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BROADWAY FINANCIAL CORPORATION AND SUBSIDIARY Index to Consolidated Financial Statements Years ended December 31, 2019 and 2018

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

(Mark one)

[X] **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2019

[ ] **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ___________ to ___________

Commission file number **001-39043**

BROADWAY FINANCIAL CORPORATION
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**95-4547287** (I.R.S. Employer Identification No.)
5055 Wilshire Boulevard, Suite 500 **Los Angeles, California** (Address of principal executive offices)	**90036** (Zip Code)

(323) 634-1700
(Registrant's Telephone Number, Including Area Code)

Securities registered under Section 12(b) of the Act:

Title of each class:	Trading Symbol(s)	Name of each exchange on which registered:
Common Stock, par value $0.01 per share (including attached preferred stock purchase rights)	BYFC	The Nasdaq Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [ ] No [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes [ ] No [X]

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated, a smaller reporting company, or an emerging growth company. See the definition of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer [ ]	Accelerated filer [ ]
Non-accelerated filer [X]	Smaller reporting company [X] Emerging growth company [ ]

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [ ] No [X]

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter: $36,244,000.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: As of March 18, 2020, 19,282,571 shares of the Registrant's voting common stock and 8,756,396 shares of the Registrant's non-voting common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive proxy statement for its 2020 annual meeting of stockholders, which will be filed no later than April 29, 2020, are incorporated by reference in Part III, Items 10 through 14 of this report.

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Forward-Looking Statements

Certain statements herein, including without limitation, certain matters discussed under "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of this Form 10-K, are forward-looking statements, within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 27A of the Securities Act of 1933, as amended, that reflect our current views with respect to future events and financial performance. Forward-looking statements typically include the words "anticipate," "believe," "estimate," "expect," "project," "plan," "forecast," "intend," and other similar expressions. These forward-looking statements are subject to risks and uncertainties, including those identified below, which could cause actual future results to differ materially from historical results or from those anticipated or implied by such statements. Readers should not place undue reliance on these forward-looking statements, which speak only as of their dates or, if no date is provided, then as of the date of this Form 10-K. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent required by law.

The following factors, among others, could cause future results to differ materially from historical results or from those anticipated by forward-looking statements included in this Form 10-K: (1) the level of demand for mortgage loans, which is affected by such external factors as general economic conditions, market interest rate levels, tax laws and the demographics of our lending markets; (2) the direction and magnitude of changes in interest rates and the relationship between market interest rates and the yield on our interest-earning assets and the cost of our interest-bearing liabilities; (3) the rate and amount of loan losses incurred and projected to be incurred by us, increases in the amounts of our nonperforming assets, the level of our loss reserves and management's judgments regarding the collectability of loans; (4) changes in the regulation of lending and deposit operations or other regulatory actions, whether industry wide or focused on our operations, including increases in capital requirements or directives to increase loan loss allowances or make other changes in our business operations; (5) legislative or regulatory changes, including those that may be implemented by the current Administration in Washington, D.C.; (6) actions undertaken by both current and potential new competitors; (7) the possibility of adverse trends in property values or economic trends in the residential and commercial real estate markets in which we compete; (8) the effect of changes in economic conditions; (9) the effect of geopolitical uncertainties; (10) an inability to obtain and retain sufficient operating cash at our holding company; (11) the pending discontinuation of LIBOR as an interest rate benchmark; (12) the impact of the COVID-19 Pandemic on our future financial condition and operations; and (13) other risks and uncertainties detailed in this Form 10-K, including those described in Part II, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations."

PART I

ITEM 1. BUSINESS

General

Broadway Financial Corporation (the "Company") was incorporated under Delaware law in 1995 for the purpose of acquiring and holding all of the outstanding capital stock of Broadway Federal Savings and Loan Association ("Broadway Federal" or the "Bank") as part of the Bank's conversion from a federally chartered mutual savings association to a federally chartered stock savings bank. In connection with the conversion, the Bank's name was changed to Broadway Federal Bank, f.s.b. The conversion was completed, and the Bank became a wholly-owned subsidiary of the Company, in January 1996.

The Company is currently regulated by the Board of Governors of the Federal Reserve System ("FRB"). The Bank is currently regulated by the Office of the Comptroller of the Currency ("OCC") and the Federal Deposit Insurance Corporation ("FDIC"). The Bank's deposits are insured up to applicable limits by the FDIC. The Bank is also a member of the Federal Home Loan Bank of San Francisco ("FHLB"). See "Regulation" for further descriptions of the regulatory systems to which the Company and the Bank are subject.

Available Information

Our internet website address is www.broadwayfederalbank.com. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports can be obtained free of charge by sending a written request to Broadway Financial Corporation, 5055 Wilshire Boulevard, Suite 500, Los Angeles, California 90036 Attention: Alice Wong. The above reports are available on our website as soon as reasonably practicable after we file such material with, or furnish such material to, the Securities and Exchange Commission ("SEC").

Business Overview

We are headquartered in Los Angeles, California and our principal business is the operation of our wholly-owned subsidiary, Broadway Federal, which has two offices in Los Angeles and one in the nearby city of Inglewood, California. Broadway Federal's principal business consists of attracting deposits from the general public in the areas surrounding our branch offices and investing those deposits, together with funds generated from operations and borrowings, primarily in mortgage loans secured by residential properties with five or more units ("multi-family") and commercial real estate. Our assets also include mortgage loans secured by residential properties with one-to-four units ("single family") that we originated or purchased in prior years. In addition, we invest in securities issued by federal government agencies, residential mortgage-backed securities and other investments.

Our revenue is derived primarily from interest income on loans and investments. Our principal costs are interest expenses that we incur on deposits and borrowings, together with general and administrative expenses. Our earnings are significantly affected by general economic and competitive conditions, particularly monetary trends and conditions, including changes in market interest rates and the differences in market interest rates for the interest bearing deposits and borrowings that are our principal funding sources and the interest yielding assets in which we invest, as well as government policies and actions of regulatory authorities.

The ongoing COVID-19 Pandemic ("Pandemic") has caused significant disruption in the local, national and global economies and financial markets. Continuation and further spread of the Pandemic could cause additional quarantines, shutdowns, reduction in business activity and financial transactions, labor shortages, supply chain interruptions and overall economic and financial market instability. The Pandemic could disrupt our operations through its impact on our employees, depositors, borrowers, and the tenants of our multi-family loan borrowers.

The disruptions in the economy may impair the ability of our borrowers to make their monthly loan payments, which could result in significant increases in delinquencies, defaults, foreclosures, declining collateral values, and losses on our loans.

The Pandemic may also materially disrupt banking and other financial activity generally and in the Southern California area in which the Bank operates. This may result in a decline in customer demand for our products and services, including loans and deposits which could negatively impact our liquidity position and our growth strategy. Any one or more of these developments could have a material adverse effect on our business, operations, consolidated financial condition, and consolidated results of operations.

In response to the anticipated economic effects of the Pandemic, the FRB has taken a number of actions that have significantly affected the financial markets in the United States, including actions intended to result in substantial decreases in market interest rates. On March 3, 2020, the 10-year Treasury yield fell below 1.00% for the first time, and the Federal Reserve reduced the target federal funds rate by 50 basis points. On March 15, 2020, the Federal Reserve further reduced the target federal funds rate by 100 basis points and announced a $700 billion quantitative easing program in response to the expected economic downturn caused by the Pandemic. On March 22, 2020, the Federal Reserve announced that it would continue its quantitative easing program in amounts necessary to support the smooth functioning of markets for Treasury securities and agency MBS. We expect that these reductions in interest rates, among other actions of the FRB and the Federal government generally, especially if prolonged, could adversely affect our net interest income, margins and profitability.

Lending Activities

General

Our loan portfolio is comprised primarily of mortgage loans which are secured by multi-family residential properties, single family residential properties and commercial real estate, including churches. The remainder of the loan portfolio consists of commercial business loans, construction loans and consumer loans. At December 31, 2019, our net loan portfolio, excluding loans held for sale, totaled $397.8 million, or 90% of total assets.

We emphasize the origination of adjustable-rate mortgage loans ("ARMs"), most of which are hybrid ARM loans (ARM loans having an initial fixed rate period, followed by an adjustable rate period), for our portfolio of loans held for investment. We originate these loans in order to maintain a high percentage of loans that are subject to periodic repricing, thereby reducing our exposure to interest rate risk. At December 31, 2019, more than 99.9% of our mortgage loans had adjustable rate features. However, most of our adjustable rate loans behave like fixed rate loans for periods of time because the loans may still be in their initial fixed-rate period or may be subject to interest rate floors. Loans in their initial fixed-rate period totaled $338.8 million or 85% of our gross loan portfolio at December 31, 2019.

The types of loans that we originate are subject to federal laws and regulations. The interest rates that we charge on loans are affected by the demand for such loans, the supply of money available for lending purposes and the rates offered by competitors. These factors are in turn affected by, among other things, economic conditions, monetary policies of the federal government, including the FRB, and legislative tax policies.

The following table details the composition of our portfolio of loans held for investment by type, dollar amount and percentage of loan portfolio at the dates indicated:

	December 31,									
	2019		2018		2017		2016		2015	
	Amount	Percent of total	Amount	Percent of total	Amount	Percent of total	Amount	Percent of total	Amount	Percent of total
	(Dollars in thousands)									
Single family	$ 72,883	18.23%	$ 91,835	25.69%	$ 111,085	32.93%	$ 104,807	27.42%	$ 130,891	42.50%
Multi-family	287,378	71.90%	231,870	64.86%	187,455	55.57%	229,566	60.05%	118,616	38.52%
Commercial real estate	14,728	3.68%	5,802	1.62%	6,089	1.80%	8,914	2.33%	11,442	3.72%
Church	21,301	5.33%	25,934	7.25%	30,848	9.14%	37,826	9.90%	46,390	15.06%
Construction	3,128	0.78%	1,876	0.52%	1,678	0.50%	837	0.22%	343	0.11%
Commercial	262	0.07%	226	0.06%	192	0.06%	308	0.08%	270	0.09%
Consumer	21	0.01%	5	0.00%	7	0.00%	6	0.00%	4	0.00%
Gross loans	399,701	100.00%	357,548	100.00%	337,354	100.00%	382,264	100.00%	307,956	100.00%
Plus:										
Premiums on loans purchased	171		259		360		510		709	
Deferred loan costs, net	1,211		721		1,220		1,297		349	
Less:										
Unamortized discounts	54		43		14		14		15	
Allowance for loan losses	3,182		2,929		4,069		4,603		4,828	
Total loans held for investment	$ 397,847		$ 355,556		$ 334,851		$ 379,454		$ 304,171	

Multi-Family and Commercial Real Estate Lending

Our primary lending emphasis has been on the origination of loans for apartment buildings with five or more units. These multi-family loans amounted to $287.4 million and $231.9 million at December 31, 2019 and 2018, respectively. Multi-family loans represented 72% of our gross loan portfolio at December 31, 2019 compared to 65% of our gross loan portfolio at December 31, 2018. The vast majority of our multi-family loans amortize over 30 years. As of December 31, 2019, our single largest multi-family credit had an outstanding balance of $7.1 million, was current, and was secured by a 33-unit apartment complex in Vista, California. At December 31, 2019, the average balance of a loan in our multi-family portfolio was $974 thousand.

Our commercial real estate loans amounted to $14.7 million and $5.8 million at December 31, 2019 and 2018, respectively. Commercial real estate loans represented 4% and 2% of our gross loan portfolios at December 31, 2019 and 2018, respectively. All the commercial real estate loans outstanding at December 31, 2019 were ARMs. Most commercial real estate loans are originated with principal repayments on a 30 year amortization schedule but are due in 10 years. As of December 31, 2019, our single largest commercial real estate credit had an outstanding principal balance of $4.4 million, was current and was secured by a commercial building located in Alhambra, California. At December 31, 2019, the average balance of a loan in our commercial real estate portfolio was $775 thousand.

The interest rates on multi-family and commercial ARM loans are based on a variety of indices, including the 6-Month London InterBank Offered Rate Index ("6-Month LIBOR"), the 1-Year Constant Maturity Treasury Index ("1-Yr CMT"), the 12-Month Treasury Average Index ("12-MTA"), the 11th District Cost of Funds Index

("COFI"), and the Wall Street Journal Prime Rate ("Prime Rate"). We currently offer adjustable rate loans with interest rates that adjust either semi-annually or semi-annually upon expiration of a three- or five-year fixed rate period. Borrowers are required to make monthly payments under the terms of such loans.

Loans secured by multi-family and commercial properties are granted based on the income producing potential of the property and the financial strength of the borrower. The primary factors considered include, among other things, the net operating income of the mortgaged premises before debt service and depreciation, the debt service coverage ratio (the ratio of net operating income to required principal and interest payments, or debt service), and the ratio of the loan amount to the lower of the purchase price or the appraised value of the collateral.

We seek to mitigate the risks associated with multi-family and commercial real estate loans by applying appropriate underwriting requirements, which include limitations on loan-to-value ratios and debt service coverage ratios. Under our underwriting policies, loan-to-value ratios on our multi-family and commercial real estate loans usually do not exceed 75% of the lower of the purchase price or the appraised value of the underlying property. We also generally require minimum debt service coverage ratios of 120% for multi-family loans and 125% for commercial real estate loans. Properties securing multi-family and commercial real estate loans are appraised by management-approved independent appraisers. Title insurance is required on all loans.

Multi-family and commercial real estate loans are generally viewed as exposing the lender to a greater risk of loss than single family residential loans and typically involve higher loan principal amounts than loans secured by single family residential real estate. Because payments on loans secured by multi-family and commercial real properties are often dependent on the successful operation or management of the properties, repayment of such loans may be subject to adverse conditions in the real estate market or general economy. Adverse economic conditions in our primary lending market area could result in reduced cash flows on multi-family and commercial real estate loans, vacancies and reduced rental rates on such properties. We seek to reduce these risks by originating such loans on a selective basis and generally restrict such loans to our general market area. In 2008, we ceased out-of-state lending for all types of loans. As of December 31, 2019, our out-of-state loans totaled $1.8 million and our single largest out-of-state credit had an outstanding principal balance of $603 thousand, was current, and was secured by a church building located in Tacoma, Washington.

Our church loans totaled $21.3 million and $25.9 million at December 31, 2019 and 2018, respectively. Church loans represented 5% of our gross loan portfolio at December 31, 2019, compared to 7% of our gross loan portfolio at December 31, 2018. We ceased originating church loans in 2010. As of December 31, 2019, our single largest church loan had an outstanding balance of $1.5 million, was current, and was secured by a church building in Los Angles, California. At December 31, 2019, the average balance of a loan in our church loan portfolio was $418 thousand.

Single Family Mortgage Lending

While we have been primarily a multi-family and commercial real estate lender, we also have purchased or originated ARM loans secured by single family residential properties, including investor-owned properties, with maturities of up to 30 years. Single family loans totaled $72.9 million and $91.8 million at December 31, 2019 and 2018, respectively. Of the single family residential mortgage loans outstanding at December 31, 2019, more than 99% had adjustable rate features. During 2019 and 2018, we did not purchase any loans. Of the $72.9 million of single family loans at December 31, 2019, $6.1 million are secured by investor-owned properties.

The interest rates for our single family ARMs are indexed to COFI, 1-Month LIBOR, 6-Month LIBOR, 12-MTA and 1-Yr. CMT. We currently offer loans with interest rates that adjust either semi-annually or semi-annually upon expiration of a three- or five-year fixed rate period. Borrowers are required to make monthly payments under the terms of such loans. Most of our single family adjustable rate loans behave like fixed rate loans because the loans are still be in their initial fixed rate period or are be subject to interest rate floors.

We qualify our ARM borrowers based upon the fully indexed interest rate (LIBOR or other index plus an applicable margin, rounded to the nearest one-eighth of 1%) provided by the terms of the loan. However, we may discount the initial rate paid by the borrower to adjust for market and other competitive factors. The ARMs that we offer have a lifetime adjustment limit that is set at the time that the loan is approved. In addition, because of interest rate caps and floors, market rates may exceed or go below the respective maximum or minimum rates payable on our ARMs.

The mortgage loans that we originate generally include due-on-sale clauses, which provide us with the contractual right to declare the loan immediately due and payable if the borrower transfers ownership of the property.

Construction Lending

Construction loans totaled $3.1 million and $1.9 million at December 31, 2019 and 2018, respectively, representing less than 1% of our gross loan portfolio. We provide loans for the construction of single family, multi-family and commercial real estate projects and for land development. We generally make construction and land loans at variable interest rates based upon the Prime Rate. Generally, we require a loan-to-value ratio not exceeding 75% to 80% and a loan-to-cost ratio not exceeding 70% to 80% on construction loans.

Construction loans involve risks that are different from those for completed project lending because we advance loan funds based upon the security and estimated value at completion of the project under construction. If the borrower defaults on the loan, we may have to advance additional funds to finance the project's completion before the project can be sold. Moreover, construction projects are affected by uncertainties inherent in estimating construction costs, potential delays in construction schedules, market demand and the accuracy of estimates of the value of the completed project considered in the loan approval process. In addition, construction projects can be risky as they transition to completion and lease-up. Tenants who may have been interested in leasing a unit or apartment may not be able to afford the space when the building is completed, or may fail to lease the space for other reasons such as more attractive terms offered by competing lessors, making it difficult for the building to generate enough cash flow for the owner to obtain permanent financing. Construction loans totaling $1.7 million and $1.9 million were originated during 2019 and 2018, respectively.

Loan Originations, Purchases and Sales

The following table summarizes loan originations, purchases, sales and principal repayments for the periods indicated:

	2019	2018	2017
		(In thousands)	
Gross loans (1):			
Beginning balance	$ 363,761	$ 359,686	$ 382,264
Loans originated:			
Multi-family	103,123	96,034	114,489
Commercial Real Estate	9,521	1,017	-
Construction	1,681	1,861	841
Commercial	49	48	69
Total loans originated	114,374	98,960	115,399
Loans purchased:			
Single family	-	-	24,640
Total loans purchased	-	-	24,640
Less:			
Principal repayments	55,742	75,542	65,169
Sales of loans	22,703	19,332	96,945
Loan charge-offs	-	-	-
Lower of cost or fair value adjustment on loans held for sale	(11)	11	-
Transfer of loans to real estate owned	-	-	503
Ending balance (2)	$ 399,701	$ 363,761	$ 359,686

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(1) Amount is before deferred origination costs, purchase premiums and discounts.
(2) No loans were held for sale at December 31, 2019. At December 31, 2018, the ending balance includes loans receivable held for sale of $6.2 million.

Loan originations are derived from various sources including our loan personnel, local mortgage brokers, and referrals from customers. More than 96%, 95% and 67% of multi-family and commercial loan originations during 2019, 2018 and 2017, respectively, were sourced from wholesale loan brokers. All construction loan originations were derived from our loan personnel. No single family or consumer loans were originated during the last three years. For all loans that we originate, upon receipt of a loan application from a prospective borrower, a credit report is ordered, and certain other information is verified by an independent credit agency and, if necessary, additional financial information is requested. An appraisal of the real estate intended to secure the proposed loan is required, which appraisal is performed by an independent licensed or certified appraiser designated and approved by us. The Bank's Board of Directors (the "Board") annually reviews our appraisal policy. Management reviews annually the qualifications and performance of independent appraisers that we use.

It is our policy to obtain title insurance on all real estate loans. Borrowers must also obtain hazard insurance naming Broadway Federal as a loss payee prior to loan closing. If the original loan amount exceeds 80% on a sale or refinance of a first trust deed loan, we may require private mortgage insurance and the borrower is required to make payments to a mortgage impound account from which we make disbursements to pay private mortgage insurance premiums, property taxes and hazard and flood insurance as required.

The Board has authorized the following loan approval limits: if the total of the borrower's existing loans and the loan under consideration is $1,000,000 or less, the new loan may be approved by a Senior Underwriter plus a Loan Committee member, including the Chief Executive Officer or Chief Credit Officer of the Bank; if the total of the borrower's existing loans and the loan under consideration is from $1,000,001 to $2,000,000, the new loan must be approved by a Senior Underwriter plus two Loan Committee members, including the Chief Executive Officer or Chief Credit Officer of the Bank; if the total of the borrower's existing loans and the loan under consideration is from $2,000,001 to $7,000,000, the new loan must be approved by a Senior Underwriter, the Chief Executive Officer and Chief Credit Officer of the Bank, plus a majority of the Board-appointed non-management Loan Committee members. In addition, it is our practice that all loans approved be reported to the Loan Committee no later than the month following their approval and be ratified by the Board.

From time to time, we purchase loans originated by other institutions based upon our investment needs and market opportunities. The determination to purchase specific loans or pools of loans is subject to our underwriting policies, which consider, among other factors, the financial condition of the borrowers, the location of the underlying collateral properties and the appraised value of the collateral properties. We did not purchase any loans during the years ended December 31, 2019 or 2018. During 2017, we purchased $24.6 million principal amount of single family loans, which are being serviced by the seller.

We originate loans for investment and for sale. Loan sales are generally made from the loans held-for-sale portfolio and from loans originated during the period that are designated as held for sale. During 2019, we originated $15.2 million of multi-family loans for sale, transferred $1.5 million of multi-family loans to held-for-sale from held-for-investment and sold $22.7 million of multi-family loans in order to comply with regulatory loan concentration guidelines. During 2018, we originated $20.2 million of multi-family loans for sale, transferred $16.9 million of multi-family loans from held-for-sale to held-for-investment and sold $19.3 million of multi-family loans.

We receive monthly loan servicing fees on loans sold and serviced for others, primarily insured financial institutions. Generally, we collect these fees by retaining a portion of the loan collections in an amount equal to an agreed percentage of the monthly loan installments, plus late charges and certain other fees paid by the borrowers. Loan servicing activities include monthly loan payment collection, monitoring of insurance and tax payment status, responses to borrower information requests and dealing with loan delinquencies and defaults, including conducting loan foreclosures. At December 31, 2019 and 2018, we serviced $1.2 million and $2.6 million, respectively, of loans for others. The servicing rights associated with sold loans are recorded as assets based upon their fair values. At December 31, 2019 and 2018, we had $9 thousand and $18 thousand, respectively, in mortgage servicing rights.

Loan Maturity and Repricing

The following table shows the contractual maturities of loans in our portfolio of loans held for investment at December 31, 2019 and does not reflect the effect of prepayments or scheduled principal amortization.

	Single family	Multi-family	Commercial real estate	Church	Construction	Commercial	Consumer	Gross loans receivable
				(In thousands)				
Amounts Due:								
After one year:								
One year to five years	$ 1,331	$ -	$ 3,257	$ 18,920	$ -	$ 62	$ -	$ 23,570
After five years	71,552	287,378	10,836	432	-	200	-	370,398
Total due after one year	72,883	287,378	14,093	19,352	-	262	-	393,968
One year or less	-	-	635	1,949	3,128	-	21	5,733
Total	$ 72,883	$ 287,378	$ 14,728	$ 21,301	$ 3,128	$ 262	$ 21	$ 399,701

Loans in their initial fixed rate period totaled $338.8 million or 85% of our loan portfolio at December 31, 2019. The average initial fixed rate period as of December 31, 2019 was 2.2 years.

Asset Quality

General

The underlying credit quality of our loan portfolio is dependent primarily on each borrower's ability to continue to make required loan payments and, in the event a borrower is unable to continue to do so, the value of the collateral securing the loan, if any. A borrower's ability to pay typically is dependent, in the case of single family residential loans and consumer loans, primarily on employment and other sources of income, and in the case of multi-family and commercial real estate loans, on the cash flow generated by the property, which in turn is impacted by general economic conditions. Other factors, such as unanticipated expenditures or changes in the financial markets, may also impact a borrower's ability to make loan payments. Collateral values, particularly real estate values, are also impacted by a variety of factors, including general economic conditions, demographics, property maintenance and collection or foreclosure delays.

Delinquencies

We perform a weekly review of all delinquent loans and a monthly loan delinquency report is made to the Internal Asset Review Committee of the Board of Directors. When a borrower fails to make a required payment on a loan, we take several steps to induce the borrower to cure the delinquency and restore the loan to current status. The procedures we follow with respect to delinquencies vary depending on the type of loan, the type of property securing the loan, and the period of delinquency. In the case of residential mortgage loans, we generally send the borrower a written notice of non-payment promptly after the loan becomes past due. In the event payment is not received promptly thereafter, additional letters are sent, and telephone calls are made. If the loan is still not brought current and it becomes necessary for us to take legal action, we generally commence foreclosure proceedings on all real property securing the loan. In the case of commercial real estate loans, we generally contact the borrower by telephone and send a written notice of intent to foreclose upon expiration of the applicable grace period. Decisions not to commence foreclosure upon expiration of the notice of intent to foreclose for commercial real estate loans are made on a case-by-case basis. We may consider loan workout arrangements with these commercial real estate types of borrowers in certain circumstances.

The following table shows our loan delinquencies by type and amount at the dates indicated:

	December 31, 2019				December 31, 2018				December 31, 2017			
	Loans delinquent				Loans delinquent				Loans delinquent			
	60-89 Days		90 days or more		60-89 Days		90 days or more		60-89 Days		90 days or more	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(Dollars in thousands)											
Single family	1	$ 18	-	$ -	1	$ 35	-	$ -	1	$ 50	-	$ -
Total	1	$ 18	-	$ -	1	$ 35	-	$ -	1	$ 50	-	$ -
% of Gross Loans (1)		0.00%		0.00%		0.01%		0.00%		0.01%		0.00%

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(1) Includes loans receivable held for sale at December 31, 2018 and 2017.

Non-Performing Assets

Non-performing assets ("NPAs") include non-accrual loans and real estate owned through foreclosure or deed in lieu of foreclosure ("REO"). NPAs at December 31, 2019 decreased to $424 thousand, or 0.10% of total assets, from $1.7 million, or 0.43% of total assets, at December 31, 2018.

Non-accrual loans decreased by $487 thousand to $424 thousand at December 31, 2019, from $911 thousand at December 31, 2018. These loans consist of delinquent loans that are 90 days or more past due and other loans, including troubled debt restructurings ("TDRs") that do not qualify for accrual status. As of December 31, 2019, $406 thousand, or 96% of our non-accrual loans, were current in their payments, but were treated as non-accrual primarily because of deficiencies in non-payment matters related to the borrowers, such as lack of current financial information. The $487 thousand decrease in non-accrual loans during the year ended December 31, 2019 was due to upgrades of $423 thousand of non-accrual loans to accrual status and repayments of $82 thousand, offset by downgrades of $18 thousand of loans to non-accrual status.

The following table provides information regarding our non-performing assets at the dates indicated:

	December 31,				
	2019	2018	2017	2016	2015
	(Dollars in thousands)				
Non-accrual loans:					
Single family	$ 18	$ -	$ -	$ -	$ 302
Multi-family	-	-	-	-	779
Commercial real estate	-	-	-	-	259
Church	406	911	1,766	2,944	2,887
Commercial	-	-	-	-	-
Total non-accrual loans	424	911	1,766	2,944	4,227
Loans delinquent 90 days or more and still accruing	-	-	-	-	-
Real estate owned acquired through foreclosure	-	833	878	-	360
Total non-performing assets	$ 424	$ 1,744	$ 2,644	$ 2,944	$ 4,587
Non-accrual loans as a percentage of gross loans, including loans receivable held for sale	0.11%	0.25%	0.49%	0.77%	1.37%
Non-performing assets as a percentage of total assets	0.10%	0.43%	0.64%	0.69%	1.14%

There were no accrual loans that were contractually past due by 90 days or more at December 31, 2019 or 2018. We had no commitments to lend additional funds to borrowers whose loans were on non-accrual status at December 31, 2019.

