

# **Capital Impact Partners and Subsidiaries**

Consolidated Financial Report with Independent  
Auditor's Report

December 31, 2021 and 2020

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## *Independent Auditor's Report*

Board of Directors  
Capital Impact Partners

### ***Opinion***

We have audited the consolidated financial statements of Capital Impact Partners and Subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, 2021 consolidated financial statements present fairly, in all material respects, the financial position of Capital Impact Partners and Subsidiaries as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

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

### ***Prior Period Financial Statements***

The consolidated financial statements of Capital Impact Partners and Subsidiaries as of and for the year ended December 31, 2020 were audited by another auditor whose report dated March 24, 2021, expressed an unmodified opinion.

### ***Responsibilities of Management for the Financial Statements***

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Capital Impact Partners and Subsidiaries' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS, we:

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

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

#### **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary consolidating information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole. The 2020 supplementary consolidating information was subjected to the auditing procedures applied in the 2020 audit of the basic financial statements by another auditor, whose report on such information stated that it was fairly stated in all material respects in related to the 2020 consolidated financial statements as a whole.

A handwritten signature in black ink that reads "CohnReznick LLP".

Bethesda, Maryland

March 23, 2022

## Capital Impact Partners and Subsidiaries

### Consolidated Statements of Financial Position

December 31, 2021 and 2020

	2021	2020
<b>Assets</b>		
Cash and cash equivalents – unrestricted	\$ 73,212,984	\$ 59,662,347
Cash and cash equivalents – restricted	25,053,259	27,638,893
Accounts and interest receivable	2,831,834	2,314,277
Contributions receivable	250,000	-
Investments	33,922,261	36,279,999
Mortgage backed securities	59,429,070	66,386,667
Loans receivable	364,076,525	371,116,831
Less: allowance for loan losses	(13,355,265)	(13,482,640)
Loans receivable, net	350,721,260	357,634,191
Loans receivable – subsidiaries	27,105,392	30,730,771
Other assets	2,928,134	3,118,407
Right of use assets	8,637,426	9,496,017
<b>Total assets</b>	<b>\$ 584,091,620</b>	<b>\$ 593,261,569</b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 5,033,519	\$ 3,847,742
Refundable advance liability	6,694,569	8,853,592
Revolving lines of credit	-	29,500,000
Notes payable	52,230,970	61,924,794
Investor notes, net	183,197,579	159,538,327
Subordinated debt	2,500,000	2,500,000
Federal Home Loan Bank borrowing	47,271,304	47,271,304
Bond loan payable	58,849,113	61,077,161
Notes payable – subsidiaries	27,384,895	30,696,140
Lease liabilities	11,463,612	12,442,193
<b>Total liabilities</b>	<b>394,625,561</b>	<b>417,651,253</b>
Net assets:		
Without donor restrictions	120,919,519	121,469,936
Noncontrolling interest in consolidated subsidiaries	20,572,345	20,572,345
Total without donor restrictions	141,491,864	142,042,281
With donor restrictions	47,974,195	33,568,035
<b>Total net assets</b>	<b>189,466,059</b>	<b>175,610,316</b>
<b>Total liabilities and net assets</b>	<b>\$ 584,091,620</b>	<b>\$ 593,261,569</b>

See notes to consolidated financial statements.

## Capital Impact Partners and Subsidiaries

### Consolidated Statements of Activities and Changes in Net Assets Years Ended December 31, 2021 and 2020

	2021	2020
Changes in net assets without donor restrictions:		
Financial activity:		
Financial income:		
Interest income on loans	\$ 21,999,678	\$ 23,426,997
Loan fees	751,999	879,695
Investment income, net	(399,959)	2,802,042
Gain on equity method investments	110,112	1,502,237
Gain (loss) on NMTC unwind	23,600	(420)
<b>Total financial income</b>	<b>22,485,430</b>	<b>28,610,551</b>
Financial expense:		
Interest expense	10,312,851	11,368,935
Provision for loan losses	13,875	713,095
<b>Total financial expense</b>	<b>10,326,726</b>	<b>12,082,030</b>
<b>Net financial income</b>	<b>12,158,704</b>	<b>16,528,521</b>
Revenue and support:		
Loan servicing fees	1,103,502	1,228,083
Fees	1,023,369	623,448
Contract revenue	57,648	-
Contribution	2,000,000	15,000,000
Other income	122,469	348,175
Net assets released from donor restrictions	14,110,281	8,190,657
<b>Total revenue and support</b>	<b>18,417,269</b>	<b>25,390,363</b>
Non-financial expenses:		
Innovative community lending program	16,564,633	12,074,387
<b>Total non-financial program expenses</b>	<b>16,564,633</b>	<b>12,074,387</b>
Support expenses:		
Management and general	11,977,331	12,719,502
Fundraising	1,604,226	1,295,402
<b>Total non-financial expenses</b>	<b>30,146,190</b>	<b>26,089,291</b>
<b>Change in net assets without donor restrictions before noncontrolling interest activities</b>	<b>429,783</b>	<b>15,829,593</b>
Noncontrolling interest – distributions	(980,200)	(4,983,306)
Noncontrolling interest – return of investment	-	(5,767,495)
<b>Increase in net assets without donor restrictions</b>	<b>(550,417)</b>	<b>5,078,792</b>
Changes in net assets with donor restrictions:		
Investment income, net	30,639	62,924
Grant revenue	28,485,802	14,250,083
Net assets released from donor restrictions	(14,110,281)	(8,190,657)
<b>Change in net assets with donor restrictions</b>	<b>14,406,160</b>	<b>6,122,350</b>
<b>Change in net assets</b>	<b>13,855,743</b>	<b>11,201,142</b>
Net assets, beginning	175,610,316	164,409,174
Net assets, ending	<b>\$ 189,466,059</b>	<b>\$ 175,610,316</b>

See notes to consolidated financial statements.

## Capital Impact Partners and Subsidiaries

### Consolidated Statements of Functional Expenses Years Ended December 31, 2021 and 2020

2021	Program Expenses		Support Expenses		Total
	Innovative	Management and General	Fundraising		
	Community Lending Program				
Interest expense	\$ 10,312,851	\$ -	\$ -	\$ 10,312,851	
Provision for loan loss	13,875	-	-	13,875	
Salaries and benefits	11,150,269	5,864,502	730,667	17,745,438	
Professional fees	121,096	1,044,086	154,045	1,319,227	
Contractual services	762,409	2,707,321	399,441	3,869,171	
Corporate development	56,399	420,029	61,971	538,399	
Lease expense	614,933	601,319	88,719	1,304,971	
Insurance	-	256,555	37,852	294,407	
Travel and entertainment	36,429	35,282	5,206	76,917	
Training and tuition	6,728	58,382	8,614	73,724	
Grant expense	3,231,401	-	-	3,231,401	
Depreciation	85,188	192,033	-	277,221	
Other	499,781	797,822	117,711	1,415,314	
	<b>\$ 26,891,359</b>	<b>\$ 11,977,331</b>	<b>\$ 1,604,226</b>	<b>\$ 40,472,916</b>	

2020	Program Expenses		Support Expenses		Total
	Innovative	Management and General	Fundraising		
	Community Lending Program				
Interest expense	\$ 11,368,935	\$ -	\$ -	\$ 11,368,935	
Provision for loan loss	713,095	-	-	713,095	
Salaries and benefits	8,678,406	7,090,822	426,017	16,195,245	
Professional fees	117,455	1,017,906	163,743	1,299,104	
Contractual services	1,092,338	2,507,424	403,350	4,003,112	
Corporate development	40,868	462,071	74,330	577,269	
Lease expense	629,265	560,699	75,229	1,265,193	
Insurance	-	191,215	30,759	221,974	
Travel and entertainment	30,851	29,664	4,772	65,287	
Training and tuition	19,828	73,814	11,874	105,516	
Grant expense	591,000	-	-	591,000	
Depreciation	99,438	224,157	-	323,595	
Other	774,938	561,730	105,328	1,441,996	
	<b>\$ 24,156,417</b>	<b>\$ 12,719,502</b>	<b>\$ 1,295,402</b>	<b>\$ 38,171,321</b>	

See notes to consolidated financial statements.

## Capital Impact Partners and Subsidiaries

### Consolidated Statements of Cash Flows Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 13,855,743	\$ 11,201,142
Noncontrolling interest activities	(980,200)	(10,750,801)
Change in net assets before noncontrolling interest activities	14,835,943	21,951,943
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Provision for loan losses	13,875	713,095
Depreciation	277,221	323,595
Amortization of notes issuance costs	282,172	252,775
Straight-line rent expense	1,203,038	1,403,831
Gain (loss) on investments	1,492,524	(1,209,424)
Loss on equity method investments	(110,112)	(1,502,237)
(Loss) gain on NMTC unwind	(23,600)	420
Distribution on earnings from equity method investments	4,930	2,308
Accretion of interest on loans	52,111	53,353
Decrease (increase) in:		
Accounts and interest receivable	(517,557)	482,314
Contributions receivable	(250,000)	1,925,000
Other assets	(82,085)	(61,585)
(Decrease) increase in:		
Accounts payable and accrued expenses	1,235,305	840,132
Refundable advance liability	(2,159,023)	1,607,833
Lease liabilities	(1,323,028)	(870,938)
<b>Net cash provided by operating activities</b>	<b>14,931,714</b>	<b>25,912,415</b>
Cash flows from investing activities:		
Loan originations and advances	(74,816,477)	(59,110,944)
Loan purchases	(916,103)	-
Loan repayments	73,246,455	56,960,388
Loan sales	9,385,182	2,000,000
Loan originations and advances – subsidiaries	-	(7,501,522)
Loan repayments – subsidiaries	3,625,379	10,604,646
Proceeds received from returns of investment from equity investment	2,225,446	3,967,536
Proceeds from sale and distributions of investments	552,000	62,532
Purchase of investments	(37,279)	(88,758)
Proceeds from sale of Mortgage Backed Securities	31,801,193	28,970,594
Purchase of Mortgage Backed Securities	(26,589,768)	(24,697,237)
Purchase of furnishings and equipment	(4,863)	(420,605)
<b>Net cash provided by investing activities</b>	<b>18,471,165</b>	<b>10,746,630</b>
Cash flows from financing activities:		
Proceeds from notes payable	-	5,000,000
Repayment of notes payable	(9,745,935)	(13,784,535)
Proceeds from bond loan payable	-	4,250,000
Repayment of bond loan payable	(2,228,048)	(2,081,164)
Proceeds from issuance of Investor Notes, net	33,865,044	42,161,057
Repayment of Investor Notes	(10,302,000)	(17,126,000)
Payment of issuance cost of Investor Notes	(185,964)	(320,412)
Capital distributions paid – noncontrolling interest	(1,029,728)	(5,019,516)
Capital - returns on investment paid to noncontrolling interest	-	(5,767,495)
Proceeds from notes payable – subsidiaries	-	3,242,367
Repayment of notes payable – subsidiaries	(3,311,245)	(8,452,243)
Proceeds from lines of credit	5,000,000	14,700,000
Repayment of lines of credit	(34,500,000)	(39,200,000)
<b>Net cash used in financing activities</b>	<b>(22,437,876)</b>	<b>(22,397,941)</b>
<b>Net increase in cash and cash equivalents</b>	<b>10,965,003</b>	<b>14,261,104</b>
Cash and cash equivalents – beginning	87,301,240	73,040,136
Cash and cash equivalents – ending	<b>\$ 98,266,243</b>	<b>\$ 87,301,240</b>

(Continued)



## Capital Impact Partners and Subsidiaries

### Consolidated Statements of Cash Flows (Continued) Years Ended December 31, 2021 and 2020

	2021	2020
Cash and cash equivalents consist of:		
Cash and cash equivalents – unrestricted	\$ 73,212,984	\$ 59,662,347
Cash and cash equivalents – restricted	<u>25,053,259</u>	<u>27,638,893</u>
	<u>\$ 98,266,243</u>	<u>\$ 87,301,240</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 10,366,482</u>	<u>\$ 11,502,490</u>
Supplemental schedule of noncash operating activities:		
Loan forgiveness	<u>\$ 141,250</u>	<u>\$ -</u>
Supplemental schedules of noncash investing and financing activities:		
Distributions payable to noncontrolling interest included in accounts payable	<u>\$ 239,436</u>	<u>\$ 288,964</u>
Tenant allowance for leasehold improvements and furniture	<u>\$ -</u>	<u>\$ 232,050</u>
Additions to right of use assets and liabilities obtained from operating leases	<u>\$ -</u>	<u>\$ 165,186</u>

See notes to consolidated financial statements.

## Capital Impact Partners and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 1. Description of Activities and Significant Accounting Policies

**Description of activities:** Capital Impact Partners is a nonprofit organization without capital stock organized under the laws of the District of Columbia at the direction of the U.S. Congress in 12 U.S. Code 3051(b). The purpose of Capital Impact Partners is to provide industry altering financial services and technical assistance programs designed to spark systemic change for lasting economic progress. Capital Impact Partners empowers communities to create more affordable cooperative homeownership, access to healthy foods, housing and services for the elderly, and facilities for health care centers and charter schools. The Community Development Financial Institutions Fund of the U.S. Treasury Department has designated Capital Impact Partners as a certified Community Development Financial Institution (“CDFI”).

Effective February 8, 2021, Capital Impact Partners (“CIP”) amended its organizational documents. The amendments were primarily to convert from a membership to a non-membership organization and to revise the board makeup and size requirements in relation to the membership conversion.

CDC Small Business Finance Corp. (“CDC”) is a California not-profit organization committed to serving the capital needs of small businesses in California, Nevada, and Arizona. CDC is a Certified Development Company certified by the U.S. Small Business Administration. Its mission is to champion the growth of diverse small companies in its communities through advocacy and lending services. CDC arranges industrial and commercial real estate, and business development loans for small business companies located throughout the states of California, Nevada, and Arizona.

Effective April 1, 2021, CIP and CDC (collectively, the “Organization”) aligned their operations under one chief executive officer and a joint board of directors (the “Alliance”). The Alliance innovates how capital and investments flow into historically disinvested communities to advance economic empowerment and equitable wealth creation. Capital Impact Partners and CDC remain as separate legal and tax entities with no control over the other.

CIP and CDC cross guarantee most of the other party’s debt, and are co-borrowers on other obligations to enable each organization to benefit from the combined financial strength of both organizations.

CIP and CDC have substantially overlapping executive management teams with Ellis Carr, Capital Impact’s President and Chief Executive Officer, serving as President and Chief Executive Officer of both organizations.

The transaction closed on July 15, 2021.

