

**FOOTHILL MORTGAGE FUND OF OLYMPIA, LLC**

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**FINANCIAL STATEMENTS**

December 31, 2023

# FOOTHILL MORTGAGE FUND OF OLYMPIA, LLC

## T A B L E O F C O N T E N T S

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	<b>Page(s)</b>
Independent Auditors' Report	1-2
Financial Statements:	
Balance Sheet	3
Statements of Income and Changes in Members' Equity	4
Statement of Cash Flows	5
Notes to Financial Statements	6-16



## INDEPENDENT AUDITORS' REPORT

To the Members of  
Foothill Mortgage Fund of Olympia, LLC  
Grass Valley, California

### Opinion

We have audited the accompanying financial statements of Foothill Mortgage Fund of Olympia, LLC, which comprise the balance sheet as of December 31, 2023, and the related statements of income and changes in members' equity, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Foothill Mortgage Fund of Olympia, LLC as of December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Foothill Mortgage Fund of Olympia, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for 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.

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

### Auditors' Responsibilities for the Audit of the Financial Statements

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

To the Members of  
Foothill Mortgage Fund of Olympia, LLC

In performing an audit in accordance with U.S. GAAS, we:

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

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

Handwritten signature in blue ink that reads "BPM LLP".

San Francisco, California  
July 17, 2024

# FOOTHILL MORTGAGE FUND OF OLYMPIA, LLC

## BALANCE SHEET

As of December 31, 2023

### ASSETS

Current assets:	
Cash	\$ 30,876
Mortgage interest receivable	422,644
Other receivables	<u>175,812</u>
Total current assets	<u>629,332</u>
Mortgage loans receivable, net:	
California Finance Lender	20,166,097
Non-California Finance Lender	47,339
Allowance for credit losses	<u>(155,280)</u>
Total mortgage loans receivable, net	<u>20,058,156</u>
Real estate held	<u>295,456</u>
Total assets	<u>\$ 20,982,944</u>

### LIABILITIES AND MEMBERS' EQUITY

Current liabilities:	
Loan servicing fees payable	\$ 41,656
Asset management fees payable	14,582
Notes payable to Manager	3,360,000
Other current liabilities	<u>82,713</u>
Total current liabilities	3,498,951
Commitments and contingencies (Note 9)	
Members' equity	<u>17,483,993</u>
Total liabilities and members' equity	<u>\$ 20,982,944</u>

**FOOTHILL MORTGAGE FUND OF OLYMPIA, LLC**  
**STATEMENTS OF INCOME AND CHANGES IN MEMBERS' EQUITY**  
For the year ended December 31, 2023

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Revenues:	
California Finance Lender mortgage interest income	\$ 2,086,321
Non-California Finance Lender mortgage interest income	6,392
California Finance Lender late fees and other revenue	19,152
Non-California Finance Lender late fees and other revenue	450
Realized gain from sale of real estate owned	<u>350</u>
Total revenues	<u>2,112,665</u>
Operating expenses:	
Interest expense	296,102
Loan servicing fees	207,256
Asset management fees	176,396
Provision for losses on mortgage loans	36,100
Accounting	36,000
Other operating expenses	<u>10,097</u>
Total operating expenses	<u>761,951</u>
Income from operations before provision for income taxes and limited liability company fees	1,350,714
Provision for income taxes and limited liability company fees	<u>7,600</u>
Net income	1,343,114
Members' equity, beginning of year	18,086,689
Contributions from members	809,000
Distributions to members	<u>(2,754,810)</u>
Members' equity, end of year	<u>\$ 17,483,993</u>