We discontinue accruing interest on loans when the loans become 90 days delinquent as to their payment due date (missed three payments). In addition, we reverse all previously accrued and uncollected interest for those loans through a charge to interest income. While loans are in non-accrual status, interest received on such loans is credited to principal, until the loans qualify for return to accrual status. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

We may agree to modify the contractual terms of a borrower's loan. In cases where such modifications represent a concession to a borrower experiencing financial difficulty, the modification is considered a TDR. Non-accrual loans modified in a TDR remain on non-accrual status until we determine that future collection of principal and interest is reasonably assured, which requires that the borrower demonstrate performance according to the restructured terms, generally for a period of at least six months. Loans modified in a TDR that are included in non-accrual loans totaled $406 thousand at December 31, 2019 and $591 thousand at December 31, 2018. Excluded from non-accrual loans are restructured loans that were not delinquent at the time of modification or loans that have complied with the terms of their restructured agreement for six months or such longer period as management deems appropriate for particular loans, and therefore have been returned to accruing status. Restructured accruing loans totaled $4.7 million at December 31, 2019 and $6.4 million at December 31, 2018.

During 2019, gross interest income that would have been recorded on non-accrual loans had they performed in accordance with their original terms, totaled $63 thousand. Actual interest recognized on non-accrual loans and included in net income for the year 2019 was $567 thousand, reflecting interest recoveries on non-accrual loans that were paid off.

We update our estimates of collateral value on loans when they become 90 days past due and to the extent the loans remain delinquent, every nine months thereafter. We obtain updated estimates of collateral value earlier than at 90 days past due for loans to borrowers who have filed for bankruptcy or for certain other loans when our Internal Asset Review Committee believes repayment of such loans may be dependent on the value of the underlying collateral. For single family loans, updated estimates of collateral value are obtained through appraisals and automated valuation models. For multi-family and commercial real estate properties, we estimate collateral value through appraisals or internal cash flow analyses when current financial information is available, coupled with, in most cases, an inspection of the property. Our policy is to make a charge against our allowance for loan losses, and correspondingly reduce the book value of a loan, to the extent that the collateral value of the property securing a loan is less than our recorded investment in the loan. See "Allowance for Loan Losses" for full discussion of the allowance for loan losses.

REO is real estate acquired as a result of foreclosure or by deed in lieu of foreclosure and is carried at fair value less estimated selling costs. Any excess of carrying value over fair value at the time of acquisition is charged to the allowance for loan losses. Thereafter, we charge non-interest expense for the property maintenance and protection expenses incurred as a result of owning the property. Any decreases in the property's estimated fair value after foreclosure are recorded in a separate allowance for losses on REO. During 2019 and 2018, the Bank did not foreclose on any loans. At December 31, 2018, the Bank had one REO which was sold during 2019. The Bank had no REO as of December 31, 2019.

Classification of Assets

Federal regulations and our internal policies require that we utilize an asset classification system as a means of monitoring and reporting problem and potential problem assets. We have incorporated asset classifications as a part of our credit monitoring system and thus classify potential problem assets as "Watch" and "Special Mention," and problem assets as "Substandard," "Doubtful" or "Loss". An asset is considered "Watch" if the loan is current but temporarily presents higher than average risk and warrants greater than routine attention and monitoring. An asset is considered "Special Mention" if the loan is current but there are some potential weaknesses that deserve management's close attention. An asset is considered "Substandard" if it is inadequately protected by the current net worth and paying capacity of the obligor or the collateral pledged, if any. "Substandard" assets include those characterized by the "distinct possibility" that the insured institution will sustain "some loss" if the deficiencies are not corrected. Assets classified as "Doubtful" have all the weaknesses inherent in those classified "Substandard" with the added characteristic that the weaknesses make "collection or liquidation in full," on the basis of currently existing facts, conditions, and values, "highly questionable and improbable." Assets classified as "Loss" are those considered "uncollectible" and of such little value that their continuance as assets without the establishment of a specific loss allowance is not warranted. Assets which do not currently expose us to sufficient risk to warrant classification in one of the aforementioned categories, but that are considered to possess some weaknesses, are designated "Special Mention." Our Internal Asset Review Department reviews and classifies our assets and independently reports the results of its reviews to the Internal Asset Review Committee of our Board of Directors monthly.

The following table provides information regarding our criticized loans (Watch and Special Mention) and classified assets (Substandard and REO) at the dates indicated:

	December 31, 2019			December 31, 2018		
	Number		Amount	Number		Amount
	(Dollars in thousands)					
Watch loans	2	$	822	2	$	672
Special mention loans	-		-	1		35
Total criticized loans	2		822	3		707
Substandard loans	11		4,153	15		5,487
REO	-		-	1		833
Total classified assets	11		4,153	16		6,320
Total	13	$	4,975	19	$	7,027

Classified assets decreased to $4.2 million at December 31, 2019, from $6.3 million at December 31, 2018, primarily due to $1.2 million of payoffs, $833 thousand of REO sale, $174 thousand of paydowns, and a $10 thousand classification upgrade, offset by an $18 thousand classification downgrade. Criticized assets increased to $822 thousand at December 31, 2019, from $708 thousand at December 31, 2018, primarily due to a $392 thousand classification downgrade, offset by a $246 thousand classification upgrade and $32 thousand of repayments.

Allowance for Loan Losses

In originating loans, we recognize that losses may be experienced on loans and that the risk of loss may vary as a result of many factors, including the type of loan being made, the creditworthiness of the borrower, general economic conditions and, in the case of a secured loan, the quality of the collateral for the loan. We are required to maintain an adequate allowance for loan and lease losses ("ALLL") in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"). The ALLL represents our management's best estimate of probable incurred credit losses in our loan portfolio as of the date of the consolidated financial statements. Our ALLL is intended to cover specifically identifiable loan losses, as well as estimated losses inherent in our portfolio for which certain losses are probable, but not specifically identifiable. There can be no assurance, however, that actual losses incurred will not exceed the amount of management's estimates.

Our Internal Asset Review Department issues reports to the Board of Directors and continually reviews loan quality. This analysis includes a detailed review of the classification and categorization of problem loans, potential problem loans and loans to be charged off, an assessment of the overall quality and collectability of the portfolio, and concentration of credit risk. Management then evaluates the allowance, determines its appropriate level and the need for additional provisions, and presents its analysis to the Board of Directors which ultimately reviews management's recommendation and, if deemed appropriate, then approves such recommendation.

The ALLL is increased by provisions for loan losses which are charged to earnings and is decreased by recaptures of loan loss provision and charge-offs, net of recoveries. Provisions are recorded to increase the ALLL to the level deemed appropriate by management. The Bank utilizes an allowance methodology that considers a number of quantitative and qualitative factors, including the amount of non-performing loans, our loan loss experience, conditions in the real estate and housing markets, current economic conditions and trends, particularly levels of unemployment, and changes in the size of the loan portfolio.

The ALLL consists of specific and general components. The specific component relates to loans that are individually classified as impaired.

A loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Loans for which the terms have been modified, and for which the borrower is experiencing financial difficulties, are considered TDRs and classified as impaired. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the 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.

If a loan is impaired, a portion of the allowance is allocated to the loan so that the loan is reported, net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral. TDRs are separately identified for impairment and are measured at the present value of estimated future cash flows using the loan's effective rate at inception. If a TDR is considered to be a collateral dependent loan, the loan is reported, net, at the fair value of the collateral less estimated selling costs. For TDRs that subsequently default, we determine the amount of any necessary additional charge-off based on internal analyses and appraisals of the underlying collateral securing these loans. At December 31, 2019, impaired loans totaled $5.3 million and had an aggregate specific allowance allocation of $147 thousand.

The general component of the ALLL covers non-impaired loans and is based on historical loss experience adjusted for qualitative factors. Each month, we prepare an analysis which categorizes the entire loan portfolio by certain risk characteristics such as loan type (single family, multi-family, commercial real estate, construction, commercial and consumer) and loan classification (pass, watch, special mention, substandard and doubtful). With the use of a migration to loss analysis, we calculate our historical loss rate and assign estimated loss factors to the loan classification categories based on our assessment of the potential risk inherent in each loan type. These factors are periodically reviewed for appropriateness giving consideration to our historical loss experience, levels of and trends in delinquencies and impaired loans; levels of and trends in charge-offs and recoveries; trends in volume and terms of loans; effects of any changes in risk selection and underwriting standards; other changes in lending policies, procedures, and practices; experience, ability, and depth of lending management and other relevant staff; national and local economic trends and conditions; industry conditions; and effects of changes in credit concentrations.

In addition to loss experience and environmental factors, we use qualitative analyses to determine the adequacy of our ALLL. This analysis includes ratio analysis to evaluate the overall measurement of the ALLL and comparison of peer group reserve percentages. The qualitative review is used to reassess the overall determination of the ALLL and to ensure that directional changes in the ALLL and the provision for loan losses are supported by relevant internal and external data.

Based on our evaluation of the housing and real estate markets and overall economy, including the unemployment rate, the levels and composition of our loan delinquencies and non-performing loans, our loss history and the size and composition of our loan portfolio, we determined that an ALLL of $3.2 million, or 0.79% of loans held for investment was appropriate at December 31, 2019, compared to $2.9 million, or 0.82% of loans held for investment at December 31, 2018. The increase in ALLL compared to the prior year was due to the growth in the loan portfolio.

A federally chartered savings association's determination as to the classification of its assets and the amount of its valuation allowances is subject to review by the OCC. The OCC, in conjunction with the other federal banking agencies, provides guidance for financial institutions on the responsibilities of management for the assessment and establishment of adequate valuation allowances, as well as guidance for banking agency examiners to use in determining the adequacy of valuation allowances. It is required that all institutions have effective systems and controls to identify, monitor and address asset quality problems, analyze all significant factors that affect the collectability of the portfolio in a reasonable manner and establish acceptable allowance evaluation processes that meet the objectives of the guidelines issued by federal regulatory agencies. While we believe that the ALLL has been established and maintained at adequate levels, future adjustments may be necessary if economic or other conditions differ materially from the conditions on which we based our estimates at December 31, 2019. In addition, there can be no assurance that the OCC or other regulators, as a result of reviewing our loan portfolio and/or allowance, will not require us to materially increase our ALLL, thereby affecting our financial condition and earnings.

The following table details our allocation of the ALLL to the various categories of loans held for investment and the percentage of loans in each category to total loans at the dates indicated:

	December 31,									
	2019		2018		2017		2016		2015	
	Amount	Percent of loans in each category to total loans	Amount	Percent of loans in each category to total loans	Amount	Percent of loans in each category to total loans	Amount	Percent of loans in each category to total loans	Amount	Percent of loans in each category to total loans
	(Dollars in thousands)									
Single family	$ 312	9.80%	$ 368	12.56%	$ 594	32.93%	$ 367	27.42%	$ 597	42.50%
Multi-family	2,319	72.88%	1,880	64.19%	2,300	55.57%	2,659	60.05%	1,658	38.52%
Commercial real estate	133	4.18%	52	1.78%	71	1.80%	215	2.33%	469	3.72%
Church	362	11.38%	604	20.62%	1,081	9.14%	1,337	9.90%	2,083	15.06%
Construction	48	1.51%	19	0.65%	17	0.50%	8	0.22%	3	0.11%
Commercial	7	0.22%	6	0.20%	6	0.06%	17	0.08%	18	0.09%
Consumer	1	0.03%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Total allowance for loan losses	$ 3,182	100.00%	$ 2,929	100.00%	$ 4,069	100.00%	$ 4,603	100.00%	$ 4,828	100.00%

The following table shows the activity in our ALLL related to our loans held for investment for the years indicated:

	2019	2018	2017	2016	2015
			(Dollars in thousands)		
Allowance balance at beginning of year	$ 2,929	$ 4,069	$ 4,603	$ 4,828	$ 8,465
Charge-offs:					
Single family	-	-	-	-	(4)
Multi-family	-	-	-	-	-
Commercial real estate	-	-	-	-	-
Church	-	-	-	-	(85)
Commercial	-	-	-	-	-
Total charge-offs	-	-	-	-	(89)
Recoveries:					
Single family	-	-	30	47	129
Commercial real estate	-	-	-	248	-
Church	260	114	536	22	23
Commercial	-	-	-	8	-
Total recoveries	260	114	566	325	152
Loan loss provision recapture	(7)	(1,254)	(1,100)	(550)	(3,700)
Allowance balance at end of year	$ 3,182	$ 2,929	$ 4,069	$ 4,603	$ 4,828
Net charge-offs (recoveries) to average loans, excluding loans receivable held for sale	(0.07%)	(0.04%)	(0.16%)	(0.10%)	(0.02%)
ALLL as a percentage of gross loans, excluding loans receivable held for sale	0.79%	0.82%	1.20%	1.20%	1.56%
ALLL as a percentage of total non-accrual loans	750.47%	321.51%	230.41%	156.35%	114.22%
ALLL as a percentage of total non-performing assets	750.47%	167.94%	153.90%	156.35%	105.25%

Investment Activities

The main objectives of our investment strategy are to provide a source of liquidity for deposit outflows, repayment of our borrowings and funding loan commitments, and to generate a favorable return on investments without incurring undue interest rate or credit risk. Subject to various restrictions, our investment policy generally permits investments in money market instruments such as Federal Funds Sold, certificates of deposit of insured banks and savings institutions, direct obligations of the U. S. Treasury, Federal Agency securities, government Agency-issued securities and mortgage-backed securities, mutual funds, municipal obligations, corporate bonds and marketable equity securities. Mortgage-backed securities consist principally of securities issued by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and the Government National Mortgage Association which are backed by 30-year amortizing hybrid ARM loans, structured with fixed interest rates for periods of three to seven years, after which time the loans convert to one-year or six-month adjustable rate mortgage loans. At December 31, 2019, our securities portfolio, consisting primarily of federal agency debt and mortgage-backed securities, totaled $11.0 million, or 2.5% of total assets.

We classify investments as held-to-maturity or available-for-sale at the date of purchase based on our assessment of our internal liquidity requirements. Securities purchased to meet investment-related objectives such as liquidity management or mitigating interest rate risk and which may be sold as necessary to implement management strategies, are designated as available-for-sale at the time of purchase. Securities in the held-to-maturity category consist of securities purchased for long-term investment in order to enhance our ongoing stream of net interest income. Securities deemed held-to-maturity are classified as such because we have both the intent and ability to hold these securities to maturity. Held-to-maturity securities are reported at cost, adjusted for amortization of premium and accretion of discount. Available-for-sale securities are reported at fair value. We currently have no securities classified as held-to-maturity securities.

The table below presents the carrying amount, weighted average yields and contractual maturities of our securities as of December 31, 2019. The table reflects stated final maturities and does not reflect scheduled principal payments or expected payoffs.

	At December 31, 2019									
	One Year or less		More than one year to five years		More than five years to ten years		More than ten years		Total	
	Carrying amount	Weighted average yield	Carrying amount	Weighted average yield	Carrying amount	Weighted average yield	Carrying amount	Weighted average yield	Carrying amount	Weighted average yield
	(Dollars in thousands)									
Available-for-sale:										
Federal agency mortgage-backed securities	$ 10	3.50%	$ -	- %	$ 2,116	2.56%	$ 5,830	2.89%	$ 7,956	2.80%
Federal agency debt	-	- %	-	- %	-	- %	3,050	2.73%	3,050	2.73%
Total	$ 10	3.50%	$ -	- %	$ 2,116	2.56%	$ 8,880	2.83%	$ 11,006	2.78%

At December 31, 2019, the mortgage-backed securities in our portfolio had an estimated remaining life of 4.4 years.

Sources of Funds

General

Deposits are our primary source of funds for supporting our lending and other investment activities and general business purposes. In addition to deposits, we obtain funds from the amortization and prepayment of loans and investment securities, sales of loans and investment securities, advances from the FHLB, and cash flows generated by operations.

Deposits

We offer a variety of deposit accounts featuring a range of interest rates and terms. Our deposits principally consist of savings accounts, checking accounts, NOW accounts, money market accounts, and fixed-term certificates of deposit. The maturities of term certificates generally range from one month to five years. We accept deposits from customers within our market area based primarily on posted rates, but from time to time we will negotiate the rate based on the amount of the deposit. We primarily rely on customer service and long-standing customer relationships to attract and retain deposits. We seek to maintain and increase our retail "core" deposit relationships, consisting of savings accounts, checking accounts and money market accounts because we believe these deposit accounts tend to be a stable funding source and are available at a lower cost than term deposits. However, market interest rates, including rates offered by competing financial institutions, the availability of other investment alternatives, and general economic conditions significantly affect our ability to attract and retain deposits.

We also open deposit accounts for customers throughout the United States through the Internet and deposit listing services. Deposits from the Internet and deposit listing services totaled $2.9 million and $11.7 million, respectively, at December 31, 2019 compared to $3.6 million and $12.3 million, respectively, at December 31, 2018.

We participate in a deposit program called the Certificate of Deposit Account Registry Service ("CDARS"). CDARS is a deposit placement service that allows us to place our customers' funds in FDIC-insured certificates of deposit at other banks and, at the same time, receive an equal sum of funds from the customers of other banks in the CDARS Network ("CDARS Reciprocal"). We may also accept deposits from other institutions when we have no reciprocal deposit ("CDARS One-Way Buy"). We had approximately $39.3 million in CDARS Reciprocal and $40.7 million in CDARS One-Way Buy at December 31, 2019, compared to $33.7 million in CDARS Reciprocal and $42.5 million in CDARS One-Way Buy at December 31, 2018.

The following table details the maturity periods of our certificates of deposit in amounts of $250 thousand or more at December 31, 2019.

	December 31, 2019	
	Amount	**Weighted average rate**
	(Dollars in thousands)	
Certificates maturing:		
Less than three months	$ 3,158	2.06%
Three to six months	5,788	2.27%
Six to twelve months	9,879	2.24%
Over twelve months	6,274	1.75%
Total	$ 25,099	2.10%

The following table presents the distribution of our average deposits for the years indicated and the weighted average interest rates during the year for each category of deposits presented.

	For the Year Ended December 31,								
	2019			2018			2017		
	Average balance	**Percent of total**	**Weighted average rate**	**Average balance**	**Percent of total**	**Weighted average rate**	**Average balance**	**Percent of total**	**Weighted average rate**
	(Dollars in thousands)								
Money market deposits	$ 25,297	8.86%	0.94%	$ 37,489	13.45%	1.07%	$ 38,318	13.14%	0.70%
Passbook deposits	45,548	15.95%	0.60%	41,975	15.00%	0.38%	39,064	13.39%	0.32%
NOW and other demand deposits	34,091	11.94%	0.04%	34,779	12.51%	0.09%	32,275	11.07%	0.07%
Certificates of deposit	180,611	63.25%	1.99%	164,703	59.04%	1.49%	181,993	62.40%	1.09%
Total	$ 285,547	100.00%	1.44%	$ 278,946	100.00%	1.10%	$ 291,650	100.00%	0.82%

Borrowings

We utilize short-term and long-term advances from the FHLB as an alternative to retail deposits as a funding source for asset growth. FHLB advances are generally secured by mortgage loans and mortgage-backed securities. Such advances are made pursuant to several different credit programs, each of which has its own interest rate and range of maturities. The maximum amount that the FHLB will advance to member institutions fluctuates from time to time in accordance with the policies of the FHLB. At December 31, 2019, we had $84.0 million in FHLB advances and had the ability to borrow up to an additional $39.7 million based on available and pledged collateral.

The following table summarizes information concerning our FHLB advances at or for the periods indicated:

	At or For the Year Ended		
	2019	**2018**	**2017**
		(Dollars in thousands)	
FHLB Advances:			
Average balance outstanding during the year	$ 77,049	$ 77,729	$ 89,279
Maximum amount outstanding at any month-end during the year	$ 84,000	$ 98,000	$ 104,000
Balance outstanding at end of year	$ 84,000	$ 70,000	$ 65,000
Weighted average interest rate at end of year	2.32%	2.51%	1.86%
Average cost of advances during the year	2.42%	2.13%	1.97%
Weighted average maturity (in months)	18	24	18

On March 17, 2004, we issued $6.0 million of Floating Rate Junior Subordinated Debentures (the "Debentures") in a private placement to a trust that was capitalized to purchase subordinated debt and preferred stock of multiple community banks. Interest on the Debentures is payable quarterly at a rate per annum equal to the 3-Month LIBOR plus 2.54%. The interest rate is determined as of each March 17, June 17, September 17, and December 17, and was 4.44% at December 31, 2019. On October 16, 2014, we made payments of $900 thousand of principal on the Debentures, executed a Supplemental Indenture for the Debentures that extended the maturity of the Debentures to March 17, 2024, and modified the payment terms of the remaining $5.1 million principal amount thereof. The modified terms of the Debentures require quarterly payments of interest only through March 2019 at the original rate of 3-Month LIBOR plus 2.54%. Starting in June 2019, the Company is required to make quarterly payments of equal amounts of principal, plus interest, until the Debentures are fully amortized on March 17, 2024. During 2019, the Company paid $765 thousand of scheduled principal. The Debentures may be called for redemption at any time.

Market Area and Competition

Broadway Federal is a community-oriented savings institution offering a variety of financial services to meet the needs of the communities it serves. Our retail banking network includes full service banking offices, automated teller machines and Internet banking capabilities that are available using our website at www.broadwayfederalbank.com. We have two banking offices in Los Angeles and one banking office located in the nearby City of Inglewood.

The Los Angeles metropolitan area is a highly competitive banking market for making loans and attracting deposits. Although our offices are primarily located in low-to-moderate income communities that have historically been under-served by other financial institutions, we face significant competition for deposits and loans in our immediate market areas, including direct competition from mortgage banking companies, commercial banks and savings and loan associations. Most of these financial institutions are significantly larger than we are and have greater financial resources, and many have a regional, statewide or national presence.

Personnel

At December 31, 2019, we had 64 employees, which included 62 full-time and 2 part-time employees. We believe that we have good relations with our employees, and none are represented by a collective bargaining group.

Regulation

General

Broadway Federal Bank, f.s.b, is regulated by the OCC, as its primary federal regulator, and by the FDIC, as its deposit insurer. The Bank is also a member of the Federal Home Loan Bank System and is subject to the regulations of the FRB concerning reserves required to be maintained against deposits, transactions with affiliates, Truth in Lending and other consumer protection requirements and certain other matters. Broadway Financial Corporation is regulated, examined and supervised by the FRB and is also required to file certain reports and otherwise comply with the rules and regulations of the SEC under the federal securities laws.

The OCC regulates and examines most of our Bank's business activities, including, among other things, capital standards, general investment authority, deposit taking and borrowing authority, mergers and other business combination transactions, establishment of branch offices, and permitted subsidiary investments and activities. The OCC has primary enforcement responsibility over federal savings banks and has substantial discretion to impose enforcement actions on an institution that fails to comply with applicable regulatory requirements, including with respect to capital requirements. In addition, the FDIC has the authority to recommend to the OCC that enforcement actions be taken with respect to a particular federal savings bank and, if recommended action is not taken by the OCC, the FDIC has authority to take such action under certain circumstances. In certain cases, the OCC has the authority to refer matters relating to federal fair lending laws to the U.S. Department of Justice ("DOJ") or the U.S. Department of Housing and Urban Development ("HUD") if the OCC determines violations of the fair lending laws may have occurred.

Changes in the applicable laws or regulations of the OCC, the FDIC, the FRB or other regulatory authorities, or changes in interpretations of such regulations or in agency policies or priorities, could have a material adverse impact on the Bank and the Company, their operations, and the value of the Company's debt and equity securities. The Company and its stock are also subject to rules issued by The Nasdaq Stock Market LLC ("Nasdaq"), the principal exchange on which the Company's common stock is traded. Failure of the Company to conform to Nasdaq's rules could have an adverse impact on the Company and the value of the Company's equity securities.

The following paragraphs summarize certain laws and regulations that apply to the Company and the Bank. These descriptions of statutes and regulations and their possible effects do not purport to be complete descriptions of all the provisions of those statutes and regulations and their possible effects on us, nor do they purport to identify every statute and regulation that applies to us.

Dodd-Frank Wall Street Reform and Consumer Protection Act

In July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") was signed into law. The Dodd-Frank Act is intended to address perceived weaknesses in the U.S. financial regulatory system and prevent future economic and financial crises.

The Dodd-Frank Act established increased compliance obligations across a number of areas in the banking business and, among other changes, required the federal banking agencies to establish consolidated risk-based and leverage capital requirements for insured depository institutions, depository institution holding companies and certain non-bank financial companies. Under an existing FRB policy statement, bank holding companies with less than $500 million in total consolidated assets were not subject to consolidated capital requirements. In guidance effective as of May 15, 2015, the FRB formally applied the policy statement to savings and loan holding companies, such as the Company, and raised the applicable asset threshold to $1 billion. The Dodd-Frank Act requires savings and loan holding companies to serve as a source of financial strength for any subsidiary of the holding company that is a depository institution by providing financial assistance in the event of the financial distress of the depository institution.

The Dodd-Frank Act also includes provisions changing the assessment base for federal deposit insurance from the amount of insured deposits to the amount of consolidated assets less tangible capital, and making permanent the $250,000 limit for federal deposit insurance that had initially been established on a temporary basis in reaction to the economic downturn in 2008.

The Dodd-Frank Act also established the Consumer Financial Protection Bureau ("CFPB"). The CFPB has authority to supervise compliance with and enforce consumer protection laws. The CFPB has broad rule-making authority for a wide range of consumer protection laws that apply to banks and savings institutions of all sizes, including the authority to prohibit "unfair, deceptive or abusive" acts and practices. Over the past several years, the CFPB has been active in bringing enforcement actions against banks and nonbank financial institutions to enforce federal consumer financial laws and has developed a number of new enforcement theories and applications of these laws. The CFPB's supervisory authority does not generally extend to insured depository institutions having less than $10 billion in assets. The other federal financial regulatory agencies, however, as well as state attorneys general and state banking agencies and other state financial regulators, have been increasingly active in this area with respect to institutions over which they have jurisdiction.

The Dodd-Frank Act also includes other provisions that require or permit further rulemaking by the federal bank regulatory agencies, which may affect our future operations. We will not be able to determine the impact of any such provisions until final rules are promulgated and other regulatory guidance is provided interpreting these provisions.

Capital Requirements

In July 2013, the federal banking regulators approved final rules (the "Basel III Capital Rules") implementing the Basel III framework as well as certain provisions of the Dodd-Frank Act. The Basel III Capital Rules substantially revised the risk-based capital requirements applicable to depository institutions including Broadway Federal. As stated above, the Company is a small savings and loan holding company that is exempt from consolidated capital requirements.

