Opportunity Fund Community Development and Subsidiary

Consolidated Financial Statements
and Single Audit Reports and Schedules

June 30, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Opportunity Fund Community Development and Subsidiary
San Jose, California

We have audited the accompanying consolidated financial statements of Opportunity Fund Community Development and Subsidiary (a California nonprofit public benefit corporation) (the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Opportunity Fund Community Development and Subsidiary as of June 30, 2020 and 2019, 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.

Change in Accounting Principle

As described in Note 2 to the financial statements, the Organization has implemented Financial Accounting Standards Board Accounting Standards Update ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Made*. Our opinion is not modified with respect to these matters.

Emphasis of Matter

As described in Note 7 to the financial statements, in March 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a pandemic, which continues to spread throughout the United States. The impact from the outbreak of COVID-19 on the Organization's mission, financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted at this time. Our opinion is not modified with respect to these matters.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2020, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Armanino LLP

Armanino LLP
San Jose, California

October 6, 2020

Opportunity Fund Community Development and Subsidiary
Consolidated Statements of Financial Position
June 30, 2020 and 2019
(In thousands)

	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	$ 21,354	$ 9,219
Cash - programs (Note 5)	10,227	10,153
Investments (Note 4)	741	631
Loans receivable - small business, net (Note 7)	33,487	30,703
Contributions receivable (Note 6)	3,719	1,287
Due from related parties	23	77
Small business interest and fees	1,069	824
Prepaid expenses and other	545	750
Total current assets	71,165	53,644
Property and equipment, net (Note 9)	3,511	3,811
Non-current assets		
Loans receivable - small business, net (Note 7)	55,516	62,375
Contributions receivable (Note 6)	645	645
Investment in LLCs (Notes 1 and 2)	857	25
Total non-current assets	57,018	63,045
Total assets	$ 131,694	$ 120,500
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	$ 2,761	$ 2,729
Notes payable, current (Notes 10 and 11)	11,643	20,437
Total current liabilities	14,404	23,166
Long-term liabilities		
Accounts payable	700	1,100
Notes payable (Notes 10 and 11)	80,491	69,911
Total long-term liabilities	81,191	71,011
Total liabilities	95,595	94,177
Net assets		
Without donor restrictions	33,701	25,012
With donor restrictions (Note 12)	2,398	1,311
Total net assets	36,099	26,323
Total liabilities and net assets	$ 131,694	$ 120,500

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

Opportunity Fund Community Development and Subsidiary
Consolidated Statement of Activities
For the Year Ended June 30, 2020
(In thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and contributions			
Earned revenues			
Interest from loan programs	$ 12,929	$ -	$ 12,929
Loan and other program income	4,360	-	4,360
Income from sale of portfolio	1,798	-	1,798
NMTC program income	2,461	-	2,461
Investment income, net	57	-	57
Other income	283	-	283
Total earned revenues	21,888	-	21,888
Contributions and grants			
Contributions	18,042	1,967	20,009
Government contracts and grants	799	-	799
Recoveries	3,215	-	3,215
In-kind contributions (Note 2)	418	-	418
Net assets released from restriction (Notes 1 and 12)	880	(880)	-
Total contributions and grants	23,354	1,087	24,441
Total revenues and contributions	45,242	1,087	46,329
Expenses			
Program services	28,310	-	28,310
Support services			
Management and general	6,051	-	6,051
Fundraising	2,192	-	2,192
Total support services	8,243	-	8,243
Total expenses	36,553	-	36,553
Change in net assets	8,689	1,087	9,776
Net assets, beginning of year	25,012	1,311	26,323
Net assets, end of year	$ 33,701	$ 2,398	$ 36,099

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

Opportunity Fund Community Development and Subsidiary
Consolidated Statement of Activities
For the Year Ended June 30, 2019
(In thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and contributions			
Earned revenues			
Interest from loan programs	$ 11,519	$ -	$ 11,519
Loan and other program income	6,419	-	6,419
Income from sale of portfolio	3,035	-	3,035
NMTC program income	2,810	-	2,810
Investment income, net	103	-	103
Other income	176	-	176
Total earned revenues	24,062	-	24,062
Contributions	3,495	952	4,447
Government contracts and grants	990	-	990
Recoveries	1,564	-	1,564
In-kind contributions (Note 2)	231	-	231
Net assets released from restriction (Note 12)	605	(605)	-
Total	6,885	347	7,232
Total revenue and contributions	30,947	347	31,294
Expenses			
Program services	24,241	-	24,241
Support services			
Management and general	4,863	-	4,863
Fundraising	2,281	-	2,281
Total support services	7,144	-	7,144
Total Expenses	31,385	-	31,385
Change in net assets	(438)	347	(91)
Net assets, beginning of year	25,450	964	26,414
Net assets, end of year	$ 25,012	$ 1,311	$ 26,323

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

Opportunity Fund Community Development and Subsidiary
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2020
(In thousands)

	Program Services	Management and General	Fundraising	Total
Salaries and benefits	$ 8,425	$ 3,856	$ 1,584	$ 13,865
Program operating	2,840	-	-	2,840
Interest	2,666	-	-	2,666
Professional services	847	660	93	1,600
Information technology	874	224	78	1,176
Occupancy	568	181	61	810
Other	287	426	51	764
Parking and travel	193	80	18	291
Marketing	3	283	1	287
Special events	-	-	191	191
Donations	2,371	-	-	2,371
Provision for loan losses	8,167	-	-	8,167
Depreciation and amortization	1,069	341	115	1,525
Total	$ 28,310	$ 6,051	$ 2,192	$ 36,553
Percentage of total	77.4 %	16.6 %	6.0 %	100.0 %