# FOOTHILL MORTGAGE FUND OF OLYMPIA, LLC

## STATEMENT OF CASH FLOWS

For the year ended December 31, 2023

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Cash flows from operating activities:	
Net income	\$ 1,343,114
Adjustments to reconcile net income to net cash provided by operating activities:	
Provision for losses on mortgage loans	36,100
Realized gain from sale of real estate owned	(350)
Cost capitalized on real estate owned	(31,869)
Changes in operating assets and liabilities:	
Mortgage interest receivable	(139,347)
Other receivables	(64,352)
Other current liabilities	(8,578)
Loan servicing fees payable	(3,737)
Asset management fees payable	(488)
Net cash provided by operating activities	<u>1,130,493</u>
Cash flows from investing activities:	
Loans funded or acquired	(8,080,250)
Principal collected on loans	6,592,960
Proceeds from sale of real estate owned	<u>1,220,358</u>
Net cash used in investing activities	<u>(266,932)</u>
Cash flows from financing activities:	
Contributions from members	809,000
Distributions to members	(2,754,810)
Proceeds from notes payable to Manager	4,610,000
Repayments of notes payable to Manager	<u>(3,550,000)</u>
Net cash provided by financing activities	<u>(885,810)</u>
Net decrease in cash and cash equivalents	(22,249)
Cash and cash equivalents, beginning of year	<u>53,125</u>
Cash and cash equivalents, end of year	<u>\$ 30,876</u>
Supplemental disclosure of cash flow information:	
Cash paid during the year for income taxes and limited liability company fees	<u>\$ 7,600</u>
Cash paid during the year for interest	<u>\$ 291,494</u>
Reclassification of mortgage loan receivable, net of allowance for credit losses of \$341,351, to real estate owned	<u>\$ 1,258,649</u>
Reclassification of mortgage interest receivable and other receivables to real estate owned	<u>\$ 224,946</u>

# FOOTHILL MORTGAGE FUND OF OLYMPIA, LLC

## NOTES TO FINANCIAL STATEMENTS

December 31, 2023

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### 1. Nature of Operations

Foothill Mortgage Fund of Olympia, LLC (the “Fund”) is a California limited liability company that was organized on February 11, 2011 and commenced operations on May 2, 2011. The Fund was organized for the purpose of making or investing in loans secured by deeds of trust encumbering real estate located primarily in California. The Fund’s loans are secured primarily by first priority deeds of trust encumbering improved residential, commercial, industrial, multifamily and mixed-use properties. The Fund is managed by Olympia Mortgage and Investment Company, Inc., a California corporation (the “Manager” or “Servicer”). Fund loans are originated and serviced by the Manager. The Fund receives certain operating and administrative services from the Manager, some of which are not reimbursed to the Manager. The Fund’s financial position and results of operations would likely be different absent this relationship with the Manager.

The Fund will continue indefinitely until dissolved and terminated by vote of the members holding a majority of the outstanding membership interest with the concurrence of the Manager.

### 2. Summary of Significant Accounting Policies

#### ***Cash and Cash Equivalents***

The Fund considers all highly liquid financial instruments with maturities of three months or less to be cash equivalents. The Fund held no cash equivalents as of December 31, 2023. Cash on deposit occasionally exceeds federally insured limits. The Fund believes that it mitigates this risk by maintaining deposits with major financial institutions.

#### ***Management Estimates and Related Risks***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions about the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Such estimates relate principally to the determination of the allowance for mortgage loan losses and fair value of real estate held. Although these estimates reflect management’s best estimates, it is at least reasonably possible that a material change to these estimates could occur in the near term.

The fair value of real estate, in general, is impacted by current real estate and financial market conditions. Should these markets experience significant declines, the resulting collateral values of the Fund’s loans will likely be negatively impacted. The impact to such values could be significant and as a result, the Fund’s actual loan losses and fair value of real estate held could differ significantly from management’s current estimates.

#### ***Loan Classifications***

The Fund has certain loans that are issued under the Fund’s California Finance Lenders license. These loans have been reflected as California Finance Lender loans in the accompanying financial statements.



