# Rio Grande Valley
# Multibank Corporation
# And Subsidiary

## CONSOLIDATED FINANCIAL STATEMENTS

**For the Year Ended December 31, 2019**

# Rio Grande Valley Multibank Corporation and Subsidiary
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# December 31, 2019

Carr, Riggs & Ingram, LLC
3125 Central Boulevard
Brownsville, Texas 78520

(956) 546-1655
(956) 546-0377 (fax)
CRIcpa.com

# INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders
of Rio Grande Valley Multibank Corporation and Subsidiary

## Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Rio Grande Valley Multibank Corporation and Subsidiary (a Texas corporation (the "Company")), which comprise the consolidated balance sheet as of December 31, 2019, and the related consolidated statements of income, retained earnings, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

## Management's Responsibility for the Financial Statements

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

## 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. 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Emphasis of Matter**

As discussed in Note 1 to the consolidated financial statements, in 2019 the Company adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606).* Our opinion is not modified with respect to this matter.

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Rio Grande Valley Multibank Corporation and Subsidiary as of December 31, 2019, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Carr, Riggs & Ingram, L.L.C.

McAllen, Texas
April 7, 2020

## Rio Grande Valley Multibank Corporation and Subsidiary
## Consolidated Balance Sheet - Continued

| *December 31,* | | 2019 |
|---|---|---|
| **ASSETS** | | |
| Current Assets | | |
| Cash | $ | 4,453,338 |
| Due from Community Development Corporation of Brownsville (CDCB) | | 81,078 |
| Due from Community Loan Centers (CLCs) | | 48,493 |
| Prepaid insurance | | 19,740 |
| Current maturities of pooled mortgage loans receivable | | 183,999 |
| Small dollar loan receivables, net of allowance | | 2,808,767 |
| Total current assets | | 7,595,415 |
| Other Assets | | |
| Investment in Federal Home Loan Bank (FHLB) | | 225,000 |
| Loans receivable - lines of credit | | 1,000,000 |
| Pooled mortgage loans receivable, less current maturities | | 5,784,373 |
| Total other assets | | 7,009,373 |
| Total assets | $ | 14,604,788 |

(Continued)

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

| | | |
|---|---|---|
| **Liabilities and Stockholders' Equity** | | |
| Current Liabilities | | |
| Due to CDCB | $ | 4,729 |
| Deferred revenue | | 238,213 |
| Other current liabilities | | 69,919 |
| Current maturities of loans payable | | 266,044 |
| Total current liabilities | | 578,905 |
| Other Noncurrent Liabilities | | |
| Loans payable, less current maturities | | 9,432,507 |
| Total noncurrent liabilities | | 9,432,507 |
| Stockholders' Equity | | |
| Common stock, par value $1 per share; authorized 10,000,000 shares; issued 2,217,897, outstanding 1,917,897 | | 2,217,897 |
| Additional Paid In Capital | | 1,424,186 |
| Treasury stock, 300,000 shares | | (1) |
| Retained earnings | | 951,294 |
| Total stockholders' equity | | 4,593,376 |
| Total liabilities and stockholders' equity | $ | 14,604,788 |

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

## Rio Grande Valley Multibank Corporation and Subsidiary
## Consolidated Statement of Income

| *Year ended December 31,* | | 2019 |
|---|---|---|
| **Operating revenue** | | |
| Interest income - pool mortgage loans | $ | 7,195 |
| Interest income - small dollar loans | | 458,037 |
| Interest income - Community Affordable Safe Assistance (CASA) loans | | 311,987 |
| CLC operating income - Texas Association of Community Development Corporations (TACDC) | | 7,000 |
| CLC service and administrative fees | | 496,891 |
| Dividend and interest income | | 7,164 |
| Miscellaneous income | | 56,928 |
| Total operating revenue | | 1,345,202 |
| **Operating expenses** | | |
| Administrative services | | 464,972 |
| Advertising | | 6,504 |
| Bank service charges | | 25,041 |
| Commission expense | | 76,674 |
| Data storage expense | | 18,292 |
| Insurance | | 8,694 |
| Loan loss | | 120,754 |
| Miscellaneous | | 46,341 |
| Servicing fees | | 28,710 |
| Professional services | | 116,740 |
| Total operating expenses | | 912,722 |
| **Core operating income** | | 432,480 |
| **Finance income (expense)** | | |
| Interest expense | | (199,766) |
| Total finance income, net | | (199,766) |
| **Income from operations before income taxes** | | 232,714 |
| Income tax benefit (expense) | | (48,870) |
| **Net income** | $ | 183,844 |

