

# **South Carolina Community Loan Fund**

## ***Report on Consolidated Financial Statements***

***For the years ended December 31, 2022 and 2021***

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# South Carolina Community Loan Fund

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## **Independent Auditor's Report**

Board of Directors  
South Carolina Community Loan Fund  
Charleston, South Carolina

### **Opinion**

We have audited the consolidated financial statements of South Carolina Community Loan Fund and subsidiary (collectively, "SCCLF"), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, the related consolidated statement of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of SCCLF as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SCCLF and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP"), and for 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.

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

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SCCLF's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SCCLF's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Charleston, South Carolina  
April 26, 2023

## South Carolina Community Loan Fund

### Consolidated Statements of Financial Position

As of December 31, 2022 and 2021

	2022	2021
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 10,596,725	\$ 7,888,987
Restricted cash	627,495	627,391
Other current assets	102,605	115,887
Accounts and grants receivable	165	226,206
Investments	3,850	3,150
Interest receivable	120,194	136,538
Loans receivable	5,340,851	7,570,515
Total current assets	16,791,885	16,568,674
<b>Other assets</b>		
Property and equipment, net	796,284	846,577
Loans receivable, net of allowance for loan loss and current portion	17,792,481	18,924,205
Note receivable - non-recourse	6,200,000	6,200,000
Total other assets	24,788,765	25,970,782
Total assets	\$ 41,580,650	\$ 42,539,456
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 20,346	\$ 4,846
Accrued expenses	81,092	91,217
Assets held for others	-	12,250
Other liabilities - program related investments	600,000	100,000
Other liabilities - equity equivalent investments	450,000	100,000
Other liabilities - other investments	2,717,797	2,373,105
Refundable advance	-	215,630
Total current liabilities	3,869,235	2,897,048
<b>Other liabilities</b>		
Other liabilities - program related investments, net of current portion	300,000	900,000
Other liabilities - equity equivalent investments, net of current portion	5,249,297	5,349,297
Other liabilities - other investments, net of current portion	15,420,534	17,072,395
Note payable - non-recourse	6,200,000	6,200,000
Total other liabilities	27,169,831	29,521,692
Total liabilities	31,039,066	32,418,740
<b>Net assets</b>		
Without donor restrictions		
Undesignated	5,799,636	5,960,290
Board designated	4,517,797	3,323,105
With donor restrictions	224,151	837,321
Total net assets	10,541,584	10,120,716
Total liabilities and net assets	\$ 41,580,650	\$ 42,539,456

See Notes to Consolidated Financial Statements

# South Carolina Community Loan Fund

## Consolidated Statement of Activities

For the year ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Public Support and Revenue</b>			
<i><b>Public support</b></i>			
Other grants	\$ 500,000	\$ 67,000	\$ 567,000
Government grant - PPP loan forgiveness	215,630		215,630
Contributions	510,167	-	510,167
Sponsorship and ticket sale revenue	5,200	-	5,200
Total public support	1,230,997	67,000	1,297,997
<i><b>Revenue</b></i>			
Interest on loan receivables	1,405,741	-	1,405,741
Loan program fees	428,996	-	428,996
New market tax credit program fees	372,563	-	372,563
Other earned income	3,100	-	3,100
Net investment loss	(100,073)	-	(100,073)
Total revenue	2,110,327	-	2,110,327
Net assets released from restrictions	680,170	(680,170)	-
Total public support and revenue	4,021,494	(613,170)	3,408,324
<b>Expenses</b>			
Program services	1,871,606	-	1,871,606
Management and general	1,056,485	-	1,056,485
Fundraising	59,365	-	59,365
Total expenses	2,987,456	-	2,987,456
Change in net assets	1,034,038	(613,170)	420,868
<i><b>Net assets, beginning of year</b></i>	9,283,395	837,321	10,120,716
<i><b>Net assets, end of year</b></i>	\$ 10,317,433	\$ 224,151	\$ 10,541,584

See Notes to Consolidated Financial Statements

## South Carolina Community Loan Fund

### Consolidated Statement of Activities

For the year ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Public Support and Revenue</b>			
<b>Public support</b>			
Government grants	\$ 1,200,000	\$ -	\$ 1,200,000
Other grants	226,000	1,012,000	1,238,000
Contributions	18,098	-	18,098
Sponsorship and ticket sale revenue	8,455	-	8,455
Total public support	1,452,553	1,012,000	2,464,553
<b>Revenue</b>			
Interest on loan receivables	1,462,667	-	1,462,667
Loan program fees	294,924	-	294,924
New market tax credit program fees	736,523	-	736,523
Investment income	139,791	-	139,791
Total revenue	2,633,905	-	2,633,905
Net assets released from restrictions	773,230	(773,230)	-
Total public support and revenue	4,859,688	238,770	5,098,458
<b>Expenses</b>			
Program services	3,000,238	-	3,000,238
Management and general	814,313	-	814,313
Fundraising	117,038	-	117,038
Total expenses	3,931,589	-	3,931,589
Change in net assets	928,099	238,770	1,166,869
<b>Net assets, beginning of year</b>	8,355,296	598,551	8,953,847
<b>Net assets, end of year</b>	<u>\$ 9,283,395</u>	<u>\$ 837,321</u>	<u>\$ 10,120,716</u>

See Notes to Consolidated Financial Statements

**South Carolina Community Loan Fund****Consolidated Statement of Functional Expenses****For the year ended December 31, 2022**

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total Expenses</b>
<b>Expenses</b>				
Salaries and wages	\$ 629,826	\$ 619,162	\$ 35,474	\$ 1,284,462
Payroll taxes and employment benefits	168,883	32,777	9,925	211,585
Total personnel	798,709	651,939	45,399	1,496,047
Interest	699,433	-	-	699,433
Professional fees and contracted services	481,924	173,132	4,745	659,801
Communications and utilities	54,836	49,608	2,461	106,905
Travel	40,443	30,685	1,388	72,516
Rent	26,841	25,115	2,889	54,845
Insurance	14,290	19,341	1,036	34,667
Office expenses	10,599	15,252	495	26,346
Dues and subscriptions	6,417	18,954	-	25,371
Conferences and meetings	10,582	12,457	412	23,451
Miscellaneous	13,938	7,108	-	21,046
Advertising	10,925	1,170	-	12,095
Professional development	10,114	875	-	10,989
Repairs and maintenance	2,136	4,310	108	6,554
Programs	5,732	-	-	5,732
Printing and postage	3,061	300	-	3,361
Property taxes	1,612	607	117	2,336
Total operating expenses	2,191,592	1,010,853	59,050	3,261,495
Recovery of loan loss reserve (Note 3)	(572,832)	-	-	(572,832)
Forgivable loan expense	248,500	-	-	248,500
Depreciation	4,346	45,632	315	50,293
Total expenses	<u>\$ 1,871,606</u>	<u>\$ 1,056,485</u>	<u>\$ 59,365</u>	<u>\$ 2,987,456</u>

**See Notes to Consolidated Financial Statements**



**South Carolina Community Loan Fund**  
**Consolidated Statement of Functional Expenses**  
**For the year ended December 31, 2021**

