

Craft3 and Subsidiaries

Consolidated Financial Report
December 31, 2025

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Independent Auditor's Report

Board of Directors
Craft3

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Craft3 and Subsidiaries (Craft3), which comprise the consolidated statements of financial position as of December 31, 2025 and 2024, the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Craft3 as of December 31, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Craft3 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 accounting principles generally accepted in the United States of America, 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 Craft3's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, 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 Craft3'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 Craft3'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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated April 22, 2026, on our consideration of Craft3's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Craft3's internal control over financial reporting and compliance.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating information is presented for purposes of additional analysis rather than to present the financial position, changes in net assets and cash flows of the individual companies and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

RSM US LLP

Gaithersburg, Maryland
April 22, 2026

Craft3 and Subsidiaries

Consolidated Statements of Financial Position December 31, 2025 and 2024

	2025	2024
Assets		
Current assets:		
Cash and cash equivalents	\$ 29,499,138	\$ 33,180,390
Restricted cash and cash equivalents	11,417,561	10,816,742
Investments, at fair value (Note 4)	28,759,995	21,581,991
Grants receivable (Note 5)	2,095,884	1,803,253
Accrued interest, other receivables, and prepaid expenses	2,177,418	2,117,168
Commercial loans receivable, net deferred loan fees (Note 7)	24,828,622	16,948,808
Consumer loans receivable (Note 7)	3,746,677	3,655,247
Total current assets	102,525,295	90,103,599
Loans receivable:		
Commercial loans, net deferred loan fees (Note 7)	122,128,976	111,706,567
Consumer loans (Note 7)	59,131,349	59,726,443
Total loans receivable, net	181,260,325	171,433,010
Less current portion, net deferred loan fees (Note 7)	(28,575,299)	(20,604,055)
Less reserve for credit losses (Note 7)	(9,171,449)	(8,783,309)
Total loans receivable, net of current portion	143,513,577	142,045,646
Other assets:		
Cash and cash equivalents, restricted for credit loss reserves	387,174	2,288,612
Furniture and equipment, net	254,130	458,460
Foreclosed and other repossessed assets	713,343	903,130
Operating lease right-of-use asset, net (Note 11)	358,600	332,422
Finance lease right-of-use asset, net (Note 11)	124,039	806,525
Other assets	164,057	224,792
Total other assets	2,001,343	5,013,941
Total assets	\$ 248,040,215	\$ 237,163,186

See notes to consolidated financial statements.

	2025	2024
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 6,260,815	\$ 4,830,729
Current portion of long-term debt (Note 10)	29,657,673	35,398,002
Operating lease liabilities (Note 11)	99,266	63,998
Finance lease liabilities (Note 11)	172,636	250,244
Total current liabilities	36,190,390	40,542,973
Long-term liabilities:		
Long-term debt:		
Notes payable (Note 10)	126,609,444	119,194,497
Equity equivalent investments and subordinated notes payable (Note 10)	13,519,649	13,519,649
Total long-term debt	140,129,093	132,714,146
Less current portion (Note 10)	(29,657,673)	(35,398,002)
Total long-term debt, net of current portion	110,471,420	97,316,144
Deferred compensation obligation (Note 17)	159,057	219,793
Long-term lease liabilities:		
Operating lease liabilities, net (Note 11)	298,542	311,541
Finance lease liabilities, net (Note 11)	14,982	795,250
Total long-term liabilities	472,581	1,106,791
Total liabilities	147,134,391	139,185,701
Commitments and contingencies (Notes 13, 15 and 18)		
Net assets:		
Without donor restrictions	88,381,880	83,772,151
With donor restrictions (Note 15)	12,523,944	14,205,334
Total net assets	100,905,824	97,977,485
Total liabilities and net assets	\$ 248,040,215	\$ 237,163,186

Craft3 and Subsidiaries

Consolidated Statement of Activities Year Ended December 31, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support:			
Interest income on outstanding loans	\$ 10,431,146	\$ -	\$ 10,431,146
Grants and contributions (Note 12)	61,350	23,080,792	23,142,142
Loan origination and servicing fees	1,184,028	-	1,184,028
Investment income, net (Note 4)	2,648,176	-	2,648,176
NMTC management and servicing fees (Note 14)	515,571	-	515,571
Miscellaneous income	13,054	-	13,054
Net assets released from restrictions (Note 15)	24,762,182	(24,762,182)	-
Total revenue and other support	39,615,507	(1,681,390)	37,934,117
Expenses:			
Program services:			
Commercial lending activities	23,335,394	-	23,335,394
Consumer lending activities	4,994,078	-	4,994,078
Consulting and management services	895,523	-	895,523
Total program services	29,224,995	-	29,224,995
Supporting services:			
Management and administration	5,520,471	-	5,520,471
Development	647,943	-	647,943
Total supporting services	6,168,414	-	6,168,414
Total expenses	35,393,409	-	35,393,409
Change in net assets before net unrealized gains on investments	4,222,098	(1,681,390)	2,540,708
Net unrealized gains on investments (Note 4)	387,631	-	387,631
Change in net assets	4,609,729	(1,681,390)	2,928,339
Net assets, beginning of year	83,772,151	14,205,334	97,977,485
Net assets, end of year	\$ 88,381,880	\$ 12,523,944	\$ 100,905,824

See notes to consolidated financial statements.

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Craft3 and Subsidiaries

Consolidated Statement of Activities Year Ended December 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support:			
Interest income on outstanding loans	\$ 11,002,384	\$ -	\$ 11,002,384
Grants and contributions (Note 12)	14,524,015	25,008,928	39,532,943
Loan origination and servicing fees	1,284,638	-	1,284,638
Investment income, net (Note 4)	1,804,612	-	1,804,612
NMTC management and servicing fees (Note 14)	507,536	-	507,536
Miscellaneous income	5,013	-	5,013
Net assets released from restrictions (Note 15)	25,477,745	(25,477,745)	-
Total revenue and other support	54,605,943	(468,817)	54,137,126
Expenses:			
Program services:			
Commercial lending activities	23,793,657	-	23,793,657
Consumer lending activities	7,361,136	-	7,361,136
Consulting and management services	954,378	-	954,378
Total program services	32,109,171	-	32,109,171
Supporting services:			
Management and administration	5,701,662	-	5,701,662
Development	576,091	-	576,091
Total supporting services	6,277,753	-	6,277,753
Total expenses	38,386,924	-	38,386,924
Change in net assets before net unrealized gains on investments	16,219,019	(468,817)	15,750,202
Net unrealized gains on investments (Note 4)	422,376	-	422,376
Change in net assets	16,641,395	(468,817)	16,172,578
Net assets, beginning of year	67,130,756	14,674,151	81,804,907
Net assets, end of year	\$ 83,772,151	\$ 14,205,334	\$ 97,977,485

See notes to consolidated financial statements.

Craft3 and Subsidiaries

Consolidated Statement of Functional Expenses Year Ended December 31, 2025

	Program Services			Supporting Services			Total	
	Commercial Lending Activities	Consumer Lending Activities	Consulting and Management Services	Total Program Services	Management and Administration	Development		Total Supporting Services
Expenses:								
Salaries and wages	\$ 5,671,818	\$ 1,750,445	\$ 569,200	\$ 7,991,463	\$ 1,821,097	\$ 406,633	\$ 2,227,730	\$ 10,219,193
Payroll taxes and fringe benefits	1,653,601	635,246	147,522	2,436,369	862,463	116,638	979,101	3,415,470
Interest and loan fee	2,775,107	347,039	-	3,122,146	124	-	124	3,122,270
Grants made	11,719,899	1,735,986	-	13,455,885	-	-	-	13,455,885
Loan costs	489,896	125,048	-	614,944	-	-	-	614,944
Occupancy	150,913	38,945	14,604	204,462	184,990	14,604	199,594	404,056
Consultants	212,542	51,321	33,000	296,863	516,427	7,110	523,537	820,400
Technology	387,921	100,109	37,541	525,571	475,516	37,541	513,057	1,038,628
Travel	72,131	8,416	8,119	88,666	99,869	25,388	125,257	213,923
Credit loss	305,643	155,158	-	460,801	-	-	-	460,801
Taxes and licenses	56,693	14,631	5,486	76,810	69,495	5,486	74,981	151,791
Professional fees	13,987	-	56,570	70,557	447,433	13,219	460,652	531,209
Depreciation and amortization	48,939	12,629	4,736	66,304	59,990	4,736	64,726	131,030
Insurance	49,683	12,821	4,808	67,312	60,901	4,808	65,709	133,021
Office supplies	13,819	3,566	1,337	18,722	16,939	1,337	18,276	36,998
Other operating costs	(287,198)	2,718	12,600	(271,880)	905,227	10,443	915,670	643,790
Total expenses	\$ 23,335,394	\$ 4,994,078	\$ 895,523	\$ 29,224,995	\$ 5,520,471	\$ 647,943	\$ 6,168,414	\$ 35,393,409
Percent of total expenses	66%	14%	2%	82%	16%	2%	18%	100%

See notes to consolidated financial statements.

Craft3 and Subsidiaries

Consolidated Statement of Functional Expenses Year Ended December 31, 2024

	Program Services			Supporting Services			Total Supporting Services	Total
	Commercial Lending Activities	Consumer Lending Activities	Consulting and Management Services	Total Program Services	Management and Administration	Development		
Expenses:								
Salaries and wages	\$ 5,518,636	\$ 2,551,907	\$ 579,317	\$ 8,649,860	\$ 1,645,632	\$ 399,829	\$ 2,045,461	\$ 10,695,321
Payroll taxes and fringe benefits	1,374,727	606,990	107,863	2,089,580	574,947	68,874	643,821	2,733,401
Interest and loan fee	2,584,468	491,636	-	3,076,104	488	-	488	3,076,592
Grants made	11,207,828	1,845,956	-	13,053,784	-	-	-	13,053,784
Loan costs	420,476	208,017	-	628,493	-	-	-	628,493
Occupancy expense	17,663	135,414	35,325	188,402	264,940	17,663	282,603	471,005
Consultants	397,720	3,756	34,660	436,136	621,679	16,000	637,679	1,073,815
Technology expense	37,836	290,072	75,671	403,579	567,532	37,835	605,367	1,008,946
Travel	113,450	17,891	22,618	153,959	138,513	3,681	142,194	296,153
Credit loss expense	2,010,140	938,901	-	2,949,041	-	-	-	2,949,041
Taxes and licenses	15,794	121,085	31,587	168,466	236,905	15,794	252,699	421,165
Professional fees	9,787	-	29,570	39,357	342,078	185	342,263	381,620
Depreciation and amortization	4,195	32,163	8,390	44,748	62,928	4,195	67,123	111,871
Insurance	5,467	41,913	10,934	58,314	82,004	5,467	87,471	145,785
Office supplies	5,634	43,192	11,268	60,094	84,506	5,634	90,140	150,234
Other operating costs	69,836	32,243	7,175	109,254	1,079,510	934	1,080,444	1,189,698
Total expenses	\$ 23,793,657	\$ 7,361,136	\$ 954,378	\$ 32,109,171	\$ 5,701,662	\$ 576,091	\$ 6,277,753	\$ 38,386,924
Percent of total expenses	62%	19%	2%	83%	15%	2%	17%	100%

See notes to consolidated financial statements.

