash - Beginning of Year	66,878,684	43,671,417
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR	$ 54,574,400	$ 66,878,684
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid for Interest	$ 1,590,349	$ 1,365,949
Cash Paid for Taxes	$ 994,209	$ 2,409,534
RECONCILIATION OF CASH AND CASH EQUIVALENTS AND RESTRICTED CASH		
Cash and Cash Equivalents	$ 47,051,350	$ 56,830,628
Funds Held for Others	7,523,050	10,048,056
Total	$ 54,574,400	$ 66,878,684

COMMUNITY REINVESTMENT FUND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	Program Services	General & Administrative	Fundraising	Total
EXPENSES				
Salary	$ 13,352,214	3,449,252	$ 972,619	$ 17,774,085
Provision for Loan Losses	1,292,703	-	-	1,292,703
Professional and Consulting Services	5,204,566	1,565,459	5,328	6,775,353
Interest Expense	1,435,003	-	-	1,435,003
Agent Fees	-	-	-	-
Legal Fees	845,128	94,317	450	939,895
Amortization of Servicing Rights	760,150	-	-	760,150
Escrow Receivable Writeoff	27,790	-	-	27,790
Depreciation	1,335,513	86,165	11,885	1,433,563
OREO Writeoff	20,909	-	-	20,909
Rent	206,333	88,014	11,989	306,336
Travel	391,517	32,567	5,941	430,025
Technology Services	603,886	189,755	904	794,545
Insurance	258,318	71,461	13,573	343,352
Donations Expense	2,695,865	-	-	2,695,865
Taxes	97,000	-	-	97,000
Other	563,439	281,614	28,131	873,184
Total	$ 29,090,334	$ 5,858,604	$ 1,050,820	$ 35,999,758

COMMUNITY REINVESTMENT FUND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

	Program Services	General & Administrative	Fundraising	Total
EXPENSES				
Salary	$ 10,812,506	$ 3,068,731	$ 1,249,588	$ 15,130,825
Provision for Loan Losses	1,748,744	-	-	1,748,744
Professional and Consulting Services	8,708,001	1,463,956	46,872	10,218,829
Interest Expense	1,816,857	-	-	1,816,857
Agent Fees	270,376	-	-	270,376
Legal Fees	643,632	138,259	-	781,891
Amortization of Servicing Rights	436,361	-	-	436,361
Escrow Receivable Writeoff	-	-	-	-
Depreciation	282,250	89,957	12,408	384,615
OREO Writeoff	4,493	-	-	4,493
Rent	211,038	87,363	12,050	310,451
Travel	30,277	9,094	862	40,233
Technology Services	431,668	78,985	9,631	520,284
Insurance	207,513	57,778	10,950	276,241
Donations Expense	8,054,716	-	-	8,054,716
Taxes	2,585,000	-	-	2,585,000
Other	1,108,579	176,642	36,880	1,322,101
Total	$ 37,352,011	$ 5,170,765	$ 1,379,241	$ 43,902,017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Community Reinvestment Fund, Inc. and subsidiaries (CRF or the Organization) is a nonprofit, mission-driven organization, which provides services and otherwise unavailable loan capital to communities, small businesses, entrepreneurs, non-profit organizations and housing organizations. CRF has three general purposes: structuring financial transactions related to small business economic development loans to increase the flow of capital to economically distressed or declining areas, disadvantaged persons, neighborhoods or communities; originating new development loans that support job creation and economic growth; and providing services that support community-based organizations and their lending activities. The Community Development Financial Institution Fund of the U.S. Treasury Department has designated CRF as a Community Development Financial Institution (CDFI). CRF is headquartered in Minneapolis, Minnesota, and operates through the United States.

CRF is classified as a supporting organization under the Internal Revenue Code and is governed by representatives of the organizations it serves. Accordingly, a majority of CRF's board of trustees is comprised of representatives from its class of supported organizations, which can include governmental and nonprofit clients.

The Organization has a wholly-owned subsidiary, CRF Small Business Loan Company, LLC (CRF SBLC), whose sole purpose is to conduct U.S. Small Business Administration (SBA) 7(a) lending activity.

On October 23, 2020, the Organization created Ignify Technologies, Inc (Ignify), a Delaware public benefit corporation, with a stated public benefit that Ignify's business and operations intends to provide greater access to responsibly priced capital and create pathways to prosperity for small business owners by, among other approaches, focusing on digitizing lending processes, automating data and information collection, and transforming how the small business ecosystem operates, in each case through Ignify's network of for-profit and mission-based lenders. Ignify's key product, SPARK, is a cloud-based loan origination technology solution provided to small business lenders including non-profit lenders, banks, credit unions, and other lender service providers. Upon inception, Ignify issued 8,500,000 shares of series seed preferred stock to CRF, in exchange for tangible and intangible assets of $5,000,000.

The Organization has formed the following wholly-owned special purpose entities (SPEs): CRF Affordable Housing No. 1, LLC; CRF Affordable Housing No. 2, LLC; CRF Affordable Housing No. 3 LLC, CRF CSBRF, LLC, CRF CSBRF 2, LLC, MN Inclusive Growth Fund, LLC, and CRF Detroit Home Mortgage Fund (2016), LLC. The SPEs are not consolidated with CRF under Accounting Standards Codification (ASC) 958-810-25, Not for Profits – Consolidation - Recognition, as the Organization lacks the control to dictate the activities that significantly impact the economic performance of these SPEs. The SPEs were created to purchase loans or rights to certain future expected cash flows. The SPEs then issue or issued notes or rights to certain future expected cash flows to various third parties and in some cases with a residual interest to the Organization. Following the purchase of development loans and the issuance of the notes, the SPEs' only activity is the ownership of the development loans and repayment of the notes. While the notes are serviced by CRF, the noteholders and the trustee associated with each SPE have significant substantive rights to control the servicing of the development loans.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CRF receives New Market Tax Credit (NMTC) allocations from time to time. The structure of the NMTC transactions (each a BLC) includes the set-up of two wholly-owned subsidiaries for each anticipated transaction: (1) each BLC - a two member LLC where the two members are CRF and National New Markets Tax Credit Fund, Inc. (NNMTCF – itself a wholly-owned subsidiary of CRF); and (2) a new LLC entity wholly-owned by CRF and formed solely to own .01% of the corresponding BLC (each a GP). Upon formation, and until the transaction is funded, CRF owns 100% of the BLC directly and indirectly through affiliates and the entity is dormant with no assets. Once a NMTC transaction is funded, a single institutional investor purchases 99.99% of the equity interest in the BLC entity and CRF owns the remainder through the GP. Investor-owned BLCs are not consolidated with CRF under Accounting Standards Codification (ASC) 958-810-25, Not for Profits – Consolidation – Recognition, as the Organization lacks control to dictate the activities that significantly impact the economic performance of the BLC.

A summary of significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements follows:

Consolidation

The consolidated financial statements include the accounts of 1) CRF; 2) the following wholly-owned subsidiaries: CRF SBLC, NNMTCF, CRF Charter School Investor, LLC, CRF DHM Developer Program, LLC, CRF Fund Management Services, LLC, CRF Holdings, LLC, CRF Affordable Housing No. 3 Guarantor, LLC, CRF NNMTCF I GP, LLC, CRF NNMTCF II GP, LLC, all other GPs CRF NNMTCF XIII through CRF NNMTCF XL GP, LLC, and CRF QI, LLC; and 3), as majority owner, Ignify. All significant intercompany balances and transactions have been eliminated.