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total Expenses</b>
<b>Expenses</b>				
Salaries and wages	\$ 744,019	\$ 371,730	\$ 52,476	\$ 1,168,225
Payroll taxes and employment benefits	151,561	51,017	11,365	213,943
Total personnel	895,580	422,747	63,841	1,382,168
Professional fees and contracted services	418,636	220,947	43,457	683,040
Interest	648,043	8,460	-	656,503
Communications and utilities	35,044	36,718	2,104	73,866
Rent	31,335	11,976	2,035	45,346
Dues and subscriptions	4,049	28,100	-	32,149
Property taxes	19,642	7,410	1,411	28,463
Office expenses	19,629	7,173	1,178	27,980
Insurance	12,809	14,326	826	27,961
Miscellaneous	4,590	12,665	123	17,378
Professional development	6,869	6,449	-	13,318
Conferences and meetings	10,919	806	697	12,422
Travel	3,358	3,393	-	6,751
Advertising	5,644	-	-	5,644
Programs	5,326	-	-	5,326
Loan program fees	5,000	-	-	5,000
Repairs and maintenance	2,871	1,083	207	4,161
Printing and postage	2,199	257	93	2,549
Total operating expenses	2,131,543	782,510	115,972	3,030,025
Provision for loan loss (Note 3)	613,773	-	-	613,773
Forgivable loan expense	237,500	-	-	237,500
Depreciation	17,422	31,803	1,066	50,291
Total expenses	<u>\$ 3,000,238</u>	<u>\$ 814,313</u>	<u>\$ 117,038</u>	<u>\$ 3,931,589</u>

**See Notes to Consolidated Financial Statements**

# South Carolina Community Loan Fund

## Consolidated Statements of Cash Flows

For the years ended December 31, 2022 and 2021

	2022	2021
<b>Operating activities</b>		
Change in net assets	\$ 420,868	\$ 1,166,869
Adjustments to reconcile the change in net assets to net cash provided by operating activities		
Depreciation	50,293	50,291
Government grant - PPP loan forgiveness	(215,630)	-
Provision for (recovery of) loan loss reserve	(572,832)	613,773
Changes in operating assets and liabilities:		
Other current assets	13,282	(45,178)
Grants receivable	226,041	(141,158)
Investments	(700)	(1,150)
Interest receivable	16,344	797
Accounts payable	15,500	2,996
Accrued expenses	(10,125)	33,909
Assets held for others	(12,250)	8,020
Net cash provided by (used for) operating activities	(69,209)	1,689,169
<b>Investing activities</b>		
Community development loans made	(7,410,444)	(8,169,115)
Net proceeds from repayment of loans receivable	11,344,664	3,135,215
Net cash provided by (used for) investing activities	3,934,220	(5,033,900)
<b>Financing activities</b>		
Proceeds from equity equivalent investments	250,000	2,500,000
Payments on equity equivalent investments	-	(1,000,000)
Proceeds from program related investments	-	200,000
Payments on program related investments	(100,000)	(100,000)
Proceeds from other investments	1,007,575	5,630,000
Payments on other investments	(2,314,744)	(2,320,877)
Net cash provided by (used for) financing activities	(1,157,169)	4,909,123
Net increase in cash and cash equivalents	2,707,842	1,564,392
<b>Cash and cash equivalents, beginning of year</b>	8,516,378	6,951,986
<b>Cash and cash equivalents, end of year</b>	<u>\$ 11,224,220</u>	<u>\$ 8,516,378</u>
Cash and cash equivalents	\$ 10,596,725	\$ 7,888,987
Restricted cash	627,495	627,391
Ending cash balance	<u>\$ 11,224,220</u>	<u>\$ 8,516,378</u>
<b>Supplemental disclosures</b>		
Cash paid for interest	<u>\$ 699,433</u>	<u>\$ 659,644</u>

See Notes to Consolidated Financial Statements

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## South Carolina Community Loan Fund

### *Notes to Consolidated Financial Statements*

*December 31, 2022 and 2021*

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#### **Note 1. Nature of Operations and Summary of Significant Accounting Policies**

The summary of significant accounting policies of SCCLF is presented to assist in understanding SCCLF's consolidated financial statements. The consolidated financial statements and notes are representations of SCCLF's management, who is responsible for the integrity and objectivity of the consolidated financial statements. These accounting policies conform to GAAP and have been consistently applied in the preparation of the consolidated financial statements.

##### *Nature of activities:*

SCCLF, a nonprofit community development loan fund, was certified by the United States Treasury CDFI Fund as a Community Development Financial Institution ("CDFI") in 2007. In addition, SCCLF has also been certified as a Community Development Entity ("CDE"). SCCLF has offices located in Charleston and Spartanburg and serves the state of South Carolina. SCCLF's mission is to advance equitable access to build assets and benefit communities and people most in need of economic opportunity.

##### *Principles of consolidation:*

SCCLF's consolidated financial statements include 1051A Gardner Road, LLC ("1051A, LLC"), which is a single member limited liability company and a wholly owned subsidiary of SCCLF formed in 2018 to purchase the building in which SCCLF operates. On August 20, 2018, 1051A, LLC purchased an office building for \$712,138. The purchase was financed through a \$800,000 note payable to SCCLF. The note payable has an interest rate of 4.5%, with payments of principal and accrued interest payable in monthly payments of \$4,054 beginning December 1, 2018. The note matures December 1, 2048. All significant intercompany balances and transactions have been eliminated in consolidation.

##### *Community development financial institution:*

A certified CDFI is a specialized financial institution that works in market niches that are underserved by traditional financial institutions. These financial institutions are focused on community development activities that rebuild distressed and neglected communities through a variety of lending, investment, social support and educational activities. CDFIs provide a unique range of financial products and services in economically distressed target markets, such as mortgage financing for low-income and first-time homebuyers and not-for-profit developers, flexible underwriting and risk capital for needed community facilities, and technical assistance, commercial loans and investment to small start-up or expanding businesses in low-income areas. CDFIs include regulated institutions such as community development banks and credit unions, and non-regulated institutions such as loan and venture capital funds.

According to the Riegle Community Development and Regulatory Improvement Act of 1994, CDFIs are specialized financial institutions that:

- Have a primary mission of promoting community development;
- Serve an investment area or targeted population;
- Provide development services and equity investments or loans;
- Maintain accountability to residents of its investment area or targeted population; and
- Are not a public agency or institution.

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## South Carolina Community Loan Fund

### *Notes to Consolidated Financial Statements*

*December 31, 2022 and 2021*

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#### **Note 1. Nature of Operations and Summary of Significant Accounting Policies, Continued**

##### *Programs and services:*

SCCLF finances projects that: 1) provide affordable housing; 2) create access to food and essential services; 3) increase the quality and availability of neighborhood facilities; 4) create employment opportunities; 5) attract additional investment; and 6) strengthen the social and economic fabric of the community.

SCCLF provides loans generally up to \$1,000,000 to finance acquisition, predevelopment, infrastructure, construction, renovation, leasehold improvements, machinery and equipment, working capital, and permanent financing costs for affordable housing, healthy food, community facility, and community business development projects. Larger loans are permitted if properly approved by the Board per SCCLF's loan policy.

##### *Forgivable loan programs:*

###### ***Loan Subsidy (LS) Program***

SCCLF provides project-specific forgivable loans to nonprofit organizations and entrepreneurs for the development of Healthy Food Enterprises. Loan subsidies are provided as zero percent, non-amortizing, deferred loans. As these loans are forgivable over time, loans are recognized as an expense in the Consolidated Statements of Activities when closed.

##### *Revolving loan programs:*

###### ***Affordable Housing (AH)***

SCCLF provides affordable housing loans generally up to \$1,000,000 to finance acquisition, predevelopment, infrastructure, construction, rehabilitation, and permanent financing development costs. SCCLF finances the construction, rehabilitation, or redevelopment of homeownership and rental units affordable to low-to-moderate income families in South Carolina.