Craft3 and Subsidiaries

Consolidated Statements of Cash Flows Years Ended December 31, 2025 and 2024

	2025	2024
Cash flows from operating activities:		
Change in net assets	\$ 2,928,339	\$ 16,172,578
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	131,030	111,871
Provision for loan losses	460,801	2,949,041
Net unrealized gains on investments	(387,693)	(422,376)
Change in deferred fees	22,408	(39,751)
Amortization of right-of-use assets	252,101	268,082
Gain on write off of early lease termination	(130,767)	-
Loss on disposal of property and equipment	97,607	-
Changes in operating assets and liabilities:		
Grants receivable	(292,631)	(826,334)
Accrued interest, other receivables, and prepaid expenses	(60,247)	(446,820)
Accounts payable and accrued expenses	1,831,377	74,180
Operating lease liabilities	(64,784)	(14,222)
Net cash provided by operating activities	4,787,541	17,826,249
Cash flows from investing activities:		
Originations of loans receivable	(47,771,563)	(52,422,922)
Repayments on loans receivable	37,447,892	41,254,253
Purchases of investments	(48,605,952)	(50,826,969)
Proceeds from sales and maturities of investments	41,815,641	46,473,023
Purchases of furniture and equipment	(24,307)	(37,900)
Proceeds from sales foreclosed and other repossessed assets	189,787	60,353
Net cash used in investing activities	(16,948,502)	(15,500,162)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	22,263,667	14,048,469
Principal payments on long-term debt	(14,848,720)	(15,399,193)
Repayment of lease liabilities	(235,857)	(234,914)
Net cash provided by (used in) financing activities	7,179,090	(1,585,638)
Change in cash, cash equivalents and restricted cash	(4,981,871)	740,449
Cash, cash equivalents and restricted cash:		
Beginning	46,285,744	45,545,295
Ending	\$ 41,303,873	\$ 46,285,744
Cash and cash equivalents	\$ 29,499,138	\$ 33,180,390
Restricted cash and cash equivalents	11,804,735	13,105,354
	\$ 41,303,873	\$ 46,285,744
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest on long-term debt	\$ 2,945,925	\$ 3,092,276
Supplemental noncash disclosures:		
Right-of-use asset acquired in exchange for operating lease liabilities	\$ 87,053	\$ 379,685
Addition to operating lease liability	\$ 87,053	\$ 372,248

See notes to consolidated financial statements

Craft3 and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Organization and Nature of Activities

Craft3 is a nonprofit community development organization that uses capital, relationships and voice to build a thriving, just and empowered Pacific Northwest. Craft3 invests in people, businesses, and communities and works towards a future of shared prosperity across the region.

Funding for Craft3's lending and other activities comes from grants and loans made to Craft3 by financial institutions, governmental entities, nonprofit organizations, and individuals.

Craft3 is certified as a Community Development Financial Institution (CDFI) by the Community Development Financial Institutions Fund, a division within the U.S. Department of the Treasury.

Craft3 Future Fund (CFF) is a wholly owned, not-for-profit subsidiary of Craft3. CFF is utilized to originate Shari'a-compliant investments in Washington and Oregon.

Craft3 Other Owned WA Properties, LLC (WA OREO) and Craft3 Other Owned OR Properties, LLC (OR OREO) are wholly owned, for-profit subsidiaries of Craft3. WA OREO and OR OREO were established to hold real property.

Windfarm Investments, Inc. (Windfarm) is a wholly owned, for-profit subsidiary of Craft3. Windfarm was created to facilitate the funding of a New Markets Tax Credit (NMTC) investment.

Craft3 Investment II, LLC (Investment II) is 99.99% owned by Craft3 and 0.01% owned by Windfarm. Investment II is utilized to manage a leverage loan in a NMTC transaction utilizing allocation from an unrelated community development entity.

Note 2. Summary of Significant Accounting Policies

Principles of consolidation: These consolidated financial statements include the accounts of Craft3 and its wholly controlled subsidiaries, CFF, WA OREO, OR OREO, Windfarm, and Investment II (collectively, Craft3 or the Company). All material intercompany balances and transactions have been eliminated in consolidation.

Related entities: Craft3 is related to a series of limited liability companies (LLCs) that were established to take advantage of the NMTC program, which is described in Note 14 to these consolidated financial statements. Craft3 manages the LLCs but does not have a controlling interest in any of them. Accordingly, Craft3's investment in the LLCs is accounted for at cost, subject to possible impairment. Craft3 earns management and other fees for activities related to the LLCs. As of December 31, 2025 and 2024, management concluded that the investments in these LLCs were not impaired.

Basis of presentation: The accompanying consolidated financial statements of Craft3 have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (U.S. GAAP), which requires that resources be classified for reporting purposes based upon the existence or absence of donor-imposed restrictions. This is accomplished by classification of net assets into two classes: without restrictions and with donor restrictions.

Net assets without donor restrictions: Net assets without donor restrictions are available for use in general operations and not subject to donor-imposed restrictions. A portion of these net assets may be designated by the Board of Directors for specific purposes. Items that affect (i.e., increase or decrease) this net asset category include revenue (principally interest and loan fees) and related expenses associated with the core activities of Craft3. No Board designations existed on December 31, 2025 or 2024.

Craft3 and Subsidiaries

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Net assets with donor restrictions: Net assets with donor restrictions represent contributions and other inflows of assets received from donors that are limited in use by Craft3 in accordance with temporary donor-imposed stipulations or limited as to time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that the resources be maintained in perpetuity. Items that affect this net asset category are restricted contributions, including unconditional pledges and earnings on notes receivable that were funded by contributions with restricted purposes. These stipulations may expire with time or may be satisfied and removed by the actions of Craft3 according to the terms of the contribution. Upon satisfaction of such stipulations, net assets are released from net assets with donor restrictions and recognized as net assets without donor restrictions.

Use of estimates: The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that may affect the reported amounts of assets, liabilities, income, and expenses. While actual results may vary, estimates especially susceptible to significant changes in the near term relate to the determination of the allowance for loan losses and fair value measurements.

Cash and cash equivalents: All short-term deposits and investments with an original maturity of three months or less are considered cash and cash equivalents unless specifically restricted. Craft3 has cash balances in excess of federally insured limits of \$250,000 per depositor, per insured bank. Craft3 places its cash and restricted cash with high quality financial institutions. If any of the financial institutions with whom Craft3 does business were to be placed into receivership, Craft3 may be unable to access the cash on deposit with such institutions. If Craft3 were unable to access cash and cash equivalents as needed, the financial position and ability to operate may be adversely affected. At December 31, 2025 and 2024, cash exceeded the FDIC limit by \$32,458,900 and \$37,660,705, respectively. Craft3 has not experienced any losses in such accounts.

Restricted cash and cash equivalents: Restricted cash and cash equivalents consists of cash with limitations on Craft3's ability to use it for general operating expenses due to restrictions imposed by donors, grantors and financial institutions.

Below is a reconciliation of cash and cash equivalents and restricted cash reported as of December 31:

	2025	2024
Cash and cash equivalents	\$ 29,499,138	\$ 33,180,390
Restricted cash:		
Self-Help Credit Union Reserve Accounts	387,174	2,288,612
U.S. Department of Agriculture Intermediary Relending Program (IRP)	10,833,102	10,313,786
U.S. Small Business Administration Intermediary Lending Program (ILP)	584,459	502,956
Total restricted cash	11,804,735	13,105,354
Total cash, cash equivalents and restricted cash	\$ 41,303,873	\$ 46,285,744

The Self-Help Credit Union Reserve accounts represent loan loss reserves set up as a result of the Self-Help Energy Loan Sale discussed in Note 8.

Craft3 and Subsidiaries

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

The U.S. Department of Agriculture Intermediary Relending Program (IRP) requires cash used in this program to be segregated and deposited in a dedicated bank account. Included in the above is a U.S. Treasury bill with a maturity less than three months and fair value of \$7,984,090 and \$7,736,491 as of December 31, 2025 and 2024, respectively.

The U.S. Small Business Administration Intermediary Lending Program (ILP) requires cash used in this program to be segregated and deposited in a dedicated bank account.

Investments: Investments are carried at fair value. Net investment income (loss) is reported in the consolidated statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investment expenses.

Grants receivables: Grants are recognized as support in the year that they are unconditionally received from the donor. They are reported as increases in the appropriate category of net assets. Grants that will not be collected within one year are discounted at a rate commensurate with the risks involved at the time the grant was received, based upon anticipated payment dates. This discount is insignificant to Craft3's consolidated financial statements. Craft3 has determined there is no allowance for outstanding grant receivables as of December 31, 2025 and 2024.

Accrued interest and other receivables: Receivables consist of amounts owed to Craft3 from customers, related party LLCs and accrued interest on loans receivable. Accrued interest and other receivables are stated at their principal balances and are generally uncollateralized. As of December 31, 2025, Craft3 determined that no allowance for doubtful accounts was required.

Loans receivable and reserves for credit losses: Loans receivable are stated at the amount of unpaid principal, reduced by net deferred unamortized origination fees. Interest income on loans is recognized when earned. Loans to businesses and nonprofits generally require collateral and personal guarantees from the principal owners or members of borrower's management.