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

Opportunity Fund Community Development and Subsidiary
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2019
(In thousands)

	Program Services	Management and General	Fundraising	Total
Salaries and benefits	$ 9,563	$ 2,378	$ 1,870	$ 13,811
Program operating	3,070	-	-	3,070
Interest	2,909	6	-	2,915
Professional services	846	1,180	134	2,160
Information technology	420	265	53	738
Occupancy	488	174	58	720
Other	341	326	40	707
Parking and travel	317	143	46	506
Savings program match	302	-	-	302
Marketing	179	86	1	266
Special events	1	85	4	90
Donations	21	2	1	24
Provision for loan losses	5,172	-	-	5,172
Depreciation and amortization	612	218	74	904
Total	$ 24,241	$ 4,863	$ 2,281	$ 31,385
Percentage of total	77.2 %	15.5 %	7.3 %	100.0 %

Opportunity Fund Community Development and Subsidiary
Consolidated Statements of Cash Flows
For the Years Ended June 30, 2020 and 2019
(In thousands)

	2020	2019
Cash flows from operating activities		
Loan collections	$ 95,075	$ 83,416
Loan sales	32,687	53,123
Proceeds from loan program - notes payable	16,057	9,650
Contributions from individuals and organizations	18,784	3,821
Income from new markets tax credit program	2,515	2,833
Income from sale of loan portfolio	1,792	3,155
Recovery Income	1,873	1,509
Government contracts and grants	799	870
Income from PPP loan origination	541	-
Other income	329	255
Loan disbursements	(71,778)	(112,467)
Repayments to third party partners	(43,628)	(30,795)
Salaries and benefits	(13,930)	(13,639)
Net (repayments) proceeds from loan program - lines of credit	(8,000)	14,000
Repayments of loan program - notes payable	(6,271)	(4,085)
Administrative & other	(5,813)	(4,430)
Interest	(2,828)	(2,779)
Program operating	(2,502)	(5,057)
Occupancy	(849)	(646)
Marketing	(289)	(317)
Net cash provided by (used in) operating activities	14,564	(1,583)
Cash flows from investing activities		
Net changes in investment in LLCs	(834)	(1)
Proceeds from sale of investments	-	582
Acquisition of property and equipment	(1,521)	(487)
Net cash provided by (used in) investing activities	(2,355)	94
Net increase (decrease) in cash and cash equivalents	12,209	(1,489)
Cash, cash equivalents and restricted cash, beginning of year	19,372	20,861
Cash, cash equivalents and restricted cash, end of year	$ 31,581	$ 19,372
Cash, cash equivalents and restricted cash consisted of the following:		
Cash and cash equivalents	$ 21,354	$ 9,219
Cash - programs	10,227	10,153
	$ 31,581	$ 19,372

Supplemental schedule of noncash investing and financing activities

Intangible asset acquired by long-term liability	$ 1,100	$ 1,500

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

1. NATURE OF OPERATIONS

Opportunity Fund Community Development and Subsidiary (the "Organization"), is a Community Development Financial Institution certified by the U.S. Department of the Treasury. The Organization was formed as a for-profit organization on December 8, 1993. On September 30, 2000, the Organization converted to a California nonprofit public benefit corporation. Since then, the Organization has been classified as a publicly supported, tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is exempt from California franchise taxes under Revenue and Taxation Code Section 23701(d).

The Organization's mission is to drive economic mobility by delivering affordable capital and responsible financial solutions to determined entrepreneurs and communities. The Organization relies on earned revenue from interest and fee income generated by its mission-oriented programs as well as charitable donations from individuals and institutions to fund the costs of its operations. The Organization also borrows funds from public and private institutions to use as loan capital for its small business lending program. The Organization maintains offices in California and its programs primarily reach clients and borrowers in California but also in forty-four other states. The Organization has the programs described below, and also promotes policies and research which further financial inclusion and impact measurement.

With the purpose of significantly expanding its mission outreach in the United States, effective February 28, 2020, the Organization combined with Accion Opportunity Fund ("AOF", formerly Accion, The US Network, Inc.), a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code, organized in the state of Delaware and having its headquarter in New York, NY. The mission of AOF is to assist in building world-class microfinance institutions in the United States to enhance economic development through increasing access to credit and otherwise promoting financial inclusion and health for members of low-to-moderate income communities. The two organizations share the same Board of Directors and management team. The two entities will issue audited consolidated financial statements for the period ending June 30, 2020.

<u>Small Business Lending program</u>

The Organization makes loans to small businesses that lack access to affordable credit from traditional sources. Since inception, the Organization has made over 19,000 loans totaling $505 million to small businesses whose owners are primarily people of color and low and moderate income. The Organization offers loans outside of California in forty-four additional states. Many loans to California-based borrowers are enrolled in a loan loss reserve funded by the State of California as part of its Capital Access Program.

The Organization sells participations in its loan portfolio to a few institutions. The purpose of these sales is to manage credit concentration in the Organization's portfolio and to raise additional capital as it grows. Loans are typically sold at a premium over face value and the Organization retains the servicing of the loans, for which it charges a monthly fee.