###### ***Community Business (CB)***

SCCLF provides community business loans generally up to \$1,000,000 to finance acquisition, predevelopment, infrastructure, construction, renovation, leasehold improvements, machinery and equipment, working capital, and permanent financing business costs. SCCLF finances the capital needs of community businesses serving and employing low to moderate income individuals located in underserved South Carolina communities.

###### ***Community Facility (CF)***

SCCLF provides community facility loans generally up to \$1,000,000 to finance acquisition, pre-development, infrastructure, construction, rehabilitation, and permanent financing development costs. SCCLF finances the construction and renovation of community facilities including, but not limited to, recreation centers, day care centers, health care centers, senior centers, charter schools, homeless shelters, and transitional housing in underserved South Carolina communities.

## South Carolina Community Loan Fund

### Notes to Consolidated Financial Statements

December 31, 2022 and 2021

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#### Note 1. Nature of Operations and Summary of Significant Accounting Policies, Continued

##### Programs and services, continued:

##### Revolving loan programs, continued:

##### **Healthy Food (HF)**

SCCLF provides healthy food retail loans generally up to \$1,000,000 to finance acquisition, predevelopment, infrastructure, construction, renovation, leasehold improvement, machinery and equipment, working capital, and permanent financing business costs. SCCLF finances the construction and renovation of retail and wholesale outlets including, but not limited to, grocery stores, corner stores, farmer's markets, food hubs, and mobile markets selling healthy food in underserved South Carolina communities.

##### **New Markets Tax Credit (NMTC)**

The New Markets Tax Credit Program provides investors with credits against federal income tax in exchange for capital investments in businesses and commercial projects in low-income communities.

The U.S. Treasury CDFI fund awards NMTCs to certified CDEs to make qualified low-income investments (QLICI) into qualified low-income businesses (QLICB) (see Note 4).

##### Funding sources:

Federal Government Grants:

##### **CDFI Financial Assistance (FA)**

The CDFI Fund makes awards of up to \$2 million to certified CDFIs under the FA component of the CDFI Program. A CDFI may use the award for financing capital, loan loss reserves, capital reserves, or operations. FA awards are made in the form of equity investments, loans, deposits, or grants, and the CDFI is required to match its FA award dollar-for-dollar with non-federal funds of the same type as the award itself. This requirement enables CDFIs to leverage private capital to meet the demand for affordable financial products and services in economically distressed communities.

##### **CDFI Healthy Food Financing Initiative (HFFI)**

The CDFI Fund makes awards totaling \$25 million annually to certified CDFIs under the HFFI component of the CDFI Program. A CDFI may use the award for financing capital, loan loss reserves, capital reserves, or operations. The HFFI is an interagency initiative involving the United States Department of the Treasury, the United States Department of Agriculture, and the United States Department of Health and Human Services. HFFI represents the federal government's first coordinated step to eliminate "food deserts" by promoting a wide range of interventions that expand the supply of and demand for nutritious foods, including increasing the distribution of agricultural products; developing and equipping grocery stores; and strengthening producer-to-consumer relationships.

## South Carolina Community Loan Fund

### Notes to Consolidated Financial Statements

December 31, 2022 and 2021

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#### Note 1. Nature of Operations and Summary of Significant Accounting Policies, Continued

##### Programs and services, continued:

The following programs and funding sources are no longer active. However, they are included here because they are reflective of activity that is still being reported upon by the organization to certain entities.

##### **Homebuyer Assistance (HBA) Program**

The Homebuyer Assistance Program provides non-amortizing subordinate mortgage loans to lower the purchase price of a home for qualified persons on a first come, first ready basis. Applications are accepted and evaluated continually throughout the year. Funding is limited. Applications for HBA loans are accepted from nonprofit developers, for-profit developers, government entities, nonprofit/for-profit developer partnerships, and current SCCLF lending partners. Applications are not taken from individual homebuyers. As HBA loans are forgivable over time, loans are recognized as an expense in the Consolidated Statements of Activities when closed.

##### Investments into SCCLF:

##### **Equity Equivalent Investments (EQ2)**

The Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation have supported a bank capital product named Equity Equivalent Investments (also referred to as "EQ2"). EQ2 is a financial tool that encourages banks and certain other entities to invest in CDFI's, such as SCCLF. The purpose of an EQ2 is to promote a stronger capital structure at the CDFI, secure additional debt capital and increase lending and investing in economically disadvantaged communities.

An EQ2 is a long-term, low-interest loan that is typically structured with a rolling maturity and an automatic annual extension of the loan, as long as the borrower carries out its community development purposes. The equity equivalent investment is carried on the bank or entity's balance sheet as an investment and on the CDFI's balance sheet as debt. Equity equivalent investments are not secured by any of the CDFI's assets and are fully subordinate to the CDFI's other creditors. See Note 7.

##### **Program Related Investments (PRIs)**

PRIs are long term, low interest loans received from foundations used to finance charitable activities. As with EQ2s, they are typically non-secured, but have a defined maturity date. To be program-related, the investments must significantly further SCCLF's exempt activities. See Note 6.

##### **Other Investments (OIs)**

OIs are long-term, low-interest loans received from individuals and businesses to finance charitable activities. In addition, investments received from financial institutions with a defined maturity date, not qualifying as EQ2s, are categorized as Other Investments. As with EQ2s, they are typically non-secured, but have a defined maturity date. See Note 8.

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## South Carolina Community Loan Fund

### *Notes to Consolidated Financial Statements*

*December 31, 2022 and 2021*

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#### **Note 1. Nature of Operations and Summary of Significant Accounting Policies, Continued**

##### Net assets:

In accordance with GAAP, SCCLF reports information regarding its financial position and activities according to two classes of net assets:

**Net assets without donor restrictions** - Net assets that are not subject to donor-imposed stipulations.

**Net assets with donor restrictions** - Net assets subject to donor-imposed stipulations that may or will be met either by actions of SCCLF and/or the passage of time, or that are subject to donor-imposed stipulations that they be maintained permanently. SCCLF has no net assets with donor restrictions to be maintained permanently as of December 31, 2022 or 2021.

##### Cash and cash equivalents:

For purposes of the consolidated financial statements, SCCLF considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

##### Restricted cash:

Restricted cash represents a bank balance of \$627,495 and \$627,391 as of December 31, 2022 and 2021, respectively, which is used as a guarantee for the USDA Community Facilities loan. The guarantee is funded through a Bank of America 1% interest loan.

##### Use of estimates and assumptions:

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of results of operations during the reporting period. Actual results could differ from those estimates and assumptions.

##### Credit risk:

SCCLF maintains its cash accounts at various financial institutions. The Federal Deposit Insurance Corporation ("FDIC") insures up to \$250,000 for all accounts in aggregate per financial institution. At times, deposits may exceed FDIC insurance limits. Management monitors the risk of exposure to loss through monitoring the performance of the financial institutions through publicly available rating agency information.

## South Carolina Community Loan Fund

### Notes to Consolidated Financial Statements

December 31, 2022 and 2021

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#### Note 1. Nature of Operations and Summary of Significant Accounting Policies, Continued

##### Loans receivable:

Loans receivable are stated at the principal amount outstanding, net of the allowance for loan losses. Interest income on loans is accrued at the loan's stated interest rate on the principal balance outstanding.

It is the policy of SCCLF to discontinue the accrual of interest when the loan payments are delinquent for 90 days, and, in management's opinion, the timely collection of interest or principal becomes uncertain, unless the loan principal and interest are determined by management to be fully collateralized and in the process of collection. Interest on these loans is recognized when paid by the borrower only if collection of principal is likely to occur.

A non-accrual loan may be reinstated to an accrual status when contractual principal and interest payments are current and collection is reasonably assured.