A loan is placed on non-accrual status when it is specifically determined to be individually evaluated and when, in the opinion of Craft3 management, there is an indication that the borrower may be unable to make payments as they become due. Craft3's policy requires that a commercial loan be placed on non-accrual status when payments are 90 days or more past due and the value of the related collateral does not exceed the outstanding balance. Craft3's policy states that consumer loans are not placed on non-accrual. Interest income generally is not recognized on individually evaluated loans. Payments received on such loans are applied as a reduction of the loan principal balance until it is reduced to zero and then applied to interest income thereafter. If a loan is past due when placed in nonaccrual status, the borrower must remain current on contractual payments for six months before it may be reinstated. Unless considered collectible, all interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. Accrued interest on loans that are placed on non-accrual or charged off is reversed against interest income. Accrued interest on loans of \$1,528,927 and \$1,508,813 at December 31, 2025 and 2024, respectively, was included in accrued interest, other receivables, and prepaid expenses on the consolidated statements of financial position and was excluded from the estimate of credit losses.

Credit loss reserves: The allowance for credit losses is determined in accordance with the current expected credit losses (CECL) methodology. The Company measures credit losses on a collective (pooled) basis when similar risk characteristics exist and has identified the following portfolio segments:

Craft3 and Subsidiaries

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Commercial: Commercial loans are generally made to small and medium-size businesses and nonprofit organizations in a variety of industries located in the Pacific Northwest for business acquisition, start-up costs, working capital, business expansion and construction. Changes in the financial stability status of borrowers is a key risk factor that may impact the collectability of these loans, along with the condition of any underlying collateral if foreclosed. The commercial loan segment is further disaggregated into the following classes for the purpose of monitoring the loans and analyzing credit losses:

Large balance: Consists of commercial loans with an original balance greater than \$250,000. These loans include real estate loans for both commercial and multi-family housing developments, conservation loans, and loans to non-profit entities.

Small balance: Consists of commercial loans with an original balance of \$250,000 or less. These loans are primarily startup capital, working capital, tenant improvements, equipment purchases and inventory financing, etc. Loans are primarily secured by Uniform Commercial Code (UCC) filings.

Future Fund: Consists of commercial loans made under Shari'a compliant financing guidelines. These financings are made primarily for real estate (referred to as Musharakah financing) and more recently working capital (Wakalah financing).

Consumer: Consumer loans are generally made to homeowners located in the Pacific Northwest. The loans are generally secured by underlying collateral. For each class described below, the employment status of borrowers is a key risk factor that may impact the collectability of these loans, along with the nature, value and condition of any collateral if repossessed. The consumer segment is further disaggregated into the following classes for the purpose of monitoring the loans and analyzing credit losses:

Clean water: Consists of loans for septic system repair and replacement.

Energy retrofit: Consists of loans for making energy efficiency improvements to homes.

Accessory dwelling: Consists of loans for accessory dwelling units (ADU), helping to create needed housing as well as to help homeowners generate future income.

ADA: Consists of unsecured loans to assist students of ADA cover the cost of living expenses while attending the Academy.

Manufactured housing replacement: Consists of loans for the replacement of outdated, energy-inefficient manufactured homes with updated energy-efficient homes.

Craft3 uses the vintage method to estimate expected credit losses for all loan segments. Under this method, loans are aggregated based on loan type (segment). The vintage (origination) date, original loan balance, and the net charge-off amount are used to calculate loss rates. The loss rates are used to estimate future losses for ages in the future.

Management estimates the allowance for credit losses on loans using relevant available information from internal and external sources, current conditions, and reasonable and supportable forecasts. As historical credit loss experience provides the basis for the estimation of expected credit losses for pooled loans, adjustments may be necessary to capture differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as for changes in environmental conditions.

Craft3 and Subsidiaries

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are also not included in the pooled evaluation. When management determines that a foreclosure is probable, or when the borrower is experiencing financial difficulty at the reporting date and repayment is expected to be provided substantially through the operation or sale of the collateral, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for anticipated selling costs as appropriate.

Individually evaluated loans are considered to exist when it is probable that not all amounts due will be collected under the terms of the loan receivable. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as individually evaluated. Management determines the significance of payment delays and payment shortfalls on a case by-case basis, taking into consideration all circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

At least quarterly, management reviews the adequacy of the allowance, including consideration of the relevant risks in the portfolio, current economic conditions and other factors.

In a situation where a borrower is experiencing financial difficulties resulting in significant concessions that Craft3 would otherwise not consider, the related loan is classified as a financial distress modification (FDM). FDM's are loans where a material concession to a borrower has been granted due to a borrower's financial inability to meet the original required terms of the loan. Management strives to identify borrowers in financial difficulty early and work with them to modify their loan to more viable terms before it is charged off. Concessions could include a reduction in the interest rate, payment extensions, forgiveness of principal, forbearance, and other actions designed to maximize collections. In cases where Craft3 grants the borrower new terms that provide for a reduction of either interest or principal, Craft3 measures any impairment as noted above for individually evaluated loans. FDM loans are classified as individually evaluated until they are fully repaid or charged off. FDM loans are subject to the same nonaccrual and charge off policies as noted above with respect to their restructured principal balance.

Credit quality indicators: Craft3's credit risk management is monitored with a loan risk rating system. The originating loan officer assigns borrowers an initial risk rating, which is based on a thorough analysis of each borrower's financial capacity to repay in conjunction with economic trends. Approvals are made based upon the amount of inherent credit risk specific to the transaction and are reviewed for appropriateness by loan officers and credit management personnel. Loans are monitored by loan officers and credit management personnel for deterioration in a borrower's financial condition, which would impact the ability of the borrower to perform under the contract. Risk ratings are adjusted periodically during term loan reviews (at least annually) or upon identification of specific events affecting borrower ability to repay.

Loans are risk rated into the following categories of credit quality indicators:

Pass: These loans range from minimal to average, but still acceptable, credit risk.

Watch List: Watch List (also referred to as Pass—Watch List) loans usually require more than normal management attention. Loans that qualify for the Watch List may involve borrowers with adverse financial trends, higher debt/equity ratios, or weaker liquidity positions, but not to the degree of being considered a Problem loan where risk of loss may be imminent.

Craft3 and Subsidiaries

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Problem: Loans are classified as Problem loans when the borrower's repayment capacity is impacted, such as the borrower's payments do not cover principal payments on a reasonable amortization schedule, a voluntary liquidation plan has been negotiated, or the loan is more than 120 days past due. A Problem loan is generally written down to the expected net value of collateral in the event of liquidation.

Loss: Whenever any portion of a loan is deemed uncollectible, in part or in whole, a partial or full charge off will be made against the reserve based on a conservative estimate of the realizable liquidation value.

Allowance for credit losses for unfunded commitments: Craft3 estimates expected credit losses on unfunded commitments. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life using the same model as the other loan portfolio segments described above. Craft3's allowance for credit losses for unfunded commitments was \$384,200 and \$785,488 as of December 31, 2025 and 2024, respectively. The allowance for credit losses for unfunded commitments is presented in the accounts payable and accrued expenses line of the consolidated statements of financial position. Changes in the allowance for credit losses for unfunded commitments is reflected in the credit loss expense line of the consolidated statements of activities. During the years ended December 31, 2025 and 2024, Craft3 recorded a credit loss expense of (\$401,288) and \$75,685, respectively, associated with unfunded commitments. Starting 2025, the LLR-expense on unfunded commitments was moved to "Other Operating Expense" from "Loan Loss Provision" since this provision is on commitments and not on disbursed loans.

Furniture and equipment: Furniture and equipment are recorded at cost. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets, ranging from three to 30 years, or in the case of leasehold improvements, the lesser of the useful life of the asset or the lease term. Asset purchases in excess of \$5,000 are capitalized. Furniture and equipment balances are shown net of accumulated depreciation and total \$254,130 and \$458,460 at December 31, 2025, and 2024, respectively. Depreciation expense for the years ended December 31, 2025 and 2024, was \$131,030 and \$111,871, respectively.

Leases: Under Accounting Standards Codification (ASC) 842, Leases, Craft3 determines whether the arrangement is or contains a lease at inception. Operating and finance leases will be recognized on the consolidated statement of financial position as right-of-use (ROU) assets and lease liabilities. ROU assets represent Craft3's right to use an underlying asset for the lease term and lease liabilities represent Craft3's obligation to make lease payments arising from the lease. Lease liabilities and their corresponding ROU assets are recorded based on the present value of lease payments over the expected remaining lease term. For this purpose, Craft3 considers only payments that are fixed and determinable at the time of commencement. The lease ROU assets also include any lease payments made and adjustments for prepayments and lease incentives. The interest rate implicit in the lease contracts is typically not readily determinable. As a result, Craft3 uses its incremental borrowing rate, determined by equivalent term debt. Lease terms may include options to extend or terminate the lease when it is reasonably certain that Craft3 will exercise that option.

Craft3 and Subsidiaries

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Craft3 leases office space under an agreement classified as a finance lease, with the exception of one lease classified as an operating lease, that expires in 2027. Such leases do not require any contingent rental payments, impose any financial restriction, or contain any residual value guarantees. Certain of Craft3's leases include renewal options and escalation clauses; renewal options have not been included in the calculation of the lease liabilities and right of use assets unless Craft3 is reasonably certain to be exercising the options. Variable expenses generally represent Craft3's share of the landlord's operating expenses. Craft3 has elected the short-term lease recognition exemption for certain leases which are less than 12 months in duration or month to month. In these cases, ROU assets and lease liabilities are not recognized.

Transfers of financial assets: Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when: (1) the assets have been isolated from Craft3, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets and (3) Craft3 does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity or the ability to unilaterally cause the holder to return specific assets.

Foreclosed and other repossessed assets: Foreclosed and other repossessed assets consist of property acquired through foreclosure or other proceedings. When these assets are acquired, any excess of the loan balance over the estimated fair value, less costs to sell, is charged to the allowance for credit losses. Holding costs, subsequent write-downs to fair value, if any, or any disposition gains or losses are included in commercial and consumer lending activities in the consolidated statements of functional expenses.

Revenue and revenue recognition: Contributions are recognized when cash, securities or other assets, unconditional promises to give, or notification of a beneficial interest are received. Contributions received are reported as support with or without donor restrictions. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met and barriers to entitlement have been satisfied.

Craft3 accounts for revenue arising from contracts with customers under the guidance of ASC 606, Revenue from Contracts with Customers. The revenue that falls within the scope of ASC 606 includes NMTC management and servicing fees. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the performance obligation is completed which occurs when related services are performed or expenditures are incurred, respectively. A significant portion of Craft3's revenues come from interest income on loans, grants and contributions, loan origination and servicing fees, and investment income (loss) which are outside the scope of ASC 606.