## Capital Impact Partners and Subsidiaries

### Notes to Consolidated Financial Statements

#### Note 1. Description of Activities and Significant Accounting Policies (Continued)

The following table provides information on Capital Impact Partners' various subsidiaries:

Subsidiary Name	Ownership %	Purpose of Subsidiary	Included in Consolidated Financials
Community Solutions Group, LLC	100%	Formed to foster development and provide technical assistance to cooperative organizations and similar non-profit organizations and provide capital in support of development projects by making strategic grants and business planning advances. This entity had no activity in 2021 and 2020.	Yes
NCBCI Education Conduit, LLC	100%	Formed to facilitate, encourage and assist in financing charter schools. This entity holds Capital Impact Partner's interest in the Charter School Financing Partnership (CSFP), LLC. This entity had no activity in 2021 and 2020.	Yes
Impact NMTC Holdings II, LLC	100%	Formed to act as a non-managing member for NMTC Community Development Entities (CDEs) with Capital Impact Partners acting as managing member. This entity had no activity in 2021 and 2020.	Yes
Detroit Neighborhoods Fund, LLC (DNF, LLC)	100%	The purpose of this fund is to provide financing for mixed-use and multi-family rental housing and healthy foods retail in underserved areas in Detroit, Michigan.	Yes
FPIF, LLC	100%	The purpose of this fund is to channel funds to a predominately low income population aged 50+.	Yes
Community Investment Impact Fund, LLC	30%	The purpose of this fund is to engage solely in the business of, directly or indirectly, owning, holding for investment, exchanging, selling and disposing of investments in loans and other related activities. Capital Impact Partners is the managing member of this entity. Community Investment Impact Fund II, LLC merged with and into this entity, on January 1, 2020. Effective January 1, 2020, Capital Impact Partners increased its managing member ownership from 20% to 30%.	Yes
Alliance Securities Manager LLC	100%	This LLC is a holding company created for the purpose of holding interests in potential future investment business lines. This entity had no activity in 2021 and 2020.	Yes

Capital Impact Partners, was established under the National Consumer Cooperative Bank Act, provides comprehensive financial services to cooperatives and other member-owned organizations throughout the United States.

As an inherent part of its charter and mission, Capital Impact Partners makes loans to established cooperatives and cooperative-like businesses and, in some markets, makes special loans in the form of predevelopment loans to newer, less established organizations focused on multifamily housing development. As a development finance entity, Capital Impact Partners originates higher risk acquisition, construction and term loans to housing, community facility, food retail, education and worker cooperatives and cooperative-like entities. Consequently, repayment estimates for these higher risk loans are less predictable than those to mature, established organizations. Loans originated by Capital Impact Partners are both secured and unsecured, and many are to borrowers that may be unable to obtain conventional credit.

Pursuant to the National Consumer Cooperative Bank Act and Section 501(c)(3) of the Internal Revenue Code, Capital Impact Partners is exempt from Federal taxation. In 1998, Capital Impact Partners received exemption from franchise or income tax from the State of California, the Commonwealth State of Virginia and the Government of the District of Columbia.

Capital Impact Partners' principal sources of revenue and support are interest income and fees earned from its lending activities, grants and contributions.

## Capital Impact Partners and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 1. Description of Activities and Significant Accounting Policies (Continued)

##### Significant accounting policies:

**Basis of presentation:** The consolidated financial statements (collectively, the financial statements) are in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which have been applied on a consistent basis and follow general practices within the not-for-profit industry.

**Principles of consolidation:** The financial statements include the accounts of Capital Impact Partners and its consolidated subsidiaries, which include Community Solutions Group, LLC, NCBCI Education Conduit, LLC, Detroit Neighborhoods Fund, LLC, FPIF, LLC, Community Investment Impact Fund, LLC, Impact NMTC Holdings II, LLC and Alliance Securities Manager LLC. All intercompany balances and transactions are eliminated in consolidation.

**Use of estimates:** The preparation of financial statements in conformity with generally accepted accounting principles in the United States (“U.S. GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Unrestricted cash and cash equivalents:** Unrestricted cash and cash equivalents consist of cash and investment securities with original maturities at the date of purchase of less than 90 days.

**Restricted cash and cash equivalents:** Capital Impact Partners has certain restricted cash and cash equivalents that are held per terms of grant and loan agreements.

**Contributions receivable:** Capital Impact Partners accounts for unconditional contributions received as without donor restriction, or with donor restrictions depending on the existence or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions as to time or purpose depending on the nature of the restriction.

**Investments:** Investments in equity securities, money market funds, Mortgage Backed Securities with readily determinable fair values are stated at fair value measured, as more fully described in Note 21. Capital Impact Partners’ investment in Real Estate Investment Trust (“REIT”), and other investments are stated at estimated fair value, as more fully described in Note 21. Interest and dividend income are recognized when earned. Any unrealized or realized gains or losses are reported in the statements of activities as a change in assets without donor restrictions, unless explicit donor intent or law restricts their use, in which case unrealized or realized gains or losses are reported in the statements of activities as a change in assets with donor restrictions. Investment return is reported net of investment expenses. In 2020, Capital Impact Partners adjusted the term of amortization of premium/accretion of discount on Mortgage Backed Securities from the contractual maturity (i.e., 30 years) to the average prepayment term (10 years). The acceleration in this term relates to the increase in mortgage payoffs due to refinancing of homes, which comprise these securities. The amortization/accretion is reported with investment income, net without donor restrictions.

Investments in other entities are accounted for under the equity or the cost method depending on Capital Impact Partners’ voting interest and the degree of control or influence Capital Impact Partners may have over the operations of these entities, as noted below:

## Capital Impact Partners and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 1. Description of Activities and Significant Accounting Policies (Continued)

**Investments in New Markets Tax Credit entities:** Investments in New Markets Tax Credit (“NMTC”) entities are accounted for under the equity method of accounting under which Capital Impact Partners’ share of net income or loss is recognized in the statements of activities and added or subtracted from the investment account, and distributions received are treated as a reduction of the investment account.

**Investment in ROC USA, LLC:** Capital Impact Partners has a 23.81% voting interest in ROC USA, LLC and 33% equity investment in ROC USA, LLC and is accounting for its investments in ROC USA, LLC under the equity method of accounting. Accordingly, Capital Impact Partners’ share of the change in net assets without donor restrictions of the affiliate is recognized as income or loss in Capital Impact Partners’ statements of activities and added to or subtracted from the investment account. Dividends received from the affiliate are treated as a reduction of the investment account. Capital Impact Partners appoints two of the eleven directors of the Board of Directors. The purpose of ROC USA, LLC is to aid people living in manufactured home communities, through technical assistance, loans, training and assistance in the purchase of their communities and the operation of those communities as resident-owned and/or controlled entities.

**Investment in Charter School Financing Partnership, LLC:** Capital Impact Partners has a 20% voting interest in Charter School Financing Partnership, LLC (“CSFP”) and is accounting for its investment in CSFP under the equity method of accounting. Accordingly, Capital Impact Partners’ share of net income of the affiliate is recognized as income or loss in Capital Impact Partners’ statements of activities and added to or subtracted from the investment account. Dividends received from the affiliate are treated as a reduction of the investment account. Capital Impact Partners appoints one of the five managers of the

Board of Managers. CSFP was established to encourage, facilitate and assist charter schools with financing and educational related activities.

**Investment in FHLB Stock:** In January 2015, Capital Impact Partners became a member of the Federal Home Loan Bank of Atlanta (“FHLBank Atlanta”) and is required to maintain an investment in capital stock in FHLBank Atlanta. The FHLBank Atlanta stock does not have a readily determinable value as ownership is restricted and there is no ready market for this stock. As a result, the stock is carried at cost and management evaluates periodically for impairment based on the ultimate recovery of the cost basis of the stock. No impairment was noted as of December 31, 2021 or 2020.

**Investment in Workforce Affordable Housing Fund I, LLC:** In July 2019, Capital Impact Partners became a 96% non-controlling member in the Investment in Workforce Affordable Housing Fund I, LLC and is accounting for its Investment under the equity method of accounting. Capital Impact Partners does not consolidate Workforce Affordable Housing Fund I, LLC since it is not the managing member and the managing member controls the entity. The purpose is to invest in multifamily affordable housing properties located in specified areas in the U.S. Housing properties are to be acquired, held for investment then sold. Members record their proportionate share of income or loss from the properties and gain/loss upon sale of the property.

**Noncontrolling interest in consolidated subsidiaries:** The noncontrolling interest represents the equity interest in Community Investment Impact Fund, LLC exclusive of Capital Impact Partners’ interest. Community Investment Impact Fund, LLC (CIIF) is a for-profit entity, which is jointly owned by Capital Impact Partners (managing member with 30% ownership) and Annaly Social Impact LLC (“Annaly”) (non-managing member with 70% ownership). The non-managing member does not have substantive kick-out rights or substantive participating rights and therefore cannot consolidate. CIIF shall engage solely in the business of owning, holding for investment, exchanging, selling and disposing of investments in loans and other activities related or incidental to the foregoing business.

## Capital Impact Partners and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 1. Description of Activities and Significant Accounting Policies (Continued)

The Operating agreements outline the “waterfall” of funds for CIIF to distribute to its investors. Distributions include: 1) preferred return of funds to Annaly, and 2) remaining portion of interest payments allocated to Annaly and Capital Impact Partners.

Finally, in year 2024, principal payments to Annaly and Capital Impact Partners will commence as the loans in the Fund pay off.

#### Loans receivable:

**Loans:** Loans are stated at their principal amounts outstanding, net of deferred loan fees. Interest income is accrued daily at the loans’ respective interest rates. Related direct loan origination fees and costs are deferred and amortized over the life of the loans. Fees relating to expired commitments are recognized as non-interest income. If a commitment is exercised during the commitment period, the fee at the time of exercise is recognized over the life of the loan as an adjustment of yield.

**Impaired loans:** A loan is considered impaired when, based on current information and events, it is probable that Capital Impact Partners will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. 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. Impairment is generally measured on a loan-by-loan basis using the fair value of collateral, since Capital Impact Partners’ loans are largely collateral dependent.

Impaired loans also include troubled debt restructurings (“TDRs”), if any, where management has modified loan terms and made concessions to borrowers in financial difficulty. Consequently, the allowance for loan losses related to TDRs is based on discounted cash flows using the loan’s initial effective interest rate or the fair value of the collateral for certain collateral-dependent loans.

Under the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”), financial institutions generally do not need to categorize COVID-19-related modifications as TDRs. As a result, loans that have been restructured for short term COVID-19 related hardships are not categorized as TDRs.

**Non-accrual loans:** The accrual of interest on outstanding loans is discontinued at the time the loan is 90 days delinquent unless the credit is well secured and in process of collection. When the accrual of interest ceases, any unpaid interest previously recorded as income is deducted from income. Any future payments received are applied to reduce principal. At such time as full collection of the remaining recorded balance is expected in the ordinary course of business, interest payments are recorded as interest income on a cash basis. Loans may be reinstated to accrual status when all payments are brought current and, in the opinion of management, collection of the remaining principal and interest can reasonably be expected. If at any time collection of principal or interest is considered doubtful, all or some portion of the loan is charged off for financial reporting purposes, although collection efforts may still continue.

**Allowance for loan losses:** The allowance for losses is a valuation reserve that management believes will be adequate to absorb possible losses on existing loans that may become uncollectible. It is established through a provision for loan losses charged to expense. Loans deemed to be uncollectible, such as debt discharged in bankruptcy or collateral deterioration, are charged against the allowance. Subsequent recoveries, if any, are credited to the allowance. The allowance is maintained at a level believed adequate by management to absorb estimated potential losses after considering changes, past loss experience, the

## Capital Impact Partners and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 1. Description of Activities and Significant Accounting Policies (Continued)

nature of the portfolio and current economic conditions. However, the allowance is an estimate that could change if there are significant changes in the portfolio and/or economic conditions.

The allowance consists of allocated and general components. The allocated component relates to loans that are classified as impaired. For those loans that are classified as impaired, an allowance is established when the discounted cash flows (or collateral value for collateral dependent loans or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers non-classified loans and is based on historical charge-off experience and expected losses given Capital Impact Partners' internal risk rating process. Other adjustments are made to the allowance for pools of loans after an assessment of internal or external influences on credit quality that are not reflected in the historical loss or risk rating data.

**Transfers of financial assets:** Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when: (1) the assets have been isolated from Capital Impact Partners, (2) the transferee obtains the right to pledge or exchange the transferred assets and no condition both constrains the transferee from taking advantage of that right and provides more than a trivial benefit for the transferor, and (3) the transferor does not maintain effective control over the transferred assets through either (a) an agreement that both entitles and obligates the transferor to repurchase or redeem the assets before maturity or (b) the ability to unilaterally cause the holder to return specific assets, other than through a cleanup call.

**Contributions receivable:** Capital Impact Partners accounts for contributions received as without donor restriction or with donor restrictions depending on the existence or nature of any donor restrictions. All donor restricted support is reported as an increase in net assets with donor restrictions as to time or purpose depending on the nature of the restriction. When the donor restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), donor restricted net assets are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Contributions receivable, which represents unconditional promises to give, are recognized as revenue in the period received and as assets, decreases of liabilities or expenses depending on the form of the benefits received. Conditional promises to give, which depend on the existence of both performance barriers and right of return language are recorded as deferred revenue.

**Other assets:** Other assets include deposits, a program advance, prepaid expenses and furniture, equipment and leasehold improvements (see Note 10).

**Right of use assets / lease liabilities:** Capital Impact Partners recognizes right of use assets and lease liabilities on the statements of financial position for all leases with terms longer than 12 months. Right of use assets and lease liabilities are recognized at the lease commencement date based on the present value of the remaining lease payments over the lease term, using the incremental borrowing rate. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities. Lease expense is recognized on a straight-line basis over the term of the lease. The options to extend the lease term are not included in the right of use assets and liabilities recorded, when applicable. Capital Impact Partners has elected the practical expedient of not separating lease components from non-lease components.

## Capital Impact Partners and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 1. Description of Activities and Significant Accounting Policies (Continued)

**Investor Notes:** Capital Impact Partners launched an Investor Notes (“Notes”) program in 2017. The proceeds of the offerings are used primarily to fund initiatives that meet critical needs in low income communities across the United States, including through Capital Impact Partners’ subsidiaries and third party intermediaries. The proceeds of the offerings may also be used to purchase securities or other assets that will be leveraged to support Capital Impact Partners’ lending activities and general operations. The Notes are sold through the Depository Trust Company (“DTC”). The Lead Selling Agent agrees to sell these notes to other agents on Capital Impact Partners behalf.

Capital Impact Partners incurs agent and other fees to issue the Notes program. The fees include legal, accounting, and underwriting fees which are capitalized in accordance with U.S. GAAP and amortized using the effective-yield method over the term of the Notes and are presented net of the Investor Notes on the statements of financial position.

US Bank has been designated as the indenture trustee to the indenture agreement and in this capacity US Bank serves as paying agent for the Notes. The Notes constitute unsecured debt obligations of Capital Impact Partners.

**Net assets:** Capital Impact Partners classifies net asset into two categories: Without Donor Restrictions and With Donor Restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Donor restricted net assets are contributions with temporary, donor-imposed time or purpose restrictions. Donor restricted net assets can be released from restriction when the time restrictions expire or the contributions are used for their intended purpose at which time they are reported in the statements of activities as net assets released from restrictions. Donor restricted funds also include donor contributions to be held in perpetuity totaling \$8,124,438 and \$6,865,489, respectively, at December 31, 2021 and 2020.

**Revenue recognition:** Capital Impact Partners generally measures revenue based on the amount of consideration Capital Impact Partners expects to receive for the transfer of services to a customer, then recognizes this revenue when or as Capital Impact Partners satisfies its performance obligations under the contract, except in transactions where U.S. GAAP provides other applicable guidance. Material revenue streams are reported separately on the statements of activities.

