

TRUE ACCESS CAPITAL CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS,
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2020 AND 2019

TRUE ACCESS CAPITAL CORPORATION
TABLE OF CONTENTS
DECEMBER 31, 2020 AND 2019

	<u>Page No.</u>
Independent Auditors' Report	1
Consolidated Financial Statements	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statements of Functional Expenses	5
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	9



BELFINT • LYONS • SHUMAN
Certified Public Accountants

www.belfint.com

Independent Auditors' Report

To the Board of Directors
True Access Capital Corporation

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of True Access Capital Corporation, formerly known as First State Community Loan Fund (a nonprofit organization), and subsidiary, which comprise the consolidated statement of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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. 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 auditors' 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

To the Board of Directors
True Access Capital Corporation

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 True Access Capital Corporation and subsidiary as of December 31, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2021, on our consideration of True Access Capital Corporation'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of True Access Capital Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering True Access Capital Corporation's internal control over financial reporting and compliance.

Belfint, Lyons & Shuman, P.A.

May 21, 2021
Wilmington, Delaware

TRUE ACCESS CAPITAL CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

ASSETS

	2020	2019
Cash and Cash Equivalents	\$ 3,286,568	\$ 1,659,686
Restricted Cash	2,835,721	2,895,277
Investments	48,515	48,467
Grants Receivable, Net	140,051	199,496
Miscellaneous Receivable	24,161	25,545
Accrued Interest Receivable	168,019	65,760
Prepaid Expenses	54,446	34,792
Servicing Asset	38,371	57,289
Loans Receivable, Net	7,503,994	6,131,427
Equity in Investment - Related Party	258,393	257,201
Security Deposit	1,427	1,427
Property and Equipment, Net	184,898	191,475
TOTAL ASSETS	\$ 14,544,564	\$ 11,567,842

LIABILITIES AND NET ASSETS

Accounts Payable	\$ 29,633	\$ 44,547
Accrued Expenses	21,532	20,479
Deferred Revenue	1,899	-
Compensated Absences	57,997	41,529
Loan Escrow	18,245	16,555
Participation Balance Due to DEDA	62,432	62,432
Paycheck Protection Program Loan - Conditional Grant	159,275	-
Loans Payable, Net	8,728,041	7,660,311
Bonds Payable	500,000	-
TOTAL LIABILITIES	9,579,054	7,845,853
NET ASSETS		
Without Donor Restrictions	2,128,093	1,517,345
With Donor Restrictions	2,837,417	2,204,644
TOTAL NET ASSETS	4,965,510	3,721,989
TOTAL LIABILITIES AND NET ASSETS	\$ 14,544,564	\$ 11,567,842

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

TRUE ACCESS CAPITAL CORPORATION
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Grants	\$ 1,715,997	\$ 1,183,418	\$ 2,899,415	\$ 698,434	\$ 514,000	\$ 1,212,434
Program Revenue						
Loan Fees	63,439	2,891	66,330	77,260	4,439	81,699
Interest on Loans	510,610	108,111	618,721	480,782	42,197	522,979
Contractual Income	260,871	-	260,871	242,542	-	242,542
Program Revenue	42,461	-	42,461	47,547	-	47,547
Recovery Income	87,668	-	87,668	3,415	-	3,415
Interest on Cash and Investments	2,622	989	3,611	4,755	1,237	5,992
Equity (Deficit) on Earnings - Investment						
Related Party	1,191	-	1,191	(19,338)	-	(19,338)
Miscellaneous	6,909	-	6,909	340	-	340
Rental Income	18,984	-	18,984	-	-	-
In-Kind Contributions	-	-	-	4,741	-	4,741
Gain on Secondary Market Sales	18,982	-	18,982	92,373	-	92,373
Net Assets Released from Restrictions - Satisfaction of Program Restrictions	662,636	(662,636)	-	476,685	(476,685)	-
TOTAL REVENUE AND SUPPORT	3,392,370	632,773	4,025,143	2,109,536	85,188	2,194,724
EXPENSES						
Program Services	2,629,594	-	2,629,594	1,814,773	-	1,814,773
Management and General	77,568	-	77,568	81,890	-	81,890
Fund Development	74,460	-	74,460	64,706	-	64,706
TOTAL EXPENSES	2,781,622	-	2,781,622	1,961,369	-	1,961,369
CHANGE IN NET ASSETS	610,748	632,773	1,243,521	148,167	85,188	233,355
NET ASSETS - Beginning of Year	1,517,345	2,204,644	3,721,989	1,369,178	2,119,456	3,488,634
NET ASSETS - End of Year	\$ 2,128,093	\$ 2,837,417	\$ 4,965,510	\$ 1,517,345	\$ 2,204,644	\$ 3,721,989

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

TRUE ACCESS CAPITAL CORPORATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

	<u>Lending Operations</u>	<u>Technical Assistance</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fund Development</u>	<u>Total</u>
EXPENSES						
Salaries	\$ 559,957	\$ 271,726	\$ 831,683	\$ 33,578	\$ 6,009	\$ 871,270
Employee Benefits	46,697	27,317	74,014	5,894	476	80,384
Payroll Taxes	40,916	19,724	60,640	2,551	448	63,639
Occupancy	10,649	13,376	24,025	10,130	-	34,155
Marketing of Loans	8,053	500	8,553	-	-	8,553
Dues and Subscriptions	5,996	845	6,841	23	22	6,886
Office Equipment	3,237	2,925	6,162	1,850	-	8,012
Office Supplies	2,820	2,711	5,531	2,426	27	7,984
Professional Fees - Legal	29,489	-	29,489	853	-	30,342
Professional Fees - Accounting	23,822	5,389	29,211	862	827	30,900
Professional Fees - Consultant	139,933	103,413	243,346	5,578	54,912	303,836
Repairs and Maintenance	1,425	68	1,493	2,787	-	4,280
Loan Fees	31,048	-	31,048	-	-	31,048
Provision for Loan Losses	778,318	-	778,318	-	-	778,318
Pass-Through Grants	150,000	-	150,000	-	-	150,000
Insurance	21,974	537	22,511	86	82	22,679
Postage	1,002	894	1,896	909	445	3,250
Printing	2,546	5,318	7,864	2,621	428	10,913
Interest	242,131	-	242,131	-	-	242,131
Bank Charges	3,152	-	3,152	111	-	3,263
Telephone	4,691	5,360	10,051	4,689	-	14,740
Seminars and Meetings	3,138	4,299	7,437	482	9,557	17,476
Travel	5,492	4,436	9,928	188	-	10,116
Depreciation	5,071	1,147	6,218	183	176	6,577
Miscellaneous	2,390	570	2,960	1,746	66	4,772
Computer and Software Expenses	20,489	14,603	35,092	21	985	36,098
TOTAL EXPENSES	<u>\$ 2,144,436</u>	<u>\$ 485,158</u>	<u>\$ 2,629,594</u>	<u>\$ 77,568</u>	<u>\$ 74,460</u>	<u>\$ 2,781,622</u>