National New Markets Tax Credit Fund Subsidiary

The Federal National New Markets Tax Credit (NMTC) program fosters development in Low-Income Communities. NNMTCF has been awarded allocations to purchase loans under this program totaling $919.5 million of New Markets Tax Credits as of June 30, 2022 and 2021. NNMTCF generally sub-allocates its New Market Tax Credits to its affiliated BLC entities, each certified as a Community Development Entity (CDE). The CDE funds loans to Qualified Active Low-Income Businesses. CRF receives compensation in the form of origination, servicing and management fees related to this program. The fees earned are reflected on the consolidated statements of activities.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

The accompanying consolidated financial statements include net assets and revenues, expenditures, gains, and losses which are classified based on the existence or absence of donor-imposed restrictions, as follows:

Without Donor Restrictions – Net assets that are not subject to donor-imposed and/or the passage of time restrictions.

With Donor Restrictions – Net assets subject to donor-imposed restrictions that will be met by actions of CRF and/or the passage of time.

Cash and Cash Equivalents

The Organization maintains its cash in cash deposit accounts, which at times may exceed federally insured limits. Cash equivalents consist of highly liquid investments having original maturities, when purchased, of three months or less, and are stated at cost. Cash equivalents consisted of three money market funds of approximately $29,400,000 and $42,378,000 at June 30, 2022 and 2021, respectively, at three different institutions.

Funds Held for (Due to) Others

As of June 30, 2022 and 2021, respectively, CRF had approximately $7,523,000 and $10,048,000 of amounts held for others for funds collected for loan servicing functions. CRF has a corresponding due to others as a liability as of June 30, 2022 and 2021.

Loans Held for Sale

Loans held for sale are loans originated or purchased with the intent to be sold and are carried at the lower of cost, equal to the amount of unpaid principal, net of unearned discounts and deferred fees, or estimated fair value. Unearned discounts and deferred fees are not accreted or amortized when the loan is classified as held for sale.

The estimated fair value of loans held for future note issuances is determined on an individual loan basis, and includes estimates of current rates of return required by investors for similar assets, loan prepayment rates and loan specific credit risk characteristics. The change in the lower of cost or estimated fair value throughout the period is recorded within the consolidated statement of activities.

Gains on sales of loans are recognized based on the difference between the selling price and the carrying value of the related loans sold. Interest on loans held for sale is accrued to income as earned.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment Loans

Investment loans are loans that were either obtained through acquisition or origination or loans previously classified as loans held for sale but have been transferred to investment loans because the Organization does not have the intent or ability to sell the loan. A loan held for sale is transferred to an investment loan at the lower of cost, equal to the amount of unpaid principal, net of unearned discounts and deferred fees, or estimated fair value.

In accordance with ASC 310-30, the difference between contractually required payments at acquisition and the cash flows expected to be collected from purchased loans is referred to as the non-accretable difference. This amount is not recognized as a yield adjustment or as a loss accrual or a valuation allowance. Further, any excess of cash flows expected at acquisition over the estimated fair value is referred to as the accretable yield and is recognized into interest income over the remaining life of the loan when there is a reasonable expectation about the amount and timing of such cash flows.

Increases in expected cash flows subsequent to the initial investment are recognized prospectively through adjustment of the yield on the loan over its remaining estimated life. Decreases in expected cash flows are recognized immediately as impairment. If the Organization does not have the information necessary to reasonably estimate cash flows to be expected, it may use the cost recovery method or cash basis method of income recognition. Valuation allowances on these impaired loans reflect only losses incurred after the acquisition (meaning the present value of all cash flows expected at acquisition that ultimately are not to be received).

Allowance for Loan Losses for Investment Loans

The allowance for loan losses for investment loans is established as losses are estimated to have occurred through a provision charged to expense. Loan losses are charged against the allowance for loan losses when management believes the future collection of principal is unlikely. The allowance for loan losses is an amount that management believes will be adequate to provide for inherent losses on existing loans that may become uncollectible, based on evaluations of the collectibility of loans and prior loan loss experience. This evaluation takes into consideration such factors as borrower industry, changes in the nature and volume of the loan portfolio, overall portfolio quality, review of specific loans, and regional or local economic conditions that may affect the borrower’s ability to pay. The organization has large concentrations of loans in Accommodation and Food Service and Other Services.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Loan Losses for Investment Loans (Continued)

A loan is impaired when based on current information and events, it is probable the Organization will be unable to collect all contractual principal and interest payments due in accordance with the terms of the loan agreement. Cash collections on impaired loans are credited to the loan receivable balance and no interest income is recognized on those loans until the principal balance is current.

Impaired loans are measured based on the present value of expected future cash flows discounted at the loan's effective interest rate or, as a practical expedient, at the loan's observable market price or the fair value of the collateral if the loan is collateral dependent.

Non-Accrual and Past Due Loans

Loans are generally placed on non-accrual basis for recognition of interest income when principal and interest is past due 90 days or more, and in the opinion of management, there is reasonable doubt as to the collectibility of interest or principal. All interest accrued but not collected for loans that are placed on non- accrual basis is reversed against interest income. The non-recognition of interest income does not constitute forgiveness of the interest. Non-accrual loans are returned to accrual status when the principal and interest amounts contractually due are brought current and future payments are reasonably assured. Subsequent cash payments received on non-accrual loans that do not bring the loan current are recorded on a cash basis. The carrying value of non-accrual loans was $1,210,591 and $1,158,007 at June 30, 2022 and 2021, respectively.

Troubled Debt Restructuring (TDR)

In situations where for economic or legal reasons related to a borrower's financial difficulties, the Organization may grant a concession for other than an insignificant period of time to the borrower that they would not otherwise consider, the related loan is classified as a TDR. These modified terms may include rate reductions, principal forgiveness, term extensions, payment forbearance, and other actions intended to minimize the Organization's economic loss and to avoid foreclosure or repossession of the collateral. For modifications where the principal is forgiven, the entire amount of such principal forgiveness is immediately charged off. Loans classified as TDRs are considered impaired loans. The organization had twenty four and seventeen loans with an outstanding recorded investment of $2,772,855 and $1,126,773 considered TDRs as of June 30, 2022 and 2021, respectively.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising Costs

The Organization expenses advertising costs as incurred. Advertising costs were approximately $752,000 and $707,000 for the years ended June 30, 2022 and 2021, respectively.

Securitization Accounting

The Organization accounts for its securitization accounting under the provisions of ASC 860 which requires an entity to recognize the financial and servicing assets it controls and the liabilities it has incurred and to derecognize financial assets when control has been surrendered. The proceeds of securitized financial assets are allocated to the assets sold, the servicing asset or liability, and retained interest based on their relative estimated fair values at the transfer date in determining the gain or loss on the securitization transaction.

ASC 860 requires an entity to recognize a servicing asset or servicing liability each time it undertakes an obligation to service financial assets that have been securitized and amortize it over the period of estimated future net servicing income or loss. The Organization receives adequate compensation for a significant portion of its servicing of securitized loans.

Valuation of Servicing Rights

The Organization recognizes assets for the rights to service loans for others that result from the sale of loans it originates (asset transfers) at fair value in accordance with ASC 860. Servicing rights from asset transfers are initially capitalized and recorded at fair value. The Organization determines the fair value of servicing rights using a valuation model that calculates the present value of estimated future net servicing income. The model incorporates assumptions that market participants use in estimating future net servicing income, including estimates of prepayment speeds (including housing price volatility), discount rate, default rates, cost to service (including delinquency and foreclosure costs), contractual servicing fee income, ancillary income, and late fees. Servicing rights are subsequently expensed using the amortization method which requires servicing rights to be amortized in proportion to, and over the period of, the estimated future net servicing income of the underlying loans. The carrying value of servicing rights is included within other assets in the consolidated statements of financial position.

