Opportunity Fund Northern California and Subsidiary

Consolidated Financial Statements
and Single Audit Reports and Schedules

June 30, 2017 and 2016

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of Opportunity Fund Northern California and Subsidiary (a California nonprofit corporation) (the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 Northern California and Subsidiary as of June 30, 2017 and 2016, 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.

Other Matter

Our audits were 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 September 6, 2017, 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 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

September 6, 2017

Opportunity Fund Northern California and Subsidiary
Consolidated Statements of Financial Position
June 30, 2017 and 2016

	2017	2016
ASSETS		
Current assets		
Cash and cash equivalents	$ 6,417,260	$ 5,696,142
Investments (Note 4)	1,189,039	1,180,790
Cash - programs (Note 5)	19,960,695	14,795,511
Current receivables		
Loans receivable - small business, net (Notes 8, 9 and 10)	17,351,367	17,734,236
Loans receivable - other, net (Note 8)	217,164	68,681
Contributions receivable (Note 6)	2,009,590	894,962
Due from related parties (Note 7)	105,763	67,230
Small business interest and fees	311,638	285,812
Total current receivables	19,995,522	19,050,921
Prepaid expenses and other	813,338	232,226
Total current assets	48,375,854	40,955,590
Property and equipment, net (Note 11)	3,079,798	641,276
Non-current assets		
Loans receivable - small business, net (Notes 8, 9 and 10)	33,892,073	33,127,119
Loans receivable - other, net (Note 8)	35,577	250,921
Contributions receivable (Note 6)	479,000	404,915
Investment in new market tax credits LLC's (Note 12)	19,524	18,520
Total non-current assets	34,426,174	33,801,475
Total assets	$ 85,881,826	$ 75,398,341

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

Opportunity Fund Northern California and Subsidiary
Consolidated Statements of Financial Position
June 30, 2017 and 2016

	2017	2016
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	$ 3,057,105	$ 2,148,567
Deferred revenue	50,000	-
Funds provided for other programs, current (Note 16)	70,085	68,681
Notes payable, current (Notes 13 and 14)	4,572,333	5,892,282
Total current liabilities	7,749,523	8,109,530
Non-current liabilities		
Notes payable (Notes 13 and 14)	48,577,329	40,607,366
Unearned revenue - savings program (Note 15)	1,073,711	960,273
Funds provided for other programs (Note 16)	35,577	105,705
Total non-current liabilities	49,686,617	41,673,344
Total liabilities	57,436,140	49,782,874
Net assets		
Unrestricted (Note 18)	25,756,886	22,505,254
Temporarily restricted (Note 19)	2,688,800	3,110,213
Total net assets	28,445,686	25,615,467
Total liabilities and net assets	$ 85,881,826	$ 75,398,341

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

Opportunity Fund Northern California and Subsidiary
Consolidated Statement of Activities
For the Year Ended June 30, 2017 and 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues and contributions						
Earned revenues						
Interest from loan programs	$ 6,221,631	$ -	$ 6,221,631	$ 4,621,839	$ -	$ 4,621,839
Loan and other program income	2,922,211	-	2,922,211	2,637,226	-	2,637,226
Participated portfolio income	1,233,471	-	1,233,471	459,851	-	459,851
NMTC program income	2,154,513	-	2,154,513	2,083,871	-	2,083,871
Investment income, net	25,960	-	25,960	25,479	-	25,479
Other income	388,635	-	388,635	159,613	-	159,613
Total earned revenues	12,946,421	-	12,946,421	9,987,879	-	9,987,879
Contributions						
Contributions	3,443,013	1,720,500	5,163,513	3,913,511	1,964,036	5,877,547
Government contracts and grants	259,829	-	259,829	2,080,492	37,500	2,117,992
Sponsorships	114,430	-	114,430	94,830	-	94,830
Recoveries	1,019,242	-	1,019,242	390,013	-	390,013
In-kind contributions	3,071,158	-	3,071,158	121,012	-	121,012
Net assets released from restriction	2,141,913	(2,141,913)	-	877,237	(877,237)	-
Total contributions	10,049,585	(421,413)	9,628,172	7,477,095	1,124,299	8,601,394
Total revenues and contributions	22,996,006	(421,413)	22,574,593	17,464,974	1,124,299	18,589,273
Functional expenses						
Program services	15,195,519	-	15,195,519	11,707,543	-	11,707,543
Support services						
Management and general	2,369,376	-	2,369,376	1,688,314	-	1,688,314
Fundraising	2,179,479	-	2,179,479	974,359	-	974,359
Total support services	4,548,855	-	4,548,855	2,662,673	-	2,662,673
Total functional expenses	19,744,374	-	19,744,374	14,370,216	-	14,370,216
Change in net assets	3,251,632	(421,413)	2,830,219	3,094,758	1,124,299	4,219,057
Net assets, beginning of year	22,505,254	3,110,213	25,615,467	19,410,496	1,985,914	21,396,410
Net assets, end of year	$ 25,756,886	$ 2,688,800	$ 28,445,686	$ 22,505,254	$ 3,110,213	$ 25,615,467

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

Opportunity Fund Northern California and Subsidiary
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2017

	Program Services	Management and General	Fundraising	Total
Salaries and benefits	$ 6,956,888	$ 1,217,600	$ 1,508,213	$ 9,682,701
Independent contractors/professional fees	295,707	727,466	122,287	1,145,460
Staff development	30,103	9,763	13,866	53,732
Occupancy	367,556	46,345	61,292	475,193
Parking and travel	261,587	62,918	61,098	385,603
Office expense	229,589	28,929	41,514	300,032
Administrative fees	223,108	213,583	35,263	471,954
Interest	1,431,755	18,729	-	1,450,484
Program operating expenses	1,361,287	3,116	5,083	1,369,486
Provision for loan losses	2,497,355	-	-	2,497,355
Marketing	388,684	-	69,079	457,763
Special event	-	-	215,766	215,766
Annual meeting and conference	32,447	12,557	7,109	52,113
Insurance	42,734	5,389	7,105	55,228
Savings program match expense	846,848	-	-	846,848
Miscellaneous	28,765	-	-	28,765
Donations/in-kind services	18,845	-	1,500	20,345
Depreciation	182,261	22,981	30,304	235,546
	$ 15,195,519	$ 2,369,376	$ 2,179,479	$19,744,374
Percentage of total	77.0 %	12.0 %	11.0 %	100 %