# FOOTHILL MORTGAGE FUND OF OLYMPIA, LLC

## NOTES TO FINANCIAL STATEMENTS

December 31, 2023

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### 2. Summary of Significant Accounting Policies, continued

#### ***Mortgage Loans Receivable***

Mortgage loans, which the Fund has the intent and ability to hold for the foreseeable future or to maturity, generally are stated at their outstanding unpaid principal balance with interest accrued as earned. Mortgage loans receivable make up the only class of financing receivables within the Fund's lending portfolio. As a result, further segmentation of the loan portfolio is not considered necessary.

If the probable ultimate recovery of the carrying amount of a loan, with due consideration for the fair value of collateral, is less than amounts due according to the contractual terms of the loan agreement and the shortfall in the amounts due are not insignificant, the carrying amount of the investment shall be reduced to the present value of future cash flows discounted at the loan's effective interest rate. If such a loan is collateral dependent, it is valued at the estimated fair value of the related collateral.

Interest is accrued daily based on the principal of the loans. If events and/or changes in circumstances cause management to have serious doubts about further collectability of the contractual payments, a loan may be categorized as impaired, and interest would no longer accrue. Any subsequent payments on impaired loans are applied to reduce the outstanding loan balances including accrued interest and advances.

#### ***Allowance for Credit Losses***

Loans and the related assets are analyzed on a periodic basis for recoverability. Delinquencies are identified and followed as part of the loan system based on historic losses, current expected losses, and reasonable forecasts regarding changes in future economic conditions. Provision is made for losses on loans to adjust the allowance for loan losses to an amount considered by management to be adequate, with due consideration to collateral value, to provide for unrecoverable loans and receivables, including impaired loans, accrued interest, late fees and advances on loans. As a collateral-based lender, the Fund does not consider credit risks which may be inherent in a further segmented loan portfolio as a basis for determining the adequacy of its allowance for loan losses but rather focuses solely on the underlying collateral value of the loans in its portfolio to do so. As a result, the Fund does not consider further segmentation of its loan portfolio and related disclosures necessary. The Fund writes off the uncollectible portion of loans and related receivables directly to the allowance for credit losses once it is determined that the full amount is not collectible.

#### ***Real Estate Owned***

Real estate acquired through or in lieu of loan foreclosure that is to be held for any purpose other than use in operations, is initially recorded at fair value less estimated selling cost at the date of foreclosure if the plan of disposition is by way of sale. Any write-downs based on the asset's fair value at the date of acquisition are charged to the allowance for loan losses. After foreclosure, real estate held for sale is carried at the lower of the new cost basis or fair value less estimated costs to sell.

Costs of real estate improvements are capitalized, whereas costs relating to holding real estate are expensed. The portion of interest costs relating to development of real estate is capitalized.

Impairment losses of real estate held and held for sale are measured as the amount by which the carrying amount of a property exceeds its fair value less estimated costs to sell. Valuations are periodically performed by management, and any subsequent write-downs are recorded as a charge to operations.

# FOOTHILL MORTGAGE FUND OF OLYMPIA, LLC

## NOTES TO FINANCIAL STATEMENTS

December 31, 2023

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### 2. Summary of Significant Accounting Policies, continued

#### *Fair Value Measurements*

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Fund determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value (Level 1, Level 2 and Level 3). Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs reflect the Fund's own assumptions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the Fund's own data.

The Fund does not record loans at fair value on a recurring basis but uses fair value measurements of collateral security in the determination of its allowance for loan losses. The fair value of impaired secured loans is determined using the sales comparison, income and other commonly used valuation approaches.