Revenue recognized at a point in time includes NMTC Suballocation Fees, fund underwriting fees and unused fee income:

NMTC suballocation fees are paid to Capital Impact Partners from the community development entity (“CDE”) for Capital Impact Partners’ allocation of its NMTC award to the CDE. The fees are a percentage of the qualified equity investment (“QEI”) made from the investor member to the CDE. The performance obligation by Capital Impact Partners is to assist in the transfer of its NMTC allocation to a CDE; therefore, the performance obligation is satisfied and revenue recognized when the deal closes.

In December 2020, the California Primary Care Association (“CPCA”) established the CPCA COVID Response Loan Fund (“Fund”) to finance loans to California community healthcare centers. Capital Impact Partners serves as both the Program Administrator and Servicer of loans originated by this fund. As Program Administrator of these off balance sheet loans, Capital Impact Partners reviews and manages the loan application process. This role entitles Capital Impact Partners to earn a Fund Underwriting fee of 1% per loan, which is recognized upon receipt in the Statement of Activities. In addition, Capital Impact Partners has committed to guarantee payments on defaulted loans for up to 5% of the total amount disbursed, not to exceed \$1.5 million. As loans are originated, the guarantee fees are recorded as a contingent liability and offset to underwriting fee income.



## Capital Impact Partners and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 1. Description of Activities and Significant Accounting Policies (Continued)

Unused fees are paid to Capital Impact Partners from borrowers with revolving line of credit loans; equal to fifteen basis points of the difference between the maximum available loan amount and average aggregate amount outstanding during the immediate preceding year. The unused fees are recognized upon receipt.

Revenue recognized over a period of time includes Asset Management Fees, Fund Management Fees and Credit Enhancement Fees:

Asset management fees are earned by Capital Impact Partners for management services for NMTC programs and includes assisting with NMTC program requirements. These performance obligations are estimated to be satisfied evenly over the life of each loan. The fee is either based on basis points of the outstanding balance of a loan or a flat fee. The fee is accrued monthly and paid quarterly. Asset management fees earned from subsidiaries are eliminated upon consolidation.

Fund management fees are earned by Capital Impact Partners for management of investment funds that it manages for the NMTC program. The performance obligations are estimated to be satisfied evenly over the year and as such are recognized over time in one calendar year. The fund management fees are a flat annual amount that ranges from \$10,000 to \$25,000. They are accrued monthly and paid either monthly or quarterly. Fund management fees earned from subsidiaries are eliminated upon consolidation.

Credit enhancement fees are collected from investment funds or from borrowers by Capital Impact Partners for the credit enhancement facility arrangement with the California Charter Schools Association. The performance obligation is to provide credit enhancement, which is estimated to occur evenly over the life of the facilities. The fee is 0.10% of the average daily outstanding principal balance of the credit enhancement facilities and is paid annually to the California Charter Schools Association.

**Loan servicing fees:** Capital Impact Partners recognizes loan servicing fees on the loans that it services for third parties. These fees are earned over the life of the loan.

**Functional expense allocation:** The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses include the departments of President's Office, Equity and Impact, Information Technology, Human Resources, Finance and Legal. These departments also benefit various programs. Any direct program related invoices such as Professional Fees and Contractual Services, specific to the teams noted above, are reported as program expenses. Salaries and Benefits, Travel and Entertainment, Depreciation and certain and other expenses are allocated as a percentage of time worked on program specific duties.

**Income taxes:** Capital Impact Partners is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, Capital Impact Partners qualifies for charitable contribution deductions and has been classified as an organization that is not a private foundation. Income which is not related to exempt purposes, less applicable deductions, is subject to federal corporate income taxes. Management evaluated Capital Impact Partners' tax positions and concluded that Capital Impact Partners had taken no uncertain tax positions that require adjustment to the financial statements. Consequently, no accrual for federal or state tax liability for interest and penalties was deemed necessary for the years ended December 31, 2021 and 2020. Capital Impact Partners files tax returns in the U.S. federal jurisdiction and California. Generally, Capital Impact Partners is no longer subject to income tax examination by the U.S. federal or state tax authorities for years before 2018.

## Capital Impact Partners and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 1. Description of Activities and Significant Accounting Policies (Continued)

Community Investment Impact Fund, LLC, ("CIIF") is a consolidated subsidiary of Capital Impact Partners and is a Delaware limited liability company. The entity files an annual tax return to report the income, deductions, gains, losses, etc., from its operations, but does not pay income tax. Instead, any profits or losses pass through to its members, Capital Impact Partners and Annaly. Each member includes its share of the entity's income/loss on its tax return.

#### Upcoming accounting pronouncements not yet adopted:

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses (Subtopic 326); in November 2018, the FASB issued ASU 2018-19, Codification Improvements to Topic 326, Financial Instruments – Credit Losses; in May 2019, the FASB issued ASU 2019-05, *Credit Losses (Topic 326): Targeted Transition Relief.*; and in November 2019, the FASB issued ASU 2019-10, Financial Instruments – Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842) Effective Dates. The existing incurred loss model will be replaced with a current expected credit loss ("CECL") model for both originated and acquired financial instruments carried at amortized cost and off-balance sheet credit exposures, including loans, loan commitments, held-to-maturity debt securities, financial guarantees, net investment in leases, and most receivables. Recognized amortized cost financial assets will be presented at the net amount expected to be collected through an allowance for credit losses. Expected credit losses on off-balance sheet credit exposures will be recognized through a liability. Unlike current guidance, which requires certain favorable changes in expected cash flows to be accreted into interest income, both favorable and unfavorable changes in expected credit losses (and therefore the allowance) will be recognized through credit loss expense as they occur. With the exception of purchased financial assets with a more than insignificant amount of credit deterioration since origination, for which the initial allowance will be added to the purchase price of the assets, the initial allowance on financial assets subject to the scope (whether originated or acquired) will be recognized through credit loss expense. Expanded disclosures will also be required. The ASU is effective for fiscal years beginning after December 15, 2022. Capital Impact Partners is currently evaluating the impact of adopting this new guidance on its financial statements.

In March 2020, the FASB issued ASU 2020-03, *Codification Improvements to Financial Instruments*. This ASU addresses various financial instruments topics. The amendments related to Issues 1, 2, 3, 4 and 5 within the ASU are conforming amendments and effective for annual reporting periods beginning after December 15, 2019 for Capital Impact Partners and have no significant impact to the Capital Impact Partners' financial statements. For entities that have not yet adopted ASU 2016-13, the effective dates for the amendments related to Issues 6 and 7 within ASU 2020-03 are the same as the effective dates in ASU 2016-13. As such, the amendments related to Issues 6 and 7 are effective for annual reporting periods beginning after December 15, 2022 for Capital Impact Partners. Capital Impact Partners is currently evaluating the impact of adopting this new guidance on its financial statements.

## Capital Impact Partners and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 2. Cash and Cash Equivalents

Cash and cash equivalents, including restricted balances, consist of the following at December 31:

	2021	2020
Cash in bank	\$ 79,940,681	\$ 66,943,530
Overnight investments	3,231,483	7,621,308
Other short-term investments	15,094,079	12,736,402
	<u>\$ 98,266,243</u>	<u>\$ 87,301,240</u>
Unrestricted	\$ 73,212,984	\$ 59,662,347
Restricted	25,053,259	27,638,893
	<u>\$ 98,266,243</u>	<u>\$ 87,301,240</u>

Restricted cash and cash equivalents are held, per respective agreements, for the following purposes: a) lending for the affordable housing in low income community, b) to cover loan losses under a charter school loan program from the United States Department of Education (“USED”) and c) other programs.

#### Note 3. Liquidity

Capital Impact Partners regularly monitors liquidity required to meet its annual operating needs and other contractual commitments, while also striving to maximize the return on investment of its funds not required for annual operations.

## Capital Impact Partners and Subsidiaries

### Notes to Consolidated Financial Statements

#### Note 3. Liquidity (Continued)

As of December 31, 2021 and 2020, the following financial assets are available to meet annual operating needs of the 2022 and 2021 fiscal year, respectively:

	2021	2020
Total assets at year-end:		
Cash and cash equivalents – unrestricted	\$ 73,212,984	\$ 59,662,347
Cash and cash equivalents – restricted	25,053,259	27,638,893
Accounts and interest receivable	2,831,834	2,314,277
Contributions receivable	250,000	-
Loans receivable, net	350,721,260	357,634,191
Loans receivable – subsidiaries	27,105,392	30,730,771
Other assets	2,928,134	3,118,407
Investments	33,922,261	36,279,999
Mortgage Backed Securities	59,429,070	66,386,667
Right of use assets	8,637,426	9,496,017
Total assets	<u>584,091,620</u>	<u>593,261,569</u>
Less amounts not available to be used within one year:		
Cash and cash equivalents – unrestricted – subsidiaries	(3,971,928)	(4,536,755)
Cash and cash equivalents – restricted	(25,053,259)	(27,638,893)
Contributions receivable	(250,000)	-
Loans receivable, due after one year, net	(313,252,891)	(333,369,975)
Loans receivable – subsidiaries	(27,105,392)	(30,730,771)
Other assets	(2,928,134)	(3,118,407)
Investments	(33,922,261)	(36,279,999)
Investments in pledged Mortgage Backed Securities	(52,066,945)	(50,092,004)
Unfunded loan commitments	(59,197,655)	(41,386,526)
Right of use assets	(8,637,426)	(9,496,017)
Debt service relief fund	-	(1,193,603)
Diversity in Development Detroit Loan Fund	(7,500,000)	(7,500,000)
Diversity in Development DMV Loan Fund	(7,875,500)	(5,000,000)
Assets not available to be used within one year	<u>(541,761,391)</u>	<u>(550,342,950)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 42,330,229</u>	<u>\$ 42,918,619</u>

#### Note 4. Concentration of Credit Risk and Concentration of Contributions

Capital Impact Partners maintains cash in various financial institutions. Cash balances at each financial institution are insured by the Federal Deposit Insurance Corporation up to \$250,000.

At December 31, 2021 and 2020, Capital Impact Partners had uninsured balances of \$77,455,852 and \$65,611,025, respectively, that are included in cash and cash equivalents. Capital Impact Partners has not experienced any losses in such accounts. Capital Impact Partners' management believes it limits any significant credit risk by placing its deposits with high quality financial institutions. Uninsured amounts of \$8,394,808 and \$17,783,141 are held in short-term investments, in sweep accounts and non-bank money market accounts at December 31, 2021 and 2020, respectively.

As indicated in Note 8, a substantial portion of the loan portfolio is represented by loans to affordable housing projects. Most affordable housing loans have reserves established to mitigate risk of borrower payment issues. In addition, a substantial portion of the loan portfolio is represented by loans to charter

## Capital Impact Partners and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 4. Concentration of Credit Risk and Concentration of Contributions (Continued)

schools. The viability of the borrowers and their ability to honor their contracts is dependent upon their ability to retain their charters. Approximately 20% and 21% of the portfolio represents loans made to entities associated with the NMTC program at December 31, 2021 and 2020, respectively. Approximately 25% and 31% of the portfolio represents loans made in the state of California and approximately 24% and 23% in the state of Michigan at December 31, 2021 and 2020, respectively.

During the years ended December 31, 2021 and December 31, 2020, \$11,250,000 or approximately 37% of total restricted grants and contributions were from one donor and \$15,000,000 or approximately 51% of total restricted grants and contributions were from one donor, respectively.

#### Note 5. Investments

Investments consist of the following as of December 31:

	2021	2020
Marketable equity securities	\$ 428,882	\$ 315,348
Real estate investment trust	1,602,086	1,443,712
Other investments	286,673	281,805
Total investments at fair value (Note 21)	<u>2,317,641</u>	<u>2,040,865</u>
Equity method investments:		
ROC USA, LLC	3,697,232	3,361,301
Charter School Financing Partnership, LLC	294,264	294,264
Workforce Affordable Housing Fund I, LLC	24,611,526	26,942,843
Other equity method investment	392,518	575,097
Equity method investments in New Markets Tax Credit entities (Note 18)	<u>39,680</u>	<u>19,229</u>
Total equity method investments	29,035,220	31,192,734
Investments at cost	2,069,400	2,546,400
Debt investment	500,000	500,000
	<u>\$ 33,922,261</u>	<u>\$ 36,279,999</u>

**ROC USA, LLC:** In February 2019, Capital Impact Partners contributed an additional \$750,000 into ROC USA, LLC and amended the existing operating agreement (for \$500,000) to incorporate this new equity investment. The revised operating agreement allows for the investor members to receive distributions equal to 5% of their capital contribution. Capital Impact Partners received a distribution of \$62,500 during each of the years ended December 31, 2021 and 2020, respectively. The allocation of the change in net assets without donor restriction and voting rights remained consistent with the original agreement at 33.33% and 23.81%, respectively. As provided for in the operating agreement of ROC USA, LLC, there are certain limitations affecting member capital withdrawals. For the years ending December 31, 2021 and 2020, Capital Impact Partners recognized gains of \$398,431 and \$432,267, respectively.

## Capital Impact Partners and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 5. Investments (Continued)

The following is a summary of financial information for the years ended December 31, 2021 and 2020, for ROC USA, LLC:

	2021	2020
Total assets	\$ 122,911,907	\$ 129,035,432
Total liabilities	106,499,817	114,574,711
Net assets	16,412,090	14,460,721
Total revenue	5,583,934	5,729,422
Total expenses	4,388,641	4,432,623
Change in net assets without donor restrictions	1,195,293	1,296,799

**Workforce Affordable Housing Fund I, LLC:** In December 2019, Capital Impact Partners invested in the Workforce Affordable Housing Fund I, LLC. The purpose of this transaction is to invest in multifamily affordable housing properties located in specific areas throughout the United States. During the years ended December 31, 2021 and 2020, Capital Impact Partners recorded distributions of \$2,225,446 and \$0, respectively. During the years ended December 31, 2021 and 2020, Capital Impact Partners received returns of investment of \$0 and \$3,967,536, respectively. Capital Impact Partners' allocated income (loss) was (\$105,871) and \$927,555 for the years ended December 31, 2021 and 2020, respectively.

	2021	2020
Total assets	\$ 26,719,574	\$ 29,292,146
Total liabilities	61,118	47,168
Total members' capital	26,658,456	29,244,978
Total revenue	183,061	1,047,724
Total expenses	90,997	130,183
Net income	92,064	917,541

**Charter School Financing Partnership, LLC ("CSFP"):** As of December 31, 2021 and 2020, Capital Impact Partners had an investment of \$294,264 for both years. The net income of CSFP is allocated 18% to Capital Impact Partners and amounted to \$0 and \$43,118, respectively, for the years ended December 31, 2021 and 2020.

**Other equity method investments:** In 2018, Capital Impact Partners entered into an agreement to invest \$500,000 in Develop Detroit, a nonprofit developer in Detroit, Michigan. The balance recorded as of December 31, 2021 and 2020, was \$392,518 and \$475,997, respectively. Net gain (loss) recorded as of December 31 2021 and 2020 was (\$83,480) and \$0, respectively. The balance of the other equity method investment as of December 31, 2021 and 2020, was \$0 and \$99,100, respectively. Net gain (loss) recorded as of December 31 2021 and 2020 was \$(99,100) and \$99,100, respectively.