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

| *Year ended December 31,* | | 2019 |
|---|---|---|
| Balance, beginning | $ | 767,450 |
| Net income | | 183,844 |
| Balance, ending | $ | 951,294 |

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

## Rio Grande Valley Multibank Corporation and Subsidiary
## Consolidated Statement of Cash Flows

| *Year ended December 31,* | | 2019 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Net income | $ | 183,844 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Change in operating assets and liabilities: | | |
| Increase in other receivables | | (7,346) |
| Decrease in prepaid insurance | | (19,167) |
| Decrease in other current liabilities, net | | 44,763 |
| Decrease in deferred revenues | | (5,426) |
| Net cash provided by operating activities | | 196,668 |
| **INVESTING ACTIVITIES** | | |
| Purchase of investments | | (6,700) |
| Principal collected on mortgage loans receivable | | 314,491 |
| Issuance of mortgage loans receivable | | (105,468) |
| Issuance of small dollar loans receivable | | (237,257) |
| Net cash used in investing activities | | (34,934) |
| **FINANCING ACTIVITIES** | | |
| Payments on notes payable | | (292,544) |
| Proceeds from notes payable | | 1,496,002 |
| Issuance of capital stock | | 200,000 |
| Net cash provided by financing activities | | 1,403,458 |
| **Net increase in cash and cash equivalents** | | 1,565,192 |
| **Cash and cash equivalents -** Beginning | | 2,888,146 |
| **Cash and cash equivalents -** Ending | $ | 4,453,338 |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION | | |
| Interest | $ | 199,766 |
| Income taxes | | 25,921 |

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A summary of the significant accounting policies of the Company is presented to assist in understanding the consolidated financial statements. The consolidated financial statements and notes are representations of the Company's management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the presentation of the consolidated financial statements.

***Nature of the Organization***

The Rio Grande Valley Multibank Corporation (Company), a United States Treasury Certified Community Development Financial Institution, is a Texas corporation formed on April 3, 1995 to (1) promote, develop and improve the economic conditions of people in the Lower Rio Grande Valley area, (2) encourage and assist the supply of affordable housing, investments in small businesses and employment opportunities for low to moderate income persons through loans, investments and other business transactions, and (3) improve economic conditions in the community.

***Principals of Consolidation***

The consolidated financial statements of the Company include operations of the wholly owned subsidiary of the Company, Community Loan Center Corporation. Community Loan Center Corporation was formed on August 27, 2010. Together, the two entities principally provide the aforementioned services in the Lower Rio Grande Valley and are referred to in the notes to the consolidated financial statements as the "Company."

***Basis of Accounting***

The financial statements are prepared on an accrual basis, which recognizes income when earned and expenses when incurred.

***Cash and Equivalents***

The Company classifies as cash equivalents all highly liquid investments with original maturities of three months or less. Cash and cash equivalents include checking and savings account deposits.

***Concentration of Credit Risk***

The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. At December 31, 2019, cash balances exceeded federally insured limits by $3,678,778.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Fair Value of Financial Instruments***

The Company's financial instruments are cash and cash equivalents, loans receivable – net of allowance, and accounts and other payables, whose carrying amounts approximate fair value based on their short-term nature.

