Capital Impact Partners and Subsidiaries

Consolidated Financial Report
December 31, 2016

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Independent Auditor's Report

To the Board of Directors
Capital Impact Partners and Subsidiaries
Arlington, Virginia

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of Capital Impact Partners and Subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of activities and cash flows for the years then ended and the related notes to the consolidated financial statements (collectively, the financial statements).

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

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the 2016 financial statements of Impact V CDE 7, LLC, a consolidated affiliate, which statements reflect total assets and revenue constituting 9.7 percent and 4.7 percent, respectively in 2016. We did not audit the 2015 financial statements of Community Economic Development, LLC and Impact V CDE 7, LLC, consolidated affiliates, which statements reflect total assets and revenue constituting and 11.6 percent and 2.7 percent, respectively, of the related consolidated totals. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Community Economic Development, LLC for 2015 and Impact V CDE 7, LLC for 2016 and 2015, is based solely on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Capital Impact Partners and Subsidiaries as of December 31, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

Blue Bell, Pennsylvania
April 19, 2017

Capital Impact Partners and Subsidiaries

Consolidated Statements of Financial Position
December 31, 2016 and 2015

	2016	2015
Assets		
Cash and cash equivalents - unrestricted	$ 20,158,754	$ 21,896,663
Cash and cash equivalents - restricted	27,094,685	35,776,052
Accounts and interest receivable	1,926,900	1,923,122
Contributions receivable	6,030,676	852,811
Investments	5,602,342	4,700,914
Investment in joint venture	-	2,660,888
Mortgage Backed and U.S. Treasury Securities	14,185,960	-
Loans receivable	206,808,453	180,574,691
Less: allowance for loan losses	(8,679,760)	(9,374,669)
Loans receivable, net	198,128,693	171,200,022
Loans receivable - subsidiaries	50,497,966	41,854,452
Other assets	1,679,807	2,928,996
Total assets	$ 325,305,783	$ 283,793,920
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$ 3,301,752	$ 4,045,327
Revolving line of credit	32,000,000	32,800,000
Notes payable	66,710,998	61,250,300
Subordinated debt	10,718,000	10,718,000
Federal Home Loan Bank debt	5,000,000	-
Bond loan payable	28,625,536	5,859,705
Notes payable - subsidiaries (Note 11)	50,579,148	41,291,448
Total liabilities	196,935,434	155,964,780
Commitments and contingencies (Note 17)		
Net assets:		
Unrestricted	103,613,255	101,244,487
Temporarily restricted	23,269,619	25,097,178
Permanently restricted	1,487,475	1,487,475
Total net assets	128,370,349	127,829,140
Total liabilities and net assets	$ 325,305,783	$ 283,793,920

See notes to consolidated financial statements.

Capital Impact Partners and Subsidiaries

Consolidated Statements of Activities
Years Ended December 31, 2016 and 2015

	2016	2015
Changes in unrestricted net assets:		
Financial activity:		
Financial income:		
Interest income on investments	$ 247,828	$ 71,135
Interest income on loans	13,594,628	11,774,855
Unrealized and realized gain (loss) on investments, net	409,447	(200,673)
Gain on NMTC unwind	17,440	109,427
Total financial income	14,269,343	11,754,744
Financial expense:		
Interest expense	4,573,557	3,732,367
(Credit) provision for loan losses	(817,830)	948,413
Bad debt expense	3,877	55,501
Total financial expense	3,759,604	4,736,281
Net financial income	10,509,739	7,018,463
Revenue and support:		
Fees	3,528,576	5,215,701
Contract revenue	19,125	1,356,639
Other income	613,042	357,299
Net assets released from restrictions	10,149,769	29,385,853
Total revenue and support	14,310,512	36,315,492
Expenses:		
Innovative community lending program	10,342,602	10,637,506
Technical assistance	772,657	6,411,718
Total program expenses	11,115,259	17,049,224
Support expenses:		
Management and general	11,033,352	9,318,962
Fundraising	302,872	275,442
Total expenses	22,451,483	26,643,628
Increase in unrestricted net assets	2,368,768	16,690,327
Changes in temporarily restricted net assets:		
Interest income on investments	19,293	10,892
Gain on investment in joint venture	52,940	95
Grants - Ford Foundation - Match for Social Innovation Fund	-	2,165,000
Grants - Social Innovation Fund	660,479	773,739
Grants - Kresge	514,260	500,000
Grants - Kellogg Foundation	2,012,000	190,050
Grants - CDFI Fund Healthy Foods Financing Initiative	2,400,000	-
Grants - CDFI Fund Financial Assistance Award	2,000,000	-
Grants - The California Endowment	250,000	-
Grants - Ford Foundation	500,000	-
Other grants	75,000	23,385
Grant relinquishment loss	(161,762)	(677,620)
Net assets released from restrictions	(10,149,769)	(29,385,853)
Decrease in temporarily restricted net assets	(1,827,559)	(26,400,312)
Increase / (Decrease) in net assets	541,209	(9,709,985)
Net assets, beginning	127,829,140	137,539,125
Net assets, ending	$ 128,370,349	$ 127,829,140

See notes to consolidated financial statements.

Capital Impact Partners and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Increase (decrease) in net assets	$ 541,209	$ (9,709,985)
Adjustments to reconcile increase (decrease) in net assets to net cash (used in) provided by operating activities:		
(Credit) provision for loan losses	(817,830)	948,413
Bad debt expense	3,877	55,501
Depreciation	76,337	70,695
Investment (gain) loss , net	(409,447)	200,673
Gain on investment in joint venture	(52,940)	(95)
Gain on NMTC unwind	(17,440)	(109,427)
Accretion of interest on loan from Ford Foundation	100,159	100,129
Accretion of interest on other loans	25,809	34,963
(Increase) decrease in:		
Accounts and interest receivable	(7,655)	(188,222)
Contributions receivable	(5,177,865)	11,443,734
Other assets	1,295,015	(48,394)
Increase (decrease) in:		
Accounts payable and accrued expenses	(743,575)	17,249
Net cash (used in) provided by operating activities	(5,184,346)	2,815,234
Cash flows from investing activities:		
Loan originations and advances	(71,966,362)	(44,892,410)
Loan purchases	(9,497,850)	(10,113,996)
Loan repayments	49,425,869	29,703,314
Loan sales	5,927,501	8,891,668
Loan originations and advances - subsidiaries	(11,937,895)	(12,583,997)
Loan repayments - subsidiaries	3,294,382	6,150,765
Proceeds from distributions of investments	3,367,859	212,395
Purchase of investments	(15,314,532)	(250,000)
Purchase of equipment	(122,163)	(35,996)
Net cash used in investing activities	(46,823,191)	(22,918,257)
Cash flows from financing activities:		
Proceeds from notes payable	23,300,806	6,050,000
Proceeds from bond loan payable	23,380,000	5,859,705
Repayment of notes payable	(12,966,076)	(10,072,361)
Repayment of bond loan payable	(614,169)	-
Repayment of note payable - subsidiaries	9,402,394	12,584,397
Proceeds from note payable - subsidiaries	(114,694)	(6,729,495)
Proceeds from lines of credit	15,000,000	20,100,000
Repayment of lines of credit	(15,800,000)	(12,250,000)
Net cash provided by financing activities	41,588,261	15,542,246
Net decrease in cash and cash equivalents	(10,419,276)	(4,560,777)
Cash and cash equivalents, beginning	57,672,715	62,233,492
Cash and cash equivalents, ending	$ 47,253,439	$ 57,672,715
Cash and cash equivalents	$ 20,158,754	$ 21,896,663
Cash and cash equivalents, restricted	27,094,685	35,776,052
Total cash and cash equivalents	$ 47,253,439	$ 57,672,715

(Continued)

Capital Impact Partners and Subsidiaries

Consolidated Statements of Cash Flows (Continued)
Years Ended December 31, 2016 and 2015

	2016	2015
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ 4,561,998	$ 3,877,951

See notes to consolidated financial statements.

Note 1. Description of Activities and Significant Accounting Policies

Description of activities: Capital Impact Partners (previously NCB Capital Impact), (the Organization) is a non-profit 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 frail and 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).