**Debt investment:** In 2018, Capital Impact Partners entered into a debt investment with a CDFI in the cooperative sector. The balance recorded as of December 31, 2021 and 2020 was \$500,000.

**Investments at cost:** Capital Impact Partners is a member of FHLBank Atlanta, whose mission is to support member's residential-mortgage and economic-development lending activities. FHLBank Atlanta is a cooperative bank that offers, among other services, competitively priced financing. As a requirement of membership, Capital Impact Partners was required to purchase Class A Membership Stock of \$250,000, which carries voting rights and is also an earning asset with dividends. Capital Impact Partners will be required to purchase additional stock in the amount of 4.5% of each advance and pledge cash or securities as collateral for advances.

## Capital Impact Partners and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 5. Investments (Continued)

At December 31, 2021 and 2020, the amount of stock held was \$2,069,400 and \$2,546,400, respectively. As of December 31, 2021 and 2020, Capital Impact Partners has drawn advances totaling \$47,271,304 from FHLBank Atlanta.

#### Note 6. Mortgage Backed Securities

Capital Impact Partners purchases Mortgage Backed Securities in order to serve as collateral/pledge base for FHLBank Atlanta borrowings and earn a return on idle cash. Total FHLBank Atlanta borrowings are \$47,271,304 as of December 31, 2021 and 2020. The balance of pledged Mortgage Backed Securities are \$52,066,945 and \$50,092,004 as of December 31, 2021 and 2020, respectively. The remaining unpledged balance, net of discount, which is available to secure future advances are \$7,362,125 and \$16,294,663 as of December 31, 2021 and 2020, respectively.

The Mortgage Backed Securities by category as of December 31, 2021 and 2020 are as follows:

	2021	2020
Mortgage Backed Securities:		
Federal Home Loan Mortgage Company (FHLMC)	\$ 4,891,690	\$ 11,283,729
Federal National Mortgage Association (FNMA)	556,807	1,414,830
Government National Mortgage Association (GNMA)	5,761,981	8,107,527
Uniform Mortgage Backed Securities (UMBS)	48,218,592	45,580,581
	<u>\$ 59,429,070</u>	<u>\$ 66,386,667</u>

#### Note 7. Contributions Receivable

As of December 31, 2021 and 2020, contributions receivable are \$250,000 and \$0, respectively, all due in one year.

As of December 31, 2021 and 2020, total conditional contributions receivable not recorded is \$20,725,000 and \$3,333,334, respectively. The conditional unrecorded receivables include a right of release dependent on available funding or satisfactory progress.

#### Note 8. Loans Receivable

Capital Impact Partners is a development finance organization and in that capacity originates higher risk development loans in the following primary market sectors: affordable housing, education, health care and community development. The loans originated by Capital Impact Partners are secured and unsecured and many times go to borrowers who may otherwise be unable to obtain conventional credit.

## Capital Impact Partners and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 8. Loans Receivable (Continued)

Capital Impact Partners' loan portfolio is diversified in terms of sector. The following is the distribution of loans outstanding at December 31:

	2021	%	2020	%
By Sector:				
Education	\$ 104,492,605	29	\$ 108,847,153	29
Health care	78,550,676	21	81,638,716	22
Affordable housing	137,464,356	38	133,388,317	36
Community development	43,568,888	12	47,242,645	13
Total – Capital Impact Partners	364,076,525	100	371,116,831	100
Detroit Neighborhoods Fund, LLC	19,414,419		19,728,553	
FPIF, LLC	7,690,973		11,002,218	
	<u>\$ 391,181,917</u>		<u>\$ 401,847,602</u>	

Real estate loans are used to finance the development of affordable housing projects and to provide term financing to the operation of affordable housing projects once they have been completed. Loans that are made to finance development are usually short-term and are repaid from either a construction or permanent loan. Term loans take the form of mortgages and are repaid from the operations of the real estate cooperative. Interest rates range from 0.00% to 7.57% and maturities from December 1, 2021 to July 1, 2053.

The commercial lending portfolio is diverse. Loans range from lines of credit to term loans. Loans are typically secured by general business assets (e.g., real estate, inventory, receivables, fixed assets and leasehold interests). Loan underwriting decisions are made on the basis of the analysis of markets, management, and cash flow potential; and not primarily on the basis of collateral coverage. These loans are expected to be repaid from cash flows generated by the borrower's operating activities. Interest rates range from 0.00% to 8.85% and maturities from September 1, 2021 to December 1, 2045.

**COVID Relief Program:** In response to the COVID-19 economic crisis, Capital Impact Partners established a \$1.5 million fund to assist high-need borrowers with debt payments for up to four months. In the event borrowers have exhausted reserves and are unable to operationally support debt payments, a Debt Service Relief Fund loan would be sized to support up to four months of principal and interest payments of the borrowers. As of December 31, 2021 and 2020, the designated fund for the COVID Relief Program fund had an available balance of \$0 and \$1,193,603, respectively.

#### Subsidiaries:

**Detroit Neighborhoods Fund, LLC (“DNF, LLC”):** DNF, LLC was formed during 2014 under the laws of the state of Delaware. Capital Impact Partners is the sole member and manager of this LLC. DNF, LLC was formed specifically for the purpose of providing financing for mixed-use and multi-family rental housing and healthy foods retail in underserved areas in Detroit, Michigan. Capital Impact Partners' role is managing the DNF, LLC and identifying, originating, closing and servicing the loans. For this role, Capital Impact Partners receives an annual loan servicing fee of 200 basis points of the average daily outstanding principal balance of each end borrower loan. The lenders have committed to lend an aggregate of \$30 million to the fund. The lenders in the fund are Capital Impact Partners, with a \$10 million commitment and J.P. Morgan Chase Community Development Corporation, with a \$20 million commitment. All loans from each investor are evidenced by individual promissory notes from each lender to DNF, LLC. The loans are with sole recourse to the DNF, LLC and include no obligation for repayment on the part of Capital Impact Partners. Interest rates range from 5.0% to 5.25% and maturities from March 1, 2025 to June 27, 2029.



## Capital Impact Partners and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 8. Loans Receivable (Continued)

**FPIF, LLC:** FPIF, LLC was formed during 2014 under the laws of the state of Delaware. Capital Impact Partners is the sole member and manager of this LLC. FPIF, LLC is organized as a special purpose entity to channel funds to a predominately low income population aged 50+. The lenders had committed to lend an aggregate of \$72,666,667 to FPIF, LLC. FPIF, LLC is capitalized with \$ 7,266,667 or 10% subordinated debt from Capital Impact Partners, funded partly by a program related investment from AARP Foundation. The commitment expired on December 31, 2018. AARP Foundation's Program Related Investment is included in the notes payable section of the accompanying statements of financial position. The senior debt constitutes \$65,400,000 or 90% of the borrowings from a special purpose entity between Calvert Foundation and AARP Foundation. The loans are with sole recourse to the FPIF, LLC and include no obligation for repayment on the part of Capital Impact Partners. Interest rates range from 5.50% to 6.25% and maturities from May 29, 2022 to December 20, 2024.

Refer to Note 14, Notes Payable - Subsidiaries, for further details on subsidiary loans receivables.

#### Note 9. Credit Quality

**Loan origination and risk management:** Capital Impact Partners has certain lending policies and procedures in place that are designed to maximize loan income within an acceptable level of risk. Management reviews and approves these policies and procedures on a regular basis. A reporting system supplements the review process by providing management with frequent reports related to loan production, loan quality, concentration of credit, loan delinquencies and non-performing and potential problem loans. Diversification in the loan portfolio is a means of managing risk associated with fluctuations in economic conditions.

Capital Impact Partners' lending is focused on owner-occupied commercial real estate in its primary sectors, which include:

- Education
- Health care
- Affordable housing
- Community development

Commercial real estate loans are viewed primarily as cash flow loans and secondarily as loans secured by real estate. Commercial real estate lending typically involves higher loan principal amounts and the repayment of these loans is generally largely dependent on the successful operation of the property securing the loan or the business conducted on the property securing the loan. Commercial real estate loans may be more adversely affected by conditions in the real estate markets or in the general economy. Capital Impact Partners mitigates this risk by focusing on owner-occupied commercial real estate transactions in its sectors of education and health care. Management monitors and evaluates commercial real estate loans based on collateral, geography and risk grade criteria.

Once it is determined that the borrower's management possesses sound ethics and solid business acumen, Capital Impact Partners' management examines current and projected cash flows to determine the ability of the borrower to repay their obligations as agreed. Loans are primarily made based on the identified cash flows of the borrower and secondarily on the underlying collateral provided by the borrower. The cash flows of borrowers, however, may not be as expected and the collateral securing these loans may fluctuate in value. Most loans are secured by the assets being financed or other business assets such as accounts receivable or inventory and may incorporate a personal guarantee to attempt to reduce the risk of loss. Some short-term loans may be made on an unsecured basis.

## Capital Impact Partners and Subsidiaries

### Notes to Consolidated Financial Statements

#### Note 9. Credit Quality (Continued)

**Age analysis of past due loans:** The following tables represent an aging of loans by sector as of December 31, 2021 and 2020. The tables present the principal amount outstanding on the loans that may be past due for principal and/or interest payments contractually due:

December 31, 2021	30 - 59 Days Past Due	60 - 89 Days Past Due	90 days and Still Accruing	Non-accrual	Total Past Due	Current	Total Loans
Education	\$ -	\$ -	\$ -	\$ 190,904	\$ 190,904	\$ 104,301,701	\$ 104,492,605
Health care	-	-	-	-	-	78,550,676	78,550,676
Affordable housing	87,450	-	-	6,755,034	6,842,484	130,621,872	137,464,356
Community development and other	-	-	-	227,500	227,500	43,341,388	43,568,888
	<u>\$ 87,450</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,173,438</u>	<u>\$ 7,260,888</u>	<u>\$ 356,815,637</u>	<u>\$ 364,076,525</u>

December 31, 2020	30 - 59 Days Past Due	60 - 89 Days Past Due	90 days and Still Accruing	Non-accrual	Total Past Due	Current	Total Loans
Education	\$ -	\$ -	\$ -	\$ 314,991	\$ 314,991	\$ 108,532,162	\$ 108,847,153
Health care	-	-	-	-	-	81,638,716	81,638,716
Affordable housing	-	-	-	-	-	133,388,317	133,388,317
Community development and other	1,096,512	-	-	60,000	1,156,512	46,086,133	47,242,645
	<u>\$ 1,096,512</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 374,991</u>	<u>\$ 1,471,503</u>	<u>\$ 369,645,328</u>	<u>\$ 371,116,831</u>

**Credit quality indicators:** Capital Impact Partners assigns internal credit classifications at the inception of each loan. These ratings are reviewed by an independent third party on a semi-annual basis as well as periodic internal reviews based on Capital Impact Partners' credit guidelines and when loans are renewed. Quarterly reviews are required if the borrower fails to meet contractual expectations or other performance degradation that would warrant increased monitoring. If a loan is in default for a period of 90 days or more or when the contractual collection of principal or interest is in doubt, the loan is placed on nonaccrual status and the credit quality would be downgraded to substandard or doubtful. The following definitions summarize the basis for each classification.

**Above Average:** These borrowers have a clear ability to service debt from the primary repayment source, strong working capital position, acceptable leverage ratios, and stable operating trends. These borrowers must have current and regularly received financial information in the file, be in compliance with all financial covenants with no material delays in meeting reporting covenants, and be properly documented. Additionally, they have stable and experienced management, profitable operations for the past three years, sufficient cash flow to service debt, and if there is reliance on fund raising, it is minimal and history has proven it is a reliable source of income.

**Pass:** These borrowers have a clear ability to service debt from the primary repayment source and a history of strong financial performance. These loans may have a short-term or situational weakness that

is expected to resolve within 24 months; examples include major construction or rehabilitation, business expansion to additional sites or services, large loan for borrower or lender and change in a key member of management. These borrowers must have current and regularly received financial information in the file, be in compliance with loan covenants, and be properly documented.

## Capital Impact Partners and Subsidiaries

### Notes to Consolidated Financial Statements

#### Note 9. Credit Quality (Continued)

**Watch:** These borrowers are generally acceptable risks but show some signs of weakness in cash flow or financial strength or have short or unstable earnings history. The borrower may be unable to achieve projected operations and/or may have covenant violations. These loans are performing as agreed and may be characterized by uncertain industry outlook, cyclical or highly competitive, greater sensitivity to market forces and business cycles, full collateral coverage, insufficient current financial information or outdated loan officer review to determine repayment ability, or weak management.

**Special Mention:** These loans are currently protected but are potentially weak. These loans constitute an undue and unwarranted credit risk but not to the point of justifying a classification of substandard. The credit risk may be relatively minor yet constitute an unwarranted risk in light of the circumstances surrounding a specific loan. These loans may be characterized by a downward trend in sales profit levels and margins, cash flow strained in order to meet debt repayment schedule, non-compliance with covenants, high leverage and weak liquidity, weak industry conditions or collateral impairment.

**Substandard:** These loans are inadequately protected by the current net worth and repayment capacity of the obligor or of the collateral pledged, if any. Loans so classified must have a well-defined weakness or weaknesses that will jeopardize the liquidation of the debt. They are characterized by the distinct possibility that Capital Impact Partners will sustain some loss if the deficiencies are not corrected.

**Doubtful:** These loans have all the weaknesses of substandard loans 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. The possibility of loss is extremely high, but because of certain important, and reasonably specific, pending factors which may work to the advantage and strengthening of the loan, a charge-off is deferred until its more exact status may be determined. Pending factors include proposed merger, acquisition, or liquidation procedures, capital injection, perfecting liens on additional collateral and refinancing plans.

The following tables summarize the loan portfolio by sector and the internally assigned credit quality ratings for those categories at December 31, 2021 and 2020.

December 31, 2021	Above Average	Pass	Watch	Special Mention	Substandard	Doubtful	Total
Education	\$ 2,207,104	\$ 49,233,882	\$ 52,119,166	\$ 391,990	\$ 294,354	\$ 246,109	\$ 104,492,605
Health Care	-	8,072,636	60,020,655	10,457,385	-	-	78,550,676
Affordable Housing	670,092	13,188,941	101,396,559	12,923,854	8,640,560	644,350	137,464,356
Community Development & Other	-	14,261,344	18,295,750	10,666,314	-	345,480	43,568,888
<b>Total</b>	<b>\$ 2,877,196</b>	<b>\$ 84,756,803</b>	<b>\$ 231,832,130</b>	<b>\$ 34,439,543</b>	<b>\$ 8,934,914</b>	<b>\$ 1,235,939</b>	<b>\$ 364,076,525</b>

December 31, 2020	Above Average	Pass	Watch	Special Mention	Substandard	Doubtful	Total
Education	\$ 2,292,847	\$ 27,803,582	\$ 78,134,531	\$ 301,202	-	\$ 314,991	\$ 108,847,153
Health Care	3,851,318	11,614,618	52,848,425	13,324,355	-	-	81,638,716
Affordable Housing	691,368	14,970,997	95,866,490	16,918,431	3,971,681	969,350	133,388,317
Community Development & Other	-	9,275,358	34,599,497	3,111,086	-	256,704	47,242,645
<b>Total</b>	<b>\$ 6,835,533</b>	<b>\$ 63,664,555</b>	<b>\$ 261,448,943</b>	<b>\$ 33,655,074</b>	<b>\$ 3,971,681</b>	<b>\$ 1,541,045</b>	<b>\$ 371,116,831</b>

## Capital Impact Partners and Subsidiaries

### Notes to Consolidated Financial Statements

#### Note 9. Credit Quality (Continued)

**Allowance for loan losses:** The allowance for loan losses as a percentage of loans outstanding as of December 31, 2021 and 2020, was 3.7% and 3.6%, respectively, of Capital Impact Partners' total loan portfolio, which includes a special reserve related to a specific lending program. The allowance excluding this specific lending program was 3.7% and 3.6% as of December 31, 2021 and 2020, respectively.

