AmFin Financial Corporation and Subsidiaries

Consolidated Financial Statements
September 30, 2024

AMFIN FINANCIAL CORPORATION AND SUBSIDIARIES

SEPTEMBER 30, 2024

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Consolidated Balance Sheet
September 30, 2024

Assets		
Cash and Cash Equivalents		
Cash in financial institutions	$	474,750
Money market funds		4,814,984
Total Cash and Cash Equivalents		5,289,734
Investments		
Trading assets, at fair value		17,990,820
Investment held to maturity, at amotized cost		150
Equity method investments		21,611,303
Total Investments		39,602,273
Other Assets		
Prepaid expenses		25,000
Deferred tax asset - net		126,947,200
Valuation allowance for deferred tax asset		(126,947,200)
Total Other Assets		25,000
Total Assets	$	44,917,007
Liabilities & Shareholders' Equity		
Liabilities		
Accrued expenses and other liabilities	$	34,949
Total Liabilities		34,949
Shareholders' Equity		
Common stock, no par value - shares authorized 207,500; issued 207,245 shares; outstanding 161,266 shares		1,036,225
Retained earnings		124,152,718
Treasury stock, at cost - 45,979 shares		(80,306,885)
Total Shareholders' Equity		44,882,058
Total Liabilities and Shareholders' Equity	$	44,917,007

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Operations
September 30, 2024

Losses from Equity Method Investments		
Losses from Equity Method Investments	$	(346,448)
Total Equity in Losses from Equity Method Investments		(346,448)
Interest and Dividend Income		247,771
Unrealized Gain on U.S. Treasury Bills		179,246
Operating Income		80,569
Operating Expenses		
Professional fees		873,511
Insurance expense		143,750
Other expenses		4,401
Total Operating Expenses		1,021,662
Net Loss	$	(941,093)

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Changes in Shareholders' Equity
Year ended September 30, 2024

	Number of Shares Outstanding	Common Stock	Retained Earnings	Treasury Stock	Total Shareholders' Equity
Balance, October 1, 2023	161,421	$ 1,036,225	$ 125,093,811	$ (80,278,210)	$ 45,851,826
Repurchase of Treasury Stock	(155)	-	-	(28,675)	(28,675)
Net Loss	-	-	(941,093)	-	(941,093)
Balance, September 30, 2024	**161,266**	**$ 1,036,225**	**$ 124,152,718**	**$ (80,306,885)**	**$ 44,882,058**

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Cash Flows
Year ended September 30, 2024

Cash Flows For Operating Activities		
Net loss	$	(941,093)
Adjustments to reconcile net loss to net cash for operating activities:		
Unrealized Gain on U.S. Treasury Bills		179,246
Losses from Equity Method Investments		346,448
Changes in operating assets and liabilities:		
Increase in other assets		(6,250)
Increase in accrued expenses and other liabilities		11,198
Net Cash For Operating Activities		(410,451)
Cash Flows From Investing Activities		
Purchases of U.S. Treasury Bills		(18,000,000)
Proceeds from sales of U.S. Treasury Bills		2,197,586
Return of capital from equity method investments		18,669,988
Net Cash From Investing Activities		2,867,574
Cash Flows For Financing Activities		
Purchase of treasury stock		(28,675)
Net Cash For Financing Activities		(28,675)
Net Increase In Cash and Cash Equivalents		2,428,448
Cash and Cash Equivalents, beginning of year		2,861,286
Cash and Cash Equivalents, end of year	$	5,289,734

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND DESCRIPTION OF BUSINESS

AmFin Financial Corporation (AmFin or the Company), formerly AmTrust Financial Corporation (AmTrust), was organized under the laws of the State of Ohio in 1977 and operated as the holding company of a consolidated group engaged in various financial services and the parent of AmTrust Bank and its subsidiaries.