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

TRUE ACCESS CAPITAL CORPORATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	<u>Lending Operations</u>	<u>Technical Assistance</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fund Development</u>	<u>Total</u>
EXPENSES						
Salaries	\$ 390,742	\$ 273,046	\$ 663,788	\$ 29,420	\$ 6,575	\$ 699,783
Employee Benefits	46,224	29,565	75,789	5,893	918	82,600
Payroll Taxes	32,735	20,321	53,056	1,829	511	55,396
Occupancy	12,338	14,930	27,268	11,345	-	38,613
Marketing of Loans	6,359	1,398	7,757	-	730	8,487
Dues and Subscriptions	4,725	464	5,189	32	25	5,246
Office Equipment	2,670	5,935	8,605	-	-	8,605
Office Supplies	1,855	2,628	4,483	2,534	-	7,017
Professional Fees - Legal	12,112	-	12,112	1,429	1,088	14,629
Professional Fees - Accounting	18,819	7,110	25,929	1,170	925	28,024
Professional Fees - Consultant	171,317	88,678	259,995	12,025	47,867	319,887
Repairs and Maintenance	1,069	-	1,069	2,664	-	3,733
Loan Fees	25,669	-	25,669	-	-	25,669
Provision for Loan Losses	18,256	-	18,256	-	-	18,256
Pass-Through Grants	275,000	-	275,000	-	-	275,000
Insurance	10,223	2,490	12,713	410	324	13,447
Postage	1,385	346	1,731	1,141	243	3,115
Printing	3,743	4,797	8,540	2,493	3,762	14,795
Interest	241,767	-	241,767	-	-	241,767
Bank Charges	3,334	-	3,334	105	-	3,439
Telephone	4,121	5,032	9,153	4,316	-	13,469
Seminars and Meetings	4,948	17,393	22,341	200	234	22,775
Travel	14,773	8,412	23,185	1,947	1,098	26,230
Depreciation	1,108	419	1,527	69	54	1,650
Miscellaneous	1,280	181	1,461	2,061	167	3,689
Computer and Software Expenses	10,593	14,463	25,056	807	185	26,048
TOTAL EXPENSES	<u>\$ 1,317,165</u>	<u>\$ 497,608</u>	<u>\$ 1,814,773</u>	<u>\$ 81,890</u>	<u>\$ 64,706</u>	<u>\$ 1,961,369</u>

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

TRUE ACCESS CAPITAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Contributions, Grants and Other Sources	\$ 3,444,683	\$ 2,041,786
Cash Paid to Employees and Vendors	(1,767,341)	(1,693,199)
Interest Received	516,462	503,694
Interest Paid	(238,786)	(257,871)
	1,955,018	594,410
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in Loans Receivable, Net	(2,307,099)	(1,225,703)
Proceeds from the Sale of Loans	198,407	1,914,449
Sale of Investments	(48)	(48)
Loan Escrow	1,690	10,629
	(2,107,050)	699,327
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program Loan - Conditional Grant	159,275	-
Advances on Loans Payable, Net of Repayments	1,060,083	(435,194)
Proceeds from Bonds Payable	500,000	-
	1,719,358	(435,194)
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,567,326	858,543
CASH AND CASH EQUIVALENTS - Beginning of Year	4,554,963	3,696,420
CASH AND CASH EQUIVALENTS - End of Year	\$ 6,122,289	\$ 4,554,963
NONCASH INVESTING AND FINANCING ACTIVITIES		
Fixed Asset Acquired Upon Foreclosure	\$ -	\$ 186,629
Increase in Participation Balance Due to DEDA	\$ -	\$ 62,432
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for Interest	\$ 238,786	\$ 257,871

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

TRUE ACCESS CAPITAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,243,521	\$ 233,355
Adjustments to Reconcile Change in Net Assets to Net Cash from Operating Activities		
Amortization of Borrower Origination Fees	(21,591)	(18,501)
Depreciation	6,577	1,650
Provisions for Loan Losses	778,318	18,256
Gain on the Sale of Loans	(18,982)	(92,373)
Change in Equity in Investment - Related Party	(1,192)	19,338
Amortization of Discount on Loans Sold	(4,752)	(4,043)
Amortization of Servicing Asset	22,049	-
Amortization of Loan Origination Fees	7,648	4,869
Changes in Operating Assets		
Grants Receivable	59,445	498,596
Miscellaneous Receivable	1,384	(23,562)
Accrued Interest Receivable	(102,259)	(23,958)
Prepaid Expenses	(19,654)	(16,526)
Changes in Operating Liabilities		
Accounts Payable	(14,914)	1,707
Accrued Expenses	1,053	(14,382)
Deferred Revenue	1,899	(220)
Compensated Absences	16,468	10,204
	\$ 1,955,018	\$ 594,410
NET CASH FROM OPERATING ACTIVITIES	\$ 1,955,018	\$ 594,410

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

TRUE ACCESS CAPITAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization - True Access Capital Corporation (formerly known as First State Community Loan Fund) (Organization) is a nonprofit organization whose mission is to promote and provide creative opportunities for access to capital for businesses, developers of affordable housing, and community organizations throughout Delaware and Southeastern Pennsylvania. The Organization's sources of revenue are grants, interest on loans, and investment income.

Basis of Accounting - The consolidated financial statements of the Organization are prepared on the accrual basis of accounting.

Principles of Consolidation - The accompanying consolidated financial statements include the accounts of True Access Capital Corporation and True Access Holdings LLC. True Access Holdings LLC is a wholly-owned subsidiary of True Access Capital Corporation and was formed on November 1, 2019 to hold foreclosed collateral. All intercompany transactions and balances have been eliminated in consolidation.