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 subsidiary houses the Organization's three technical assistance groups: Green House Replication Initiative, Cornerstone Partnership and Center for Long Term Support Innovations. Green House Replication Initiative and Cornerstone Partnership were spun off, effective December 31, 2015	Yes
NCBCI Education Conduit, LLC	100%	Formed to facilitate, encourage and assist in financing charter schools. Formed to hold NCBCI's interest in the Charter School Financing Partnership (CSFP), LLC , which was formed to effect change in the charter school finance industry.	Yes
Community Economic Development, LLC (CED)	99.99%	Formed to be a Single Purpose Entity to make qualified investments in Qualified Active Low-Income Community Businesses (QALICB) under the New Market Tax Credit (NMTC) program. On April 8, 2016, CED was dissolved.	Yes
Impact V CDE 7, LLC (Lakepoint/CHC, Inc.)	99.99%	Formed to be a Single Purpose Entity to make qualified investments in QALICB under the NMTC program.	Yes
Impact NMTC Holdings LLC	99.99%	Formed to act as a non-managing member for NMTC Community Development Entities (CDEs) with NCBCI acting as managing member. This subsidiary owns 0.01% of Impact V CDE 7 LLC.	Yes, through Impact V CDE 7's ownership of this subsidiary.
Impact VII CDE 11, LLC	100%	Formed to act as a taxable, non-managing member of CDEs upon the unwind of NMTC transactions.	Yes
Woodward Corridor Investment Fund, LLC (WWCF, LLC)	100%	Formed during 2013 to support community development projects benefiting low and moderate income populations, in particular by providing financing to developers of multi-family rental housing and mixed use facilities in Detroit, Michigan, establishing one or more credit facilities to finance such community development projects. This fund did not have any activity during 2016 or 2015.	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, and to engage in all activities necessary, customary, convenient or incident thereto.	Yes
FPIF, LLC	100%	The purpose of this fund is to channel funds to a predominately low income population aged 50+.	Yes

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

NCB (previously National Cooperative Bank) provides comprehensive financial services to cooperatives and other member-owned organizations throughout the United States. Capital Impact Partners and NCB exchange services under operating agreements for the mutual benefit of both entities. The Board of Directors for Capital Impact Partners consists of eleven members, five of whom shall be elected from among the then-current senior executive officers or directors (or directors-elect) of NCB, and six outside directors not related to NCB.

As an inherent part of its charter and mission, Capital Impact Partners, in addition to making loans to established cooperative and cooperative-like businesses, makes special loans in the form of Business Planning Advances (BPAs) and strategic investments to newer, less established organizations. As a development finance entity, Capital Impact Partners originates higher risk development loans to housing, consumer, worker and business cooperatives and cooperative-like entities. Consequently, repayment estimates for these higher risk loans are less predictable than those for 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.

Under the National Consumer Cooperative Bank Act, Congress deemed that Capital Impact Partners is exempt from Federal taxation. Capital Impact Partners has received a determination letter ruling from the Internal Revenue Service stating such exemption under the provisions of Section 501(c)(3) of the Internal Revenue Code. In 1998, Capital Impact Partners received exemption from franchise or income tax from the State of California 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 and technical assistance activities, grants and contributions, and contract revenue. Capital Impact Partners has the following distinct programs:

Innovative community lending program: Provides loans and other kinds of financial services and support (i.e., financial analysis, real estate development tools and training) to cooperative and cooperative-like organizations serving low income people and communities.

Technical assistance: Working with federal, state and local agencies, long-term care providers, housing developers and community development corporations, Capital Impact Partners' team of experts enable affordable homeownership and safe, humane community-based long-term care.

Significant Accounting Policies:

Basis of presentation: The consolidated 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. For comparability, certain prior year amounts have been reclassified to conform to current period presentation.

Principles of consolidation: The consolidated financial statements include the accounts of Capital Impact Partners and its consolidated subsidiaries which include Community Solutions Group, LLC, NCBCI Education Conduit, LLC, Community Economic Development, LLC, Impact V CDE 7, LLC, Impact VII CDE 11, LLC, Woodward Corridor Investment Fund, LLC, Detroit Neighborhoods Fund, LLC and FPIF, LLC. Impact NMTC Holdings, LLC is consolidated via its 0.01 percent interest in Impact V CDE 7, LLC. All significant intra-organization accounts and transactions have been eliminated in consolidation. Community Economic Development, LLC was dissolved on April 8, 2016.

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

Use of estimates: The preparation of financial statements in conformity with 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: The Organization has certain restricted cash and cash equivalents that are held per terms of grant and loan agreements.

Investments: Investments in equity securities, Mortgage Backed and U.S. Treasury securities with readily determinable fair values are stated at fair value measured as more fully described in Note 19. The Organization's investment in Real Estate Investment Trust (REIT), stock donation and other investments are stated at estimated fair value as more fully described in Note 19. Interest and dividend income is recognized when earned. Any unrealized or realized gains or losses are reported in the statements of activities as a change in unrestricted net assets, unless explicit donor intent or law restricts their use, in which case unrealized gains or losses are reported in the statements of activities as a change in temporarily restricted assets.

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

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 the Organization's 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 joint venture: The Organization had a 50 percent voting interest in the Charter School Capital Access Program (CCAP) that was accounted for under the equity method (see Note 5).

Investment in ROC USA, LLC: The Organization has a 20 percent voting interest in ROC USA, LLC and 33 percent equity investment in ROC USA, LLC under the equity method of accounting under which the Organization's share of change in unrestricted net assets of the affiliate is recognized as income in the Organization's statements of activities and added to the investment account, and dividends received from the affiliate are treated as a reduction of the investment account. The Organization 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: The Organization has a 20 percent voting interest in Charter School Financing Partnership, LLC (CSFP) and is accounting for its investment in CSFP under the equity method of accounting. Accordingly, the Organization's share of net income of the affiliate is recognized as income in the Organization's statements of activities and added to the investment account, and dividends received from the affiliate are treated as a reduction of the investment account. The Organization appoints one of the five managers of the Board of Managers. CSFP was originally established to function as a conduit to the capital markets to create more efficient access to capital for charter school financing.

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

Because of the impact on the bond market as a result of the economic downturn, the Board of Managers has opted to use capital received under a grant from the U.S. Department of Education (USED) as credit enhancement for loans to charter schools originated by its members and approved by the Board of Managers.

Investment in FHLB Stock: As more fully described in Note 4, 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, 2016 or 2015.

Contributed assets and liabilities*:* Capital Impact Partners spun off the Green House Project and Cornerstone Partnership, two of its technical assistance entities under its Community Solutions Group, LLC (CSG) subsidiary as of December 31, 2015. The spin offs were effective December 31, 2015 and were formalized by a Contribution Agreement between Capital Impact Partners and the organizations to which the assets and liabilities of these entities were contributed (the Beneficiary). Capital Impact Partners also contributed $650,000 in 2015 in cash to the Beneficiary of the Green House Project.

Revenue arrangements with multiple deliverables: Capital Impact Partners has entered into certain revenue arrangements with multiple deliverables such as loan origination services, investment entity creation, loan servicing, etc. If the delivered elements have value on a standalone basis from the undelivered items, and if there is objective and reliable evidence of the fair value of the undelivered elements, Capital Impact Partners uses the residual method to allocate revenue to the various elements. Under the residual method, revenue is recognized for the delivered elements equal to the total arrangement consideration less the aggregate fair value of the undelivered elements.

Loans Receivable:

Loans: Loans are stated at their principal amounts outstanding, net of deferred loan fees. Interest income is accrued monthly 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 the Organization 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 the Organization's 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.

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

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 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 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 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 the Organization's 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.

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

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 the Organization, (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.

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

Contributions receivable: The Organization accounts for contributions received as unrestricted, temporarily restricted, or permanently restricted depending on the existence or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets 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), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Contributions receivable, which represent 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. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that expect to be collected over periods in excess of one year are recorded at the net present value of the estimated cash flows beyond one year using a risk-adjusted rate of return appropriate for the expected term of the promise to give. Conditional promises to give, which depend on the occurrence of a specified future and uncertain event to bind the promisor, are recorded when the conditions on which they depend are substantially met.

Net assets: Capital Impact Partners classifies net asset into three categories: unrestricted, temporarily restricted and permanently restricted. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Temporarily restricted net assets are contributions with temporary, donor-imposed time or purpose restrictions. Temporarily restricted net assets become unrestricted when the time restrictions expire or the contributions are used for their restricted purpose at which time they are reported in the statements of activities as net assets released from restrictions. Permanently restricted net assets represent contributions received subject to donor restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

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.

Income taxes: The Organization is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization 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 and state corporate income taxes. The Organization had no net unrelated business income for the years ended December 31, 2016 and 2015.

Management evaluated the Organization’s tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements. Consequently, no accrual for interest and penalties was deemed necessary for the years ended December 31, 2016 and 2015. The Organization files tax returns in the U.S. federal jurisdiction, California and Delaware. Generally, the Organization is no longer subject to income tax examination by the U.S. federal or state tax authorities for years before 2013.