The following methods and assumptions were used to estimate the fair value of financial instruments:

- *Secured loans (Level 3)*. For loans in which a specific allowance is established based on the fair value of the collateral, the Fund evaluates the fair value based on Level 3 inputs. Appraisals of underlying collateral are often utilized to inform these estimates.
- *Real estate owned (Level 3)*. At the time of foreclosure, real estate owned is recorded at the lower of the recorded investment in the loan, plus any senior indebtedness, or at the property's estimated fair value, less estimated costs to sell, as applicable. The Fund periodically compares the carrying value of real estate held to expected undiscounted future cash flows for the purpose of assessing the recoverability of the recorded amounts. If the carrying value exceeds future undiscounted cash flows, the assets are reduced to estimated fair value based on Level 3 inputs. Appraisals are often used to inform these estimates.

The Fund held one real estate property requiring fair value measurement as of December 31, 2023. There have been no changes to the methodologies used during the year ended December 31, 2023. There have been no transfers between fair value levels during the year ended December 31, 2023. The Fund's cash equivalents, interest and other receivables, and payables are held at cost, which approximates fair value, due to the short-term nature of these instruments.

# FOOTHILL MORTGAGE FUND OF OLYMPIA, LLC

## NOTES TO FINANCIAL STATEMENTS

December 31, 2023

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### 2. Summary of Significant Accounting Policies, continued

#### ***Funds Held in Subscription***

The Fund accepts subscription agreements and funds from prospective investors who wish to become members of the Fund. If approved for admittance into the Fund, the subscription funds are maintained in a separate subscription account until such time as the funds are needed in the normal course of the Fund's operations. While such funds are on deposit in the subscription account, the investor will not be entitled to an allocation of the monthly net profits. Once the subscription funds are needed in the normal course of the Fund's operations, the subscription funds will be transferred into the Fund's operating account and the liability will be recognized as member contributions on behalf of the subscribing member. There were no funds held in subscription as of December 31, 2023.

#### ***Income Taxes***

The Fund is a limited liability company for federal and state income tax purposes. Under the laws pertaining to income taxation of limited liability companies, no federal income tax is paid by the Fund as an entity. Individual members report on their federal and state income tax returns their share of Fund income, gains, losses, deductions and credits, whether or not any actual distribution is made to such member during a taxable year. Accordingly, no provision for income taxes besides the \$800 minimum state franchise tax and the LLC gross receipts fees would be reflected in the accompanying financial statements.

The Fund has evaluated its current tax positions and has concluded that as of December 31, 2023, the Fund does not have any significant uncertain tax positions for which a reserve would be necessary.

#### ***Recently Adopted Accounting Pronouncements***

In June 2016, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended. ASU 2016-13 will change the impairment model and how entities measure credit losses for most financial assets, including receivables and long-term financings. The standard requires entities to use the new expected credit loss impairment model, which will replace today's incurred loss model. The Fund adopted ASU 2016-13 on January 1, 2023 with no significant impact on its financial statements.

### 3. Fund Provisions

The Fund is a California limited liability company. The rights, duties and powers of the members of the Fund are governed by the operating agreement and Chapter 3, Title 2.5 of the California Corporations Code. The following description of the Fund's operating agreement provides only general information. Members should refer to the Fund's operating agreement and offering circular for a more complete description of the provisions.

The Manager is in complete control of the Fund business, subject to the voting rights of the members on specified matters. The Manager acting alone has the power and authority to act for and bind the Fund.

Members representing a majority of the outstanding Fund membership interests may approve or disapprove any of the following matters with the prior written consent of the Manager: (i) amendment of the LLC operating agreement; and (ii) merger or consolidation of the Fund with one or more other entities.

# FOOTHILL MORTGAGE FUND OF OLYMPIA, LLC

## NOTES TO FINANCIAL STATEMENTS

December 31, 2023

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### 3. Fund Provisions, continued

Members representing a majority of the outstanding Fund membership interests may approve or disapprove any of the following matters without the prior written consent of the Manager: (i) dissolution and termination of the Fund; and (ii) to remove and replace the Manager.

#### ***Profits and Losses***

Profits and losses accrued during any calendar month are allocated to the members in proportion to their respective membership interests outstanding as of the first day of the month. However, if any membership interest is purchased, increased or decreased prior to the end of a calendar month, profits and losses shall be allocated in proportion to the members' account balance and the number of days during such month that the member held that account balance.