Comparative Financial Information - The consolidated financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

Recognition for Contributions and Grants - Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance barrier and a right of return, are not recognized until the conditions on which they depend have been substantially met. Certain government grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. One grant is conditioned upon the grantor receiving grant funds from another grantor. As of December 31, 2020, conditional contributions of \$1,008,996, for which no amounts have been received in advance, have not been recognized in the accompanying consolidated financial statements.

Recognition of Donor-Restricted Contributions - Support that is restricted by the donor is reported as an increase in net assets without donor restriction if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restriction. When a restriction expires, net assets with donor restriction are reclassified to net assets without donor restriction.

Cash and Cash Equivalents - For purposes of the consolidated statements of cash flows, the Organization considers all highly liquid investments, including restricted cash with an initial maturity of three months or less, to be cash equivalents.

TRUE ACCESS CAPITAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Cash and Cash Equivalents - Continued

Restricted cash includes amounts that are required by third parties to be deposited into separate accounts and amounts that are restricted for a long-term purpose.

The following is a summary of cash, cash equivalents, and restricted cash as reported on the consolidated statement of cash flows:

	2020	2019
Cash and Cash Equivalents	\$ 3,286,568	\$ 1,659,686
Restricted Cash	2,835,721	2,895,277
Total Cash	\$ 6,122,289	\$ 4,554,963

Loans and Allowance for Loan Losses - Loans receivable are stated at the amount of unpaid principal, reduced by the allowance for loan losses, discount on loans sold, and origination fees.

Interest on loans is recognized on the accrual basis of accounting. Interest is calculated using the simple interest method.

The primary source of repayment for a commercial loan is the cash flow generated from operations. Collateral is a secondary source of repayment and a credit factor to support the decision to make a loan. The Organization uses the following standards for evaluating collateral assets:

Residential Real Estate	80% of Appraised Value
Commercial Buildings	75% of Appraised Value
Machinery and Equipment	80% of Net Book Value
Furniture and Fixtures	20% of Net Book Value
Inventory	50% of Net Book Value
Liquor License	100% of Face Value

If sufficient collateral is not available to support a loan request, the Organization may consider various credit enhancement programs available from the Small Business Administration (SBA), Delaware Access, and/or the Delaware Economic Development Authority. The Organization may also consider life insurance on majority owners of a business.

TRUE ACCESS CAPITAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Loans and Allowance for Loan Losses - Continued

Borrowers are delinquent if their loans are over 30 days past due. The Organization considers delinquent loans to be impaired. Loans are placed on nonaccrual if over 90 days past due and the business is closed.

The allowance for loan losses is a valuation account used to reasonably estimate loan losses existing as of the financial statement date. Determining the appropriate allowance involves significant judgment about when a loss will be incurred. The determination of the allowance is based upon a quarterly evaluation of the loan portfolio by management with approval of the Loan Review Committee.

To determine the total allowance for loan losses, management estimates the reserves needed for each segment of the portfolio, including loans analyzed individually and loans analyzed on a pooled basis. Each quarter, events and economic factors may affect the loan portfolio, causing management to provide additional amounts or release balances from the allowance for loan losses. Management's evaluation also considers numerous factors including current economic conditions, collateral value, risk rating, loan portfolio composition, and prior loan loss experience.

Although management uses available information to recognize losses on loans, because of uncertainties associated with local economic conditions, collateral values, and future cash flows on impaired loans, it is reasonably possible that a material change could occur in the allowance for loan losses in the near term. However, the amount of that change cannot be estimated.

The allowance for loan losses is established through a provision for loan losses, which is charged to expense. Credit exposures deemed to be uncollectible are charged against the allowance for loan losses.

Loans Receivable - Collateral - The Organization requires security interests in collateral to be perfected. The Organization takes appropriate legal measures to perfect interests in securities, real estate, and other collateral using the Uniform Commercial Code and Mortgages.

Transfers of Financial Assets - The Organization accounts for transfers and servicing of financial assets in accordance with Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 860, *Transfers and Servicing*. Transfers of financial assets are accounted for as sales only when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Organization, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Organization does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

TRUE ACCESS CAPITAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Investments - Investments are stated at fair values. Realized and unrealized gains and losses are reflected in the statement of activities.

Equity in Investment - Related Party - The Organization uses the equity method of accounting for its partnership investment. The summarized financial data is presented in Note 7.

Grants Receivable - Grants are recorded at their estimated value. Grants receivable due in more than one year are discounted using the Internal Revenue Service's Applicable Federal Rate.

Property and Equipment - Property and equipment is stated at cost at date of acquisition or fair market value at date of donation in the case of gifts. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. The Organization follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$1,000.

Depreciation is computed over the estimated useful lives of the respective assets using the straight-line method. The annual depreciation rates are based on the following ranges of useful lives:

Buildings	30 Years
Equipment	3 - 10 Years
Computer Equipment and Software	3 - 5 Years
Furniture and Fixtures	10 Years

Foreclosed Assets - Included in property and equipment is a building that was acquired through a foreclosure process during the year ended December 31, 2019. The asset is carried at the lower of the outstanding loan balance at the time of foreclosure or the fair value of the asset less estimated costs to sell. The Organization expensed collection and legal costs related to the foreclosure.

Loan Escrow - The Organization receives cash from prospective borrowers, and participating entities in advance, to support borrowings. These amounts are held in the Organization's cash accounts until the related loans are disbursed.

Contributed Services, Materials, and Facilities - Contributed services, materials, and facilities are recorded at their fair value, provided the Organization has a clearly measurable basis for determining the value. Contributed services of \$0 and \$4,741 were received during the years ended December 31, 2020 and 2019, respectively.

TRUE ACCESS CAPITAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Net Assets - Net assets, revenue, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

Program Revenue - Loan-related program revenue (non-interest) is recognized over the period earned.

Income Taxes - The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. There were no unrelated business activities during the year. The Organization's federal Exempt Organization Income Tax Returns (Form 990) are subject to examination by various taxing authorities. The Organization's open audit periods are the current year and three preceding years.

Concentration of Credit Risk - Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash and investments. The Organization maintains its cash in several bank deposit accounts which, at times, may exceed federally insured limits. As of December 31, 2020 and 2019, the Organization's uninsured balances were \$4,240,691 and \$2,781,619, respectively. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash or investments.

TRUE ACCESS CAPITAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Concentration of Grant Revenue - During the years ended December 31, 2020 and 2019, the Organization received 66% and 77% of its grant revenue from three and two funding sources, respectively.