Reclassifications: Certain reclassifications were made in the 2015 consolidated financial statements to conform to the current year presentation.

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

Recent accounting pronouncements: In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB voted to delay the effective date of the proposed standard (ASU 2015-14, *Revenue from Contracts with Customers, Deferral of the Effective Date*). Early adoption is not permitted. The updated standard will be effective for annual reporting periods beginning after December 15, 2017. The Organization is currently evaluating the effect that the updated standard will have on the financial statements.

In January 2016, the FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities (Subtopic 825-10)*. ASU 2016-01 includes a number of amendments that address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. One of the amendments eliminates the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities. The amendments in this update are effective for the Organization for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The Organization elected to early adopt the amendment described above during the year ended December 31, 2015. The Organization is currently evaluating effect on the financial statements of adopting the other amendments included in ASU 2016-01.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Organization is currently evaluating the impact of adoption of the new standard on the financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of income as the amounts expected to be collected change. The ASU is effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. Early adoption is permitted for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. The Organization is currently evaluating the impact the adoption of this guidance will have on its financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which replaces the three current classes of net assets with two new classes, “net assets with donor restrictions” and “net assets without donor restrictions”, and expands disclosures about the nature and amount of any donor restrictions. ASU 2016-14 is effective for annual periods beginning after December 15, 2017 and interim periods within fiscal years beginning after December 15, 2018, with early adoption permitted. The Organization is currently evaluating the impact the adoption of this guidance will have on its financial statements.

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

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. ASU 2016-15 provides guidance on how certain cash receipts and cash payments should be presented and classified in the statement of cash flows with the objective of reducing existing diversity in practice with respect to these items. ASU 2016-15 will be effective for the Organization on January 1, 2019. Early adoption is permitted. ASU 2016-15 requires a retrospective transition method. This standard will not have a material impact on the Organization's results of operations or financial position. The Organization is currently evaluating the impact the adoption of this guidance will have on its statement of cash flows.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force),* which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. ASU 2016-18 will be effective for the Organization beginning on January 1, 2019. ASU 2016-18 must be applied using a retrospective transition method with early adoption permitted. The Organization is currently evaluating the impact of the adoption of this guidance on its financial statements.

In January 2017, the FASB issued ASU 2017-02, *Not-for-Profit Entities–Consolidation (Subtopic 958-810): Clarifying When a Not-for-Profit Entity That Is a General Partner Should Consolidate a For-Profit Limited Partnership or Similar Entity*. This ASU amends the consolidation guidance in Subtopic 958-810 to maintain current practice. Therefore, under the amendments, a not-for-profit entity that is a general partner continues to be presumed to control a for-profit limited partnership, regardless of the extent of its ownership interest, unless that presumption is overcome. The presumption is overcome if the limited partners have either substantive kick-out rights or substantive participating rights. To be substantive, the kick-out rights must be exercisable by a simple majority vote of the limited partners' voting interests or a lower threshold. ASU 2017-02 is effective for not-for-profit entities for fiscal years beginning after December 15, 2016, with early adoption permitted. The adoption of ASU 2017-02 is not expected to have a material impact on the financial statements.

Note 2. Cash and Cash Equivalents

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

	2016	2015
Cash in bank	$ 33,503,337	$ 44,243,197
Overnight investments	13,550,102	13,429,518
Other short-term investments	200,000	-
	$ 47,253,439	$ 57,672,715
Unrestricted	$ 20,158,754	$ 21,896,663
Restricted	27,094,685	35,776,052
	$ 47,253,439	$ 57,672,715

Restricted cash and cash equivalents are held, to cover loan losses under a charter school loan program per terms of a grant from the USED, for Healthy California loans, for loans under the Organization's revolving loan fund, for loans to promote shared equity models of homeownership for low-income people in the United States as per loan agreement, for Healthy Foods financing, and for other programs per terms of grant agreements.

Note 3. Concentration of Credit Risk

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, 2016 and 2015, Capital Impact Partners had uninsured balances of approximately $29,711,661 and $40,695,806, respectively, that are included in cash and cash equivalents. Approximately $13,550,102 and $13,429,518 of the uninsured amounts are held in short term investments, in sweep accounts and non-bank money market accounts at December 31, 2016 and 2015, respectively.

As indicated in Note 8, a substantial portion of the loan portfolio is represented by loans to charter schools. The viability of the borrowers and their ability to honor their contracts is dependent upon their ability to retain their charters. Approximately 33 percent and 36 percent of the portfolio represents loans made to entities associated with the NMTC program at December 31, 2016 and 2015, respectively. Approximately 46 percent and 52 percent of the portfolio represents loans made in the state of California and approximately 18 percent and 20 percent in the state of Michigan at December 31, 2016 and 2015, respectively.

Note 4. Investments

Investments consist of the following as of December 31:

	2016	2015
Marketable equity securities	$ 489,624	$ 376,782
Real estate investment trust	1,335,000	1,353,000
Other investments	503,816	636,560
Total investments at fair value (Note 19)	2,328,440	2,366,342
Equity method investments	2,762,888	2,043,323
Equity method investments in New Markets Tax Credit entities (Note 16)	42,514	41,249
Investments at cost	468,500	250,000
	$ 5,602,342	$ 4,700,914

Other investments include Urban Partnership Bank stock that was donated to the Organization in 2012. The Organization received 14,700 shares of non-voting stock and 300 shares of voting stock with a total value of $720,000 upon donation. The Organization re-valued this stock as of December 31, 2016 and 2015 and recorded a $108,000 and $207,589 unrealized loss, respectively, which was reflected in the Organization’s unrealized and realized (loss) gain on investments, net, for the years ended December 31, 2016 and 2015. Therefore this investment was valued at $203,400 and $311,400 as of December 31, 2016 and 2015, respectively.

Equity method investments: At December 31, 2016 and 2015, Capital Impact Partners had an investment in ROC USA, LLC of $2,604,008 and $1,934,216, respectively. The increase in unrestricted net assets of ROC USA, LLC is allocated 33.33 percent to Capital Impact Partners, and the amount allocated to Capital Impact Partners for the years ended December 31, 2016 and 2015 was $669,792 and ($18,067), respectively. In 2013, ROC USA, LLC admitted a new member, ROC Association, to increase customer involvement with governance. The new member has voting membership but does not share profit and loss of the LLC. Capital Impact Partners voting percent is 20%. As provided for in the operating agreement of ROC USA, LLC, there are certain limitations affecting member capital withdrawals.

Note 4. Investments

The following is a summary of financial information for the years ended December 31, 2016 and 2015 for ROC USA, LLC:

	2016	2015
Total assets	$ 65,071,125	$ 51,216,786
Total liabilities	52,669,277	39,498,433
Net assets/members' capital	12,401,848	11,718,353
Total revenue	4,409,110	2,401,171
Total expenses	2,399,733	2,455,372
Change in unrestricted net assets	2,009,377	(54,201)

At December 31, 2016 and 2015, Capital Impact Partners had an investment in Charter School Financing Partnership, LLC (CSFP) of $158,879 and $109,107, respectively. The net income of CSFP is allocated 18 percent to Capital Impact Partners and amounted to $61,371 and $6,086, respectively, for the years ended December 31, 2016 and 2015. Capital Impact Partners also received a distribution of $11,598 and $13,342 as of December 31, 2016 and 2015, respectively. The following is a summary of financial information of CSFP for the years ended December 31, 2016 and 2015:

	2016	2015
Total assets	$ 17,666,659	$ 18,398,900
Total liabilities	3,986,813	2,890,505
Net assets/members' capital	13,679,845	15,508,395
Total revenue	815,986	175,451
Total expenses	475,036	141,640
Change in net assets	340,950	33,811

Capital Impact Partners has a 50 percent ownership interest in NCB Communities, LLC. NCB Communities, LLC reported no assets, liabilities, members' capital, revenue or expenses for the years ended December 31, 2016 and 2015.

Investments at cost: On January 30, 2015, Capital Impact Partners became a member of the Federal Home Loan Bank of Atlanta (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. The Organization 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. At December 31, 2016 and 2015, the amount of stock held was $468,500 and $250,000, respectively. As of December 31, 2016 and 2015, the Organization has drawn $5,000,000 and $0, respectively, in advances from FHLBank Atlanta.

Note 5. Investment in Joint Venture

During 2003, Capital Impact Partners contributed $6.4 million of grant funds received from the U.S. Department of Education (USED) to CCAP as a capital contribution. CCAP consisted of two members: Capital Impact Partners and Reinvestment Fund (RF). Each member had a 50 percent voting interest in CCAP. Capital Impact Partners accounts for its investment in CCAP under the equity method of accounting.