The Basel III Capital Rules, among other things, (i) introduce a new capital measure called "Common Equity Tier 1" ("CET1"), (ii) specify that Tier 1 capital consists of CET1 and "Additional Tier 1 capital" instruments meeting certain revised requirements, (iii) define CET1 narrowly by requiring that most deductions and adjustments to regulatory capital measures be made to CET1 and not to the other components of capital, and (iv) expand the scope of the deductions and adjustments to capital as compared to previously existing regulations.

Under the Basel III Capital Rules, the current minimum capital ratios effective as of January 1, 2015 are:

- 4.5% CET1 to risk-weighted assets;
- 6.0% Tier 1 capital (calculated as CET1 plus Additional Tier 1 capital) to risk-weighted assets;
- 8.0% Total capital (calculated as Tier 1 capital plus Tier 2 capital) to risk-weighted assets; and
- 4.0% Tier 1 capital to average consolidated assets (known as the "leverage ratio").

The Basel III Capital Rules also introduced a new "capital conservation buffer", composed entirely of CET1, in addition to the minimum risk-weighted capital to assets ratios. The implementation of the capital conservation buffer began on January 1, 2016 at the 0.625% level and increased by 0.625% on January 1 of each subsequent year, until it reached 2.5% on January 1, 2019. As fully phased in, the Basel III Capital Rules now require the Bank to maintain an additional capital conservation buffer of 2.5% of CET1, effectively resulting in minimum ratios of (i) CET1 to risk-weighted assets of at least 7%, (ii) Tier 1 capital to risk-weighted assets of at least 8.5%, (iii) a minimum ratio of Total capital to risk-weighted assets of at least 10.5%, and (iv) a minimum leverage ratio of 4.0%. The capital conservation buffer is designed to absorb losses during periods of economic stress and effectively increases the minimum required risk-weighted capital ratios. Banking institutions with a ratio of CET1 to risk-weighted assets below the effective minimum (4.5% plus the capital conservation buffer) will face constraints on dividends, equity repurchases, and compensation based on the amount of the shortfall.

The Basel III Capital Rules also provide for several deductions from and adjustments to CET1. These include, for example, the requirement that certain deferred tax assets and significant investments in non-consolidated financial entities be deducted from CET1 to the extent that any one such category exceeds 10% of CET1 or all such items, in the aggregate, exceed 15% of CET1.

In addition, under the Basel III Capital Rules, the effects of certain accumulated other comprehensive income items are not excluded automatically; however, Broadway Federal qualified to make a one-time permanent election to continue to exclude these items. It made this election to avoid significant variations in the level of its capital that might otherwise occur as a result of the impact of interest rate fluctuations on the fair value of its available-for-sale securities portfolio.

The Basel III Capital Rules prescribe a standardized approach for risk weightings that expands both the number of risk-weighting categories and the risk sensitivity of many categories. The risk weights assigned to a particular category of assets will depend on the nature of the assets and range from 0% for U.S. government and agency securities to 600% for certain equity exposures. On balance, the new standards result in higher risk weights for a number of asset categories.

Prompt Corrective Action

The Federal Deposit Insurance Act, as amended ("FDIA"), requires the federal banking agencies to take "prompt corrective action" with respect to depository institutions that do not meet minimum capital requirements. The OCC performs this function with respect to the Bank. The FDIA includes the following five capital tiers: "well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized" and "critically undercapitalized."

Generally, a capital restoration plan must be filed with the OCC within 45 days after the date a depository institution receives notice that it is "undercapitalized," "significantly undercapitalized" or "critically undercapitalized," and the plan must be guaranteed by any parent holding company. In addition, various mandatory supervisory actions become immediately applicable to the institution, including restrictions on growth of assets and other forms of expansion.

The Basel III Capital Rules included revisions to the prompt corrective action framework. Under the prompt corrective action requirements, insured depository institutions are now required to meet the following increased capital level requirements in order to qualify as "well capitalized:" (i) a new CET1 capital to risk weighted assets of 6.5%; (ii) a Tier 1 capital to risk weighted assets of 8% (increased from 6%); (iii) a total capital to risk weighted assets of 10% (unchanged from previous rules); and (iv) a Tier 1 leverage ratio of 5% (unchanged from previous rules).

At December 31, 2019, the Bank's level of capital exceeded all regulatory capital requirements and its regulatory capital ratios were above the minimum levels required to be considered well capitalized for regulatory purposes. Actual and required capital amounts and ratios at December 31, 2019 and 2018 are presented below.

	Actual		Minimum Capital Requirements		Minimum Required To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Dollars in thousands)			
December 31, 2019:						
Tier 1 (Leverage)	$ 48,541	11.56%	$ 16,798	4.00%	$ 20,997	5.00%
Common Equity Tier 1	$ 48,541	17.14%	$ 18,897	4.50%	$ 18,406	6.50%
Tier 1	$ 48,541	17.14%	$ 25,196	6.00%	$ 22,654	8.00%
Total Capital	$ 51,790	18.29%	$ 33,595	8.00%	$ 28,318	10.00%
December 31, 2018:						
Tier 1 (Leverage)	$ 49,433	12.03%	$ 16,439	4.00%	$ 20,549	5.00%
Common Equity Tier 1	$ 49,433	19.32%	$ 18,494	4.50%	$ 16,634	6.50%
Tier 1	$ 49,433	19.32%	$ 24,659	6.00%	$ 20,472	8.00%
Total Capital	$ 52,417	20.48%	$ 32,879	8.00%	$ 25,590	10.00%

Deposit Insurance

The FDIC is an independent federal agency that insures deposits of federally insured banks, including federal savings banks, up to prescribed statutory limits for each depositor. Pursuant to the Dodd-Frank Act, the maximum deposit insurance amount has been permanently increased to $250,000 per depositor, per ownership category.

The FDIC charges an annual assessment for the insurance of deposits based on the risk a particular institution poses to the FDIC's Deposit Insurance Fund ("DIF"). The Bank's DIF assessment is calculated by multiplying its assessment rate by the assessment base, which is defined as the average consolidated total assets less the average tangible equity of the Bank. The initial base assessment rate is based on an institution's capital level, and capital adequacy, asset quality, management, earnings, liquidity and sensitivity ("CAMELS") ratings, certain financial measures to assess an institution's ability to withstand asset related stress and funding related stress, and in some cases, additional discretionary adjustments by the FDIC to reflect additional risk factors.

The FDIC's overall premium rate structure is subject to change from time to time to reflect its actual and anticipated loss experience. The financial crisis that began in 2008 resulted in substantially higher levels of bank failures than had occurred in the immediately preceding years. These failures dramatically increased the resolution costs incurred by the FDIC and substantially reduced the available amount of the DIF.

As required by the Dodd-Frank Act, the FDIC adopted a new DIF restoration plan which became effective on January 1, 2011. Among other things, the plan increased the minimum designated DIF reserve ratio from 1.15% to 1.35% of insured deposits, which must be reached by September 30, 2020, and provides that in setting the assessments necessary to meet the new requirement, the FDIC is required to offset the effect of this provision on insured depository institutions with total consolidated assets of less than $10 billion, so that more of the cost of raising the reserve ratio will be borne by institutions with more than $10 billion in assets. With the increase of the DIF reserve ratio to 1.17% on June 30, 2016, the range of initial assessment rates has declined for all banks from five to 35 basis points on an annualized basis to three to 30 basis points on an annualized basis. In order to reach a DIF reserve ratio of 1.35%, insured depository institutions with $10 billion or more in total assets are required to pay a quarterly surcharge equal to an annual rate of 4.5 basis points, in addition to regular assessments. The FDIC will impose a shortfall in the first quarter of 2020 on large banks that did not have a reserve of at least 1.35% by December 31, 2019. The FDIC will provide assessment credits to insured depository institutions, like Broadway Federal, with total consolidated assets of less than $10 billion for the portion of their regular assessments that contribute to growth in the reserve ratio between 1.15% and 1.35%. The FDIC will apply the credits each quarter that the reserve ratio is at least 1.38% to offset the regular deposit insurance assessments of institutions with credits. During 2019, the Bank received two assessment credits totaling $56 thousand.

The FDIC may terminate a depository institution's deposit insurance upon a finding that the institution's financial condition is unsafe or unsound or that the institution has engaged in unsafe or unsound practices that pose a risk to the DIF or that may prejudice the interest of the bank's depositors.

Guidance on Commercial Real Estate Lending

In December 2015, the federal banking agencies released a statement titled "Statement on Prudent Risk Management for Commercial Real Estate Lending" (the "CRE Statement"). The CRE Statement expresses the banking agencies' concerns with banking institutions that ease their commercial real estate underwriting standards, directs financial institutions to maintain underwriting discipline and exercise risk management practices to identify, measure and monitor lending risks, and indicates that the agencies will continue to pay special attention to commercial real estate lending activities and concentrations going forward. The banking agencies previously issued guidance titled "Prudent Commercial Real Estate Loan Workouts" which provides guidance for financial institutions that are working with commercial real estate ("CRE") borrowers who are experiencing diminished operating cash flows, depreciated collateral values, or prolonged delays in selling or renting commercial properties and details risk-management practices for loan workouts that support prudent and pragmatic credit and business decision-making within the framework of financial accuracy, transparency, and timely loss recognition. The banking agencies had also issued previous guidance titled "Interagency Guidance on Concentrations in Commercial Real Estate" stating that a banking institution will be considered to be potentially exposed to significant CRE concentration risk, and should employ enhanced risk management practices, if total CRE loans represent 300% or more of its total capital and the outstanding balance of the institution's CRE loan portfolio has increased by 50% or more during the preceding 36 months.

In October 2009, the federal banking agencies adopted a policy statement supporting workouts of CRE loans, which is referred to as the "CRE Policy Statement". The CRE Policy Statement provides guidance for examiners, and for financial institutions that are working with CRE borrowers who are experiencing diminished operating cash flows, depreciated collateral values, or prolonged delays in selling or renting commercial properties. The CRE Policy Statement details risk-management practices for loan workouts that support prudent and pragmatic credit and business decision-making within the framework of financial accuracy, transparency, and timely loss recognition. The CRE Policy Statement states that financial institutions that implement prudent loan workout arrangements after performing comprehensive reviews of the financial condition of borrowers will not be subject to criticism for engaging in these efforts, even if the restructured loans have weaknesses that result in adverse credit classifications. In addition, performing loans, including those renewed or restructured on reasonable modified terms, made to creditworthy borrowers, will not be subject to adverse classification solely because the value of the underlying collateral declined. The CRE Policy Statement reiterates existing guidance that examiners are expected to take a balanced approach in assessing an institution's risk-management practices for loan workout activities.

In September 2018, the OCC provided the Bank with a letter of "no supervisory objection" ("NSO") to management's request to increase the Bank's multi-family residential loan concentration limit of 450% of Tier 1 Capital plus ALLL to 500% of Tier 1 Capital plus ALLL. In October of 2018, the OCC provided the Bank with a NSO permitting the Bank to increase the non-multifamily commercial real estate loan concentration limit to 100% of Tier 1 Capital plus ALLL, including a sublimit of 50% for land/construction loans, which brought the total CRE loan concentration limit to 600% of Tier 1 Capital plus ALLL.

Based on a presentation by management to the Bank's board of directors on October 30, 2019, the board approved an increase in the multi-family residential loan concentration limit to 600% of Tier 1 Capital plus ALLL. The OCC will monitor concentration levels and whether the Bank's risk management practices continue to align with the Bank's risk profile.

Loans to One Borrower

Federal savings banks generally are subject to the lending limits that are applicable to national banks. With certain limited exceptions, the maximum amount that a federal savings banks may lend to any borrower (including certain related persons or entities of such borrower) is an amount equal to 15% of the savings institution's unimpaired capital and unimpaired surplus, or $7.8 million for Broadway Federal at December 31, 2019, plus an additional 10% for loans fully secured by readily marketable collateral. Real estate is not included within the definition of "readily marketable collateral" for this purpose. We are in compliance with the limits applicable to loans to any one borrower. At December 31, 2019, our largest amount of loan to one borrower was $7.1 million, and the loan was performing in accordance with their terms and the borrower had no affiliation with Broadway Federal.

Community Reinvestment Act and Fair Lending

The Community Reinvestment Act, as implemented by OCC regulations ("CRA"), requires each federal savings bank, as well as other lenders, to make efforts to meet the credit needs of the communities they serve, including low- and moderate-income neighborhoods. The CRA requires the OCC to assess an institution's performance in meeting the credit needs of its communities as part of its examination of the institution, and to take such assessments into consideration in reviewing applications for mergers, acquisitions and other transactions. An unsatisfactory CRA rating may be the basis for denying an application. Community groups have successfully protested applications on CRA grounds. In connection with the assessment of a savings institution's CRA performance, the OCC assigns ratings of "outstanding," "satisfactory," "needs to improve" or "substantial noncompliance." The Bank's CRA performance has been rated by OCC as "outstanding" since 1995, and the Bank's "outstanding" rating was recently reaffirmed by OCC in its most recent CRA examination completed in April 2019.

The Bank is also subject to federal fair lending laws, including the Equal Credit Opportunity Act ("ECOA") and the Federal Housing Act ("FHA"), which prohibit discrimination in credit and residential real estate transactions on prohibited bases, including race, color, national origin, gender, and religion, among others. A lender may be liable under one or both acts in the event of overt discrimination, disparate treatment, or a disparate impact on a prohibited basis. The compliance of federal savings banks of the Bank's size with these acts is primarily supervised and enforced by the OCC. If the OCC determines that a lender has engaged in a pattern or practice of discrimination in violation of ECOA, the OCC refers the matter to the DOJ. Similarly, HUD is notified of violations of the FHA.

Qualified Thrift Lender Test

The Home Owners Loan Act ("HOLA") requires all federal savings banks to meet a Qualified Thrift Lender ("QTL") test. Under the QTL test, a federal savings bank is required to maintain at least 65% of its portfolio assets (total assets less (i) specified liquid assets up to 20% of total assets, (ii) intangibles, including goodwill, and (iii) the value of property used to conduct business) in certain "qualified thrift investments" on a monthly basis during at least 9 out of every 12 months. Qualified thrift investments include, in general, loans, securities and other investments that are related to housing, shares of stock issued by any Federal Home Loan Bank, loans for educational purposes, loans to small businesses, loans made through credit cards or credit card accounts and certain other permitted thrift investments. The failure of a federal savings bank to remain a QTL may result in required conversion of the institution to a bank charter, which would change the federal savings bank's permitted business activities in various respects, including operation under certain restrictions, such as limitations on new investments and activities, the imposition of restrictions on branching and the payment of dividends that apply to national banks. At December 31, 2019, the Bank was in compliance with the QTL test requirements.

The USA Patriot Act, Bank Secrecy Act ("BSA"), and Anti-Money Laundering ("AML") Requirements

The USA PATRIOT Act was enacted after September 11, 2001 to provide the federal government with powers to prevent, detect, and prosecute terrorism and international money laundering, and has resulted in the promulgation of several regulations that have a direct impact on savings associations. Financial institutions must have a number of programs in place to comply with this law, including: (i) a program to manage BSA/AML risk; (ii) a customer identification program designed to determine the true identity of customers, document and verify the information, and determine whether the customer appears on any federal government list of known or suspected terrorists or terrorist organizations; and (iii) a program for monitoring for the timely detection and reporting of suspicious activity and reportable transactions. Failure to comply with these requirements may result in regulatory action, including the issuance of cease and desist orders, impositions of civil money penalties and adverse changes in an institution's regulatory ratings, which could adversely affect its ability to obtain regulatory approvals for business combinations or other desired business objectives.

Privacy Protection

Broadway Federal is subject to OCC regulations implementing the privacy protection provisions of federal law. These regulations require Broadway Federal to disclose its privacy policy, including identifying with whom it shares "nonpublic personal information," to customers at the time of establishing the customer relationship and annually thereafter. The regulations also require Broadway Federal to provide its customers with initial and annual notices that accurately reflect its privacy policies and practices. In addition, to the extent its sharing of such information is not covered by an exception, Broadway Federal is required to provide its customers with the ability to "opt-out" of having Broadway Federal share their nonpublic personal information with unaffiliated third parties.

Broadway Federal is also subject to regulatory guidelines establishing standards for safeguarding customer information. The guidelines describe the agencies' expectations for the creation, implementation and maintenance of an information security program, which would include administrative, technical and physical safeguards appropriate to the size and complexity of the institution and the nature and scope of its activities. The standards set forth in the guidelines are intended to ensure the security and confidentiality of customer records and information, protect against any anticipated threats or hazards to the security or integrity of such records and protect against unauthorized access to or use of such records or information that could result in substantial harm or inconvenience to any customer.

Cybersecurity

In the ordinary course of business, we rely on electronic communications and information systems to conduct our operations and to store sensitive data. We employ an in-depth, layered, defensive approach that leverages people, processes and technology to manage and maintain cybersecurity controls. We employ a variety of preventative and detective tools to monitor, block, and provide alerts regarding suspicious activity, as well as to report on any suspected advanced persistent threats. Notwithstanding the strength of our defensive measures, the threat from cybersecurity attacks is severe, attacks are sophisticated and increasing in volume, and attackers respond rapidly to changes in defensive measures. While to date we have not experienced a significant compromise, significant data loss or any material financial losses related to cybersecurity attacks, our systems and those of our customers and third-party service providers are under constant threat and it is possible that we could experience a significant event in the future.

The federal banking agencies have adopted guidelines for establishing information security standards and cybersecurity programs for implementing safeguards under the supervision of a banking organization's the board of directors. These guidelines, along with related regulatory materials, increasingly focus on risk management, processes related to information technology and operational resiliency, and the use of third parties in the provision of financial services.

Risks and exposures related to cybersecurity attacks are expected to remain high for the foreseeable future due to the rapidly evolving nature and sophistication of these threats, as well as due to the expanding use of Internet banking, mobile banking and other technology-based products and services by us and our customers.

Savings and Loan Holding Company Regulation

As a savings and loan holding company, we are subject to the supervision, regulation, and examination of the FRB. In addition, FRB has enforcement authority over the Company and our subsidiary Broadway Federal. Applicable statutes and regulations administered by FRB place certain restrictions on our activities and investments. Among other things, we are generally prohibited, either directly or indirectly, from acquiring more than 5% of the voting shares of any savings association or savings and loan holding company that is not a subsidiary of the Company.

The Change in Bank Control Act prohibits a person, acting directly or indirectly or in concert with one or more persons, from acquiring control of a savings and loan holding company unless the FRB has been given 60 days prior written notice of such proposed acquisition and within that time period the FRB has not issued a notice disapproving the proposed acquisition or extending for up to another 30 days the period during which a disapproval may be issued. The term "control" is defined for this purpose to include ownership or control of, or holding with power to vote, 25% or more of any class of a savings and loan holding company's voting securities. Under a rebuttable presumption contained in the regulations of the FRB, ownership or control of, or holding with power to vote, 10% or more of any class of voting securities of a savings and loan holding company will be deemed control for purposes of the Change in Bank Control Act if the institution (i) has registered securities under Section 12 of the Exchange Act, or (ii) no person will own, control, or have the power to vote a greater percentage of that class of voting securities immediately after the transaction. In addition, any company acting directly or indirectly or in concert with one or more persons or through one or more subsidiaries would be required to obtain the approval of the FRB under the Home Owners' Loan Act before acquiring control of a savings and loan holding company. For this purpose, a company is deemed to have control of a savings and loan holding company if the company (i) owns, controls, holds with power to vote, or holds proxies representing, 25% or more of any class of voting shares of the holding company, (ii) contributes more than 25% of the holding company's capital, (iii) controls in any manner the election of a majority of the holding company's directors, or (iv) directly or indirectly exercises a controlling influence over the management or policies of the savings bank or other company. The FRB may also determine, based on the relevant facts and circumstances, that a company has otherwise acquired control of a savings and loan holding company.

Restrictions on Dividends and Other Capital Distributions

In general, the prompt corrective action regulations prohibit a federal savings bank from declaring any dividends, making any other capital distribution, or paying a management fee to a controlling person, such as its parent holding company, if, following the distribution or payment, the institution would be within any of the three undercapitalized categories. In addition to the prompt corrective action restriction on paying dividends, OCC regulations limit certain "capital distributions" by savings associations. Capital distributions are defined to include, among other things, dividends and payments for stock repurchases and payments of cash to stockholders in mergers.

Under the OCC capital distribution regulations, a federal savings bank that is a subsidiary of a savings and loan holding company must notify the OCC at least 30 days prior to the declaration of any capital distribution by its federal savings bank subsidiary. The 30-day period provides the OCC an opportunity to object to the proposed dividend if it believes that the dividend would not be advisable.

An application to the OCC for approval to pay a dividend is required if: (i) the total of all capital distributions made during that calendar year (including the proposed distribution) exceeds the sum of the institution's year-to-date net income and its retained income for the preceding two years; (ii) the institution is not entitled under OCC regulations to "expedited treatment" (which is generally available to institutions the OCC regards as well run and adequately capitalized); (iii) the institution would not be at least "adequately capitalized" following the proposed capital distribution; or (iv) the distribution would violate an applicable statute, regulation, agreement, or condition imposed on the institution by the OCC.

The Bank's ability to pay dividends to the Company is also subject to the restriction that the Bank is not permitted to pay dividends to the Company if its regulatory capital would be reduced below the amount required for the liquidation account established in connection with the conversion of the Bank from the mutual to the stock form of organization.

See Item 5, "Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities" and Note 13 of the Notes to Consolidated Financial Statements for a further description of dividend and other capital distribution limitations to which the Company and the Bank are subject.

Tax Matters

Federal Income Taxes

We report our income on a calendar year basis using the accrual method of accounting and are subject to federal income taxation in the same manner as other corporations with certain exceptions, including particularly the Bank's tax reserve for bad debts. The Bank has qualified under provisions of the Internal Revenue Code (the "Code") that in the past allowed qualifying savings institutions to establish reserves for bad debts, and to make additions to such reserves, using certain preferential methodologies. In December 2017, Congress passed the Tax Cuts and Jobs Act of 2017, which lowered our federal income tax rate to 21% from 34% starting in 2018. See Note 11 of the Notes to Consolidated Financial Statements for a further description of tax matters applicable to our business.

California Taxes

As a savings and loan holding company filing California franchise tax returns on a combined basis with its subsidiaries, the Company is subject to California franchise tax at the rate applicable to "financial corporations." The applicable statutory tax rate is 10.84%.

ITEM 2. PROPERTIES

We conduct our business through three branch offices and a corporate office. Our loan service operation is also conducted from one of our branch offices. Our administrative and corporate operations are conducted from our corporate facility located at 5055 Wilshire Boulevard, Suite 500, Los Angeles. There are no mortgages, material liens or encumbrances against any of our owned properties. We believe that all the properties are adequately covered by insurance, and that our facilities are adequate to meet our present needs.

As of December 31, 2019, the net book value of our investment in premises, equipment and fixtures, excluding computer equipment, was $2.8 million. Total occupancy expense, inclusive of rental payments and furniture and equipment expense, for the year ended December 31, 2019 was $1.3 million. Total annual rental expense (exclusive of operating charges and real property taxes) was approximately $600 thousand during 2019.

Location	Leased or Owned	Original Date Leased or Acquired	Date of Lease Expiration
Administrative/Loan Origination Center: 5055 Wilshire Blvd, Suite 500 Los Angeles, CA	Leased	2013	May 2021
Branch Offices: 5055 Wilshire Blvd, Suite 100 Los Angeles, CA	Leased	2013	May 2021
170 N. Market Street Inglewood, CA (Branch Office/Loan Service Center)	Owned	1996	-
4001 South Figueroa Street Los Angeles, CA	Owned	1996	-

ITEM 3. LEGAL PROCEEDINGS

In the ordinary course of business, we are defendants in various litigation matters from time to time. In our opinion, the disposition of any litigation and other legal and regulatory matters currently pending or threatened against us would not have a material adverse effect on our financial position, results of operations or cash flows.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is traded on the Nasdaq Capital Market under the symbol "BYFC." The table below shows the high and low sale prices for our common stock during the periods indicated.

2019	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
High	$ 1.50	$ 1.47	$ 2.00	$ 1.76
Low	$ 1.13	$ 1.21	$ 1.42	$ 1.42

2018	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
High	$ 2.55	$ 2.44	$ 2.20	$ 1.60
Low	$ 1.95	$ 1.92	$ 1.38	$ 0.95

The closing sale price for our common stock on the Nasdaq Capital Market on March 18, 2020 was $1.14 per share. As of March 18, 2020, we had 285 stockholders of record and 19,282,571 shares of voting common stock outstanding. At that date, we also had 8,756,396 shares of non-voting common stock outstanding. Our non-voting common stock is not listed for trading on the Nasdaq Capital Market, but is convertible into our voting common stock in connection with certain sale or other transfer transactions.

In general, we may pay dividends out of funds legally available for that purpose at such times as our Board of Directors determines that dividend payments are appropriate, after considering our net income, capital requirements, financial condition, alternate investment options, prevailing economic conditions, industry practices and other factors deemed to be relevant at the time. We suspended our prior policy of paying regular cash dividends in May 2010 in order to retain capital for reinvestment in the Company's business.

Our financial ability to pay permitted dividends is primarily dependent upon receipt of dividends from Broadway Federal. Broadway Federal is subject to certain requirements which may limit its ability to pay dividends or make other capital distributions. See Item 1 "Business—Regulation" and Note 14 of the Notes to Consolidated Financial Statements in Item 8 "Financial Statements and Supplementary Data" for an explanation of the impact of regulatory capital requirements on Broadway Federal's ability to pay dividends.

Equity Compensation Plan Information

The following table provides information about the Company's common stock that may be issued under equity compensation plans as of December 31, 2019.

Plan category	Number of securities to be issued upon exercise of outstanding options (a)		Weighted average exercise price of outstanding options (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders:				
2008 Long Term Incentive Plan	455,000	$	1.67	-
2018 Long Term Incentive Plan	-		-	834,177
Equity compensation plans not approved by security holders:				
None	-		-	-
Total	455,000	$	1.67	824,177

As of December 31, 2019, 416,764 shares of restricted stock and 42,168 shares of voting common stock had been issued under the 2018 Long Term Incentive Plan. In addition, as of December 31, 2019, under the 2008 LTIP, the Company had awarded 97,195 of cash-settled restricted stock units ("RSUs"), which vested on February 21, 2020. Our Board of Directors intends to consider issuing additional equity incentives in the future to certain key employees as a form of long-term compensation that will help align the interests of senior management with those of our stockholders.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion is intended to provide a reader of our financial statements with a narrative from the perspective of our management on our financial condition, results of operations, liquidity and other factors that have affected our reported results of operations and financial condition or may affect our future results or financial condition. Our MD&A should be read in conjunction with the Consolidated Financial Statements and related Notes included in Item 8, "Financial Statements and Supplementary Data," of this Annual Report on Form 10 K.

Overview

Total assets increased by $31.0 million to $440.4 million at December 31, 2019 from $409.4 million at December 31, 2018. The growth in total assets was primarily comprised of an increase of $42.3 million in net loans receivable held for investment offset by decreases of $6.2 million in loans receivable held for sale, $3.7 million in securities available for sale, $1.1 million in interest-bearing cash in other banks and $833 thousand in REO. The Bank had no REO as of December 31, 2019.