Capital Impact Partners performs a migration analysis of Capital Impact Partners' loan risk ratings and loan loss ratios in determining the allowance for loan loss calculation.

The following tables summarize the allowance for loan losses as of and for the years ended December 31, 2021 and 2020, by sector and the amount of loans evaluated individually or collectively for impairment by sector.

December 31, 2021	Education	Health Care	Affordable Housing	Community Development	Total
Allowance for loan losses:					
Beginning balance	\$ 3,109,513	\$ 2,689,136	\$ 5,955,366	\$ 1,728,625	\$ 13,482,640
Charge-offs	-	-	-	(141,250)	(141,250)
Recoveries	-	-	-	-	-
Provisions	(491,989)	(244,430)	529,126	221,168	13,875
	<u>\$ 2,617,524</u>	<u>\$ 2,444,706</u>	<u>\$ 6,484,492</u>	<u>\$ 1,808,543</u>	<u>\$ 13,355,265</u>

Ending balance of allowance for loan losses:					
Individually evaluated for impairment	\$ 73,904	\$ -	\$ 201,199	\$ 105,000	\$ 380,103
Collectively evaluated for impairment	2,543,620	2,444,706	6,283,293	1,703,543	12,975,162
	<u>\$ 2,617,524</u>	<u>\$ 2,444,706</u>	<u>\$ 6,484,492</u>	<u>\$ 1,808,543</u>	<u>\$ 13,355,265</u>

Loan ending balances:					
Individually evaluated for impairment	\$ 190,904	\$ -	\$ 4,691,199	\$ 227,500	\$ 5,109,603
Collectively evaluated for impairment	104,301,701	78,550,676	132,773,157	43,341,388	358,966,922
	<u>\$ 104,492,605</u>	<u>\$ 78,550,676</u>	<u>\$ 137,464,356</u>	<u>\$ 43,568,888</u>	<u>\$ 364,076,525</u>

December 31, 2020	Education	Health Care	Affordable Housing	Community Development	Total
Allowance for loan losses:					
Beginning balance	\$ 3,033,113	\$ 2,107,050	\$ 4,807,272	\$ 3,207,270	\$ 13,154,705
Charge-offs	-	-	-	(433,451)	(433,451)
Recoveries	-	-	-	48,291	48,291
Provisions	76,400	582,086	1,148,094	(1,093,485)	713,095
	<u>\$ 3,109,513</u>	<u>\$ 2,689,136</u>	<u>\$ 5,955,366</u>	<u>\$ 1,728,625</u>	<u>\$ 13,482,640</u>

Ending balance of allowance for loan losses:					
Individually evaluated for impairment	\$ 214,289	\$ -	\$ -	\$ -	\$ 214,289
Collectively evaluated for impairment	2,895,224	2,689,136	5,955,366	1,728,625	13,268,351
	<u>\$ 3,109,513</u>	<u>\$ 2,689,136</u>	<u>\$ 5,955,366</u>	<u>\$ 1,728,625</u>	<u>\$ 13,482,640</u>

Loan ending balances:					
Individually evaluated for impairment	\$ 274,871	\$ -	\$ -	\$ 52,500	\$ 327,371
Collectively evaluated for impairment	108,572,282	81,638,716	133,388,317	47,190,145	370,789,460
	<u>\$ 108,847,153</u>	<u>\$ 81,638,716</u>	<u>\$ 133,388,317</u>	<u>\$ 47,242,645</u>	<u>\$ 371,116,831</u>

## Capital Impact Partners and Subsidiaries

### Notes to Consolidated Financial Statements

#### Note 9. Credit Quality (Continued)

**Impaired loans:** The following tables summarize the impaired loans as of December 31, 2021 and 2020. The tables segregate the loans by sector for impaired loans with specific allowances for losses and impaired loans without specific allowances.

December 31, 2021	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized*
With no related allowance recorded:					
Education	\$ -	\$ -	\$ -	\$ -	\$ -
Health care	-	-	-	-	-
Affordable housing	-	-	-	-	-
Community development	-	-	-	-	-
Subtotal	-	-	-	-	-
With an allowance recorded:					
Education	190,904	246,109	73,904	278,063	3,704
Health care	-	-	-	-	-
Affordable housing	4,691,199	4,712,630	201,199	4,712,630	204,245
Community development	227,500	227,500	105,000	287,144	-
Subtotal	5,109,603	5,186,239	380,103	5,277,837	207,949
Total:					
Education	190,904	246,109	73,904	278,063	3,704
Health care	-	-	-	-	-
Affordable housing	4,691,199	4,712,630	201,199	4,712,630	204,245
Community development	227,500	227,500	105,000	287,144	-
Total	\$ 5,109,603	\$ 5,186,239	\$ 380,103	\$ 5,277,837	\$ 207,949

\* Interest income recognized on a cash basis during 2021 was \$0.

December 31, 2020	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized*
With no related allowance recorded:					
Education	\$ -	\$ -	\$ -	\$ -	\$ -
Health care	-	-	-	-	-
Affordable housing	-	-	-	-	-
Community development	52,500	60,000	-	32,083	-
Subtotal	52,500	60,000	-	32,083	-
With an allowance recorded:					
Education	274,871	314,991	214,289	318,088	31,381
Health care	-	-	-	-	-
Affordable housing	-	-	-	-	-
Community development	-	-	-	-	-
Subtotal	274,871	314,991	214,289	318,088	31,381
Total:					
Education	274,871	314,991	214,289	318,088	31,381
Health care	-	-	-	-	-
Affordable housing	-	-	-	-	-
Community development	52,500	60,000	-	32,083	-
Total	\$ 327,371	\$ 374,991	\$ 214,289	\$ 350,171	\$ 31,381

\*Interest income recognized on a cash basis during 2020 was \$0.

Impaired loans include loans modified in TDRs where concessions have been granted to borrowers experiencing financial difficulties. These concessions could include a reduction of interest rate on the loan, payment extensions, forbearance or other actions intended to maximize collection.

## Capital Impact Partners and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 9. Credit Quality (Continued)

As of December 31, 2021, Capital Impact Partners modified one loan with an unpaid principal balance of \$280,000 that is classified as a TDR and included in impaired loans. As of December 31, 2020, Capital Impact Partners had no loans that were classified as TDRs and included in impaired loans.

There were no loans previously identified as TDRs that re-defaulted in 2021 or 2020.

**Subsidiaries with loans, DNF, LLC and FPIF, LLC:** These funds are structured so that if there are losses at the fund, they pass through to each of the lenders that funded the loans in the fund, first on a junior/subordinated debt level and then at the senior debt level. Therefore, in the event of a loss that exceeds Capital Impact Partners' junior portion of the loan, the applicable senior lender will absorb the remainder of the loss. Capital Impact Partners is not required to make up any payment shortages from borrowers due to other participating lenders. Additionally, certain funds (i.e., DNF, LLC) are required to maintain certain amounts of cash in the fund (until maturity) that will serve as an additional reserve to the senior lenders' position.

The structured fund documents do not account for the establishment of an allowance in the pricing of the ultimate loans to the borrowers and fees charged. The legal documents address how losses will be absorbed through the "waterfall" language in each fund. Typically, it is the junior lenders that take the first loss if there is no cash reserve or other enhancement that can absorb some portion of non-payment

or charge off. The remainder of the loss is absorbed by the senior lender(s). Capital Impact Partners underwrites, services and manages all loans funded from these structured funds and therefore performs initial and ongoing routine evaluations of the performance of each loan's borrower and its ability to repay. Capital Impact Partners will evaluate each of the loans within these funds, individually, to determine allowance for loan loss levels. There was no allowance recorded as of December 31, 2021 and 2020.

#### Note 10. Other Assets

Included in other assets as of December 31, 2021 and 2020, are the following:

A balance of \$200,000, for a cash deposit with Wells Fargo Bank on behalf of Phoenix Collegiate Academy, Inc., a charter school operator. The cash deposit, per the agreement dated November 29, 2012, provided credit enhancement that enabled Phoenix Collegiate Academy, Inc. to finance the cost of acquiring, constructing, improving and equipping the land and building for a middle and high school campus. Capital Impact Partners used proceeds of a grant from the U.S. Department of Education ("DOE") received in a prior year to fund its participation. In return for its investment and providing credit enhancement, Capital Impact Partners earns an annual debt service fee.

A cash pledge deposit balance of \$536,257 and \$536,186, as of December 31, 2021 and 2020, respectively, per a pledge and security agreement dated February 1, 2012 between Capital Impact Partners and CSFP. CSFP used funds borrowed from the Walton Family Foundation to fund a loan to Alliance for College-Ready Public Schools, a charter school operator. The Walton Family Foundation requires CSFP to pledge a percentage of the unpaid principal of the loan to secure repayment of their loan. Capital Impact Partners used proceeds of a grant from the DOE received in a prior year to satisfy the pledge requirement. In consideration of its obligation, Capital Impact Partners earns a monthly fee.

## Capital Impact Partners and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 10. Other Assets (Continued)

On September 1, 2015, Capital Impact Partners entered into an agreement with CoMetrics to provide a program related investment loan in the aggregate principal amount of \$300,000 to finance its business and operations, consistent with its cooperative purposes. The loan was funded in two separate tranches and pays interest at an initial rate of 1% and increases to 5% if CoMetric's earnings reach a certain level. Capital Impact Partners has advanced \$300,000, as of December 31, 2021 and 2020. The loan has earned interest of \$3,000 and \$4,003 for the years ended December 31, 2021 and 2020, respectively.

\$599,717 within the Other Assets represents Prepaid Assets and Security Deposits on leased property for Capital Impact Partners offices.

Furniture, equipment and leasehold improvements at December 31, 2021 and 2020, were comprised as follows:

	2021	2020
Furniture, equipment and software	\$ 1,062,506	\$ 1,057,643
Leasehold improvements	1,917,052	1,917,052
	<u>2,979,558</u>	<u>2,974,695</u>
Less accumulated depreciation and amortization	(1,687,398)	(1,410,178)
	<u>\$ 1,292,160</u>	<u>\$ 1,564,517</u>

#### Note 11. Leases

Capital Impact Partners has operating leases for five corporate offices. Leases have remaining lease terms of 1 year to 13 years, some of which include options to extend the leases for up to 5 years.

The components of lease expense were as follows:

	2021	2020
Operating lease cost - fixed	\$ 1,228,388	\$ 1,172,151
Operating lease cost - variable	76,583	93,042
	<u>\$ 1,304,971</u>	<u>\$ 1,265,193</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	<u>\$ 1,323,028</u>	<u>\$ 870,938</u>
Non-cash investing and financing activities:		
Additions to right of use assets obtained from operating lease	<u>\$ -</u>	<u>\$ 165,186</u>
Weighted average remaining lease term		
Operating leases	11 years	11 years
Weighted average discount rate		
Operating leases	2.91%	2.91%

Because we generally do not have access to the rate implicit in the lease, we utilize our incremental borrowing rate as the discount rate.

## Capital Impact Partners and Subsidiaries

### Notes to Consolidated Financial Statements

#### Note 11. Leases (Continued)

Maturities of lease liabilities were as follows:

Years ending December 31:	
2022	\$ 1,234,715
2023	1,239,077
2024	1,220,844
2025	1,248,504
2026	1,278,167
Thereafter	<u>7,510,399</u>
Total lease payments	13,731,706
Less imputed interest	<u>(2,268,094)</u>
	<u>\$ 11,463,612</u>

Capital Impact Partners signed a 15-year lease agreement for its Arlington, Virginia offices on October 19, 2016. The lease commitment period is from December 1, 2017 through November 30, 2032. The lease agreement provides for annual escalations on base rent and there is a 5-year renewal option after the initial 15-year lease term.

In September 2019, Capital Impact Partners entered into a new \$2 million operating lease to secure additional space for the Arlington, Virginia office. The lease is for 13 years and ends November 30, 2032.

Capital Impact Partners also leases office space in Detroit, Michigan and in New York, New York. Finally, there is office space in Oakland, California and Austin, Texas, which have rent agreements due to expire in 2022.

Lease incentives are amortized using the straight-line method over the respective lease term and are presented in statements of activities as part of lease expense.

#### Note 12. Refundable Advance Liability

Capital Impact Partners reports a refundable advance liability for funds received from conditional contributions from various grantors. These contributions remain classified as a refundable advance until the agreed upon conditions or barriers are met. The refundable advance liability balance was \$6,694,569 and \$8,853,592 as of December 31, 2021 and 2020, respectively.

#### Note 13. Notes and Bond Payable, Revolving Lines of Credit, Subordinated Debt and Investor Notes

Notes and bond payable, revolving lines of credit, Investor Notes and subordinated debt as of December 31, 2021 and 2020, consist of the following:

	Commitment	Available Undrawn	December 31, 2021	December 31, 2020	Interest Rate Range	Maturity Date Range
Revolving lines of credit	\$ 105,000,000	\$ 105,000,000	\$ -	\$ 29,500,000	1.85% - 2.00%	June 2022 - September 2025
Unsecured - fixed rate	59,700,000	-	52,230,970	61,924,794	.88% - 3.78%	January 2022 - August 2030
Investor Notes, net	185,583,000	-	185,583,000	162,019,000	.40% - 4.10%	January 2022 - October 2035
Subordinated debt	2,500,000	-	2,500,000	2,500,000	2.00%	December 2023
Federal Home Loan Bank borrowing	114,256,559	66,985,255	47,271,304	47,271,304	2.37%	December 2029
Bond payable	95,000,000	-	58,849,113	61,077,161	2.10% - 2.60%	March 2044 - December 2045
	<u>562,039,559</u>	<u>171,985,255</u>	<u>346,434,387</u>	<u>364,292,259</u>		
Investor Notes issuance cost	-	-	(2,385,421)	(2,480,673)	2.13% - 4.80%	
	<u>\$ 562,039,559</u>	<u>\$ 171,985,255</u>	<u>\$ 344,048,966</u>	<u>\$ 361,811,586</u>		



## Capital Impact Partners and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 13. Notes and Bond Payable, Revolving Lines of Credit, Subordinated Debt and Investor Notes (Continued)

Capital Impact Partners has certain debt agreements that contain both operational and financial covenants requiring Capital Impact Partners to maintain minimum cash and cash equivalents balances and certain financial ratios.