AmFin Real Estate Investments, Inc. (AREII), a wholly owned subsidiary of AmFin, presently derives its revenue from limited partnership investments accounted for under the equity method, interest and dividends on money market accounts, and records the results of operations of its smaller subsidiary on the equity method.

AmFin Properties, Inc. (API), wholly owned subsidiary of AREII, derives its revenue from partnership investments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Principles of Consolidation and Variable Interest Entities

The accompanying consolidated financial statements include the accounts of AmFin and its wholly owned subsidiaries. All significant inter-company accounts and transactions have been eliminated in consolidation.

Variable Interest Entities (VIEs) are legal entities that meet certain criteria primarily related to their design and ability to finance their own operations. A VIE is an entity in which either (a) the equity investment at risk is not sufficient to permit the entity to finance its own activities without additional financial support or (b) the voting rights of the equity investors are not proportional to their obligations to absorb the expected losses of the entity or their rights to receive the expected residual returns of the entity. An entity would be required to consolidate a VIE if the company had a controlling financial interest in the VIE. Such an interest would make the entity the primary beneficiary of the VIE.

In October 2018, the Financial Accounting Standards Board (FASB) amended Accounting Standards Codification (ASC) 810, *Consolidations*. Under the amended guidance, a non-public entity has the option to exempt itself from applying the VIE consolidation model to qualifying common control arrangements. The Company has adopted the accounting alternative offered to non-public entities for common control arrangements. In accordance with this alternative, the Company has not evaluated qualifying entities under the guidance in the VIE subsections of ASC 810.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Certain judgments and estimates are considered in determining the value of investments in limited partnerships, including current economic indicators, changes in demand for residential properties, as well as the timing of expected sales of units. Actual results may differ from these judgments and estimates and could have a material adverse effect on the Company's financial condition or operating results.

Cash and Cash Equivalents

All highly liquid investments purchased with a maturity of three months or less are considered to be cash equivalents and are carried at cost, plus accrued interest, which approximates fair value.

Cash and cash equivalents are deposited with financial institutions that the Company believes are creditworthy and while balances, at times, may exceed federally insured limits, the Company has never experienced any losses related to these balances.

Trading Assets

The Company engages in trading activities for its own account and consists of U.S. treasury bills that are held principally to earn interest in the near term. They are recorded at fair value with changes in fair value included in earnings. Interest and dividends are included in net interest income.

Investments Held to Maturity

Investments held to maturity are those that the Company has the ability and intent to hold until maturity and are reported at amortized cost.

Equity Method Investments

The Company invests in limited partnerships which are accounted for under the equity method. Under this method, the investment is initially recorded at cost and is subsequently adjusted for contributions, distributions and the Company's share of the profit or loss of the partnership.

The Company's share of the profit or loss of the partnership is shown in the consolidated statement of operations as equity in losses from partnerships.

When Investments accounted for under the equity method are, in the aggregate, material in relation to the financial position and results of operations of the Company, the Company will disclose summarized financial information of the total assets, liabilities, and results of operations of the investees in the notes or in separate statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

At each reporting date, the Company determines whether its investments are other than temporarily impaired. If there is evidence, based on estimated discounted future cash flow calculations, that the recoverable amount from the investment is less than its carrying value, the investment is considered impaired and the consolidated statement of operations is charged to reduce the carrying value of the investment to the expected recoverable amount.

Revenue and Expense Recognition

Revenues consist principally of the Company's share of the annual profits and losses from partnership investments and to a lesser extent, from interest and dividends earned from U.S. Treasury securities, money market funds, and other marketable securities.

Income Taxes

The Company is subject to the income tax laws of the U.S., its states and municipalities. These tax laws are complex and subject to different interpretations by the taxpayer and the relevant governmental taxing authorities.

Deferred income taxes are determined using the balance sheet method. Deferred taxes are recognized for the future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates that will apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized as income or expense in the period that includes the enactment date.