Opportunity Fund Northern California and Subsidiary
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2016

	Program Services	Management and General	Fundraising	Total
Salaries and benefits	$ 6,078,863	$ 1,184,116	$ 791,562	$ 8,054,541
Independent contractors/professional fees	378,187	221,269	12,609	612,065
Staff development	30,770	13,853	5,101	49,724
Occupancy	311,142	47,448	30,723	389,313
Parking and travel	248,916	54,704	21,582	325,202
Office expense	253,098	44,650	27,522	325,270
Interest	907,938	14,669	-	922,607
Bank fees	64,872	4,015	787	69,674
Program operating expenses	646,844	-	-	646,844
Provision for loan losses	1,024,071	-	-	1,024,071
Other fees	9,312	5,177	53	14,542
Marketing	339,020	-	3,636	342,656
Meetings	214,854	11,559	24,572	250,985
Insurance	41,103	6,280	4,066	51,449
Savings program match expense	886,233	-	-	886,233
Miscellaneous	92,653	53,122	34,371	180,146
Depreciation	179,667	27,452	17,775	224,894
	$ 11,707,543	$ 1,688,314	$ 974,359	$14,370,216
Percentage of total	81.5 %	11.7 %	6.8 %	100.0 %

Opportunity Fund Northern California and Subsidiary
Consolidated Statements of Cash Flows
For the Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Changes in net assets	$ 2,830,219	$ 4,219,057
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization	235,546	224,894
Loss on disposal of assets	234	-
Bad debt expense	2,497,355	1,022,889
Unrealized (gains) losses on investments	13,482	(11,873)
In-kind contribution of property and equipment	(2,655,222)	-
Changes in operating assets and liabilities		
Restricted cash	1,363,470	(1,682,766)
Change in cash for savings program	171,642	975,350
Contributions receivable	(1,188,713)	574,189
Related-party receivable	(38,533)	5,323
Interest receivable	(25,826)	(99,438)
Prepaid expenses and other	55,083	(63,382)
Other receivables	66,861	6,609
Accounts payable and accrued expenses	908,532	673,933
Deferred revenue	50,000	(30,000)
Savings program- unearned revenue	(522,758)	(1,073,738)
Funds provided for programs without recourse	(68,724)	(10,114)
Net cash provided by operating activities	3,692,648	4,730,933
Cash flows from investing activities		
Change in cash for loan capital	(5,690,335)	(3,655,054)
Change in cash for loan loss reserve	(1,009,958)	(1,767,882)
Loans receivable - disbursements	(65,827,563)	(60,461,033)
Loans receivable - repayments	41,354,674	32,434,736
Proceeds from sale of loans receivable	32,586,798	13,677,873
Repayments to third party	(10,993,346)	(5,588,789)
Purchases of investments	(21,731)	(20,760)
Net changes in investment in NMTC LLC's	(1,004)	(3,394)
Acquisition of property and equipment	(19,079)	(210,168)
Net cash used in investing activities	(9,621,544)	(25,594,471)
Cash flows from financing activities		
Net proceeds/(repayment) from lines of credit	(500,000)	9,000,000
Proceeds from notes payable	8,797,000	12,822,044
Repayment of notes payable	(1,646,986)	(897,490)
Net cash provided by financing activities	6,650,014	20,924,554
Net increase in cash and cash equivalents	721,118	61,016
Cash and cash equivalents, beginning of year	5,696,142	5,635,126
Cash and cash equivalents, end of year	$ 6,417,260	$ 5,696,142

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

Opportunity Fund Northern California and Subsidiary
Consolidated Statements of Cash Flows
For the Years Ended June 30, 2017 and 2016

	2017	2016
Supplemental disclosures of cash flow information		
Cash paid during the year for		
Interest	$ 1,477,770	$ 842,679
Income tax	$ 6,400	$ 5,102
Supplemental schedule of noncash investing and financing activities		
Software acquired by in-kind donation	$ 2,655,222	$ -

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

1. NATURE OF OPERATIONS

Opportunity Fund Northern California 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 enhance the economic wellbeing of working people by helping them earn, save and invest in their future. 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 reach clients and borrowers primarily in California but also in twelve other states. The Organization has the following programs and also promotes policies and research which further financial inclusion and impact measurement.

Small Business Lending program

The Organization makes loans to small businesses that lack access to affordable credit from traditional sources. Since inception, the Organization has made over 10,800 loans totaling $230 million to small businesses whose owners are primarily people of color and low and moderate income. In 2017, the Organization for the first time began offering loans outside of California in 12 additional states and intends to expand this footprint in the future. Virtually all 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 sold at a premium over face value and the Organization retains the servicing of the loans, for which it charges a monthly fee.

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, 2017, the Organization has received a cumulative total of $308 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, 2017 and 2016, the Organization has deployed $254.2 million and $231.6 million in qualified equity investments, respectively.

1. NATURE OF OPERATIONS (continued)

Savings program

The Organization administers a matched savings and financial education program in the San Francisco Bay Area. Since inception, the Organization has facilitated the opening of 6,252 savings accounts for clients and mobilized more than $20 million in individual savings and matching funds. During the year, the Organization decided to cease enrollment of new clients due to reduced funding from the Federal program which was the primary source of funding. The Organization will continue to administer the program for existing clients until the last client has exited the program which is expected in approximately eighteen months.

Ratings

The Organization is rated by Aeris Insight, a national organization which provides ratings, data and advisory services to support investment in CDFIs. In June 2017, the Organization received an AA Four-star rating. AA is one of the strongest Financial Strength and Performance ratings and indicates the Organization "has very strong financial strength, performance, and risk management practices". Four-star is the highest possible Impact rating, demonstrating "clear alignment of mission strategy and activities".