**Investor Notes:** Capital Impact Partners issued Investor Notes in 2021, continuous from its 2020 offering, for up to \$150,000,000. The Notes are sold through the Depository Trust Company (“DTC”). The Lead Selling Agent agrees to sell these notes to other agents on Capital Impact Partners’ behalf. The Notes were issued in increments of \$1,000 or more and pay interest at a various fixed interest rates. The terms for the Notes were one-year, three-year, five-year, seven-year, ten-year and twenty-year maturities.

US Bank has been designated as the indenture trustee to the indenture agreement and serves as paying agent for the Notes. The Notes are senior to the subordinated loans. At December 31, 2021 and 2020, the Note holders held \$185,583,000 and \$162,019,000, respectively, of the total Notes payable balance. Interest rates range between 0.40% and 4.10%. Aggregate annual maturities of Capital Impact Partners’ Investor Notes over each of the next five years and thereafter, as of December 31, 2021, are as follows:

Years ending December 31:

2022	\$	46,557,000
2023		15,441,000
2024		17,638,000
2025		12,903,000
2026		13,183,000
Thereafter		79,861,000
	\$	<u>185,583,000</u>

**FHLB borrowing:** As a member bank, Capital Impact Partners may request advances from FHLBank Atlanta. As of December 31, 2021, the outstanding balance was \$47,271,304 secured by Mortgage Backed Securities in the amount of \$52,066,945. As of December 31, 2020, the outstanding balance was \$47,271,304 secured by Mortgage Backed Securities in the amount of \$50,092,004.

**CDFI Bond Guarantee Program:** The CDFI Bond Guarantee Program was enacted through the Small Business Jobs Act of 2010. The bond provides fixed-rate long-term capital, which can be used to finance eligible community and economic development purposes, such as small businesses, charter schools, health care facilities and affordable housing.

On September 25, 2014, Capital Impact Partners was awarded a \$55,000,000 allocation in the \$200,000,000 issuance of the CDFI Fund Bond Guarantee Program to Community Reinvestment Fund, USA. Capital Impact Partners committed 100% of its allocation and drew down on the bond by September 25, 2019 as required by the program. Under the program, bonds are purchased by the Federal Financing Bank and carry a 100% guarantee from the Secretary of the Treasury.

On July 15, 2016, Capital Impact Partners was awarded an additional \$40,000,000 allocation in the \$165,000,000 issuance of the CDFI Fund Bond Guarantee Program to Community Reinvestment Fund, USA. As a condition of the program, Capital Impact Partners must pledge eligible secondary borrower loans as collateral to draw on the loan. The loans bear interest at the applicable Federal Financing bank rate plus .375% liquidity premium at the time of each draw down. Capital Impact Partners, per the Bond Guarantee Program's requirements, had fully committed 100% of its allocation and drew down on the bond by July 15, 2021 as required by the program.

## Capital Impact Partners and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 13. Notes and Bond Payable, Revolving Lines of Credit, Subordinated Debt and Investor Notes (Continued)

Capital Impact Partners has drawn on the 2014 bond and advanced bond proceeds to end borrowers. As of December 31, 2021 and 2020, the bonds payable balance was \$46,411,726 and \$48,226,842, respectively, secured by pledged loans receivable of \$50,017,941 and \$51,387,501, respectively.

Capital Impact Partners has drawn on the 2016 bond and advanced bond proceeds to end borrowers. As of December 31, 2021 and 2020, the bonds payable balance was \$12,437,387 and \$12,850,319, respectively, secured by pledged loans receivable of \$12,975,361 and \$13,227,330, respectively.

Capital Impact Partners paid program related facility fees totaling \$0 and \$2,200 for each of the years ended December 31, 2021 and 2020.

Aggregate annual maturities of Capital Impact Partners' borrowings over each of the next five years and thereafter, as of December 31, 2021, are as follows:

Years ending December 31:	
2022	\$ 66,213,922
2023	32,404,488
2024	39,468,341
2025	25,650,407
2026	22,197,779
Thereafter	160,499,450
	<u>\$ 346,434,387</u>

U.S. GAAP requires interest expense and contribution revenue to be reported in connection with loans of cash to not-for-profit organizations that are interest free or that have below-market interest rates. The contribution is recognized at the time the loan is made and amortized using the effective interest method. The accretion increases interest expense and notes payable.

For the Kellogg Foundation, Capital Impact Partners recognized interest expense of \$3,131 and \$5,188 for the years ended December 31, 2021 and 2020, respectively.

For the Ford Foundation received in 2014, Capital Impact Partners recognized interest expense of \$48,980 and \$48,165 for the years ended December 31, 2021 and 2020, respectively.

Aggregate interest accretion over the next four years for Capital Impact Partners' loans with below-market interest rates as of December 31, 2021, is as follows:

	Kellogg Foundation	Ford Foundation	Totals
Years ending December 31:			
2022	\$ 649	\$ 35,721	\$ 36,370
2023	-	19,396	19,396
2024	-	2,794	2,794
	<u>\$ 649</u>	<u>\$ 57,911</u>	<u>\$ 58,560</u>

Two investors waived interest payments as part of their COVID-19 relief efforts. Interest payments waived as of December 31, 2021 and 2020 total \$17,260 and \$169,475, respectively, and is reflected as other income in the statements of activities.

## Capital Impact Partners and Subsidiaries

### Notes to Consolidated Financial Statements

#### Note 14. Notes Payable – Subsidiaries

The notes payable under DNF, LLC and FPIF, LLC are with sole recourse to DNF, LLC and FPIF, LLC and include no obligation for repayment on the part of Capital Impact Partners.

Subsidiary	Lender	Commitment	December 31, 2021	December 31, 2020	Interest Rate	Final Maturity Date	Payment Details
DNF, LLC	JPMorgan Chase	\$ -	\$ 19,693,922	\$ 19,693,922	2.00%	June 2029	Monthly interest, with consecutive quarterly principal payments beginning in June 2024
FPIF, LLC	FPIF Feeder Facility LP	-	7,690,973	11,002,218	3.42%	August 2031	Monthly interest and principal
		<u>\$ -</u>	<u>\$ 27,384,895</u>	<u>\$ 30,696,140</u>			

Aggregate annual maturities of subsidiary borrowings over each of the next five years and thereafter, as of December 31, 2021, are as follows:

Years ending December 31:	
2022	\$ 3,190,974
2023	-
2024	4,682,005
2025	256,550
2026	269,925
Thereafter	18,985,441
	<u>\$27,384,895</u>

#### Note 15. Net Assets With Donor Restrictions

Donor restricted net assets are those net assets whose use by Capital Impact Partners is limited by the donors for a special purpose or restricted to be used in a later period. At December 31, 2021 and 2020, donor restricted net assets consisted of the following:

Purpose	2021	2020
Charter School Program	\$ 16,543,554	\$ 16,561,749
Revolving loan fund - Affordable Housing Financing	8,124,438	6,865,489
Affordable Housing Financing	4,206,007	2,314,000
Equity and Inclusion	5,842,463	-
Disability Financing	-	268,750
Healthy Food Financing	-	2,750,000
Financial Assistance	-	657,464
DC Entrepreneurs of Color Fund	1,437,561	2,157,711
Equitable Developer	10,578,451	215,479
Detroit Corridor Initiative	517,775	414,239
Aging Initiative	156,273	132,389
Racial and Health Equity	9,045	-
COVID-19 Small Business Joint Response	-	791,691
Various	558,628	439,074
	<u>\$ 47,974,195</u>	<u>\$ 33,568,035</u>

Contributions receivable of \$250,000 and \$0, respectively, as of December 31, 2021 and 2020, were both time restricted and purpose restricted and are included in the above amounts.

## Capital Impact Partners and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 16. Fees

Material revenue streams are reported separately on the statements of activities. Revenue is either recognized at a point in time or over a period of time.

Revenue recognized at a point in time includes NMTC Suballocation Fees, Fund underwriting fees and Unused fee income. Revenue recognized over a period of time includes Fund Management Fees, Asset Management Fees, Guarantee Fees, and Credit Enhancement Fees.

<u>Fees – recognized at point in time</u>	2021	2020
NMTC suballocation fees	\$ 618,750	\$ 180,000
Fund underwriting fee	53,125	48,025
Unused fee income	3,496	-
	<u>675,371</u>	<u>228,025</u>
<u>Fees – recognized over time</u>		
Asset management fees	288,870	381,050
Fund management fees	53,366	10,000
Credit enhancement fees	3,568	4,373
Guarantee fees	2,194	-
	<u>347,998</u>	<u>395,423</u>
	<u>\$ 1,023,369</u>	<u>\$ 623,448</u>

#### Note 17. Related Party Transactions

**NCB and NCB Financial Savings Bank (NCB, FSB):** Capital Impact Partners and its subsidiaries maintain cash accounts with NCB, FSB. Balances totaled \$ 38,929,649 and \$32,592,511 as of December 31, 2021 and 2020, respectively.

In the normal course of business, Capital Impact Partners, NCB and NCB, FSB will sell and purchase loan participations from each other. Capital Impact Partners' balance was \$7,799,402 and \$7,863,094 as of December 31, 2021 and 2020, respectively.

**ROC USA, LLC:** ROC USA Capital is a wholly-owned subsidiary of ROC USA, LLC (see Note 1). Capital Impact Partners has purchased loan participations from ROC USA Capital in the ordinary course of business. The balance for the purchased loan participation from ROC USA Capital as of December 31, 2021 and 2020, was \$7,943,297 and \$9,921,181, respectively. Capital Impact Partners services these loans; however, per an agreement between Capital Impact Partners and ROC USA, LLC, Capital Impact Partners does not earn a servicing fee.

**CSFP:** In December 2011, Capital Impact Partners purchased a \$500,000 participation in a \$3,500,000 investment made by the Charter School Financing Partnership, in which Capital Impact Partners is a 20% partner, as more fully described in Note 10.

**Develop Detroit:** In 2018, Capital Impact Partners entered into an agreement to invest \$500,000 in Develop Detroit, a nonprofit developer in Detroit, Michigan. The balance recorded as of December 31, 2021 and 2020 was \$392,518 and \$475,997, respectively. A member of Capital Impact Partners executive management is a board member of the Housing Partnership Network, in which Develop Detroit is a lending affiliate within the Housing Partner Network.

## Capital Impact Partners and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 17. Related Party Transactions (Continued)

**Workforce Affordable Housing Fund I, LLC:** In July 2019, Capital Impact Partners became a 96% non-controlling member in the Investment in Workforce Affordable Housing Fund I, LLC. The NHP Foundation is the 4% controlling member. A member of Capital Impact Partners executive management team is a trustee of The NHP Foundation. The balance recorded as of December 31, 2021 and 2020 was \$24,611,526 and \$26,942,843, respectively.

**Other:** In the normal course of business, members of the Capital Impact Partners Board of Directors may be related to cooperatives receiving or eligible to receive loans. Capital Impact Partners has conflict of interest policies, which require, among other things, that a board member be disassociated from decisions that pose a conflict of interest, or the appearance of a conflict of interest.

Loans to applicants who are affiliated with a member of Capital Impact Partners are subject to the same eligibility and credit criteria, as well as the same loan terms and conditions, as all other loan requests. Any new loan made to an organization related to a member of the Board is reported to the Finance and Risk Committee at the next regular meeting. An analysis of the activity during the years ended December 31, 2021 and 2020, for the aggregate amount of these loans is as follows:

Balance, December 31, 2019	\$ 16,038,829
Net changes	<u>2,213,864</u>
Balance, December 31, 2020	18,252,693
Net changes	<u>(3,881,263)</u>
Balance, December 31, 2021	<u>\$ 14,371,430</u>

#### Note 18. New Markets Tax Credit Program (“NMTC”)

During 2005, Capital Impact Partners implemented its NMTC program and has 25 and 28 limited liability Companies (“LLCs”) that are CDEs, through December 31, 2021 and 2020, respectively.

The LLCs were formed to obtain qualified equity investments from investors and make qualified investments in Qualified Active Low-Income Community Businesses (“QALICB”) in accordance with the terms of the NMTC program pursuant to Section 45D of the Internal Revenue Code. Investors made capital contributions of approximately \$16,500,000 and \$9,000,000 to these LLCs during 2021 and 2020, respectively, in anticipation of receiving new markets tax credits of approximately \$6,435,000 and \$3,510,000 in 2021 and 2020, respectively. Capital Impact Partners serves as the managing member of these LLCs, contributed nominal capital and has financial interests in the NMTC entities noted below.

During 2021, five of the NMTC entities reached their seven-year transaction period and were completely dissolved. In connection with the dissolution of these entities, Capital Impact Partners incurred a gain of \$23,600, which is reflected in the statement of activities for the year ended December 31, 2021.

During 2020, four of the NMTC entities reached their seven-year transaction period and were completely dissolved. In connection with the dissolution of these entities, Capital Impact Partners incurred a loss of \$420, which is reflected in the statement of activities for the year ended December 31, 2020.

## Capital Impact Partners and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 18. New Markets Tax Credit Program (“NMTC”) (Continued)

Capital Impact Partners serves as the managing member of the following deals which includes deals with Chase NMTC entities below:

Impact CDE 50 LLC	Impact CDE 63 LLC
Impact CDE 51 LLC	Impact CDE 64 LLC
Impact CDE 52 LLC	Impact CDE 65 LLC
Impact CDE 53 LLC	Impact CDE 66 LLC
Impact CDE 54 LLC	Impact CDE 67 LLC
Impact CDE 55 LLC	Impact CDE 68 LLC
Impact CDE 56 LLC	Impact CDE 69 LLC
Impact CDE 57 LLC	Impact CDE 70 LLC
Impact CDE 58 LLC	Impact CDE 71 LLC
Impact CDE 59 LLC	Impact CDE 72 LLC
Impact CDE 60 LLC	Impact CDE 73 LLC
Impact CDE 61 LLC	Impact CDE 74 LLC
Impact CDE 62 LLC	

At December 31, 2021 and 2020, Capital Impact Partners had a .01% interest in each of the above entities.

The total amount of the investment is as follows:

	Investment 2021	Investment 2020
Capital Impact Partners New Markets Tax Credit Entities	\$ 39,680	\$ 19,229

The following is a summary of the audited financial information of these companies as of and for the years ended December 31, 2021 and 2020:

	2021	2020
Total assets	\$ 175,226,055	\$ 191,826,312
Total liabilities	186,361	193,291
Members' capital	175,039,694	191,633,021
Total revenue	3,328,507	4,599,603
Total expenses	2,791,013	2,000,573
Net income	537,494	2,599,030

Under the agreements with the LLCs, Capital Impact Partners earns fees for its initial services including investor syndication, LLC organization, loan origination, and NMTC sub-allocation. Capital Impact Partners also earns continuing fees for loan servicing. As explained in Note 16 material revenue streams recognized at a point in time or recognized over time are reported separately on the statement of activities. During the years ended December 31, 2021 and 2020, Capital Impact Partners earned \$889,453 and \$1,039,230, respectively, of servicing fees from these LLCs. In addition, Capital Impact Partners reflected accounts receivable of \$0 and \$12,991, as of December 31, 2021 and 2020, respectively.