The Company regularly reviews the carrying amount of its deferred tax assets to determine if the establishment of a valuation allowance is necessary. If based on the available evidence, it is more likely than not that all or a portion of the Company's deferred tax assets will not be realized in future periods, a deferred tax valuation allowance is established. Consideration is given to various positive and negative factors that could affect the realization of the deferred tax assets. In evaluating this available evidence, management considers, among other things, historical financial performance, expectation of future earnings, length of statutory carryforward periods, experience with operating tax loss and tax credit carryforwards which may expire unused, tax planning strategies and timing of reversals of temporary differences. The Company's evaluation is based on current tax laws as well as management's expectations of future performance.

The Company initially recognizes tax positions in the consolidated financial statements when it is more likely than not that the position will be sustained upon examination by the tax authorities. Such tax positions are initially and subsequently measured as the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement with the tax authority assuming full knowledge of the position and all relevant facts. In establishing a provision for income tax expense, the Company makes judgments and interpretations about the application of these inherently complex tax laws within the framework of existing GAAP. The Company recognizes interest and penalties related to uncertain tax positions as a component of provision for income taxes. As of September 30, 2024, the Company did not have a liability for unrecognized tax positions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Policies

In June 2016, the FASB issued guidance ASC 326 which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. The Company adopted the standard effective October 1, 2023. The impact of the adoption was not considered material to the consolidated financial statements.

3. FAIR VALUE MEASUREMENTS

ASC 820, *Fair Value Measurement* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobserved inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 inputs must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

There have been no changes in the methodologies used as of September 30, 2024. The following is a description of the valuation methodologies used for assets measured at fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. FAIR VALUE MEASUREMENTS (Continued)

Money Market Funds: Valued at the daily closing price as reported by the fund.

U.S. Treasury Bills: U.S. Treasury Bills are valued based on quoted market prices of identical instruments in active markets.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Company's assets at fair value as of September 30, 2024:

	Fair Value Measurements at Reporting Date Using:			
September 30, 2024	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets at Fair Value				
U.S. Treasury bills	**$ -**	**$ 17,990,820**	**$ -**	**$ 17,990,820**
Money market funds	**4,814,984**	**-**	**-**	**4,814,984**
September 30, 2024	**$ 4,814,984**	**$17,990,820**	**$ -**	**$ 22,805,804**

4. INVESTMENT HELD TO MATURITY

Investment held to maturity consists of 2,000 preferred shares of ALESCO Preferred Funding III, Ltd., the issuer of certain fixed and floating rate notes secured by a portfolio of collateral debt securities. The collateral debt securities, designed to provide the source of repayment for the notes, consist of capital securities, subordinated notes and preferred securities issued by holding companies of banks, thrifts, their trust subsidiaries or other depository institutions. Proceeds from the collateral debt securities cannot be distributed to the holders of the preferred shares until all of the notes have been paid in full and costs and expenses satisfied. Any remaining collateral securing the notes will be liquidated in April 2034, at which time any final proceeds will be available for distributions to the holders of the preferred shares. The Company had previously recorded an impairment to reduce the carrying value of the investment due to impairment of the collateral debt securities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. EQUITY METHOD INVESTMENTS

The Company held investments in the following limited partnerships totaling $21,611,303 as of September 30, 2024. The majority of the partnerships are involved in investing in residential real estate activities.

The Company evaluates its partnership investments for impairment at each reporting date. As of September 30, 2024, investments considered to be impaired is shown below.

Partnership Name	% Interest	Cumulative Capital Contributions	Cumulative Capital Distributions	Investment Balance	Impairment	Investment Balance - Net
Boynton 441 Development LP	49.2	$67,596,672	$ 87,024,271	$ 871,675	$ -	$ 871,675
Hyder Development LP	49.2	45,066,293	72,330,430	602,372	-	602,372
Canyon Commercial LP	23.9	6,746,785	6,484,467	2,144,002	-	2,144,002
Estero Palm LP	28.5	35,000,000	18,378,535	16,204,888	-	16,204,888
Lexin AmFin Real Estate Partners, LP	19.5	7,910,000	2,321,199	27,636	-	27,636
Other	Various	7,738,124	9,196,957	1,760,730	-	1,760,730
		$170,057,874	$195,735,859	$ 21,611,303	$ -	$ 21,611,303

The summarized financial information as of September 30, 2024, for the Company's partnership investments is shown below.