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 three classes of net assets:

- *Unrestricted net assets* - are available to support all activities of the Organization without restrictions and include those net assets whose use is not restricted by donors.
- *Temporarily restricted net assets* - are contributions with temporary, donor imposed time or purpose restrictions. Temporarily restricted net assets 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.
- *Permanently restricted net assets* - represent contributions that are restricted by the donor for investment in perpetuity, such as endowments. The income from such invested assets may be available to support the activities of the Organization based on the donor's instructions. The Organization has no permanently restricted net assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 7, 12, and 21).

Chase NMTC CVRM Investment Fund

LCD New Markets Fund VIII, LLC*	LCD New Markets Fund XVI, LLC
LCD New Markets Fund IX, LLC	LCD New Markets Fund XVII, LLC
LCD New Markets Fund X, LLC	LCD New Markets Fund XVIII, LLC
LCD New Markets Fund XI, LLC	LCD New Markets Fund XIX, LLC
LCD New Markets Fund XII, LLC	LCD New Markets Fund XX, LLC
LCD New Markets Fund XIII, LLC	LCD New Markets Fund XXI, LLC
LCD New Markets Fund XIV, LLC	LCD New Markets Fund XXII, LLC
LCD New Markets Fund XV, LLC	LCD New Markets Fund XXIII, LLC

* This entity was closed during fiscal year 2017 at the time the projects were unwound.

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions and grants revenue recognition

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

Loans receivable

Loans receivable are stated at the principal amount outstanding net of the allowance for loan losses (see Note 8). 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, 2017, 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, 2017, 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 10). The allowance for loan losses is presented in Notes 8 and 9.

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, 2017 and 2016, 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 and equipment

Purchased property and equipment are stated at cost. Acquisitions of property and equipment in excess of $5,000 are capitalized. Significant donated property and equipment is 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 and three years for computers and software. 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 high 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, 2017, the Organization did not have any concentration for contributions, as no one donor exceeded 10% of total contributions. For the year ended June 30, 2016, the Organization had a concentration of one individual foundation donor who provided approximately 25% of total contributions and one government entity who provided 21% of total contributions.

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.

Advertising

Advertising costs are expensed as incurred. Advertising, promotion and marketing expense for the years ended June 30, 2017 and 2016, was $132,400 and $108,400, respectively.

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, 2017 and 2016, 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, 2017, the Organization assessed that 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2017 and 2016, 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, 2015, and forward. The State of California tax jurisdiction is subject to potential examination for years ended June 30, 2014 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 2016 balances have been reclassified to conform to the 2017 financial statement presentation. These reclassifications have no effect on previously reported change in net assets.

Subsequent events

Subsequent events have been evaluated through the date of the financial statements, September 6, 2017, which is the date the consolidated financial statements were available to be issued. See Note 22 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 the Statement of Financial Position date for general expenditures and program needs are as follows:

	Operation	Programs
Unrestricted cash and equivalents		
Cash	$ 4,317,553	$ -
Money market funds	2,099,707	-
Short term investments	1,189,039	-
Loan capital funds	-	11,825,000
Savings program match funds	-	1,400,665
Total unrestricted cash and equivalents	7,606,299	13,225,665
Restricted cash		
Temporarily restricted funds for operations - current portion	185,990	-
Total restricted cash	185,990	-
Receivables - current		
Small business loans receivable	-	17,351,367
Grants receivable	2,009,590	-
Related party transactions	105,763	-
Small business interest and fees receivable	311,638	-
Total receivables - current	2,426,991	17,351,367
Total financial assets available within one year	$ 10,219,280	$ 30,577,032

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 $3 million, and committed undrawn credit facilities for loan capital in the aggregate amount of $21.2 million, which it could draw upon at any time. As of June 30, 2017, the Organization had on hand approximately 150 days of operating cash and 50 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 consist of the following:

	2017	2016
Bank certificate of deposit	$ 26,698	$ 26,443
Mutual funds	1,162,341	1,154,347
	$ 1,189,039	$ 1,180,790

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

	2017	2016
Interest income	$ 40,097	$ 34,026
Net realized and unrealized income/(losses)	(14,137)	(8,547)
	$ 25,960	$ 25,479

5. CASH - PROGRAMS

Cash - programs consists of the following:

	2017	2016
Cash restricted for per donor stipulation	$ 335,990	$ 1,699,459
Cash for loan capital	11,825,000	6,134,666
Cash for loan loss reserves (1)(2)	6,399,040	5,389,079
Cash for savings program match	1,400,665	1,572,307
	$ 19,960,695	$ 14,795,511

(1) This number includes $6,123,625 and $5,114,768 related to CalCAP reserves as of June 30, 2017 and 2016, respectively. In addition, there is $275,412 and $274,311 related to SBA reserves as of June 30, 2017 and 2016, respectively. Not included are the CalCAP & ARB cash reserves controlled by the State of California (see Note 10).

5. CASH - PROGRAMS (continued)

(2) The Organization and the State of California's CalCAP program (see Note 10) 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, 2017 and 2016, 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, 2017 and 2016, the allowance for doubtful accounts for contributions receivable was not material and was not recorded.

Future maturities of these receivables are as follows:

Year Ending June 30,	
2018	$ 2,009,590
2019	326,000
2020	153,000
	2,488,590
Current portion	(2,009,590)
	$ 479,000

7. RELATED PARTY RECEIVABLES

Related party receivables from NMTC asset management fees and operating advances consist of the following:

	2017	2016
New Markets Fund VIII, LLC	$ -	$ 37,030
New Markets Fund X, LLC	22,880	22,880
New Markets Fund XIII, LLC	20,125	-
New Markets Fund XV, LLC	7,320	7,320
New Markets Fund XVII, LLC	19,900	-
New Markets Fund XIX, LLC	13,500	-
New Markets Fund XX, LLC	16,000	-
New Markets Fund XXIII, LLC	6,038	-
	$ 105,763	$ 67,230

8. LOANS RECEIVABLE

Small business loans

The Organization offers loans to small businesses from $2,600 to $250,000 with fixed interest rates ranging from 6.5% to 18.99% and terms of up to 60 months. Loans are fully amortizing and payments are due monthly. Interest is calculated on the outstanding balance. During the years ended June 30, 2017 and 2016, the Organization disbursed $65.7 million among 2,192 loans and $60.5 million among 2,211 loans in the Small Business Program, respectively.