Servicing rights are evaluated for impairment based upon the fair value of the rights as compared to carrying amount. The fair values of servicing rights are subject to significant fluctuations as a result of changes in estimated and actual prepayment speeds and default rates and losses. Impairment is determined by stratifying servicing assets into groupings based on predominant risk characteristics, such as interest rate, and loan type. The Organization recognized $129,978 and $25,141 of impairment on servicing rights for the years ended June 30, 2022 and 2021, respectively.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Retained Interest in Securitized Loans

Retained interest in securitized loans is treated as a debt security, and accordingly, is carried at fair value. The Organization estimates fair value based upon the present value of anticipated future loan cash flows. This estimate requires management to perform on-going evaluations of the estimated credit losses, prepayment factors, discount rates, and other factors that impact the value of retained interests. Adjustments to fair value are included in the consolidated statements of activities.

Interest income on the retained interest is accreted based on the effective interest rate applied to its fair value at the beginning of the reporting period adjusted for cash received. The effective interest rate is the rate of return determined based on the actual timing and amounts received in the current reporting period and anticipated future cash flows from the underlying securitized loans.

Transfer of Financial Assets

The Organization accounts for its securitization accounting under the provisions of ASC 860. Transfers of an entire financial asset, a group of entire financial assets, or a participating interest in an entire financial asset are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Organization, (2) the transferee obtains the right to pledge or exchange the transferred assets, and (3) the Organization does not maintain effective control over the transferred assets.

During the normal course of business, the Organization may transfer a portion of a financial asset, for example, a participation loan or the government guaranteed portion of a loan. In order to be eligible for sales treatment, the transfer of the portion of the loan must meet the criteria of a participating interest. If it does not meet the criteria of a participating interest, the transfer must be accounted for as a secured borrowing. In order to meet the criteria for a participating interest, all cash flows from the loan must be divided proportionately, the rights of each loan holder must have the same priority, the loan holders must have no recourse to the transferor other than standard representations and warranties, and no loan holder has the right to pledge or exchange the entire loan. See Note 5 for disclosure of transfers of financial assets.

Grants and Grants Receivable

Contributions, unconditional promises to give, and other assets are recognized at net realizable value and recorded as made. All contributions are considered to be without donor restriction unless specifically in grant agreement or documented by the donor. Donor-restricted contributions are reported in with donor restrictions net assets. When the restrictions expire, assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Consolidated Statement of Activities as Net Assets Released from Restrictions. Management believes all grants receivable are collectible at June 30, 2022 and 2021. Accordingly, no allowance for doubtful accounts has been recorded.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants and Grants Receivable (Continued)

The Organization accounts for contributions received as net assets without donor restrictions or net assets with donor restrictions depending on the existence or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions. When the donor restrictions expire net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributions receivable, which represent unconditional promises to give, are recognized as revenue in the period awarded and as assets. Conditional promises to give, which contain both a right of return and barrier, are recorded when the conditions on which they depend are met. The Organization had a total of $3,084,000 and $4,100,000 in conditional contribution revenue yet to be recognized upon meeting the barriers identified for the years ending June 30, 2022 and 2021, respectively, and recorded as Refundable Advances on the Consolidated Statement of Financial Position. An additional $2,375,000 in conditional contribution revenue is outstanding at June 30, 2022 and not recorded on the financial statements as not cash has been received.

Software and Equipment

Software and equipment is stated at cost, less accumulated depreciation. Depreciation is computed using principally the straight-line method over the equipment and furniture's estimated useful lives, generally three to seven years. Software costs incurred to develop new systems have been capitalized and are being amortized over three years. Maintenance and repairs are charged to expense as incurred. Replacements and improvements are capitalized and recorded at cost. Items over $2,500 are capitalized in accordance with the Organizations policies. During the year ending June 30, 2021, the Organization engaged a third-party vendor to develop software, to which the Organization received a perpetual license to that software. All amounts paid are capitalized as Software and depreciated over a useful life of three years following the receipt of the minimum viable product. A total of $2,650,000 and $1,500,000 was paid and capitalized during the years ended June 30, 2022 and 2021, respectively. The contract with the third-party vendor was amended during the year ending June 30, 2022 to amend the perpetual license to a non-exclusive perpetual license to use and sell the software. Beyond the receipt of a perpetual license, the third-party vendor issued a Stock Purchase Warrant whereby the Organization is entitled to purchase shares of stock in the third-party vendor at a future date following specific equity events. As of June 30, 2022, the warrants were not exercisable and had no financial impact to the financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment in Partnership

During fiscal year 2022, the Organization entered into a joint venture in a partnership, RuralWorks Partners, LLC, a Private Equity management company. The Board of Trustees approved a commitment of $400,000 in investment for the partnership, equaling 50% of total equity ownership. During 2022, the Organization provided $192,655 in equity capital to the partnership of this $400,000 commitment. The investment in the RuralWorks Partners, LLC partnership is recognized using the equity method. As of June 30, 2022, the outstanding investment was $2,914, with a loss on investment of $189,741.

Revenue

The Organization recognizes revenue in accordance with Revenue from Contracts with Customers and all subsequent amendments to the ASU (collectively, ASC 606), which (i) creates a single framework for recognizing revenue from contracts with customers that fall within its scope and (ii) revises when it is appropriate to recognize a gain (loss) from the transfer of nonfinancial assets, such as foreclosed assets. A large portion of the Organization's revenues come from interest income and other sources, including loans, servicing rights, and sales of financial instruments, which are outside the scope of ASC 606. The Organization's services that fall within the scope of ASC 606 are presented within Other Revenue and are recognized as revenue as the Organization satisfies its obligation to the customer. Services within the scope of ASC 606 include contract loan servicing, management fees, SaaS revenue, structuring fees, SPARK transaction fees, and consulting revenue. Refer to Note 13 Revenue Recognition for further discussion on the Organization's accounting policies for revenue sources within the scope of ASC 606.

Loan Servicing, Management and Transaction Fees

Fees from contract loan servicing are recognized when earned, generally as services are performed for portfolios originated and held by economic development lenders. Management and transaction fees are either deferred and recognized over the life of the transaction or recognized at the time of the transaction, as applicable.

Year Ended June 30,	2022	2021
Servicing Fees	$ 1,524,051	$ 1,595,079
Management Fees	5,393,000	3,869,157
Transactions Fees	9,652,416	26,080,112
Total	$ 16,569,467	$ 31,544,348

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible Asset

CRF SBLC holds a SBA 7(a) Lending Authority certificate (certificate) which was originally purchased from an unrelated financial institution with approval from the SBA and which allows the Organization to fund (originate) and purchase SBA 7(a) loans. The certificate is recorded as an indefinite lived intangible asset, totaling approximately $1,406,000, and not amortized as the certificate is valid for an indefinite period of time. The certificate is subject to annual impairment testing, unless there is an indicator of impairment, which would require an interim impairment analysis. The Organization performs its annual evaluation for impairment on June 30 of each fiscal year using a quantitative analysis based on a discounted cash flow model to estimate the fair value of the certificate. Upon completing the annual impairment test, the Organization determined that the carrying value of its recorded intangible assets had not been impaired and no impairment charge was recorded.

Stock-Based Compensation

The Board of Directors of Ignify approved the 2020 Equity Incentive Plan (the Plan) to attract, retain, and motivate, among others, employees, officers, and directors of Ignify. Up to 1,500,000 shares of common stock have been authorized for use under the Plan. The terms of the options are determined by the Board of Directors at the time of the grant, but in no event are the options exercisable more than 10 years after the date of grant. During the year ending June 30, 2021, 1,162,500 options were granted with an exercise price equaling the estimated fair value of common stock on the date of the grant. During the year ending June 30, 2022, an additional 287,500 shares were granted with an exercise price equaling the estimated fair value of common stock on the date of the grant. As of June 30, 2022, a total of 565,234 of these options had vested and were exercisable.