Total liabilities increased by $30.5 million to $391.5 million at December 31, 2019 from $361.0 million at December 31, 2018. The increase in total liabilities during 2019 resulted primarily from increases of $16.3 million in total deposits and $14.0 million in FHLB advances

We recorded a net loss of $206 thousand for the year ended December 31, 2019 compared to net earnings of $815 thousand for the year ended December 31, 2018. The decrease in earnings was primarily attributable to an increase of $1.2 million in interest expense on deposits and a decline of $1.2 million in the loan loss provision recapture during 2019 compared to 2018. Also, non-interest expense increased by $515 thousand during 2019 compared to 2018, primarily due to higher professional services fees of $491 thousand and higher compensation costs of $302 thousand, offset by a decrease of $288 thousand in other expenses, primarily due to lower REO costs of $166 thousand and lower marketing costs of $88 thousand. These items were partially offset by higher net interest income of $153 thousand and an increase in gain on sale of loans of $134 thousand during 2019 compared to 2018.

Comparison of Operating Results for the Years Ended December 31, 2019 and 2018

General

Our most significant source of income is net interest income, which is the difference between our interest income and our interest expense. Generally, interest income is generated from our loans and investments (interest earning assets) and interest expense is incurred from deposits and borrowings (interest bearing liabilities). Typically, our results of operations are also affected by our provision for or loan loss provision recapture, non-interest income generated from service charges and fees on loan and deposit accounts, gains or losses on the sale of loans and REO, non-interest expenses, and income taxes.

Net Interest Income

For the year ended December 31, 2019, net interest income increased by $153 thousand to $10.5 million, from $10.3 million for the same period in 2018.

Interest and fees on loans receivable increased by $1.6 million for the year ended December 31, 2019 compared to the same period a year ago. The increase was primarily due to an increase of 32 basis points in the average yield on loans receivable, which increased loan interest income by $677 thousand, an increase of $542 thousand in interest recoveries on non-accrual loans, and an increase of $8.8 million in the average balance of loans receivable, which increased interest income by $347 thousand.

Interest income on securities decreased by $54 thousand for the year ended December 31, 2019 compared to the prior year due to a decrease of $2.5 million in the average balance of securities, which decreased interest income by $66 thousand, offset by an increase of 7 basis points in the average yield on securities, which increased interest income by $12 thousand.

Other interest income increased by $98 thousand for the year ended December 31, 2019 compared to the prior year. The increase in other interest income primarily resulted from a net increase in the average balance of interest earning cash deposits in other banks of $4.0 million, which increased interest income by $84 thousand, and an increase of 36 basis points in the average interest rate on deposits, which increased interest income by $61 thousand. These increases were partially offset by a decrease of $47 thousand in dividends on FHLB stock because the Bank received a special dividend during the fourth quarter of 2018 which it did not receive during 2019.

Interest expense on deposits increased by $1.2 million for the year ended December 31, 2019 compared to the prior year, primarily due to an increase of 39 basis points in the average cost of deposits, which increased interest expense by $1.0 million, and an increase of $6.6 million in the average balance of deposits, which increased interest expense by $174 thousand.

Interest expense on borrowings increased by $270 thousand for the year ended December 31, 2019 compared to the prior year, primarily due to an increase of $272 thousand in interest expense on FHLB advances. The interest expense on FHLB advances increased due to an increase of 29 basis points in the average cost of FHLB borrowings, which increased interest expense by $221 thousand and an increase of $2.3 million in the average balance of FHLB advances, which increased interest expense by $51 thousand. The increase in interest expense on FHLB advances was offset by a decrease of $2 thousand in interest expense on the Company's junior subordinated debentures due to a decrease of $209 thousand in the average balance of the Debentures, which decreased interest expense by $10 thousand, offset by an increase of 17 basis points in the average interest rate on the Debentures, which increased interest expense by $8 thousand.

Analysis of Net Interest Income

Net interest income is the difference between income on interest earning assets and the expense on interest bearing liabilities. Net interest income depends upon the relative amounts of interest earning assets and interest bearing liabilities and the interest rates earned or paid on them. The following table sets forth average balances, average yields and costs, and certain other information for the years indicated. All average balances are daily average balances. The yields set forth below include the effect of deferred loan fees, deferred origination costs, and discounts and premiums that are amortized or accreted to interest income or expense. We do not accrue interest on loans that are on non-accrual status; however, the balance of these loans is included in the total average balance, which has the effect of reducing average loan yields.

(Dollars in Thousands)	For the year ended December 31, 2019 Average Balance	2019 Interest	2019 Average Yield/ Cost	2018 Average Balance	2018 Interest	2018 Average Yield/ Cost
Assets						
Interest-earning assets:						
Interest-earning deposits and other short-term investments	$ 19,447	$ 439	2.26%	$ 15,470	$ 294	1.90%
Securities	13,531	359	2.65%	16,019	413	2.58%
Loans receivable(1)	375,206	15,845 (2)	4.22%	366,453	14,279 (3)	3.90%
FHLB stock	2,916	204	7.00%	2,916	251	8.61%
Total interest-earning assets	411,100	$ 16,847	4.10%	400,858	$ 15,237	3.80%
Non-interest-earning assets	10,809			10,225		
Total assets	$ 421,909			$ 411,083		
Liabilities and Stockholders' Equity						
Interest-bearing liabilities:						
Money market deposits	$ 25,297	$ 222	0.88%	$ 37,489	$ 320	0.85%
Passbook deposits	45,548	285	0.63%	41,975	175	0.42%
NOW and other demand deposits	34,091	11	0.03%	34,779	31	0.09%
Certificate accounts	180,611	3,758	2.08%	164,703	2,563	1.56%
Total deposits	285,547	4,276	1.50%	278,946	3,089	1.11%
FHLB advances	77,049	1,862	2.42%	74,729	1,590	2.13%
Junior subordinated debentures	4,891	248	5.07%	5,100	250	4.90%
Total interest-bearing liabilities	367,487	$ 6,386	1.74%	$ 358,775	$ 4,929	1.37%
Non-interest-bearing liabilities	5,566			4,699		
Stockholders' Equity	48,856			47,609		
Total liabilities and stockholders' equity	$ 421,909			$ 411,083		
Net interest rate spread (4)		$ 10,461	2.36%		$ 10,308	2.43%
Net interest rate margin (5)			2.54%			2.57%
Ratio of interest-earning assets to interest-bearing liabilities			111.87%			111.73%

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(1) Amount is net of deferred loan fees, loan discounts and loans in process, and includes deferred origination costs, loan premiums and loans receivable held for sale.
(2) Includes non-accrual interest of $567 thousand, reflecting interest recoveries on non-accrual loans that were paid off, and deferred cost amortization of $254 thousand for the year ended December 31, 2019.
(3) Includes non-accrual interest of $40 thousand, reflecting interest recoveries on non-accrual loans that were paid off, and deferred cost amortization of $503 thousand for the year ended December 31, 2018.
(4) Net interest rate spread represents the difference between the yield on average interest-earning assets and the cost of average interest-bearing liabilities.
(5) Net interest rate margin represents net interest income as a percentage of average interest-earning assets.

Changes in our net interest income are a function of changes in both rates and volumes of interest earning assets and interest bearing liabilities. The following table sets forth information regarding changes in our interest income and expense for the years indicated. Information is provided in each category with respect to (i) changes attributable to changes in volume (changes in volume multiplied by prior rate), (ii) changes attributable to changes in rate (changes in rate multiplied by prior volume), and (iii) the total change. The changes attributable to the combined impact of volume and rate have been allocated proportionately to the changes due to volume and the changes due to rate.

	Year ended December 31, 2019 Compared to Year ended December 31, 2018			Year ended December 31, 2018 Compared to Year ended December 31, 2017		
	Increase (Decrease) in Net Interest Income			Increase (Decrease) in Net Interest Income		
	Due to Volume	Due to Rate	Total	Due to Volume	Due to Rate	Total
	(In thousands)					
Interest-earning assets:						
Interest-earning deposits and other short-term investments	$ 84	$ 61	$ 145	$ (232)	$ 153	$ (79)
Securities	(66)	12	(54)	66	29	95
Loans receivable, net	347	1,219	1,566	(588)	(530)	(1,118)
FHLB stock	-	(47)	(47)	6	46	52
Total interest-earning assets	365	1,245	1,610	(748)	(302)	(1,050)
Interest-bearing liabilities:						
Money market deposits	(107)	9	(98)	(6)	58	52
Passbook deposits	16	94	110	10	40	50
NOW and other demand deposits	(1)	(19)	(20)	2	9	11
Certificate accounts	266	929	1,195	(203)	781	578
Total deposits	174	1,013	1,187	(197)	888	691
FHLB advances	51	221	272	(302)	141	(161)
Junior subordinated debentures	(10)	8	(2)	-	51	51
Total interest-bearing liabilities	215	1,242	1,457	(499)	1,080	581
Change in net interest income	$ 150	$ 3	$ 153	$ (249)	$ (1,382)	$ (1,631)

Loan Loss Provision/Recapture

For the year ended December 31, 2019, we recorded a net loan loss provision recapture of $7 thousand, which was comprised of a loan loss provision recapture of $348 thousand in the first quarter due to payoffs of non-accrual loans, offset by loan loss provisions of $47 thousand in the third quarter and $294 thousand in the fourth quarter due to growth in the loan portfolio. In contrast, the Bank recorded a loan loss provision recapture of $1.3 million for calendar year 2018 due to the overall improvement in the environmental factors used in the Bank's analysis of the ALLL. See "Allowance for Loan Losses" for additional information.

Non-Interest Income

For the year ended December 31, 2019, non-interest income totaled $1.1 million compared to $865 thousand for the same period a year ago. The increase of $187 thousand in non-interest income was primarily due to an increase of $134 thousand in gain on sale of loans, an increase of $42 thousand in service charges on deposits, and an increase in miscellaneous fees of $11 thousand during 2019 compared to 2018.

Non-Interest Expense

For the year ended December 31, 2019, non-interest expense totaled $12.1 million compared to $11.6 million for the same period a year ago. The increase of $515 thousand in non-interest expense was primarily due to increases of $491 thousand in professional services expense ($315 thousand of which was related to non-recurring matters), $302 thousand in compensation and benefits expense and $66 thousand in information services expenses, offset primarily by decreases of $288 thousand in other expenses (primarily due to decreases of $166 thousand in REO expense, $88 thousand in marketing expense, $68 thousand in FDIC insurance expense (primarily due to $56 thousand of Small Bank Assessment credits that the Bank received due to FDIC excess reserves) and $11 thousand in supervisory examination costs), $16 thousand in amortization of an investment in a low-income housing limited partnership, $14 thousand in corporate insurance expense, $13 thousand in occupancy expense, and $9 thousand in costs of office services and supplies.

Professional services expense increased by $491 thousand during the year ended December 31, 2019 compared to the year ended December 31, 2018 primarily due to $285 thousand in legal-related matters, $116 thousand in third party audit costs, and $90 thousand in consulting fees.

Compensation and benefits expense increased by $302 thousand during the year ended December 31, 2019 compared to the same period of 2018 primarily due to increases of $281 thousand in stock-related salary costs, $46 thousand in salary costs and $8 thousand in deferred compensation costs associated with loans originated for the portfolio, offset by decreases of $28 thousand in other benefits cost and $7 thousand in other employment related costs.

Income Taxes

We recorded an income tax benefit of $345 thousand for the year ended December 31, 2019 and an income tax expense of $56 thousand for the year ended December 31, 2018. The income tax benefit for 2019 included a tax benefit of $147 thousand on our pretax loss of $551 thousand and tax credits of $198 thousand. Income tax expense for the year 2018 resulted from a standard tax provision of $261 thousand, offset by tax credits of $205 thousand.

The deferred tax asset totaled $5.2 million at December 31, 2019 and $5.0 million at December 31, 2018. See Note 1 "Summary of Significant Accounting Policies" and Note 11 "Income Taxes" of the Notes to Consolidated Financial Statements for a further discussion of income taxes and a reconciliation of income tax at the federal statutory tax rate to actual tax expense (benefit).

Section 382 of the Internal Revenue Code imposes limitations on a corporation's ability to utilize net operating loss carryforwards, tax credit carryovers and other income tax attributes when there is an ownership change. Generally, the rules provide that an ownership change is deemed to have occurred when the cumulative increase of each 5% or more stockholder and certain groups of stockholders treated as 5% or more stockholders, as determined under Section 382, exceeds 50% over a specified "testing" period, generally equal to three years. Section 382 applies rules regarding the treatment of new groups of stockholders treated as 5% stockholders due to issuances of stock and other equity transactions, which may cause a change of control to occur. The Company has performed an analysis of the potential impact of Section 382 and has determined that the Company did not undergo an ownership change during 2019 or 2018 and any potential limitations imposed under Section 382 do not currently apply.

Comparison of Financial Condition at December 31, 2019 and 2018

Total Assets

Total assets increased by $31.0 million to $440.4 million at December 31, 2019 from $409.4 million at December 31, 2018. The growth in total assets was primarily comprised of an increase of $42.3 million in net loans receivable held for investment offset by decreases of $6.2 million in loans receivable held for sale, $3.7 million in securities available for sale, $1.1 million in interest-bearing cash in other banks and $833 thousand in REO. The Bank had no REO as of December 31, 2019.

Loans Receivable Held for Sale

The Bank had no loans held for sale as of December 31, 2019 compared to $6.2 million as of December 31, 2018. During 2019, the Bank originated $15.2 million in loans held for sale, transferred $1.5 million to loans held for sale from loans held for investment, sold $22.8 million in loans held for sale, and received $115 thousand in loan repayments. During 2018, the Bank originated $20.2 million in loans held for sale, transferred $16.9 million to loans held for investment, sold $19.3 million in loans held for sale and received $159 thousand in loan repayments.

Loans Receivable Held for Investment

Loans receivable held for investment, net of the allowance for loan losses, totaled $397.8 million at December 31, 2019, compared to $355.6 million at December 31, 2018. During 2019, the Bank originated $114.4 million in new loans, $103.1 million of which were multi-family loans, $9.5 million of which were commercial real estate loans, $1.7 million of which were construction loans, and $49 thousand of which were commercial loans. Of the multi-family loans originated, we allocated $87.9 million, or 85%, to loans held for investment and $15.2 million, or 15%, to loans held for sale. In addition, we transferred net loans of $1.5 million to loans held for sale from loans held for investment during 2019. During 2018, the Bank originated $99.0 million in new loans, $96.0 million of which were multi-family loans. Of the multi-family loans originated during 2018, we allocated $75.8 million, or 79%, to loans held for investment and $20.2 million, or 21%, to loans held for sale. We transferred $16.9 million of loans to loans held for investment from loans held for sale during 2018.

No loans were transferred to REO during 2019 or 2018. The one REO owned by the Bank as of December 31, 2018 was sold during the first quarter of 2019.

Allowance for Loan Losses

We record a provision for loan losses as a charge to earnings when necessary in order to maintain the ALLL at a level sufficient, in management's judgment, to absorb probable incurred losses in the loan portfolio. At least quarterly we assess the overall quality of the loan portfolio and general economic trends in the local market. The determination of the appropriate level for the allowance is based on that review, considering such factors as historical loss experience for each type of loan, the size and composition of our loan portfolio, the levels and composition of our loan delinquencies, non-performing loans and net loan charge-offs, the value of underlying collateral on problem loans, regulatory policies, general economic conditions, and other factors related to the collectability of loans in the portfolio.

Our ALLL increased to $3.2 million or 0.79% of our gross loans receivable held for investment at December 31, 2019 compared to $2.9 million, or 0.82% of our gross loans receivable held for investment at December 31, 2018. The ALLL increased by $253 thousand during 2019 due to loan loss recoveries of $260 thousand, offset by a net loan loss recapture of $7 thousand. During 2019, the Bank recorded a loan loss provision recapture of $348 thousand in the first quarter of 2019, offset by loan loss provisions of $47 thousand in the third quarter and $294 thousand in the fourth quarter due to growth in the loan portfolio. In contrast, during 2018, the ALLL decreased by $1.2 million to $2.9 million from $4.1 million at December 31, 2017 due to a loan loss provision recapture of $1.3 million, offset by loan loss recoveries of $114 thousand. The reduction in ALLL during 2018 was due to the overall improvement in the environmental factors used in the Company's analysis of the allowance for loan and lease losses.

Our loan delinquencies and non-performing loans ("NPLs") are at their lowest levels since December 2009. We had total delinquencies of $18 thousand at December 31, 2019 compared to $35 thousand at December 31, 2018. NPLs consist of delinquent loans that are 90 days or more past due and other loans, including troubled debt restructurings that do not qualify for accrual status. At December 31, 2019, NPLs totaled $424 thousand compared to $911 thousand at December 31, 2018. The decrease of $487 thousand in NPLs was primarily due to payoffs of $423 thousand, repayments of $83 thousand.

In connection with our review of the adequacy of our ALLL, we track the amount and percentage of our NPLs that are paying currently, but nonetheless must be classified as NPL for reasons unrelated to payments, such as lack of current financial information and an insufficient period of satisfactory performance. As of December 31, 2019, $406 thousand of our $424 thousand of NPLs were current in their payments. Also, in determining the ALLL, we consider the ratio of the ALLL to NPLs, which increased to 750.47% at December 31, 2019 from 321.51% at December 31, 2018.

When reviewing the adequacy of the ALLL, we also consider the impact of charge-offs, including the changes and trends in loan charge-offs. There were no loan charge-offs during 2019 and 2018. In determining charge-offs, we update our estimates of collateral values on NPLs by obtaining new appraisals at least every nine months. If the estimated fair value of the loan collateral less estimated selling costs is less than the recorded investment in the loan, a charge-off for the difference is recorded to reduce the loan to its estimated fair value, less estimated selling costs. Therefore, any losses inherent in our total NPLs are recognized periodically through charge-offs. The impact of updating these estimates of collateral value and recognizing any required charge-offs is to increase charge-offs and reduce the ALLL required on these loans. Due to prior charge-offs and increases in collateral values, the average recorded investment in NPLs was only 21% of estimated fair value less estimated selling costs as of December 31, 2019.

Loan loss recoveries totaled $260 thousand during 2019 and $114 thousand during 2018. Recoveries during 2019 and 2018 primarily resulted from the payoffs of non-accrual loans which had been previously partially charged off.

Impaired loans at December 31, 2019 were $5.3 million, compared to $6.4 million at December 31, 2018. The decrease of $1.1 million in impaired loans was primarily due to payoffs and repayments. Specific reserves for impaired loans were $147 thousand or 2.74% of the aggregate impaired loan amount at December 31, 2019 compared to $227 thousand, or 3.56% of the aggregate impaired loan amount at December 31, 2018. Excluding specific reserves for impaired loans, our coverage ratio (general allowance as a percentage of total non-impaired loans) was 0.76% at December 31, 2019 compared to 0.77% at December 31, 2018. The decrease in the coverage ratio during 2019 was due to overall improvement in the credit quality of the loan portfolio, which had a favorable impact on the environmental factors used in our analysis of the ALLL.

We believe that the ALLL is adequate to cover probable incurred losses in the loan portfolio as of December 31, 2019, but there can be no assurance that actual losses will not exceed the estimated amounts. In addition, the OCC and the FDIC periodically review the ALLL as an integral part of their examination process. These agencies may require an increase in the ALLL based on their judgments of the information available to them at the time of their examinations.

Total Liabilities

Total liabilities increased by $30.5 million to $391.5 million at December 31, 2019 from $361.0 million at December 31, 2018. The increase in total liabilities was primarily comprised of increases of $16.3 million in deposits and $14.0 million in FHLB advances.

Deposits

Deposits increased by $16.3 million to $297.7 million at December 31, 2019 from $281.4 million at December 31, 2018, which consisted of an increase of $17.7 million in CDs and a decrease of $1.4 million in liquid deposits.

One customer relationship accounted for approximately 10% of our deposits at December 31, 2019. We expect to maintain this relationship with the customer for the foreseeable future.

Borrowings

Total borrowings at December 31, 2019 consisted of advances to the Bank from the FHLB of $84.0 million, and junior subordinated debentures issued by the Company of $4.3 million, compared to advances from the FHLB of $70.0 million and junior subordinated debentures of $5.1 million at December 31, 2018. During 2019, the Bank paid off $8.0 million in maturing FHLB advances, borrowed $22.5 million in new advances from the FHLB and repaid $765 thousand of its junior subordinated debentures.

The weighted average cost of FHLB advances increased by 29 basis points to 2.42% at December 31, 2019 from 2.13% at December 31, 2018 primarily due to higher interest rates.

Stockholders' Equity

Stockholders' equity was $48.8 million, or 11.09% of the Company's total assets at December 31, 2019, compared to $48.4 million, or 11.83% of the Company's total assets at December 31, 2018. The Company's book value was $1.75 per share as of December 31, 2019, compared to $1.77 per share as of December 31, 2018.

Capital Resources

Our principal subsidiary, Broadway Federal, must comply with capital standards established by the OCC in the conduct of its business. Failure to comply with such capital requirements may result in significant limitations on its business or other sanctions. As a "small bank holding company", we are not subject to consolidated capital requirements under the new Basel III capital rules. The current regulatory capital requirements and possible consequences of failure to maintain compliance are described in Part I, Item 1 "Business-Regulation" and in Note 13 of the Notes to Consolidated Financial Statements.

Liquidity

The objective of liquidity management is to ensure that we have the continuing ability to fund operations and meet our obligations on a timely and cost-effective basis. The Bank's sources of funds include deposits, advances from the FHLB, other borrowings, proceeds from the sale of loans, REO, and investment securities, and payments of principal and interest on loans and investment securities. The Bank is currently approved by the FHLB to borrow up to 40% of total assets to the extent the Bank provides qualifying collateral and holds sufficient FHLB stock. The approved limit and collateral requirement would have permitted the Bank to borrow an additional $39.7 million at December 31, 2019.

The Bank's primary uses of funds include withdrawals of and interest payments on deposits, originations of loans, purchases of investment securities, and the payment of operating expenses. Also, when the Bank has more funds than required for reserve requirements or short-term liquidity needs, the Bank invests excess cash with the Federal Reserve Bank or other financial institutions. The Bank's liquid assets at December 31, 2019 consisted of $15.6 million in cash and cash equivalents and $11.0 million in securities available-for-sale that were not pledged, compared to $16.7 million in cash and cash equivalents and $14.7 million in securities available-for-sale that were not pledged at December 31, 2018. Currently, we believe that the Bank has sufficient liquidity to support growth over the foreseeable future.

The Company's liquidity, separate from the Bank, is based primarily on the proceeds from financing transactions, including the private placements completed in August 2013, October 2014 and December 2016 and dividends received from the Bank in 2017, 2018 and 2019. The Bank is currently under no prohibition to pay dividends but is subject to restrictions as to the amount of the dividends it can pay based on normal regulatory guidelines.

The Company recorded consolidated net cash inflows from operating activities of $8.5 million and $234 thousand during the years ended December 31, 2019 and 2018, respectively. Net cash inflows from operating activities during 2019 were primarily attributable to proceeds from sales and repayments of loans receivable held for sale of $23.1 million, offset by originations of loans receivable held for sale of $15.2 million. Net cash inflows from operating activities during 2018 were primarily attributable to proceeds from sales and repayments of loans receivable held for sale of $19.6 million, offset by originations of loans receivable held for sale of $20.3 million and a loan loss recapture of $1.3 million.

The Company recorded consolidated net cash outflows from investing activities of $39.1 million and $818 thousand during the years ended December 31, 2019 and 2018, respectively. Net cash outflows from investing activities during 2019 were primarily attributable to a net increase in loans receivable held for investment of $44.0 million, offset by principal repayments on available-for-sale securities of $4.1 million and proceeds from the sale of REO of $820 thousand. Net cash outflows from investing activities during 2018 were primarily attributable to a net increase in loans receivable held for investment of $3.2 million, offset by principal repayments on available-for-sale securities of $2.4 million.

The Company recorded consolidated net cash inflows from financing activities of $29.5 million during the year ended December 31, 2019 and net cash outflows from financing activities of $5.0 million during the year ended December 31, 2018. Net cash inflows from financing activities during 2019 were primarily attributable to an increase in proceeds from FHLB advances of $22.0 million and an increase in deposits of $16.3 million, offset by repayments of FHLB advances of $8.0 million and repayments of junior subordinated debentures of $765 thousand. Net cash outflows from financing activities during 2018 were primarily attributable to repayments of FHLB advances of $27.5 million and a net outflow of deposits of $9.9 million, offset by an increase in proceeds from FHLB advances of $32.5 million.

Off-Balance-Sheet Arrangements and Contractual Obligations

We are party to financial instruments with off-balance-sheet risk in the normal course of our business, primarily in order to meet the financing needs of our customers. These instruments involve, to varying degrees, elements of credit, interest rate and liquidity risk. In accordance with GAAP, these instruments are either not recorded in the consolidated financial statements or are recorded in amounts that differ from the notional amounts. Such instruments primarily include lending commitments and lease commitments as described below.

Lending commitments include commitments to originate loans and to fund lines of credit. Commitments to extend credit are agreements to lend to a customer if there is no violation of any condition established in the commitment. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee by the borrower. Since some of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. We evaluate creditworthiness on a case-by-case basis. Our maximum exposure to credit risk is represented by the contractual amount of the instruments.

In addition to our lending commitments, we have contractual obligations related to operating lease commitments. Operating lease commitments are obligations under various non-cancellable operating leases on buildings and land used for office space and banking purposes. The following table details our contractual obligations at December 31, 2019.

	Less than one year	More than one year to three years	More than three years to five years	More than five years	Total
			(Dollars in thousands)		
Certificates of deposit	$ 168,441	$ 20,823	$ 971	$ -	$ 190,235
FHLB advances	33,500	40,500	10,000	-	84,000
Junior subordinated debentures	1,020	2,040	1,275	-	4,335
Commitments to originate loans	5,930	-	-	-	5,930
Commitments to fund unused lines of credit	1,670	-	-	300	1,970
Operating lease obligations	529	182	-	-	711
Total contractual obligations	$ 211,090	$ 63,545	$ 12,246	$ 300	$ 287,181

Impact of Inflation and Changing Prices

Our consolidated financial statements, including accompanying notes, have been prepared in accordance with GAAP which require the measurement of financial position and operating results primarily in terms of historical dollars without considering the changes in the relative purchasing power of money over time due to inflation. The impact of inflation is reflected in increased costs of our operations. Unlike industrial companies, nearly all our assets and liabilities are monetary in nature. As a result, interest rates have a greater impact on our performance than do the effects of general levels of inflation. Interest rates do not necessarily move in the same direction or to the same extent as the price of goods and services.