Small business program loans receivable are as follows:

	2017	2016
Micro loans (1)	$ 7,993,730	$ 10,146,452
Small business loans (2)	79,878,373	58,082,227
Restructured loans	3,262,759	1,583,452
Total portfolio under management	91,134,862	69,812,131
Less third parties' portfolios under management (3)	(37,194,399)	(15,935,239)
Total Opportunity Fund portfolio	53,940,463	53,876,892
Less allowance for loan losses (See Note 9)	(2,697,023)	(3,015,537)
Small business loans receivable, net of allowance	$ 51,243,440	$ 50,861,355
Loans receivable, net of allowance - current	$ 17,351,367	$ 17,734,236
Loans receivable, net of allowance - non-current	$ 33,892,073	$ 33,127,119

(1) Loans up to $20,000.

(2) Loans larger than $20,000 and equal to or smaller than $250,000.

(3) Balance of loan participations owned by third parties investors. In the year ended 2017, Opportunity Fund sold participations in 1,219 loans for a total current year sale of $33.6 million.

Other loans

The other loans receivable are related to agreements that the Organization entered into with different organizations in previous fiscal years. No loans were originated in these portfolios during 2017.

8. LOANS RECEIVABLE (continued)

Other loans consisted of the following:

	2017	2016
Sobrato Affordable Housing Fund (1)	$ 105,662	$ 174,386
TeamWorks (2)	147,079	145,216
	252,741	319,602
Other loans receivable, net of allowance	$ 252,741	$ 319,602
Loans receivable, net of allowance - current	$ 217,164	$ 68,681
Loans receivable, net of allowance - non-current	$ 35,577	$ 250,921

(1) Sobrato - The Organization has entered into agreements with Sobrato Affordable Housing Fund whereby Sobrato provided funds with recourse limited to the loans made with their funds plus any undisbursed cash (see Note 16).

(2) TeamWorks - The Organization entered into an agreement with TeamWorks Services, LLC to create the TeamWorks Capital Fund. This fund provides long-term loans with equity-like features to start-up worker-owned cooperatives. This fund will be reverted to TeamWorks Institute, a non-profit organization, in July 2017. All loans will be transferred at that time.

9. PORTFOLIO QUALITY AND ADEQUACY OF LOAN LOSS RESERVES

Loan portfolio management

The Organization follows specific policies and procedures that guide its practices for screening applicants, underwriting and management of loans. A Credit Risk Committee comprised of professionals with relevant experience and at least one member of the Board of Directors assists the Board of Directors in fulfilling its responsibilities by providing oversight to the identification, measurement and management of the Organization's credit risk as well as reviewing the Organization's Credit Policies. This committee meets at least quarterly and reports a summary of the matters reviewed along with actions proposed to the Board of Directors.

In addition, the Organization issues a monthly and quarterly Portfolio Quality Report that provides management, board and financial partners with relevant information on portfolio growth, highlights of trends and data on past due loans, troubled debt restructurings, charge-offs and concentrations of credit. Management periodically reviews and proposes updates to the Organization's policies, which in turn are reviewed and approved by the Board of Directors. Management monitors the adequacy of the Allowance for Loan Losses and Cash Loan Loss Reserves monthly. The Finance Committee reviews the adequacy of the Allowance for Loan Losses and Cash Loan Loss Reserves quarterly.

9. PORTFOLIO QUALITY AND ADEQUACY OF LOAN LOSS RESERVES (continued)

Aging schedule

2017 aging schedule by category

	Balance	Current	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	150+ Days
Micro loans	$ 7,993,729	$ 7,882,844	$ 54,620	$ 26,261	$ 21,726	$ 8,278	$ -
Small business loans	79,878,374	79,079,383	401,680	282,654	76,523	38,134	-
Restructured loans	3,262,759	3,007,421	100,464	52,880	101,994	-	-
	91,134,862	89,969,648	556,764	361,795	200,243	46,412	-
Less third parties' portfolio under management	(37,194,399)	(36,954,493)	(85,901)	(60,346)	(92,113)	(1,546)	-
	$ 53,940,463	$ 53,015,155	$ 470,863	$ 301,449	$ 108,130	$ 44,866	$ -
		98.26 %	0.87 %	0.56 %	0.20 %	0.08 %	0.00 %

2016 aging schedule by category

	Balance	Current	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	150+ Days
Micro loans	$ 10,146,452	$ 9,968,319	$ 101,624	$ 28,587	$ 20,225	$ 10,341	$ 17,356
Small business loans	58,082,227	57,098,705	685,648	80,882	73,918	74,536	68,538
Restructured loans	1,583,452	1,535,149	2,676	8,225	2,377	10,256	24,769
	69,812,131	68,602,173	789,948	117,694	96,520	95,133	110,663
Less third parties' portfolio under management	(15,935,239)	(15,659,821)	(275,418)	-	-	-	-
	$ 53,876,892	$ 52,942,352	$ 514,530	$ 117,694	$ 96,520	$ 95,133	$ 110,663
		98.27 %	0.96 %	0.22 %	0.18 %	0.18 %	0.21 %

9. PORTFOLIO QUALITY AND ADEQUACY OF LOAN LOSS RESERVES (continued)

Troubled debt restructurings ("TDR's")

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

As of June 30, 2017, there were 182 TDR's in the Organization's small business portfolio accounting for a total of $2,645,541 representing 4.9% of the total portfolio. As of June 30, 2016, there were 107 TDR's accounting for $1,423,288 representing 2.6% of the total portfolio.