The Organization recognizes the cost of all stock-based compensation to employees in the consolidated financial statements based on the grant date fair value of those awards. The Organization uses the Black-Scholes method to calculate the value of the stock option awards and determine the related compensation expense. This cost is recognized over the period for which an employee is required to provide service in exchange for the award. Forfeitures are recognized as they occur. A total of approximately $84,000 and $107,000 was expensed during the years ended June 31, 2022 and 2021, respectively, for stock-based compensation expense. An adjustment is made to net assets for this amount in accordance with Generally Accepted Accounting Principles.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Internal Revenue Service has determined that CRF is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. Similar exemptions exist under Minnesota statutes. NNMTCF, a for-profit subsidiary of CRF, files tax returns as a for-profit entity; however, its current activities have not generated taxable income. Accordingly, no provision for income taxes is included in the consolidated financial statements.

Ignify Technologies, Inc., a for-profit subsidiary of CRF, files tax returns as a for-profit entity subject to federal and state income taxes. Ignify utilizes an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income.

Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. The provision for income taxes is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

The Organization evaluates its tax positions on the basis of a two-step process in which 1) it is determined whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and 2) for those tax positions that meet the more-likely-than not recognition threshold, a benefit is recognized based on the largest amount of the tax benefit that is more than 50% likely to be realized upon ultimate settlement with the related tax authority. The Organizations tax returns are subject to examination by federal and state authorities in accordance with prescribed statutes The Organization has not been examined for any open tax years.

Functional Expenses Allocation

Salaries and related expenses are allocated based on employees' direct time spent on program or support activities or the best estimate of time spent. Third party costs directly attributable to a program or support activity are directly allocated. Rent, depreciation, and insurance expense are allocated based on employee time estimates. Expenses which are not directly identifiable by program or support services are allocated based on the best estimates of management.

Use of Estimates

The preparation of the Organization's 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Material estimates that are particularly susceptible to significant change in the near term relate to the allowance for loan losses, valuation of deferred tax asset, useful lives of fixed assets, and the fair value of financial instruments. Actual results could differ from those estimates used by management.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Requirements

The Organization is authorized by the SBA to make loans as a Non-Federally Regulated Lender (NFRL) through CRF SBLC. As an NFRL, the consolidated Organization must meet its state capital requirement. As a Minnesota Regulated Lender, the Organization must maintain minimum liquid assets of at least $50,000. The Organization met these requirements as of June 30, 2022 and 2021.

As an SBA regulated entity, CRF SBLC is required to maintain minimum unencumbered capital of at least $1,000,000 or 10% of the aggregate of its share of all outstanding loans, whichever is more. For purposes of complying with this requirement, capital consists of: common stock, additional paid in capital, retained earnings, and capital contributions not subject to repayment.

The capital levels at CRF SBLC as of June 30 are:

	Capital	Aggregate Share of Outstanding Loans	Current Capital Ratio	Minimum Capital Required
2022	$ 18,315,781	$ 27,371,805	66.91%	10.00%
2021	$ 11,620,481	$ 32,889,307	35.33%	10.00%

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Liquidity and Availability of Resources

The Organization regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to balance risk and returns to prioritize capital preservation. A capital plan is formulated annually with forecasting of capital needs at one and three years to ensure proper capital type and availability. The capital plan includes stress scenarios along with contingency plans and is reviewed annually by the Board. Per liquidity management policies, the Organization maintains cash without donor restrictions of no less than one-half annual operating expenses.

Cash balances are monitored on a daily basis along with future cash needs for contractual commitments including loan fundings. The organization maintains available liquidity resources for the funding of loan balances held for sale so as to match asset and liability characteristics.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Liquidity and Availability of Resources (Continued)

The balances of financial assets and available liquidity resources as of June 30, are as follows:

	2022	2021
Financial Assets:		
Cash without Donor Restrictions	$ 42,330,581	$ 52,680,170
Current Portion of Loans Receivable, Net	5,661,068	5,222,031
Interest Receivable	430,098	1,191,257
Grants Receivable	69,351	148,602
Loan Servicing Fees Receivable	239,503	242,901
Certificates of Deposit	2,001,512	-
Other Accounts Receivable Less Reserves	1,329,848	1,849,072
Total Financial Assets Available Eithin One Year	52,061,961	61,334,033
Available Liquidity Resource:		
Undrawn Lines of Credit Without Restriction	22,500,000	20,500,000
Total Financial Assets and Available Liquidity Resources	$ 74,561,961	$ 81,834,033

Subsequent Events

The Organization evaluated its June 30, 2022 consolidated financial statements for subsequent events through September 20, 2022, the date the consolidated financial statements were available to be issued. The Organization is not aware of any subsequent events, which would require recognition or disclosure in the consolidated financial statements that have not been disclosed herein.

NOTE 2 LOANS RECEIVABLE

Components of loans held for sale are as follows as of June 30:

	2022	2021
Unpaid Principal Balance	$ 7,923,674	$ 14,393,478
Valuation Allowance	-	-
Loans Held for Sale	$ 7,923,674	$ 14,393,478

NOTE 2 LOANS RECEIVABLE (CONTINUED)

Components of investment loans are as follows as of June 30:

	2022	2021
Investment Loans		
SBA 7(a) Loans	$ 27,371,805	$ 32,889,307
SBA PPP Loans	11,307,628	142,324,227
Business Loans	12,174,812	6,420,811
Affordable Housing Loans	280,454	397,233
Deferred Loan Origination Fees	(405,271)	(6,917,873)
Unearned Discount	(2,709,809)	(2,663,938)
Subtotal	48,019,619	172,449,767
Allowance for Loan Losses	(5,643,624)	(5,099,766)
Total	$ 42,375,995	$ 167,350,001

The carrying value of impaired loans was $4,253,360 and $2,986,577 as of June 30, 2022 and 2021, respectively. There is $26,162 and $5,161 of interest income accrued on these loans as of June 30, 2022 and 2021, and $292,195 and $199,837 interest income recognized during fiscal years 2022 and 2021, respectively.

Activity in the allowance for loan losses for investment loans is as follows for the years ended June 30:

	2022	2021
Balance - Beginning of Year	$ 5,099,766	$ 4,272,613
Provision for Loan Losses	1,292,703	1,748,744
Charge Offs	(841,007)	(1,073,040)
Recoveries	92,162	151,449
Balance - End of Year	$ 5,643,624	$ 5,099,766

The Organization's investment loans and allowance for credit losses by impairment evaluation methodology for the year ending June 30, are as follows:

	2022		2021	
	Investment Loans	Allowance for Loan Losses	Investment Loans	Allowance for Loan Losses
Collectively Evaluated for Impairment:				
SBA 7(a)	$ 21,278,809	$ 2,301,819	$ 27,842,635	$ 2,552,402
PPP	10,902,357	167,220	135,406,354	376,870
Business	11,304,639	1,006,171	5,816,968	733,796
Affordable Housing	280,454	-	397,233	-
Individually Evaluated for Impairment:				
SBA 7(a)	3,911,669	1,951,308	2,561,893	1,174,140
Business	341,691	217,106	424,684	262,558
Total	$ 48,019,619	$ 5,643,624	$ 172,449,767	$ 5,099,766

NOTE 2 LOANS RECEIVABLE (CONTINUED)

From a credit risk standpoint, the Organization classifies its investment loans in one of the following categories: pass, substandard, doubtful, or loss. The Organization does not assign risk ratings to PPP loans.

Pass rated loans have no well-defined weakness and are currently performing. Characteristics can vary greatly but loans rated pass tend to have positive cash flow and proper collateral coverage. Loan payments are current or past due no more than 30 days.

Substandard loans have a well-defined weakness or weaknesses which may jeopardize the liquidation of the debt. The primary source of repayment no longer provides satisfactory support and repayment of the loan is dependent upon secondary repayment sources. There remains reasonable assurance the loan may be repaid in full.

Doubtful loans have all of the weaknesses inherent in substandard loans with the added characteristic that they contain the probability of some principal loss.

Loss rated loans are considered uncollectible and it is likely that CRF will not receive the principal amount due, and any recovery related to this credit will be through liquidation of collateral, negotiated lien release, sale of loan, suing guarantors, or other means.