Concentration of Loans Payable - As of December 31, 2020 and 2019, the Organization borrowed funds from two funding sources which comprised 29% and 31% of its loans payable, respectively.

Classification of Functional Expenses - The costs of providing the various programs and activities have been summarized on a functional basis in the consolidated statement of activities and the consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on a reasonable basis that is consistently applied. Those expenses include salaries, benefits, and professional fees. Salaries and benefits are allocated based on estimates of time and effort. Professional fees are allocated based on estimates of time and costs of a specific service utilized. Indirect costs are allocated based on the total costs allocated to the programs and supporting services.

Use of Estimates - The preparation of consolidated financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events - The Organization's policy is to evaluate events and transactions subsequent to its year end for potential recognition in the consolidated financial statements or disclosure in the notes to the consolidated financial statements. All events and transactions have been evaluated through the date of the independent auditors' report, which is the date the consolidated financial statements were available to be issued.

TRUE ACCESS CAPITAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 2: AVAILABILITY AND LIQUIDITY

The following reflects the Organization's consolidated financial assets as of the consolidated statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the consolidated statement of financial position date.

	<u>2020</u>	<u>2019</u>
Financial Assets as of December 31		
Cash and Cash Equivalents	\$ 3,286,568	\$ 1,659,686
Restricted Cash	2,835,721	2,895,277
Investments	48,515	48,467
Grants Receivable	140,051	199,496
Miscellaneous Receivable	24,161	25,545
Accrued Interest Receivable	168,019	65,760
Loans Receivable, Net of Allowance for Loan Loss	7,503,994	6,131,427
Equity in Investment - Related Party	258,393	257,201
Security Deposit	1,427	1,427
Total Financial Assets as of December 31	<u>14,266,849</u>	<u>11,284,286</u>
Less: Amounts Not Available to be Used Within a Year		
Contractual or Donor-Imposed Restrictions		
SBA Revolving Microloan Fund	(466,359)	(609,713)
J.P. Morgan Chase Loan Loss Reserve	(201,123)	(200,807)
Bank of America Loan Loss Reserve	(19,955)	(19,945)
Cinnaire Lending Corporation Pro Neighborhoods	(207,705)	-
J.P. Morgan Chase EEBP	(196,083)	(249,756)
Emergency Relief Grant Funds	(115,000)	-
Community Development Financial Institution Fund (U.S. Treasury Department)	(657,000)	(514,000)
USDA Intermediary Relending Program	(206,226)	(257,901)
SBA Community Advantage Loan Loss Reserve	(118,050)	(117,077)
USDA Rural Microentrepreneur Assistance Program	(390,193)	(372,346)
EDA Incentive Fund Investments	(373,026)	(553,733)
	<u>(2,950,720)</u>	<u>(2,895,278)</u>
Equity in Investment - Related Party - Not Available for Operations	(258,393)	(257,201)
Security Deposit - Not Available for Operations	(1,427)	(1,427)
Loans to be Repaid to Revolving Loan Funds	(2,037,315)	(1,847,870)
Loans Receivable, Not Due Within One Year	<u>(4,252,262)</u>	<u>(3,426,846)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 4,766,732</u>	<u>\$ 2,855,664</u>

TRUE ACCESS CAPITAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 2: AVAILABILITY AND LIQUIDITY - CONTINUED

The Organization's goal is generally to maintain financial assets to be available for its operating expenditures, loan disbursements to borrowers, and liabilities as they come due. In addition, as part of its liquidity management, the Organization invests cash not required for daily requirements in certificate of deposits. Restricted liquid assets are maintained in separate cash accounts and are used only for their restricted purposes. As disclosed in Note 10, the Organization had access to various undrawn lines of credit as of December 31, 2020.

NOTE 3: GRANTS RECEIVABLE

The following grants receivable were outstanding as of December 31:

	<u>2020</u>	<u>2019</u>
Receivable in Less than One Year	\$ 140,051	\$ 204,533
Receivable in One to Five Years	<u>-</u>	<u>-</u>
	140,051	204,533
Less: Discounts to Net Present Value	<u>-</u>	<u>(5,037)</u>
Total Pledges Receivable - Net	<u>\$ 140,051</u>	<u>\$ 199,496</u>

NOTE 4: LOANS RECEIVABLE

Loans are summarized as follows as of December 31:

	<u>2020</u>	<u>2019</u>
Business Growth Fund	\$ 5,434,955	\$ 4,912,034
Microloans	1,448,869	1,011,154
Community Development Loans	<u>4,142,953</u>	<u>2,996,856</u>
	11,026,777	8,920,044
Less: Loan Participations	(234,602)	(264,763)
Less: Loans Sold	<u>(2,058,888)</u>	<u>(2,078,054)</u>
	8,733,287	6,577,227
Less: Allowance for Loan Losses	(1,130,052)	(391,413)
Less: Discount on Loans Sold	(14,533)	(13,728)
Less: Borrower Origination Fees	<u>(84,708)</u>	<u>(40,659)</u>
	<u>\$ 7,503,994</u>	<u>\$ 6,131,427</u>

TRUE ACCESS CAPITAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 4: LOANS RECEIVABLE - CONTINUED

As of December 31, 2020, \$2,103,589 of the Organization's loans were collateralized or guaranteed by third parties as follows:

	<u>Collateralized</u>	<u>Guaranteed</u>	<u>Total</u>
U. S. Small Business Administration	\$ -	\$ 1,151,017	\$ 1,151,017
Kennett Square Revolving Loan Funds	-	97,806	97,806
Delaware Capital Access Fund	854,766	-	854,766
	<u>\$ 854,766</u>	<u>\$ 1,248,823</u>	<u>\$ 2,103,589</u>

As of December 31, 2019, \$3,183,065 of the Organization's loans were collateralized or guaranteed by third parties as follows:

	<u>Collateralized</u>	<u>Guaranteed</u>	<u>Total</u>
U. S. Small Business Administration	\$ -	\$ 2,284,328	\$ 2,284,328
Delaware Capital Access Fund	898,737	-	898,737
	<u>\$ 898,737</u>	<u>\$ 2,284,328</u>	<u>\$ 3,183,065</u>

An analysis of the allowance for loan losses is as follows for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Balance - Beginning of Year	\$ 391,413	\$ 419,300
Loans Charged Off	(39,679)	(46,143)
Provision for Loan Losses	778,318	18,256
Balance - End of Year	<u>\$ 1,130,052</u>	<u>\$ 391,413</u>

During the years ended December 31, 2020 and 2019, respectively, the Organization recovered \$87,668 and \$3,415 of previously charged off loans.