1. NATURE OF OPERATIONS (continued)

New Market Tax Credits program

In 2003, the Organization was certified by the U.S. Department of Treasury Community Development Financial Institution Fund ("CDFI Fund") as a Community Development Entity ("CDE") under its New Market Tax Credit ("NMTC") program. As of June 30, 2020, the Organization has received a cumulative total of $388 million of tax credit allocations. The Organization through its subsidiary CDE, the LCD New Markets Fund, LLC uses these allocations to attract new capital to support large real estate projects providing high community impact in low-income areas. As of June 30, 2020 and 2019, the Organization has deployed $377 million and $342 million in Qualified Equity Investments ("QEIs"), respectively.

Savings program

The Organization previously administered a matched savings and financial education program in the San Francisco Bay Area. Since inception, the Organization had facilitated the opening of 6,252 savings accounts for clients and mobilized more than $20 million in individual savings and matching funds. During fiscal year 2018, the Organization decided to cease enrollment of new clients due to the elimination of Federal funding, which was the primary source of funding. The Organization continued to administer the program for existing clients until the last client exited the program during fiscal year 2019.

Ratings

The Organization is rated by Aeris, a national organization which provides ratings, data, and advisory services to support investment in CDFIs. As analyzed September 30, 2019, the Organization is rated A+, four-star. A+ is a rating of Financial Strength and Performance demonstrating the Organization "has strong financial strength, recent performance, and risk management practices relative to its size, complexity, and risk profile." Four-star is the highest possible impact rating, demonstrating "exceptional alignment of its impact mission, strategies, activities, and data."

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The consolidated financial statements have been prepared on the accrual basis of accounting which recognizes revenue when earned and expenses when incurred and, accordingly, reflect all receivables and payables outstanding at the end of the reporting period.

The Organization presents information regarding its consolidated financial position and activities according to two classes of net assets:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting and financial statement presentation (continued)

- *Net assets without donor restrictions* - are available to support all activities of the Organization without restrictions and include those net assets whose use is not restricted by donors.
- *Net assets with donor restrictions* - are contributions with donor imposed time or purpose restrictions. Restricted net assets with donors' restrictions become unrestricted when the time restriction expires or the donor stipulated purpose has been accomplished, at which time they are reported in the statement of activities as net assets released from restrictions.

Principles of consolidation

The consolidated financial statements include the accounts of a subsidiary, LCD New Markets Fund, LLC (the "LLC") of which the Organization is the managing member with a 99% interest. The LLC is a Delaware limited liability company that was formed in April 2003. All material intercompany balances and transactions have been eliminated in consolidation.

Investments in NMTC entities

The following NMTC entities, over which the Organization exercises significant influence, are included in the consolidated financial statements using the equity method of accounting. The investment is recorded at cost then adjusted for the Organization's proportionate share of undistributed earnings or losses (see Note 14). The Organization has a 0.01% financial interest in each of the following entities. As of June 30, 2020 and 2019, the Organization has related-party receivables from certain of the following entities related to asset management fees and operating advances totaling $23 and $77, respectively.

NMTC entities consist of the following:

LCD New Markets Fund XII, LLC *
LCD New Markets Fund XIII, LLC *
LCD New Markets Fund XIV, LLC *
LCD New Markets Fund XV, LLC
LCD New Markets Fund XVI, LLC
LCD New Markets Fund XVII, LLC
LCD New Markets Fund XVIII, LLC
LCD New Markets Fund XIX, LLC
LCD New Markets Fund XX, LLC
LCD New Markets Fund XXI, LLC
LCD New Markets Fund XXII, LLC
LCD New Markets Fund XXIII, LLC
LCD New Markets Fund XXIV, LLC
LCD New Markets Fund XXV, LLC
LCD New Markets Fund XXVI, LLC
LCD New Markets Fund XXVII, LLC
LCD New Markets Fund XXVIII, LLC
LCD New Markets Fund XXIX, LLC
LCD New Markets Fund XXX, LLC
LCD New Markets Fund XXXI, LLC
LCD New Markets Fund XXXII, LLC
LCD New Markets Fund XXXIII, LLC **
LCD New Markets Fund XXXIV, LLC **
LCD New Markets Fund XXXV, LLC **
LCD New Markets Fund XXXVI, LLC **
LCD New Markets Fund XXXVII, LLC **

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in NMTC entities (continued)

* These entities were closed during fiscal year 2020, when the projects were unwound and reached the end of the 7year NMTC compliance period.

** These are shelf entities that have not yet been utilized in an NMTC project yet, as of June 30, 2020.

The above limited liability companies were formed in the State of Delaware to qualify as CDEs under the provisions of Section 45D of the Internal Revenue Code and to make qualified Low Income Community Investments from the proceeds of Qualified Equity Investments received from the NMTC Investor Entities.

Investment in Acceso Loan Fund, LLC

On December 9, 2019, the Organization entered into an agreement with Acceso Loan Fund, LLC, a Delaware limited liability company ("Acceso"). Acceso is organized to provide loans to small businesses that would otherwise have difficulty accessing capital, particularly minority-owned businesses by (i) investing in loans to small businesses, (ii) managing and monitoring such investments, and (iii) engaging in any other activities incidental or ancillary thereto or otherwise permitted by the Delaware Act as the Manager deems necessary or advisable. The Organization's capital investment in Acceso has been made through a generous contribution from a corporate donor. The amount of the contribution is $833.