##### Allowance for loan losses:

The allowance for loan losses is established through a provision for loan losses charged to expense. Loans are charged-off against the allowance when management determines that the loan is uncollectible. Subsequent recoveries of amounts previously charged-off are credited to the allowance. The allowance for loan losses is maintained at a level believed adequate by management to absorb estimated losses after considering various factors, including prevailing and anticipated economic conditions, diversification and size of the loan portfolio, current financial status and credit standing of the borrowers, the status and level of non-performing assets, past and expected loan loss experience, adequacy of collateral, and specific impaired loans.

##### Investments in New Markets Tax Credit entities:

SCCLF accounts for its investments in NMTC entities ("sub-CDEs") using the equity method of accounting. Under the equity method, the investment is recorded at cost, and increased or decreased by SCCLF's share of the limited liability companies' income or losses, and increased or decreased by the amount of any contributions made or distributions received. SCCLF holds a 0.01% membership interest in each of the sub-CDEs as of December 31, 2022 and 2021.

SCCLF regularly assesses the carrying value of its investments in the limited liability companies. If the carrying value exceeds the estimated value derived by management, SCCLF reduces its investment and includes such reduction as an impairment loss. Fair value is measured as the remaining benefits, including NMTCs and flow-through income, to SCCLF. As of December 31, 2022, no impairment loss has been recognized.

The sub-CDEs are not considered variable interest entities ("VIEs") since they do not meet any of the VIE criteria set forth in the Accounting Standards Codification ("ASC") issued by the Financial Accounting Standards Board ("FASB"). Rather they are considered voting interest entities and should be accounted for based on other factors of a controlling financial interest in accordance with ASC 810.

SCCLF's balance in its investments in the limited liability companies, plus the risk of recapture of tax credits previously taken by SCCLF's investor members, represents its maximum exposure to loss.



## South Carolina Community Loan Fund

### Notes to Consolidated Financial Statements

December 31, 2022 and 2021

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#### Note 1. Nature of Operations and Summary of Significant Accounting Policies, Continued

##### Below market interest loans:

GAAP generally requires that loans with below market interest rates be restated for financial reporting purposes to amounts that reflect the expected cash flows, discounted at market rates. SCCLF both receives and makes loans with stated rates of interest that vary from the prevailing market rates for commercial loans. SCCLF believes there is no material difference between community development finance market rates and the stated rates of loans in their portfolios. SCCLF accounts for these loans at the stated rates.

##### Revenue recognition:

##### **Loan Program and Other Related Fees:**

Loan application fees are earned and recorded as revenue at a point in time when the loan application is completed by the applicant with all required documentation and accepted by SCCLF.

Loan origination fees are earned on loan closings and recorded as revenue at a point in time when the performance obligation is met, i.e., when the loan closes and funds are loaned to the customer.

SCCLF requires a signed promissory note with all borrowers which constitutes a contract between SCCLF and the customer, states the loan terms, and lays out the obligations of SCCLF and the borrower. Each individual loan receivable is analyzed separately and has its own specific terms. Under ASC 606, late fee income related to these loan receivables are recognized as revenue at a point in time when the loan payments are due and the customer has not paid these payments per the terms in the signed contract. As the due date passes for the loan payments and the amounts go unpaid, SCCLF will recognize late fees for the loaned funds at the respective terms per the individual loan document.

SCCLF had a Homebuyer Assistance Program for several years as discussed earlier in Note 1. Under this program, SCCLF was eligible for a portion of sales proceeds for a property that they have previously provided HBA funds on to assist the buyer. At the time of the original advance of HBA funds, a signed contract was entered into with all customers that received funds from SCCLF which stated the terms of repayment of a portion of the net sales proceeds if the property was sold before 20 years from the date of the funds, which constitutes a contract between SCCLF and the customer. Under these contracts, SCCLF is considered to meet its performance obligations at a point in time when the respective property is determined to be sold in <20 years from the advance of funds by the SCCLF and the sale of the property to a 3rd party has been closed. Under ASC 606, the amount of the revenue is determined at the time of the sale per the closing statement and recognized as revenue at that point in time.

##### **NMTC Placement Fee:**

NMTC sub-allocation fees are paid at the time a NMTC closing occurs. SCCLF requires a signed agreement with all borrowers which states the NMTC allocation fee for the respective loan, which constitutes a contract between SCCLF and the customer. Fee amounts are detailed in the financial forecasts prepared for each individual NMTC deal and are listed as a step in the flow of funds document that details the transfer of money between entities involved in the NMTC deal on the date of closing. The performance obligation is the successful closing of the NMTC deal. Should a borrower default and the deal structure collapse before the end of the seven-year compliance period, no portion of the sub-allocation fees are returned. Sub-allocation fees are recognized as revenue at a point in time when the deal closes. As noted, the sub-allocation fees are not contingent on the seven-year compliance period. Therefore, the fees do not have to be recognized over a period of time.

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## South Carolina Community Loan Fund

### Notes to Consolidated Financial Statements

December 31, 2022 and 2021

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#### Note 1. Nature of Operations and Summary of Significant Accounting Policies, Continued

##### Revenue recognition, continued:

##### **NMTC Asset Management Fees:**

NMTC asset management fees are paid by the sub-CDE, an entity that is 99.99% owned by a Tax Credit Investor and 0.01% owned by SCCLF. SCCLF requires a signed agreement for all NMTC transactions which states the NMTC asset management fee for the respective transaction, which constitutes a contract between SCCLF and the customer. The amount of asset management fees to be paid are outlined in the financial forecasts prepared and included in the NMTC closing documents. The performance obligation is to manage the NMTC investment. Under ASC 606, the NMTC allocation fees related to these sub-allocation transactions will be recognized over time since the performance obligations are met over the 7 years. Payments for asset management fees made in advance are initially recorded as deferred revenue. As the performance obligation is met, revenue is released from deferred status and recognized.

##### **Contributions:**

Contributions that are unrestricted or restricted by donor are earned and recognized when the donation is received or unconditionally pledged, as long as there are no performance obligations attached to the contribution. These contributions would not fall under the ASC 606 guidance. In the instance where there is a performance obligation attached to the contribution, the portion that is attached to a performance obligation is recorded as deferred revenue until it is earned (i.e., sponsorships as discussed below), and the portion that is considered to be a contribution is recorded as revenue when received or unconditionally pledged.

##### **Sponsorship and Ticket Revenue:**

Sponsorships and ticket revenue for events are recognized as revenue when the scheduled event occurs (i.e., at a point in time). Any funds related to these sponsorships or ticket sales received in advance will be deferred until such time as the event occurs. If an event were to be canceled, any funds received would be refunded.

##### **Grants:**

Grants are recorded and recognized as revenue when the grant funds are received or unconditionally pledged, if there is no performance requirement in the grant agreement. At that time, any grantor restrictions are considered. In accordance with industry guidance and prevailing practice for CDFI's, revenue from CDFI and other lending program grants are recognized as revenue and support when the funds are received. For any grant agreements that include performance obligations, SCCLF determines when the performance obligation(s) will be met (i.e., at a certain point in time or over time). Revenue is recognized accordingly when the related performance obligation is met. Funds from grants with a performance requirement which are received in advance are recorded as deferred revenue, and then recognized as revenue when performance requirements are met.