The COVID-19 pandemic continues to create significant uncertainty in the economic outlook for the business communities related to the Organization's lending activities. Certain government assistance programs available to the Organization's borrowers are mitigating actual portfolio deterioration in the short-term. Loans insured by the United States Small Business Administration received approximately six months of payment assistance during the year ended December 31, 2020. However, the extent of additional government assistance that will be provided to borrowers is unknown. The Organization evaluated its borrowers' business and financial circumstances and adjusted the loan risk ratings to reflect the estimated impact of the COVID-19 pandemic shutdowns and restrictions. These risk rating adjustments increased the Organization's allowance for loan losses \$778,318 to \$1,130,052 during the year ended December 31, 2020.

TRUE ACCESS CAPITAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 5: PARTICIPATED LOANS AND LOAN SERVICING

The transfers of loan participations by the Organization meet the requirements to be recognized as sale transactions, and, as such, these loans serviced for others in which the Organization serves as lead lender as defined in the participation agreements are excluded from loans receivable and liabilities in the accompanying consolidated statements of financial position.

During the year ended December 31, 2020, the Organization sold the SBA guaranteed portion of one Community Advantage loan, totaling \$177,000, on the secondary market, realizing a gain of \$18,982. During the year ended December 31, 2019, the Organization sold the SBA guaranteed portion of five Community Advantage loans, totaling \$500,850, on the secondary market, realizing a gain of \$46,508.

During the year ended December 31, 2019, the Organization sold thirteen uninsured loans without recourse totaling \$1,356,043 realizing a gain of \$45,865 from a loan servicing asset.

The unpaid principal balances of loans serviced for others totaled \$2,293,490 and \$2,342,818 as of December 31, 2020 and 2019, respectively.

The loan servicing assets as of December 31, 2020 and 2019 totaled \$38,371 and \$57,289, respectively, and is included on the consolidated statements of financial position.

NOTE 6: INVESTMENTS

Investments consisted of the following as of December 31:

	2020	2019
Certificates of Deposit, Interest Rates 0.05% to 0.15% Maturing June 2021 through June 2023	\$ 48,515	\$ 48,467

TRUE ACCESS CAPITAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 7: EQUITY IN INVESTMENT

The Organization has a 50% ownership interest in FSCLF Holding, LLC, a limited liability company formed to own real estate under an operating agreement. All of the members participate in real estate management. Summarized information on the limited liability company was as follows as of December 31:

	<u>2020</u>	<u>2019</u>
Total Assets	\$ 520,783	\$ 522,401
Total Liabilities	<u>4,000</u>	<u>8,000</u>
Net Assets	<u>\$ 516,783</u>	<u>\$ 514,401</u>
Equity in Investment	<u>\$ 258,393</u>	<u>\$ 257,201</u>
Income	\$ 36,000	\$ -
Expenses	<u>(33,618)</u>	<u>(38,674)</u>
Net Income	<u>\$ 2,382</u>	<u>\$ (38,674)</u>
Interest in Share of Net Income	<u>\$ 1,191</u>	<u>\$ (19,338)</u>

NOTE 8: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31:

	<u>2020</u>	<u>2019</u>
Building - Held For Sale	\$ 186,629	\$ 186,629
Equipment	8,234	8,234
Computer Equipment	31,028	31,028
Furniture and Fixtures	<u>13,550</u>	<u>13,550</u>
	239,441	239,441
Less: Accumulated Depreciation	<u>(54,543)</u>	<u>(47,966)</u>
Total	<u>\$ 184,898</u>	<u>\$ 191,475</u>

Depreciation expense of \$6,577 and \$1,650 was recorded for the years ended December 31, 2020 and 2019, respectively.

TRUE ACCESS CAPITAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 9: OPERATING LEASES

Lease Agreements as Lessee - The Organization leases office space in Wilmington, Delaware. This lease was entered into for a five-year lease term on September 1, 2017 with monthly payments of \$2,875 through August 31, 2022.

The Organization also leases office space in Georgetown, Delaware. This office space was rented at the rate of \$258 per month. On July 1, 2017, the Organization entered a five-year lease agreement with monthly payments of \$290 that increase 2% annually through June 30, 2022.

Future minimum lease payments are as follows for years ending December 31:

2021	\$ 37,326
2022	<u>24,281</u>
	<u><u>\$ 61,607</u></u>

Rent expense totaled \$34,155 and \$38,613 for years ended December 31, 2020 and 2019, respectively.

Lease Agreements as Lessor - Effective December 1, 2019, the Organization entered an agreement to lease a repossessed property, taken as collateral from a former borrower back to the borrower, for a period of 24 months. The lease agreement requires payment of \$2,373 per month for the period from December 1, 2019 through November 30, 2021. Minimum expected lease revenue is \$26,103 for the year ending December 31, 2021.

TRUE ACCESS CAPITAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 10: DEBT

Loans Payable

Loan	Year End Interest Rate	Payment Terms	2020	2019
<i>U.S. Small Business Administration</i> - The notes are secured by the related microloan revolving loan accounts, the loan reserve accounts, and the SBA microloan portfolios. The notes mature at various dates through June 2024.	0.00% to 0.75%	Monthly Principal and Interest Installments	\$ 873,624	\$ 1,084,872
<i>USDA</i> - The notes are secured by funds held in the Intermediary Relending Program accounts and the related loan portfolios. The notes mature at various dates through April 2043.	1.00% to 2.00%	Annual Principal and Interest Installments	1,232,842	1,303,579
<i>Banks and Other</i> - The notes are both secured and unsecured. The notes mature at various dates through May 2022. Certain notes are subject to restrictive covenants.	0.00% to 5.00%, including variable rates	Interest Only, Quarterly, Semi- Annually, or Annually	6,624,718	5,282,650
Total Loans Payable			8,731,184	7,671,101
Less Loan Origination Fees			(3,143)	(10,790)
Total Loans Payable, Net			<u>\$ 8,728,041</u>	<u>\$ 7,660,311</u>

The estimated maturities of notes payable are as follows as of December 31:

2021	\$ 2,193,750
2022	811,788
2023	507,730
2024	1,982,063
2025	1,563,063
Thereafter	<u>1,672,790</u>
	<u>\$ 8,731,184</u>

TRUE ACCESS CAPITAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 10: DEBT - CONTINUED

Loans Payable - Continued

The Organization is subject to various restrictive covenants in accordance with the terms of loan payable agreements. As of December 31, 2020, the Organization was in compliance with all covenant requirements. As of December 31, 2019, the Organization's noncompliance with one covenant requirement was waived.