The following tables summarize the Organization's internal ratings of its loans for the years ending June 30:

June 30, 2022	SBA 7(a)	PPP	Business	Affordable Housing	Total
Pass	$ 17,546,130	$ -	$ 10,915,308	$ 270,206	$ 28,731,644
Substandard	4,498,162	-	498,887	10,248	5,007,297
Doubtful	3,146,186	-	232,135	-	3,378,321
Loss	-	-	-	-	-
Not Rated	-	10,902,357	-	-	10,902,357
Total	$ 25,190,478	$ 10,902,357	$ 11,646,330	$ 280,454	$ 48,019,619

June 30, 2021	SBA 7(a)	PPP	Business	Affordable Housing	Total
Pass	$ 21,972,101	$ -	$ 5,296,886	$ 397,233	$ 27,666,220
Substandard	6,627,918	-	706,176	-	7,334,094
Doubtful	1,804,509	-	238,590	-	2,043,099
Loss	-	-	-	-	-
Not Rated	-	135,406,354	-	-	135,406,354
Total	$ 30,404,528	$ 135,406,354	$ 6,241,652	$ 397,233	$ 172,449,767

NOTE 2 LOANS RECEIVABLE (CONTINUED)

key credit quality indicators for the Organization's investment loans include the status of the loan, defined as accruing or non-accruing, and loan ratings. Investment loans that are accruing generally are less than 90 days past due and are considered to have a lower risk of loss. Non-accrual loans generally are greater than 90 days past due and there is a reasonable doubt as to the collectibility of interest or principal. The following tables set forth information regarding the Organization's accruing and non-accruing loans. Past due balances are determined based on the contractual terms of the loan.

	2022				
	Current	30-59 Days Past Due and Accruing	60-89 Days Past Due and Accruing	Non-Accrual	Total
Investment Loans					
SBA 7(a)	$ 23,980,030	$ 253,884	$ 232,247	$ 724,317	$ 25,190,478
PPP	10,902,357	-	-	-	10,902,357
Business	11,098,252	50,801	11,003	486,274	11,646,330
Affordable Housing	280,454	-	-	-	280,454
Total Investment Loans	$ 46,261,093	$ 304,685	$ 243,250	$ 1,210,591	$ 48,019,619

	2021				
	Current	30-59 Days Past Due and Accruing	60-89 Days Past Due and Accruing	Non-Accrual	Total
Investment Loans					
SBA 7(a)	$ 28,972,275	$ 654,751	$ 44,179	$ 733,323	$ 30,404,528
PPP	135,406,354	-	-	-	135,406,354
Business	5,745,910	27,738	43,320	424,684	6,241,652
Affordable Housing	397,233	-	-	-	397,233
Total Investment Loans	$ 170,521,772	$ 682,489	$ 87,499	$ 1,158,007	$ 172,449,767

NOTE 3 TROUBLED DEBT RESTRUCTURINGS (TDRS)

The following table summarizes TDRs as of June 30:

	2022			
	Number of Loans	Outstanding Recorded Investment	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
SBA 7(a)	23	$ 2,639,818	$ 3,125,229	$ 3,125,229
Business	1	133,037	136,960	136,960

	2021			
	Number of Loans	Outstanding Recorded Investment	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
SBA 7(a)	17	$ 1,126,773	$ 1,541,667	$ 1,541,667

The following table summarizes the status of loans modified as TDRs as of June 30:

	2022			
	TDRs in Compliance and Accruing		TDRs not Accruing Interest	
	Count	Balance	Count	Balance
SBA 7(a)	18	$ 2,381,738	5	$ 258,080
Business	1	133,037	0	-

	2021			
	TDRs in Compliance and Accruing		TDRs not Accruing Interest	
	Count	Balance	Count	Balance
SBA 7(a)	12	$ 837,678	5	$ 289,095

In response to the COVID-19 pandemic, the Organization developed a program for clients who are experiencing business and personal disruptions due to the COVID-19 pandemic pursuant to which the Organization may provide loan payment deferrals. In accordance with the CARES Act and FASB guidance, qualifying loans modified in response to the COVID-19 pandemic will not be considered troubled debt restructurings. Following the enactment of the CARES Act, the SBA provided debt relief to all non-delinquent SBA loans in the form of principal and interest payments for a total of 6 months if the loans were in good-standing as of December 31, 2019.

NOTE 4 SECURITIZATION AND GAIN ON SALES OF LOANS

Other SPE Cash Receipts

During fiscal years 2022 and 2021, the Organization received approximately $118,000 and $155,000, respectively, of cash from SPEs for loan servicing fees.

Retained Interest

The following summarizes the changes in the balance of the Organization's retained interest reported at fair value for the years ended June 30:

	2022	2021
Retained Interest - Beginning of Year	$ 3,941,331	$ 4,396,529
Retained Interest in Securitized Loans		
Investment Returns:		
Accreted Interest Income	184,186	263,682
Change in Retained Interest Fair Value	(168,382)	(2,529)
Cash Payments Received	(1,971,751)	(716,351)
Retained Interest - End of Year	$ 1,985,384	$ 3,941,331

Retained Interest Sensitivity

As of June 30, 2022, key economic assumptions used in measuring the fair value of retained interests in securitizations and the sensitivity of the current fair value of residual cash flows to changes in those assumptions are stated below. The sensitivities are hypothetical and should be used with caution. As the amounts indicate, changes in fair value based on variations in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, in this table, the effect of a variation in a particular assumption on the fair value of the retained interest is calculated without changing any other assumption. In reality, changes in one factor may result in changes in another, which might magnify or counteract the sensitivities.

Retained interest information is segmented by the type of the underlying loan product securing the retained interest.

Business loans and affordable housing loans perform differently due to different borrower characteristics, collateral, loan terms, and underwriting criteria.

NOTE 4 SECURITIZATION AND GAIN ON SALES OF LOANS (CONTINUED)

The business loans are generally made to small business owners and are secured by first and second liens on the business real estate and/or equipment. Prepayment penalties are generally assessed through year ten of the note and become less significant as the loan approaches ten years outstanding.

The affordable housing loans are made to investors wanting to take advantage of governmental low income multifamily incentive tax credits. The loans have significant yield maintenance penalties during the first several years (yield maintenance period) and smaller various levels of prepayment penalties (penalty period) thereafter with a period of no penalty (no penalty period) until final maturity. Investors risk significant financial penalties through the recapture of tax credits should the loan default during the first 10 years of the loan.

	2022
	Affordable Housing Loans
Principal Balance of Underlying Loans (Held with SPEs)	$ 11,465,054
Carrying Amount of Retained Interest (at Fair Value)	1,985,384

The following represents the assumptions used to determine fair value of retained interest as of June 30, 2022, related to affordable housing loans. The following disclosure also includes the impact of fair value based on hypothetical changes of 125% and 75% to the base assumptions as of June 30, 2022.

Affordable Housing Loans

Weighted Base Assumptions Used to Obtain Fair Value of Affordable Housing Loans:	
Average Annual Prepayment Rate:	
During Yield Maintenance Period	7.59%
During Prepayment Penalty Period	57.73%
During No Penalty Period	57.73%
Cumulative Future Loss Rate	0.02%
Discount Rate	6.13%

Impact on Fair Value Increase (Decrease):	
Annual prepayment rate during yield maintenance period of 5.69%	$ 320
Annual prepayment rate during yield maintenance period of 9.49%	(352)
Annual prepayment rate during prepayment penalty period of 43.39%	19,430
Annual prepayment rate during prepayment penalty period of 71.98%	(23,348)
Cumulative future loss rate of 200% of base (0.04%)	18
Discount rate of 4.6%	107,565
Discount rate of 7.67%	(98,249)

NOTE 5 PARTICIPATING INTEREST

During the years ended June 30, 2022 and 2021, CRF SBLC sold SBA 7(a) loans with an original principal balance of approximately $24,630,000 and $16,590,000, respectively, to third-party investors. The Organization sells a 75% or 85% participating interest in certain SBA 7(a) loans to these third-party investors and retains the remaining 25% or 15% participating interest. The retained portion of the original principal balance of these loans was approximately $6,150,000 and $5,390,000 during the years ended June 30, 2022 and 2021, respectively. The Organization recognized servicing rights resulting from these transactions during the fiscal years 2022 and 2021 of approximately $484,000 and $358,000, respectively.