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## South Carolina Community Loan Fund

### Notes to Consolidated Financial Statements

December 31, 2022 and 2021

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#### Note 1. Nature of Operations and Summary of Significant Accounting Policies, Continued

##### Property and equipment:

Property and equipment are carried at cost or, if donated, at the approximated fair value at the date of donation. Depreciation is computed using the straight-line method. SCCLF capitalizes all expenditures for property and equipment in excess of \$5,000, unless required to do otherwise under grant conditions. The depreciation method is designed to amortize the cost of the assets over their estimated lives as follows:

Building and improvements	40 years
Furniture and equipment	10 years
Software	3-5 years
Vehicles	5 years

##### Availability of funds for general expenditures:

SCCLF has certain net assets that are available for general expenditures within one year of December 31, 2022 and 2021 based on conducting the normal activities of its programs in the coming year. SCCLF has certain donor-restricted net assets that are available for general expenditures within the next year because the restrictions on the net assets are expected to be met by conducting the normal program activities. Accordingly, the related resources have been included in the quantitative information detailing the financial assets available to meet general expenditures within one year (See Note 2).

##### Functional allocation of expenses:

The cost of providing the various programs and other activities has been summarized on a functional basis in the Consolidated Statements of Activities and Consolidated Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Management and general expenses include the functions necessary to maintain an equitable employment program, ensure an adequate working environment, provide coordination and articulation of SCCLF's program strategy, secure proper administrative functioning of the Board of Directors, maintain competent legal services for program administration of SCCLF, and manage the financial and budgetary responsibilities of SCCLF.

Fundraising costs provide the support necessary to encourage and secure private financial funding from individuals, foundations, and corporations.

## South Carolina Community Loan Fund

### Notes to Consolidated Financial Statements

December 31, 2022 and 2021

#### Note 1. Nature of Operations and Summary of Significant Accounting Policies, Continued

##### Functional allocation of expenses, continued:

The consolidated financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated and the method of allocation include:

<u>Expense Type</u>	<u>Method of Allocation</u>
Salaries and wages	Time and effort
Payroll taxes and employment benefits	Time and effort
Professional fees and contracted services	Direct based on nature of services
Communication and utilities	Headcount
Rent	Headcount
Office expenses	Headcount
Insurance	Headcount
Advertising	Direct based on nature of expense
Property taxes	Headcount
Miscellaneous	Headcount
Repairs and maintenance	Headcount
Professional development	Direct based on nature of expense
Dues and subscriptions	Direct based on nature of expense
Travel	Direct based on nature of expense
Conferences and meetings	Direct based on nature of expense
Printing and postage	Direct based on nature of expense
Depreciation	Headcount

##### Board-designated reserves:

The Board of Directors has designated net assets without donor restrictions for the following purposes:

**Operating reserve** - The Board has designated these net assets to ensure the ability to continue the operations of SCCLF. The reserve is calculated at 3 months of operating cash with a minimum of \$750,000.

**Investor liquidity reserve** - The Board has required a reserve in an amount equal to 10% of borrowed capital or 12 months of anticipated repayments of borrowed loan capital, whichever is greater.

##### Budgets:

The budget for SCCLF is prepared in October for the following calendar year and is based on estimated revenues and expenses for the various fiscal year grants and management operations. Budgetary control is also achieved through the grant contracts, which run on various fiscal years.

## South Carolina Community Loan Fund

### Notes to Consolidated Financial Statements

December 31, 2022 and 2021

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#### Note 1. Nature of Operations and Summary of Significant Accounting Policies, Continued

##### Income taxes:

SCCLF is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code as a charitable organization whereby only unrelated business income, if any, as defined by the Code, is subject to federal income tax. SCCLF is classified by the Internal Revenue Service as other than a private foundation.

SCCLF's policy is to report accrued interest related to unrecognized tax benefits, when applicable, as interest expense and to report penalties as other expense. Management has evaluated the tax positions of SCCLF and does not believe that any uncertain tax positions or unrecognized tax benefits exist for the years ended December 31, 2022 or 2021.

##### Recently issued accounting pronouncements:

In February 2026, the FASB amended the *Leases* topic of the Accounting Standards Codification to require all leases with terms over 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance leases or operating leases. The distinction is relevant for the pattern of expense recognition in the income statement. SCCLF adopted this standard on January 1, 2022; however, the new standard did not materially change or impact SCCLF's financial statements.

In June 2016, the FASB issued guidance to change the accounting for credit losses and modify the impairment model for certain debt securities. ASU 2019-10 requires a prospective review of potential credit losses and allowances and is effective for fiscal years beginning after December 15, 2022. SCCLF will evaluate the impact of these updates on SCCLF's financial position, results of operations or cash flows, if applicable.

Other accounting standards that have been issued or proposed by the FASB or other standard-setting bodies are not expected to have a material impact on SCCLF's financial position, statement of activities or cash flows.

##### Reclassifications:

Certain reclassifications have been made to the prior year consolidated financial statements to conform to the current year presentation.

##### Subsequent events:

In preparing these consolidated financial statements, SCCLF evaluated events and transactions for potential recognition or disclosure through April 26, 2023, which is the date these consolidated financial statements were available to be issued.

## South Carolina Community Loan Fund

### Notes to Consolidated Financial Statements

December 31, 2022 and 2021

#### Note 2. Availability and Liquidity

Assets available for general expenditure that are without donor or other restrictions limiting their use within one year of the Consolidated Statements of Financial Position date are comprised of the following at December 31:

	<u>2022</u>	<u>2021</u>
Total assets at year end	\$ 41,580,650	\$ 42,539,456
Less amounts not available to be used within one year due to illiquidity		
Assets held for others	-	12,250
Prepaid assets and deposits	74,905	88,187
Non-current notes receivable	17,792,481	18,924,205
Investments	3,850	3,150
Property and equipment, net	<u>796,284</u>	<u>846,577</u>
	18,667,520	19,863,369
Less amounts not available to be used within one year due to		
Contractual or donor-imposed restrictions		
Notes receivable – non-recourse	6,200,000	6,200,000
Restricted cash	<u>627,495</u>	<u>627,391</u>
	<u>6,827,495</u>	<u>6,827,391</u>
Assets available to meet cash needs for		
general expenditures within one year	<u>\$ 16,085,635</u>	<u>\$ 15,848,696</u>

As part of its liquidity plan, SCCLF has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due.

#### Note 3. Loans Receivable, Net

Loans receivable, net, is comprised of the following at December 31:

	<u>2022</u>	<u>2021</u>
Receivable in less than one year	\$ 5,340,851	\$ 7,570,515
Receivable in one to five years	9,734,196	9,445,683
Receivable in more than five years	<u>9,568,202</u>	<u>11,869,783</u>
Total loans receivable	24,643,249	28,885,981
Less allowance for loan loss	<u>(1,509,917)</u>	<u>(2,391,261)</u>
Loans receivable, net	<u>\$ 23,133,332</u>	<u>\$ 26,494,720</u>

Loans receivable are held with interest rates ranging from 1.00% - 9.25% and secured by real estate, furniture, equipment, and one receivable secured by the mortgage assignment.

## South Carolina Community Loan Fund

### Notes to Consolidated Financial Statements

December 31, 2022 and 2021

#### Note 3. Loans Receivable, Net, Continued

The amount of the loan loss is calculated based on a risk rating chart that considers the financial condition of the borrower, the payment history, the pre-sale condition, and other similar factors in assigning a loan loss reserve. The risk rating for the year ended December 31, 2021 ranged from 2% – 20%, but was adjusted to 1% - 10% in 2022 to more accurately reflect historical loss trends. Should a loan deteriorate after closing, SCCLF can assign a loan loss reserve of up to 100% of the outstanding loan balance as deemed necessary by management.