#### ***Election to Receive Distributions to Reinvest***

Upon subscription for units, an investor must elect whether to receive monthly cash distributions from the Fund or to allow his or her earnings to compound for the term of the Fund. An investor may elect to switch from compounding to monthly distributions upon 90 days prior written notice to the Manager.

#### ***Liquidity, Capital Withdrawals and Early Withdrawals***

There is no public market for units of the Fund and none is expected to develop in the foreseeable future. There are substantial restrictions on transferability of membership interests. Any transferee must be a person with the same qualifications as the original member and a transferee may not become a substituted member without the consent of the Manager. The offering circular provides for other limitations on transferability.

Commencing no earlier than one year after purchasing membership interests in the Fund, a member may request withdrawal from the Fund under certain circumstances and obtain the return of all or a portion of his or her capital as of the last day of the calendar month, as outlined in the operating agreement, by giving at least 90 days prior written notice to the Manager. A member's capital account would then be liquidated and distributed to the requesting member in not more than four quarterly installments, each equal to 25% of the total capital account being liquidated, subject to additional withdrawal restrictions as noted in the operating agreement.

The Fund will not establish a reserve from which to fund withdrawals and, accordingly, the Fund's capacity to return a member's capital account is restricted to the availability of Fund cash flow.

### 4. Allowance for Credit Losses

Activity in the allowance for credit losses is as follows for the year ended December 31, 2023:

Balance, beginning of year	\$	460,531
Provisions for losses on loans		36,100
Write-off due to reclassification to real estate owned		<u>(341,351)</u>
Balance, end of year	\$	<u>155,280</u>

# FOOTHILL MORTGAGE FUND OF OLYMPIA, LLC

## NOTES TO FINANCIAL STATEMENTS

December 31, 2023

### 4. Allowance for Credit Losses, continued

Allocation of the allowance for credit losses by collateral type consisted of the following as of December 31, 2023:

Construction	\$	85,918
Single family residential		41,492
Commercial		19,800
Land		7,797
Multi family residential		273
		<u>273</u>
	\$	<u>155,280</u>

### 5. Real Estate Owned

Real estate owned activity during the year was as follows for the year ended December 31, 2023:

Balance at the beginning of the year	\$	-
Reclassification of mortgage loan receivable, net of \$341,351 of allowance for credit losses, to Real estate owned		1,258,649
Reclassification of mortgage interest receivable and other receivables to real estate owned		224,946
Cost capitalized on real estate owned		31,869
Gain on sale of real estate owned		114
Proceeds from sale of real estate owned		<u>(1,220,122)</u>
Balance, at the end of the year	\$	<u>295,456</u>

### 6. Fair Value Measurements

The following table represents the Fund's fair value hierarchy for its assets measured at fair value on a non-recurring basis as of December 31, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Real estate owned	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 295,456</u>	<u>\$ 295,456</u>

The only activity related to these level 3 investments is described in Note 5.

# FOOTHILL MORTGAGE FUND OF OLYMPIA, LLC

## NOTES TO FINANCIAL STATEMENTS

December 31, 2023

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### 7. Related Party Transactions

#### ***Loan Brokerage Commissions***

For its services in connection with the selection and origination of Fund loans, the Servicer charges loan brokerage commissions, renewal fees and forbearance fees to the borrowers. These fees are paid directly by the borrowers to the Servicer and are not expenses of the Fund.

#### ***Loan Servicing Fees***

Loan servicing fees up to .0833% (1% annually) of the principal amount of each Fund loan are payable monthly to the Servicer as interest is earned by the Fund. Loan servicing fees of \$207,256 were incurred during the year ended December 31, 2023. As of December 31, 2023, the Fund had recorded \$41,656 as payable to the Manager for loan servicing fees.