During the year ended June 30, 2021, CRF SBLC sold 100% participations in Paycheck Protection Program loans with an original principal balance of $99,274,000, to a single SBA Participating Investor. Following the receival of the SBA Procedural Notice dated April 24, 2020, which stated that for PPP loans only, SBA's prior written consent is not required and lenders may sell participations of up to 100% of the principal balance, CRF SBLC sold 100% participations to the SBA Participating Investor. Prior to this procedural notice 90% participations were sold.

The transfers of participating interests were accounted for as sales in accordance with ASC 860. The Organizations participating interests in these loan transfers is included within investment loans on the consolidated statements of financial position. All cash flows from the loans are divided proportionately based on each participating interests' percentages after servicing fees are paid. Following the receipt of the SBA Procedural Notice the remaining 10% of loans were sold as participations.

NOTE 6 SERVICING RIGHTS

Activity for servicing rights under the amortization method is as follows for the years ended June 30:

	2022	2021
Balance - Beginning of Year	$ 1,818,000	$ 1,896,448
Additions	484,063	357,913
Impairment	(129,978)	(25,141)
Amortization	(630,172)	(411,220)
Balance - End of Year	$ 1,541,913	$ 1,818,000

The fair value of servicing rights is approximately $1,542,000 and $1,818,000 as of June 30, 2022 and 2021, respectively, which was determined using a weighted-average discount rate of 10.75% and 10.00% and a weighted-average constant prepayment rate of 22.17% and 19.28% respectively.

NOTE 7 SOFTWARE AND EQUIPMENT

Software and equipment consists of the following as of June 30:

	2022	2021
Leasehold Improvements	$ 625,452	$ 625,452
Furniture, Fixtures, and Equipment	2,384,417	2,325,338
Computer Hardware, and Software	9,103,357	6,233,790
Subtotal	12,113,226	9,184,580
Less: Accumulated Depreciation	(8,416,890)	(6,983,328)
Total	$ 3,696,336	$ 2,201,252

NOTE 8 COLLATERALIZED BORROWINGS

On April 13, 2020 CRF SBLC entered into a drawable credit agreement with a total available credit of $100,000,000 to be secured by PPP loan receivables, maturing on June 30, 2022 and bearing interest at 0.00%. The debt facility was unconditionally guaranteed by CRF. On May 20, 2020, the loan agreement was amended, increasing the total facility to $125,000,000. Following the approval of a third round of PPP lending, this facility was amended, increasing the total facility to $250,000,000. A total of $-0- and $-0- was outstanding as of June 30, 2022 and 2021, respectively. Due to the debt facility bearing interest at 0.00%, interest was imputed based on market rates on similar debt.

On April 24, 2020, CRF SBLC entered into a drawable credit agreement with a total available credit of $25,000,000 to be secured by PPP loan receivables, maturing on April 24, 2022, and bearing interest at 0.50%. The debt facility was unconditionally guaranteed by CRF. A total of $-0- and $-0- was outstanding as of June 30, 2022 and 2021, respectively.

In December of 2021, CRF SBLC began using the Paycheck Protection Program Liquidity Facility (PPPLF) offered through the Federal Reserve Bank of Minneapolis. As part of the PPPLF, CRF SBLC is able to borrow non-recourse funds from FRB of Minneapolis in an amount equal to the principal amount of the PPP loans pledged as collateral. The term of the facility is tied to the terms of such underlying loans. The facility bears interest at 0.35% and is paid down as underlying PPP loans are paid down. During fiscal year 2021, CRF SBLC paid off all other PPP related debt by shifting this debt to the PPPLF. A total of $10,440,320 was outstanding as of June 30, 2022.

NOTE 9 NOTES PAYABLE AND SUBORDINATED NOTES PAYABLE

Notes payable consist of the following as of June 30:

Description	2022	2021
Notes Payable, fixed term Maturities from fiscal 2023 to fiscal 2027	$ 19,586,666	$ 22,813,332
Notes Payable, revolving Maturities from fiscal 2024 to fiscal 2025	-	-
Debt Issuance Costs	(20,000)	(32,214)
Total	$ 19,566,666	$ 22,781,118

The term notes payable bear interest at rates between 2.00% and 4.00%, payable on a quarterly, semi-annual, or annual basis, with scheduled principal payments at various amounts due in fiscal year 2023 through fiscal year 2027. Outstanding notes payable are with financial institutions totaling $5,666,666, foundations totaling $4,145,000, insurance companies totaling $7,500,000, and investment funds totaling $2,275,000, all on an unsecured basis.

The revolving notes payable bear interest at rates between 2.25% and 3.00%, payable semi-annual or quarterly with maturity dates between fiscal year 2024 and fiscal year 2025. The revolving facilities support the lending activities on an unsecured basis with three financial institutions. The amount of available capacity above the current outstanding amount was $22,500,000 and $20,500,000 as of June 30, 2022 and 2021, respectively.

In April of 2020, the Organization entered into five separate unsecured drawable credit agreements totaling $46,500,000 with interest rates between 0.00% and 1.00% and maturity dates between fiscal year 2021 and fiscal year 2022. Credit facilities were specifically for the funding of PPP loans originated by the Organization. All facilities were repaid during fiscal year 2021. The total outstanding balance of these facilities was $-0- and $-0- as of June 30, 2022 and 2021, respectively.

Certain note payable agreements require CRF to meet certain financial and other covenants of which they were in compliance at June 30, 2022.

Subordinated notes payable consist of notes to various financial institutions, with interest from 2.00% to 3.50% payable quarterly, and principal due September 2022 through December 2027. The balance of these notes was $15,500,000 and $15,700,000 as of June 30, 2022 and 2021, respectively. Subordinated notes payable are subordinate to all current and future senior debt including instances when payment on subordinated notes would result in failure to meet covenants on senior debt.

NOTE 9 NOTES PAYABLE AND SUBORDINATED NOTES PAYABLE (CONTINUED)

Scheduled future maturities are as follows for the years ending June 30:

Year Ending June 30,	Notes Payable	Subordinated Notes Payable	Total
2023	$ 1,891,666	$ -	$ 1,891,666
2024	11,025,000	800,000	11,825,000
2025	800,000	2,000,000	2,800,000
2026	5,500,000	5,000,000	10,500,000
2027	370,000	2,700,000	3,070,000
Thereafter	-	5,000,000	5,000,000
Total	$ 19,586,666	$ 15,500,000	$ 35,086,666

NOTE 10 INCOME TAXES

Income taxes consist of the following for the year ended June 30:

	2022	2021
Current:		
Federal	$ (176,000)	$ 2,035,000
State	2,000	821,000
Total Current Provision	(174,000)	2,856,000
Deferred:	271,000	(271,000)
Total Income Tax Provision	$ 97,000	$ 2,585,000

Ignify's effective income tax rate differs from the federal statutory income tax rate principally due to state income taxes and permanent differences.