The table below represents outstanding loans receivable, net, by program activity as of December 31, 2022:

	<u>Affordable Housing</u>	<u>Community Business</u>	<u>Community Facilities</u>	<u>Healthy Food</u>	<u>Grand Total</u>
Loans receivable	\$ 4,114,092	\$ 11,480,212	\$ 7,575,699	\$ 1,473,246	\$ 24,643,249
Provision for loan losses	<u>(336,715)</u>	<u>(891,499)</u>	<u>(205,442)</u>	<u>(76,261)</u>	<u>(1,509,917)</u>
December 31, 2022	<u>\$ 3,777,377</u>	<u>\$ 10,588,713</u>	<u>\$ 7,370,257</u>	<u>\$ 1,396,985</u>	<u>\$ 23,133,332</u>

The table below represents outstanding loans receivable, net by program activity as of December 31, 2021:

	<u>Affordable Housing</u>	<u>Community Business</u>	<u>Community Facilities</u>	<u>Healthy Food</u>	<u>Grand Total</u>
Loans receivable	\$ 5,533,793	\$ 7,408,657	\$ 14,407,901	\$ 1,535,630	\$ 28,885,981
Provision for loan losses	<u>(342,361)</u>	<u>(991,751)</u>	<u>(959,350)</u>	<u>(97,799)</u>	<u>(2,391,261)</u>
December 31, 2021	<u>\$ 5,191,432</u>	<u>\$ 6,416,906</u>	<u>\$ 13,448,551</u>	<u>\$ 1,437,831</u>	<u>\$ 26,494,720</u>

As of December 31, 2022, SCCLF had 4 loans past due. One loan was 30 days past due owing a balance of approximately \$58,000. The remaining 3 past due loans were over 200 days past due owing amounts approximately between \$50,000 and \$512,000. All loans are fully collateralized by a first position on certain assets.

#### Note 4. New Markets Tax Credit Transactions

In April 2016, SCCLF served as an intermediary lender between the Opportunity Finance Network (OFN) and Wells Fargo, the NMTC awardees, and Self Help, the NMTC borrower, in a commercial loan transaction. This resulted in a \$6,200,000 note receivable and note payable being recorded on the Consolidated Statements of Financial Position. These notes are considered non-recourse. The note receivable shall bear interest at a fixed rate equal to 1.0247% per annum. Interest only payments are payable quarterly through March 5, 2023. Beginning on June 5, 2023, the NMTC borrower shall make quarterly payments equal to the sum of principal based on a 23-year amortization schedule, plus interest. The unpaid principal balance, together with any unpaid and accrued interest thereon, shall be due and payable in full on April 5, 2046. The terms of the note payable to the awardees mirror the terms on the note receivable.

## South Carolina Community Loan Fund

### *Notes to Consolidated Financial Statements*

*December 31, 2022 and 2021*

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#### **Note 4. New Markets Tax Credit Transactions, Continued**

In August 2019, SCCLF was awarded a NMTC allocation of \$20 million from the US CDFI Fund to allocate to qualified projects based on its qualification as a CDE. As part of that award, SCCLF created 5 sub-CDE entities to which the SCCLF CDE may sub-allocate the tax credits for separate, authorized projects to make a qualified investment in a Qualified Active Low-Income Community Business (QALICB) in accordance with the terms of the NMTC program pursuant to 45D of the Internal Revenue Code.

In 2019, SCCLF entered into its first NMTC transaction through its sub-allocation of NMTC funds to its first sub-CDE named "SCCLF Sub-CDE I, LLC" for \$5 million. An investor made a capital contribution of \$5 million in anticipation of receiving new markets tax credits of approximately \$1.95 million. SCCLF serves as the Managing Member of the sub-CDE I LLC, contributed nominal capital, and has financial interests in the NTMC entity. At December 31, 2022, SCCLF had a 0.01% interest in the entity. There were no significant distributions to SCCLF for the years ended December 31, 2022 or 2021, respectively.

In January 2020, SCCLF sub-allocated \$3 million of NMTCs to the sub-CDE named "SCCLF Sub-CDE III, LLC." An investor made a capital contribution of \$3 million in anticipation of receiving new markets tax credits of approximately \$1.17 million. SCCLF serves as the Managing Member of the sub-CDE III LLC, contributed nominal capital, and has financial interests in the NTMC entity. At December 31, 2022, SCCLF has a 0.01% interest in the entity. There were no significant distributions for the years ended December 31, 2022 or 2021, respectively.

In February 2020, SCCLF sub-allocated the remaining NMTC funds of \$12 million to the sub-CDE named "SCCLF Sub-CDE II." An investor made a capital contribution of \$12 million in anticipation of receiving new markets tax credits of approximately \$4.68 million. SCCLF serves as the Managing Member of the sub-CDE II LLC, contributed nominal capital, and has financial interests in the NTMC entity. At December 31, 2022, SCCLF has a 0.01% interest in the entity. There were no significant distributions for the years ended December 31, 2022 or 2021, respectively.

In July 2020, SCCLF was awarded a second NMTC allocation of \$15 million from the US CDFI Fund to allocate to qualified projects based on its qualification as a CDE.

In April 2021, SCCLF sub-allocated NMTC funds of \$4.5 million to the sub-CDE named "SCCLF Sub-CDE IV." An investor made a capital contribution of \$4.5M in anticipation of receiving new markets tax credits of approximately \$1.755 million. SCCLF serves as the Managing Member of the sub-CDE IV LLC, contributed nominal capital, and has financial interests in the NTMC entity. At December 31, 2022, SCCLF has a 0.01% interest in the entity. There were no significant distributions for the years ended December 31, 2022 or 2021, respectively.

In October 2021, SCCLF sub-allocated NMTC funds of \$7 million to the sub-CDE named "SCCLF Sub-CDE V." An investor made a capital contribution of \$7M in anticipation of receiving new markets tax credits of approximately \$2.73 million. SCCLF serves as the Managing Member of the sub-CDE V LLC, contributed nominal capital, and has financial interests in the NTMC entity. At December 31, 2022, SCCLF has a 0.01% interest in the entity. There were no significant distributions for the years ended December 31, 2022 or 2021, respectively.



## South Carolina Community Loan Fund

### Notes to Consolidated Financial Statements

December 31, 2022 and 2021

#### Note 4. New Markets Tax Credit Transactions, Continued

In January 2022, SCCLF sub-allocated NMTC funds of \$3.5 million to the sub-CDE named "SCCLF Sub-CDE VI." An investor made a capital contribution of \$3.5M in anticipation of receiving new markets tax credits of approximately \$1.36 million. SCCLF serves as the Managing Member of the sub-CDE V LLC, contributed nominal capital, and has financial interests in the NTMC entity. At December 31, 2022, SCCLF has a 0.01% interest in the entity. There were no significant distributions for the year ended December 31, 2022.

Below is the financial information for the years ended December 31:

	2022						
	Sub-CDE I, LLC	Sub-CDE II, LLC	Sub-CDE III, LLC*	Sub-CDE IV, LLC	Sub-CDE V, LLC	Sub-CDE VI, LLC**	Total
Total assets	\$ 5,000,500	\$ 12,452,473	\$ 3,002,929	\$ 4,500,450	\$ 7,036,144	\$ 3,517,033	\$ 35,509,529
Total liabilities	-	30,000	-	-	22,500	16,683	69,183
Members' capital	\$ 5,000,500	\$ 12,422,473	\$ 3,002,929	\$ 4,500,450	\$ 7,013,644	\$ 3,500,350	\$ 35,440,346
Total revenue	\$ 73,770	\$ 493,772	\$ 59,230	\$ 157,512	\$ 109,270	\$ 49,000	\$ 942,484
Total expenses	37,500	72,500	27,500	35,000	57,500	16,333	246,333
Net income	\$ 36,270	\$ 421,272	\$ 31,730	\$ 122,512	\$ 51,770	\$ 32,667	\$ 696,151

\*\*For the period January 25, 2022 (commencement of operations) to December 31, 2022.