In March 2010, Capital Impact Partners and RF amended the performance agreement with the USED to release $4,732,456 of restricted cash held for the first loan loss reserve in CCAP. Capital Impact Partners disbursed half of the proceeds to RF to be used for the purpose of achieving the performance goals of the agreement dated March 1, 2010. Under the operating agreement, any earnings on the account, net of any expenditure of funds made in accordance with the USED Grant Agreement and loan losses were allocated to Capital Impact Partners' capital account. The remaining operating income was allocated 50 percent to each member. For the years ended December 31, 2016 and 2015, Capital Impact Partners' allocation totaled $52,940 and $95, respectively, and is recorded as a gain on joint venture. At December 31, 2016 and 2015, Capital Impact Partners' investment totaled $0 and $2,660,888, respectively.

The following is a summary of financial information of CCAP as of December 31:

	2016	2015
Total assets	$ -	$ 5,397,133
Total liabilities	-	2,740,029
Members' capital	-	2,657,104
Total revenue	885,098	229,965
Total expenses	908,400	236,425
Net income (loss)	(23,302)	(6,460)

On February 22, 2016, CCAP amended the performance agreement with USED to release the remaining credit enhancement funds in the approximate amount of $2.8 million and allow the dissolution of CCAP. Upon release of the funds, Capital Impact Partners reduced its equity investment in CCAP to zero and used the funds as enhancement for new charter school loans. As provided for in the amended performance agreement, the funds were divided equally between Capital Impact Partners and Reinvestment Fund.

On July 6, 2016, CCAP was dissolved.

Note 6. Mortgage Backed and U.S. Treasury Securities

Capital Impact Partners purchases Mortgage Backed and U.S. Treasury securities in order to pledge the securities to FHLBank Atlanta. The pledged securities are used to secure the Organization's advances from FHLBank Atlanta. Total FHLBank Atlanta borrowings are $5,000,000 as of December 31, 2016.

	2016	2015
Mortgage Backed Securities		
Federal Home Loan Mortgage Company (FHLMC)	$ 2,687,550	$ -
Federal National Mortgage Association (FNMA)	8,752,836	-
Government National Mortgage Association (GNMA)	2,538,774	-
U.S. Treasury Securities		
U.S. Treasury Note	206,800	-
	$ 14,185,960	$ -

Note 7. Contributions Receivable

As of December 31, 2016 and 2015, contributions receivable are due to be collected as follows:

	2016	2015
Receivable in one year or less	$ 5,753,176	$ 762,811
Receivable within 1 - 5 years	277,500	90,000
	$ 6,030,676	$ 852,811

As of December 31, 2016, total contributions receivable includes amounts due from eight grantors of which $4,400,000 is from one grantor. As of December 31, 2015, total contributions receivable includes amounts due from four grantors.

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

	2016	%	2015	%
By Sector:				
Education	$ 81,373,804	39	$ 69,510,768	38
Health care	35,451,119	17	46,546,592	26
Affordable housing	56,026,701	27	16,381,778	9
Community development	33,956,829	17	48,135,553	27
Total - Capital Impact Partners	206,808,453	100	180,574,691	100
CED	-		599,137	
Impact V CDE 7, LLC	31,494,217		31,494,217	
Detroit Neighborhoods Fund, LLC	8,425,411		4,331,656	
FPIF, LLC	10,578,338		5,429,442	
	$ 257,306,419		$ 222,429,143	

Note 8. Loans Receivable (Continued)

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 3.58 percent to 8.25 percent and maturities from March 1, 2017 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 3.00 percent to 8.63 percent and maturities from January 1, 2017 to February 1, 2044.

Capital Impact Partners makes Business Planning Advances (BPAs) to eligible entities for technical assistance and predevelopment purposes. At December 31, 2016 and 2015, Capital Impact Partners had BPAs outstanding of $153,750 that are included in loans receivable.

Subsidiaries:

CED: CED's loans receivable consisted of advances to various healthcare entities and was secured by the real and personal property of the borrowers as described in the respective loan and security agreements. The notes did bear annual interest at a fixed rate of 6 percent. Monthly payments of principal and interest were due in an amount sufficient to amortize the outstanding principal balance of the loans by their respective maturity dates. Upon maturity, all accrued and unpaid interest and outstanding principal was due. Maturities ranged from October 1, 2021 to April 1, 2032.

Capital Impact Partners repaid CED's loan balance of $643,330 from Impact CalCare on CED's behalf during 2015. CED repaid Capital Impact Partners for this advance on March 1, 2016. On January 20, 2016, the non-managing member assigned its interest in the CED to the managing member (Capital Impact Partners). As a result, CED became wholly-owned by the managing member (Capital Impact Partners) and disregarded for income tax purposes. On March 22, 2016, the only loan due to CED, with a balance of $579,598 was sold and conveyed at book value to Capital Impact Partners. On April 8, 2016, CED was dissolved.

Impact V CDE 7: Impact V CDE 7's loans receivable consist of loan transactions. Each loan transaction has a Note 1 and a Note 2. Each Note 2 has an option that entitles the lender to accelerate the maturity date. In the event the lender exercises this option, the amount of principal the borrower is required to prepay is equivalent to 1 percent of the original principal amount of the Note 2 being accelerated. The remaining balance of the accelerated Note 2 will then be discharged at that time. As of December 31, 2016 the maturity date has not been accelerated.

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 $30,000,000 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.

Note 8. Loans Receivable (Continued)

Woodward Corridor Fund, LLC (WWCF, LLC): The WWCF, 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. WWCF LLC was formed specifically for the purpose of supporting community development projects benefiting low and moderate income populations, in particular by providing financing to developers of multi-family rental housing and mixed use facilities in Detroit, Michigan, establishing one or more credit facilities to finance such community development. Capital Impact Partners' role is managing the WWCF, LLC and identifying, originating, closing and servicing the loans. The lenders have committed to lend an aggregate of $30,000,000 to the fund. The senior and subordinate lenders and their pro-rata shares are below:

	Commitment	Prorata Share
Senior Lenders		
Metlife	$ 5,875,000	39.17%
Prudential	5,875,000	39.17%
Woodward Corridor Investments, LLC	3,000,000	20.00%
Max and Marjorie Fisher Foundation	250,000	1.66%
	15,000,000	100.00%
Subordinate Lenders		
Kresge Foundation	5,000,000	33.33%
Capital Impact Partners	5,000,000	33.33%
Calvert Foundation	5,000,000	33.34%
	15,000,000	100.00%
	$ 30,000,000	

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 have committed to lend an aggregate of $72,666,667 to FPIF, LLC. FPIF, LLC is capitalized with $ 7,266,667 or 10 percent subordinated debt from Capital Impact Partners, funded partly by a program related investment from AARP Foundation, included in notes payable in the accompanying statements of financial position as of December 31, 2016 and 2015, and $65,400,000 or 90 percent senior debt from a special purpose entity between Calvert Foundation and AARP Inc.

Refer to Note 12 – Notes Payable – Subsidiaries for further details on subsidiary loans receivables.

Note 9. Credit Quality

Loan origination and risk management: The Organization 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.

Note 9. Credit Quality (Continued)

The Organization's 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. The Organization 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.

Loans are underwritten after evaluating and understanding the borrower's ability to operate profitably and prudently expand its business. Once it is determined that the borrower's management possesses sound ethics and solid business acumen, the Organization's 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.

Age analysis of past due loans: The following tables represent an aging of loans by sector as of December 31, 2016 and 2015. 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, 2016	30 - 59 Days Past Due	60 - 89 Days Past Due	90 days and Still Accruing	Non-accrual	Total Past Due	Current	Total Loans
Education	$ -	$ 3,875,000	$ -	$ -	$ 3,875,000	$ 77,498,804	$ 81,373,804
Health care	-	-	-	-	-	35,451,119	35,451,119
Affordable housing	-	-	-	579,563	579,563	55,447,138	56,026,701
Community development & other	-	-	474,214	55,406	529,620	33,427,209	33,956,829
Total	$ -	$ 3,875,000	$ 474,214	$ 634,969	$ 4,984,183	$ 201,824,270	$ 206,808,453

December 31, 2015	30 - 59 Days Past Due	60 - 89 Days Past Due	90 days and Still Accruing	Non-accrual	Total Past Due	Current	Total Loans
Education	$ -	$ -	$ -	$ -	$ -	$ 69,510,768	$ 69,510,768
Health care	-	-	-	-	-	46,546,592	46,546,592
Affordable housing	228,133	-	-	622,480	850,613	15,531,165	16,381,778
Community development & Other	521,695	-	-	-	521,695	47,613,858	48,135,553
Total	$ 749,828	$ -	$ -	$ 622,480	$ 1,372,308	$ 179,202,383	$ 180,574,691

Note 9. Credit Quality (Continued)

Credit quality indicators: The Organization 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 the Organization's 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 would be placed on nonaccrual status and the credit quality would be downgraded to substandard. 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.