Cash and cash equivalents

The Organization considers all highly liquid investments with a maturity of three months or less at the date of purchase to be cash equivalents.

Restricted cash

Restricted cash consists of cash with limitations on the Organization's ability to use it due to restrictions imposed by donors.

Contributions and grants revenue recognition

Contributed support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires during the reporting period in which the support is recognized, otherwise such support is reported as an increase in net assets with donor restrictions. All other contributed support is recognized as revenue when received or promised without conditions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In-kind contributions

The Organization in-kind donations when receiving pro-bono professional services and other qualified contributions. These services and contributions would have been purchased had they not been donated.

During the years ended June 30, 2020 and 2019, the Organization received pro-bono legal services valued at $418 and $231, respectively.

Loans receivable

Loans receivable are stated at the principal amount outstanding net of the allowance for loan losses (see Note 7). Interest income on a loan is accrued on the principal outstanding at the loan's stated interest rate.

The Organization prepares an annual assessment of its originations fee income and the cost associated with the origination of loans in order to evaluate the need for capitalization and amortization of these costs. The net amount of deferred origination fees and unamortized initial direct costs, if any, would be reported as part of the loans receivable balance to which it relates on the accompanying Consolidated Statement of Financial Position. As of June 30, 2020 and 2019, the Organization had no net deferred origination fees nor unamortized direct costs recorded on the accompanying Consolidated Statement of Financial Position.

Sale and assignment of loans receivable

The Organization sells participations in its loan portfolio and its practice is to retain a small percentage of ownership in each loan. The Organization evaluates sale premium income and related servicing obligations annually in order to determine the need to record either a financial asset or liability on its balance sheet. As of June 30, 2020 and 2019, the Organization has not recorded a servicing asset or servicing liability as the fees the Organization earns approximates adequate compensation for the costs associated with servicing participated loans.

Allowance for loan losses

The allowance for loan losses represents management's estimate of probable losses inherent in the Organization's lending activities. Credit exposures deemed to be uncollectible are charged to the allowance. Management evaluates the adequacy of the allowance based on historical and best efforts, projected performance of its portfolio as well as internal and external factors and trends such as operational efficiency, national and local economic conditions and the adequacy of other cash loan loss reserves available (see Note 8). The allowance for loan losses is presented in Note 7.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

The Organization invests in marketable securities and fixed income instruments. Investments are recorded at fair value. Unrealized gains and losses represent market fluctuations and are recorded on a monthly basis. Interest and dividend income are recognized when earned (see Note 4).

Fair value of financial instruments

Financial instruments included in the Organization's Consolidated Statement of Financial Position as of June 30, 2020 and 2019, include cash and cash equivalents, receivables, investments, accounts payable and accrued expenses, funds provided for programs without recourse and notes payable with recourse to unrestricted net assets. For cash and cash equivalents, receivables, accounts payable and accrued expenses, funds provided for programs without recourse and notes payable with recourse to unrestricted net assets, the carrying amounts represent a reasonable estimate of the corresponding fair values. Investments are reflected in the accompanying Consolidated Statements of Financial Position at their estimated fair values using methodologies described in Note 4.

Property, equipment, and intangible

Purchased property, equipment, and intangible are stated at cost. Acquisitions of property, equipment, and intangible in excess of $5 are capitalized. Significant donated assets are recorded at estimated fair value at the date of receipt. In absence of restrictions regarding the use of such donated assets, contributions are recorded as unrestricted support.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets of five years for furniture, three years for computers and software, and four years for the intangible. Leasehold improvements are amortized using the straight-line method over the lesser of the assets' estimated useful lives or the term of the applicable lease.

Concentration of credit risk

The Organization maintains cash and cash equivalents with commercial banks and other major financial institutions. Cash equivalents include overnight investments and money market funds. By policy, the Organization invests in low risk highly liquid investments at top rated financial institutions. Deposits, at times, might exceed Federal Deposit Insurance Corporation ("FDIC") limits. The Organization has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on cash accounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentration in contributors

For the year ended June 30, 2020, the Organization had one government entity who provided approximately 14% and two corporate entities who provided 21% and 18% each of total contributions.

For the year ended June 30, 2019, the Organization had two government entities who provided approximately 22% and 13% and one individual who provided 14% of total contributions.

Concentration in loans receivable

For the years ended June 30, 2020 and 2019, the Organization originated 32% and 61%, respectively, of trucking-related loans as a percentage of total loan originations. As of June 30, 2020 and 2019, the Organization's trucking-related loans receivable as a percentage of total loans receivable was 50% and 54%, respectively.

Change in accounting principle

In June 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-08, Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. This ASU clarifies the criteria for evaluating whether a transaction is a contribution or an exchange transaction and whether a contribution is conditional or unconditional.

The Organization adopted ASU 2018-08 with a date of the initial application of July 1, 2019 using the modified prospective method. The adoption of ASU 2018-08 did not have a significant impact on the Organization's financial position, result of operations, or cash flows. The Organization has evaluated contributions received and contributions made and has determined that there is no change as a result of the adoption of the standard.

Functional expense allocation

The costs of providing the various program and supporting services have been summarized on a functional basis in the consolidated statement of activities and changes in net assets. Accordingly, certain costs have been allocated, based on estimates of time, space, and other factors, among the classifications.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax status

The Organization is exempt from federal income taxes under the provisions of Section 501(c) (3) of the Internal Revenue Code. In addition, the Organization qualifies for charitable contribution deductions and has been classified as an organization that is not a private foundation. Income which is not related to exempt purposes less applicable deductions, is subject to federal and state corporate income taxes. The Organization had no unrelated business income for the years ended in June 30, 2020 and 2019, respectively.