2017 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)	$ 3,262,759	$ 3,007,421	$ 100,464	$ 52,880	$ 101,994	$ -	$ -
Less third parties' TDR's under management	(617,219)	(530,123)	-	(33,253)	(53,843)	-	-
	$ 2,645,540	$ 2,477,298	$ 100,464	$ 19,627	$ 48,151	$ -	$ -
		93.63 %	3.80 %	0.74 %	1.82 %	0.00 %	0.00 %

2016 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)	$ 1,583,452	$ 1,535,149	$ 2,676	$ 8,225	$ 2,377	$ 10,256	$ 24,769
Less third parties' TDR's under management	(160,164)	(160,164)	-	-	-	-	-
	$ 1,423,288	$ 1,374,985	$ 2,676	$ 8,225	$ 2,377	$ 10,256	$ 24,769
		96.61 %	0.19 %	0.58 %	0.17 %	0.72 %	1.74 %

(1) Subset of Total Portfolio

9. PORTFOLIO QUALITY AND ADEQUACY OF LOAN LOSS RESERVES (continued)

Funds available to offset risk from loan losses

The Organization maintains an allowance for loan losses and cash loan loss reserves which together are adequate to cover potential losses from its portfolio ("Loan Loss Reserves"). The adequacy of this level is monitored monthly by management and quarterly by the Finance Committee. This Loan Loss Reserve Policy is reviewed annually by the Finance Committee with input from the Credit Risk Committee and maintained in accordance with generally accepted accounting principles.

The Organization's policy is to maintain Loan Loss Reserves at 15% or more of its outstanding portfolio. Notwithstanding the above, Opportunity Fund will maintain an additional allowance for loan losses equal to 100% of the total balance of loans past due 150 days or more.

Allowance for loan losses

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 the 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 (see Note 10).

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

	2017	2016
Balance, beginning of year	$ 3,015,537	$ 2,966,226
Provisions for loan losses during the year	1,833,203	763,089
Additional provision for loans 150+ days past due	664,152	259,801
Loans charged-off	(2,815,868)	(973,579)
Balance, end of year	$ 2,697,024	$ 3,015,537

Composition of the allowance for loan losses is as follows:

	2017	2016
Small Business Program	$ 2,691,224	$ 2,958,558
Small Business Administration (SBA)	5,800	56,979
	$ 2,697,024	$ 3,015,537

9. PORTFOLIO QUALITY AND ADEQUACY OF LOAN LOSS RESERVES (continued)

Cash loan loss reserves

In addition to the allowance for loan losses the Organization sets aside cash reserves and has access to funds from the State of California's Capital Access Program (CalCAP) (see Note 10).

10. CASH LOAN LOSS RESERVES

The Organization participates in a State program called the California Capital Access Program (Cal CAP) that has been funded in part with 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 charged off the Organization can claim 100% of the loss to Cal CAP. 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 loan loss reserves - CalCAP consist of the following:

	2017	2016
Opportunity Fund contributions to CalCAP Reserve	$ 6,123,625	$ 5,114,768
State contributions to CalCAP Reserve (1)	6,411,209	5,265,978
State contributions to CalCAP ARB Reserve (2)	2,159,172	2,364,226
	$ 14,694,006	$ 12,744,972

(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 does not contribute to this reserve and it is not included in our Statement of Financial Position.

11. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2017	2016
Computers and equipment	$ 255,347	$ 251,315
Lease hold improvements	166,968	166,968
Furniture	115,890	115,890
Software	719,349	708,911
Software-in-kind	2,655,222	-
	3,912,776	1,243,084
Accumulated Depreciation	(832,978)	(601,808)
	$ 3,079,798	$ 641,276

Depreciation expense for the years ended June 30, 2017 and 2016, was $235,546 and $224,894, respectively.

12. INVESTMENT IN NEW MARKETS TAX CREDITS ("NMTC") ENTITIES

The Organization has financial interests in the following NMTC entities:

	Percentage Interest	2017	2016
Chase NMTC CVRM Investment Fund	0.01 %	$ 299	$ 292
LCD New Markets Fund VIII, LLC (2)	0.01 %	-	1,169
LCD New Markets Fund IX, LLC (1)	0.01 %	1,076	1,093
LCD New Markets Fund X, LLC (1)	0.01 %	1,130	1,142
LCD New Markets Fund XI, LLC (1)	0.01 %	1,000	1,003
LCD New Markets Fund XII, LLC (1)	0.01 %	1,277	1,280
LCD New Markets Fund XIII, LLC (1)	0.01 %	1,595	1,601
LCD New Markets Fund XIV, LLC (1)	0.01 %	1,142	1,153
LCD New Markets Fund XV, LLC (1)	0.01 %	1,209	1,219
LCD New Markets Fund XVI, LLC (1)	0.01 %	1,471	1,483
LCD New Markets Fund XVII, LLC (1)	0.01 %	1,969	1,970
LCD New Markets Fund XVIII, LLC (1)	0.01 %	1,237	1,244
LCD New Markets Fund XIX, LLC (1)	0.01 %	1,193	1,200
LCD New Markets Fund XX, LLC (1)	0.01 %	799	800
LCD New Markets Fund XXI (1)	0.01 %	1,865	1,871
LCD New Markets Fund XXII (1)	0.01 %	650	-
LCD New Markets Fund XXIII (1)	0.01 %	1,612	-
		$ 19,524	$ 18,520

(1) The LLC is the managing member of these NMTC CDE entities.

12. INVESTMENT IN NEW MARKETS TAX CREDITS ("NMTC") ENTITIES (continued)

(2) Entity closed at June 30, 2017.

The fiscal year-end for the above companies is December 31. Audited financial statements for those periods are made available to the Organization. Audited financial statements are not available for the periods ending June 30.

The following is a summary of the unaudited financial information of these companies for the years ended June 30:

	2017	2016
Total assets	$ 201,122,364	$ 190,650,812
Total liabilities	$ 8,444,567	$ 8,491,127
Investors' capital	$ 192,677,797	$ 182,159,685
Total revenue	$ 2,893,752	$ 2,759,633
Total expenses	$ 2,119,136	$ 1,861,120
Net income	$ 774,616	$ 898,513

13. REVOLVING LINES OF CREDIT

In October 2014, the Organization entered into a revolving line of credit agreement with Deutsche Bank Trust Company Americas in the amount of $3 million. Proceeds from the line of credit could be used to make small business loans, make commercial real estate development loans in connection with the federal New Markets Tax Credit program and fund the Organization's working capital needs. The line of credit matured on October 1, 2016. The outstanding balance was repaid prior to maturity.