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 the Organization 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, its classification as loss 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.

Note 9. Credit Quality (Continued)

The following tables summarize the loan portfolio by sector and the internally assigned credit quality ratings for those categories at December 31, 2016 and 2015.

December 31, 2016	Education	Health Care	Affordable Housing	Community Development & Other	Total
Above Average	$ 7,964,480	$ 974,041	$ -	$ -	$ 8,938,521
Pass	23,092,280	18,773,526	6,117,550	13,057,826	61,041,182
Watch	50,283,844	15,681,945	41,692,784	15,525,116	123,183,689
Special Mention	33,200	21,607	4,709,253	3,999,058	8,763,118
Substandard	-	-	2,330,335	1,246,732	3,577,067
Doubtful	-	-	1,176,779	128,097	1,304,876
Total	$ 81,373,804	$ 35,451,119	$ 56,026,701	$ 33,956,829	$ 206,808,453

December 31, 2015	Education	Health Care	Affordable Housing	Community Development & Other	Total
Above Average	$ 8,084,716	$ 974,041	$ -	$ -	$ 9,058,757
Pass	19,597,760	5,916,984	1,031,399	8,353,171	34,899,314
Watch	38,568,298	36,268,551	12,506,870	36,292,015	123,635,734
Special Mention	3,259,994	2,655,084	2,004,803	2,490,537	10,410,418
Substandard	-	507,746	699,608	-	1,207,354
Doubtful	-	224,186	139,098	999,830	1,363,114
Total	$ 69,510,768	$ 46,546,592	$ 16,381,778	$ 48,135,553	$ 180,574,691

Allowance for loan losses: The allowance for loan losses as a percentage of loans outstanding as of December 31, 2016 and 2015 was 4.2% and 5.2%, 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 3.9% and 5% as of December 31, 2016 and 2015, respectively. No allowance for loan losses was deemed necessary for any of the Organization's consolidated subsidiary loans as of December 31, 2016 and 2015.

The Organization performs a migration analysis of the Organization's loan risk ratings and loan loss ratios in determining the allowance for loan loss calculation. As of December 31, 2016, the migration analysis indicates that larger decreases in reserve factors are required, compared to prior periods, for the strongest loan risk ratings. The decrease in allowance for loan losses during the period is a result of the reduction of loan loss percentages and is considered a change in estimate as of December 31, 2016.

Note 9. Credit Quality (Continued)

The following tables summarize the allowance for loan losses as of and for the year ended December 31, 2016 and 2015, by sector and the amount of loans evaluated individually or collectively for impairment by sector.

December 31, 2016	Education	Health Care	Affordable Housing	Community Development & Other	Total
Allowance for loan losses:					
Beginning balance	$ 2,843,519	$ 2,453,104	$ 987,177	$ 3,090,869	$ 9,374,669
Charge-offs	-	(34,396)	-	(25,000)	(59,396)
Recoveries	-	77,834	-	104,483	182,317
(Credit) provision	(435,273)	(1,443,979)	2,303,665	(1,242,243)	(817,830)
Ending balance	$ 2,408,246	$ 1,052,563	$ 3,290,842	$ 1,928,109	$ 8,679,760
Ending balance of allowance for loan losses:					
Individually evaluated for impairment	$ -	$ -	$ 1,135	$ -	$ 1,135
Collectively evaluated for impairment	2,408,246	1,052,563	3,289,707	1,928,109	8,678,625
Total	$ 2,408,246	$ 1,052,563	$ 3,290,842	$ 1,928,109	$ 8,679,760
Loan ending balances					
Individually evaluated for impairment	$ -	$ 2,274,929	$ 634,969	$ -	$ 2,909,898
Collectively evaluated for impairment	81,373,804	33,176,190	55,391,732	33,956,829	203,898,555
Total	$ 81,373,804	$ 35,451,119	$ 56,026,701	$ 33,956,829	$ 206,808,453

December 31, 2015	Education	Health Care	Affordable Housing	Community Development & Other	Total
Allowance for loan losses:					
Beginning balance	$ 3,977,981	$ 1,936,212	$ 1,205,195	$ 2,058,408	$ 9,177,796
Charge-offs	(521,137)	-	-	(283,781)	(804,918)
Recoveries	-	51,466	1,912	-	53,378
Provision (credit)	(613,325)	465,426	(219,930)	1,316,242	948,413
Ending balance	$ 2,843,519	$ 2,453,104	$ 987,177	$ 3,090,869	$ 9,374,669
Ending balance of allowance for loan losses:					
Individually evaluated for impairment	$ -	$ -	$ 1,961	$ -	$ 1,961
Collectively evaluated for impairment	2,843,519	2,453,104	985,216	3,090,869	9,372,708
Total	$ 2,843,519	$ 2,453,104	$ 987,177	$ 3,090,869	$ 9,374,669
Loan ending balances					
Individually evaluated for impairment	$ -	$ -	$ 606,351	$ -	$ 606,351
Collectively evaluated for impairment	69,510,768	46,546,592	15,775,427	48,135,553	179,968,340
Total	$ 69,510,768	$ 46,546,592	$ 16,381,778	$ 48,135,553	$ 180,574,691

Note 9. Credit Quality (Continued)

Impaired loans: The following tables summarize the impaired loans as of December 31, 2016 and 2015. The tables segregate the loans by sector for impaired loans with specific allowances for losses and impaired loans without specific allowances.

December 31, 2016	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized*
With no related allowance recorded:					
Education	$ -	$ -	$ -	$ -	$ -
Health care	2,274,929	2,582,295	-	2,281,737	68,550
Affordable housing	579,563	579,563	-	737,474	1,384
Community development	-	-	-	-	-
Subtotal	2,854,492	3,161,858	-	3,019,211	69,934
With an allowance recorded:					
Education	-	-	-	-	-
Health care	-	-	-	-	-
Affordable housing	55,406	55,406	1,135	56,446	12,783
Community development	-	-	-	-	-
Subtotal	55,406	55,406	1,135	56,446	12,783
Total:					
Education	-	-	-	-	-
Health care	2,274,929	2,582,295	-	2,281,737	68,550
Affordable housing	634,969	634,969	1,135	793,920	14,167
Community development	-	-	-	-	-
Total	$ 2,909,898	$ 3,217,264	$ 1,135	$ 3,075,657	$ 82,717

* Interest income recognized on a cash basis during 2016 was $0.

December 31, 2015	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized*
With no related allowance recorded:					
Education	$ -	$ -	$ -	$ -	$ -
Health care	-	-	-	123,806	-
Affordable housing	550,119	550,119	-	558,111	19,808
Community development	-	-	-	-	-
Subtotal	550,119	550,119	-	681,917	19,808
With an allowance recorded:					
Education	-	-	-	327,453	-
Health care	-	-	-	-	-
Affordable housing	56,232	56,232	1,961	28,116	3,105
Community development	-	-	-	159,078	-
Subtotal	56,232	56,232	1,961	514,647	3,105
Total:					
Education	-	-	-	327,453	-
Health care	-	-	-	123,806	-
Affordable housing	606,351	606,351	1,961	586,227	22,913
Community development	-	-	-	159,078	-
Total	$ 606,351	$ 606,351	$ 1,961	$ 1,196,564	$ 22,913

* Interest income recognized on a cash basis during 2015 was $0.

Note 9. Credit Quality (Continued)

Impaired loans include loans modified in troubled debt restructurings (TDR's) 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.

As of December 31, 2016 and 2015, the Organization had $2,304,373 and $-0-, respectively, of loans that were classified as TDR's and included in impaired loans. All of these loans were performing under their modified terms. Total 2016 TDR's represent one loan in the healthcare sector in the amount of $2,274,929 and one loan in the affordable housing sector in the amount of $29,444, for which extension of terms were applied. None of the modifications represented forgiveness of debt.

There were no loans previously identified as TDR's that re-defaulted in 2016 or 2015.