Bonds Payable - In July 2020, the Organization issued a private placement bond to a lender. The total issue amount of the bond was \$1,000,000. \$500,000 was issued on July 16, 2020 and matures on July 16, 2025. Use of the proceeds is not restricted. The bond is unsecured.

The bond includes interest at 1% that, if unpaid, is compounded annually and is added to the principal. Interest is computed on the outstanding principal and is paid semi-annually to the bond holder, beginning December 31, 2020. As of December 31, 2020 there was no accrued compound interest or accrued unpaid interest.

The Organization may redeem the bond with 30 days' notice to the holder and a minimum redemption of \$5,000. The following are the estimated future maturities of the bonds payable that are outstanding as of December 31:

2025	<u>\$ 500,000</u>
------	-------------------

Interest incurred and paid on the bonds payable was \$2,292 for the year ended December 31, 2020.

NOTE 11: PAYCHECK PROTECTION PROGRAM LOAN- CONDITIONAL GRANT

On May 1, 2020, the Organization received proceeds in the amount of \$159,275 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, provides loans to qualifying organizations for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business. The loans and accrued interest may be eligible for forgiveness as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for a period of ten months after the end of the covered period. The Organization utilized the proceeds for purposes consistent with the PPP. The Organization submitted an application for forgiveness, and in May 2021, received notification that the loan was fully forgiven. As a result, the PPP loan meets the definition of a conditional grant as of December 31, 2020, in accordance with accounting principles generally accepted in the United States of America. On March 16, 2021, the Organization's PPP loan and accrued interest of \$1,366 was forgiven in full.

TRUE ACCESS CAPITAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 12: DONOR-RESTRICTED NET ASSETS

Donor-restricted net assets were available for the following purposes as of December 31:

	<u>2020</u>	<u>2019</u>
Lending Operations and Capital		
SBA Revolving Microloan Fund	\$ 244,672	\$ 195,047
Loan Loss Reserves	221,078	220,752
Cinnaire Pro Neighborhoods	207,705	-
COVID-19 Relief (EDA)	194,000	-
COVID Grants	115,000	-
USDA IRP	20,754	10,325
Incentive Fund Investments (EDA)	981,125	919,801
Total Lending Operations and Capital	<u>1,984,334</u>	<u>1,345,925</u>
Technical Assistance		
J.P. Morgan Chase EEBP	<u>196,083</u>	<u>249,756</u>
Time		
Santander Bank Strategic Planning	<u>-</u>	<u>94,963</u>
Geographic or Demographic		
CDFI	<u>657,000</u>	<u>514,000</u>
	<u>\$ 2,837,417</u>	<u>\$ 2,204,644</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose specified by the donor as follows for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Lending Operations and Capital		
SBA RLF	\$ -	\$ 54,864
Loan Loss Reserve	<u>-</u>	<u>23,288</u>
Total Lending Operations and Capital	<u>-</u>	<u>78,152</u>
Technical Assistance		
J.P. Morgan Chase EEBP	<u>53,673</u>	<u>301,180</u>
Time		
Santander	<u>94,963</u>	<u>97,353</u>
Geographic or Demographic		
CDFI	<u>514,000</u>	<u>-</u>
	<u>\$ 662,636</u>	<u>\$ 476,685</u>

TRUE ACCESS CAPITAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 12: DONOR-RESTRICTED NET ASSETS - CONTINUED

True Access Capital Corporation routinely raises funds for specific programs, which sometimes support administrative and program-specific expenses. These funds are identified on the consolidated statements of financial position as restricted net assets and are sometimes released over multiple years. Of the total expenses incurred in 2020 and 2019, \$148,636 and \$476,685, respectively, were related to restricted income received in prior years and restrictions were satisfied through releases of temporary restrictions.

NOTE 13: LOAN POOL EQUITY RATIO

The calculation of the loan pool equity ratio was as follows as of December 31:

	2020	2019
Cash and Investments Available for Lending	\$ 6,170,804	\$ 4,603,430
Loans Receivable, Gross	8,733,287	6,577,227
Subtotal Loan Pool	14,904,091	11,180,657
Loans and Bonds Payable	(9,228,041)	(7,660,311)
Total Loan Pool Equity	\$ 5,676,050	\$ 3,520,346
Equity Ratio	38%	31%

NOTE 14: LOAN COMMITMENTS

The Organization had undrawn commitments to lend an additional \$1,530,446 on existing loans as of December 31, 2020. The Organization had no commitments to lend additional funds to debtors whose terms have been modified in troubled debt restructuring as of December 31, 2020. The Organization had undrawn borrowing facilities totaling \$2,500,000 designated to fund loan commitments as of December 31, 2020.

As of the date of the independent auditors' report, the Organization has committed to lend an additional \$2,195,000 in new loans.

NOTE 15: PENSION PLAN

The Organization offers a 401(k) retirement plan to all employees who work 20 hours or more per week. The Organization matches 3% of salary for all participating employees. The Organization's pension expense was \$14,650 and \$13,378 for the years ended December 31, 2020 and 2019, respectively.

TRUE ACCESS CAPITAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 16: RELATED PARTIES

Certain members of the Organization’s board of directors are employed by lending institutions who also lend to the Organization. In management’s opinion, all transactions with related parties are on an arm’s-length basis.

NOTE 17: COMMUNITY ADVANTAGE SMALL BUSINESS ADMINISTRATION (SBA)

In connection with the SBA’s Community Advantage Pilot Program, the Organization is subject to a minimum level of loan loss reserves for the Community Advantage Pilot Program. The Organization was in compliance with this requirement as of December 31, 2020 and 2019.