***Loans and Other Receivables***

Accounting principles generally accepted in the United States of America require the Company to report the amounts of accounts, notes, and other forms of receivables at the amount management expects to collect from balances outstanding at the balance sheet date. The amount collectible is to be estimated using historical performance, projections of trends, and known information regarding the financial condition of the customer or other obligor. The difference between the book balance and the amount estimated to be collectible is deducted from the book balance by means of an allowance for uncollectible accounts. The allowance for the Small Dollar Loan program is determined by an average of loans written off as uncollectable to the total amount of loans outstanding over the last three years.

***Estimates***

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions. Management estimates affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the balance sheet date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Advertising Costs***

The Company expenses advertising costs as incurred. The advertising expense for the year ended December 31, 2019 was $6,504.

***Income Taxes***

The revised provisions of Financial Accounting Standard Board ("FASB") Accounting Standards Codification ("ASC") 740, relating to uncertain income tax positions require management to perform an evaluation of all income tax positions taken or expected to be taken in the course of preparing the Company's income tax returns to determine whether the income tax positions meet a "more likely than not" standard of being sustained under examination by the applicable taxing authorities. This evaluation is required to be performed for all open tax years, as defined by the various statutes of limitations, for federal and state purposes.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Income Taxes (Continued)***

The Company is required to file annual federal income tax returns and Texas franchise tax returns. With limited exceptions, the Company is no longer subject to income tax examinations for any years earlier than 2016 for federal purposes and 2015 for state purposes. Management has performed its evaluation of all other income tax positions taken on all open income tax returns and has determined that there were no positions taken that do not meet the “more likely than not” standard. Accordingly, there are no provisions for income taxes, penalties or interest receivable or payable relating to uncertain income tax provisions in the accompanying financial statements. Deferred tax assets are also recognized for operating losses, contribution carryforwards and tax credits that are available to offset future taxable income. Valuation allowances are provided for deferred tax assets based on management’s projection of the sufficiency of future taxable income to realize the assets.

***Recently Issued Accounting Standards***

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606),* requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in accounting principles generally accepted in the United States of America (U.S. GAAP) when it becomes effective and permits the use of either a full retrospective or retrospective with cumulate effect transition method. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018. The Company has implemented this standard and its effects were analyzed within the current financial statements and on note 12.

The Company contracts with customers in the scope of Topic 606 are contracts for individual e-loans and contracts to community loan centers (CLCs) for the purpose of offering the franchise to its local employers. The revenue resulting from these accounts, which include administrative fees, interest, insufficient funds fees, late payment fees, admin fees and servicing fees are included as two different components of fees and service charges on the consolidated statements of income.

Revenue from contracts with individuals included the interest and fees related to individual loans is included in interest from small dollar loans was $458,037 for the twelve months ended December 31, 2019. Revenue from contracts with CLCs, which included fees and services was $496,891 for the twelve months ended December 31, 2019.

For contracts with individuals, performance obligations are satisfied at the moment the loan has been disbursed to the individual, counting as services rendered. For contracts with CLCs, payments are received monthly as services are rendered.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Date of Management's Evaluation***

Management has evaluated all events or transactions that occurred after December 31, 2019 through April 7, 2020, the date the Company's financial statements were available to be issued. See Note 13 for further details.

**NOTE 2: CASH AND CASH EQUIVALENTS**

The Company's cash and cash equivalents consisted of the following as of December 31, 2019:

| | |
|---|---|
| Checking account | $ 4,423,095 |
| Savings account | 30,243 |
| Totals | $ 4,453,338 |

**NOTE 3: LOAN PROGRAMS**

***Mortgage Loan Programs***

The Company has entered into loan commitments and master loan agreements with the Community Development Corporation of Brownsville. The Company finances the commitments by receiving pooled funds from its shareholder banks. Under the terms of the commitments, the Company is obligated to lend funds toward the Rural and Colonia Loan Program (RCLP), by which the participants loan the proceeds to qualified individual borrowers. The participants are responsible for replacing the notes if the individual borrowers fail to make timely payments. The loans, collateralized by real estate, are repayable to the Company by the participants in monthly installments at rates of interest from 3.5% to 7% annually.