NMTC management and servicing fees: Revenues typically consist of administrative activities related to reporting, invoicing, consultation, and monitoring compliance requirements. Fees are billed during the quarter the services are provided and due by the end of the quarter in which the fees are earned. The performance obligation is completed as the transaction occurs and the fees are recognized at the time each specific service is provided to the customer.

Interest income: Interest income consists of interest earned on loans and interest earned on certificates of deposits, short-term treasury instruments and money market accounts. Interest income is recognized in the period earned.

Craft3 and Subsidiaries

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Deferred fee income: Craft3 charges fees based on loan types and related funding requirements. Loan fees (less direct expenses) are deferred and recognized ratably over the term of the loan.

Functional allocation of expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are allocated on the basis of time and effort.

Income taxes: Craft3 is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). Craft3 is subject to certain business and occupation taxes, which apply equally to for-profit and nonprofit businesses, imposed by state and local taxing authorities. The taxes are assessed on a percentage of a portion of Craft3's revenues. Craft3 has no uncertain tax positions as of December 31, 2025 and 2024. Unrelated business income tax, if any, is insignificant and no tax provision has been made in the accompanying consolidated financial statements.

Management evaluated Craft3's tax positions and concluded that Craft3 has taken no uncertain positions that require adjustments to the financial statements to comply with the provisions of this guidance.

All Craft3 subsidiaries are organized as LLCs. Net income from the LLCs is passed through to Craft3, which is a nonprofit corporation organized under IRC Section 501(c)(3). No liability has been recorded for uncertain tax positions as of December 31, 2025 or 2024, and management believes no material uncertain tax positions have been taken.

Reclassifications: Certain items in the prior consolidated financial statements have been reclassified to conform to current presentation. The previous net presentation of loans within cashflows from investing activities within the statement of cashflows has been revised to reflect a gross presentation of Originations and Repayments and other settlements of loans for all comparative periods. These reclassifications did not result in any changes to previously reported change in net assets, net assets or net cash used in investing activities.

Subsequent events: Subsequent events are events or transactions that occur after the date of the consolidated statements of financial position but before the consolidated financial statements are issued. Craft3 recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated statements of financial position, including the estimates inherent in the process of preparing the consolidated financial statements. See Note 18. Craft3 has evaluated subsequent events through April 22, 2026, the date on which the consolidated financial statements became available for issuance.

Craft3 and Subsidiaries

Notes to Consolidated Financial Statements

Note 3. Liquidity and Funds Available

The following table reflects Craft3's financial assets as of December 31, 2025 and 2024, available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statements of financial position date. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. Other considerations of nonliquid assets are donor restricted assets for specific expenditures, contractual reserve requirements, or governing board designations.

	2025	2024
Financial assets at year-end:		
Cash and cash equivalents	\$ 41,303,873	\$ 46,285,744
Grant receivables, net	2,095,884	1,236,526
Investments, at fair value	28,759,995	21,581,991
Accrued interest and other receivables	1,719,260	1,662,770
Loans receivable, net	172,088,876	162,649,701
	<u>245,967,888</u>	<u>233,416,732</u>
Less amounts not available to be used within one year:		
Donor-restricted net assets not available for operations	(12,523,944)	(14,205,334)
Donor-restricted cash and cash equivalents	(11,804,735)	(13,105,354)
Loans receivable, net	(143,513,577)	(142,045,646)
	<u>\$ 78,125,632</u>	<u>\$ 64,060,398</u>

As part of Craft3's liquidity management plan, management invests cash in excess of daily requirements in short-term investments and money market funds. See Note 10 for available borrowings.

Note 4. Investments and Fair Value Measurements

Investments consist of the following as of December 31:

	2025	2024
	Fair Value	Fair Value
Municipal bonds	\$ 12,316,633	\$ 11,997,099
Federal agency securities	13,126,289	3,552,064
Corporate bonds	2,442,009	5,170,827
Foreign bonds	875,064	862,001
	<u>\$ 28,759,995</u>	<u>\$ 21,581,991</u>

Debt instruments issued by agencies of the U.S. Government (federal agency securities) include mortgage-backed debt securities issued by Fannie Mae and the Federal Home Loan Bank.

Craft3 and Subsidiaries

Notes to Consolidated Financial Statements

Note 4. Investments and Fair Value Measurements (Continued)

Investments by contractual maturity as of December 31, 2025, are summarized as follows:

	<u>Fair Value</u>
Less than 1 year maturity	\$ 17,169,605
1 to less than 2 years maturity	8,016,448
2 to less than 5 years maturity	2,207,227
5 to less than 10 years maturity	170,439
Thereafter	1,196,276
	<u>\$ 28,759,995</u>

Expected maturities of federal agency securities may differ from contractual maturities because underlying borrowers may have the right to prepay the obligations and are, therefore, classified separately with no specific maturity date.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. U.S. GAAP establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Accounting principles describe three levels of inputs that may be used to measure fair value:

Level 1: Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that Craft3 has the ability to access at measurement date. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2: Valuations based on significant inputs that are observable, either directly or indirectly or quoted prices in markets that are not active, that is, markets in which there are few transactions, the prices are not current or price quotations vary substantially either over time or among market makers.

Level 3: Valuations are derived from other valuation methodologies and incorporate certain assumptions and projections that are not observable in the market and significant professional judgment in determining the fair value assigned to such assets or liabilities.

The degree of judgment utilized in measuring fair value generally correlates to the level of pricing observability. Assets and liabilities with readily available active quoted prices, or for which fair value can be measured from actively quoted prices, generally will have a higher degree of pricing observability and a lesser degree of judgment utilized in measuring fair value. Conversely, assets and liabilities rarely traded or not quoted will generally have little or no pricing observability and a higher degree of judgment utilized in measuring fair value. Pricing observability is impacted by a number of factors, including the type of asset or liability, whether it is new to the market and not yet established, and the characteristics specific to the transaction.

Craft3 and Subsidiaries

Notes to Consolidated Financial Statements

Note 4. Investments and Fair Value Measurements (Continued)

Craft3 used the following methods and significant assumptions to estimate fair value for its assets and liabilities measured and carried at fair value in the consolidated financial statements on a recurring or nonrecurring basis:

Investments: Fair values of investments are obtained from an independent pricing service. The fair value measurements consider both observable and unobservable data that may include active quotes, dealer quotes, market spreads, cash flows, and the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information, and bond terms and conditions, among other inputs. When market quotes are not readily accessible or available, alternative approaches are utilized, such as matrix or model pricing.

Foreclosed and repossessed assets: Fair values of foreclosed and repossessed assets are measured based on the underlying assets' observable market price or discounted cash flow models. For real estate, prices are derived from independent appraisals, recent sales and offers, less disposition costs. For non-real estate assets, fair values are estimated based on observable sales and discounted future cash flows.

Collateral dependent individually evaluated loans: Craft3 does not record loans at fair value on a recurring basis. However, from time to time, a loan is considered individually evaluated under ASC 326 and an allowance for credit losses is established. Once a loan is identified as individually evaluated, management measures allowance for credit loss based upon the present value of expected future cash flows discounted at the loan's effective interest rate, except where more practical, at the observable market prices of the loan or the fair value of the collateral, if the loan is collateral dependent. Fair value is determined based upon appraisals by qualified licensed appraisers hired by the Craft3, and are, generally, considered Level 3 measurements. In some cases, adjustments are made to the appraised values due to various factors including age of the appraisal, age of comparables included in the appraisal, and known changes in the market and in the collateral.

The following table presents information about assets measured at fair value on a recurring and nonrecurring basis as of December 31, 2025 and 2024, and indicates the fair value hierarchy of the valuation technique utilized by Craft3 to determine such fair value:

	2025			
	Total	Level 1	Level 2	Level 3
Recurring items:				
Investments:				
Municipal bonds	\$ 12,316,633	\$ -	\$ 12,316,633	\$ -
Corporate bonds	2,442,009	2,442,009	-	-
Federal agency securities	13,126,289	-	13,126,289	-
Foreign bonds	875,064	875,064	-	-
Total recurring items	<u>\$ 28,759,995</u>	<u>\$ 3,317,073</u>	<u>\$ 25,442,922</u>	<u>\$ -</u>
Nonrecurring items:				
Foreclosed and repossessed assets	<u>\$ 713,343</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 713,343</u>

Craft3 and Subsidiaries

Notes to Consolidated Financial Statements

Note 4. Investments and Fair Value Measurements (Continued)

	2024			
	Total	Level 1	Level 2	Level 3
Recurring items:				
Investments:				
Municipal bonds	\$ 11,997,099	\$ -	\$ 11,997,099	\$ -
Corporate bonds	5,170,827	5,170,827	-	-
Federal agency securities	3,552,064	-	3,552,064	-
Foreign bonds	862,001	862,001	-	-
Total recurring items	<u>\$ 21,581,991</u>	<u>\$ 6,032,828</u>	<u>\$ 15,549,163</u>	<u>\$ -</u>
Nonrecurring items:				
Foreclosed and repossessed assets	\$ 903,130	\$ -	\$ -	\$ 903,130
Individually evaluated loans	36,000	-	-	36,000
	<u>\$ 939,130</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 939,130</u>

Recurring assets are initially measured at fair value and are required to be re-measured at fair value in the consolidated financial statements at each reporting date. Assets measured on a nonrecurring basis are assets that due to an event or circumstance, were required to be re-measured at fair value after initial recognition in the consolidated financial statements at some time during the reporting period.

Level 1 securities are classified as U.S. government obligations, debt securities of foreign governmental agencies and corporate bonds. Fair value of Level 1 securities is based on quoted market prices. Investments in equity instruments traded on national securities exchanges are stated at the last reported sales price on the day of valuation.

Investments in fixed income and equity instruments for which quotations are not readily available are valued using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. To the extent the inputs used in the pricing models are observable and timely, these financial instruments are classified as Level 2 in the fair value hierarchy.

Craft3 utilizes the following valuation technique, significant unobservable inputs, and qualitative information about the unobservable inputs for its assets classified as Level 3 and measured at fair value on a nonrecurring basis at December 31, 2025 and 2024. Foreclosed or repossessed assets are comprised of real estate valued using market values assessed by a professional appraiser with additional discounts for selling costs and a private company investment valued using a discounted cash flow model based on sales of units of the investment and income generating activities.