Assets:	
Cash and investments	$ 6,741,148
Net fixed assets	20,750,722
Construction in progress	555,878
Other assets	150,760,765
Total assets	$178,808,513
Liabilities and equity:	
Accounts payable and accrued expenses	92,848,894
Mortgage notes payable	7,130,870
Total liabilities	99,979,764
Equity	78,828,749
Total liabilities and equity	$178,808,513

Operating information for the year ended September 30, 2024	
Operating revenue	$ 6,401,783
Operating expenses	(10,307,806)
Net loss	$ (3,906,023)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. RELATED PARTY TRANSACTIONS

Management services were provided to the Company by Midwest Management Services, LLC (Midwest). One of the Company's directors is the son-in-law of a managing member of Midwest and another director is the son of another managing member.

Midwest was paid $5,000 per month for management services and an additional fee for stock transfer services, for a total of $60,000 for the year ended September 30, 2024. Management services fees are included in professional fees on the Company's consolidated statement of operations.

7. INCOME TAXES

The total income tax provision differs from expected amounts computed by applying the applicable statutory federal income tax rate to income before federal income taxes due to the increase in valuation allowance associated with the Company's net operating loss carryforwards offset by partnership permanent differences:

	Amount	Percent of Pretax Income
Federal income tax at statutory rates	$ 78,933	21.00%
Increase in deferred tax valuation allowance	(188,400)	(50.13%)
Capital loss carryforward expiration	113,913	30.31%
Partnership permanent differences	(4,446)	(1.18%)
Actual tax benefit	$ -	-

The net tax effect of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

	2024
Deferred tax assets:	
Basis difference on equity investment	$ 595,524
Basis differences on partnership investments	425,299
Net operating loss carryforward	125,390,442
Capital loss carryforward	217,308
Tax credit carryforwards	361,443
Other	84
Total gross deferred tax assets	126,990,100
Less valuation allowance	(126,947,200)
Deferred tax assets net of valuation allowance	42,900
Deferred tax liabilities:	
Other	(42,900)
Deferred tax liabilities	(42,900)
Net deferred tax asset	$ -

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. INCOME TAXES (Continued)

A valuation allowance is established to reduce the deferred tax asset if it is more likely than not that the related tax benefit will not be realized. As of September 30, 2024, the Company had no remaining tax carryback ability and management determined that it was more likely than not that the majority of net deferred tax assets would not be realized due to uncertainties surrounding the timing and amounts of future taxable income.

At September 30, 2024, the Company has federal net operating loss carryforwards of $597,097,342 in the United States that can be utilized against future taxable income. Substantially all of the net operating loss carryforwards will expire in various years through 2036, with the exception of $731,391 that may be carried forward indefinitely. In addition, the Company has capital loss carryforwards of $1,034,798 that will expire in various years through 2025.

The Company files a consolidated federal income tax return. Pursuant to a tax sharing agreement with its subsidiaries, each member's federal income tax liability is computed on a separate return basis determined by applying 21% to taxable income. The Company pays federal income taxes on behalf of the group, as required, and settles the tax obligation on a current basis in accordance with the tax sharing agreement.

8. CONTINGENCIES

In the course of normal operations, the Company is subject to various claims and assessments, including those related to the various taxing authorities, and is not currently involved in litigation. At this time, management is unaware of any material claims and/or assessments and believes the ultimate resolution of any unasserted claims and/or assessments will not have a material adverse impact on the Company's business or financial position.

9. SUBSEQUENT EVENT

Management has evaluated subsequent events through April 4, 2025, the date the consolidated financial statements were available to be issued, for possible recognition or disclosure in the consolidated financial statements. No events have occurred subsequently which require disclosure or recognition.