	2021						
	Sub-CDE I, LLC	Sub-CDE II, LLC	Sub-CDE III, LLC*	Sub-CDE IV, LLC	Sub-CDE V, LLC		Total
Total assets	\$ 5,000,500	\$ 12,524,973	\$ 3,040,508	\$ 4,500,450	\$ 7,019,018		\$ 32,085,449
Total liabilities	-	102,500	37,583	-	7,389		147,472
Members' capital	\$ 5,000,500	\$ 12,422,473	\$ 3,002,925	\$ 4,500,450	\$ 7,011,629		\$ 31,937,977
Total revenue	\$ 73,770	\$ 493,772	\$ 59,229	\$ 97,884	\$ 18,318		\$ 742,973
Total expenses	37,500	72,500	27,500	15,188	7,389		160,077
Net income	\$ 36,270	\$ 421,272	\$ 31,729	\$ 82,696	\$ 10,929		\$ 582,896

\*As of and for the fiscal year ended October 31, 2021.

Under the agreement with the sub-CDEs, SCCLF earns fees for its initial services including investor syndication, LLC organization, loan origination, NMTC sub-allocation, etc. SCCLF also earns continuing fees for loan servicing during the 7-year compliance period required under the program as more fully described in Note 1. Sub-allocation placement and asset management servicing fee revenue was \$372,563 and \$736,523 for the years ended December 31, 2022 and 2021, respectively.

## South Carolina Community Loan Fund

### Notes to Consolidated Financial Statements

December 31, 2022 and 2021

#### Note 5. Property and Equipment, Net

Property and equipment, net, is comprised of the following at December 31:

	<u>2022</u>	<u>2021</u>
Building	\$ 712,138	\$ 712,138
Building Improvements	80,496	80,496
Vehicles	90,908	90,908
Furniture and equipment	87,813	87,813
Software	<u>61,579</u>	<u>61,579</u>
	1,032,934	1,032,934
Less accumulated depreciation	<u>(236,650)</u>	<u>(186,357)</u>
Property and equipment, net	<u>\$ 796,284</u>	<u>\$ 846,577</u>

Depreciation expense for the years ended December 31, 2022 and 2021 was \$50,293 and \$50,591 respectively.

#### Note 6. Other Liabilities – Program Related Investments

SCCLF has outstanding amounts under program related promissory note agreements. At December 31, the notes consisted of the following:

	<u>2022</u>	<u>2021</u>
Frances P. Bunnelle Foundation, 2% interest only payments, payable quarterly. Maturing March 2023; unsecured.	\$ 100,000	\$ 100,000
Kresge Foundation, 2% interest only payments until March 2020, payable quarterly. Principal payments of \$25,000 quarterly beginning March 2020. Maturing December 2022 through 2024; unsecured.	200,000	300,000
Mary Reynolds Babcock Foundation, 2% interest only payments, beginning December 2021, payable quarterly. The loan was amended in 2021 to extend the maturity date. Maturing December 2023; unsecured.	400,000	400,000
Nathan Cummings Foundation, 2% interest only payments, payable quarterly. Maturing July 2026; unsecured.	<u>200,000</u>	<u>200,000</u>
	<u>\$ 900,000</u>	<u>\$ 1,000,000</u>

The future maturities of program-related investments are as follows for the years ending December 31:

2023	\$ 600,000
2024	100,000
2025	-
2026	200,000
2027	-
	<u>\$ 900,000</u>

## South Carolina Community Loan Fund

### Notes to Consolidated Financial Statements

December 31, 2022 and 2021

#### Note 7. Other Liabilities – Equity Equivalent Investments

SCCLF has outstanding amounts under equity equivalent subordinated promissory note agreements. These notes are subordinate to all other debt, and the maturities may be extended or rolled at the option of the lender.

At December 31, the notes consisted of the following:

	<u>2022</u>	<u>2021</u>
Bank of South Carolina, 2% interest-only payments, payable quarterly. Maturing August 2030 with an obligation to extend the loan for an additional ten years; unsecured; subordinated with rolling maturity.	\$ 200,000	\$ 200,000
Pinnacle Bank, previously BNC Bank, 2% interest-only payments, payable quarterly. Maturing June 2028 with an option to extend for an additional 2 years; unsecured; subordinated.	2,500,000	2,500,000
First Horizon Bank, previously Capital Bank, 3% interest-only payments, payable quarterly. Maturing September 2023, with an option to extend for an additional year; unsecured; subordinated.	350,000	350,000
Carolina Alliance Bank, 2% interest-only payments, payable quarterly. Maturity date extended to August 2027; unsecured; subordinated.	100,000	100,000
First Federal Bank, previously CBC Bank, 2% interest-only payments, payable quarterly. Maturing March 2025; unsecured; subordinated.	100,000	100,000
PNC Bank, 3% interest-only payments, payable quarterly. Maturity date extended to December 2024; unsecured; subordinated.	500,000	500,000
South State Bank, 3% interest-only payments, payable quarterly. Effective as of the 10 <sup>th</sup> anniversary of the Disbursement Date, in addition to and together with the regularly scheduled interest payments for accrued but unpaid interest, Borrower shall make twenty (20) equal quarterly principal payments of \$37,500 each to fully repay the EQ2 as of the maturity date January 2033; unsecured; subordinated.	750,000	750,000
South State Bank, 3% interest-only payments, payable quarterly. Effective as of the 10 <sup>th</sup> anniversary of the Disbursement Date, in addition to and together with the regularly scheduled interest payments for accrued but unpaid interest, Borrower shall make Twenty (20) equal quarterly principal payments of \$37,500 each to fully repay the EQ2 as of the Maturity Date. Maturing August 2034; unsecured; subordinated.	750,000	750,000

## South Carolina Community Loan Fund

### Notes to Consolidated Financial Statements

December 31, 2022 and 2021

#### Note 7. Other Liabilities – Equity Equivalent Investments, Continued

United Community Bank, 2% interest-only payments, payable quarterly. Maturing November 2024 with an option to extend for an additional five years; unsecured; subordinated.	99,297	99,297
United Community Bank, 2% interest-only payments, payable quarterly. Maturing September 2023 with an option to extend for an additional five years; unsecured; subordinated.	100,000	100,000
United Community Bank, 2% interest-only payments, payable quarterly. Maturing November 2032 with an option to extend for an additional five years; unsecured; subordinated.	<u>250,000</u>	<u>-</u>
	<u>\$ 5,699,297</u>	<u>\$ 5,449,297</u>

The equity equivalent investments have rolling maturities and, unless otherwise extended, future maturities of these investments are as follows for the years ending December 31:

2023	\$ 450,000
2024	599,297
2025	100,000
2026	-
2027	100,000
Thereafter	<u>4,450,000</u>
	<u>\$ 5,699,297</u>

#### Note 8. Other Liabilities – Other Investments

SCCLF has outstanding amounts under other investment promissory note agreements. At December 31, the notes consisted of the following:

	<u>2022</u>	<u>2021</u>
Appalachian Community Capital, 2.74% interest only payments, payable monthly. Maturing July 2025; unsecured.	\$ 500,000	\$ 500,000
Appalachian Community Capital, 2.55% interest only payments, payable monthly. Maturing June 2028; unsecured.	1,000,000	1,000,00
Jerry Zucker Rvoc Trust, 2% payable quarterly. Maturing February 2022; unsecured.	-	223,105
Bank of America Community Development Corporation, loan principal available to be drawn up to a \$1,000,000 maximum by September 2015; 3.25% interest only payments, payable quarterly. Annual payments of \$250,000 due in September 2022 and the remainder due in September 2032; unsecured.	348,530	750,000