The Company has developed and implemented the Community Affordable Safe Assistance Loan Program (CASA), a public/private affordable housing initiative for South Texas. The Company, through its membership in the Federal Home Loan Bank of Dallas, commits to provide first lien mortgage funds for mortgage loans to assist low-income families. The CASA loan structure utilizes subsidy funds to provide the required matching mortgage funds which in-turn allows the Company to provide long-term mortgage loans to families it would deny for credit under other traditional mortgage programs. The mortgage borrower will close into a fixed rate (no more than 200 basis points over FHLB Advance Rate), 20-30 year fully amortizing loan with the participating Community Development Financial Institution or CDFI. A uniform underwriting criteria is utilized to ensure equality and standardization. There is no mortgage insurance premium and servicing is held with the CDFI or its assignee.

**NOTE 3: LOAN PROGRAMS (Continued)**

Loan participation amounts are funded and disbursed at various dates; therefore, they have various maturity dates. Any portfolio defaults are covered by loan loss reserves and related cash accounts. The following is a breakdown of receivables by participant as of December 31, 2019:

| | |
|---|---|
| Housing Loan Programs: | |
| CASA Loan Program | $ 5,944,648 |
| Rural Colonia Loan Program | 23,724 |
| Total notes receivable | 5,968,372 |
| Less – current maturities | 183,999 |
| Total notes receivable, less current maturities | $ 5,784,373 |

***Community Loan Center – "Small Dollar Loan Program"***

Beginning in 2011, the Company established a Small Dollar Loan Program offering eligible participants a personal, unsecured loan ranging from a $400 minimum to a $1,000 maximum per loan. Loans must be repaid or renewed within a one-year period. A loan is considered delinquent after 30 days and charged off after 120 days. At December 31, 2019, the note receivable balance was $3,221,415, with an allowance of $158,831. The unearned interest is calculated and recognized on a daily basis through the KENN loan software. An analysis of the Small Dollar Loan Program as of December 31, 2019 is as follows:

| | |
|---|---|
| Small dollar loans receivable (gross) | $ 3,221,415 |
| Less: unearned interest | (253,817) |
| Subtotal | 2,967,598 |
| Less: allowance for loan loss | (158,831) |
| Small dollar loans receivable (net) | $2,808,767 |

## NOTE 4: ALLOWANCE FOR LOAN LOSSES

*Small Dollar Loans* - The Company maintains an allowance for loan losses equal to an average ratio of loan losses to the total gross loan receivables over the past three years. Loans are considered performing if all payments are made as agreed. Loans are considered non-performing if the loan is 60 days past due. The Company's policy is to charge off as bad debts loans that are 120 days past due.

*Pooled Mortgage Loans Receivable and Interim Construction Loans* - Because of the credit quality of the borrowers and the underlying collateral, all residential loans and interim construction loans are considered fully collateralized and no losses are anticipated; therefore no allowance for loan losses as of December 31, 2019 was recorded.

| | **Residential** | | | |
|---|---|---|---|---|
| | **CASA** | **RCLP** | **Small Dollar** | **Total** |
| **Allowance for Credit Losses** | | | | |
| Beginning Balance | $ - | $ - | $ 154,343 | $ 154,343 |
| Charge-offs | - | - | (137,699) | (137,699) |
| Recoveries | - | - | 21,433 | 21,433 |
| Provision | - | - | 120,754 | 120,754 |
| Ending Balance | $ - | $ - | $ 158,831 | $ 158,831 |
| **Financing Receivables** | | | | |
| Ending Balance: individually evaluated for impairment | $ - | $ - | $ - | $ - |
| Ending Balance: collectively evaluated for impairment | 5,944,648 | 23,724 | 3,221,415 | 9,189,787 |
| Ending Balance | $ 5,944,648 | $ 23,724 | $ 3,221,415 | $ 9,189,787 |

**NOTE 4: ALLOWANCE FOR LOAN LOSSES (Continued)**

Creditworthiness Category and Internally Assigned Grade – The Company considers a loan Excellent if all payments are being made as agreed, the collateral value underlying the loans exceeds the amount of the receivable and the borrower's financial condition reflects its ability to meet its financial obligations. A loan is considered Special Mention if payments are over 90 days past due. A loan is considered Substandard if the receivable balance exceeds the estimated fair market value of the underlying collateral. The Company does not have any loans classified as Substandard.