Consolidating Balance Sheet
September 30, 2024

	AmFin Financial Corporation	AmFin Real Estate Investments Inc.	AmFin Properties Inc.	Eliminations	Consolidated
Cash and Cash Equivalents					
Cash in financial institutions	$ 44,218	$ 295,914	$ 134,618	$ -	$ 474,750
Money market funds	3,779,187	1,035,797	-	-	4,814,984
Total Cash and Cash Equivalents	3,823,405	1,331,711	134,618	-	5,289,734
Investments					
Trading assets, at fair value	-	17,990,820	-	-	17,990,820
Investment held to maturity, at amotized cost	-	150	-	-	150
Equity method investments	-	21,583,667	27,636	-	21,611,303
Investment in and advances to consolidated subsidiaries	41,533,905	(33,852,684)	-	(7,681,221)	-
Total Investments	41,533,905	5,721,953	27,636	(7,681,221)	39,602,273
Other Assets					
Prepaid expenses	25,000	-	-	-	25,000
Due from Affiliates	763,783	(850,949)	87,166	-	-
Deferred tax asset - net	117,641,600	9,076,200	229,400	-	126,947,200
Valuation allowance for deferred tax asset	(117,641,600)	(9,076,200)	(229,400)	-	(126,947,200)
Total Other Assets	788,783	(850,949)	87,166	-	25,000
Total Assets	$ 46,146,093	$ 6,202,715	$ 249,420	$ (7,681,221)	$ 44,917,007
Liabilities & Shareholders' Equity					
Liabilities					
Accrued expenses and other liabilities	$ 34,949	$ -	$ -	$ -	$ 34,949
Total Liabilities	34,949	-	-	-	34,949
Shareholders' Equity					
Common stock, no par value - shares authorized 207,500; issued 207,245 shares; outstanding 161,266 shares	1,036,225	500	100	(600)	1,036,225
Paid-in capital	-	-	5,200,722	(5,200,722)	-
Retained earnings	125,381,804	6,202,215	(4,951,402)	(2,479,899)	124,152,718
Treasury stock, at cost - 45,979 shares	(80,306,885)	-	-	-	(80,306,885)
Total Shareholders' Equity	46,111,144	6,202,715	249,420	(7,681,221)	44,882,058
Total Liabilities and Shareholders' Equity	$ 46,146,093	$ 6,202,715	$ 249,420	$ (7,681,221)	$ 44,917,007

See Independent Auditor's Report.

Consolidating Statement of Operations
Year Ended September 30, 2024

	AmFin Financial Corporation	AmFin Real Estate Investments Inc.	AmFin Properties Inc.	Eliminations	Consolidated
Equity in Losses from Subsidiaries and Partnerships					
Equity in losses from subsidiaries and partnerships	$ (476,476)	$ (342,021)	$ (4,427)	$ 476,476	$ (346,448)
Total Equity in Losses from Subsidiaries and Partnerships	(476,476)	(342,021)	(4,427)	476,476	(346,448)
Interest and Dividend Income	197,451	50,320	-	-	247,771
Unrealized Gain on U.S. Treasury Bills	-	179,246	-	-	179,246
Operating (Loss) Income	(279,025)	(112,455)	(4,427)	476,476	80,569
Operating Expenses					
Professional fees	873,511	-	-	-	873,511
Insurance expense	143,750	-	-	-	143,750
Other expenses	4,192	164	45	-	4,401
Total Operating Expenses	1,021,453	164	45	-	1,021,662
Net Loss Before Income Taxes	(1,300,478)	(112,619)	(4,472)	476,476	(941,093)
Income Tax (Benefit) Expense	(359,385)	358,943	442	-	-
Net Loss	$ (941,093)	$ (471,562)	$ (4,914)	$ 476,476	$ (941,093)

See Independent Auditor's Report.