Critical Accounting Policies

Critical accounting policies are those that involve significant judgments and assessments by management, and which could potentially result in materially different results under different assumptions and conditions. This discussion highlights those accounting policies that management considers critical. All accounting policies are important, however, and therefore you are encouraged to review each of the policies included in Note 1 "Summary of Significant Accounting Principles" of the Notes to Consolidated Financial Statements beginning at page F-8 to gain a better understanding of how our financial performance is measured and reported. Management has identified the Company's critical accounting policies as follows:

Allowance for Loan Losses

The determination of the allowance for loan losses is considered critical due to the high degree of judgment involved, the subjectivity of the underlying assumptions used, and the potential for changes in the economic environment that could result in material changes in the amount of the allowance for loan losses considered necessary. The allowance is evaluated on a regular basis by management and the Board of Directors and is based on a periodic review of the collectability of the loans in light of historical experience, the nature and size of the loan portfolio, adverse situations that may affect borrowers' ability to repay, the estimated value of any underlying collateral, prevailing economic conditions and feedback from regulatory examinations. See Item 1, "Business – Asset Quality – Allowance for Loan Losses" for a full discussion of the allowance for loan losses.

Real Estate Owned ("REO")

REO consists of property acquired through foreclosure or deed in lieu of foreclosure and is recorded at the fair value, less estimated costs to sell, at the time of acquisition. The excess, if any, of the loan balance over the fair value of the property at the time of transfer from loans to REO is charged to the allowance for loan losses. After the transfer to REO, if the fair value of the property less estimated selling costs declines to an amount less than the carrying value of the property, the deficiency is charged to income as a provision expense and a valuation allowance is established. Operating costs after acquisition are expensed as incurred. Due to changing market conditions, there are inherent uncertainties in the assumptions made with respect to the estimated fair value of REO. Therefore, the amount ultimately realized may differ from the amounts reflected in the accompanying consolidated financial statements.

Income Taxes

Deferred tax assets and liabilities are determined using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is determined based on the tax effects of the temporary differences between the book and tax bases of the various balance sheet assets and liabilities and gives current recognition to changes in tax rates and laws. A valuation allowance is established against deferred tax assets when, based upon the available evidence including historical and projected taxable income, it is more likely than not that some or all the deferred tax asset will not be realized. In assessing the realization of deferred tax assets, management evaluates both positive and negative evidence, including the existence of any cumulative losses in the current year and the prior two years, the amount of taxes paid in available carry-back years, forecasts of future income and available tax planning strategies. This analysis is updated quarterly. Based on this analysis, we determined that no valuation allowance was required on our deferred tax assets, which totaled $5.2 million and $5.0 million at December 31, 2019 and 2018, respectively. See Note 11 "Income Taxes" of the Notes to Consolidated Financial Statements in Item 8, "Financial Statements and Supplementary Data."

Fair Value Measurements

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Fair values are estimated using relevant market information and other assumptions, as more fully disclosed in Note 5 of the Notes to Consolidated Financial Statements. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for items. Changes in assumptions or in market conditions could significantly affect the estimates.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See Index to Consolidated Financial Statements of Broadway Financial Corporation and Subsidiaries.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures

As of December 31, 2019, an evaluation was performed under the supervision of the Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, the Company's CEO and CFO concluded that the Company's disclosure controls and procedures were effective as of December 31, 2019.

Management's annual report on internal control over financial reporting

The management of Broadway Financial Corporation is responsible for establishing and maintaining adequate internal control over financial reporting for the Company as defined in Rule 13a-15(f) under the Exchange Act. This system, which management has chosen to base on the framework set forth in *Internal Control-Integrated Framework*, published by the 1992 Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), and which is effected by the Company's Board of Directors, management and other personnel, is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

The Company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and the Directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, a system of internal control over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. Further, because of changes in conditions, effectiveness of internal controls over financial reporting may vary over time.

With the participation of the Company's CEO and CFO, management has conducted an evaluation of the effectiveness of the Company's system of internal control over financial reporting. Based on this evaluation, management determined that the Company's system of internal control over financial reporting was effective as of December 31, 2019.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

Changes in internal control over financial reporting

There were no significant changes in the Company's internal control over financial reporting identified in connection with the evaluation of internal control over financial reporting that occurred during the fourth quarter of 2019 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

/s/ Wayne-Kent A. Bradshaw	/s/ Brenda J. Battey
Wayne-Kent A. Bradshaw *Chief Executive Officer* (Principal Executive Officer)	Brenda J. Battey *Chief Financial Officer* (Principal Financial Officer and Principal Accounting Officer)
Los Angeles, CA March 27, 2020	Los Angeles, CA March 27, 2020

ITEM 9B. OTHER INFORMATION

None

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item is incorporated herein by reference to the definitive Proxy Statement, under the captions "Election of Directors", "Executive Officers", "Code of Ethics" and "Section 16(a) Beneficial Ownership Reporting Compliance", that will be filed with the Securities and Exchange Commission in connection with the Company's 2020 Annual Meeting of Stockholders (the "Company's Proxy Statement").

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated herein by reference to the Company's Proxy Statement, under the caption "Executive Compensation" and "Director Compensation."

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item is incorporated herein by reference to the Company's Proxy Statement, under the caption "Security Ownership of Certain Beneficial Owners and Management."

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item is incorporated herein by reference to the Company's Proxy Statement, under the caption "Certain Relationships and Related Transactions" and "Election of Directors."

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item is incorporated herein by reference to the Company's Proxy Statement, under the caption "Ratification of the Appointment of the Independent Registered Public Accounting Firm."

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) 1. See Index to Consolidated Financial Statements.

2. Financial Statement Schedules have been omitted because they are not applicable or the required information is shown in the Consolidated Financial Statements or Notes thereto included under Item 8, "Financial Statements and Supplementary Data."

(b) List of Exhibits

Exhibit Number*	
3.1	Certificate of Incorporation of Registrant and all amendments thereto (Exhibit 3.1 to Form 10-Q filed by Registrant on November 13, 2014)
3.2	Bylaws of Registrant (Exhibit 3.2 to Form 10-K filed by Registrant on March 28, 2016)
3.3	Certificate of Designations for the Series B Junior Participating Preferred Stock (Exhibit 3.1 to Form 8-K filed by Registrant on September 10, 2019)
4.1	Description of Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934
4.2	Rights Agreement between Broadway Financial Corporation and Computershare Trust Company, N.A., as rights agent (Exhibit 4.1 to Form 8-K filed by Registrant on September 10, 2019)
10.1**	Broadway Federal Bank Employee Stock Ownership Plan (Exhibit 10.1 to Form 10-K filed by Registrant on March 28, 2016)
10.2**	Amended and Restated Broadway Financial Corporation 2008 Long Term Incentive Plan (Exhibit 10.3 to Form 10-Q filed by Registrant on August 12, 2016)
10.3**	Amended Form of Stock Option Agreement for stock options granted pursuant to Amended and Restated Broadway Financial Corporation 2008 Long-Term Incentive Plan (Exhibit 10.1 to Form 10-Q filed by Registrant on August 12, 2016)
10.5**	Broadway Financial Corporation 2018 Long-Term Incentive Plan (Exhibit 10.5 to Form 10-K filed by Registrant on March 29, 2019)
10.6**	Form of Award Agreement for grants of restricted stock pursuant to Broadway Financial Corporation 2018 Long-Term Incentive Plan (Exhibit 10.6 to Form 10-K filed by Registrant on March 29, 2019)
10.7**	Employment Agreement, dated as of March 22, 2017, for Wayne-Kent A. Bradshaw (Exhibit 10.7 to Form 10-K filed by Registrant on March 29, 2019)
10.10**	Award Agreement, dated as of February 27, 2019 for grant of restricted stock to Wayne-Kent A. Bradshaw pursuant to Broadway Financial Corporation 2018 Long-Term Incentive Plan (Exhibit 10.10 to Form 10-K filed by Registrant on March 29, 2019)
10.11**	Employment Agreement, dated as of May 1, 2017, for Brenda J. Battey (Exhibit 10.11 to Form 10-K filed by Registrant on March 29, 2019)
10.12**	Employment Agreement, dated as of May 1, 2017, for Norman Bellefeuille (Exhibit 10.12 to Form 10-K filed by Registrant on March 29, 2019)
10.13**	Employment Agreement, dated as of May 1, 2017, for Ruth McCloud (Exhibit 10.13 to Form 10-K filed by Registrant on March 29, 2019)

Exhibit Number*	
10.14**	Broadway Federal Bank Incentive Compensation Plan (Exhibit 10.14 to Form 10-K filed by Registrant on March 29, 2019)
10.16	Stock Purchase Agreement, dated as of December 21, 2016, entered between First Republic Bank and Registrant (Exhibit 10.8 to Form 10-K filed by Registrant on March 27, 2017)
10.20	ESOP Loan Agreement and ESOP Pledge Agreement, each dated as of December 19, 2016, entered into between Registrant and Miguel Paredes, as trustee for the Broadway Federal Bank, f.s.b., Employee Stock Ownership Plan Trust, and related Promissory Note, dated as of December 19, 2016 (Exhibit 10.12 to Form 10-K filed by Registrant on March 27, 2017)
21.1	List of Subsidiaries (Exhibit 21.1 to Registration Statement on Form S-1 filed by Registrant on November 20, 2013)
23.1	Consent of Moss Adams LLP
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.4	Certification of Chief Executive Officer pursuant to Interim Final Rule—TARP Standards for Compensation and Corporate Governance at 31 CFR Part 30
99.5	Certification of Chief Financial Officer pursuant to Interim Final Rule—TARP Standards for Compensation and Corporate Governance at 31 CFR Part 30)
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definitions Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Exhibits followed by a parenthetical reference are incorporated by reference herein from the document filed by the Registrant with the SEC described therein. Except as otherwise indicated, the SEC File No. for each incorporated document is 000-27464.

** Management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BROADWAY FINANCIAL CORPORATION

By: /s/ Wayne-Kent A. Bradshaw
Wayne-Kent A. Bradshaw
Chief Executive Officer
Date: March 27, 2020

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ Wayne-Kent A. Bradshaw Wayne-Kent A. Bradshaw Chief Executive Officer and President (Principal Executive Officer)	Date: March 27, 2020
/s/ Brenda J. Battey Brenda J. Battey Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	Date: March 27, 2020
/s/ Virgil P. Roberts Virgil P. Roberts Chairman of the Board	Date: March 27, 2020
/s/ Robert C. Davidson, Jr. Robert C. Davidson, Jr. Director	Date: March 27, 2020
/s/ Jack T. Thompson Jack T. Thompson Director	Date: March 27, 2020
/s/ Daniel A. Medina Daniel A. Medina Director	Date: March 27, 2020
/s/ Dutch C. Ross III Dutch C. Ross III Director	Date: March 27, 2020
/s/ Erin Selleck Erin Selleck Director	Date: March 27, 2020

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BROADWAY FINANCIAL CORPORATION AND SUBSIDIARY

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Years ended December 31, 2019 and 2018

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors
Broadway Financial Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial condition of Broadway Financial Corporation and Subsidiary (the "Company") as of December 31, 2019 and 2018, the related consolidated statements of operations and comprehensive (loss) income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2019 and 2018, and the consolidated results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Moss Adams LLP

Los Angeles, California
March 27, 2020

We have served as the Company's auditor since 2014.

BROADWAY FINANCIAL CORPORATION AND SUBSIDIARY

Consolidated Statements of Financial Condition

	December 31, 2019	December 31, 2018
	(In thousands, except share and per share)	
Assets:		
Cash and due from banks	$ 3,016	$ 4,124
Interest-bearing deposits in other banks	12,550	12,527
Cash and cash equivalents	15,566	16,651
Investment securities available-for-sale, at fair value	11,006	14,722
Loans receivable held for sale, at lower of cost or fair value	—	6,231
Loans receivable held for investment, net of allowance of $3,182 and $2,929	397,847	355,556
Accrued interest receivable	1,223	1,143
Federal Home Loan Bank (FHLB) stock	2,916	2,916
Office properties and equipment, net	2,783	2,242
Bank owned life insurance	3,100	3,047
Deferred tax assets, net	5,220	5,045
Investment in affordable housing limited partnership	163	342
Real estate owned (REO)	—	833
Other assets	545	669
Total assets	**$ 440,369**	**$ 409,397**
Liabilities and stockholders' equity		
Liabilities:		
Deposits	$ 297,724	$ 281,414
FHLB advances	84,000	70,000
Junior subordinated debentures	4,335	5,100
Advance payments by borrowers for taxes and insurance	1,033	1,055
Accrued expenses and other liabilities	4,429	3,392
Total liabilities	**391,521**	**360,961**
Commitments and Contingencies (Note 14)		
Stockholders' Equity:		
Preferred stock, $.01 par value, authorized 1,000,000 shares; none issued or outstanding	—	—
Common stock, $.01 par value, voting, authorized 50,000,000 shares at December 31, 2019 and December 31, 2018; issued 21,729,249 shares at December 31, 2019 and 21,280,228 shares at December 31, 2018; outstanding 19,111,423 shares at December 31, 2019 and 18,662,402 shares at December 31, 2018	218	213
Common stock, $.01 par value, non-voting, authorized 25,000,000 shares at December 31, 2019 and December 31, 2018; issued and outstanding 8,756,396 shares at December 31, 2019 and December 31, 2018	87	87
Additional paid-in capital	46,426	46,141
Retained earnings	8,425	8,631
Unearned Employee Stock Ownership Plan (ESOP) shares	(959)	(1,027)
Accumulated other comprehensive loss, net of tax	(23)	(283)
Treasury stock-at cost, 2,617,826 shares at December 31, 2019 and at December 31, 2018	(5,326)	(5,326)
Total stockholders' equity	**48,848**	**48,436**
Total liabilities and stockholders' equity	**$ 440,369**	**$ 409,397**

See accompanying notes to consolidated financial statements.

BROADWAY FINANCIAL CORPORATION AND SUBSIDIARY

Consolidated Statements of Operations and Comprehensive Income

	Year Ended December 31, 2019	Year Ended December 31, 2018
	(In thousands, except per share)	
Interest Income:		
Interest and fees on loans receivable	$ 15,845	$ 14,279
Interest on investment securities	359	413
Other interest income	643	545
Total interest income	16,847	15,237
Interest Expense:		
Interest on deposits	4,276	3,089
Interest on borrowings	2,110	1,840
Total interest expense	6,386	4,929
Net interest income before loan loss provision recapture	10,461	10,308
Loan loss provision recapture	7	1,254
Net interest income after loan loss provision recapture	10,468	11,562
Non-Interest Income:		
Service charges	491	449
Net gain on sales of loans	204	70
CDFI grant	233	233
Other	124	113
Total non-interest income	1,052	865
Non-Interest Expense:		
Compensation and benefits	7,357	7,055
Occupancy expense	1,265	1,278
Information services	888	822
Professional services	1,144	653
Office services and supplies	280	289
Loan related expenses	163	167
Corporate insurance	133	147
Amortization of investment in affordable housing limited partnership	179	195
Other	662	950
Total non-interest expense	12,071	11,556
(Loss) income before income taxes	(551)	871
Income tax (benefit) expense	(345)	56
Net (loss) income	$ (206)	$ 815
Other comprehensive loss, net of tax:		
Unrealized gains (loss) on securities available-for-sale arising during the period	$ 369	$ (292)
Income tax expense (benefit)	109	(90)
Other comprehensive income (loss), net of tax	260	(202)
Comprehensive income	$ 54	$ 613
(Loss) earnings per common share-basic	$ (0.01)	$ 0.03
(Loss) earnings per common share-diluted	$ (0.01)	$ 0.03

See accompanying notes to consolidated financial statements.

BROADWAY FINANCIAL CORPORATION AND SUBSIDIARY

Consolidated Statements of Changes in Stockholders' Equity
(In thousands, except share and per share)

	Common Shares Issued	Common Stock	Additional Paid-in Capital	Retained Earnings	Unearned ESOP shares	Accumulated Other Comprehensive Loss, Net	Treasury Stock	Total Stockholders' Equity
Balance at December 31, 2017	**30,069,045**	**$ 300**	**$ 46,117**	**$ 7,816**	**$ (1,095)**	**$ (81)**	**(5,326)**	**$ 47,731**
Net income	-	-	-	815	-	-	-	815
Common stock issued for services	18,906	-	45	-	-	-	-	45
Common stock repurchased for tax withholdings	(51,327)	-	(108)	-	-	-	-	(108)
Release of unearned ESOP shares	-	-	12	-	68	-	-	80
Change in unrealized loss on securities available-for-sale, net of tax	-	-	-	-	-	(202)	-	(202)
Restricted stock compensation expense	-	-	36	-	-	-	-	36
Stock-based compensation expense	-	-	39	-	-	-	-	39
Balance at December 31, 2018	**30,036,624**	**$ 300**	**$ 46,141**	**$ 8,631**	**$ (1,027)**	**$ (283)**	**$ (5,326)**	**$ 48,436**
Net loss	-	-	-	(206)	-	-	-	(206)
Common stock issued for services	42,168	1	52	-	-	-	-	53
Common stock repurchased for tax withholdings	-	-	(14)	-	-	-	-	(14)
Release of unearned ESOP shares	-	-	(3)	-	68	-	-	65
Change in unrealized gain on securities available-for-sale, net of tax	-	-	-	-	-	260	-	260
Restricted stock compensation expense	406,853	4	212	-	-	-	-	216
Stock-based compensation expense	-	-	38	-	-	-	-	38
Balance at December 31, 2019	**30,485,645**	**$ 305**	**$ 46,426**	**$ 8,425**	**$ (959)**	**$ (23)**	**$ (5,326)**	**$ 48,848**

See accompanying notes to consolidated financial statements.

BROADWAY FINANCIAL CORPORATION AND SUBSIDIARY

Consolidated Statements of Cash Flows

	Year Ended December 31	
	2019	2018
	(In thousands)	
Cash flows from operating activities:		
Net (loss) income	$ (206)	$ 815
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Loan loss provision recaptures	(7)	(1,254)
Provision for losses on REO	13	45
Depreciation	227	241
Reversal of valuation allowance on loan held for sale	(12)	—
Net amortization of deferred loan origination costs	254	605
Net amortization of premiums on mortgage-backed securities	30	36
Amortization of investment in affordable housing limited partnership	179	195
Stock-based compensation expense	254	75
Stocks granted to directors	53	45
ESOP compensation expense	65	80
Earnings on bank owned life insurance	(53)	(53)
Originations of loans receivable held for sale	(15,182)	(20,288)
Proceeds from sales and repayments of loans receivable held for sale	23,074	19,626
Gain on sale of loans receivable held for sale	(204)	(70)
Changes in operating assets and liabilities		
Net change in deferred taxes	(284)	155
Net change in accrued interest receivable	(80)	(70)
Net change in other assets	124	187
Net change in advance payments by borrowers for taxes and insurance	(22)	(16)
Net change in accrued expenses and other liabilities	310	(120)
Net cash provided by operating activities	8,533	234
Cash flows from investing activities:		
Net change in loans receivable held for investment	(43,983)	(3,185)
Principal payments on available-for-sale securities	4,055	2,444
Proceeds from sales of REO	820	—
Additions to office properties and equipment	(41)	(77)
Net cash used in investing activities	(39,149)	(818)
Cash flows from financing activities:		
Net change in deposits	16,310	(9,876)
Proceeds from FHLB advances	22,000	32,500
Repayments on FHLB advances	(8,000)	(27,500)
Payment for tax withholding for vesting of restricted stock	(14)	(108)
Repayments of junior subordinated debentures	(765)	—
Net cash provided by (used in) financing activities	29,531	(4,984)
Net change in cash and cash equivalents	(1,085)	(5,568)
Cash and cash equivalents at beginning of the year	16,651	22,219
Cash and cash equivalents at end of the year	$ 15,566	$ 16,651
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 6,336	$ 4,898
Cash paid for income taxes	13	—
Supplemental disclosures of non-cash investing and financing activities:		
Transfers of loans receivable held for sale to loans receivable held for investment	$ 9,227	$ 16,871
Transfers of loans receivable held for investment to loans receivable held for sale	10,684	—
Common stock exchanged for payment of tax withholding	14	108
Initial recognition of operating lease right-to-use assets	1,120	—
Initial recognition of operating lease liabilities	1,120	—

See accompanying notes to consolidated financial statements.

BROADWAY FINANCIAL CORPORATION AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

Note 1 – Summary of Significant Accounting Policies

Nature of Operations and Principles of Consolidation

Broadway Financial Corporation (the "Company") is a Delaware corporation primarily engaged in the savings and loan business through its wholly owned subsidiary, Broadway Federal Bank, f.s.b. (the "Bank"). The Bank's business is that of a financial intermediary and consists primarily of attracting deposits from the general public and using such deposits, together with borrowings and other funds, to make mortgage loans secured by residential and commercial real estate located in Southern California. At December 31, 2019, the Bank operated two retail-banking offices in Los Angeles, California and one in the nearby city of Inglewood, California. The Bank is subject to significant competition from other financial institutions and is also subject to regulation by certain federal agencies and undergoes periodic examinations by those regulatory authorities.

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Broadway Federal Bank, f.s.b. All significant inter-company transactions and balances have been eliminated in consolidation.

Use of Estimates

To prepare consolidated financial statements in conformity with U.S. generally accepted accounting principles ("GAAP"), management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the consolidated financial statements and the disclosures provided, and actual results could differ from these estimates. The allowance and provision for loan losses, specific reserves for impaired loans, fair value of real estate owned, deferred tax asset valuation allowance, and fair values of investment securities and other financial instruments are particularly subject to change.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash items in the process of collection, amounts due from correspondent banks and the Federal Reserve Bank of San Francisco (the "Federal Reserve Bank"), and interest-bearing deposits in other banks with initial terms of ninety days or less. The Company may be required to maintain reserve and clearing balances with the Federal Reserve Bank under the Federal Reserve Act of 1913, as amended. The reserve and clearing requirement balance was $49 thousand at December 31, 2019. Net cash flows are reported for customer loan and deposit transactions, interest-bearing deposits in other banks, deferred income taxes and other assets and liabilities.

Investment Securities

Debt securities are classified as held-to-maturity and carried at amortized cost when management has the positive intent and ability to hold them to maturity. Debt securities are classified as available-for-sale when they might be sold before maturity. Securities available-for-sale are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income (loss), net of tax.

BROADWAY FINANCIAL CORPORATION AND SUBSIDIARY

Notes to Consolidated Financial Statements (continued)

December 31, 2019 and 2018

Interest income includes amortization of purchase premium or discount. Premiums and discounts on securities are amortized on the level-yield method without anticipating prepayments. Gains and losses on sales are recorded on the trade date and determined using the specific identification method.

Management evaluates securities for other-than-temporary impairment ("OTTI") on at least a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. Consideration is given to the financial condition and near-term prospects of the issuer, the length of time and the extent to which the fair value has been less than the cost, and the intent and ability of management to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition.

Loans Receivable Held for Sale

The Bank originates loans for sale, and may, from time-to-time, decide to sell certain loans that are held for investment in order to manage loan concentrations. When a decision is made to sell loans, such loans are transferred from held-for-investment portfolio to held-for-sale portfolio at the lower of cost or fair value. If a reduction in value is required at time of the transfer, a charge-off is recorded against the allowance for loan and lease losses ("ALLL"). Any subsequent decline in value of the loans is recorded as a valuation allowance with a corresponding charge to non-interest expense.

Transfers of loans 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 legally isolated from the Bank, (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 provides no more than a trivial benefit to the Bank, and (3) the Bank does not maintain effective control over the transferred assets.

Loans receivable held for sale are generally sold with servicing rights released. Gains and losses on sales of loans are based on the difference between the selling price and the carrying value of the related loan sold. When loans receivable held for sale are sold, existing deferred loan fees or costs are an adjustment of the gain or loss on sale.

Loans Receivable Held for Investment

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at the principal balance outstanding, net of allowance for loan losses, deferred loan fees and costs and unamortized premiums and discounts. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct loan origination costs, premiums and discounts are deferred, and recognized in income using the level-yield method without anticipating prepayments.

Interest income on all loans is discontinued at the time the loan is 90 days delinquent unless the loan is well-secured and in process of collection. Past due status is based on the contractual terms of the loan. In all cases, loans are placed on non-accrual or charged-off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not received for loans placed on non-accrual is reversed against interest income. Interest received on such loans is accounted for on the cash-basis or cost recovery method, until qualifying for return to

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accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Concentration of Credit Risk

Concentrations of credit risk arise when several customers are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic conditions. The Company's lending activities are predominantly in real estate loans that are secured by properties located in Southern California and many of the borrowers reside in Southern California. Therefore, the Company's exposure to credit risk is significantly affected by changes in the economy and real estate market in the Southern California area.

The Company has a significant concentration of deposits with a long-time customer that accounted for approximately 10% of its deposits as of December 31, 2019. The Company expects to maintain this relationship with the customer for the near term.

Loans Purchased

The Bank purchases or participates in loans originated by other institutions from time to time. Subject to regulatory restrictions applicable to savings institutions, the Bank's current loan policies allow all loan types to be purchased. The determination to purchase specific loans or pools of loans is based upon the Bank's investment needs and market opportunities and is subject to the Bank's underwriting policies, which require consideration of the financial condition of the borrower and the appraised value of the property, among other factors. Premiums or discounts incurred upon the purchase of loans are recognized in income using the interest method over the estimated life of the loans, adjusted for actual prepayments. No loans were purchased during 2019 and 2018.

Allowance for Loan Losses

The allowance for loan losses is a valuation allowance for probable incurred credit losses. Loan losses are charged against the allowance when management believes the uncollectability of a loan balance is confirmed. Subsequent cash recoveries, if any, are credited to the allowance. Management estimates the allowance balance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions, and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, could be charged off. In addition, the OCC and FDIC periodically review the allowance for loan losses as an integral part of their examination process. These agencies may require an increase in the allowance for loan losses based on their judgments of the information available to them at the time of their examinations.

The allowance consists of specific and general components. The specific component relates to loans that are individually classified as impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. Loans for which the terms have been modified resulting in a concession, and for which the borrower is experiencing financial difficulties, are considered troubled debt restructurings ("TDR") and classified as impaired.

Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant

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payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on case-by-case basis, taking into consideration all of the 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.

If a loan is impaired, either a portion of the allowance is allocated so that the loan is reported, net, at the present value of estimated future cash flows using the loan's existing rate or alternatively a charge-off is taken to record the loan at the fair value of the collateral, less estimated selling costs, if repayment is expected solely from the collateral.

TDRs are individually evaluated for impairment and included in the separately identified impairment disclosures. TDRs are measured at the present value of estimated future cash flows using the loan's effective rate at inception. If a TDR is a collateral dependent loan, the loan is reported, net, at the fair value of the collateral. For TDRs that subsequently default, the Company determines the amount of any necessary additional charge-off based on internal analyses and appraisals of the underlying collateral securing these loans.

The general component covers loans that are collectively evaluated for impairment and is based on historical loss experience adjusted for current factors. The historical loss experience is determined by portfolio segment with the use of a loss migration analysis and is based on the actual loss history experienced by the Company over the most recent five years. This actual loss experience is supplemented with information about other current economic factors based on the risks present for each portfolio segment. These current economic factors include consideration of the following: levels of and trends in delinquencies and impaired loans; levels of and trends in charge-offs and recoveries; trends in volume and terms of loans; effects of any changes in risk selection and underwriting standards; other changes in lending policies, procedures, and practices; experience, ability, and depth of lending management and other relevant staff; national and local economic trends and conditions; industry conditions; and effects of changes in credit concentrations.