## Capital Impact Partners and Subsidiaries

### Notes to Consolidated Financial Statements

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#### **Note 18. New Markets Tax Credit Program (“NMTC”) (Continued)**

In most of the agreements with the LLCs, Capital Impact Partners could be responsible for reimbursing the LLCs in the event of recapture and/or loss of the tax credits for failure to comply with Section 45D of the Internal Revenue Code as a result of errors made by Capital Impact Partners in its role as Managing Member. In most cases, the amount of reimbursement is limited to fees received or a multiple thereof. Capital Impact Partners has retained qualified consultants and implemented control systems to minimize the potential of any such recapture. Management believes the likelihood of recapture is remote and no liabilities have been recorded as of December 31, 2021 and 2020.

To date, Capital Impact Partners has been awarded eight NMTC allocations, totaling \$687,000,000.

#### **Note 19. Commitments and Contingencies**

Capital Impact Partners is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers or business partners. These financial instruments include commitments to extend credit and standby letters of credit. These instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the balance sheet. The contract or notional amounts of these instruments reflect the extent of Capital Impact Partners' involvement in these particular classes of financial instruments. Capital Impact Partners' exposure to credit loss, in the event of nonperformance by the other party, is represented by the contractual or notional amount of those instruments. Capital Impact Partners uses the same credit policies in making commitments and conditional obligations as they do for on-balance sheet instruments.

In the normal course of business, Capital Impact Partners makes commitments to extend term loans, BPAs and lines of credit, which are not reflected in the accompanying financial statements. The commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being completely drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Capital Impact Partners evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by Capital Impact Partners upon extension of credit, is based on management's credit evaluation of the borrower. At December 31, 2021 and 2020, these outstanding commitments totaled \$59,197,655 and \$41,386,526, respectively.

The California Primary Care Association established the CPCA COVID Response Loan Fund (Fund) to assist California community healthcare centers in December 2020. The \$25 million loan fund is comprised of numerous lenders who will make secured loans to the Fund. This debt capital is utilized to finance loans to be made by the Fund to California community health centers. Capital Impact Partners serves as both the Program Administrator and Servicer of loans originated by this fund and earns a monthly servicing fee of 50 basis points and a 1% underwriting fee per loan. In addition, Capital Impact Partners has committed to guarantee payments on defaulted loans for up to 5% of the total amount disbursed, not to exceed \$1.5 million. The Fund documents outline the specific triggers for accessing the guarantee. The total amount of borrower loans disbursed by the Fund as of December 31, 2021 was \$11,900,000. As loans are originated, the underwriting fee is allocated between the contingent liability and underwriting fee income. As of December 31, 2021 and 2020, Capital Impact Partners recorded \$9,375 and \$8,475, respectively, of contingent liability, which represents the fair value of the guarantee. For the years ended December 31, 2021 and 2020, Capital Impact Partners recorded \$53,125 and \$48,025 in net underwriting fee income. This amount is included with fee revenue in the statements of activities.

## Capital Impact Partners and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 19. Commitments and Contingencies (Continued)

Capital Impact Partners is committed to initiate the \$12.5 million Diversity in Development - Detroit Loan Fund. In May 2020, the Diversity in Development fund was launched to deploy low-cost and flexible construction financing to minority developers who live in and around Detroit, Michigan. The response to the loan fund led to successfully closing \$4.3 million in loans through December 31, 2021 and \$5 million in loans through December 31, 2020. Capital Impact Partners expects to close the remaining \$3.2 million before December 31, 2022.

Capital Impact Partners is committed to initiate a \$20 million Diversity in Development DMV (Washington, DC, Maryland and Virginia) Loan Fund over 3 years, successfully closing \$9.6 million in loans in 2021. The fund will provide acquisition and pre-development loans to enable minority developers to acquire and develop affordable housing and other community facilities in the Washington D.C., Maryland and Virginia area. Capital Impact Partners expects to close the remaining \$10.4 million before December 31, 2023.

On March 11, 2020, the President of the United States declared that the coronavirus outbreak constituted a national emergency. The health pandemic led to volatility and disruption in the global financial markets and impacted many businesses, including government offices and private foundations. Although the pandemic continued through 2021, Capital Impact Partners pivoted by permitting employees to work remotely throughout the national emergency and leveraged its financial strength, flexibility and resources to withstand disruptions in loan payments.

#### Note 20. Employee Benefits

Capital Impact Partners' employees participate in the non-contributory defined contribution retirement plan and the 401(k) plan. Under the non-contributory defined contribution retirement plan, Capital Impact Partners contributes 6% of a participant's annual salary into the plan. Total expenses for the retirement plans for the years ended December 31, 2021 and 2020 were \$ 656,387 and \$569,660, respectively. The employee thrift plan is organized under IRS Code Section 401(k) and Capital Impact Partners contributes up to 6% of each participant's annual salary. Contributions and expenses were \$ 707,079 and \$652,463 for 2021 and 2020, respectively. Total retirement plans forfeited for the years ended December 31, 2021 and 2020, were \$251,662 and \$82,623, respectively.

#### Note 21. Fair Value

**Fair value measurements:** Capital Impact Partners uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with accounting guidance, the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for Capital Impact Partners' various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

If there has been a significant decrease in the volume and the level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions. A three-level hierarchy exists for fair value measurements based upon the inputs to the valuation of an asset or liability. The classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.



## Capital Impact Partners and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 21. Fair Value (continued)

**Level 1:** Valuation is based on quoted prices in active markets for identical assets or liabilities

**Level 2:** Valuation is determined from observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument

**Level 3:** Valuation is derived from model-based and other techniques in which one significant input is unobservable in the market and which may be based on Capital Impact Partners' own estimates about assumptions that a market participant would use to value the asset or liability

**Fair value on a recurring basis:** The table below presents the financial assets and liabilities measured at fair value on a recurring basis:

	December 31,			
	2021	Level 1	Level 2	Level 3
Assets (liabilities):				
Marketable equity securities	\$ 428,882	\$ 428,882	\$ -	\$ -
Real estate investment trust	1,602,086	-	-	1,602,086
Other investments	286,673	-	-	286,673
Mortgage Backed Securities	59,429,070	-	59,429,070	-
Guarantee liability	(9,375)	-	-	(9,375)
	<u>\$ 61,737,336</u>	<u>\$ 428,882</u>	<u>\$ 59,429,070</u>	<u>\$ 1,879,384</u>

  

	December 31,			
	2020	Level 1	Level 2	Level 3
Assets (liabilities):				
Marketable equity securities	\$ 315,348	\$ 315,348	\$ -	\$ -
Real estate investment trust	1,443,712	-	-	1,443,712
Other investments	281,805	-	-	281,805
Mortgage Backed Securities	66,386,667	-	66,386,667	-
Guarantee liability	(8,475)	-	-	(8,475)
	<u>\$ 68,419,057</u>	<u>\$ 315,348</u>	<u>\$ 66,386,667</u>	<u>\$ 1,717,042</u>

The following is a description of the valuation methodologies used for instruments measured at fair value. These valuation methodologies were applied to all of Capital Impact Partners' financial assets and liabilities that are carried at fair value on a recurring basis.

**Marketable equity securities:** The fair value of these securities is the market value based on quoted market prices, or market prices provided by recognized broker dealers. Therefore, these assets are classified as Level 1.

**Real estate investment trust ("REIT"):** The fair value of the REIT is based upon a dividend yield capitalization method of establishing fair value developed by the REIT and communicated to its investors. It reflects the nature of the REIT's business, and measures the REIT's ability to produce cash flow to pay dividends. Under the dividend yield capitalization methodology, the expected dividends for the upcoming 12 months are projected, imputing a dividend payout ratio of 90%. This imputed forward-looking dividend is then capitalized at the Dow Jones Corporate Financials Index yield – a composite of 32, long-term bond issuances from established, creditworthy financial institutions. Fair value is derived by capitalizing the projected dividend per share at this market yield and is also supported by the REIT's net asset valuation

## Capital Impact Partners and Subsidiaries

### Notes to Consolidated Financial Statements

#### Note 21. Fair Value (continued)

("NAV") under the rational that, the REIT is, at a minimum, worth the liquidation value of its assets. Therefore, these assets are classified as Level 3 and use Level 3 inputs to fair value.

**Mortgage Backed and U.S. Treasury Securities:** These securities receive interest income based on their stated interest rates and are classified as Level 2 instruments, as there are no quoted market prices in active markets for identical assets. The fair value is determined using models and other valuation methodologies, which are corroborated by market data.

**Other investments:** The fair value of other investments is generally based upon the ending capital value evidenced by the issuers' K-1 or audited financial statements. In some instances, equity method is used as most closely approximating fair value. Therefore, these assets are classified as Level 3.

**Guarantee liability:** The fair value of a guarantee liability is based the present value of the difference between the net contractual cash flows required under a debt instrument, and the net contractual cash flows that would have been required without the guarantee.

There was no change in the valuation techniques used to measure fair value of investments in the years ended December 31, 2021 and 2020. There were no transfers into or out of level 3 during the years ended December 31, 2021 and 2020.

Changes in Level 3 assets and liabilities measured at fair value on a recurring basis are summarized as follows:

	2021	2020
Beginning balance at January 1	\$ 1,717,042	\$ 1,686,683
Total net gains included in change in net assets	171,717	38,866
Purchases	(9,375)	(8,475)
Sales	-	(32)
Ending balance at December 31	<u>\$ 1,879,384</u>	<u>\$ 1,717,042</u>

**Fair value on a nonrecurring basis:** Certain financial instruments and liabilities are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). The table below presents the assets measured at fair value on a nonrecurring basis.

	December 31,			
	2021	Level 1	Level 2	Level 3
Assets:				
Impaired loans, net of specific reserves	<u>\$ 4,729,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,729,500</u>
	December 31,			
	2020	Level 1	Level 2	Level 3
Assets:				
Impaired loans, net of specific reserves	<u>\$ 113,082</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 113,082</u>

## Capital Impact Partners and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 21. Fair Value (continued)

*Impaired Loans Net of Specific Reserves*, which are measured for impairment using the loan's observable market price or the fair value of the collateral for collateral-dependent loans. Appraised and reported values may be discounted based on management's historical knowledge, changes in market conditions from the time of valuation, and/or management's expertise and knowledge of the client and client's business. Based on this information, impaired loans, net of specific reserves, are valued using Level 3 inputs. The valuation allowance for impaired loans is included in the allowance for loan losses in the statements of financial position.

#### Note 22. Noncontrolling Interest in Consolidated Subsidiaries

Capital Impact Partners presents the noncontrolling interest in CIIF, its consolidated subsidiary, as a separate line item within net assets in the statement of financial position as of December 31, 2021 and 2020.

CIIF began operations on December 13, 2017. CIIF II began operations on December 28, 2018 and merged into CIIF on January 1, 2020. A 10% equity contribution of \$3,763,007 by Capital Impact Partners increased its managing member ownership to 30% from 20% and reduced Annaly's non-managing member ownership to 70% from 80%.

A summary of the 2021 and 2020 activity follows:

	CIIF		
	CIP	Annaly	Total
Balance, December 31, 2019	\$ 5,067,109	\$ 20,104,079	\$ 25,171,188
Transfer from CIIF II due to merger	2,557,248	10,000,000	12,557,248
Contributions	3,763,007	-	3,763,007
Net income	490,517	1,219,067	1,709,584
Distributions	(472,062)	(4,983,306)	(5,455,368)
Return on investment	(2,471,783)	(5,767,495)	(8,239,278)
Audit re-adjustment 2018	(454)	-	(454)
Balance, December 31, 2020	8,933,582	20,572,345	29,505,927
Contributions	-	-	-
Net income	462,218	980,200	1,442,418
Distributions	(447,278)	(980,200)	(1,427,478)
Balance, December 31, 2021	\$ 8,948,522	\$ 20,572,345	\$ 29,520,867

## Capital Impact Partners and Subsidiaries

### Notes to Consolidated Financial Statements

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#### **Note 22. Noncontrolling Interest in Consolidated Subsidiaries (Continued)**

Distributions of \$239,436 and \$288,964 were payable from CIIF to Annaly as of December 31, 2021 and 2020, respectively. Three CIIF loans receivable totaling \$8,239,278 were sold to Capital Impact Partners in December 2020 and the payoff cash was returned to members as a return of their investment.

#### **Note 23. Subsequent Events**

Capital Impact Partners has evaluated its subsequent events (events occurring after December 31, 2021) through March 23, 2022, which represents the date the financial statements were issued.

On December 10, 2021, Alliance Securities Manager LLC, a Delaware limited liability company and wholly-owned subsidiary of Capital Impact Partners ("ASM"), entered into a Membership Interest.

Purchase Agreement ("Purchase Agreement") with ROX Financial Inc., a Delaware corporation ("ROX"), to purchase all of ROX's rights, title and interest in RPS Securities LLC, a Texas limited liability company ("RPS") and a member broker dealer of the Financial Industry Regulatory Authority ("FINRA"). In December 2021, a continuing membership application was submitted by RPS to FINRA as a change in ownership and is subject to FINRA approval.

RPS is a limited liability company organized under the laws of the state of Texas on January 15, 2020. On November 9, 2020, RPS received approval to become a broker-dealer and as such is registered as a broker-dealer with the Securities and Exchange Commission ("SEC") and is a member of FINRA. RPS is approved to engage in investment advisory services, including merger and acquisition advisory services, which may result in securities offerings.

On February 11, 2022, RPS' continuing membership application was approved by FINRA and shortly after, on February 17, 2022, ASM acquired all of the interests in RPS pursuant to the Purchase Agreement and renamed RPS as Alliance Securities LLC effective February 17, 2022.