NOTE 18: ALLOWANCE FOR CREDIT LOSSES AND RECORDED INVESTMENTS IN FINANCING RECEIVABLES

Loans over 90 days delinquent are individually evaluated for impairment. The allowance for loan losses was as follows as of December 31:

	Allowance for Credit Losses			
	2020			
	Business Growth	Microloans	Community Development	Total
Beginning Balance	\$ 228,297	\$ 50,558	\$ 112,558	\$ 391,413
Charge-Offs	(2,007)	(37,672)	-	(39,679)
Provision	299,660	158,492	320,166	778,318
Ending Balance	<u>\$ 525,950</u>	<u>\$ 171,378</u>	<u>\$ 432,724</u>	<u>\$ 1,130,052</u>
Ending Balances				
Individually Evaluated for Impairment	\$ 185,789	\$ 357	\$ 101,204	\$ 287,350
Collectively Evaluated for Impairment	<u>340,161</u>	<u>171,021</u>	<u>331,520</u>	<u>842,702</u>
	<u>\$ 525,950</u>	<u>\$ 171,378</u>	<u>\$ 432,724</u>	<u>\$ 1,130,052</u>
Recoveries	<u>\$ 3,852</u>	<u>\$ 83,816</u>	<u>\$ -</u>	<u>\$ 87,668</u>

TRUE ACCESS CAPITAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 18: ALLOWANCE FOR CREDIT LOSSES AND RECORDED INVESTMENTS IN FINANCING RECEIVABLES - CONTINUED

	Financing Receivables			
	2020			
	Business Growth	Microloans	Community Development	Total
Ending Balance	\$ 4,029,684	\$ 1,488,167	\$ 3,215,436	\$ 8,733,287
Ending Balances Individually Evaluated for Impairment	\$ 711,994	\$ 2,201	\$ 321,511	\$ 1,035,706
Collectively Evaluated for Impairment	3,317,690	1,485,966	2,893,925	7,697,581
	<u>\$ 4,029,684</u>	<u>\$ 1,488,167</u>	<u>\$ 3,215,436</u>	<u>\$ 8,733,287</u>
	Allowance for Credit Losses			
	2019			
	Business Growth	Microloans	Community Development	Total
Beginning Balance	\$ 248,687	\$ 59,270	\$ 111,343	\$ 419,300
Charge-Offs	-	(46,143)	-	(46,143)
Provision	(20,390)	37,431	1,215	18,256
Ending Balance	<u>\$ 228,297</u>	<u>\$ 50,558</u>	<u>\$ 112,558</u>	<u>\$ 391,413</u>
Ending Balances Individually Evaluated for Impairment	\$ 37,279	\$ -	\$ -	\$ 37,279
Collectively Evaluated for Impairment	191,018	50,558	112,558	354,134
	<u>\$ 228,297</u>	<u>\$ 50,558</u>	<u>\$ 112,558</u>	<u>\$ 391,413</u>
Recoveries	<u>\$ 3,270</u>	<u>\$ 145</u>	<u>\$ -</u>	<u>\$ 3,415</u>

TRUE ACCESS CAPITAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 18: ALLOWANCE FOR CREDIT LOSSES AND RECORDED INVESTMENTS IN FINANCING RECEIVABLES - CONTINUED

	Financing Receivables			
	2019			
	Business Growth	Microloans	Community Development	Total
Ending Balance	\$ 3,524,144	\$ 1,011,154	\$ 2,041,929	\$ 6,577,227
Ending Balances Individually Evaluated for Impairment	\$ 398,250	\$ 37,672	\$ 302,516	\$ 738,438
Collectively Evaluated for Impairment	3,125,894	973,482	1,739,413	5,838,789
	<u>\$ 3,524,144</u>	<u>\$ 1,011,154</u>	<u>\$ 2,041,929</u>	<u>\$ 6,577,227</u>

NOTE 19: CREDIT QUALITY INDICATORS

The Organization uses a risk rating system to assess the quality of its loan portfolio. The Organization has categorized each loan in its portfolio using the risk rating system.

	Business Growth		Microloans		Community Development	
	Principal	Loan Loss Allowance	Principal	Loan Loss Allowance	Principal	Loan Loss Allowance
December 31, 2020						
Risk Rating 1	\$ 102,334	\$ 5,117	\$ 34,237	\$ 558	\$ 159,177	\$ 14,918
Risk Rating 2	1,349,865	80,762	453,258	8,396	1,973,104	242,854
Risk Rating 3	1,697,605	156,456	933,272	146,211	761,644	73,748
Risk Rating 4	60,743	17,468	67,400	16,213	-	-
Risk Rating 5	713,030	252,618	-	-	321,511	101,204
Risk Rating 6	106,107	13,529	-	-	-	-
Total	<u>\$ 4,029,684</u>	<u>\$ 525,950</u>	<u>\$ 1,488,167</u>	<u>\$ 171,378</u>	<u>\$ 3,215,436</u>	<u>\$ 432,724</u>
December 31, 2019						
Risk Rating 1	\$ 104,951	\$ 5,248	\$ 45,576	\$ -	\$ 119,448	\$ 13,043
Risk Rating 2	2,623,046	102,244	903,590	39,308	1,837,522	89,679
Risk Rating 3	203,473	3,220	9,316	-	84,959	9,836
Risk Rating 4	201,488	19,698	15,000	11,250	-	-
Risk Rating 5	271,699	82,652	-	-	-	-
Risk Rating 6	119,487	15,235	37,672	-	-	-
Total	<u>\$ 3,524,144</u>	<u>\$ 228,297</u>	<u>\$ 1,011,154</u>	<u>\$ 50,558</u>	<u>\$ 2,041,929</u>	<u>\$ 112,558</u>

TRUE ACCESS CAPITAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 19: CREDIT QUALITY INDICATORS - CONTINUED

Years Ended December 31, 2020 and 2019				
Type	Definitions	Business Reserves	Real Estate Acquisition Reserves	Characteristics
Risk Rating 1	Excellent Quality	5%	10 - 20%	100% collateralized by Real Estate and Business Assets. In compliance with loan covenants. Management and market outlook are strong. 2+ years' operating history and is profitable within current year. Cash flow is sufficient to service debt. Sales and cash flow are at or above projected levels.
Risk Rating 2	Good Quality	15%	10 - 30%	At least 85% collateralized by Real Estate and Business Assets. Market position is good. Business has less than 2 years' operating history. Cash flow adequate to support debt. Business is operating at or close to projected sales levels as outlined in the Business Plan. Loan remains current or with a 30-day delinquency period.
Risk Rating 3	Satisfactory	25%	30 - 50%	Collateral coverage remains adequate; however, some decline in value has occurred or is likely to occur. (75% collateralized, but includes Credit Enhancement). Possible noncompliance with loan covenants and late payments. Market position and/or industry condition is weak or uncertain. Business has consistently operated below projected levels, but still operates at least at breakeven. Cash flow still adequate to service debt, but business faces one or more weaknesses. Business is expanding/acquiring and relying on financial projections. Internal management controls may be a concern. Dependent upon revenue increases and/or improved margins relative to operating history. Loan remains current or within a 30-day delinquency period.