The Company has no impaired loans, loans with modifications or loans on a non-accrual status. Therefore, there are no loans individually evaluated for impairment.

**Corporate Credit Exposure –**
Credit risk profiled by credit worthiness category and internally assigned grade is as follows:

| | CASA | RCLP | Total |
|---|---|---|---|
| Excellent | $ 5,944,648 | $ 23,724 | $ 5,968,372 |
| Special Mention | - | - | - |
| Ending Balance | $ 5,944,648 | $ 23,724 | $ 5,968,372 |

**Small Dollar Loan –**
Credit Risk profile based on payment activity is as follows:

| | |
|---|---|
| Performing | $ 3,180,025 |
| Non-performing | 41,390 |
| Ending Balance | $ 3,221,415 |

The following chart represents the Age Analysis of Past Due Financing Receivables at December 31, 2019:

| | Past Due | | | | |
|---|---|---|---|---|---|
| | **31-60 Days** | **61-90 Days** | **Over 90 Days** | **Current** | **Total** |
| Residential Loans | | | | | |
| RCLP | $ - | $ - | $ - | $ 23,724 | $ 23,724 |
| CASA | 209,947 | 147,463 | - | 5,587,238 | 5,944,648 |
| Small Dollar Loans | 41,918 | 23,383 | 18,007 | 3,138,107 | 3,221,415 |
| | $ 251,865 | $ 170,846 | $ 18,007 | $ 8,749,069 | $ 9,189,787 |

**NOTE 5: LINES OF CREDIT**

RGV Multibank issued two lines of credit to CLC of Greater Houston and Heart of Texas CLC for $700,000 and $300,000, respectively, for use in lending within the Small Dollar Loan Program. Both lines of credit are due within 5 years at 2.85% interest. Interest payments are due on a quarterly basis for the first 36 months. The entire unpaid principal balance, together with any unpaid accrued interest and other unpaid charges or fees in quarterly installments from months 37 through 60, shall be due and payable on the maturity date, December 20, 2022. The balance for these two lines of credit at December 31, 2019 was $1,000,000.

**NOTE 6: LOANS PAYABLE**

Loans payable at December 31, 2019 totaled $9,698,551.

On June 24, 2011 an agreement between the Federal Home Loan Bank (FHLB) and the Company was made to establish a line of credit, whereby the FHLB provides advances to the Company for qualifying affordable home loans. The FHLB will be assigned the first lien on mortgaged property in exchange for funding of 70% of each loan. Each advance made to the Company creates its own amortization and repayment schedule with a fixed rate assigned at the time of the advance. Included in the loans payable balances are the outstanding balances of the FHLB note as of December 31, 2019 of $4,701,008.

On December 18, 2019 an agreement between Falcon Bank and the Company was made to provide the Company with liquidity and long-term financing to conduct its mortgage business. Falcon Bank agreed to lend the Company $1,395,960 evidenced by an individual promissory note executed by the Company and secured by the Company's pledge of a group of 19 mortgage loans totaling $1,395,960. These 19 loans are part of the CASA Loan Program and follow the CASA underwriting guidelines. Both parties agreed to the following terms: An agreement commencing on December 18, 2019 and ending on September 24, 2046. This mortgage pool loan is evidenced by a promissory note executed by the Company and bears interest at a fixed rate of 4.71%, 27 year fixed no balloon rate per annum. The loan is repayable in 360 equal monthly installments of principal and accrued interest of $7,710 beginning January 24, 2020 to said maturity date. The payable balance that is outstanding as of December 31, 2019 is $1,395,960.