#### ***Management Fees***

Asset management fees of up to .0833% (1 % annually) are payable monthly to the Manager on the last day of the month based on the net assets under management, as defined, on the last day of the previous month. Asset management fees of \$176,396 were incurred during the year ended December 31, 2023. At December 31, 2023, the Fund had recorded \$14,582 as a payable to the Manager for asset management fees.

#### ***Other Fees***

The operating agreement provides for other fees such as loan processing and documentation fees. Such fees are incurred by the borrowers and are paid to the Manager.

#### ***Related Party Mortgage Loans Receivable***

The operating agreement requires that the aggregate principal amount of all related party mortgage loans receivable at any time will not exceed 10% of the total Fund loan portfolio at such time. There were no related party mortgage loans receivable outstanding as of December 31, 2023.

#### ***Notes Payable to Manager***

As of December 31, 2022, the Fund had outstanding promissory notes payable to the Manager totaling \$2,300,000. During the year ended December 31, 2023, the manager issued 12 additional promissory notes to the fund, amounting to \$4,610,000. These notes are unsecured, bear interest at an annual rate of 8%, and have 12-month maturities. The Fund repaid \$3,550,000 of the notes during the year. As of December 31, 2023, the outstanding balance of promissory notes payable to the Manager was \$3,360,000.

# FOOTHILL MORTGAGE FUND OF OLYMPIA, LLC

## NOTES TO FINANCIAL STATEMENTS

December 31, 2023

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### 8. Loan Concentrations and Characteristics

The loans are secured by recorded deeds of trust with the following characteristics:

Number of secured loans outstanding		48
Total secured loans outstanding	\$	20,213,436
Average secured loans outstanding	\$	421,113
Average secured loans as a percent of total		2.08 %
Average secured loans as a percent of members' equity		2.41 %
Largest secured loan outstanding	\$	2,200,000
Largest secured loan as a percent of total		10.88 %
Largest secured loan as a percent of members' equity		12.58 %
Number of secured loans with interest payments that are 90 days or more past due		7
Approximate investment in secured loans with interest payments that are 90 days or more past due	\$	3,600,000
Number of secured loans over 90 days past maturity		21
Approximate principal of secured loans over 90 days past maturity	\$	8,200,000
Number of secured loans in foreclosure		2
Approximate principal of secured loans in foreclosure	\$	795,000
Number of secured loans on non-accrual status		2
Approximate investment in secured loans on non-accrual status	\$	1,300,000
Number of secured loans considered to be impaired		-
Approximate investment in secured loans considered to be impaired	\$	-
Average investment in secured loans considered to be impaired	\$	-
Approximate amount of foregone interest on loans considered to be impaired	\$	-
Estimated amount of impairment on loans considered to be impaired (included in the allowance for credit losses)	\$	-

# FOOTHILL MORTGAGE FUND OF OLYMPIA, LLC

## NOTES TO FINANCIAL STATEMENTS

December 31, 2023

### 8. Loan Concentrations and Characteristics, continued

The Fund's loans are secured by recorded deeds of trust on real property located in various counties within California as follows:

County:	Loan Balances	Percentage
Nevada	\$ 13,728,749	67.9%
Placer	2,360,000	11.7%
El Dorado	1,084,586	5.4%
Los Angeles	900,000	4.5%
Butte	510,000	2.5%
Yuba	570,000	2.8%
Riverside	525,000	2.6%
Mendocino	249,498	1.2%
Sacramento	155,603	0.8%
Sierra	130,000	0.6%
	<u>\$ 20,213,436</u>	<u>100%</u>

The following categories of secured loans were held as follows as of December 31, 2023:

First trust deeds	\$ 19,541,388
Second trust deeds	<u>672,048</u>
	<u>\$ 20,213,436</u>
Loans by type of property:	
Construction	\$ 11,184,295
Single Family Residential	5,401,241
Commercial	2,577,478
Land	1,014,922
Multi Family Residential	<u>35,500</u>
	<u>\$ 20,213,436</u>