The reconciliation of the effective combined federal and state income tax rates to the federal statutory income tax rate is as follows:

	2022		2021	
	Amount	Percent	Amount	Percent
Income Tax Expense at Federal Statutory Rate	$ (638,000)	21%	$ 1,976,000	21%
State and Local Income Taxes, Net of Federal Tax Benefit	64,000	-3%	595,000	6%
Meals & Entertainment	-	0%	1,000	0%
Permanent Differences	18,000	-1%	28,000	0%
Miscellaneous	(171,000)	6%	(15,000)	0
Valuation Allowance	824,000	-27%	-	0%
Income Tax Expense	$ 97,000	-4%	$ 2,585,000	27%

NOTE 10 INCOME TAXES (CONTINUED)

Significant components of deferred tax assets and liabilities at June 30, are as follows:

Deferred Tax Assets (Liabilities):		
Accrued Liabilities	$ 47,000	$ 282,000
Prepaid Expenses	(18,000)	(10,000)
Stock-Based Compensation	6,000	1,000
Property and Equipment	(12,000)	(2,000)
Intangible Assets	1,187,000	-
Net Operating Loss and Credit Carryforward	852,000	-
Total Net Deferred Tax Assets (Liabilities)	2,062,000	271,000
Less: Valuation Allowance	(2,062,000)	
Total Net Deferred Tax Assets (Liabilities)	$ -	$ 271,000

Total net deferred tax assets are included in Other Assets on the consolidated statements of financial position.

NOTE 11 COMMITMENTS AND CONTINGENCIES

Leases

Operating lease payments, including minimum scheduled rent increases, are recognized as rent expense on a straight-line basis over the lease term, including any option periods considered in the lease term and any periods during which the Organization has use of the property but is not charged rent by a landlord. Rent expense on operating leases for office space and equipment totaled approximately $300,000 and $301,000 for the years ended June 30, 2022 and 2021, respectively.

Approximate future minimum rentals under non-cancelable operating leases are as follows for the years ending June 30:

Year Ending June 30,	Amount
2023	$ 218,184
2024	105,756
2025	197,649
2026	203,297
2027	132,451

Servicing

CRF is the master servicing agent for most loans which collateralize outstanding bonds, loans in a participating interest arrangement, securitized loans and is a sub-servicer for others. CRF is also the servicing agent for loans held by unrelated organizations. In both situations, CRF receives a servicing fee, and is obligated to perform certain loan servicing procedures in accordance with the loan servicing agreements. Under such agreements, CRF has contractual responsibility for certain damages resulting from specific breaches of the responsibilities contained in those agreements. As of June 30, 2022 and 2021, no contingent liabilities have been recorded related to CRF's servicing agreements.

NOTE 11 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Legal Proceedings

From time to time, CRF may be a party to certain legal proceedings arising out of the ordinary course of business, the outcomes of which individually or in the aggregate, in the opinion of management, would not have a material adverse effect on the Organization's business operations or financial position.

NOTE 12 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of June 30:

	2022	2021
Restricted for Specific Purposes:		
Lending Operations	$ -	$ 85,613
Technology Platforms	1,244,073	659,376
Lending Funds	278,633	632,929
Community Solutions	114,063	201,381
Total	$ 1,636,769	$ 1,579,299

Net assets were released during the years ended June 30, for the following purposes:

	2022	2021
Program Release	$ 8,760,695	$ 17,064,183
Total	$ 8,760,695	$ 17,064,183

NOTE 13 REVENUE RECOGNITION

Topic 606 does not apply to revenue associated with financial instruments, including revenue from loans and securities. In addition, certain noninterest income streams such as servicing fees on loans sold, loan origination fees, and gain or loss on the sale of loans. Topic 606 is applicable to noninterest income such as management fees, SaaS revenue, contract loan servicing, Bond Guarantee Program (BGP) structuring fees, and software transaction fees. Noninterest income considered to be within the scope of Topic 606 is discussed below.

Contract Loan Servicing Fees – The Organization earns fees from clients for the servicing of loan portfolios over a distinct time period. Fees are recognized over time under the right to invoice practical expedient as the value provided to the customer corresponds directly to the performance to date.

NMTC Management Fees – Administrative services fees are earned for managing the operations of a Subsidiary Community Development Entity (Sub-CDE) including reasonable efforts to cause the Sub-CDE to comply with all NMTC program requirements. The fee is generally calculated as a percentage of the aggregate capital contribution made by the limited partner of the Sub-CDE that has been designated a qualified equity investment. Revenue is recorded on the output method and is recognized monthly over the service period as the Sub-CDE simultaneously receives and consumes the benefits as the Organization performs the administrative services. Administrative services fees are paid annually or quarterly during a seven-year program compliance period.

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

SaaS Fee Income – The Organization sells proprietary software, SPARK and C2C, as a Software as a Service (SaaS) to clients for the origination of business loans and for the matching of small business loans to community lenders, respectively. Contracts include both upfront configuration and monthly SaaS fees. Upfront configuration fees are reviewed for separate performance obligations and if deemed to be separate are recognized as those performance obligations are met. The portion of the upfront configuration fee deemed to be the same performance obligation as providing access to the software is reviewed for any potential material right. A material right could be present if the customer has the option to renew the contract without an additional fee, the fee is considered material to the customer, and the fee is material in relation to the total fees due under the performance obligation. If a material right is present, the value of that right is deferred to future periods. The remainder of the total of future revenue for the performance obligation of providing access to software is recognized evenly over the term of the contract using the output method.

NOTE 13 REVENUE RECOGNITION (CONTINUED)

SaaS Fee Income – The Organization sells proprietary software, SPARK and C2C, as a Software as a Service ("SaaS") to clients for the origination of business loans and for the matching of small business loans to community lenders, respectively. Contracts include both upfront configuration and monthly SaaS fees. Upfront configuration fees are reviewed for separate performance obligations and if deemed to be separate are recognized as those performance obligations are met. The portion of the upfront configuration fee deemed to be the same performance obligation as providing access to the software is reviewed for any potential material right. A material right could be present if the customer has the option to renew the contract without an additional fee, the fee is considered material to the customer, and the fee is material in relation to the total fees due under the performance obligation. If a material right is present, the value of that right is deferred to future periods. The remainder of the total of future revenue for the performance obligation of providing access to software is recognized evenly over the term of the contract using the output method..

SPARK Transaction Fees, PPP – The Organization created a separate version of the SPARK software specifically for the origination of Paycheck Protection Program (PPP) loans. Revenue was structured as a set fee for each PPP loan originated using the software using a sliding scale for fee as a percentage of loan balances. Upfront configuration fees are reviewed for separate performance obligations and if deemed to be separate are recognized as those performance obligations are met. The portion of the upfront configuration fee deemed to be the same performance obligation as providing access to the software is reviewed for any potential material right. A material right could be present if the customer has the option to renew the contract without an additional fee, the fee is considered material to the customer, and the fee is material in relation to the total fees due under the performance obligation. If a material right is present, the value of that right is deferred to future periods. The origination of each loan using SPARK is considered to be a separate performance obligation with revenue recognized at the point in time that the loan is originated as the customer is deemed to have benefited at that point in time.
BGP Structuring Fees – The Organization receives fees from eligible CDFIs for the structuring and closing of BGP bonds for its role as qualified issuer under the Bond Guarantee Program. Revenue is recognized based on contracts with CDFI clients at a point in time when separate performance obligations are met.

NMTC Transaction Fees – The Organization receives a sub-allocation fee for transferring a portion of the Organization's NMTC allocation to a Sub-CDE. Fees are earned and paid on the date the transaction closes.

Consulting Contracts – The Organization provides consulting services to clients, each of which is governed by a separate and distinct contract. Contracts are reviewed for performance obligations and revenue is recognized at the time the performance obligations are met.