The following portfolio segments have been identified: one-to-four units ("single family"), five or more units ("multi-family"), commercial real estate, church, construction, commercial loans, and consumer loans. The risks in our various portfolio segments are as follows:

Single Family – Subject to adverse employment conditions in the local economy leading to increased default rate; decreased market values from oversupply in a geographic area; impact on borrowers' ability to maintain payments in the event of incremental rate increases on adjustable rate mortgages.

Multi-Family – Subject to adverse various market conditions that cause a decrease in market value or lease rates; change in personal funding sources for tenants; oversupply of units in a specific region; a shift in population; reputational risks.

Commercial Real Estate – Subject to adverse conditions in the local economy which may lead to reduced cash flows due to vacancies and reduced rental rates; decreases in the value of underlying collateral.

Church – Subject to adverse economic and employment conditions leading to reduced cash flows from members' donations and offerings; the stability, quality and popularity of church leadership.

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Construction – Subject to adverse conditions in the local economy which may lead to reduced demand for new commercial, multi-family or single family buildings or reduced lease or sale opportunities once the building is complete.

Commercial – Subject to industry and economic conditions including decreases in product demand.

Consumer – Subject to adverse employment conditions in the local economy, which may lead to higher default rates.

Real Estate Owned

Assets acquired through, or by deed in lieu of, loan foreclosure are initially recorded at fair value less estimated costs to sell when acquired, establishing a new cost basis. These assets are subsequently accounted for at lower of cost or fair value less estimated costs to sell. If fair value declines subsequent to foreclosure, a valuation allowance is recorded through a provision that is charged to non-interest expense. Operating costs after acquisition are expensed as incurred.

Office Properties and Equipment

Land is carried at cost. Premises and equipment are stated at cost less accumulated depreciation. Buildings and related components are depreciated using the straight-line method with useful lives ranging from 10 to 40 years. Furniture, fixtures and equipment are depreciated using the straight-line method with useful lives ranging from 3 to 10 years. Leasehold improvements are amortized over the lease term or the estimated useful life of the asset, whichever is shorter.

Federal Home Loan Bank (FHLB) stock

The Bank is a member of the FHLB system. Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income when declared.

Bank-Owned Life Insurance

The Bank has purchased life insurance policies on a former key executive. Bank owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement.

Investment in Affordable Housing Limited Partnership

The Bank owns a less than 5% interest in an affordable housing limited partnership. The investment is recorded using the cost method and is being amortized over the life of the related tax credits. The tax credits are being recognized in income tax expense in the consolidated financial statements to the extent they are utilized on the Company's income tax returns. The investment is reviewed for impairment on an annual basis or on an interim basis if an event occurs that would trigger potential impairment.

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Loan Commitments and Related Financial Instruments

Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and commercial letters of credit, issued to meet customer financing needs. The face amount for these items represents the exposure to loss, before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded.

Revenue Recognition

Accounting Standard Codification ("ASC") 606, Revenue from Contracts with Customers ("ASC 606"), establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts to provide goods or services to customers. The core principle requires the Company to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration that it expects to be entitled to receive in exchange for those goods or services recognized as performance obligations are satisfied. Most of our revenue-generating transactions are not subject to ASC 606, including revenue generated from financial instruments, such as our loans and investment securities, as these activities are subject to other GAAP discussed elsewhere within our disclosures. The Company's revenue stream that is within the scope of Topic 606 is primarily service charges on deposit accounts, which consist of monthly service fees, check orders, and other deposit account related fees. The Company's performance obligation for monthly service fees is generally satisfied, and the related revenue recognized, over the period in which the service is provided. Check orders and other deposit account related fees are largely transaction based, and therefore, the Company's performance obligation is satisfied, and related revenue recognized, at a point in time. Payment for service charges on deposit accounts is primarily received immediately or in the following month through a direct charge to customers' accounts.

Restricted Stock Units

The Company may grant cash-settled restricted stock units ("RSUs") to its employees. Compensation cost is recognized over the vesting period based on the fair value of the award, which is re-measured at each reporting period. The fair value of the award is classified as a liability in the consolidated statements of financial condition.

Stock-Based Compensation

Compensation cost is recognized for stock options and restricted stock awards issued to employees, based on the fair value of these awards at the date of grant. A Black-Scholes model is utilized to estimate the fair value of stock options, while the market price of the Company's common stock at the date of grant is used for restricted stock awards.

Compensation cost is recognized over the required service period, generally defined as the vesting period. Compensation cost is recognized on a straight-line basis over the requisite service period for the entire award. The Company's accounting policy is to recognize forfeitures as they occur.

Income Taxes

Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax amounts for the temporary

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differences between carrying amounts and tax bases of assets and liabilities, computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized.

A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded.

The Company recognizes interest related to income tax matters in interest expense and penalties related to tax matters in income tax expense.

Retirement Plans

Employee 401(k) expense is the amount of matching contributions made by the Company.

Employee Stock Ownership Plan (ESOP)

The cost of shares issued to the ESOP, but not yet allocated to participants, is shown as a reduction of stockholders' equity. Compensation expense is based on the market price of shares as they are committed to be released to participant accounts. Dividends on allocated ESOP shares reduce retained earnings; dividends on unearned ESOP shares reduce debt and accrued interest.

Earnings (Loss) Per Common Share

Basic earnings (loss) per share of common stock is computed pursuant to the two-class method by dividing net income available to common stockholders less dividends paid on participating securities (unvested shares of restricted common stock) and any undistributed earnings attributable to participating securities by the weighted average common shares outstanding during the period. The weighted average common shares outstanding includes the weighted average number of shares of common stock outstanding less the weighted average number of unvested shares of restricted common stock. ESOP shares are considered outstanding for this calculation unless unearned. Diluted earnings per share of common stock includes the dilutive effect of unvested stock awards and additional potential common shares issuable under stock options.

Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income (loss) and other comprehensive income or loss. Other comprehensive income or loss includes unrealized gains and losses on securities available-for-sale, net of tax, which are also recognized as separate components of equity.

Loss Contingencies

Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable, and an amount or range of loss can be reasonably estimated. Management does not believe that any such matters existed as of the balance sheet date that will have a material effect on the consolidated financial statements.

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Fair Value Measurements

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Fair values are estimated using relevant market information and other assumptions, as more fully disclosed in Note 5. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect the estimates.

Operating Segments

The Company operates as a single segment. The operating information used by management to assess performance and make operating decisions about the Company is the consolidated financial data presented in these financial statements. For the years ended 2019 and 2018, the Company had one active operating subsidiary, Broadway Federal Bank, f.s.b. The Company has determined that banking is its one reportable business segment.

Reclassifications

Some items in the prior year consolidated financial statements were reclassified to conform to the current presentation. Reclassifications had no effect on prior year consolidated net income or stockholders' equity.

Recently Adopted Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, "Leases (Topic 842)," which is intended to increase transparency and comparability in the accounting for lease transactions. ASU 2016-02 became effective as of January 1, 2019 and provides for a modified retrospective transition approach requiring lessees to recognize and measure leases on the balance sheet at either the earliest period presented or the beginning of the period of adoption with the option to elect certain practical expedients. We have elected to apply ASU 2016-02 as of the beginning of the period of adoption, which was January 1, 2019 and we have elected not to restate comparative periods. All the expedients available under ASU 2016-02, have been adopted.

The Bank has a combined operating lease for its corporate headquarters and main retail branch and a photocopier lease. As a result of implementing ASU 2016-02, we recognized an operating lease right-of-use ("ROU") asset of

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$1.2 million and an operating lease liability of $1.2 million as of January 1, 2019, with no impact on our consolidated statements of operations or consolidated statements of cash flows compared to the prior lease accounting model. The ROU asset and operating lease liability are recorded in fixed assets and other liabilities, respectively, in the consolidated statements of financial condition. See Note 6 – Leases for additional information. The implementation of this standard had a minor impact on our regulatory capital ratios.

Recent Accounting Pronouncements Yet to Be Adopted –

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." ASU 2016-13 replaces the incurred loss model with an expected loss model, which is referred to as the current expected credit loss (CECL) model. The CECL model is applicable to the measurement of credit losses on financial assets measured at amortized cost, including loan receivables, held-to-maturity debt securities, and reinsurance receivables. It also applies to off-balance sheet credit exposures not accounted for as insurance (such as loan commitments, standby letters of credit, financial guarantees, and other similar instruments) and net investments in leases recognized by a lessor. For debt securities with other-than-temporary impairment, the guidance will be applied prospectively. Existing purchased credit impaired (PCI) assets will be grandfathered and classified as purchased credit deteriorated (PCD) assets at the date of adoption. The asset will be grossed up for the allowance for expected credit losses for all PCD assets at the date of adoption and will continue to recognize the noncredit discount in interest income based on the yield of such assets as of the adoption date. Subsequent changes in expected credit losses will be recorded through the allowance. For all other assets within the scope of CECL, a cumulative-effect adjustment will be recognized in retained earnings as of the beginning of the first reporting period in which the guidance is effective.

On October 16, 2019, the FASB voted to affirm the proposed amended effective date for ASU 2016-13 for smaller reporting companies ("SRCs") as defined by the SEC. The final ASU, was issued in November 2019, delays the implementation date for ASU 2016-13 to fiscal years beginning after December 15, 2022. SRCs are defined as companies with less than $250 million of public float or less than $100 million in annual revenues for the previous year and no public float or public float of less than $700 million. The Company qualifies as an SRC, and management will implement ASU 2016-13 in the first quarter of 2023. The management has not yet determined its estimated financial impact.

In April 2019, the FASB issued ASU No. 2019-04, Codification Improvements to Topic 326, Financial Instruments – Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments. This ASU is effective January 1, 2020 and clarifies the scope of the credit losses standard and addresses issues related to accrued interest receivable balances, recoveries, variable interest rates and prepayments, among other things. The amendments to Topic 326 have the same effective dates as ASU 2016-13. We will evaluate this ASU in conjunction with ASU 2016-13 to determine its impact on our financial condition and results of operations.

In May 2019, the FASB issued ASU No. 2019-05, Financial Instruments – Credit Losses (Topic 326): Targeted Transition Relief. This ASU allows entities to irrevocably elect the fair value option on an instrument-by-instrument basis for eligible financial assets measured at amortized cost basis upon adoption of the credit loss standards. The effective date for this ASU is the same as for ASU 2016-13. We will evaluate this ASU in conjunction with ASU 2016-13 to determine its impact on our financial condition and results of operations.

In August 2018, the FASB issued ASU No. 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement. The ASU was issued to improve the

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effectiveness of disclosures surrounding fair value measurements. The ASU removes numerous disclosures from Topic 820 including transfers between level 1 and 2 of the fair value hierarchy, the policy for timing of transfers between levels, and the valuation process for level 3 fair value measurements. The ASU also modified and added disclosure requirements regarding changes in unrealized gains and losses included in other comprehensive income, as well as the range and weighted average of unobservable inputs for level 3 fair value measurements. The ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019, with early adoption permitted. The guidance is not expected to have a significant impact on the Company's consolidated financial statements.

In December 2019, the FASB issued ASU No. 2019-12, Income Taxes (Topic 740), Simplifying the Accounting for Income Taxes. This ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. The amendments in this ASU are intended to simplify the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The amendments are also intended to improve consistent application of and simplify GAAP for other areas of Topic 740 by clarifying and amending existing guidance. We are currently in the process of evaluating the impact of this ASU on the Company's consolidated financial statements.

Note 2 – Securities

The following table summarizes the amortized cost and fair value of the available-for-sale investment securities portfolios at December 31, 2019 and December 31, 2018 and the corresponding amounts of unrealized gains (losses) which are recognized in accumulated other comprehensive income:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(In thousands)		
December 31, 2019:				
Federal agency mortgage-backed securities	$ 7,792	$ 164	$ -	$ 7,956
Federal agency debt	3,014	36	-	3,050
Total available-for-sale securities	$ 10,806	$ 200	$ -	$ 11,006
December 31, 2018:				
Federal agency mortgage-backed securities	$ 9,575	$ 88	$ (155)	$ 9,508
Federal agency debt	5,317	-	(103)	5,214
Total available-for-sale securities	$ 14,892	$ 88	$ (258)	$ 14,722

At December 31, 2019, the Bank had two federal agency debt securities with total amortized cost of $3.0 million and estimated total fair value of $3.1 million and an estimated average remaining life of 5.6 years. The Bank also had 22 federal agency mortgage-backed securities with total amortized cost of $7.8 million, estimated total fair value of $8.0 million and an estimated average remaining life of 4.4 years. Expected maturities may differ from contractual maturities if borrowers have the right to call or prepay obligations with or without call or prepayment penalties. In 2019, one federal agency debt security with total amount of $2.0 million matured. The Bank did not replace this matured security during 2019.

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At December 31, 2019 and 2018, there were no securities pledged to secure public deposits since those public deposits are under $250 thousand which are fully insured by FDIC. At December 31, 2019 and 2018, there were no holdings of securities by any one issuer, other than the U.S. Government and its agencies, in an amount greater than 10% of stockholders' equity.

There were no sales of securities during the years ended December 31, 2019 and 2018.

The Bank held 24 securities with unrealized gains and no securities with unrealized losses at December 31, 2019, compared to no securities with unrealized gains and ten securities with unrealized losses at December 31, 2018. Securities in unrealized loss positions are analyzed as part of our ongoing assessment of other-than-temporary impairment. Consideration is given to the financial condition and near-term prospects of the issuer, the length of time and the extent to which the fair value has been less than the cost, and our intent and ability to retain our investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. All the Bank's securities were issued by the federal government or its agencies.

Note 3 – Loans Receivable Held for Sale

The Bank had no loans held for sale as of December 31, 2019 and $6.2 million of loans held for sale as of December 31, 2018, which consisted of multi-family loans. As part of the Bank's loan concentration risk management program, $10.7 million of multi-family loans held for investment were transferred to the held-for-sale portfolio offset by $9.2 million of multi-family loans transferred from held for sale to held for investment portfolio during 2019. During 2018, the Bank transferred $16.9 million of multi-family loans held for sale to the loans held for investment portfolio. The Bank allocated $15.2 million, or 15%, of its multi-family loans originated during 2019 to loans held for sale compared to $20.2 million, or 20%, of its multi-family loan originations to loans held for sale during 2018. Loan sales of $22.8 million in multi-family loans were completed during 2019 for a total gain of $204 thousand. Loan sales of $19.3 million were completed during 2018 for a gain of $70 thousand. Loan repayments totaled $115 thousand during 2019 and $159 thousand during 2018.

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Note 4 – Loans Receivable Held for Investment

Loans receivable held for investment were as follows as of the periods indicated:

	December 31, 2019	December 31, 2018
	(In thousands)	
Real estate:		
Single family	$ 72,883	$ 91,835
Multi-family	287,378	231,870
Commercial real estate	14,728	5,802
Church	21,301	25,934
Construction	3,128	1,876
Commercial – other	262	226
Consumer	21	5
Gross loans receivable before deferred loan costs and premiums	399,701	357,548
Unamortized net deferred loan costs and premiums	1,328	937
Gross loans receivable	401,029	358,485
Allowance for loan losses	(3,182)	(2,929)
Loans receivable, net	$ 397,847	$ 355,556

The following tables present the activity in the allowance for loan losses by loan type for the periods indicated:

	For the year ended December 31, 2019							
	Real Estate							
	Single family	Multi-family	Commercial real estate	Church	Construction	Commercial – other	Consumer	Total
	(In thousands)							
Beginning balance	$ 369	$ 1,880	$ 52	$ 603	$ 19	$ 6	$ -	$ 2,929
Provision for (recapture of) loan losses	(57)	439	81	(501)	29	1	1	(7)
Recoveries	-	-	-	260	-	-	-	260
Loans charged off	-	-	-	-	-	-	-	-
Ending balance	$ 312	$ 2,319	$ 133	$ 362	$ 48	$ 7	$ 1	$ 3,182

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	For the year ended December 31, 2018							
	Real Estate							
	Single family	Multi-family	Commercial real estate	Church	Construction	Commercial – other	Consumer	Total
	(In thousands)							
Beginning balance	$ 594	$ 2,300	$ 71	$ 1,081	$ 17	$ 6	$ -	$ 4,069
Recapture of loan losses	(225)	(420)	(19)	(592)	2	-	-	(1,254)
Recoveries	-	-	-	114	-	-	-	114
Loans charged off	-	-	-	-	-	-	-	-
Ending balance	$ 369	$ 1,880	$ 52	$ 603	$ 19	$ 6	$ -	$ 2,929

The following tables present the balance in the allowance for loan losses and the recorded investment (unpaid contractual principal balance less charge-offs, less interest applied to principal, plus unamortized deferred costs and premiums) by loan type and based on impairment method as of and for the periods indicated:

	December 31, 2019							
	Real Estate							
	Single family	Multi-family	Commercial real estate	Church	Construction	Commercial – other	Consumer	Total
	(In thousands)							
Allowance for loan losses:								
Ending allowance balance attributable to loans:								
Individually evaluated for impairment	$ 60	$ -	$ -	$ 85	$ -	$ 2	$ -	$ 147
Collectively evaluated for impairment	252	2,319	133	277	48	5	1	3,035
Total ending allowance balance	$ 312	$ 2,319	$ 133	$ 362	$ 48	$ 7	$ 1	$ 3,182
Loans:								
Loans individually evaluated for impairment	$ 611	$ 313	$ -	$ 4,356	$ -	$ 63	$ -	$ 5,343
Loans collectively evaluated for impairment	72,501	288,730	14,818	16,292	3,125	199	21	395,686
Total ending loans balance	$ 73,112	$ 289,043	$ 14,818	$ 20,648	$ 3,125	$ 262	$ 21	$ 401,029

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	December 31, 2018							
			Real Estate					
	Single family	Multi-family	Commercial real estate	Church	Construction	Commercial – other	Consumer	Total
	(In thousands)							
Allowance for loan losses:								
Ending allowance balance attributable to loans:								
Individually evaluated for impairment	$ 53	$ -	$ -	$ 170	$ -	$ 4	$ -	$ 227
Collectively evaluated for impairment	316	1,880	52	433	19	2	-	2,702
Total ending allowance balance	$ 369	$ 1,880	$ 52	$ 603	$ 19	$ 6	$ -	$ 2,929
Loans:								
Loans individually evaluated for impairment	$ 610	$ 323	$ -	$ 5,383	$ -	$ 64	$ -	$ 6,380
Loans collectively evaluated for impairment	91,567	232,986	5,800	19,713	1,872	162	5	352,105
Total ending loans balance	$ 92,177	$ 233,309	$ 5,800	$ 25,096	$ 1,872	$ 226	$ 5	$ 358,485

The following table presents information related to loans individually evaluated for impairment by loan type as of the periods indicated:

	December 31, 2019			December 31, 2018		
	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated
	(In thousands)					
With no related allowance recorded:						
Multi-family	$ 313	$ 313	$ -	$ 323	$ 323	$ -
Church	3,491	2,446	-	4,666	2,803	-
With an allowance recorded:						
Single family	593	593	60	610	610	53
Multi-family	-	-	-	-	-	-
Church	1,928	1,928	85	2,580	2,580	170
Commercial – other	63	63	2	64	64	4
Total	$ 6,388	$ 5,343	$ 147	$ 8,243	$ 6,380	$ 227

The recorded investment in loans excludes accrued interest receivable due to immateriality. For purposes of this disclosure, the unpaid principal balance is not reduced for net charge-offs.

BROADWAY FINANCIAL CORPORATION AND SUBSIDIARY

Notes to Consolidated Financial Statements (continued)

December 31, 2019 and 2018

The following tables present the monthly average of loans individually evaluated for impairment by loan type and the related interest income for the periods indicated:

	For the year ended December 31, 2019		For the year ended December 31, 2018	
	Average Recorded Investment	Cash Basis Interest Income Recognized	Average Recorded Investment	Cash Basis Interest Income Recognized
	(In thousands)			
Single family	$ 626	$ 29	$ 618	$ 30
Multi-family	318	22	329	23
Commercial real estate	-	-	-	-
Church	5,017	939	7,893	398
Commercial – other	63	5	64	4
Total	$ 6,024	$ 995	$ 8,904	$ 455

Cash-basis interest income recognized represents cash received for interest payments on accruing impaired loans and interest recoveries on non-accrual loans that were paid off. Interest payments collected on non-accrual loans are characterized as payments of principal rather than payments of the outstanding accrued interest on the loans until the remaining principal on the non-accrual loans is considered to be fully collectible or paid off. When a loan is returned to accrual status, the interest payments that were previously applied to principal are deferred and amortized over the remaining life of the loan. Foregone interest income that would have been recognized had loans performed in accordance with their original terms amounted to $120 thousand and $280 thousand for the years ended December 31, 2019 and 2018, respectively, and were not included in the consolidated results of operations.

The following tables present the aging of the recorded investment in past due loans by loan type as of the periods indicated:

	December 31, 2019					
	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Current	Total
	(In thousands)					
Loans receivable held for investment:						
Single family	$ 18	$ -	$ -	$ 18	$ 73,094	$ 73,112
Multi-family	-	-	-	-	289,043	289,043
Commercial real estate	-	-	-	-	14,818	14,818
Church	-	-	-	-	20,648	20,648
Construction	-	-	-	-	3,125	3,125
Commercial – other	-	-	-	-	262	262
Consumer	-	-	-	-	21	21
Total	$ 18	$ -	$ -	$ 18	$ 401,011	$ 401,029

BROADWAY FINANCIAL CORPORATION AND SUBSIDIARY

Notes to Consolidated Financial Statements (continued)

December 31, 2019 and 2018

	December 31, 2018					
	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Current	Total
			(In thousands)			
Loans receivable held for investment:						
Single family	$ 35	$ -	$ -	$ 35	$ 92,142	$ 92,177
Multi-family	-	-	-	-	233,309	233,309
Commercial real estate	-	-	-	-	5,800	5,800
Church	-	-	-	-	25,096	25,096
Construction	-	-	-	-	1,872	1,872
Commercial-other	-	-	-	-	226	226
Consumer	-	-	-	-	5	5
Total	$ 35	$ -	$ -	$ 35	$ 358,450	$ 358,485

The following table presents the recorded investment in non-accrual loans by loan type as of the periods indicated:

	December 31, 2019	December 31, 2018
	(In thousands)	
Loans receivable held for investment:		
Single family	$ 18	$ -
Church	406	911
Total non-accrual loans	$ 424	$ 911

There were no loans 90 days or more delinquent that were accruing interest as of December 31, 2019 or December 31, 2018.

Troubled Debt Restructurings

At December 31, 2019, loans classified as troubled debt restructurings ("TDRs") totaled $4.7 million, of which $406 thousand were included in non-accrual loans and $4.3 million were on accrual status. At December 31, 2018, loans classified as TDRs totaled $6.4 million, of which $591 thousand were included in non-accrual loans and $5.8 million were on accrual status. The Company has allocated $147 thousand and $227 thousand of specific reserves for accruing TDRs as of December 31, 2019 and 2018, respectively. TDRs on accrual status are comprised of loans that were accruing at the time of restructuring or loans that have complied with the terms of their restructured agreements for a satisfactory period and for which the Bank anticipates full repayment of both principal and interest. TDRs that are on non-accrual status can be returned to accrual status after a period of sustained performance, generally determined to be six months of timely payments, as modified. A well-documented credit analysis that supports a return to accrual status based on the borrower's financial condition and prospects for repayment under the revised terms is also required. As of December 31, 2019 and 2018, the Company had no commitment to lend additional amounts to customers with outstanding loans that are classified as TDRs. No loans were modified during the years ended December 31, 2019 and 2018.

BROADWAY FINANCIAL CORPORATION AND SUBSIDIARY

Notes to Consolidated Financial Statements (continued)

December 31, 2019 and 2018

Credit Quality Indicators

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. For single family residential, consumer and other smaller balance homogenous loans, a credit grade is established at inception, and generally only adjusted based on performance. Information about payment status is disclosed elsewhere herein. The Company analyzes all other loans individually by classifying the loans as to credit risk. This analysis is performed at least on a quarterly basis. The Company uses the following definitions for risk ratings:

- ***Watch.*** Loans classified as watch exhibit weaknesses that could threaten the current net worth and paying capacity of the obligors. Watch graded loans are generally performing and are not more than 59 days past due. A watch rating is used when a material deficiency exists, but correction is anticipated within an acceptable time frame.

- ***Special Mention.*** Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

- ***Substandard.*** Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

- ***Doubtful.*** Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, based on currently existing facts, conditions, and values, highly questionable and improbable.

- ***Loss.*** Loans classified as loss are considered uncollectible and of such little value that to continue to carry the loan as an active asset is no longer warranted.

Loans not meeting the criteria above that are analyzed individually as part of the above described process are considered to be pass rated loans. Pass rated loans are generally well protected by the current net worth and paying capacity of the obligor and/or by the value of the underlying collateral. Pass rated loans are not more than 59 days

BROADWAY FINANCIAL CORPORATION AND SUBSIDIARY

Notes to Consolidated Financial Statements (continued)

December 31, 2019 and 2018

past due and are generally performing in accordance with the loan terms. Based on the most recent analysis performed, the risk categories of loans by loan type as of the periods indicated were as follows:

	December 31, 2019					
	Pass	Watch	Special Mention	Substandard	Doubtful	Loss
	(In thousands)					
Single family	$ 73,094	$ -	$ -	$ 18	$ -	$ -
Multi-family	288,251	411	-	381	-	-
Commercial real estate	14,818	-	-	-	-	-
Church	16,546	411	-	3 691	-	-
Construction	3,125	-	-	-	-	-
Commercial – other	199	-	-	63	-	-
Consumer	21	-	-	-	-	-
Total	$ 396,054	$ 822	$ -	$ 4,153	$ -	$ -

	December 31, 2018					
	Pass	Watch	Special Mention	Substandard	Doubtful	Loss
	(In thousands)					
Single family	$ 92,132	$ -	$ 35	$ 10	$ -	$ -
Multi-family	232,642	-	-	667	-	-
Commercial real estate	5,800	-	-	-	-	-
Church	19,678	672	-	4,746	-	-
Construction	1,872	-	-	-	-	-
Commercial – other	162	-	-	64	-	-
Consumer	5	-	-	-	-	-
Total	$ 352,291	$ 672	$ 35	$ 5,487	$ -	$ -

Note 5 – Office Properties and Equipment, net

Year-end office properties and equipment were as follows:

	2019	2018
	(In thousands)	
Land	$ 572	$ 572
Office buildings and improvements	3,268	3,264
Rights of use assets	727	-
Furniture, fixtures and equipment	1,831	1,794
	6,398	5,630
Less accumulated depreciation	(3,615)	(3,388)
Office properties and equipment, net	$ 2,783	$ 2,242

Depreciation expense was $227 thousand and $241 thousand for the years 2019 and 2018, respectively.

BROADWAY FINANCIAL CORPORATION AND SUBSIDIARY

Notes to Consolidated Financial Statements (continued)

December 31, 2019 and 2018

Note 6 – Leases

The Bank has a combined operating lease for its corporate headquarters and main retail branch and a photocopier lease. The ROU asset and operating lease liability are recorded in fixed assets and other liabilities, respectively, in the consolidated statements of financial condition.