Craft3 and Subsidiaries

Notes to Consolidated Financial Statements

Note 5. Grants Receivable

Grants receivable consist of the following at December 31:

	2025	2024
Department of Environmental Quality	\$ 614,870	\$ 566,727
Multnomah County	123,228	555,579
Washington Department of Ecology	1,357,786	380,947
US Bank	-	100,000
JP Morgan Chase	-	200,000
Total grants receivable	<u>\$ 2,095,884</u>	<u>\$ 1,803,253</u>

Note 6. Related Parties

The equity associated with CFF, WA OREO, Investment II, and Windfarm are included within net assets without donor restrictions in these consolidated financial statements. The equity and net assets included in the consolidated financial statements at December 31, 2025 and 2024, for these subsidiaries was:

	2025	2024
Windfarm	\$ 632	\$ 632
WA OREO	-	166
CFF	19,669,191	7,302,456
Total	<u>\$ 19,669,823</u>	<u>\$ 7,303,254</u>

Note 7. Loans Receivable

Customers may access one or more types of loan products available from Craft3. No single customer (individual, business, or principal) shall access from Craft3 more than \$5,000,000 in loans without government enhancement and the maximum loan size, in aggregate, to any customer may not exceed \$10,000,000 of total principal outstanding to a borrower, co-borrower, guarantor, or in situations where common collateral is used, regardless of a government enhancement. The Board of Directors must specifically approve any loan or investment that will cause a violation of this policy. The borrower exposure limit excludes amounts loaned to borrowers from other entities that may be managed by Craft3, namely the related-party LLCs discussed in Note 6.

Commercial loans are generally made to small and mid-size businesses and nonprofit organizations in a variety of industries located in the Pacific Northwest for business acquisition, start-up costs, working capital, business expansion and construction. Consumer loans generally consist of clean water (septic system repair and replacement), residential energy retrofit and accessory dwelling loans.

Craft3 and Subsidiaries

Notes to Consolidated Financial Statements

Note 7. Loans Receivable (Continued)

The following table represents the approximate number of loans outstanding by loan type at December 31:

	2025			2024		
	Number of Loans	Balance	Percentage of Total	Number of Loans	Balance	Percentage of Total
Commercial:						
Large balance	80	\$ 84,002,063	46%	71	\$ 84,332,301	49%
Small balance	330	18,401,361	10%	361	20,679,720	12%
Future Fund	14	20,008,459	11%	10	6,954,471	4%
	<u>424</u>	<u>122,411,883</u>	<u>67%</u>	<u>442</u>	<u>111,966,492</u>	<u>65%</u>
Consumer:						
Clean water	1,609	35,777,432	20%	1,521	32,706,004	19%
Energy retrofit	1,441	14,574,567	8%	1,748	18,244,937	11%
Accessory dwelling	55	8,603,777	5%	57	8,507,107	5%
ADA	14	58,596	0%	23	129,460	0%
Manufactured housing	5	116,977	0%	6	138,935	0%
	<u>3,124</u>	<u>59,131,349</u>	<u>33%</u>	<u>3,355</u>	<u>59,726,443</u>	<u>35%</u>
Totals	<u><u>3,548</u></u>	<u><u>181,543,232</u></u>	<u><u>100%</u></u>	<u><u>3,797</u></u>	<u><u>171,692,935</u></u>	<u><u>100%</u></u>
Net deferred loan origination fees		\$ (282,907)			\$ (259,925)	
Reserve for credit losses		(9,171,449)			(8,783,309)	
		<u>\$ 172,088,876</u>			<u>\$ 162,649,701</u>	

The current portion of loans receivable on December 31, is summarized as follows:

	2025	2024
Current portion of commercial loans receivable	\$ 24,916,201	\$ 17,036,962
Current portion of consumer loans receivable	3,746,677	3,655,247
Less net deferred loan fees	(87,579)	(88,154)
Total current portion loans receivable, net	<u>\$ 28,575,299</u>	<u>\$ 20,604,055</u>

The long-term portion of loans receivable on December 31, 2025 and 2024, is summarized as follows:

	2025	2024
Total loans receivable	\$ 181,543,232	\$ 171,692,935
Less current portion, net	(28,575,299)	(20,604,055)
Less credit loss reserve	(9,171,449)	(8,783,309)
Less net deferred loan fees	(282,907)	(259,925)
Total long-term portion loans receivable, net	<u>\$ 143,513,577</u>	<u>\$ 142,045,646</u>

Craft3 and Subsidiaries

Notes to Consolidated Financial Statements

Note 7. Loans Receivable (Continued)

Future principal payments scheduled to be received on loans receivable are as follows for the years ending December 31:

Years ending December 31:	
2026	\$ 28,662,878
2027	31,832,944
2028	18,723,904
2029	20,131,774
2030	13,972,598
Thereafter	68,219,134
	<u>\$ 181,543,232</u>

Note 8. Energy Loan Sale

On December 1, 2013, and October 1, 2015, Craft3 sold 1,252 and 438 energy loans (the Loans) respectively, to Self-Help Credit Union (SHCU). The Loans were sold at par and the total principal balance of the Loans was \$15,700,426 for the sale that occurred on December 1, 2013, and \$6,443,833 for the sale that occurred on October 1, 2015. At December 31, 2025 and 2024, the outstanding balance of the sold loans serviced by Craft3 was \$621,797 and \$948,199, respectively. As part of the sale agreement, Craft3 provided certain cash credit enhancements in support of the Loans (collectively known as the Reserve Sources). The Reserve Sources guarantee 30% of the Loans. Under the terms of the sale agreement, Craft3 funded and pledged two accounts (the Reserve Accounts) one to SHCU and one to an affiliate, Self Help Federal Credit Union (SHFCU). In 2025 an amendment was added to the contract.

At December 31, 2025 and 2024, the Reserve Accounts are included in restricted cash on the consolidated statements of financial position, and balances were as follows:

- Craft3 SHCU Reserve Account balance of \$138,758 and \$140,899, respectively.
- Craft3 SHFCU Reserve Account balance of \$248,416 and \$389,884, respectively.

SHCU may withdraw the loss amount from the Reserve Sources in the event that payments on any of the Loans become 150 days or more delinquent. SHCU is responsible for the potential loss on the first 20% of losses and Craft3 is responsible for the remaining 50% of losses related to the Loans.

Also pledged was an account used for payment from utility partners for the On-Bill Repayment (OBR) program. The contract was updated in 2025 once the OBR program was complete to remove the restriction. Balance at December 31, 2025 and 2024, was \$0 and \$1,757,542, respectively.

Craft3 and Subsidiaries

Notes to Consolidated Financial Statements

Note 9. Credit Quality and Reserve for Credit Losses

Activity in the credit loss reserve for the years ending December 31 is as follows:

	2025		
	Commercial	Consumer	Total
Credit loss reserve, beginning of year	\$ 6,180,223	\$ 2,603,086	\$ 8,783,309
Charge-offs	(1,186,963)	(538,865)	(1,725,828)
Recoveries	1,483,500	169,667	1,653,167
Credit loss expense	146,711	314,090	460,801
Credit loss reserve, end of year	<u>\$ 6,623,471</u>	<u>\$ 2,547,978</u>	<u>\$ 9,171,449</u>

	2024		
	Commercial	Consumer	Total
Credit loss reserve, beginning of year	\$ 6,162,752	\$ 2,089,987	\$ 8,252,739
Charge-offs	(2,511,086)	(617,040)	(3,128,126)
Recoveries	626,371	158,969	785,340
Credit loss expense	1,902,186	971,170	2,873,356
Credit loss reserve, end of year	<u>\$ 6,180,223</u>	<u>\$ 2,603,086</u>	<u>\$ 8,783,309</u>

The following tables present loans and the related allowance for credit losses by category:

	2025		
	Commercial	Consumer	Total Loans
Loans receivable, ending balance:			
Individually evaluated for credit losses	\$ 9,878,812	\$ -	\$ 9,878,812
Collectively evaluated for credit losses	112,533,071	59,131,349	171,664,420
Totals	<u>\$122,411,883</u>	<u>\$ 59,131,349</u>	<u>\$181,543,232</u>

	2024		
	Commercial	Consumer	Total Loans
Loans receivable, ending balance:			
Individually evaluated for credit losses	\$ 348,827	\$ -	\$ 348,827
Collectively evaluated for credit losses	111,617,665	59,726,443	171,344,108
Totals	<u>\$111,966,492</u>	<u>\$ 59,726,443</u>	<u>\$171,692,935</u>

Craft3 and Subsidiaries

Notes to Consolidated Financial Statements

Note 9. Credit Quality and Reserve for Credit Losses (Continued)

	2025		
	Commercial	Consumer	Total Loans
Credit loss reserve, ending balance:			
Individually evaluated for credit losses	\$ 525,543	\$ -	\$ 525,543
Collectively evaluated for credit losses	6,097,928	2,547,978	8,645,906
Totals	<u>\$ 6,623,471</u>	<u>\$ 2,547,978</u>	<u>\$ 9,171,449</u>
	2024		
	Commercial	Consumer	Total Loans
Credit loss reserve, ending balance:			
Individually evaluated for credit losses	\$ 312,829	\$ -	\$ 312,829
Collectively evaluated for credit losses	5,867,394	2,603,086	8,470,480
Totals	<u>\$ 6,180,223</u>	<u>\$ 2,603,086</u>	<u>\$ 8,783,309</u>

The following tables show the loan portfolio allocation by Craft3's internal risk ratings:

	2025			Total Loans
	Pass	Pass— Watch List	Problem	
Commercial:				
Large balance	\$ 68,302,437	\$ 11,130,820	\$ 4,568,806	\$ 84,002,063
Small balance	15,097,739	1,621,147	1,682,475	18,401,361
Future Fund	19,240,003	768,456	-	20,008,459
	<u>102,640,179</u>	<u>13,520,423</u>	<u>6,251,281</u>	<u>122,411,883</u>
Consumer:				
Clean water	34,913,444	501,708	362,280	35,777,432
Energy retrofit	13,011,197	926,835	636,535	14,574,567
Accessory dwelling	8,603,777	-	-	8,603,777
ADA	56,082	2,514	-	58,596
Manufactured housing	116,977	-	-	116,977
	<u>56,701,477</u>	<u>1,431,057</u>	<u>998,815</u>	<u>59,131,349</u>
Totals	<u>\$ 159,341,656</u>	<u>\$ 14,951,480</u>	<u>\$ 7,250,096</u>	<u>\$ 181,543,232</u>