TRUE ACCESS CAPITAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 19: CREDIT QUALITY INDICATORS - CONTINUED

Years Ended December 31, 2020 and 2019				
Type	Definitions	Business Reserves	Real Estate Acquisition Reserves	Characteristics
Risk Rating 4	Substandard or Unsatisfactory	50%	50 - 60%	Decline in collateral value has occurred or is likely to occur. Likely noncompliance with loan covenants and late payments. Market position and/or industry condition is weak. Business has consistently operated below projected levels, operates below breakeven. Cash flow weakness and/or fluctuations. Internal management controls are a concern. Dependent upon revenue increases and/or improved margins relative to operating history. Loan maintains a 30- to 60-day delinquency and late payments occur frequently.
Risk Rating 5	Doubtful	75%	50 - 60%	Collateral values are below value of debt. Borrower is unable to complete or comply with a Loan Modification. Borrower experiencing financial or management problems. Weaknesses in repayment of full balance is questionable or improbable. Chronic delinquent loan payments (if more than 90 days). Borrower has been placed on Non-Accrual. Potential for some write-off after recovery efforts are completed. Loan maintains a 60- to 90-day delinquency. Demand is being contemplated.
Risk Rating 6	Problem Loan and Probable Loss	100%	50 - 60%	Financial or management problems have worsened and collection in full is unlikely. Cannot locate debtor. More than 90 to 120 days delinquency. Borrower is on Non-Accrual. Borrower has filed bankruptcy. Liquidation or reorganization under bankruptcy law, with poor repayment prospects. Demand letters have been issued and Borrower is unresponsive. Borrower is in default under Loan Modification Agreement. Small claims or other legal action has commenced. Account has been turned over to Attorney for foreclosure proceedings or for further collection efforts. Probable loss after any recovery efforts and/or repossession sale(s) is quantifiable.

TRUE ACCESS CAPITAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 20: IMPAIRED LOANS

All impaired loans had an allowance recorded as of December 31, 2020 and 2019. The following tables show the allowance for losses and recorded investment on loans over 30 days delinquent that are considered impaired as of December 31:

	2020				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With Cash Reserves					
Business Growth	\$ 1,012,025	\$ 711,994	\$ 407,129	\$ 168,671	\$ 10,470
Microloans	50,000	2,201	1,101	50,000	43
Community Development	384,700	321,511	305,365	128,233	346
With an Allowance Recorded					
Business Growth	\$ -	\$ -	\$ -	\$ -	\$ -
Microloans	-	-	-	-	-
Community Development	-	-	-	-	-
Totals					
Business Growth	\$ 1,012,025	\$ 711,994	\$ 407,129	\$ 168,671	\$ 10,470
Microloans	50,000	2,201	1,101	50,000	43
Community Development	384,700	321,511	305,365	128,233	346
	2019				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With Cash Reserves					
Business Growth	\$ 796,500	\$ 442,937	\$ 51,733	\$ 132,750	\$ 8,978
Microloans	147,000	106,410	47,983	36,750	8,409
Community Development	320,000	302,516	45,377	160,000	16,085
With an Allowance Recorded					
Business Growth	\$ -	\$ -	\$ -	\$ -	\$ -
Microloans	-	-	-	-	-
Community Development	40,000	19,671	9,836	40,000	1,338
Totals					
Business Growth	\$ 796,500	\$ 442,937	\$ 51,733	\$ 132,750	\$ 8,978
Microloans	147,000	106,410	47,983	36,750	8,409
Community Development	360,000	322,187	55,213	200,000	17,423

TRUE ACCESS CAPITAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 21: AGE ANALYSIS OF FINANCING RECEIVABLES

The age analysis of loans was as follows as of December 31:

	2020					
	Current	31-60 Days Past Due		61-90 Days Past Due	Over 90 Days Past Due	Total
Business Growth	\$ 3,317,691	\$ -	\$ 306,168	\$ 424,821	\$ 4,048,680	
Microloans	1,485,966	-	-	2,201	1,488,167	
Community Development	2,893,924	-	-	302,516	3,196,440	
Total	<u>\$ 7,697,581</u>	<u>\$ -</u>	<u>\$ 306,168</u>	<u>\$ 729,538</u>	<u>\$ 8,733,287</u>	
	2019					
	Current	31-60 Days Past Due		61-90 Days Past Due	Over 90 Days Past Due	Total
Business Growth	\$ 3,158,483	\$ 44,687	\$ -	\$ 320,975	\$ 3,524,145	
Microloans	939,452	-	34,030	37,672	1,011,154	
Community Development	1,719,741	-	19,671	302,516	2,041,928	
Total	<u>\$ 5,817,676</u>	<u>\$ 44,687</u>	<u>\$ 53,701</u>	<u>\$ 661,163</u>	<u>\$ 6,577,227</u>	

NOTE 22: MODIFICATIONS

The following provides information on troubled debt restructurings as of December 31:

	2020		
	Number of Contracts	Pre-Modification	
		Outstanding Recorded Investment	Post-Modification Recorded Investment
Troubled Debt Restructurings			
Business Growth	0	\$ -	\$ -
Microloans	0	-	-
Community Development	0	-	-
Troubled Debt Restructurings that Subsequently Defaulted			
Business Growth	0	\$ -	\$ -
Microloans	0	-	-
Community Development	0	-	-

TRUE ACCESS CAPITAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 22: MODIFICATIONS - CONTINUED

The following provides information on troubled debt restructurings as of December 31:

	2019		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Recorded Investment
Troubled Debt Restructurings			
Business Growth	4	\$ 497,173	\$ 497,173
Microloans	2	28,614	24,624
Community Development	0	-	-
Troubled Debt Restructurings that Subsequently Defaulted			
Business Growth	4	\$ 310,795	\$ -
Microloans	0	-	-
Community Development	0	-	-