Subsidiaries with loans:

CED and Impact V CDE 7, LLC (collectively, the Companies) routinely evaluate the creditworthiness of the Borrowers and, if deemed necessary, establish reserves where the Companies believe collectability is no longer reasonably assured. Loans receivable are written down once management determines that the specific borrowers do not have the ability to repay the loans in full. The loans receivable are collateralized by a security interest in the underlying assets and/or other assets owned by the Borrowers. The Companies may incur losses in excess of recorded allowances if the financial condition of the Borrowers were to deteriorate or the full amount of any anticipated proceeds from the sale of the collateral supporting the Borrowers' financial obligations are not realized. Allowances for credit losses are maintained in amounts considered to be appropriate in relation to the loans receivable outstanding based on collection experience, economic conditions and credit risk quality. Delinquency is the primary indicator of credit quality. As of December 31, 2016 and 2015, no allowance for loan loss was recorded on the loans receivable for CED and Impact V CDE 7, LLC.

DNF, WWCF 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.

Note 10. Other Assets

Included in Other Assets as of December 31, 2016 and 2015 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 $511,250 and $510,074, respectively, per a pledge and security agreement dated February 1, 2012 between Capital Impact Partners and Charter School Financing Partnership (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.

A $1,000,000 cash deposit with Pacific Charter School Development (PCSD) to back certain bonds. PCSD is a not-for-profit organized under the laws of the State of California, and is committed to assisting charter schools secure adequate and affordable financing so that the schools can fulfill their mission of providing a program of public education to students. The related bonds were paid off in 2016; therefore, Capital Impact Partners' $1,000,000 deposit was returned as of March, 2016.

A $500,000 participation interest in a $3,500,000 investment made by CSFP. The participation is in the form of a pledge deposit to an account designated by the MATCH School Foundation (the Foundation). The Foundation used the funds to purchase Qualified Zone Academy Bonds Series 2011-A (QZABs) issued by MATCH Public Charter School. The pledge is secured by a subordinate interest in the QZABs. Capital Impact Partners used proceeds of a grant from the DOE received in a prior year to fund its participation. In return for its pledge, Capital Impact Partners earned interest on its pledge of 0.25 percent per annum; plus a 2.75 percent asset management fee based on the outstanding balance of the pledge. Additionally, two-thirds of the asset management fee earned by CSFP was shared equally by its five partners. As a 20 percent owner of CSFP, Capital Impact Partners received its pro rata share of .36667 percent per annum. The borrower was required to make quarterly principal and interest payments as well as repayments on the pledged amount. The 2016 and 2015 balance of the deposit included in other assets was $0 and $372,611, respectively. The borrower fully repaid the pledged amount in 2016; therefore, the funds were returned to the DOE restricted cash account.

Note 10. Other Assets (Continued)

On January 21, 2015, Capital Impact Partners entered into a Guaranty Agreement with Invest Detroit Foundation (ID) to provide up to $500,000 to support ID's participation in the 10,000 Small Businesses (10KSB) Initiative and ID's efforts to promote community revitalization in the City of Detroit. Capital Impact Partners is providing credit support to ID in the event that loan repayments by 10KSB Detroit borrowers to ID are insufficient. Capital Impact Partners funded the guaranty reserve account with $100,000 on April 16, 2015. However, ID has not drawn any funds from the reserves as of December 31, 2016. The balance of the guaranty was $100,197 and $100,071, at December 31, 2016 and 2015, respectively.

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 percent and increases to 5 percent if CoMetric's earnings reach a certain level. Capital Impact Partners has advanced $300,000 and $200,000, as of December 31, 2016 and 2015, respectively, under the loan and earned interest of $3,157 and $589, as of December 31, 2016 and 2015, respectively.

Furniture, equipment and leasehold improvements at December 31, 2016 and 2015 were comprised as follows:

	2016	2015
Furniture, equipment and software	$ 332,325	$ 326,908
Leasehold improvements	163,547	71,609
	495,872	398,517
Less accumulated depreciation and amortization	(294,727)	(243,198)
	$ 201,145	$ 155,319

Note 11. Notes and Bond Loan Payable, Revolving Line of Credit and Subordinated Debt

Notes and bond loan payable, revolving line of credit and subordinated debt as of December 31 consist of the following:

Lender/Type	Original Commitment	Available Undrawn	Balance December 31, 2016	Balance December 31, 2015	Interest Rate	Maturity Date
Calvert Foundation	$ 6,700,000	$ -	$ 6,700,000	$ 6,700,000	2.75%	June 2020
Bank of America	12,000,000	-	6,000,000	9,000,000	3.75%	September 2018
Merrill Lynch NMTC Corporation	10,000,000	-	-	8,766,075	1.89%	June 2016
Ford Foundation	3,000,000	-	1,184,835	2,129,713	1.00%	September 2018
California Community Foundation	6,000,000	-	916,638	897,347	1.00%	June 2018
Rasmuson Foundation	200,000	-	200,000	200,000	1.00%	December 2020
PNC Bank	10,000,000	-	8,483,362	8,483,362	3.50%	December 2017
Living Cities Catalyst	5,500,000	-	5,500,000	5,500,000	2.00%	December 2020
Robert Wood Johnson	10,000,000	-	5,000,000	5,000,000	2.00%	December 2023
Kellogg Foundation	1,500,000	-	1,320,149	1,413,632	1.00%	July 2022
AARP Foundation	1,000,000	-	1,000,000	1,000,000	2.00%	May 2023
Opportunity Finance Network	2,500,000	-	2,500,000	2,500,000	3.00%	October 2023
AARP Foundation	4,000,000	-	4,000,000	4,000,000	2.00%	December 2026
Ford Foundation	3,000,000	-	2,705,208	2,660,171	1.00%	February 2024
Kellogg Foundation	3,000,000	-	3,000,000	2,000,000	1.00%	May 2025
Northern Trust	1,000,000	-	1,000,000	1,000,000	1.00%	September 2020
The California Endowment	10,000,000	8,649,194	1,350,806	-	2.00%	December 2027
Fisher Foundation	250,000	-	250,000	-	1.00%	March 2026
JPMC	15,000,000	-	15,000,000	-	3.78%	May 2023
Ford Foundation	3,000,000	3,000,000	-	-	1.00%	May 2026
Kresge Foundation	800,000	200,000	600,000	-	1.00%	June 2023
Impact Community Capital	10,000,000	10,000,000	-	-	0.88%	January 2022
	118,450,000	21,849,194	66,710,998	61,250,300		
JPMC Revolving Line of Credit	50,000,000	18,000,000	32,000,000	32,800,000	LIBOR plus 2%	December 2018
Wells Fargo - (Subordinated Debt)	2,500,000	-	2,500,000	2,500,000	2.00%	December 2023
Small Business Loan Fund (Subordinated Debt)	8,218,000	-	8,218,000	8,218,000	2.00%	September 2019
Bond Loan Payable (Secured Debt) (a)	55,000,000	25,703,000	28,625,536	5,859,705	1.94% - 2.75%	March 2044
Bond Loan Payable (Secured Debt) (a)	40,000,000	40,000,000	-	-	N/A	January 2046
FHLB (Secured Debt) (b)	30,275,064	25,275,064	5,000,000	-	2.53%	December 2023
Total	$ 304,443,064	$ 130,827,258	$ 143,054,534	$ 110,628,005		

Note 11. Notes and Bond Loan Payable, Revolving Line of Credit and Subordinated Debt (Continued)

The Organization has certain debt agreements that contain both operational and financial covenants requiring the Organization to maintain minimum cash and cash equivalents balances and certain financial ratios.

(a) 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 million allocation in the $200 million issuance of the CDFI Fund Bond Guarantee Program to Community Reinvestment Fund, USA. Capital Impact Partners, per the Bond Guarantee Program's requirements, committed at least 50 percent of its allocation, or $27.5 million, by September 25, 2015, and committed the remaining 50 percent, or $27.5 million, by September 25, 2016, but has until September 25, 2019 to draw down on the bond. As a condition of the program, the Organization must pledge eligible secondary borrower loans as collateral to draw on the loan. The loans bear interest at the applicable Federal Financing bank rate +37.5 bps liquidity premium at the time of each draw down. Under the program, bonds are purchased by the Federal Financing Bank and carry a 100 percent guarantee from the Secretary of the Treasury.

On July 15, 2016, Capital Impact Partners was awarded an additional $40 million allocation in the $165 million issuance of the CDFI Fund Bond Guarantee Program to Community Reinvestment Fund, USA. Capital Impact Partners, per the Bond Guarantee Program's requirements, will have to commit at least 50 percent of its allocation, or $20 million, by July 15, 2017, and will have to commit the remaining 50 percent, or $20 million, by July 15, 2018, but will have until July 15, 2021 to draw down on the bond.