## Capital Impact Partners and Subsidiaries

### Consolidating Statement of Financial Position December 31, 2021

	Capital Impact Partners	Detroit Neighborhoods Fund, LLC	FPIF, LLC	Community Investment Impact Fund, LLC	Eliminations	Total
<b>Assets</b>						
Cash and cash equivalents – unrestricted	\$ 69,241,056	\$ 314,683	\$ 310,603	\$ 3,346,642	\$ -	\$ 73,212,984
Cash and cash equivalents – restricted	24,660,328	392,931	-	-	-	25,053,259
Accounts and interest receivable	2,738,910	128,683	42,775	169,005	(247,539)	2,831,834
Contributions receivable	250,000	-	-	-	-	250,000
Investments	42,870,783	-	-	-	(8,948,522)	33,922,261
Mortgage Backed Securities	59,429,070	-	-	-	-	59,429,070
Loans receivable	364,076,525	-	-	-	-	364,076,525
Less: allowance for loan losses	(13,355,265)	-	-	-	-	(13,355,265)
Loans receivable, net	350,721,260	-	-	-	-	350,721,260
Loans receivable – subsidiaries	-	29,261,380	8,545,526	26,730,728	(37,432,242)	27,105,392
Other assets	2,928,134	-	-	-	-	2,928,134
Right of use assets	8,637,426	-	-	-	-	8,637,426
					-	
<b>Total assets</b>	<b>\$ 561,476,967</b>	<b>\$ 30,097,677</b>	<b>\$ 8,898,904</b>	<b>\$ 30,246,375</b>	<b>\$ (46,628,303)</b>	<b>\$ 584,091,620</b>
<b>Liabilities and Net Assets</b>						
Liabilities:						
Accounts payable and accrued expenses	\$ 4,394,737	\$ 120,728	\$ 40,085	\$ 725,508	\$ (247,539)	\$ 5,033,519
Refundable advance liability	6,694,569	-	-	-	-	6,694,569
Due to subsidiaries	26,730,728	-	-	-	(26,730,728)	-
Notes payable	52,230,970	-	-	-	-	52,230,970
Investor Notes, net	183,197,579	-	-	-	-	183,197,579
Subordinated debt	2,500,000	-	-	-	-	2,500,000
Federal Home Loan Bank borrowing	47,271,304	-	-	-	-	47,271,304
Bond loan payable	58,849,113	-	-	-	-	58,849,113
Notes payable – subsidiaries	-	29,540,883	8,545,526	-	(10,701,514)	27,384,895
Lease liabilities	11,463,612	-	-	-	-	11,463,612
<b>Total liabilities</b>	<b>393,332,612</b>	<b>29,661,611</b>	<b>8,585,611</b>	<b>725,508</b>	<b>(37,679,781)</b>	<b>394,625,561</b>
Net assets:						
Without donor restrictions	120,170,160	436,066	313,293	-	-	120,919,519
Noncontrolling interest in consolidated subsidiaries	-	-	-	29,520,867	(8,948,522)	20,572,345
<b>Total without donor restrictions</b>	<b>120,170,160</b>	<b>436,066</b>	<b>313,293</b>	<b>29,520,867</b>	<b>(8,948,522)</b>	<b>141,491,864</b>
With donor restrictions	47,974,195	-	-	-	-	47,974,195
<b>Total net assets</b>	<b>168,144,355</b>	<b>436,066</b>	<b>313,293</b>	<b>29,520,867</b>	<b>(8,948,522)</b>	<b>189,466,059</b>
<b>Total liabilities and net assets</b>	<b>\$ 561,476,967</b>	<b>\$ 30,097,677</b>	<b>\$ 8,898,904</b>	<b>\$ 30,246,375</b>	<b>\$ (46,628,303)</b>	<b>\$ 584,091,620</b>

Capital Impact Partners and Subsidiaries

Consolidating Statement of Activities  
Year Ended December 31, 2021

	Capital Impact Partners	Detroit Neighborhoods Fund, LLC	FPIF, LLC	Community Investment Impact Fund, LLC	Eliminations	Total
Changes in net assets without donor restrictions:						
Financial activity:						
Financial income:						
Interest income on loans	\$ 18,736,144	\$ 1,522,506	\$ 584,570	\$ 1,610,174	\$ (453,716)	\$ 21,999,678
Loan fees	641,941	-	9,500	100,558	-	751,999
Investments income, net	56,476	803	698	4,282	(462,218)	(399,959)
Gain on equity method investments	110,112	-	-	-	-	110,112
Gain on NMTC unwind	23,600	-	-	-	-	23,600
<b>Total financial income</b>	<b>19,568,273</b>	<b>1,523,309</b>	<b>594,768</b>	<b>1,715,014</b>	<b>(915,934)</b>	<b>22,485,430</b>
Financial expense:						
Interest expense	9,606,245	798,698	361,624	-	(453,716)	10,312,851
Provision for loan losses	13,875	-	-	-	-	13,875
<b>Total financial expense</b>	<b>9,620,120</b>	<b>798,698</b>	<b>361,624</b>	<b>-</b>	<b>(453,716)</b>	<b>10,326,726</b>
<b>Net financial income</b>	<b>9,948,153</b>	<b>724,611</b>	<b>233,144</b>	<b>1,715,014</b>	<b>(462,218)</b>	<b>12,158,704</b>
Revenue and support:						
Loan servicing fees	2,030,136	-	-	-	(926,634)	1,103,502
Fees	1,159,289	-	-	-	(135,920)	1,023,369
Contract revenue	57,648	-	-	-	-	57,648
Contribution	2,000,000	-	-	-	-	2,000,000
Other income	121,826	-	-	643	-	122,469
Net assets released from donor restrictions	14,110,281	-	-	-	-	14,110,281
<b>Total revenue and support</b>	<b>19,479,180</b>	<b>-</b>	<b>-</b>	<b>643</b>	<b>(1,062,554)</b>	<b>18,417,269</b>
Expenses:						
Innovative community lending program	16,562,263	597,254	197,432	270,238	(1,062,554)	16,564,633
<b>Total program expenses</b>	<b>16,562,263</b>	<b>597,254</b>	<b>197,432</b>	<b>270,238</b>	<b>(1,062,554)</b>	<b>16,564,633</b>
Support expenses:						
Management and general	11,950,305	24,025	-	3,001	-	11,977,331
Fundraising	1,604,226	-	-	-	-	1,604,226
<b>Total expenses</b>	<b>30,116,794</b>	<b>621,279</b>	<b>197,432</b>	<b>273,239</b>	<b>(1,062,554)</b>	<b>30,146,190</b>
<b>Change in net assets without donor restrictions before noncontrolling interest activities</b>	<b>(689,461)</b>	<b>103,332</b>	<b>35,712</b>	<b>1,442,418</b>	<b>(462,218)</b>	<b>429,783</b>
Noncontrolling interest – distributions	-	-	-	(1,427,478)	447,278	(980,200)
<b>Change in net assets without donor restrictions</b>	<b>(689,461)</b>	<b>103,332</b>	<b>35,712</b>	<b>14,940</b>	<b>(14,940)</b>	<b>(550,417)</b>
Change in net assets with donor restrictions:						
Investment income, net	30,639	-	-	-	-	30,639
Grant revenue	28,485,802	-	-	-	-	28,485,802
Net assets released from donor restrictions	(14,110,281)	-	-	-	-	(14,110,281)
<b>Change in net assets with donor restrictions</b>	<b>14,406,160</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,406,160</b>
<b>Change in net assets</b>	<b>13,716,699</b>	<b>103,332</b>	<b>35,712</b>	<b>14,940</b>	<b>(14,940)</b>	<b>13,855,743</b>
Net assets, beginning	154,427,656	332,734	277,581	29,505,927	(8,933,582)	175,610,316
Net assets, ending	\$ 168,144,355	\$ 436,066	\$ 313,293	\$ 29,520,867	\$ (8,948,522)	\$ 189,466,059

The following consolidated entities did not have 2021 activity:

- 1) Community Solutions Group, LLC
- 2) NCBCI Education Conduit, LLC
- 3) Impact NMTC Holdings II, LLC
- 4) Alliance Securities Manager LLC

## Capital Impact Partners and Subsidiaries

### Consolidating Statement of Financial Position December 31, 2020

	Capital Impact Partners	Detroit Neighborhoods Fund, LLC	FPIF, LLC	Community Investment Impact Fund , LLC	Community Investment Impact Fund II, LLC	Eliminations	Total
<b>Assets</b>							
Cash and cash equivalents – unrestricted	\$ 55,125,592	\$ 218	\$ 273,339	\$ 4,263,198	\$ -	\$ -	\$ 59,662,347
Cash and cash equivalents – restricted	27,350,967	287,926	-	-	-	-	27,638,893
Accounts and interest receivable	2,472,274	127,477	59,805	176,950	-	(522,229)	2,314,277
Investments	45,214,035	-	-	-	-	(8,934,036)	36,279,999
Mortgage Backed Securities	66,386,667	-	-	-	-	-	66,386,667
Loans receivable	371,116,831	-	-	-	-	-	371,116,831
Less: allowance for loan losses	(13,482,640)	-	-	-	-	-	(13,482,640)
Loans receivable, net	357,634,191	-	-	-	-	-	357,634,191
Loans receivable – subsidiaries	-	29,575,514	12,224,687	25,556,260	-	(36,625,690)	30,730,771
Other assets	3,118,407	-	-	-	-	-	3,118,407
Right of use assets	9,496,017	-	-	-	-	-	9,496,017
<b>Total assets</b>	<b>\$ 566,798,150</b>	<b>\$ 29,991,135</b>	<b>\$ 12,557,831</b>	<b>\$ 29,996,408</b>	<b>\$ -</b>	<b>\$ (46,081,955)</b>	<b>\$ 593,261,569</b>
<b>Liabilities and Net Assets</b>							
Liabilities:							
Accounts payable and accrued expenses	\$ 3,706,863	\$ 117,518	\$ 55,563	\$ 490,481	\$ -	\$ (522,683)	\$ 3,847,742
Refundable advance liability	8,853,592	-	-	-	-	-	8,853,592
Due to subsidiaries	25,556,260	-	-	-	-	(25,556,260)	-
Revolving lines of credit	29,500,000	-	-	-	-	-	29,500,000
Notes payable	61,924,794	-	-	-	-	-	61,924,794
Investor Notes, net	159,538,327	-	-	-	-	-	159,538,327
Subordinated debt	2,500,000	-	-	-	-	-	2,500,000
Federal Home Loan Bank borrowing	47,271,304	-	-	-	-	-	47,271,304
Bond loan payable	61,077,161	-	-	-	-	-	61,077,161
Notes payable – subsidiaries	-	29,540,883	12,224,687	-	-	(11,069,430)	30,696,140
Lease liabilities	12,442,193	-	-	-	-	-	12,442,193
<b>Total liabilities</b>	<b>412,370,494</b>	<b>29,658,401</b>	<b>12,280,250</b>	<b>490,481</b>	<b>-</b>	<b>(37,148,373)</b>	<b>417,651,253</b>
Net assets:							
Without donor restrictions	120,859,621	332,734	277,581	-	-	-	121,469,936
Noncontrolling interest in consolidated subsidiaries	-	-	-	29,505,927	-	(8,933,582)	20,572,345
<b>Total without donor restrictions</b>	<b>120,859,621</b>	<b>332,734</b>	<b>277,581</b>	<b>29,505,927</b>	<b>-</b>	<b>(8,933,582)</b>	<b>142,042,281</b>
With donor restrictions	33,568,035	-	-	-	-	-	33,568,035
<b>Total net assets</b>	<b>154,427,656</b>	<b>332,734</b>	<b>277,581</b>	<b>29,505,927</b>	<b>-</b>	<b>(8,933,582)</b>	<b>175,610,316</b>
<b>Total liabilities and net assets</b>	<b>\$ 566,798,150</b>	<b>\$ 29,991,135</b>	<b>\$ 12,557,831</b>	<b>\$ 29,996,408</b>	<b>\$ -</b>	<b>\$ (46,081,955)</b>	<b>\$ 593,261,569</b>

Capital Impact Partners and Subsidiaries

Consolidating Statement of Activities  
Year Ended December 31, 2020

	Capital Impact Partners	Detroit Neighborhoods Fund, LLC	FPIF, LLC	Community Investment Impact Fund, LLC	Community Investment Impact Fund II, LLC	Eliminations	Total
Changes in net assets without donor restrictions:							
Financial activity:							
Financial income:							
Interest income on loans	\$ 19,404,425	\$ 1,319,248	\$ 1,125,322	\$ 2,041,346	\$ -	\$ (463,344)	\$ 23,426,997
Loan fees	831,013	-	48,682	-	-	-	879,695
Investments income, net	3,259,694	3,997	1,533	9,026	-	(472,208)	2,802,042
Gain on equity method investments	1,502,237	-	-	-	-	-	1,502,237
Loss on NMTC unwind	(420)	-	-	-	-	-	(420)
<b>Total financial income</b>	<b>24,996,949</b>	<b>1,323,245</b>	<b>1,175,537</b>	<b>2,050,372</b>	<b>-</b>	<b>(935,552)</b>	<b>28,610,551</b>
Financial expense:							
Interest expense	10,411,280	713,515	707,484	-	-	(463,344)	11,368,935
Provision for loan losses	713,095	-	-	-	-	-	713,095
<b>Total financial expense</b>	<b>11,124,375</b>	<b>713,515</b>	<b>707,484</b>	<b>-</b>	<b>-</b>	<b>(463,344)</b>	<b>12,082,030</b>
<b>Net financial income</b>	<b>13,872,574</b>	<b>609,730</b>	<b>468,053</b>	<b>2,050,372</b>	<b>-</b>	<b>(472,208)</b>	<b>16,528,521</b>
Revenue and support:							
Loan servicing fees	2,202,500	-	-	-	-	(974,417)	1,228,083
Fees	857,055	-	-	-	-	(233,607)	623,448
Contribution	15,000,000	-	-	-	-	-	15,000,000
Other income	346,778	526	-	871	-	-	348,175
Net assets released from donor restrictions	8,190,657	-	-	-	-	-	8,190,657
<b>Total revenue and support</b>	<b>26,596,990</b>	<b>526</b>	<b>-</b>	<b>871</b>	<b>-</b>	<b>(1,208,024)</b>	<b>25,390,363</b>
Expenses:							
Innovative community lending program	12,007,699	520,398	417,703	337,065	-	(1,208,478)	12,074,387
<b>Total program expenses</b>	<b>12,007,699</b>	<b>520,398</b>	<b>417,703</b>	<b>337,065</b>	<b>-</b>	<b>(1,208,478)</b>	<b>12,074,387</b>
Support expenses:							
Management and general	12,620,354	94,100	-	5,048	-	-	12,719,502
Fundraising	1,295,402	-	-	-	-	-	1,295,402
<b>Total expenses</b>	<b>25,923,455</b>	<b>614,498</b>	<b>417,703</b>	<b>342,113</b>	<b>-</b>	<b>(1,208,478)</b>	<b>26,089,291</b>
<b>Change in net assets without donor restrictions before noncontrolling interest activities</b>	<b>14,546,109</b>	<b>(4,242)</b>	<b>50,350</b>	<b>1,709,130</b>	<b>-</b>	<b>(471,754)</b>	<b>15,829,593</b>
Noncontrolling interest – capital contribution	-	-	-	3,763,007	-	(3,763,007)	-
Noncontrolling interest – transfer	-	-	-	12,557,248	(12,557,248)	-	-
Noncontrolling interest – distributions	-	-	-	(5,455,368)	-	472,062	(4,983,306)
Noncontrolling interest – return of investment	-	-	-	(8,239,278)	-	2,471,783	(5,767,495)
<b>Change in net assets without donor restrictions</b>	<b>14,546,109</b>	<b>(4,242)</b>	<b>50,350</b>	<b>4,334,739</b>	<b>(12,557,248)</b>	<b>(1,290,916)</b>	<b>5,078,792</b>
Change in net assets with donor restrictions:							
Investment income, net	62,924	-	-	-	-	-	62,924
Grant revenue	14,250,083	-	-	-	-	-	14,250,083
Net assets released from donor restrictions	(8,190,657)	-	-	-	-	-	(8,190,657)
<b>Change in net assets with donor restrictions</b>	<b>6,122,350</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,122,350</b>
<b>Change in net assets</b>	<b>20,668,459</b>	<b>(4,242)</b>	<b>50,350</b>	<b>4,334,739</b>	<b>(12,557,248)</b>	<b>(1,290,916)</b>	<b>11,201,142</b>
Net assets, beginning	133,759,197	336,976	227,231	25,171,188	12,557,248	(7,642,666)	164,409,174
Net assets, ending	\$ 154,427,656	\$ 332,734	\$ 277,581	\$ 29,505,927	\$ -	\$ (8,933,582)	\$ 175,610,316

The following consolidated entities did not have 2020 activity:

- 1) Community Solutions Group, LLC
- 2) NCBCI Education Conduit, LLC
- 3) Impact NMTC Holdings II, LLC