Our ROU asset represents our right to use an underlying asset during the lease term. Operating lease liabilities represent our obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized based on the present value of the remaining lease payments using a discount rate that represents our incremental borrowing rate at the date of implementation of the new accounting standard.

The operating lease for our corporate headquarters and main retail branch has one 5-year extension option at the then fair market rate. As this extension option is not reasonably certain of exercise, it is not included in the lease term. The Bank recorded a ROU asset of $727 thousand and an operating lease liability of $735 thousand as of December 31, 2019. The Bank has no finance leases.

Rent expense under the operating leases was $600 thousand for 2019 and $593 thousand for 2018.

Additional information regarding our operating leases is summarized below for the periods indicated dollars in thousands):

	Year Ended December 31, 2019
Cash paid for amounts included in the measurement of lease liabilities for operating leases:	$ 542
ROU assets obtained in exchange for lease liabilities	$ 727
Weighted average remaining lease term in months	16
Weighted average discount rate	2.75%

The future minimum payments for operating leases with remaining terms of one year or more as of December 31, 2019 were as follows (in thousands):

Year ended December 31, 2020	$ 555
Year ended December 31, 2021	195
Total Future Minimum Lease Payments	750
Amounts Representing Interest	(15)
Present Value of Net Future Minimum Lease Payments	$ 735

BROADWAY FINANCIAL CORPORATION AND SUBSIDIARY

Notes to Consolidated Financial Statements (continued)

December 31, 2019 and 2018

Note 7 – Fair Value

The Company used the following methods and significant assumptions to estimate fair value:

The fair values of securities available-for-sale are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs) or matrix pricing, which is a mathematical technique to value debt securities without relying exclusively on quoted prices for the specific securities, but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs).

The fair value of impaired loans that are collateral dependent is generally based upon the fair value of the collateral, which is obtained from recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value. Impaired loans are evaluated on a quarterly basis for additional impairment and adjusted accordingly.

Assets acquired through or by transfer in lieu of loan foreclosure are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. These assets are subsequently accounted for at the lower of cost or fair value less estimated costs to sell. Fair value is commonly based on recent real estate appraisals which are updated every nine months. These appraisals may utilize a single valuation approach or a combination of approaches, including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value. Real estate owned properties are evaluated on a quarterly basis for additional impairment and adjusted accordingly.

Appraisals for collateral-dependent impaired loans are performed by certified general appraisers (for commercial properties) or certified residential appraisers (for residential properties) whose qualifications and licenses have been reviewed and verified by the Company. Once received, an independent third-party licensed appraiser reviews the appraisals for accuracy and reasonableness, reviewing the assumptions and approaches utilized in the appraisal as well as the overall resulting fair value in comparison with independent data sources such as recent market data or industry-wide statistics.

BROADWAY FINANCIAL CORPORATION AND SUBSIDIARY

Notes to Consolidated Financial Statements (continued)

December 31, 2019 and 2018

Assets Measured on a Recurring Basis

Assets measured at fair value on a recurring basis are summarized below:

	Fair Value Measurement			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	(In thousands)			
At December 31, 2019:				
Securities available-for-sale – federal agency mortgage-backed	$ -	$ 7,956	$ -	$ 7,956
Securities available-for-sale – federal agency debt	-	3,050	-	3,050
At December 31, 2018:				
Securities available-for-sale – federal agency mortgage-backed	$ -	$ 9,508	$ -	$ 9,508
Securities available-for-sale – federal agency debt	1,979	3,235		5,214

There were no transfers between Level 1, Level 2, or Level 3 during the years ended December 31, 2019 and 2018.

Assets Measured on a Non-Recurring Basis

Assets are considered to be reflected at fair value on a non-recurring basis if the fair value measurement of the instrument does not necessarily result in a change in the amount recorded on the statement of condition. Generally, a non-recurring valuation is the result of the application of other accounting pronouncements that require assets to be assessed for impairment or recorded at the lower of cost or fair value.

The following table provides information regarding the carrying values of our assets measured at fair value on a non-recurring basis as of the periods indicated. The fair value measurement for all these assets falls within Level 3 of the fair value hierarchy.

	December 31, 2019	December 31, 2018
	(In thousands)	
Impaired loans carried at fair value of collateral	$ 130	$ 591
Real estate owned	-	833

BROADWAY FINANCIAL CORPORATION AND SUBSIDIARY

Notes to Consolidated Financial Statements (continued)

December 31, 2019 and 2018

The following table provides information regarding losses recognized on assets measured at fair value on a non-recurring basis for the years ended December 31, 2019 and 2018.

	For the year ended December 31,	
	2019	2018
	(In thousands)	
Impaired loans carried at fair value of collateral	$ -	$ -
Real estate owned	-	45
Total	$ -	$ 45

Fair Values of Financial Instruments

The carrying amounts and estimated fair values of financial instruments as of the periods indicated were as follows:

	Carrying Value	Fair Value Measurements at December 31, 2019			
		Level 1	Level 2	Level 3	Total
			(In thousands)		
Financial Assets:					
Cash and cash equivalents	$ 15,566	$ 15,566	$ -	$ -	$ 15,566
Securities available-for-sale	11,006	-	11,006	-	11,006
Loans receivable held for investment (1)	397,847	-	-	404,923	404,923
Accrued interest receivable	1,223	69	22	1,132	1,223
Financial Liabilities:					
Deposits	$ 297,724	$ -	$ 289,629	$ -	$ 289,629
Federal Home Loan Bank advances	84,000	-	84,997	-	84,997
Junior subordinated debentures	4,335	-	-	3,734	3,734
Accrued interest payable	384	-	377	7	384

BROADWAY FINANCIAL CORPORATION AND SUBSIDIARY

Notes to Consolidated Financial Statements (continued)

December 31, 2019 and 2018

	Carrying Value	Fair Value Measurements at December 31, 2018 Level 1	Level 2	Level 3	Total
			(In thousands)		
Financial Assets:					
Cash and cash equivalents	$ 16,651	$ 16,651	$ -	$ -	$ 16,651
Securities available-for-sale	14,722	1,979	12,743	-	14,722
Loans receivable held for sale	6,231	-	6,270	-	6,270
Loans receivable held for investment	355,556	-	-	354,792	354,792
Accrued interest receivable	1,143	78	43	1,022	1,143
Financial Liabilities:					
Deposits	$ 281,414	$ -	$ 269,418	$ -	$ 269,418
Federal Home Loan Bank advances	70,000	-	69,933	-	69,933
Junior subordinated debentures	5,100	-	-	4,481	4,481
Accrued interest payable	334	-	324	10	334

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(1) The estimated value of loans held for investment at December 31, 2019 and 2018 reflect an exit price assumption.

Note 8 – Deposits

Deposits are summarized as follows:

	December 31, 2019	2018
	(In thousands)	
NOW account and other demand deposits	$ 9,768	$ 10,307
Non-interest bearing demand deposits	27,090	22,877
Money market deposits	23,589	29,948
Passbook	47,042	45,718
Certificates of deposit	190,235	172,564
Total	$ 297,724	$ 281,414

The Bank accepts two types of deposits from a deposit placement service called the Certificate of Deposit Account Registry Service ("CDARS"). Reciprocal deposits are the Bank's own retail deposits in amounts in excess of the insured limits. The CDARS program allows banks to place their customers' funds in FDIC-insured certificates of deposit at other banks and, at the same time, receive an equal sum of funds from the customers of other banks in the CDARS Network. These deposits totaled $39.3 million and $33.7 million at December 31, 2019 and 2018, respectively and are not considered to be brokered deposits.

One-way deposits are also available using the CDARS program. With the one-way program, the Bank accepts deposits from CDARS even though there is no customer account involved. These deposits totaled $40.7 million and $32.6 million at December 31, 2019 and 2018, respectively.

BROADWAY FINANCIAL CORPORATION AND SUBSIDIARY

Notes to Consolidated Financial Statements (continued)

December 31, 2019 and 2018

The Bank did not have any (non-CDARS) brokered deposits at December 31, 2019. Brokered deposits (non-CDARS) totaled $9.9 million at December 31, 2018 matured in 2019. Scheduled maturities of certificates of deposit for the next five years are as follows:

Maturity	Amount (In thousands
2020	$ 168,441
2021	19,016
2022	1,806
2023	867
2024	105
Thereafter	-
	$ 190,235

Certificates of deposit of $250 thousand or more totaled $25.1 million and $33.9 million at December 31, 2019 and 2018, respectively.

Deposits from principal officers, directors, and their affiliates totaled $1.8 million at December 31, 2019 and 2018.

Note 9 – Federal Home Loan Bank Advances

The following table summarizes information relating to FHLB advances at or for the periods indicated:

	At or For the Year Ended	
	2019	2018
	(Dollars in thousands)	
FHLB Advances:		
Average balance outstanding during the year	$ 77,049	$ 74,729
Maximum amount outstanding at any month-end during the year	$ 84,000	$ 98,000
Balance outstanding at end of year	$ 84,000	$ 70,000
Weighted average interest rate at end of year	2.32%	2.51%
Average cost of advances during the year	2.42%	2.13%
Weighted average contractual maturity (in months)	18	24

Each advance is payable at its maturity date, with a prepayment penalty. The advances were collateralized by $156.1 million and $151.0 million of first mortgage loans at year-end 2019 and 2018, respectively, under a blanket lien arrangement. Based on this collateral, the Company's holdings of FHLB stock and a general borrowing limit of 30% of total assets, the Company is eligible to borrow up to an additional $59.4 million at year-end 2019.

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Notes to Consolidated Financial Statements (continued)

December 31, 2019 and 2018

Required payments over the next five years are as follows:

	Amount (In thousands)
2020	$ 33,500
2021	22,500
2022	18,000
2023	5,000
2024	5,000
	$ 84,000

Note 10 – Junior Subordinated Debentures

On March 17, 2004, the Company issued $6.0 million of Floating Rate Junior Subordinated Debentures (the "Debentures") in a private placement to a trust that was capitalized to purchase subordinated debt and preferred stock of multiple community banks. Interest on the Debentures is payable quarterly at a rate per annum equal to the 3-Month LIBOR plus 2.54%. The interest rate is determined as of each March 17, June 17, September 17, and December 17, and was 4.44% at December 31, 2019. On October 16, 2014, the Company made payments of $900 thousand of principal on Debentures, executed a Supplemental Indenture for the Debentures that extended the maturity of the Debentures to March 17, 2024, and modified the payment terms of the remaining $5.1 million principal amount thereof. The modified terms of the Debentures require quarterly payments of interest only through March 2019 at the original rate of 3-Month LIBOR plus 2.54%. Starting in June 2019, the Company is required to make quarterly payments of equal amounts of principal, plus interest, until the Debentures are fully amortized on March 17, 2024. During 2019, the Company paid $765 thousand of scheduled principal. The Debentures may be called for redemption at any time by the Company.

Scheduled principal repayments of junior subordinated debentures over the next five years are as follows:

	Amount (In thousands)
2020	$ 1,020
2021	1,020
2022	1,020
2023	1,020
2024	255
	$ 4,335

Note 11 – Employee Benefit Plans

Broadway Federal 401(k) Plan

A 401(k) benefit plan allows employee contributions for substantially all employees up to 15% of their compensation, which are matched at a rate equal to 50% of the first 6% of the compensation contributed. Expense totaled $135 thousand and $131 thousand for 2019 and 2018.

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Notes to Consolidated Financial Statements (continued)

December 31, 2019 and 2018

ESOP Plan

Employees participate in an Employee Stock Option Plan ("ESOP") after attaining certain age and service requirements. In December 2016, the ESOP purchased 1,493,679 shares of the Company's common stock at $1.59 per share, for a total cost of $2.4 million, of which $1.2 million was funded with a loan from the Company. The loan will be repaid from the Bank's annual discretionary contributions to the ESOP, net of dividends paid, over a period of 20 years. Shares of the Company's common stock purchased by the ESOP are held in a suspense account until released for allocation to participants. When loan payments are made, shares are allocated to each eligible participant based on the ratio of each such participant's compensation, as defined in the ESOP, to the total compensation of all eligible plan participants. As the unearned shares are released from the suspense account, the Company recognizes compensation expense equal to the fair value of the ESOP shares during the periods in which they become committed to be released. To the extent that the fair value of the ESOP shares released differs from the cost of such shares, the difference is charged or credited to equity as additional paid-in capital. Dividends on allocated shares increase participant accounts. Dividends on unallocated shares will be used to repay the loan. At the end of employment, participants will receive shares for their vested balance. Compensation expense related to the ESOP was $65 thousand for 2019 and $80 thousand for 2018.

Shares held by the ESOP were as follows:

	December 31, 2019	December 31, 2018
	(Dollars in thousands)	
Allocated to participants	1,024,429	1,036,809
Committed to be released	10,416	10,580
Suspense shares	603,876	646,033
Total ESOP shares	1,638,721	1,693,422
Fair value of unearned shares	$ 930	$ 678

During 2019 and 2018, 42,321 and 42,009 of ESOP shares were released for allocation to participants, respectively. The outstanding balance of unearned ESOP shares at December 31, 2019 and 2018 were $959 thousand and $1.0 million, respectively, which is shown as Unearned ESOP shares in the equity section of the consolidated statements of financial condition.

Note 12 – Income Taxes

The Company and its subsidiary are subject to U.S. federal and state income taxes. Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

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Notes to Consolidated Financial Statements (continued)

December 31, 2019 and 2018

Income tax (benefit) expense was as follows:

	2019	2018
	(In thousands)	
Current		
Federal	$ (66)	$ (110)
State	5	12
Deferred		
Federal	(225)	68
State	(59)	86
Change in valuation allowance	-	-
Total	$ (345)	$ 56

Effective tax rates differ from the federal statutory rate of 21% applied to income before income taxes due to the following:

	2019	2018
	(In thousands)	
Federal statutory rate times financial statement net (loss) income	$ (115)	$ 183
Effect of:		
State taxes, net of federal benefit	(45)	77
Change in federal rate	-	-
Earnings from bank owned life insurance	(11)	(16)
Low income housing credits	(198)	(212)
Change in valuation allowance	-	-
Other, net	24	24
Total	$ (345)	$ 56

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Notes to Consolidated Financial Statements (continued)

December 31, 2019 and 2018

Year-end deferred tax assets and liabilities were due to the following:

	2019	2018
	(In thousands)	
Deferred tax assets:		
Allowance for loan losses	$ 897	$ 799
Real estate owned	-	65
Accrued liabilities	137	150
State income taxes	36	34
Stock compensation	202	165
Net operating loss carryforward	3,614	3,887
Non-accrual loan interest	1	3
Partnership investment	173	140
General business credit	1,859	1,661
Alternative minimum tax credit	94	151
Unrealized appreciation AFS	-	50
Other	34	28
Total deferred tax assets	7,047	7,133
Deferred tax liabilities:		
Section 481 Adjustments to bad debts	(660)	(980)
Deferred loan fees/costs	(797)	(775)
Basis difference on fixed assets	(15)	(35)
Net unrealized appreciation on available-for-sale securities	(59)	-
FHLB stock dividends	(266)	(266)
Mortgage servicing rights	(3)	(5)
Prepaid expenses	(27)	(27)
Total deferred tax liabilities	(1,827)	(2,088)
Net deferred tax assets	$ 5,220	$ 5,045

Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion, or all, of the deferred tax asset will not be realized. In assessing the realization of deferred tax assets, management evaluated both positive and negative evidence, the amount of taxes paid in available carry-back years, and the forecasts of future income and tax planning strategies. Based on this analysis, the Company determined that, as of December 31, 2019 and 2018, no valuation allowance was required on its deferred tax assets, which totaled $5.2 million and $5.0 million, respectively.

As of December 31, 2019, the Company has federal net operating loss carryforwards of $7.2 million and California net operating loss carryforwards of $24.5 million, which begin expiring in 2031 through 2037 and 2031 through 2036, respectively. The Company also has federal general business credits of $1.8 million, expiring beginning in 2030 through 2037, and alternative minimum tax credit carryforwards of $59 thousand, which can be carried forward indefinitely.

Prior to 2018, the Company computed its bad debt deduction for income tax purposes under the reserve method. In 2018, the Company requested, and the IRS consented to, a change in accounting method used for computing its tax

BROADWAY FINANCIAL CORPORATION AND SUBSIDIARY

Notes to Consolidated Financial Statements (continued)

December 31, 2019 and 2018

bad debt deduction from the reserve method to the charge-off method as defined under Internal Revenue Code Section 166. As a result, the Company computes its tax bad debt deduction under the new method and is recapturing its excess tax bad debt reserve of $4.3 million into taxable income evenly over a 4 year period starting in 2018.

At December 31, 2019 and 2018, the Company had $475 thousand in unrecognized tax benefits. This amount, if recognized, would favorably affect the income tax provision in future periods. The Company expects that the total amount of unrecognized tax benefits may decrease significantly within the next twelve months due to expected settlement with the state taxing authorities. During 2019 and 2018, $8 thousand and $5 thousand were accrued during each period for potential interest related to these unrecognized tax benefits.

Federal tax years 2016 through 2019 remain open for the assessment of Federal income tax. Except for the issues under protest for the years listed below, California tax years 2015 through 2019 remain open for the assessment of California income tax. The Company is currently under examination by the California Franchise Tax Board ("FTB") for the 2009, 2010, and 2011 tax years. The FTB has proposed adjustments to the Company's California net operating loss carryforwards for items which the Company has established an unrecognized tax benefit. The Company has protested the FTB's adjustments and does not expect that significant additional tax expense will result.

Note 13 – Stock-Based Compensation

Prior to July 25, 2018, the Company issued stock-based compensation awards to its directors and employees under the 2008 Long-Term Incentive Plan ("2008 LTIP"). The 2008 LTIP permitted the grant of non-qualified and incentive stock options, stock appreciation rights, full value awards and cash incentive awards for up to 2,000,000 shares of common stock. As of July 25, 2018, the Company ceased granting awards under the 2008 LTIP.

On July 25, 2018, the stockholders approved the 2018 Long-Term Incentive Plan ("2018 LTIP"). As with the 2008 LTIP, the 2018 LTIP permits the grant of non-qualified and incentive stock options, stock appreciation rights, full value awards and cash incentive awards. The plan will be in effect for ten years. The maximum number of shares that can be awarded under the plan is 1,293,109 shares of common stock. As of December 31, 2019, 458,932 shares had been awarded and 834,177 shares are available under the 2018 LTIP.

No stock options were granted during the years ended December 31, 2019 and December 31, 2018.

BROADWAY FINANCIAL CORPORATION AND SUBSIDIARY

Notes to Consolidated Financial Statements (continued)

December 31, 2019 and 2018

The following table summarizes stock option activity during the years ended December 31, 2019 and 2018:

	2019		2018	
	Number Outstanding	Weighted Average Exercise Price	Number Outstanding	Weighted Average Exercise Price
Outstanding at beginning of year	537,500	$ 2.19	537,500	$ 2.19
Granted during the year	-	-	-	-
Exercised during the year	-	-	-	-
Forfeited or expired during the year	(82,500)	4.98	-	-
Outstanding at end of year	455,000	$ 1.67	537,500	$ 2.19
Exercisable at end of year	275,000	$ 1.70	267,500	$ 2.71

For each year of 2019 and 2018, the Company recorded $38 thousand and $39 thousand, respectively, of stock-based compensation expense related to stock options. As of December 31, 2019, unrecognized compensation cost related to non-vested stock options granted under the plan was $46 thousand. The cost is expected to be recognized over a period of 1.15 years.

Options outstanding and exercisable at year-end 2019 were as follows:

	Outstanding				Exercisable		
Grant Date	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Aggregate Intrinsic Value	Number Outstanding	Weighted Average Exercise Price	Aggregate Intrinsic Value
January 21, 2010	5,000	0.05 year	$ 6.00		5,000	$ 6.00	
February 24, 2016	450,000	6.15 years	$ 1.62		270,000	$ 1.62	
	455,000	6.08 years	$ 1.67	$ -	275,000	$ 1.70	$ -

In March 2016, the Company awarded 120,483 shares of restricted stock to its Chief Executive Officer ("CEO") under the 2008 LTIP. A restricted stock award is valued at the closing price of the Company's stock on the date of such award: 100,000 shares of restricted stock vested over a two-year period and the remaining 20,483 shares vested over a three-year period. Stock-based compensation expense is recognized over the vesting period. The Company recorded $3 thousand and $26 thousand of stock-based compensation expense related to this award during the three months ended March 31, 2019 and 2018, respectively. As of March 31, 2019, this restricted stock award was fully vested, and all compensation costs related to this vested restricted stock award were fully recognized.

In February 2018 and April 2017, the Company awarded 97,195 and 129,270 of cash-settled restricted stock units ("RSUs") to its CEO under the 2008 LTIP. All RSUs vest at the end of two years from the date of the grant and are subject to forfeiture until vested. Each RSU entitles the CEO to receive cash equal to the fair market value of one share of common stock on the applicable payout date. Compensation expense is determined based on the fair value

BROADWAY FINANCIAL CORPORATION AND SUBSIDIARY

Notes to Consolidated Financial Statements (continued)

December 31, 2019 and 2018

of the award and is re-measured at each reporting period and is classified as a liability in the consolidated statements of financial condition. The Company recorded $147 thousand and $54 thousand of compensation expense related to these awards during the years ended December 31, 2019 and 2018, respectively. As of February 28, 2020, the RSUs were fully vested, and all compensation costs related to the vested RSUs were fully recognized.

In January 2019 and 2018, the Company awarded 42,168 and 18,906 shares of common stock, respectively, to its directors under the 2018 LTIP, which are fully vested. The Company recorded $52 thousand and $45 thousand of compensation expense for the quarters ended March 31, 2019 and March 31, 2018, respectively, based on the fair value of the stock, which was determined using the average of the high and the low price of the stock on the date of the award. In February of 2020, the Company awarded 30,930 shares of common stock to its directors under the 2018 LTIP which are fully vested and $45 thousand of compensation expense will be recognized in the first quarter of 2020.

In February 2019, the Company awarded 416,764 shares of restricted stock to its officers and employees under the 2018 LTIP. A restricted stock award is valued based on the fair value of the stock, which was determined using the average of the high and the low price of the stock on the date of the award. These awarded shares of restricted stock are fully vested over a two-year period from date of grant. Stock based compensation expense is recognized on a straight line basis over the vesting period. The Company recorded $216 thousand of stock based compensation expense related to these awards during the year ended December 31, 2019. As of December 31, 2019, unrecognized compensation cost related to non-vested restricted stock awards was $299 thousand which is expected to be recognized over a period of 14 months. In February 2020, the Company awarded 140,218 shares of restricted stock to its officers and employees under the 2018 LTIP. As with the 2019 award, these shares will vest over a two year period and compensation expense will be recognized over a two-year period.

Note 14 – Capital and Regulatory Matters

The Bank's capital requirements are administered by the Office of the Comptroller of the Currency ("OCC") and involve quantitative measures of assets, liabilities, and certain off-balance sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by the OCC. Failure to meet capital requirements can result in regulatory action.

The federal banking regulators approved final capital rules ("Basel III Capital Rules") in July 2013 implementing the Basel III framework as well as certain provisions of the Dodd-Frank Act. The Basel III Capital Rules prescribe a standardized approach for calculating risk-weighted assets and revised the definition and calculation of Tier 1 capital and Total Capital, and include a new Common Equity Tier 1 capital ("CET1") measure. Under the Basel III Capital Rules, the currently effective minimum capital ratios are:

- 4.5% CET1 to risk-weighted assets;
- 6.0% Tier 1 capital (that is, CET1 plus Additional Tier 1 capital) to risk-weighted assets;
- 8.0% Total capital (that is, Tier 1 capital plus Tier 2 capital) to risk-weighted assets; and
- 4.0% Tier 1 capital to average consolidated assets (known as the "leverage ratio").

A new capital conservation buffer was also established above the regulatory minimum capital requirements. This capital conservation buffer was phased in beginning January 1, 2016 at 0.625% of risk-weighted assets and increased each subsequent year by an additional 0.625% until it reached its final level of 2.5% on January 1, 2019.

BROADWAY FINANCIAL CORPORATION AND SUBSIDIARY

Notes to Consolidated Financial Statements (continued)

December 31, 2019 and 2018

The Basel III Capital rules also contain revisions to the prompt corrective action framework, which are designed to place restrictions on insured depository institutions if their capital levels begin to show signs of weakness. Under the prompt corrective action requirements, which are designed to complement the capital conservation buffer, insured depository institutions are now required to meet the following increased capital level requirements in order to qualify as "well capitalized": (i) a CET1 capital ratio of 6.5%; (ii) a Tier 1 capital ratio of 8% (increased from 6%); (iii) a total capital ratio of 10% (unchanged from previous rules); and (iv) a Tier 1 leverage ratio of 5% (unchanged from previous rules).

The Basel III Capital Rules became effective for the Bank on January 1, 2015 (subject to a phase-in period for certain provisions). At December 31, 2019 and 2018, the Bank's level of capital exceeded all regulatory capital requirements and its regulatory capital ratios were above the minimum levels required to be considered well capitalized for regulatory purposes. Actual and required capital amounts and ratios as of the periods indicated are presented below.

	Actual		Minimum Capital Requirements		Minimum Required To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Dollars in thousands)			
December 31, 2019:						
Tier 1 (Leverage)	$ 48,541	11.56%	$ 16,798	4.00%	$ 20,997	5.00%
Common Equity Tier 1	$ 48,541	17.14%	$ 18,897	4.50%	$ 18,406	6.50%
Tier 1	$ 48,541	17.14%	$ 25,196	6.00%	$ 22,654	8.00%
Total Capital	$ 51,790	18.29%	$ 33,595	8.00%	$ 28,318	10.00%
December 31, 2018:						
Tier 1 (Leverage)	$ 49,433	12.03%	$ 16,439	4.00%	$ 20,549	5.00%
Common Equity Tier 1	$ 49,433	19.32%	$ 18,494	4.50%	$ 16,634	6.50%
Tier 1	$ 49,433	19.32%	$ 24,659	6.00%	$ 20,472	8.00%
Total Capital	$ 52,417	20.48%	$ 32,879	8.00%	$ 25,590	10.00%

Note 15 – Loan Commitments and Other Related Activities

Some financial instruments, such as loan commitments, credit lines, letters of credit, and overdraft protection, are issued to meet customer financing needs. These are agreements to provide credit or to support the credit of others, as long as conditions established in the contract are met, and usually have expiration dates. Commitments may expire without being used. Off-balance-sheet risk for credit loss exists up to the face amount of these instruments, although material losses are not anticipated. The same credit policies are used to make such commitments as are used for loans, including obtaining collateral at exercise of the commitment.

BROADWAY FINANCIAL CORPORATION AND SUBSIDIARY

Notes to Consolidated Financial Statements (continued)

December 31, 2019 and 2018

The contractual amounts of financial instruments with off-balance-sheet risk at year-end were as follows:

	2019	2018
	(In thousands)	
Commitments to make loans	$ 5,930	$ 10,875
Unused lines of credit – variable rates	1,970	1,491

Commitments to make loans are generally made for periods of 60 days or less. At year-end 2019, loan commitments consisted of two multi-family residential loans with initial five-year interest rates ranging from 3.50% to 3.75%.