Craft3 and Subsidiaries

Notes to Consolidated Financial Statements

Note 9. Credit Quality and Reserve for Credit Losses (Continued)

	2024			
	Pass	Pass— Watch List	Problem	Total Loans
Commercial:				
Large balance	\$ 66,596,545	\$ 11,079,951	\$ 6,655,805	\$ 84,332,301
Small balance	18,435,727	1,257,430	986,563	20,679,720
Future Fund	6,954,471	-	-	6,954,471
	<u>91,986,743</u>	<u>12,337,381</u>	<u>7,642,368</u>	<u>111,966,492</u>
Consumer:				
Clean water	31,987,494	477,491	241,019	32,706,004
Energy retrofit	17,131,249	696,860	416,828	18,244,937
Accessory dwelling	8,507,107	-	-	8,507,107
ADA	124,103	3,607	1,750	129,460
Manufactured housing	138,935	-	-	138,935
	<u>57,888,888</u>	<u>1,177,958</u>	<u>659,597</u>	<u>59,726,443</u>
Totals	<u>\$149,875,631</u>	<u>\$ 13,515,339</u>	<u>\$ 8,301,965</u>	<u>\$171,692,935</u>

The following table shows an aging analysis of the loan portfolio by the time past due on December 31:

	2025						Total Loans
	Current	1-30 Days Past Due	31-60 Days Past Due	61-90 Days Past Due	90+ Days Past Due	Loans on Nonaccrual	
Commercial:							
Large balance	\$ 72,680,970	\$ -	\$ -	\$ -	\$ -	\$ 11,321,093	\$ 84,002,063
Small balance	16,161,460	731,508	394,480	-	-	1,113,913	18,401,361
Future Fund	19,433,814	574,645	-	-	-	-	20,008,459
	<u>108,276,244</u>	<u>1,306,153</u>	<u>394,480</u>	<u>-</u>	<u>-</u>	<u>12,435,006</u>	<u>122,411,883</u>
Consumer:							
Clean water	34,826,211	614,066	186,803	79,809	43,039	27,504	35,777,432
Energy retrofit	13,412,677	725,561	248,100	39,514	148,715	-	14,574,567
Accessory dwelling	8,603,777	-	-	-	-	-	8,603,777
ADA	56,082	-	2,514	-	-	-	58,596
Manufactured housing	110,693	-	6,284	-	-	-	116,977
	<u>57,009,440</u>	<u>1,339,627</u>	<u>443,701</u>	<u>119,323</u>	<u>191,754</u>	<u>27,504</u>	<u>59,131,349</u>
Totals	<u>\$ 165,285,684</u>	<u>\$ 2,645,780</u>	<u>\$ 838,181</u>	<u>\$ 119,323</u>	<u>\$ 191,754</u>	<u>\$ 12,462,510</u>	<u>\$ 181,543,232</u>

Craft3 and Subsidiaries

Notes to Consolidated Financial Statements

Note 9. Credit Quality and Reserve for Credit Losses (Continued)

	2024						Total Loans
	Current	1-30 Days Past Due	31-60 Days Past Due	61-90 Days Past Due	90+ Days Past Due	Loans on Nonaccrual	
Commercial:							
Large balance	\$ 82,741,054	\$ -	\$ -	\$ -	\$ -	\$ 1,591,247	\$ 84,332,301
Small balance	18,828,576	906,904	57,197	-	-	887,043	20,679,720
Future Fund	6,954,471	-	-	-	-	-	6,954,471
	<u>108,524,101</u>	<u>906,904</u>	<u>57,197</u>	<u>-</u>	<u>-</u>	<u>2,478,290</u>	<u>111,966,492</u>
Consumer:							
Clean water	31,732,316	698,344	156,036	46,649	21,323	51,336	32,706,004
Energy retrofit	18,077,891	-	-	78,836	88,210	-	18,244,937
Accessory dwelling	8,372,389	134,718	-	-	-	-	8,507,107
ADA	129,460	-	-	-	-	-	129,460
Manufactured housing	138,935	-	-	-	-	-	138,935
	<u>58,450,991</u>	<u>833,062</u>	<u>156,036</u>	<u>125,485</u>	<u>109,533</u>	<u>51,336</u>	<u>59,726,443</u>
Totals	<u>\$ 166,975,092</u>	<u>\$ 1,739,966</u>	<u>\$ 213,233</u>	<u>\$ 125,485</u>	<u>\$ 109,533</u>	<u>\$ 2,529,626</u>	<u>\$ 171,692,935</u>

Nonperforming loans as of December 31, is presented as follows:

	December 31, 2025			
	Accruing 90 Days or More Past Due	Nonaccrual With an Allowance for Credit Loss	Nonaccrual With No Allowance for Credit Loss	Total Nonperforming Loans
Commercial:				
Large balance	\$ -	\$ 9,420,014	\$ 1,901,079	\$ 11,321,093
Small balance	-	252,681	861,232	1,113,913
Future Fund	-	-	-	-
	<u>-</u>	<u>9,672,695</u>	<u>2,762,311</u>	<u>12,435,006</u>
Consumer:				
Clean water	43,039	-	27,504	70,543
Energy retrofit	148,715	-	-	148,715
Accessory dwelling	-	-	-	-
ADA	-	-	-	-
Manufactured housing	-	-	-	-
	<u>191,754</u>	<u>-</u>	<u>27,504</u>	<u>219,258</u>
Totals	<u>\$ 191,754</u>	<u>\$ 9,672,695</u>	<u>\$ 2,789,815</u>	<u>\$ 12,654,264</u>

Craft3 and Subsidiaries

Notes to Consolidated Financial Statements

Note 9. Credit Quality and Reserve for Credit Losses (Continued)

	December 31, 2024			
	Accruing 90 Days or More Past Due	Nonaccrual With an Allowance for Credit Loss	Nonaccrual With No Allowance for Credit Loss	Total Nonperforming Loans
Commercial:				
Large balance	\$ -	\$ 1,591,247	\$ -	\$ 1,591,247
Small balance	-	887,043	-	887,043
Future Fund	-	-	-	-
	-	2,478,290	-	2,478,290
Consumer:				
Clean water	-	51,336	-	51,336
Energy retrofit	-	-	-	-
Accessory dwelling	-	-	-	-
ADA	-	-	-	-
Manufactured housing	-	-	-	-
	-	51,336	-	51,336
Totals	\$ -	\$ 2,529,626	\$ -	\$ 2,529,626

As of December 31, 2025, the balance of commercial large balance and commercial small balance loans modified to borrowers experiencing financial difficulty in the prior 12 months was \$1,101,315 and \$728,118 representing 1.31% and 3.96% of the commercial large balance and commercial small balance classes, respectively. As of December 31, 2024, the balance of the commercial large balance and commercial small balance loans modified to borrowers experiencing financial difficulty in the prior 12 months was \$791,566 and \$531,199 respectively, representing 0.94% and 2.57% of the commercial large balance and small balance classes, respectively. All loans were granted a combination of payments delays, term extensions or interest reductions. The financial effect of the modifications to the commercial loans was adding a weighted average maturity of approximately 1.8 years to the loans with financial distress modifications.

Craft3 closely monitors the performance of the loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. As of December 31, 2025, no commercial loans with financial distress modifications were greater than 90 days past due.

There were no additional funds advanced to borrowers with financial distress modifications in 2025 or 2024. There were no loans with interest rate reductions in 2025 and two loans totaling \$791,566 with interest rate reductions granted on financial difficulty in 2024. There were no loans with principal forgiveness based on financial difficulty in 2025 or 2024. There were no financial distress modifications granted to consumer borrowers that were material in 2025 or 2024.

Craft3 and Subsidiaries

Notes to Consolidated Financial Statements

Note 10. Long-Term Debt

Long-term debt consists of the following as of December 31:

Long-term notes payable and lines of credits:

	2025	2024
Notes payable and lines of credits (as disclosed below) to financial institutions in varying amounts with interest rates ranging from 1.00% to 4.50%. Notes are unsecured and the final due date is January 27, 2033.	\$ 40,427,726	\$ 40,499,585
Notes payable to individuals, business, nonprofit organizations, and trusts in varying amounts with interest rates ranging from 0.0% to 4.5%. Notes are unsecured and have a variety of due dates; the final due date is April 1, 2044.	55,360,073	50,331,003
Notes payable to U.S. Department of Agriculture with 1% to 2.38% interest rates. Notes are secured by the program receivables and a portion of restricted cash, and the final due date is December 14, 2056.	7,490,245	8,038,558
Notes payable to federal, state and local government agencies in varying amounts with interest rates ranging from 0.00% to 1.60%. Notes are unsecured and the final due date is December 30, 2056.	23,331,400	20,325,351
Total long-term notes payable	126,609,444	119,194,497
Less current portion	(25,688,024)	(31,148,002)
	<u>\$ 100,921,420</u>	<u>\$ 88,046,495</u>

Equity equivalent investments and subordinated notes payable:

	2025	2024
Notes payable to financial institutions in varying amounts with interest rates ranging from 1% to 4%. Notes are unsecured with a variety of due dates; the final due date is May 16, 2035.	\$ 11,519,649	\$ 11,519,649
Subordinated note payable to Good to Grow CDFI Investment Fund, LLC with an interest rate of 3%. Note is unsecured and matures September 30, 2029.	2,000,000	2,000,000
Total equity equivalent investments and subordinated notes payable	13,519,649	13,519,649
Less current portion	(3,969,649)	(4,250,000)
	<u>\$ 9,550,000</u>	<u>\$ 9,269,649</u>

Equity equivalent investments (EQ2) is debt that is subordinated to all other Craft3 debt and may only be repaid when, and if, its repayment does not materially impair Craft3's operating or loan capital liquidity.

Craft3 and Subsidiaries

Notes to Consolidated Financial Statements

Note 10. Long-Term Debt (Continued)

The current portion of long-term debt is summarized at December 31:

	<u>2025</u>	<u>2024</u>
Notes payable	\$ 25,688,024	\$ 31,148,002
Equity equivalents investments and subordinated notes payable	3,969,649	4,250,000
	<u>\$ 29,657,673</u>	<u>\$ 35,398,002</u>

The following is a summary of scheduled principal maturities of all long-term debt for the years ending December 31:

Years ending December 31:		
2026	\$ 29,657,673	\$ 15,389,776
2027	11,579,260	12,596,207
2028	15,280,122	5,021,241
2029	16,508,354	-
2030	8,311,741	-
Thereafter	58,791,943	55,867,942
	<u>\$ 140,129,093</u>	<u>\$ 88,875,166</u>

A number of Craft3's notes payable credit agreements contain restrictive covenants related to minimum capital requirements, the ratio of net assets to total assets, and liquidity, as defined. As of December 31, 2025, management believes Craft3 was in compliance with all covenants.