NOTE 13 REVENUE RECOGNITION (CONTINUED)

The following table presents noninterest income, segregated by revenue streams in-scope and out-of-scope of Topic 606, disaggregated by primary performance obligation for the years ending June 30:

	2022	2021
Loan Servicing Fees:		
Contract Loan Servicing Fees	$ 722,305	$ 808,730
Management Fees:		
Administrative Service Fees - NMTC	1,068,844	914,429
Administrative Service Fees - BGP	1,325,641	1,143,807
SaaS Fees	2,564,159	1,806,137
Total Management Fees Subject to ASC 606	4,958,644	3,864,373
Transaction Fees:		
Professional Services - SPARK	426,706	11,461,673
Professional Services - BGP	-	250,000
Professional Services - NMTC	1,220,000	798,000
Professional Services - Consulting	1,697,376	2,934,300
Other	10,856	229,483
Total Transaction Fees Subject to ASC 606	3,354,938	15,673,456
Total Non-Interest Revenue Subject to ASC 606	9,035,887	20,346,559
Total Non-Interest Revenue Not Subject to ASC 606	7,533,580	11,197,789
Total Non-Interest Revenue	$ 16,569,467	$ 31,544,348

	2022	2021
Timing of Revenue Recognition:		
Revenue Recognized Over Time	$ 7,378,325	$ 7,607,403
Revenue Recognized at a Point in Time	1,657,562	12,739,156
Total	$ 9,035,887	$ 20,346,559

NOTE 14 FAIR VALUE MEASUREMENTS

The Organization accounts for fair value measurements in accordance with ASC 820, Fair Value Measurements and Disclosures, which defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 establishes three levels of inputs that may be used to measure fair value:

- Level 1 – inputs utilizing quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2 – observable inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in active markets, or quoted prices for identical or similar assets in markets that are not active.
- Level 3 – unobservable inputs in which there is little or no market data available, which require the reporting entity to develop its own assumptions.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. A nonpublic entity is not required to provide the information described in (bbb)(2)(i), but is required to provide quantitative information about the significant unobservable inputs used in the fair value measurement in accordance with (bbb)(2).

The following methods were used by the Organization in estimating fair value under ASC 820:

Retained interest: The fair value of retained interests is estimated based on the present value of anticipated future loan cash flows. Key assumptions used in this valuation are estimated credit losses, prepayment factors, and discount rates (see Note 4).

Loans held for sale: The fair value of loans held for sale is estimated by discounting future cash flows using current rates of return required by investors in similar assets.

Servicing asset: The fair value of servicing rights is based on a valuation model which calculates the present value of estimated future net servicing income. The model incorporates assumptions that market participants use in estimating future net servicing income, including estimates of prepayment speeds, discount rate, default rates, cost to service, contractual servicing fee income, ancillary income, and late fees. Fair value assumptions include prepayment rates ranging between 18% and 22%, in addition to assumptions in Note 6 that are considered to be unobservable inputs. Due to the significance of the Level 3 inputs, mortgage servicing rights have been classified as Level 3.

NOTE 14 FAIR VALUE MEASURMENTS (CONTINUED)

Impaired loans: The fair value of impaired loans is based on the lower of cost or estimated fair value of the collateral securing the loan at the time the loan is identified as impaired and on an on-going basis, when applicable. The fair value of collateral is based on appraisals, adjusted for various factors including age of the appraisal and known changes in the market or the collateral. Additional appraisal adjustments range between 10% and 40% of market value. Due to the significance of the Level 3 inputs, impaired loans fair values have been classified as Level 3.

The following tables present the hierarchy level for each of the Organization's assets and (liabilities) that are measured at fair value on a recurring basis:

	2022			
	Level 1	Level 2	Level 3	Total
Retained Interest in Securitized Loans	$ -	$ -	$ 1,985,384	$ 1,985,384
Total	$ -	$ -	$ 1,985,384	$ 1,985,384

	2021			
	Level 1	Level 2	Level 3	Total
Retained Interest in Securitized Loans	$ -	$ -	$ 3,941,331	$ 3,941,331
Total	$ -	$ -	$ 3,941,331	$ 3,941,331

See Note 4 for changes in retained interest for the years ended June 30, 2022 and 2021.

Nonrecurring fair value measurements typically involve assets that are periodically evaluated for impairment and for which any impairment is recorded in the period in which the remeasurement is performed. The following tables present the hierarchy level for each of the Organization's assets and (liabilities) that are measured at fair value on a nonrecurring basis for year ending June 30:

	2022			
	Level 1	Level 2	Level 3	Total
Servicing Asset	$ -	$ -	$ 1,541,913	$ 1,541,913
Impaired Loans[1]	-	-	2,084,946	2,084,946
Total	$ -	$ -	$ 3,626,859	$ 3,626,859

	2021			
	Level 1	Level 2	Level 3	Total
Servicing Asset	$ -	$ -	$ 1,818,000	$ 1,818,000
Impaired Loans[1]	-	-	1,549,879	1,549,879
Total	$ -	$ -	$ 3,367,879	$ 3,367,879

NOTE 15 RELATED PARTY TRANSACTIONS

Certain credit facilities of the Organization are held by an institution which employs a member of CRF's board of trustees. Total interest payments under these credit facilities were approximately $84,000 and $83,000 for the years ended June 30, 2022 and 2021, respecitvely. The balance outstanding under these facilities was $2,000,000 as of June 30, 2022 and 2021. In the opinion of management, the costs and revenues resulting from these transactions approximate the amounts that would result from transactions conducted with unrelated third parties.

CRF has entered into certain new markets tax credit (NMTC) transactions in which an institution which employs a member of CRF's board of trustees is an investor. These NMTC transactions are treated as arms-length transactions because they are subject to government requirements, and only allow specific fee amounts based on total principal value of the tax credit allocation. CRF recognized sub-allocation fees from these NMTC transactions of $960,000 and $520,000 in fiscal years 2022 and 2021, respectively. CRF also acts as the program manager and servicer for all NMTC transactions. Program management and servicing fees, from those transaction in which the institution is an investor, totaled approximately $214,300 and $34,300 for the years ended June 30, 2022 and 2021, respectively.

The Organization's federal income tax exemption under 501(c)(3) of the Internal Revenue Code is premised in part upon the Organization providing support to governmental and public charities engaged in community development, and requires a majority of CRF's board of trustees to be representatives of such organizations. As a result, from time to time CRF may enter into transactions with organizations who employ a member of the CRF board of trustees.

The CRF Board of Trustees has adopted a conflict of interest policy that requires disclosure of any conflict of interest and recusal in appropriate circumstances, which is reviewed and approved by the board annually.

CRF has an administrative services and a commercial services agreement with Ignify. Through the administrative services agreement, CRF provides Ignify with various corporate services including staff support for general accounting and other services to Ignify. Total expenses incurred by Ignify related to the administrative services agreement were $14,165 and $18,565 for the years ending June 30, 2022 and 2021, respectively.

The commercial services agreement describes key commercial relationships between CRF and Ignify, including: 1) Ignify's sales to CRF's class of supported organizations; and 2) CRF's use of SPARK. Fees for CRF's use of SPARK are charged based on the greater of a monthly minimum fee or the activity-based amount on loan origination, as defined in the agreement. Total revenues earned by Ignify related to the commercial services agreement were $308,195 and $954,484 for the years ending June 30, 2022 and 2021, respectively.

NOTE 16 EMPLOYEE BENEFIT PLANS

The Organization sponsors a 403(b) Plan, and Ignify sponsors a 401(k) Plan, collectively covering all eligible employees. Participants may elect to contribute a portion of their compensation, as defined, up to the maximum amount allowed by law. The Organization may elect annually to make discretionary matching contributions of up to 5% of the employees' annual compensation to the Plan, subject for federal thresholds. The Organization and Ignify made contributions of approximately $377,000 and $306,000 for the years ended June 30, 2022 and 2021, respectively.

The CRF Board of Trustees has approved the awarding of long-term incentive compensation for certain Executive Officers. Awards are approved annually by the Board, vest over a 3 year period and are accrued over the same period. As of June 30, 2022 and 2021, total amounts accrued but not yet paid totaled $242,450 and $203,100, respectively. Awards approved and not yet vested totaled $400,000 and $333,333 as of June 30, 2022 and 2021, respectively.