Note 16 – Parent Company Only Condensed Financial Information

Condensed financial information of Broadway Financial Corporation follows:

Condensed Balance Sheet
December 31,

	2019	2018
	(In thousands)	
Assets		
Cash and cash equivalents	$ 134	$ 156
Investment in bank subsidiary	50,594	51,221
Other assets	2,512	2,225
Total assets	$ 53,240	$ 53,602
Liabilities and stockholders' equity		
Junior subordinated debentures	$ 4,335	$ 5,100
Accrued expenses and other liabilities	57	66
Stockholders' equity	48,848	48,436
Total liabilities and stockholders' equity	$ 53,240	$ 53,602

Condensed Statements of Income
Years ended December 31,

	2019	2018
	(In thousands)	
Interest income	$ 23	$ 25
Interest expense	(247)	(243)
Other expense	(720)	(469)
Loss before income tax and undistributed subsidiary income	(944)	(687)
Income tax benefit (expense)	279	205
Equity in undistributed subsidiary income	459	1,297
Net income	$ (206)	$ 815

BROADWAY FINANCIAL CORPORATION AND SUBSIDIARY

Notes to Consolidated Financial Statements (continued)

December 31, 2019 and 2018

Condensed Statements of Cash Flows
Years ended December 31,

	2019	2018
	(In thousands)	
Cash flows from operating activities		
Net (loss) income	$ (206)	$ 815
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Equity in undistributed subsidiary income	(459)	(1,297)
Change in other assets	(287)	(210)
Change in accrued expenses and other liabilities	(9)	(112)
Net cash used in operating activities	(961)	(804)
Cash flows from investing activities		
Dividends from bank subsidiary	1,650	600
Net cash provided by investing activities	1,650	600
Cash flows from financing activities		
Common stock repurchased for tax withholdings	(14)	(108)
Repayments of borrowings	(765)	-
Proceeds from repayment of ESOP loan	68	68
Net cash used in financing activities	(711)	(40)
Net change in cash and cash equivalents	(22)	(244)
Beginning cash and cash equivalents	156	400
Ending cash and cash equivalents	$ 134	$ 156

BROADWAY FINANCIAL CORPORATION AND SUBSIDIARY

Notes to Consolidated Financial Statements (continued)

December 31, 2019 and 2018

Note 17 – (Loss) Earnings Per Common Share

The factors used in the earnings per common share computation follow:

	2019	2018
	(Dollars in thousands, except share and per share)	
Net (loss) income	$ (206)	$ 815
Less net income attributable to participating securities	-	(3)
(Loss) income available to common stockholders	$ (206)	$ 812
Weighted average common shares outstanding for basic earnings per common share	26,833,693	26,755,405
Add: dilutive effects of unvested restricted stock awards	-	7,044
Weighted average common shares outstanding for diluted earnings per common share	26,833,693	26,762,449
(Loss) earnings per common share – basic	$ (0.01)	$ 0.03
(Loss) earnings per common share – diluted	$ (0.01)	$ 0.03

Stock options for 275,000 shares and 267,500 shares of common stock for the years ended December 31, 2019 and 2018, respectively, were not considered in computing diluted earnings per common share because they were anti-dilutive.

Note 18 – Subsequent Events

Subsequent to year end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Company, COVID-19 may impact various parts of its 2020 operations and financial results including but not limited to additional loan loss reserves, costs for emergency preparedness, or potential shortages of personnel. Management believes the Company is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year end and are still developing.

Subsequent events have been evaluated through March 27, 2020, which is the date these financial statements were issued.

Exhibit 4.1

DESCRIPTION OF THE REGISTRANT'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

As of December 31, 2019, Broadway Financial Corporation (the "Company", "we", "our" or "us") had two classes of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"): (1) shares of our common stock, par value $0.01 per share ("Common Stock"), and (2) the preferred stock purchase rights described below with respect to Series B Junior Participating Preferred Stock that might be issued by us upon the occurrence of certain events.

Common Stock

We are authorized under our certificate of incorporation to issue an aggregate of 50,000,000 shares of Common Stock, par value $0.01 per share and 25,000,000 shares of non-voting common stock, par value $0.01 per share ("Non-Voting Common Stock"). As of December 31, 2019, we had issued and outstanding 19,111,423 shares of Common Stock and 8,756,396 shares of Non-voting Common Stock. The shares of Non-Voting Common Stock have all the attributes and rights of our Common Stock, other than with respect to voting rights, and convert to shares of Common Stock having voting rights in the event of transfer from the holders to whom the shares of Non-Voting Common Stock were originally issued. The Non-Voting Common Stock is not registered under the Exchange Act.

The following is a summary of the material terms of our common stock. The rights of holders of our Common Stock and our Non-Voting Common Stock, are subject to, and may be adversely affected by, the rights of the holders of shares of any series of our preferred stock which we may designate and issue in the future. This description does not purport to be complete and is qualified in its entirety by reference to our certificate of incorporation and amended and restated bylaws, which are filed as exhibits to the registration statement of which this prospectus forms a part.

Dividend Rights

Subject to the rights of holders of preferred stock of any series that may be issued and outstanding from time to time, holders of our common stock are entitled to receive such dividends and other distributions in cash, securities or other assets as may be declared by our board of directors from time to time out of our funds or assets that are legally available for dividends and other distributions, and are entitled to share equally on a per share basis in all such dividends and other distributions.

Voting Rights

Each outstanding share of our Common Stock is entitled to one vote on all matters submitted to a vote of stockholders generally. In the event we issue one or more series of preferred or other securities in the future such preferred stock or other securities may be given rights to vote, either together with the Common Stock or as a separate class on one or more types of matters.

Liquidation Rights

In the event of any liquidation, dissolution or winding up of the Company, the holders of our common stock will be entitled, subject to the prior rights of any outstanding series of our preferred stock, to share in our net assets, if any, that are available after the payment of all of our debts and other liabilities.

Preemptive Rights

The holders of our common stock have no preemptive rights in their capacities as such holders.

Board of Directors

Holders of Common Stock do not have cumulative voting rights with respect to the election of directors. At any meeting to elect directors by holders of our Common Stock, the presence, in person or by proxy, of the holders of a majority of the voting power of shares of our Common Stock then outstanding will constitute a quorum for such election. Directors may be elected by a plurality of the votes of the shares present and entitled to vote on the election of directors, except for directors whom the holders of any then outstanding preferred stock have the right to elect, if any.

Certain Anti-Takeover Effects of Our Certificate of Incorporation, Bylaws and Applicable Law

Provisions of Delaware Law . We are a Delaware corporation and Section 203 of the Delaware General Corporate Law ("DGCL") applies to us. It is an anti-takeover statute that is designed to protect stockholders against coercive, unfair or inadequate tender offers and other abusive tactics and to encourage any person contemplating a business combination with us to negotiate with our board of directors for the fair and equitable treatment of all stockholders.

Under Section 203 of the DGCL, a Delaware corporation is not permitted to engage in a "business combination" with an "interested stockholder" for a period of three years following the date that the stockholder became an interested stockholder. As defined for this purpose, the term "business combination" includes a merger, consolidation, asset sale or other transaction resulting in a financial benefit to the interested stockholder. The term "interested stockholder" is defined to mean a person who, together with affiliates and associates, owns, or within three years did own, 15% or more of the corporation's outstanding voting stock. This prohibition does not apply if:

- prior to the time that the stockholder became an interested stockholder, the board of directors of the corporation approved either the business combination or the transaction resulting in the stockholder becoming an interested stockholder;

- upon completion of the transaction resulting in the stockholder becoming an interested stockholder, the stockholder owns at least 85% of the outstanding voting stock of the corporation, excluding voting stock owned by directors who are also officers and by certain employee stock plans; or

- at or subsequent to the time that the stockholder became an interested stockholder, the business combination is approved by the board and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least two-thirds of the outstanding voting stock that the interested stockholder does not own.

A Delaware corporation may elect not to be governed by these restrictions. We have not made such election.

Classified Board of Directors; Removal of Directors for Cause. Our certificate of incorporation and bylaws provide for our board of directors to be divided into three classes, as nearly equal in number as possible, serving staggered terms. Approximately one-third of our board will be elected each year. At each annual meeting of stockholders, directors elected to succeed those directors whose terms expire will be elected for a three-year term of office. All directors elected to our classified board of directors will serve until the election and qualification of their respective successors or their earlier resignation or removal. The board of directors is authorized to create new directorships and to fill such positions so created and is permitted to specify the class to which any such new position is assigned. The person filling such position would serve for the term applicable to that class. The board of directors (or its remaining members, even if less than a quorum) is also empowered to fill vacancies on the board of directors occurring for any reason for the remainder of the term of the class of directors in which the vacancy occurred. Members of the board of directors may only be removed for cause by the affirmative vote, taken at a stockholders meeting, of a majority of our outstanding voting stock. Cause is defined for this purpose to mean conviction of a felony, or gross negligence or misconduct in the performance of a director's duty to the Company as determined by a court of competent jurisdiction, which adjudication is no longer subject to direct appeal. These provisions are likely to increase the time required for stockholders to change the composition of the board of directors. For example, in general, at least two annual meetings will be necessary for stockholders to effect a change in a majority of the members of the board of directors. The provision for a classified board could prevent a party who acquires control of a majority of our outstanding Common Stock from obtaining control of our board of directors until our second annual stockholders meeting following the date the acquirer obtains the controlling stock interest. The classified board provision could have the effect of discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control of us and could increase the likelihood that incumbent directors will retain their positions.

Advance Notice Procedures. Our bylaws establish an advance notice procedure for stockholder nominations of persons for election to our board of directors and for any proposals to be presented by stockholders at an annual meeting. Stockholders at an annual meeting will only be able to consider nominations and other proposals specified in the notice of meeting or brought before the meeting by or at the direction of our board of directors or by a stockholder who was a stockholder of record on the record date for the meeting, who is entitled to vote at the meeting and who has given our corporate secretary timely written notice, in proper form, of the stockholder's intention to nominate a person for election as a director or to bring a proposal for action at the meeting.

Unanimity Required For Stockholder Action Without Meeting. Our certificate of incorporation provides that stockholder actions may be taken without a meeting only by written consent signed by all stockholders.

Supermajority Stockholder Vote Required for Certain Actions. The Delaware General Corporation Law provides generally that the affirmative vote of a majority of the shares entitled to vote on any matter is required to amend a corporation's certificate of incorporation or bylaws, unless the corporation's certificate of incorporation or bylaws, as the case may be, requires a greater percentage. Our certificate of incorporation requires the affirmative vote of the holders of at least 66-2/3% of our outstanding voting stock to amend or repeal certain provisions of the certificate of incorporation. This "super-majority" stockholder vote would be in addition to any separate class vote that might be required pursuant to the terms of any preferred stock that might then be outstanding. In addition, our amended and restated bylaws may only be amended by the directors then in office.

The affirmative vote of the holders of two-thirds of our outstanding voting stock is also required by our certificate of incorporation, in addition to any other approval that may be required by law, for approval of a business combination with or upon a proposal by an interested stockholder, unless the business combination (1) has been approved by a majority of disinterested directors, or (2) will occur at least three years after the proposing stockholder became an interested stockholder and certain criteria relating to the price to be paid in the business combination are satisfied, or (3) is solely with one of our subsidiaries and certain criteria are satisfied. For purposes of the foregoing provisions, the term "interested stockholder" is defined as a direct or indirect beneficial owner of more than 10% of our outstanding voting stock.

Effects of Authorized but Unissued Shares. We have shares of Common Stock and "blank check" preferred stock available for future issuance and our Board may establish the terms of separate series of such preferred stock, without stockholder approval, subject to the limitations imposed by the listing standards of the NASDAQ Capital Market or any securities market or exchange on which our securities may be listed or traded. These additional shares may be utilized for a variety of corporate purposes, including future private sales or public offerings to raise additional capital, acquisitions of other companies and grants of stock options or other stock-based compensation awards pursuant to employee incentive compensation plans. The existence of authorized but unissued shares of Common Stock and "blank check" preferred stock could render more difficult or discourage an attempt to obtain control of a majority of our Common Stock by means of a proxy contest, tender offer, merger, or otherwise.

Regulatory Requirements. The Change in Bank Control Act prohibits a person or group of persons acting in concert from acquiring control of a savings and loan holding company unless the Federal Reserve Board has been given 60 days prior written notice of such proposed acquisition and within that time period the Federal Reserve Board has not issued a notice disapproving the proposed acquisition or extending for up to another 30 days the period during which such a disapproval may be issued. The term "control" is defined for this purpose to include ownership or control of, or holding with power to vote, 25% or more of any class of a savings and loan holding company's voting securities. Under a rebuttable presumption contained in the regulations of the Federal Reserve Board, ownership or control of, or holding with power to vote, 10% or more of any class of voting securities of a savings and loan holding company having a class of securities registered under Section 12 of the Exchange Act would also be deemed to constitute the acquisition of control. In addition, any company would be required to obtain the approval of the Federal Reserve Board under the Home Owners' Loan Act before acquiring control of a savings and loan holding company. For this purpose, a company is deemed to have control of a savings and loan holding company if the company owns, controls, holds with power to vote, or holds proxies representing, 25% or more of any class of voting shares of the savings and loan holding company or controls in any manner the election of a majority of the holding company's directors, and may also be deemed to acquire control of a savings and loan holding company based on a consideration of all relevant facts by the Federal Reserve Board.

Transfer Agent and Registrar

Computershare Investor Services is the transfer agent and registrar for our Common Stock. The transfer agent and registrar's address is 250 Royall Street, Canton, MA 02021.

Listing of our Common Stock

Our Common Stock is listed on the NASDAQ Capital Market under the symbol "BYFC."

Rights to Purchase Series B Junior Participating Preferred Stock

On September 10, 2019, our board of directors declared a dividend of one preferred share purchase right (each a "Right") for each share of Common Stock and Non-Voting Common Stock outstanding on September 23, 2019 to the stockholders of record as of the close of business on that date. In connection with the distribution of the Rights, the Company entered into a Rights Agreement (the "Rights Agreement"), dated as of September 10, 2019, between the Company and Computershare Trust Company, N.A., as rights agent. The Rights are attached to and will not be transferrable separately from the shares of Common Stock and Non-Voting Common Stock in respect of which the Rights were issued except upon the occurrence of certain events specified in the Rights Agreement. The Rights are registered under the Exchange Act.

Each Right entitles the registered holder thereof, upon the occurrence of certain events, to purchase from the Company one one-thousandth of a share of Series B Junior Participating Preferred Stock, par value $0.01 per share, of the Company (the "Series B Preferred Shares") at a price of $3.60 per each one-thousandth of a Preferred Share represented by a Right, subject to adjustment in certain events as provided in the Rights Agreement. No shares of Series B Preferred Shares are outstanding, and the Series B Preferred Shares are not registered under the Exchange Act at this time.

The Rights are in all respects subject to and governed by the provisions of the Rights Agreement, which is incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on September 11, 2019. A description of the Rights is incorporated herein by reference to the description thereof set forth under Items 1.01 and 5.03 of the Company's Current Report on Form 8-K filed on September 11, 2019, which description is qualified in its entirety by reference to the full text of the Rights Agreement.

Exhibit 23.1

MOSSADAMS

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in Registration Statements on Form S-1 (No. 333-192451 and No. 333-201233) and Registration Statements on Form S-8 (No. No. 333-218929 and No. 333-229415) of our report dated March 27, 2020, relating to the consolidated financial statements of Broadway Financial Corporation and Subsidiary, which report appears in the Form 10-K of Broadway Financial Corporation for the year ended December 31, 2019, filed with the Securities and Exchange Commission.

/s/ Moss Adams LLP

Los Angeles, California
March 27, 2020

Exhibit 31.1

SECTION 302 CERTIFICATION

I, Wayne-Kent A. Bradshaw, certify that:

1. I have reviewed this annual report on Form 10-K of Broadway Financial Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 27, 2020

/s/ Wayne-Kent A. Bradshaw
Wayne-Kent A. Bradshaw
Chief Executive Officer
Broadway Financial Corporation

Exhibit 31.2

SECTION 302 CERTIFICATION

I, Brenda Battey, certify that:

1. I have reviewed this annual report on Form 10-K of Broadway Financial Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 27, 2020

/s/ Brenda J. Battey
Brenda J. Battey
Chief Financial Officer
Broadway Financial Corporation

Exhibit 32.1

SECTION 906 CERTIFICATION

The following statement is provided by the undersigned to accompany the foregoing Report on Form 10-K pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and shall not be deemed filed pursuant to any provision of the Securities Exchange Act of 1934 or any other securities law.

The undersigned certifies that the foregoing Report on Form 10-K fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. Section 78) and that the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Broadway Financial Corporation as of and for the year ended December 31, 2019.

Date: March 27, 2020

By: /s/ Wayne-Kent A. Bradshaw
Wayne-Kent A. Bradshaw
Chief Executive Officer
Broadway Financial Corporation

Exhibit 32.2

SECTION 906 CERTIFICATION

The following statement is provided by the undersigned to accompany the foregoing Report on Form 10-K pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and shall not be deemed filed pursuant to any provision of the Securities Exchange Act of 1934 or any other securities law.

The undersigned certifies that the foregoing Report on Form 10-K fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. Section 78) and that the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Broadway Financial Corporation as of and for the year ended December 31, 2019.

Date: March 27, 2020

By: /s/ Brenda J. Battey
Brenda J. Battey
Chief Financial Officer
Broadway Financial Corporation

Exhibit 99.4

TARP CERTIFICATION FOR YEAR 2019

I, Wayne-Kent A. Bradshaw, certify, based on my knowledge, that:

(i) The compensation committee of Broadway Financial Corporation has discussed, reviewed, and evaluated with senior risk officers at least every six months during any part of the most recently completed fiscal year that was a TARP period, senior executive officer (“SEO”) compensation plans and employee compensation plans and the risks these plans pose to Broadway Financial Corporation;

(ii) The compensation committee of Broadway Financial Corporation has identified and limited during any part of the most recently completed fiscal year that was a TARP period any features in the SEO compensation plans that could lead SEOs to take unnecessary and excessive risks that could threaten the value of Broadway Financial Corporation and identified any features in the employee compensation plans that pose risks to Broadway Financial Corporation and limited those features to ensure that Broadway Financial Corporation is not unnecessarily exposed to risks;

(iii) The compensation committee has reviewed, at least every six months during any part of the most recently completed fiscal year that was a TARP period, the terms of each employee compensation plan and identified the features in the plan that could encourage the manipulation of reported earnings of Broadway Financial Corporation to enhance the compensation of an employee, and has limited these features that would encourage the manipulation of reported earnings of Broadway Financial Corporation;

(iv) The compensation committee of Broadway Financial Corporation will certify to the reviews of the SEO compensation plans and employee compensation plans required under (i) and (iii) above;

(v) The compensation committee of Broadway Financial Corporation will provide a narrative description of how it limited during any part of the most recently completed fiscal year that was a TARP period the features in:

a) SEO compensation plans that could lead SEOs to take unnecessary and excessive risks that could threaten the value of Broadway Financial Corporation;

b) Employee compensation plans that unnecessarily expose Broadway Financial Corporation to risks; and

c) Employee compensation plans that could encourage the manipulation of reported earnings of Broadway Financial Corporation to enhance the compensation of an employee;

(vi) Broadway Financial Corporation has required that bonus payments to SEOs or any of the next twenty most highly compensated employees, as defined in the regulations and guidance established under section 111 of EESA (bonus payments), be subject to a recovery or “clawback” provision during any part of the most recently completed fiscal year that was a TARP period if the bonus payments were based on materially inaccurate financial statements or any other materially inaccurate performance metric criteria;

(vii) Broadway Financial Corporation has prohibited any golden parachute payment, as defined in the regulations and guidance established under section 111 of EESA, to a SEO or any of the next five most highly compensated employees during any part of the most recently completed fiscal year that was a TARP period;

(viii) Broadway Financial Corporation has limited bonus payments to its applicable employees in accordance with section 111 of EESA and the regulations and guidance established thereunder during any part of the most recently completed fiscal year that was a TARP period;

(ix) Broadway Financial Corporation and its employees have complied with the excessive or luxury expenditures policy, as defined in the regulations and guidance established under section 111 of EESA, during any part of the most recently completed fiscal year that was a TARP period, and that any expenses requiring approval of the board of directors, a committee of the board of directors, an SEO, or an executive officer with a similar level of responsibility were properly approved;

(x) Broadway Financial Corporation will permit a non-binding shareholder resolution in compliance with any applicable Federal securities rules and regulations on the disclosures provided under the Federal securities laws related to SEO compensation paid or accrued during any part of the most recently completed fiscal year that was a TARP period;

(xi) Broadway Financial Corporation will disclose the amount, nature, and justification for the offering, during any part of the most recently completed fiscal year that was a TARP period, of any perquisites, as defined in the regulations and guidance established under section 111 of EESA, whose total value exceeds $25,000 for each employee subject to the bonus payment limitations identified in paragraph (viii);

(xii) Broadway Financial Corporation will disclose whether Broadway Financial Corporation, the board of directors of Broadway Financial Corporation, or the compensation committee of Broadway Financial Corporation has engaged during any part of the most recently completed fiscal year that was a TARP period a compensation consultant; and the services the compensation consultant or any affiliate of the compensation consultant provided during this period;

(xiii) Broadway Financial Corporation has prohibited the payment of any gross-ups, as defined in the regulations and guidance established under section 111 of EESA, to the SEOs and the next twenty most highly compensated employees during any part of the most recently completed fiscal year that was a TARP period;

(xiv) Broadway Financial Corporation has substantially complied with all other requirements related to employee compensation that are provided in the agreement between Broadway Financial Corporation and Treasury, including any amendments;

(xv) Broadway Financial Corporation has submitted to Treasury a complete and accurate list of the SEOs and the twenty next most highly compensated employees for the current fiscal year, with the non-SEOs ranked in descending order of level of annual compensation, and with the name, title, and employer of each SEO and most highly compensated employee identified; and

(xvi) I understand that a knowing and willful false or fraudulent statement made in connection with this certification may be punished by fine, imprisonment, or both.

Date: March 27, 2020

/s/ Wayne-Kent A. Bradshaw
Wayne-Kent A. Bradshaw
Chief Executive Officer
Broadway Financial Corporation

Exhibit 99.5

TARP CERTIFICATION FOR YEAR 2019

I, Brenda Battey, certify, based on my knowledge, that:

(i) The compensation committee of Broadway Financial Corporation has discussed, reviewed, and evaluated with senior risk officers at least every six months during any part of the most recently completed fiscal year that was a TARP period, senior executive officer ("SEO") compensation plans and employee compensation plans and the risks these plans pose to Broadway Financial Corporation;

(ii) The compensation committee of Broadway Financial Corporation has identified and limited during any part of the most recently completed fiscal year that was a TARP period any features in the SEO compensation plans that could lead SEOs to take unnecessary and excessive risks that could threaten the value of Broadway Financial Corporation and identified any features in the employee compensation plans that pose risks to Broadway Financial Corporation and limited those features to ensure that Broadway Financial Corporation is not unnecessarily exposed to risks;

(iii) The compensation committee has reviewed, at least every six months during any part of the most recently completed fiscal year that was a TARP period, the terms of each employee compensation plan and identified the features in the plan that could encourage the manipulation of reported earnings of Broadway Financial Corporation to enhance the compensation of an employee, and has limited these features that would encourage the manipulation of reported earnings of Broadway Financial Corporation;

(iv) The compensation committee of Broadway Financial Corporation will certify to the reviews of the SEO compensation plans and employee compensation plans required under (i) and (iii) above;

(v) The compensation committee of Broadway Financial Corporation will provide a narrative description of how it limited during any part of the most recently completed fiscal year that was a TARP period the features in:

a) SEO compensation plans that could lead SEOs to take unnecessary and excessive risks that could threaten the value of Broadway Financial Corporation;

b) Employee compensation plans that unnecessarily expose Broadway Financial Corporation to risks; and

c) Employee compensation plans that could encourage the manipulation of reported earnings of Broadway Financial Corporation to enhance the compensation of an employee;

(vi) Broadway Financial Corporation has required that bonus payments to SEOs or any of the next twenty most highly compensated employees, as defined in the regulations and guidance established under section 111 of EESA (bonus payments), be subject to a recovery or "clawback" provision during any part of the most recently completed fiscal year that was a TARP period if the bonus payments were based on materially inaccurate financial statements or any other materially inaccurate performance metric criteria;

(vii) Broadway Financial Corporation has prohibited any golden parachute payment, as defined in the regulations and guidance established under section 111 of EESA, to a SEO or any of the next five most highly compensated employees during any part of the most recently completed fiscal year that was a TARP period;

(viii) Broadway Financial Corporation has limited bonus payments to its applicable employees in accordance with section 111 of EESA and the regulations and guidance established thereunder during any part of the most recently completed fiscal year that was a TARP period;

(ix) Broadway Financial Corporation and its employees have complied with the excessive or luxury expenditures policy, as defined in the regulations and guidance established under section 111 of EESA, during any part of the most recently completed fiscal year that was a TARP period, and that any expenses requiring approval of the board of directors, a committee of the board of directors, an SEO, or an executive officer with a similar level of responsibility were properly approved;

(x) Broadway Financial Corporation will permit a non-binding shareholder resolution in compliance with any applicable Federal securities rules and regulations on the disclosures provided under the Federal securities laws related to SEO compensation paid or accrued during any part of the most recently completed fiscal year that was a TARP period;

(xi) Broadway Financial Corporation will disclose the amount, nature, and justification for the offering, during any part of the most recently completed fiscal year that was a TARP period, of any perquisites, as defined in the regulations and guidance established under section 111 of EESA, whose total value exceeds $25,000 for each employee subject to the bonus payment limitations identified in paragraph (viii);

(xii) Broadway Financial Corporation will disclose whether Broadway Financial Corporation, the board of directors of Broadway Financial Corporation, or the compensation committee of Broadway Financial Corporation has engaged during any part of the most recently completed fiscal year that was a TARP period a compensation consultant; and the services the compensation consultant or any affiliate of the compensation consultant provided during this period;

(xiii) Broadway Financial Corporation has prohibited the payment of any gross-ups, as defined in the regulations and guidance established under section 111 of EESA, to the SEOs and the next twenty most highly compensated employees during any part of the most recently completed fiscal year that was a TARP period;

(xiv) Broadway Financial Corporation has substantially complied with all other requirements related to employee compensation that are provided in the agreement between Broadway Financial Corporation and Treasury, including any amendments;

(xv) Broadway Financial Corporation has submitted to Treasury a complete and accurate list of the SEOs and the twenty next most highly compensated employees for the current fiscal year, with the non-SEOs ranked in descending order of level of annual compensation, and with the name, title, and employer of each SEO and most highly compensated employee identified; and

(xvi) I understand that a knowing and willful false or fraudulent statement made in connection with this certification may be punished by fine, imprisonment, or both.

Date: March 27, 2020

/s/ Brenda J. Battey
Brenda J. Battey
Chief Financial Officer
Broadway Financial Corporation