In April 2015, the Organization entered into an operating line of credit agreement with Heritage Bank of Commerce in the amount of $3.0 million. The line of credit will mature in September 2017. Interest accrues at a rate equal to PRIME. As of June 30, 2017, the rate was 4.25%. As of June 30, 2017, there was no borrowing against the line of credit.

In January 2016, the Organization entered into a revolving line of credit agreement with City National Bank in the amount of $3 million. Proceeds from the line of credit can be used to make small business loans. The line of credit matures on January 18, 2022. Interest accrues at a rate equal to the greater of 3.5% per year or "Prime Rate" of CNB plus 0.25%. As of June 30, 2017, there was no borrowing against the line of credit.

In December 2016, the Organization entered into a revolving line of credit agreement with Charles Schwab Bank in the amount of $10 million. Proceeds from the line of credit can be used to make small business loans. The line of credit matures in December 2020. Interest accrues at a rate equal to the greater of LIBOR + 1.75% or 3.0%. As of June 30, 2017, the rate was 3.05% and the outstanding balance was $3 million.

13. REVOLVING LINES OF CREDIT (continued)

In March 2017, the Organization entered into a revolving line of credit agreement with State Bank of India (California) in the amount of $5 million. Proceeds from the line of credit can be used to make small business loans. The line of credit matures on March 22, 2021. Interest accrues at a rate equal to the LIBOR + 1.5%. As of June 30, 2017, the rate was 2.80% and the outstanding balance was $2.5 million.

In June 2017, the Organization entered into a revolving line of credit agreement with Mechanics Bank in the amount of $8 million. Proceeds from the line of credit can be used to make small business loans. The line of credit matures on July 8, 2021. Interest accrues at a rate equal to the prime - 0.125%. As of June 30, 2017, the rate was 4.125% and the outstanding balance was $3 million.

Borrowings from the lines of credit are included in the Notes Payable table below. The agreements require the Organization to comply with various financial covenants. The Organization was in compliance with all covenants as of June 30, 2017 and 2016.

14. NOTES PAYABLE

Notes payable consist of the following:

	Interest	Maturity	2017	2016
Deutsche Bank (1)	3.80 %	Oct-16	$ -	$ 3,000,000
Charles Schwab Bank (1)	3.05 %	Dec-20	3,000,000	6,000,000
State Bank of India (1)	2.80 %	Mar-21	2,500,000	-
Mechanics Bank (1)	4.13 %	Jul-21	3,000,000	-
California Community Foundation	2.00 %	Mar-18	500,000	500,000
Capital One, NA	1.75 %	Jul-18	1,000,000	1,000,000
First Republic Bank	0.00 %	Aug-18	500,000	500,000
East West Bank	2.00 %	Sep-18	1,000,000	-
Manufacturers Bank	3.75 %	Nov-18	1,000,000	1,000,000
US Bank	3.00 %	Dec-18	1,000,000	1,000,000
Calvert Foundation	4.00 %	Dec-18	1,875,000	2,500,000
Pacific Western Bank (3)	0.00 %	Aug-19	300,000	300,000
Umpqua Bank	3.13 %	Nov-19	907,082	1,100,000
Community Foundation Santa Cruz County	3.00 %	Mar-20	350,000	350,000
Goldman Sachs Bank USA	4.50 %	Apr-20	2,750,000	3,000,000
Heritage Bank of Commerce	3.25 %	Apr-20	947,007	1,000,000
Capital Impact Partners (FEMI)	3.25 %	Jun-20	1,047,000	750,000
Opportunity Finance Network	3.50 %	Jun-20	3,500,000	3,500,000
Banc of California #1	0.00 %	Sep-20	500,000	500,000
Small Business Administration #1	0.01 %	Apr-21	353,018	443,173
Banc of California #2	4.00 %	Sep-21	500,000	-
San Francisco Foundation	2.50 %	Jul-22	875,000	875,000
The California Endowment	2.50 %	Sep-23	3,000,000	-
OFN Next Award	2.00 %	Oct-23	2,727,273	2,727,273
Small Business Administration #2	0.13 %	Jan-24	407,282	468,202
W.K. Kellogg Foundation	1.00 %	Aug-24	1,000,000	1,000,000
Bank of America	3.00 %	Sep-24	5,000,000	5,000,000
Wells Fargo (4)	2.00 %	Jun-18	375,000	750,000
Small Business Loan Fund (2) (4)	2.00 %	Sep-19	2,236,000	2,236,000
Union Bank (4)	2.00 %	Jul-20	1,000,000	1,000,000
Silicon Valley Bank (4)	2.00 %	Oct-23	1,000,000	-
Wells Fargo (4)	0.00 %	Nov-24	1,000,000	1,000,000
BBVA Compass (4)	2.00 %	Feb-26	5,000,000	5,000,000
Western Alliance Bank (4)	3.00 %	Sep-26	3,000,000	-
			$53,149,662	$46,499,648

(1) Revolving Line of Credit

14. NOTES PAYABLE (continued)

(2) Small Business Loan Fund - U. S. Department of Treasury

(3) This investment is supported by the California Organized Investment Network (COIN), a California Department of Insurance program. COIN investments have a minimum 5 year term at 0% interest. In exchange, the investor receives a tax credit of 20% of the investment amount in the year it is made.

(4) This investment is structured as an Equity Equivalent (EQ2.) EQ2 investments are subordinated to other creditors, have rolling maturity dates, and low interest rates.