The Organization is exempt from California state income taxes under the provision of Section 23701d of the Revenue and Taxation Code. The Organization may be liable for income taxes based on income earned in other states and in which it has not yet applied for exemption. As of June 30, 2020, the Organization assessed the amount of state taxes, if any, to be immaterial to its financial statements and did not accrue any tax liability in its Statement of Financial Position.

Accounting for uncertainty in income taxes

The Organization evaluates its uncertain tax positions and will recognize a loss contingency when it is probable that a liability has been incurred as of the date of the consolidated financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. As of June 30, 2020, management did not identify any uncertain tax positions.

The Organization is subject to potential examination by taxing authorities for income tax returns filed in the U.S. federal jurisdiction and the State of California. The tax years that remain subject to potential examination for the U.S. federal jurisdiction are years ended June 30, 2017, and forward. The State of California tax jurisdiction is subject to potential examination for years ended June 30, 2016 and forward.

Use of estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Reclassifications

Certain 2019 balances have been reclassified to conform to the 2020 financial statement presentation. These reclassifications have no effect on previously reported change in net assets.

(In thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent events

Subsequent events have been evaluated through the date of the financial statements, October 6, 2020, which is the date the consolidated financial statements were available to be issued.

See Note 15 for subsequent events disclosure.

3. LIQUIDITY

The Organization presents a classified statement of financial position where the current assets are listed by order of liquidity and purpose.

The financial assets that are available within one year of June 30, 2020 and 2019, respectively, for operations and programs needs are as follows:

	2020		2019	
	Operations	Programs	Operations	Programs
Unrestricted cash				
Cash	$ 21,354	$ -	$ 9,219	$ -
Short-term investments	741	-	631	-
Loan capital funds	-	4,807	-	3,563
Savings program match funds	-	92	-	93
Total unrestricted cash	22,095	4,899	9,850	3,656
Restricted cash	-	-	175	-
Receivables - current				
Loans receivable	-	33,487	-	30,703
Contributions receivable	424	3,295	595	692
Due from related-parties	23	-	77	-
Small business interest and fees receivable	1,069	-	824	-
Total receivables - current	1,516	36,782	1,496	31,395
Total financial assets available for use within one year	$ 23,611	$ 41,681	$ 11,521	$ 35,051

(In thousands)

3. LIQUIDITY (continued)

The Organization's management reports on its operating and loan capital liquidity on a quarterly basis to the Finance Committee. The Organization manages its liquidity to be in compliance with its loan covenants. The Organization's loan covenants require it to keep at least 90 days of operating cash on hand. To help manage unanticipated liquidity needs, the Organization has a committed operating line of credit in the amount of $4 million, and committed undrawn credit facilities for loan capital in the aggregate amount of $13 million, which it could draw upon at any time. As of June 30, 2020 and 2019, the Organization had on hand approximately 301 and 173 days of operating cash; and 26 and 10 days of loan capital on hand. Both of these ratios exclude cash available from the operating line of credit and undrawn credit facilities for loan capital.

4. INVESTMENTS

The Organization follows the provisions of the Fair Value Measurements and Disclosure topic of the FASB ASC (820-10-35). These standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs consist of significant unobservable inputs. All investments are at quoted prices in active markets for identical assets (level 1 input).

Investments consisted of the following:

	2020	2019
Money market	$ 78	$ -
Mutual funds	663	631
	$ 741	$ 631

Investment earnings (losses) during the year consisted of the following:

	2020	2019
Interest income	$ 38	$ 80
Net realized and unrealized income/(losses)	13	23
	$ 51	$ 103

(In thousands)

5. CASH - PROGRAMS

Cash - programs consisted of the following:

	2020	2019
Cash restricted for donor stipulation	$ -	$ 175
Cash for loan capital	4,807	3,563
Cash for loan loss reserves (1)	5,328	6,322
Cash for savings program match	92	93
	$ 10,227	$ 10,153

(1) The Organization and the State of California's CalCAP program (see Note 8) jointly own a cash account held at a commercial bank. Each entity owns its own contributions made to the program when enrolling eligible loans.

6. CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of unconditional pledges that have not yet been received. The Organization records a present value discount for the future cash flows of these pledges, if material to the consolidated financial statements. As of June 30, 2020 a present value discount was not recorded as the amount was immaterial to the consolidated financial statements. The Organization evaluates contributions receivable for collectability annually. As of June 30, 2020, an allowance for doubtful accounts for contributions receivable was not recorded as the amount was immaterial to the consolidated financial statements.

Future maturities of these receivables are as follows:

Year ending June 30,	
2021	$ 3,719
2022	240
2023	204
2024	201
	4,364
Current portion	(3,719)
	$ 645

(In thousands)

7. LOANS RECEIVABLE AND LOAN LOSS RESERVE

COVID-19

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a pandemic, which continues to spread throughout the United States. The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on the Organization's business and financial results will depend on future developments, potentially including increased losses in the loan portfolio, increased uncertainty in underwriting of small business loans, and uncertain demand for new small business loans. The Organization raised a significant amount of contributed support in the year in part to mitigate the negative effects of COVID-19 on small businesses. The ultimate extent of the impact of any epidemic, pandemic or other health crisis on the Organization's mission, financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted. Accordingly, the Organization cannot predict the extent to which its financial condition and results of operations will be affected.