## South Carolina Community Loan Fund

### Notes to Consolidated Financial Statements

December 31, 2022 and 2021

#### Note 8. Other Liabilities – Other Investments, Continued

Bank of America – USDA Guarantee, 1% interest only payments, payable quarterly. Maturing January 2025.	605,880	605,880
Community Development Financial Institutions Fund, 1.95% interest only payments, payable semi-annually. Maturing April 2028; unsecured.	760,500	760,500
Cnote, 3.80% interest only payments, payable monthly. Maturing February 2023; unsecured.	1,055,285	1,055,285
Cnote, 1.50% interest only payments, payable monthly. Maturing November 2026; unsecured.	1,050,000	1,050,000
Finemark, 3% interest only payments, payable quarterly beginning November 2022. Maturing August 2027; unsecured	250,000	-
Heritage Trust, 2% interest only payments, payable quarterly. Matured June 2022, repaid in 2023; unsecured.	100,000	100,000
Jonathan Zucker, 2% interest only payments, payable quarterly. Maturing August 2024 with an option to extend an additional five years; unsecured	50,000	50,000
Jonathan Zucker, 2% interest only payments, payable quarterly. Maturing April 2027 with an option to extend an additional five years; unsecured	225,000	-
Julie and Bill Hussey, 2% interest only payments, payable quarterly. Maturing February 2026; unsecured	25,000	25,000
Synovus, 3% interest only payments, payable quarterly. Maturing July 2022; unsecured.	15,274	1,000,000
Opportunity Finance Network, 3% interest only payments, payable quarterly. Maturing December 2027; unsecured.	350,000	350,000
PNC Bank, 3.25% interest only payments, payable quarterly. The loan was amended in 2021 to extend the maturity date. Maturing December 2026; unsecured.	500,000	500,000
PNC Bank, 3.75% interest only payments, payable quarterly. Maturing June 2023; unsecured.	998,708	998,708

## South Carolina Community Loan Fund

### Notes to Consolidated Financial Statements

December 31, 2022 and 2021

#### Note 8. Other Liabilities – Other Investments, Continued

Regions Bank, 2.90% interest only payments, payable quarterly. Maturing February 2028; unsecured.	1,000,000	1,000,000
Robert Johnston, 2% interest only payments, payable quarterly. Maturing January 2022; unsecured.	-	350,000
Robert Johnston, 2% interest only payments, payable quarterly. Maturing August 2024 with an option to extend an additional five years; unsecured.	400,000	400,000
Robert Johnston, 2% interest only payments, payable quarterly. Maturing September 2026 with an option to extend an additional five years; unsecured.	450,000	450,000
Robert Johnston, 2% interest only payments, payable quarterly. Maturing March 2027, with an option to extend an additional five years; unsecured.	450,000	-
Robert Johnston, 2% interest only payments, payable quarterly. Maturing November 2027, with an option to extend an additional five years; unsecured.	82,575	-
TD Bank, 2% interest-only payments, payable quarterly. The loan was amended in 2020 to increase loan by \$750,000 and extend the maturity date. Maturing December 2024; unsecured.	1,750,000	1,750,000
Tom Baker, 2% interest only payments, payable quarterly. The loan was amended in 2021 to increase the loan by \$5,000 and extend the maturity date. Maturing February 2026; unsecured.	30,000	30,000
USDA, 2.38% interest and principal payments in monthly installments on the last day of each month. Maturing May 2056. Bank of America investment of \$757,350 is pledged to USDA as collateral.	3,535,329	3,597,022
Wells Fargo, 2% interest-only payments, payable quarterly. Maturing December 2024 with an option to extend for an additional two years with quarterly principal payments of \$37,500 during extension period; unsecured; subordinated.	300,000	300,000
Wells Fargo, 2% interest-only payments, payable quarterly. Maturing February 2022 with an option to extend for an additional two years; Extended through 2024 with quarterly principal payments of \$31,250 during extension period; unsecured; subordinated.	156,250	250,000

## South Carolina Community Loan Fund

### Notes to Consolidated Financial Statements

December 31, 2022 and 2021

#### Note 8. Other Liabilities – Other Investments, Continued

Wells Fargo, 2% eight quarterly principal payments beginning 2028.  
Maturing November 2029.

750,000                      750,000

Woodforest National Bank, 2.75% interest only payments, payable quarterly. This loan was amended in 2021 to increase the loan by \$1,000,000, change to 3% interest, and extend the maturity date. Maturing annually between October 2023 and October 2024; unsecured.

<u>1,400,000</u>	<u>1,600,000</u>
<u>\$ 18,138,331</u>	<u>\$ 19,445,500</u>

The future maturities of other investments are as follows for the years ending December 31:

2023	\$ 2,369,267
2024	3,856,250
2025	1,105,880
2026	2,055,000
2027	1,357,575
Thereafter	<u>7,394,359</u>
	<u>\$ 18,138,331</u>

#### Note 9. Refundable Advance

In April 2020, SCCLF entered into a loan with a financial institution in a principal amount of \$215,630 pursuant to the Paycheck Protection Program (“PPP Loan”) under the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”). The PPP Loan was unsecured and guaranteed by the United States Small Business Administration. The PPP term loan bore interest at a rate of 1% annum.

In September 2022, SCCLF’s PPP loan was fully forgiven. The \$215,630 forgiven debt is included in Government grants – PPP forgiveness on the Consolidated Statement of Operations for the year ended December 31, 2022.

#### Note 10. Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
Restricted for specific purposes:		
Lending-Small business	\$ 168,500	\$ 300,000
Lending-Minority or women owned business	18,244	-
Feeding Innovation and LEAP programs	35,907	397,321
Specific operational expenses	<u>1,500</u>	<u>140,000</u>
	<u>\$ 224,151</u>	<u>\$ 837,321</u>

## South Carolina Community Loan Fund

### Notes to Consolidated Financial Statements

December 31, 2022 and 2021

#### Note 11. Board-Designated Reserves

The Board of Directors has designated the following reserves for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Operating reserve	\$ 750,000	\$ 750,000
Investor liquidity reserve	<u>3,767,797</u>	<u>2,573,105</u>
Total board designated reserves	<u>\$ 4,517,797</u>	<u>\$ 3,323,105</u>

#### Note 12. Related Party Transactions

As of December 31, 2022 and 2021, SCCLF had loans outstanding, investments, EQ2 investments as well as individual contributions and grants from Board members and their related entities. Related party transactions are as follows as of and for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Donations and grants from individual board members and staff	\$ -	\$ 12,408
Investments and EQ2s due to individuals and entities affiliated with board members	2,882,575	2,700,000

#### Note 13. Commitments

Under some loan receivable agreements, the full amount of the loan is not drawn down by the borrower at the time the loan receivable is closed. The remaining funds are committed to the borrower; however, they are contingent upon certain milestones being achieved. Therefore, the final draw down of funding does not become unconditional until the borrower meets the specified requirements of the loan. At December 31, 2022 and 2021, SCCLF had \$3,742,399 and \$2,019,885, respectively, held in committed funds.

On December 15, 2016, SCCLF entered into a Rural Development \$10,000,000 financing agreement with the USDA. The note, which is payable in equal monthly amortized installments including interest at 2.375%, matures in December 2056 and is secured by a Letter of Credit, full recourse in unrestricted net assets and an interest in, and an assignment, in all loans funded by SCCLF. As of December 31, 2022 and 2021, \$6,175,000 was left to be drawn down from the agreement.