# FOOTHILL MORTGAGE FUND OF OLYMPIA, LLC

## NOTES TO FINANCIAL STATEMENTS

December 31, 2023

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### 8. Loan Concentrations and Characteristics, continued

The schedule below presents the status of the secured loans with regards to interest payments as follows as of December 31, 2023:

Days outstanding:	
Current (0 to 30 days)	\$ 16,702,067
31 to 90 days	180,000
91 days or greater	<u>3,331,369</u>
	<u>\$ 20,213,436</u>

The future maturities of the secured loans are as follows as of December 31, 2023:

Year ending December 31:	
2023	\$ 19,855,510
2024	<u>357,926</u>
	<u>\$ 20,213,436</u>

There were 22 loans totaling approximately \$8,236,254 that were past maturity date as of December 31, 2023.

It is the Fund's experience that often times mortgage loans are either extended or repaid before contractual maturity dates, refinanced at maturity or may go into default and not be repaid by the contractual maturity dates. Therefore, the above tabulations are not forecasts of future cash collections.

### 9. Commitments and Contingencies

#### **Construction Loans**

The Fund has approved 17 constructions loans, which are at various stages of both the construction and borrowing process. The construction loans have maximum borrowing limits and disbursements are made at various completed phases of the construction project. As of December 31, 2023, the Fund had 7 construction loans that had not been fully funded. Undistributed amounts related to these construction loans, totaling approximately \$600,000, will be funded by a combination of new member contributions, reinvestments of earnings and the payoff of principal on current loans.

#### **Registered Investment Advisor**

During 2012, the Department of Business Oversight (the "DBO") adopted Regulation Section 260.204.9 requiring, amongst other things, investment advisor registration by all fund managers accepting non-accredited investors. As of December 31, 2023, none of the principals of the Fund Manager or its employees had become a registered investment advisor. Therefore, the acceptance of any and all non-accredited investor investments would constitute an issue of non-compliance with regards to the new DBO regulation as described above. The DBO has yet to specify the potential penalties for non-compliance and there is currently no precedent from which to draw such conclusions. In the opinion of the Fund Manager, any potential issues that might arise from such non-compliance are not expected to have a material adverse effect on the Fund's financial position or results of operations.

# FOOTHILL MORTGAGE FUND OF OLYMPIA, LLC

## NOTES TO FINANCIAL STATEMENTS

December 31, 2023

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### 9. Commitments and Contingencies, continued

#### *Legal Proceedings*

The Fund is involved in various legal actions arising in the normal course of business. In the opinion of management, such matters will not have a significant adverse effect on the results of operations or financial position of the Fund.

### 10. Risks and Uncertainties

The Fund is subject to various risks including macroeconomic risks related federal monetary policy in the United States, including but not limited to the impact of changes in federal interest rates on the real estate industry. Rising or persistently high interest rates could make construction projects less feasible to complete, or could negatively impact the sales prices of underlying real estate for completed projects. This could have a negative impact on the collectability of the Fund's mortgage loans receivable, or its ability to issue new loans in the future.

### 11. Subsequent Events

The Fund has evaluated subsequent events through July 17, 2024, the date the financial statements were available to be issued. No subsequent events have occurred that would have a material impact on the presentation of the Fund's financial statements other than the following events:

Between January 1, 2024 and July 17, 2024 the Fund foreclosed on one property with a December 31, 2023 loan balance of approximately \$272,000, inclusive of accrued interest and fees. The Fund sold that property for approximately \$250,000 during this period and received a new note from the acquirer for \$150,000 and received net proceeds of approximately \$86,000 after accounting for selling costs.

Between January 1, 2024 and July 17, 2024 the Fund began foreclosure proceedings on one property with a December 31, 2023 loan balance of approximately \$1.2 million, inclusive of accrued interest and fees.