Small business loans

The Organization offers a standard loan product to small businesses from $2.6 to $250 with fixed interest rates ranging from 5.9% to 24.9% and terms of up to 60 months. Loans are fully amortizing and payments are due at least monthly. Interest is calculated on the outstanding balance. During the years ended June 30, 2020 and 2019, the Organization disbursed $65.1 million among 2,011 standard loans and $117.7 million among 3,195 standard loans in the Small Business Program, respectively.

In April 2020 the Organization was approved as a Paycheck Protection Program ("PPP") lender by the U.S. Small Business Administration. This product for small businesses ranges in size based on the payroll of the company, has a 1% fixed interest rate, and may be fully forgivable if the funds are used for an eligible purpose. During the year ended June 30, 2020, the Organization disbursed $11.4 million among 767 PPP loans.

In total, during the years ended June 30, 2020 and 2019, the Organization disbursed $76.5 million among 2,778 loans and $117.7 million among 3,195 loans in the Small Business Program, respectively, combining standard and PPP loans.

Small business program loans receivable are as follows:

	2020	2019
Total portfolio under management	$ 170,216	$ 179,740
Less third parties' portfolios under management (1)	(75,575)	(81,696)
	94,641	98,044
Less allowance for loan losses	(5,638)	(4,966)
	$ 89,003	$ 93,078

(In thousands)

7. LOANS RECEIVABLE AND LOAN LOSS RESERVE (continued)

Small business loans (continued)

(1) Balance of loan participations owned by third parties / investors. In fiscal year 2020, Opportunity Fund sold participations in 887 loans for a total of $32.6 million. In fiscal year 2019, Opportunity Fund sold participations in 1,503 loans for a total of $53.1 million.

	2020	2019
Loans receivable net of allowance- current	$ 33,487	$ 30,703
Loans receivable net of allowance - non-current	$ 55,516	$ 62,375

Aging schedule

2020 aging schedule by category

	Balance	Current	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	150+ Days
Small business loans	$ 166,070	$157,250	$ 2,814	$ 1,885	$ 1,107	$ 1,296	$ 1,718
Restructured loans	4,146	3,150	379	210	111	107	189
Total portfolio under management	170,216	160,400	3,193	2,095	1,218	1,403	1,907
Less third parties' portfolio under management	(75,575)	(70,910)	(1,241)	(848)	(675)	(839)	(1,062)
Total loans receivable	$ 94,641	$ 89,490	$ 1,952	$ 1,247	$ 543	$ 564	$ 845
		94.56 %	2.06 %	1.32 %	0.57 %	0.60 %	0.89 %

(In thousands)

7. LOANS RECEIVABLE AND LOAN LOSS RESERVE (continued)

Aging schedule (continued)

2019 aging schedule by category

	Balance	Current	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	150+ Days
Small business loans	$ 175,729	$171,193	$ 1,971	$ 1,239	$ 597	$ 662	$ 67
Restructured loans	4,011	3,092	562	117	132	72	36
Total portfolio under management	179,740	174,285	2,533	1,356	729	734	103
Less third parties' portfolio under management	(81,696)	(79,974)	(959)	(313)	(177)	(239)	(34)
Total loans receivable	$ 98,044	$ 94,311	$ 1,574	$ 1,043	$ 552	$ 495	$ 69
		96.20 %	1.61 %	1.06 %	0.56 %	0.50 %	0.07 %

Troubled debt restructurings ("TDR's")

From time to time and as a result of an evaluation of a borrower's circumstances, the Organization considers modifying the terms of a loan that the Organization otherwise would not consider but for the borrower's financial difficulties.

As of June 30, 2020, there were 223 TDR's in the Organization's small business portfolio accounting for a total of $2,551 representing 2.7% of the total portfolio. As of June 30, 2019, there were 236 TDR's accounting for $3,813 representing 3.9% of the total portfolio.

2020 TDR aging schedule is presented as follows:

	Balance	Current	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	150+ Days
Total TDR's under management (1)	$ 4,146	$ 3,150	$ 379	$ 210	$ 111	$ 107	$ 189
Less third parties' TDR's under management	(1,595)	(1,188)	(171)	(75)	(41)	(49)	(71)
	$ 2,551	$ 1,962	$ 208	$ 135	$ 70	$ 58	$ 118
		76.90 %	8.15 %	5.29 %	2.74 %	2.27 %	4.63 %

(In thousands)

7. LOANS RECEIVABLE AND LOAN LOSS RESERVE (continued)

Troubled debt restructurings ("TDR's") (continued)

2019 TDR aging schedule is presented as follows:

	Balance	Current	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	150+ Days
Total TDR's under management (1)	$ 4,011	$ 3,092	$ 562	$ 117	$ 132	$ 72	$ 36
Less third parties' TDR's under management	(198)	(120)	(35)	(20)	(23)	-	-
	$ 3,813	$ 2,972	$ 527	$ 97	$ 109	$ 72	$ 36
		77.94 %	13.82 %	2.54 %	2.86 %	1.89 %	0.94 %

(1) Subset of total portfolio

Payment deferrals and forgiveness

As a result of the COVID-19 global pandemic, the Organization raised a significant amount of fundraising to help small businesses survive the crisis. Clients with difficulty making their payment and attesting hardship could be eligible for up to three payment deferrals. As of June 30, 2020, the Organization deferred $4.4 million of borrower payments to 3,515 unique clients. Additionally, clients with prolonged hardship could be eligible for all or a portion of their payment forgiven. As of June 30, 2020, the Organization extended forgiveness totaling $873 on 1,253 payments.