Craft3 has a syndicated \$15,000,000 revolving line of credit with Banner Bank. At the borrower's option, the line of credit bears interest at a rate of SOFR plus 2.35%. The line is unsecured and matures December 2029. As of December 31, 2025 and 2024, respectively, there was no outstanding balance on the line.

Craft3 has a \$10,000,000 revolving line of credit with Wells Fargo. The line of credit bears interest at SOFR plus 2.25%. The line is unsecured and matures in March 2028. As of December 31, 2025 and 2024, respectively, there was no balance outstanding on this line of credit.

Craft3 has a \$5,000,000 revolving line of credit with HSBC. In March 2025, the line was increased to \$6,500,000. The line of credit shall bear interest at a rate of 1.89% with minimum draws in the amount of \$250,000 to fund eligible loan programs. The line is unsecured and matures in January 2029. As of December 31, 2025 and 2024, the outstanding balance on the line was \$6,500,000 and \$5,000,000, respectively.

Craft3 has a \$250,000 revolving line of credit with Sound Community Bank. The line of credit bears interest at 2.00%. The line is unsecured and matures in April 2026. As of December 31, 2025 and 2024, the outstanding balance was \$250,000.

In February 2025, Craft3 obtained a new loan of \$2,000,000 revolving line of credit from Seattle Bank. The line of credit bears interest at 4.5% and matures in March 2028. The line is unsecured and as of December 31, 2025, the outstanding balance was \$2,000,000.

Craft3 and Subsidiaries

Notes to Consolidated Financial Statements

Note 10. Long-Term Debt (Continued)

In December 2025, Craft3 obtained a new \$5,000,000 revolving line of credit from Coastal Community Bank. The line of credit bears interest at Effective Federal Funds Rate plus 1% and matures in December 2027. The line is unsecured and as of December 31, 2025, there was no balance outstanding on this line of credit.

Note 11. Leasing Arrangements

Craft3 leases office space under noncancelable leases that expire at various dates through 2029. Prior to December 2025, Craft3 leased two administrative office spaces under finance lease arrangements and one administrative office space under an operating lease arrangement. In December 2025, Craft3 terminated one of its finance leases and entered into a new operating lease arrangement resulting in one finance lease and two operating leases at year end.

In July 2016, Craft3 entered into a long-term lease agreement for office space in Astoria, Oregon, which commenced December 2016 and expires in November 2031. The annual base rent is \$102,000 for the first ten years, followed by a base rent of \$114,000 for the remaining five years.

In February 2017, Craft3 entered into a long-term finance lease agreement for office space in Seattle, Washington, which commenced August 2017 and expires in January 2027. The annual base rent of \$9,928 in year one is escalated by 3% per year for the remainder of the lease term. Per the term of the lease, the landlord will fully abate rent payments for the first six months of the lease. The landlord will also contribute up to \$150,000 towards improvement to the lease space. Collectively, the rental abatements and tenant improvement allowance are treated as lease incentives, which upon lease commencement will be amortized on a straight-line basis over the term of the lease.

In January 2024, Craft3 entered into a noncancellable long-term operating lease agreement for office space in Portland, Oregon, which commenced March 2024 and expires in August 2029. The annual base rent of \$89,242 in year one is escalated by 3% per year for the remainder of the lease term. Per the terms of the lease, the landlord will fully abate rent payments due for the first six months of the lease totaling \$44,621. The landlord will contribute up to \$60,000 towards improvements to the leased space. Collectively, the rental abatements and tenant improvement allowance are treated as lease incentives, which upon lease commencement will be amortized on a straight-line basis over the term of the lease.

In May 2025, Craft3 amended its Seattle lease to remove a small conference room, which resulted in a decrease of the monthly rent by 6.67% for the remainder of the lease term.

In December 2025, Craft3 terminated the finance lease for office space in Astoria, Oregon. The termination of the lease resulted in the write off of the Right-of-use asset and liability in the amount of \$130,767. The lease also included some leasehold improvements resulting in a write off of \$97,050 during the year. The net impact of these write offs were included in other operating costs within the consolidated statement of functional expenses.

Craft3 entered into a noncancellable long-term lease agreement for office space in Astoria, Oregon, which commenced December 2025 and expires December 2028. The annual base rent of \$31,200 in year one is escalated by 3% per year for the remainder of the lease term.

Craft3 and Subsidiaries

Notes to Consolidated Financial Statements

Note 11. Leasing Arrangements (Continued)

Lease ROU assets and liabilities and the associated consolidated statements of financial position classifications are as follows:

	2025	2024
Right-of-use assets:		
Operating leases—other assets	\$ 358,600	\$ 332,422
Finance leases—furniture and equipment, net	124,039	806,525
Total right-of-use assets	<u>\$ 482,639</u>	<u>\$ 1,138,947</u>
Lease liabilities:		
Operating leases	\$ 99,266	\$ 63,998
Operating leases—long-term lease liabilities	298,542	311,541
Finance leases	172,636	250,244
Finance leases—long-term lease liabilities	14,982	795,250
Total lease liabilities	<u>\$ 585,426</u>	<u>\$ 1,421,033</u>

The components of lease cost included in occupancy expense are as follows for the years ended December 31, 2025 and 2024:

	2025	2024
Finance lease cost:		
Right-of-use asset amortization	\$ 191,226	\$ 268,082
Interest expense	35,128	45,583
Operating lease cost:		
Right-of-use asset amortization	60,875	55,990
Total lease cost, net	<u>\$ 287,229</u>	<u>\$ 369,655</u>

The following is a summary of future minimum lease payments for the years ending December 31:

	Operating Leases	Finance Leases	Total Leases
Years ending December 31:			
2026	\$ 125,496	\$ 176,732	\$ 302,228
2027	129,260	14,982	144,242
2028	130,297	-	130,297
2029	68,469	-	68,469
Total undiscounted lease payments	453,522	191,714	645,236
Less imputed interest	(55,714)	(4,096)	(59,810)
Net lease liabilities	<u>\$ 397,808</u>	<u>\$ 187,618</u>	<u>\$ 585,426</u>

Craft3 and Subsidiaries

Notes to Consolidated Financial Statements

Note 11. Leasing Arrangements (Continued)

The following table provides the supplemental information related to operating leases for the purpose of the measurement of lease liabilities at or for the years ended December 31:

	2025	2024
Finance lease weighted-average remaining lease term (years)	1.1	4.5
Finance lease weighted-average discount rate	4.3%	4.0%
Operating lease weighted-average remaining lease term (years)	3.3	4.7
Operating lease weighted-average discount rate	7.7%	8.1%
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	\$ 277,627	\$ 280,497
Operating cash flows from operating leases	60,748	47,288

Note 12. Grants and Contributions

Grants and contributions were provided by the following organizations during the years ended December 31:

	2025	2024
MultCo Co-location ECE Grant	\$ 12,425,860	\$ 15,413,402
Washington Department of Ecology (CW WA ECY)	7,612,548	3,949,539
Department of Environmental Quality (CW OR DEQ)	1,212,135	2,182,767
WA Equitable Access to Credit	1,164,171	-
Washington Watershed Conservation Fund	416,078	43,597
Northwest Area Foundation	250,000	250,000
Others	61,350	142,710
Chicago Community Foundation	-	15,000,000
Community Development Financial Institutions Fund	-	2,037,678
US Bank	-	300,000
JPMorgan Chase	-	200,000
Oregon Community Foundation EOBB	-	13,250
	<u>\$ 23,142,142</u>	<u>\$ 39,532,943</u>

Note 13. Contingencies

Craft3 participates in a number of federal grant and contract programs which are subject to financial and compliance audits. Accordingly, Craft3's compliance with applicable grant and contract requirements may be determined at some future date. The amount, if any, of expenditures which may be disallowed by the granting or contracting agencies cannot be determined at this time, although management expects such amounts, if any, to be immaterial.

Craft3 and Subsidiaries

Notes to Consolidated Financial Statements

Note 14. New Markets Tax Credits

Craft3 has applied for and received allocations of NMTCs within the meaning of the IRC. These credits can be offered to certain investors for the purpose of stimulating increased investment and economic growth in low-income communities.

Craft3 is related to a series of LLCs that are used to take advantage of the NMTCs. In some cases, NMTC program periods expire and Craft3 obtains 100% control of the LLCs (included in the consolidated financial results or the entities were dissolved at the end of the NMTC period). In other cases, Craft3 owns 0.01% of each of these entities, and they are accounted for at cost and totaled \$5,000 as of December 31, 2025 and 2024. Craft3 earns management and loan servicing fees from the NMTCs which totaled \$515,571 and \$507,536 for each of the years ended December 31, 2025 and 2024.