The Organization has drawn on the 2014 bond and advanced bond proceeds to end borrowers as of December 31, 2016 and 2015, the loans payable balance was $28,625,536 and $5,859,705, respectively, secured by pledged loans receivable of $29,296,013 and $6,083,525, respectively. The Organization has not drawn on the 2016 bond or advanced any of the bond proceeds to end borrowers.

Capital Impact Partners paid approximately $127,425 and $88,724 in facility fees related to this program for the years ended December 31, 2016 and 2015, respectively.

(b) FHLB borrowing: As a member bank, Capital Impact Partners may request advances from FHLBank Atlanta. As of December, 31, 2016, the outstanding balance was $5,000,000, secured by Mortgage Backed and U.S. Treasury Securities in the amount of $14,185,960 (See Note 6).

Aggregate annual maturities of Capital Impact Partners' borrowings over each of the next five years and thereafter, as of December 31, 2016, are as follows:

Years Ending December 31,		
2017	$	13,549,997
2018		37,211,588
2019		9,855,285
2020		16,372,964
2021		3,988,523
Thereafter		62,076,177
	$	143,054,534

Note 11. Notes and Bond Loan Payable, Revolving Line of Credit and Subordinated Debt (Continued)

Generally accepted accounting principles require 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 Ford Foundation, Capital Impact Partners recognized interest expense of $55,122 and $55,843 for the years ended December 31, 2016 and 2015, respectively

For the California Community Foundation, Capital Impact Partners recognized interest expense of $19,293 and $18,877 for the years ended December 31, 2016 and 2015, respectively.

For the Rasmuson Foundation, Capital Impact Partners recognized interest expense of $0 and $9,209 for the years ended December 31, 2016 and 2015, respectively.

For the Kellogg Foundation, Capital Impact Partners recognized interest expense of $6,516 and $6,867 for the years ended December 31, 2016 and 2015, respectively.

For the Ford Foundation received in 2014, Capital Impact Partners recognized interest expense of $45,037 and $44,287 for the years ended December 31, 2016 and 2015, respectively.

Aggregate interest accretion over the next five years and thereafter for Capital Impact Partners' loans with below-market interest rates as of December 31, 2016, is as follows:

Years ending December 31:	Ford Foundation 1	California Community Foundation	Kellogg Foundation	Ford Foundation 2	Totals
2017	$ 45,434	$ 19,708	$ 8,864	$ 45,799	$ 119,805
2018	19,731	11,639	5,752	46,574	83,696
2019	-	-	5,806	47,363	53,169
2020	-	-	5,272	48,165	53,437
2021	-	-	3,346	48,980	52,326
Thereafter	-	-	811	57,911	58,722
	$ 65,165	$ 31,347	$ 29,851	$ 294,792	$ 421,155

Note 12. Notes Payable – Subsidiaries

Subsidiary	Lender	Commitment	December 31, 2016	December 31, 2015	Interest Rate	Maturity Date	Payment Details
Impact V CDE 7, LLC	Merrill Lynch NMTC Corp. (a)	$ -	$ 17,687,500	$ 17,687,500	LIBOR + 3.00%	September 2040	Monthly interest
Impact V CDE 7, LLC	Merrill Lynch NMTC Corp. (a)	-	7,312,500	7,312,500	2.00%	September 2040	Monthly interest
Impact V CDE 7, LLC	Merrill Lynch NMTC Corp. (b)	-	4,594,659	4,594,659	6.686%	January 2041	Monthly interest
Impact V CDE 7, LLC	Merrill Lynch NMTC Corp. (b)	-	1,899,558	1,899,558	1.00%	January 2041	Monthly interest
Total Impact V CDE 7, LLC		31,494,217	31,494,217	31,494,217			
DNF, LLC	JP Morgan Chase (c)	20,000,000	8,506,593	4,367,789	2.00%	June 2029	Monthly interest
FPIF, LLC	FPIF Feeder Facility LP (c)	65,400,000	10,578,338	5,429,442	3.13%	August 2031	Monthly principal and interest
WWCF, LLC	Senior Lenders (Note 8) (c)	15,000,000	-	-	5.00%	December 2031	Monthly interest
WWCF, LLC	Kresge Foundation (c)	5,000,000	-	-	4.00%	December 2031	Monthly interest
WWCF, LLC	Calvert Foundation (c)	5,000,000	-	-	4.00%	December 2031	Monthly interest
Total WWCF, LLC		25,000,000	-	-			
Totals		$ 141,894,217	$ 50,579,148	$ 41,291,448			

(a) Commencing October 1, 2030, monthly payments of principal and interest are due, pursuant to a 10-year amortization schedule in amounts sufficient to amortize the notes through maturity on September 29, 2040, at which time all outstanding principal and accrued interest shall be due. The loan is with sole recourse to Impact V CDE 7, LLC and includes no obligation for repayment on the part of Capital Impact Partners.

(b) Commencing February 1, 2031, monthly payments of principal and interest are due until maturity on January 5, 2041, at which time all outstanding principal and any accrued interest shall be due. The loan is with sole recourse to Impact V CDE 7, LLC and includes no obligation for repayment on the part of Capital Impact Partners.

(c) The loan commitments under DNF LLC, FPIF, LLC and WWCF, LLC are with sole recourse to DNF LLC, FPIF, LLC and WWCF, LLC and include no obligation for repayment on the part of Capital Impact Partners.

Aggregate annual maturities of subsidiary borrowings over each of the next five years and thereafter, as of December 31, 2016, are as follows:

Years Ending December 31,	
2017	$ 120,742
2018	127,109
2019	133,812
2020	140,868
2021	148,297
Thereafter	49,908,320
	$ 50,579,148

Note 13. Temporarily Restricted Net Assets

Temporarily restricted net assets are those net assets whose use by the Organization is limited by donors. At December 31, 2016 and 2015, temporarily restricted net assets consisted of the following:

Grantor	Purpose	2016	2015
Department of Education	Charter School Program	$ 14,309,903	$ 15,576,303
California Healthy Food Financing Initiative	Healthy Food Financing	115,875	1,572,933
CDFI Fund	Healthy Food Financing	2,400,000	-
CDFI Fund	Financial Assistance	2,000,000	-
Kellogg Foundation	Healthy Food Financing	1,828,838	43,913
Healthy California	Healthy Food Financing	-	567,720
Ford Foundation	Shared Equity	22,861	120,287
AARP Foundation	Aging Initiative	362,944	577,659
Kresge Foundation	Detroit Corridor Initiative	758,333	500,000
Living Cities	Detroit Corridor Initiative	-	49,788
First 5 LA	Healthy Food Financing	-	612,000
JP Morgan Chase Bank	Detroit Corridor Initiative	302,671	4,610,456
Ford Foundation	Detroit Corridor Initiative	437,500	153,235
The California Endowment Foundation	California Healthcare Lending	236,190	-
Other programs	Various	494,504	712,884
		$ 23,269,619	$ 25,097,178

Contributions receivable of $6,030,676 and $852,811, respectively, as of December 31, 2016 and 2015 were both time restricted and purpose restricted and are included in the above amounts.

Capital Impact Partners received grant funding from Los Angeles County Children and Families First – Proposition 10 Commission (aka First 5 LA) in 2014 to support the Food Enterprise Microlending Intermediary (FEMI) Program. The grant funds were available under the agreement until December 31, 2016, for disbursement to approved borrowers. Some of the borrowers were not able draw their entire loan amount. As of December 31, 2016, the remaining balance of $161,762 was relinquished which required the corresponding receivable and revenue balances to be reversed. These transactions were reflected in the consolidated statement of activities.

In connection with the spin off and formal agreement of contribution of assets and liabilities of the Green House Project as of December 31, 2015, Capital Impact Partner's Robert Wood Johnson grant agreement was terminated. As a result of this termination, the remaining $677,620 receivable and corresponding revenue that had been recognized for remaining grant funds under the agreement were reversed. The impact of this grant relinquishment loss is reflected in temporarily restricted net assets in the consolidated statement of activities for the year ended December 31, 2015.

Note 14. Permanently Restricted Net Assets

At December 31, 2016 and 2015, permanently restricted net assets consisted of the following:

	2015	2014
Robert Wood Johnson Foundation - Revolving Loan Fund	$ 1,487,475	$ 1,487,475

The revolving loan fund is a gap financing measure primarily used for development and expansion of small businesses.