Future maturities of notes payable are as follows:

Year Ending June 30,	
2018	$ 4,572,333
2019	9,874,845
2020	11,968,449
2021	5,195,427
2022	2,702,017
Thereafter	18,836,591
	53,149,662
Current portion	(4,572,333)
Noncurrent portion, net	$ 48,577,329

14. NOTES PAYABLE (continued)

As of June 30, 2017, the Organization had the following credit facilities available to be drawn at any time:

	Facility Limit	Interest	Facility Inception Date	Maturity	Current Draw	Facility Available
Heritage Bank - Revolving line of credit	$ 3,000,000	4.25 %	4/17/2015	9/13/2017	$ -	$ 3,000,000
California Community Foundation	1,000,000	2.00 %	3/31/2015	3/31/2018	500,000	500,000
Capital Impact Partners (FEMI)	225,000	3.25 %	1/25/2017	6/24/2020	-	225,000
Charles Schwab - Revolving line of credit	10,000,000	3.05 %	12/16/2016	12/15/2020	3,000,000	7,000,000
State Bank of India (California) - Revolving line of credit	5,000,000	2.80 %	3/22/2017	3/22/2021	2,500,000	2,500,000
Mechanics Bank - Revolving line of credit	8,000,000	4.13 %	6/20/2017	7/8/2021	3,000,000	5,000,000
City National Bank - Revolving line of credit	3,000,000	4.50 %	1/18/2016	1/18/2022	-	3,000,000
						$ 21,225,000

15. SAVINGS PROGRAM

The Organization, together with a financial institution partner, makes Saving Accounts available to eligible persons in the Bay Area. The Organization provides matched funds for low-income individuals and families, dedicated to such purposes as paying for higher education or building up a "nest egg" to be used in the future. The program also provides financial education for the participants.

When possible, the Organization maintains program funds in interest-bearing accounts with the financial institution partner. The funds are designated for matching participant savings. The funds received as conditional matching grants are recorded as unearned revenue until paid to clients, at which time, contribution revenue is recorded with an equivalent amount recorded as grant expense. As of June 30, 2017 and 2016, the Organization had unearned revenue in the amount of approximately $1,074K and $960K, respectively.

15. SAVINGS PROGRAM (continued)

During the fiscal year ended on June 30, 2017, the Organization recognized $527,782 in matching contributions, of which $259,829 came from government grants and $267,953 came from private donors. During the fiscal year ended on June 30, 2016, the Organization recognized $787,560 in matching contributions, of which $273,570 came from government grants and $513,990 came from private donors. The Organization recognized $846,848 and $886,233 of matching expenses, respectively. As of June 30, 2017 and 2016 the difference between contributions and expenses is due to unrestricted revenues used to make client's matching contributions in the amount of $319,066 and $98,673, respectively.

During the year, the Organization decided to cease enrollment of new clients due to reduced funding from the Federal program which was the primary source of funding. The Organization will continue to administer the program for existing clients until the last client has exited the program which is expected in approximately eighteen months..

16. FUNDS PROVIDED FOR OTHER PROGRAMS

The Organization services loans for a third party organization. Those loans are shown as loans receivable (see Note 7) and as a liability to the third party organizations. These notes payable are non-recourse liabilities.

Liabilities to a third party of the Organization consist of the following:

	2017	2016
Sobrato Affordable Housing Fund	$ 105,662	$ 174,386
Less current portion	(70,085)	(68,681)
	$ 35,577	$ 105,705

The future principal payments are $35,577 due during fiscal year ended June 30, 2019.

17. IN-KIND CONTRIBUTIONS

The Organization received in-kind contributions of pro-bono professional services and software licenses. These services would have been purchased had they not been donated.

17. IN-KIND CONTRIBUTIONS (continued)

In-kind contributions received during the years were as follows:

	2017	2016
Software	$ 2,655,222	$ -
Legal services	384,136	88,077
Marketing services	31,800	32,935
	$ 3,071,158	$ 121,012

The services have been recorded as related expenses. The software has been capitalized and will be amortized over its useful life, in future periods.

18. UNRESTRICTED NET ASSETS

Unrestricted net assets included the following items:

	2017	2016
Balance, beginning of year	$ 22,505,254	$ 19,410,496
Current year changes in unrestricted net assets	3,251,632	3,094,758
Balance, end of year	$ 25,756,886	$ 22,505,254

Unrestricted net assets consist of the following:

	2017	2016
Net unrestricted cash	$ 3,310,484	$ 3,583,106
Investments	1,189,039	1,180,790
Cash available for loan capital	11,050,669	6,134,666
Excess (deficiency) of small business loans receivable over notes payable (including loan loss reserve allowance)	(544,843)	4,647,519
Cal CAP & SBA cash reserve (Opportunity Fund cash)	6,123,626	5,389,079
Cash available for savings program match	963,150	578,262
Unrestricted grants receivable	268,090	20,000
Prepaid expenses and related parties receivable	282,905	299,455
Investment in NMTC	19,524	18,519
Investment in fixed assets	3,079,798	641,277
Team Works loans receivable	14,444	12,581
Balance, end of year	$ 25,756,886	$ 22,505,254

19. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were for the following purposes as of June 30, 2017:

	June 30, 2016	Additions to Restrictions	Releases from Restrictions	June 30, 2017
Small business operating	$ 790,836	$ 1,087,500	$ (473,921)	$ 1,404,415
Small business capital	1,173,200	-	(1,173,200)	-
Savings program operation	37,500	25,000	(18,750)	43,750
Time-restricted operating grants	976,042	608,000	(476,042)	1,108,000
TeamWorks	132,635	-	-	132,635
	$ 3,110,213	$ 1,720,500	$ (2,141,913)	$ 2,688,800

Temporarily restricted net assets were for the following purposes as of June 30, 2016:

	June 30, 2015	Additions to Restrictions	Releases from Restrictions	June 30, 2016
Small business operating	$ -	$ 790,836	$ -	$ 790,836
Small business capital	-	1,173,200	-	1,173,200
Savings program operation	93,804	37,500	(93,804)	37,500
Time-restricted operating grants	1,759,475	-	(783,433)	976,042
TeamWorks	132,635	-	-	132,635
	$ 1,985,914	$ 2,001,536	$ (877,237)	$ 3,110,213

20. 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, 2017 and 2016, the Organization contributed approximately $266,000 and $186,000, respectively, to the Plan for participating employees.