Note 15. Net Assets With Donor Restrictions

Net assets with donor restrictions by purpose and net assets released from restrictions (by grantor/donor) as of and for the years ended December 31, 2025 and 2024, are as follows:

	2024	Grants and Contributions Additions	Net Assets Released	2025
Subject to expenditure for specified purpose:				
Lending activities:				
WA Dept of Ecology Grant 2016 State of Washington Clean Energy Fund (CEF 4-5)	\$ -	\$ 7,612,548	\$ (7,612,548)	\$ -
CW OR DEQ ARPA	1,500,000	-	-	1,500,000
OHCS Co-Location ECE Grant	-	1,212,135	(1,212,135)	-
MultCo Co-location ECE Grant	9,648,418	-	(1,229,515)	8,418,903
CDFI Fund ERP	-	12,425,860	(12,425,860)	-
OFN Climate Justice Fund	1,910,678	-	(663,300)	1,247,378
2024 US Bank Grant	474,767	-	(139,401)	335,366
2024 NWAFF Equitable Financing Grant	207,502	-	(181,490)	26,012
WA Equitable Access to Credit	210,232	250,000	(214,984)	245,248
JPMC Business Services	-	172,493	(172,493)	-
WA Watershed Conservation	200,000	-	(79,378)	120,622
WEAC \$991K	-	416,078	(416,078)	-
Other grants	-	991,678	(415,000)	576,678
	53,737	-	-	53,737
Total net assets with donor restrictions	<u>\$ 14,205,334</u>	<u>\$ 23,080,792</u>	<u>\$ (24,762,182)</u>	<u>\$ 12,523,944</u>

Craft3 and Subsidiaries

Notes to Consolidated Financial Statements

Note 15. Net Assets With Donor Restrictions (Continued)

	2023	Grants and Contributions Additions	Net Assets Released	2024
Subject to expenditure for specified purpose:				
Lending activities:				
WA Dept of Ecology Grant 2016	\$ -	\$ 3,949,540	\$ (3,949,540)	\$ -
JPMC Advancing Cities	855,192	-	(855,192)	-
CDFI Rapid Response Program	62,747	-	(62,747)	-
CDFI 2021 FA Grant	17,295	-	(17,295)	-
Metro 2021	104,454	-	(104,454)	-
Wells Fargo OFB	46,878	-	(46,878)	-
State of Washington Clean Energy Fund (CEF 4-5)	1,500,000	-	-	1,500,000
CW OR DEQ ARPA	64,275	13,351	(77,626)	-
OHCS Co-Location ECE Grant	9,271,035	631,944	(254,561)	9,648,418
MultCo Co-location ECE Grant	-	15,413,402	(15,413,402)	-
CDFI 2022 FA	560,000	-	(560,000)	-
CDFI Fund ERP	1,559,643	2,037,678	(1,686,643)	1,910,678
OFN Climate Justice Fund	500,000	-	(25,233)	474,767
Wildlife Recovery (CW OR DEQ ARPA)	14,938	2,169,416	(2,184,354)	-
2024 US Bank Grant	-	300,000	(92,498)	207,502
2024 NWAFA Equitable Financing Grant	-	250,000	(39,768)	210,232
JPMC Business Services	-	200,000	-	200,000
WA Watershed Conservation	-	43,597	(43,597)	-
Other grants	117,694	-	(63,957)	53,737
Total net assets with donor restrictions	<u>\$ 14,674,151</u>	<u>\$ 25,008,928</u>	<u>\$ (25,477,745)</u>	<u>\$ 14,205,334</u>

Note 16. Conditional Contributions

Craft3 received conditional grants that have not been recognized as revenue at the respective statement of position date, as remaining related expenditures have not yet occurred or barriers not yet met and right of return exists. As of December 31, 2025 and 2024, the amount of unrecognized conditional grants amounted to the following:

	2025	2024
State of Washington Department of Commerce	\$ 500,000	\$ 500,000
Ecology Grant CW WA	3,642,941	6,678,488
CW OR DEQ AARPA	816,339	1,328,474
Multnomah County	27,405,004	19,830,864
Washington Watershed Conservation	10,040,325	10,456,403
Northwest Area Foundation	-	250,000
	<u>\$ 42,404,609</u>	<u>\$ 39,044,229</u>

Craft3 and Subsidiaries

Notes to Consolidated Financial Statements

Note 17. Retirement Plans

403(b) plan: Employees are eligible for an employer match after six months of employment. Contributions to employee accounts are immediately fully vested. Employer contribution expense was \$355,655 and \$363,430 for the years ended December 31, 2025 and 2024, respectively.

457(b) deferred compensation plan: On April 26, 2004, Craft3 established a voluntary salary deferral plan for employees of salary grades 22 and higher under IRS Section 457(b). Participant contributions are always immediately vested. Craft3 does not provide matching funds for the 457(b) plan. The deferred compensation plan assets as of December 31, 2025 and 2024, were \$159,057 and \$219,793, respectively, and are reported in other assets on the consolidated statements of financial position.

Note 18. Subsequent Events

On February 23, 2026, Craft3 executed a \$1.1 million revolving loan with a commercial bank which bears a rate equal to the greater of 3.50% or a floating rate equal to the Adjusted SOFR Rate plus 0.24%. The agreement matures on February 23, 2028.

On March 1, 2026, Craft3 executed a \$1 million program related investment with a nonprofit organization which bears a fixed interest rate of 1.00%. The agreement matures on February 28, 2033.

On March 24, 2026, Craft3 amended a revolving credit agreement with a commercial bank at the fixed rate of 1.89% to extend the conversion and maturity dates, each by another year. The agreement matures on January 31, 2030.

Supplementary Information

Craft3 and Subsidiaries

Consolidating Statement of Financial Position December 31, 2025

	Craft3	WA OREO	Craft3 Future Fund	Windfarm Investments, Inc.	Eliminating Entries	Consolidated Total
Assets						
Current assets:						
Cash and cash equivalents	\$ 29,156,777	\$ -	\$ 342,361	\$ -	\$ -	\$ 29,499,138
Restricted cash and cash equivalents	11,417,561	-	-	-	-	11,417,561
Investments, at fair value	28,759,995	-	-	-	-	28,759,995
Grants receivable	2,095,884	-	-	-	-	2,095,884
Accrued interest, other receivables, and prepaid expenses	2,079,268	-	109,650	-	(11,500)	2,177,418
Current portion of commercial loans receivable, net	22,340,201	-	2,488,421	-	-	24,828,622
Current portion of consumer loans receivable, net	3,746,677	-	-	-	-	3,746,677
Total current assets	99,596,363	-	2,940,432	-	(11,500)	102,525,295
Loans receivable:						
Commercial loans, net	102,164,075	-	19,964,901	-	-	122,128,976
Consumer loans, net	59,131,349	-	-	-	-	59,131,349
Total loans receivable	161,295,424	-	19,964,901	-	-	181,260,325
Less current portion, net	(26,086,878)	-	(2,488,421)	-	-	(28,575,299)
Less reserve for credit losses	(8,539,182)	-	(632,267)	-	-	(9,171,449)
Total loans receivable, net of current portion and reserve for credit losses	126,669,364	-	16,844,213	-	-	143,513,577
Other assets:						
Cash and cash equivalents, restricted for loan loss reserves	387,174	-	-	-	-	387,174
Furniture and equipment, net	254,130	-	-	-	-	254,130
Foreclosed and other repossessed assets	713,343	-	-	-	-	713,343
Investment in subsidiaries	19,669,192	-	-	632	(19,669,824)	-
Operating lease right-of-use assets	358,600	-	-	-	-	358,600
Finance lease right-of-use assets	124,039	-	-	-	-	124,039
Other assets	164,057	-	-	-	-	164,057
Total other assets	21,670,535	-	-	632	(19,669,824)	2,001,343
Total assets	\$ 247,936,262	\$ -	\$ 19,784,645	\$ 632	\$ (19,681,324)	\$ 248,040,215

	Craft3	WA OREO	Craft3 Future Fund	Windfarm Investments, Inc.	Eliminating Entries	Consolidated Total
Liabilities and Net Assets						
Current liabilities:						
Accounts payable and accrued expenses	\$ 6,156,861	\$ -	\$ 115,454	\$ -	\$ (11,500)	\$ 6,260,815
Current portion of long-term debt	29,657,673	-	-	-	-	29,657,673
Operating lease liabilities	99,266	-	-	-	-	99,266
Finance lease liabilities	172,636	-	-	-	-	172,636
Total current liabilities	36,086,436	-	115,454	-	(11,500)	36,190,390
Long-term liabilities:						
Long-term debt:						
Notes payable	126,609,444	-	-	-	-	126,609,444
Equity equivalent investments	13,519,649	-	-	-	-	13,519,649
Total long-term debt	140,129,093	-	-	-	-	140,129,093
Less current portion	(29,657,673)	-	-	-	-	(29,657,673)
Total long-term debt, net of current portion	110,471,420	-	-	-	-	110,471,420
Deferred compensation obligation	159,057	-	-	-	-	159,057
Long-term lease liabilities:						
Operating lease liabilities	298,542	-	-	-	-	298,542
Finance lease liabilities	14,982	-	-	-	-	14,982
Total long-term liabilities	472,581	-	-	-	-	472,581
Total liabilities	147,030,437	-	115,454	-	(11,500)	147,134,391
Net assets:						
Without donor restrictions	88,381,881	-	19,669,191	632	(19,669,824)	88,381,880
With donor restrictions	12,523,944	-	-	-	-	12,523,944
Total net assets	100,905,825	-	19,669,191	632	(19,669,824)	100,905,824
Total liabilities and net assets	\$ 247,936,262	\$ -	\$ 19,784,645	\$ 632	\$ (19,681,324)	\$ 248,040,215

Craft3 and Subsidiaries

Consolidating Statement of Activities Year Ended December 31, 2025

	Craft3	WA OREO	Craft3 Future Fund	Windfarm Investments, Inc.	Eliminating Entries	Consolidated Total
Revenue and other support:						
Interest income on outstanding loans	\$ 9,376,625	\$ -	\$ 1,054,521	\$ -	\$ -	\$ 10,431,146
Grants and contributions	23,142,142	-	-	-	-	23,142,142
Loan origination and servicing fees	1,050,034	-	133,994	-	-	1,184,028
Investment income, net	2,648,176	-	-	-	-	2,648,176
Gain on equity investments	644,235	-	-	-	(644,235)	-
NMTC management and servicing fees	515,571	-	-	-	-	515,571
Miscellaneous income	13,054	-	-	-	-	13,054
Total revenue and other support	37,389,837	-	1,188,515	-	(644,235)	37,934,117
Expenses:						
Program services:						
Commercial lending activities	22,826,667	-	508,727	-	-	23,335,394
Consumer lending activities	4,994,078	-	-	-	-	4,994,078
Consulting and management services	895,523	-	-	-	-	895,523
Total program services	28,716,268	-	508,727	-	-	29,224,995
Supporting services:						
Management and administration	5,484,918	87	35,466	-	-	5,520,471
Development	647,943	-	-	-	-	647,943
Total supporting services	6,132,861	87	35,466	-	-	6,168,414
Total expenses	34,849,129	87	544,193	-	-	35,393,409
Change in net assets before net unrealized gains on investments	2,540,708	(87)	644,322	-	(644,235)	2,540,708
Net unrealized gains on investments	388,065	-	-	-	(434)	387,631
Change in net assets	2,928,773	(87)	644,322	-	(644,669)	2,928,339
Net assets:						
Beginning	97,977,052	166	7,302,456	632	(7,302,821)	97,977,485
Capital contributions	-	(79)	11,722,413	-	(11,722,334)	-
Ending	\$ 100,905,825	\$ -	\$ 19,669,191	\$ 632	\$ (19,669,824)	\$ 100,905,824