Allowance for loan losses

The Organization maintains both an allowance for loan losses and cash loan loss reserves (see Note 8) which together are adequate to cover potential losses from its portfolio. The allowance for loan losses represents management's estimate of probable losses inherent in the Organization's portfolio. Credit exposures deemed to be uncollectible are charged against the allowance. Recaptures on previously charged-off amounts are credited to the allowance. Management evaluates the adequacy of the allowance based on historical performance and a best efforts forward looking evaluation of the portfolio performance, internal and external factors and trends such as operational efficiency, national and local economic conditions and the adequacy of other cash loan loss reserves available. For the year ended June 30, 2019, the Organization maintained an allowance for loan losses equal to 100% of the total balance for loans past due 150 days or more.

(In thousands)

7. LOANS RECEIVABLE AND LOAN LOSS RESERVE (continued)

Allowance for loan losses (continued)

The following table summarizes the allowance for loan losses as follows:

	2020	2019
Balance, beginning of year	$ 4,966	$ 3,889
Provisions for loan losses	8,167	5,110
Additional provision for loans 150+ days past due	-	62
Loans charged-off	(7,495)	(4,095)
Balance, end of year	$ 5,638	$ 4,966

8. CASH FOR LOAN LOSS RESERVES

The Organization participates in a State program called the California Capital Access Program ("CalCAP") that has been funded in part by the Small Business Credit Initiative ("SSBCI"). SSBCI is a federal program that provides funding to states to expand access to credit for small businesses. Through this program the state provides cash reserves that protect the Organization against potential credit losses. When an enrolled loan is deemed uncollectable, the Organization can claim 100% of the loss to CalCAP. This protection is limited to the amount of cash in those reserves. Nearly all of the Organization's loans to California-based businesses are enrolled in this program.

Cash for loan loss reserves - CalCAP consist of the following:

	2020	2019
Opportunity Fund contributions to CalCAP Reserve	$ 5,328	$ 6,322
State contributions to CalCAP Reserve (1)(3)	1,675	3,156
State contributions to CalCAP ARB Reserve (2)	1,904	2,444
	$ 8,907	$ 11,922

(1) Reserves for small business loans with general purpose. This portion of the reserve is not included in the Organization's Statement of Financial Position.

(2) State reserves for loans extended to businesses in the trucking industry with the purpose of meeting environmental standards of the State of California. The Organization is not required to contribute to this reserve and it is not included in the Statement of Financial Position

(In thousands)

8. CASH FOR LOAN LOSS RESERVES (continued)

(3) During the years ending June 30, 2020 and 2019, CalCAP withdrew $1.2M each year, of their contributions to the reserve to reflect loans paid off. These withdrawals will be used to enroll additional loans.

9. PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following:

	2020	2019
Furniture	$ 227	$ 227
Computers and equipment	137	188
Software	2,163	1,020
Software-in-kind	2,655	2,655
Intangible asset	1,600	1,600
Leasehold improvements	197	197
	6,979	5,887
Accumulated depreciation and amortization	(3,468)	(2,076)
	$ 3,511	$ 3,811

Depreciation and amortization expense for the years ended June 30, 2020 and 2019, was $1,525 and $904, respectively.

10. REVOLVING LINES OF CREDIT

The organization entered into multiple lines of credit agreements with multiple banks in a total amount of $37 million. These lines of credit mature between October 2020 and December 2025 and carry annual interest rates between 2.68% and 4.5%. The aggregate outstanding balances as of June 30, 2020 and 2019, were $20 million and $28 million, respectively.

11. NOTES PAYABLE

The organization entered into multiple notes payable agreements with multiple institutions for a total of $61.28 million. These notes payable mature between July 2020 and September 2029 and carry annual interest rates between 0% and 4%.

The organization entered into multiple agreements with individual investors in the amount of $10.85 million. These impact investments mature between March 2022 and August 2024 and carry annual interest rates between 1.15% and 4%.

(In thousands)

11. NOTES PAYABLE (continued)

In April 2020, the Organization entered into a loan with Beneficial State Bank as the in an aggregate principal amount of $2.6 million pursuant to the Paycheck Protection Program under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. This loan program provides paycheck protection for employees of the Organization from the economic impact to the business due to COVID-19. The principal amount of the PPP loan is subject to forgiveness to the extent that proceeds are used to pay eligible program expenses including payroll costs, rent obligations, and utility payments. The company intends to apply for forgiveness of the PPP loan with respect to these covered expenses.

Certain of the notes payable agreements require the Organization to comply with various financial covenants. The Organization was in compliance with all, or received a temporary waiver on certain, covenants as of June 30, 2020 and 2019.