21. 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: seven years of the tax benefit period and three years after the last tax return showing benefits has been filed.

The following recapture events may trigger indemnification by the Organization: (1) the Community Development Entity ("CDE") ceases to be a qualified CDE; (2) the CDE fails to meet the substantially all test; or (3) the Qualified Equity Investment ("QEI") is redeemed before the end of the tax credit period.

Management believes that the likelihood of a recapture event is remote.

21. COMMITMENTS (continued)

New Markets Tax Credits commitments (continued)

Amounts at risk, as well as the indemnification maturity at which time the Organization is no longer liable are as follows:

	Indemnification Maturity	Indemnification as of June 30, 2017	Additional Future Indemnification
LCD New Market Fund II	9/17/2018	$ 7,020,000	$ -
LCD New Market Fund V	3/18/2018	2,077,421	-
LCD New Market Fund VI	10/15/2018	1,950,000	-
LCD New Market Fund VII	11/24/2019	1,461,678	-
LCD New Market Fund VIII	3/10/2021	4,485,000	-
LCD New Market Fund IX	12/16/2021	3,859,375	-
LCD New Market Fund X	4/12/2022	3,775,200	686,400
LCD New Market Fund XI	10/22/2022	3,300,000	600,000
LCD New Market Fund XII	4/11/2023	3,510,000	1,560,000
LCD New Market Fund XIII	5/25/2023	4,347,000	1,932,000
LCD New Market Fund XIV-1	3/25/2024	1,971,000	876,000
LCD New Market Fund XIV-2	3/25/2024	1,134,000	504,000
LCD New Market Fund XV	9/4/2024	2,562,000	2,196,000
LCD New Market Fund XVI	9/16/2024	3,120,955	2,675,104
LCD New Market Fund XVII-1	8/4/2025	1,995,520	1,710,446
LCD New Market Fund XVII-2	8/4/2025	1,559,628	2,495,406
LCD New Market Fund XVIII	10/13/2025	1,875,000	3,000,000
LCD New Market Fund XIX	8/17/2026	1,200,000	3,480,000
LCD New Market Fund XX	9/4/2026	800,000	2,320,000
LCD New Market Fund XXI	1/15/2027	1,872,500	5,430,250
LCD New Market Fund XXII-1	10/5/2027	275,000	1,870,000
LCD New Market Fund XXII-2	3/1/2028	50,000	340,000
LCD New Market Fund XXIII	3/24/2028	805,000	5,474,000
		$ 55,006,277	$ 37,149,606

Operating leases commitments

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

21. COMMITMENTS (continued)

Operating leases commitments (continued)

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

Year Ending June 30,		
2018	$	476,268
2019		392,660
2020		371,632
2021		382,289
2022		49,823
	$	1,672,672

Rental expense for the years ended June 30, 2017 and 2016, was $475,013 and $385,541, respectively.

22. SUBSEQUENT EVENTS

Subsequent to year end, the Organization changed its legal name from Opportunity Fund Northern California to Opportunity Fund Community Development, effective August 21, 2017. The Organization will continue to do business as Opportunity Fund, its public facing name, as it has in the current and prior years.

Subsequent to year end, Luz L. Urrutia became CEO on September 1, 2017, the culmination of a search led by the Organization's Board of Directors which began in January, 2017. Concurrent with the start date of Ms. Urrutia, Eric Weaver, Founder and Prior CEO remains with the Organization as Executive Vice President.

SINGLE AUDIT REPORTS AND SCHEDULES

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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 Northern California 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 Northern California and Subsidiary (a California nonprofit corporation) (the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2017, 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 September 6, 2017.

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

September 6, 2017

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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 Northern California and Subsidiary
San Jose, California

Report on Compliance for Each Major Federal Program

We have audited Opportunity Fund Northern California and Subsidiary (a California nonprofit 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, 2017. 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 of America; 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, 2017.

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

Armanino LLP
San Jose, California

September 6, 2017

Opportunity Fund Northern California and Subsidiary
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

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 Small Business Administration			
Direct awards			
Microloan program 01/2014	59.046	6447495002	$ 407,282
Microloan program 09/2011	59.046	46173450-08	353,018
Total U.S. Department of Small Business Administration			760,300
U.S. Department of Health and Human Services			
Direct awards			
Assets for Independence Demonstration (IDA) Program	93.602	AFI6	278,579
Total U.S. Department of Health and Human Services			278,579
U.S. Department of Treasury			
Direct awards			
Small Business Lending Fund	N/A	0878	2,236,000
Total U.S. Department of Treasury			2,236,000
Total Expenditures of Federal Awards			$ 3,274,879

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

Opportunity Fund Northern California and Subsidiary
Notes to Schedule of Expenditures of Federal Awards
June 30, 2017

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Opportunity Fund Northern California and Subsidiary (the "Organization") under programs of the federal government for the year ended June 30, 2017. 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

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting.

(2) Expenditures of federal awards made on or after December 26, 2014 are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(3) Expenditures of federal awards made prior to December 26, 2014 are recognized following the cost principles contained in OMB Circular A122, Cost Principles for Nonprofit Organizations, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(4) Expenditures reported on the Schedule includes the value of new loans made or received during the audit period plus the beginning of the audit period balance of loans from previous years for which the federal government imposes continuing compliance requirements.

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 balance of the loan outstanding at June 30, 2017 consists of:

CFDA Number: N/A

Program Name: Small Business Lending Fund EQ2

Outstanding balance as of June 30, 2017: $2,236,000

4. INDIRECT COST RATE

Opportunity Fund Northern California and Subsidiary has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Opportunity Fund Northern California and Subsidiary
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

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
Microloan Program	59.046

Dollar threshold used to distinguish between Type A and Type B programs	$750,000
Auditee qualified as low-risk auditee?	Yes

Opportunity Fund Northern California and Subsidiary
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

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.

SECTION IV - STATUS OF PRIOR YEAR FINDINGS

There were no prior year findings.

SECTION V - CORRECTIVE ACTION PLAN

There is no corrective action plan required.