On December 4, 2013, a promissory note between Community Development Corporation of Brownsville and Rio Grande Valley Multibank was signed whereby Rio Grande Valley Multibank borrowed $665,603 at zero percent interest via an unsecured loan. The principal amount is due and payable on December 4, 2043. This payable amount is also included in the total loans payable listed below.

**NOTE 6: LOANS PAYABLE (Continued)**

Loans payable at December 31, 2019 are as follows:

| | Due in one year | Due after one year |
|---|---|---|
| **Wells Fargo Bank**, payable in monthly installments of $2,591.17 including interest at 7%; secured by real estate lien notes against the underlying collateral. | $ 20,377 | $ - |
| **Federal Home Loan Bank of Dallas**, payable in monthly Installments ranging from $28,000 to $30,000 and at an average interest rate of 3.106%; secured by real estate lien notes. | 218,313 | 4,482,695 |
| **Falcon Bank,** payable in monthly installments of $7,709.85 and at a interest rate of 4.71%, secured by real estate lien notes against the underlying collateral. | 27,354 | 1,368,606 |
| **Community Development Corporation of Brownsville**, Principal and interest on note deferred for 30 years at 0%; unsecured. | - | 665,603 |
| **Community Development Financial Institution Fund**, Principal and interest on note deferred for 30 years at 0%; unsecured. | - | 665,603 |
| **Opportunity Finance Network (OFN)** deferred principal until December 31, 2023; payable of interest only at 3%; unsecured. | - | 1,250,000 |
| **WKKF Kellogg Foundation** – deferred principal until September 30, 2023; payable of interest only at 1%; unsecured. | - | 1,000,000 |
| | $ 266,044 | $ 9,432,507 |

**NOTE 6: LOANS PAYABLE (Continued)**

Total Loans Payable Maturities by Year:

| | 2020 | 2021 | 2022 | 2023 | 2024 | Thereafter |
|---|---|---|---|---|---|---|
| Wells Fargo | $ 20,377 | $ - | $ - | $ - | $ - | $ |
| Falcon Bank | 27,354 | 28,671 | 30,050 | 31,497 | 33,013 | 1,245,375 |
| FHLB | 218,313 | 225,346 | 232,303 | 239,784 | 247,400 | 3,537,862 |
| CDCB | - | - | - | - | - | 665,603 |
| CDFI | - | - | - | - | - | 665,603 |
| Kellogg | - | - | - | 125,000 | 250,000 | 625,000 |
| OFN Next Award | - | - | - | 312,500 | 312,500 | 625,000 |
| Total | $ 266,044 | $ 254,017 | $ 262,353 | $ 708,781 | $ 842,913 | $ 7,364,443 |

**NOTE 7: STOCKHOLDERS' EQUITY**

During the year, the Company issued additional stock. Current stock outstanding and ownership percentages at December 31, 2019 are as follows:

| Bank | Shares | Par Value | Ownership Percentage |
|---|---|---|---|
| Bank of America | 250,000 | $ 250,000 | 13.04% |
| Community Development Corporation Brownsville | 95,538 | 95,538 | 4.98% |
| Frost National Bank | 100,000 | 100,000 | 5.21% |
| International Bank of Commerce – Brownsville | 250,000 | 250,000 | 13.04% |
| International Bank of Commerce – McAllen | 100,000 | 100,000 | 5.21% |
| International Bank of Commerce – Zapata | 100,000 | 100,000 | 5.21% |
| Lone Star National Bank | 100,000 | 100,000 | 5.21% |
| National Cooperative Development | 100,000 | 100,000 | 5.21% |
| BBVA/Compass Bank | 434,384 | 434,384 | 22.65% |
| Cameron County Housing Finance Corp | 44,504 | 44,504 | 2.32% |
| Falcon Bank | 43,471 | 43,471 | 2.27% |
| Wells Fargo Bank | 300,000 | 300,000 | 15.65% |
| | 1,917,897 | $ 1,917,897 | 100.00% |

**NOTE 8: RELATED PARTY TRANSACTIONS**

CDCB is contracted annually to provide administrative services to the Company. Administrative fees totaled $464,972 for the year ended December 31, 2019. At the close of the year, the Company owed CDCB $0 in administrative fees.