Future maturities of all debts are as follows:

Year ending June 30,	
2021	$ 11,643
2022	27,802
2023	20,332
2024	11,082
2025	1,775
Thereafter	19,500
	92,134
Current portion	(11,643)
	$ 80,491

12. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were for the following purposes:

	Balance at June 30, 2019	Additions to Restrictions	Releases from Restrictions	Balance at June 30, 2020
Small business operating	$ 305	$ 50	$ (269)	$ 86
Time-restricted operating grants	1,006	1,917	(611)	2,312
	$ 1,311	$ 1,967	$ (880)	$ 2,398

(In thousands)

12. NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net assets with donor restrictions were for the following purposes:

	Balance at June 30, 2018	Additions to Restrictions	Releases from Restrictions	Balance at June 30, 2019
Small business operating	$ 400	$ 130	$ (225)	$ 305
Time-restricted operating grants	564	822	(380)	1,006
	$ 964	$ 952	$ (605)	$ 1,311

13. RETIREMENT PLAN

The Organization provides a defined contribution 403(b) retirement savings plan ("Plan") for all eligible full and part time employees. The Plan provides for employee contributions, through a salary reduction agreement, plus employer contributions at the Organization's discretion and an employer matching contribution at various matching levels. During the years ended June 30, 2020 and 2019, the Organization contributed approximately $288 and $287, respectively, to the Plan for participating employees.

14. COMMITMENTS

New Markets Tax Credits commitments

The Organization provides indemnifications for its various NMTC projects in an event of a tax benefit recapture. The NMTC tax benefit recapture risk is based on the initial qualified equity investment amount, adjusted based on the life of the project. The indemnification period ends after ten years and nine months: seven years of the tax benefit period and three years nine months after the last tax return showing benefits has been filed.

The following recapture events may trigger indemnification by the Organization: (1) the CDE ceases to be a qualified CDE; (2) the CDE fails to meet the substantially all test; or (3) the QEI is redeemed before the end of the tax credit period. Management has taken significant steps to mitigate these potential indemnification risks.

Management believes that the likelihood of a recapture event is remote. In the entire history of the NMTC program, management is not aware of one recapture event anywhere in the country.

Total amounts currently at risk are $79 million and future amounts are $45 million. The maturity dates range from April 2021 through November 2030 at which times the Organization is no longer liable.

(In thousands)

14. COMMITMENTS (continued)

Operating leases commitments

The Organization is obligated under non-cancelable operating leases for facilities and office equipment, which expire at various times.

The scheduled minimum lease payments under the lease terms are as follows:

Year ending June 30,		
2021	$	845
2022		384
2023		395
2024		64
	$	1,688

Rental expense for the years ended June 30, 2020 and 2019, was $810 and $720, respectively.

15. SUBSEQUENT EVENTS

In July 2020, the Organization received a $15 million unrestricted grant from one individual. This is the largest individual donation the Organization has received in its history. The grant accelerates the Organization's efforts to reach thousands of underserved entrepreneurs with capital across the United States in the coming years.

SINGLE AUDIT REPORTS AND SCHEDULES

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Opportunity Fund Community Development and Subsidiary
San Jose, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Opportunity Fund Community Development and Subsidiary (a California nonprofit public benefit corporation) (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 6, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Armanino LLP

Armanino[LLP]
San Jose, California

October 6, 2020

armanino

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Opportunity Fund Community Development and Subsidiary
San Jose, California

Report on Compliance for Each Major Federal Program

We have audited Opportunity Fund Community Development and Subsidiary (a California nonprofit public benefit corporation) (the "Organization")'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2020. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements*, *Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weakness or significant deficiencies.

We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Armanino LLP

ArmaninoLLP
San Jose, California

October 6, 2020

Opportunity Fund Community Development and Subsidiary
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020
(In thousands)

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Contract Number	Total Federal Expenditures
Expenditures of Federal Awards			
U.S. Department of Treasury			
Direct awards			
Community Development Financial Institution Program	21.020	191FA051777	$ 799
Small Business Lending Fund EQ2	N/A	0878	2,236
Total U.S. Department of Treasury			3,035
Total Expenditures of Federal Awards			$ 3,035

The accompanying notes to the Schedule of Expenditures of Federal Awards
are an integral part of this schedule.

Opportunity Fund Community Development and Subsidiary
Notes to Schedule of Expenditures of Federal Awards
June 30, 2020
(In thousands)

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Opportunity Fund Community Development and Subsidiary (the "Organization") under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements*, *Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement. Pass-through entity identifying numbers are presented where available and applicable.

Grant periods for certain of the grants included in the Schedule are different from the fiscal year of the Organization. Expenditures reported in the Schedule only include expenditures for the period of July 1, 2019 through June 30, 2020, which is the Organization's fiscal year.

3. U.S. DEPARTMENT OF TREASURY LOAN PROGRAM

The Organization has a U.S. Department of Treasury loan. The loan balance outstanding at the beginning of the year is included in the federal expenditures presented in the Schedule. The Organization received no additional loans during the year. The loan was paid off as of June 30, 2020. The balance of the loan outstanding at June 30, 2020 was $0.

CFDA Number: N/A

Program Name: Small Business Lending Fund EQ2

4. INDIRECT COSTS

The Organization has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Opportunity Fund Community Development and Subsidiary
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020
(In thousands)

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major programs:

Name of Federal Program or Cluster	CFDA Number
Community Development Financial Institution Program	21.020

Dollar threshold used to distinguish between Type A and Type B programs	$750
Auditee qualified as low-risk auditee?	Yes

Opportunity Fund Community Development and Subsidiary
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020
(In thousands)

SECTION II - SUMMARY OF FINANCIAL STATEMENT FINDINGS

There are no financial statement findings to be reported.

SECTION III - SUMMARY OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no federal award findings to be reported.

Opportunity Fund Community Development and Subsidiary
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2020

There were no prior year findings.