**NOTE 9: DEFERRED REVENUE**

The deferred revenue CASA loan is made up of funds from the CDFI grant and lent to borrowers under the CASA Loan Program. These funds have been deferred until payment is received by the Company from the borrower, which will then result in recognition of income. Deferred revenue – CASA balances for the year ending December 31, 2019 was $238,213.

**NOTE 10: INCOME TAXES**

Income tax expense for the year ended December 31, 2019 consisted of the following:

| | | |
|---|---|---|
| Current income tax expense (benefit) | $ | 48,870 |
| Total income tax expense (benefit) | $ | 48,870 |

| | | |
|---|---|---|
| Net income (loss) before taxes | $ | 232,714 |
| U.S. statutory rate | | 21% |
| Tax at statutory rate | $ | 48,870 |

The Company recognizes deferred tax assets and liabilities for future tax consequences of events that have been previously recognized in the Company's financial statements or tax returns. The measurement of deferred tax assets and liabilities is based on provisions of the enacted tax law; the effects of future changes in tax laws or rates are not anticipated. The Company recognized a federal income tax payable of $22,949 at December 31, 2019.

**NOTE 11: CLC SERVICE AND ADMINISTRATIVE FEES**

The Company has over the past several years franchised its software to be used by other Community Loan Centers across the country. The Small Dollar Lending Program (SDLP) software is considered a Software As A Service System (SAAS) and is designed to provide a user friendly graphical interface for the origination and servicing of small loans serviced by Community Loan Center lenders. There are currently twelve CLC centers using this software. Each center has signed a franchise agreement which provides that the CLC will, in exchange for the use of the software, pay the Community Loan Center Corporation (subsidiary of RGVMB) a monthly loan servicing fee calculated by multiplying the month-end open loan balance on the Franchisee's loan portfolio times the loan servicing rate of 0.45%. In addition, a loan origination fee of $10 will be remitted for every new loan added during the month.

**NOTE 11: CLC SERVICE AND ADMINISTRATIVE FEES (Continued)**

These fees totaled $392,791 for 2019. For every loan the Company originates, an administrative fee of $20.00 is charged on the small dollar loan. An administrative fee is assessed unless the customer has been charged an administrative fee on a loan within 180 days. The loan administrative fee was $104,100 for 2019. During the 2019 year, total service and administrative fees totaled $496,891.

**NOTE 12: REVENUE FROM CONTRACTS WITH CUSTOMERS**

The Company adopted ASC 606 using the modified retrospective method applied to all contracts not completed as of January 1, 2019. Results for reporting periods beginning after January 1, 2019 are presented under ASC 606 while prior period amounts continue to be reported in accordance with legacy U.S. GAAP. The adoption of ASC 606 did not result in a change to the accounting for any of the in-scope revenue streams; as such, no cumulative effect adjustment was recorded.

A description of the Company's revenue streams accounted for under ASC 606 follows:

*Fees and Service Charges – E loan to Individual*

The company collects various fees for the e loans provided to individuals through the Community Loan Service program. These include a $20 administrative fee per new loan, or renewed loan that is renewed after 180 days, a nonsufficient funds fee (NSF) of $25.00, and late fees of 5% of payment amount due. The administrative fee is recognized at the time the loan is made to the individual. The NSF fee is only recognized if an individual’s account does not have enough funds at time of payment or if payment is made late by an individual. The late fees occur rarely due to the employee paying the loan directly through payroll deduction.

*Fees and Service Charges – Community Loan Centers*

The Company collects various fees from the CLC partners who have a franchise contract with the Company. They include the one-time contract set up fee recorded and recognized at inception of contract, the monthly servicing fee of 0.45% of the end of month balance per loan, and an admin fee of $10/$10.50 per loan, if an administrative fee was charged to the borrower. Both the servicing fee and admin fee are recorded and recognized monthly by the Company.

**NOTE 13: SUBSEQUENT EVENT**

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the Company. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.