Note 15. Related Party Transactions

NCB and NCB Financial Savings Bank (NCB, FSB)*:* As of December 31, 2016 and 2015, Capital Impact Partners has a payable of $74,889 and $266,927 respectively, with NCB related to payments made by NCB on behalf of Capital Impact Partners throughout the year.

NCB provides certain management, administrative, consulting, bookkeeping, loan servicing and computer services to Capital Impact Partners under a service agreement. Total fees paid for these services were $269,000 and $794,221 for the years ended December 31, 2016 and 2015, respectively and are included in the management and general category in the statements of activities.

Capital Impact Partners is allocated rent expense from NCB. Total rent payments were $623,948 and $737,808 for the years ended December 31, 2016 and 2015, respectively.

A formal sublease agreement with NCB became effective on July 1, 2016 and expires on December 1, 2017. Under the sublease agreement, Capital Impact Partners will make monthly payments to NCB totaling $713,022 in 2017. The total amount is included in lease commitments in Note 17.

An agreement regarding vacation of premises with NCB also became effective on July 1, 2016. Under the agreement, Capital Impact Partners will vacate its current office space on or before December 1, 2017. During the period from December 1, 2017 to August 1, 2021, Capital Impact Partners will make monthly payments to NCB totaling $2,772,525, unless certain events occur which may reduce such payments. The total amount is included in lease commitments in Note 17.

Capital Impact Partners maintains cash accounts with NCB, FSB. Balances totaled approximately $17,057,880 and $31,506,642 as of December 31, 2016 and 2015, respectively.

In the normal course of business, Capital Impact Partners, NCB and NCB, FSB will sell and purchase loan participations from each other. As of December 31, 2016 and 2015, such participations have included loans to:

- ***Novata Behavioral Health:*** Capital Impact Partners purchased the outstanding balance of this loan from NCB, FSB during 2014. Capital Impact Partners' balance was $0 and $1,489,971 as of December 31, 2016 and 2015, respectively.

- ***Center for Elders Independence:*** Capital Impact Partners purchased the outstanding balance of this loan from NCB, FSB during 2014. Capital Impact Partners' balance was $1,171,165 and $1,198,884 as of December 31, 2016 and 2015, respectively.

During 2011, Capital Impact Partners, NCB, FSB and NCB entered into an MOU, which states that the three organizations will endeavor to work together on cooperative development and loans to underserved communities. Subsequent to the governance change of the Organization, it was the intent of the boards of directors for all three organizations for the organizations to continue their long history of collaborating on cooperative development and initiatives focused in low income communities.

In February 2011, Capital Impact Partners closed $2,046,362 in financing to Dayspring Investment Fund, LLC, (Dayspring) as part of a NMTC transaction. NCB, FSB, simultaneously closed a $1,900,000 commitment to Dayspring. The loans pay interest only and are due and payable in November 2018. The Organization's debt is subordinate to NCB, FSB's exposure. NCB, FSB, independently underwrote and approved the transaction, which is serviced and monitored by the Organization under a separate agreement.

Note 15. Related Party Transactions (Continued)

Capital Impact Partners also jointly participated with NCB, FSB, to make a new loan to the Alliance for College-Ready Public Schools. NCB, FSB, provided $6,000,000 in financing and Capital Impact Partners provided approximately $4,500,000 in financing as part of this NMTC transaction. Alliance purchased the leveraged debt on April 15, 2015. The NMTC transaction reached its 7-year transaction period in June 2016 and was completely dissolved.

The original non-managing member of Impact V CDE 7, LLC was NCB. On September 28, 2010, NCB transferred its member interest to Impact NMTC Holdings, LLC. The members in Impact NMTC Holdings, LLC are Capital Impact Partners (99.99 percent) and NCB (0.01 percent).

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, 2016 and December 31, 2015 was $2,682,114 and $1,012,531. 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 percent partner, as more fully described in Note 10.

CoMetrics: Also 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, as more fully described in Note 10. Prior to May 2015, one of Capital Impact Partners' employees served on the board of CoMetrics. Currently the Capital Impact Partners Board of Directors chairperson is a consultant for CoMetrics.

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 the Organizations 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 Audit Committee at the next regular meeting. An analysis of the activity during the years ended December 31, 2016 and 2015 for the aggregate amount of these loans is as follows:

Balance, December 31, 2014	$ 14,967,151
Net changes	1,947,974
Balance, December 31, 2015	16,915,125
Net changes	(1,474,134)
Balance, December 31, 2016	$ 15,440,991

Note 16. New Markets Tax Credit Program

During 2005, Capital Impact Partners implemented its NMTC program and has 37 and 42 Limited Liability Companies (LLCs) that are CDEs, through December 31, 2016 and 2015, respectively. Of the 37 LLCs, there are a total of 4 Investment Funds in which Capital Impact Partners has an interest, all of which are Chase NMTC deals.

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 $0 and $24.8 million to these LLCs during 2016 and 2015, respectively, in anticipation of receiving new markets tax credits of approximately $0 million and $9.7 million in 2016 and 2015, 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 2016,5 of the NMTC entities reached their 7-year transaction period and were completely dissolved. In connection with the dissolution of these entities, Capital Impact Partners incurred a gain of $17,440 during the year ended December 31, 2016, which is reflected in the consolidated statement of activities. During 2015, 9 of the NMTC entities reached their 7-year transaction period and were completely dissolved. In connection with the dissolution of these entities, Capital Impact Partners incurred a gain of $109,427 during the year ended December 31, 2015, which is reflected in the consolidated statement of activities.

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

Impact V CDE 5 LLC	Impact CDE 41 LLC
Impact V CDE 6 LLC	Impact CDE 42 LLC
Impact V CDE 7 LLC	Impact CDE 43 LLC
Impact V CDE 9 LLC	Impact CDE 44 LLC
Impact V CDE 10 LLC	Impact CDE 45 LLC
Impact VI CDE 2 LLC	Impact CDE 46 LLC
Impact VI CDE 3 LLC	Impact CDE 47 LLC
Impact VI CDE 4 LLC	Impact CDE 48 LLC
Impact VI CDE 5 LLC	Impact CDE 49 LLC
Impact VI CDE 6 LLC	Impact CDE 50 LLC
Impact VI CDE 7 LLC	Impact CDE 51 LLC
Impact VI CDE 8 LLC	Impact CDE 52 LLC
Impact VI CDE 9 LLC	Impact CDE 53 LLC
Impact VI CDE 10 LLC	Impact CDE 54 LLC
Impact VII CDE 1 LLC	Chase NMTC DHHA, LLC
Impact VII CDE 2 LLC	Chase NMTC Charter Oak IF, LLC
Impact VII CDE 3 LLC	Chase NMTC Northgate Markets IF, LLC
Impact VII CDE 4 LLC	Chase NMTC Henry Ford IF, LLC
Impact VII CDE 5 LLC	

Note 16. New Markets Tax Credit Program (Continued)

At December 31, 2016 and 2015 Capital Impact Partners had a .01 percent interest in each of the above entities. The total amount of the investment is as follows:

	Amount of Investment 2016	Amount of Investment 2015
Capital Impact Partners New Markets Tax Credit Entities	$ 40,681	$ 39,416
Chase New Markets Tax Credit Entities	1,833	1,833
	$ 42,514	$ 41,249

The following is a summary of the audited financial information of these companies as of and for the years ended December 31, 2016 and 2015:

	2016	2015
Total assets	$ 318,684,647	$ 361,266,517
Total liabilities	48,893,155	50,121,473
Members' capital	269,791,492	311,145,044
Total revenue	9,889,415	11,864,834
Total expenses	4,537,059	9,249,147
Net income	5,352,356	2,615,687

Under the agreements with the LLCs, Capital Impact Partners earns fees for its initial services including investor syndication, LLC organization, loan origination, NMTC sub-allocation, etc. Capital Impact Partners also earns continuing fees for loan servicing. As explained in Note 1, Capital Impact Partners qualifies to use the residual method for these revenue arrangements with multiple deliverables. During the years ended December 31, 2016 and 2015, Capital Impact Partners earned approximately $1,543,125 and $1,805,989, respectively, of servicing fees from these LLCs. In addition, as of December 31, 2016 and 2015, Capital Impact Partners reflected accounts receivable of approximately $6,477 and $13,782, respectively.

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, 2016 and 2015.

Capital Impact Partners was awarded its sixth NMTC allocation in the amount of $70,000,000 in November of 2016 bringing the total NMTC allocation to $562,000,000.

Note 17. Commitments and Contingencies

Capital Impact Partners signed a new 15-year lease for its Arlington, Virginia offices on October 19, 2016. The new location is 1400 Crystal Drive Suite 500 Arlington, Virginia. Upon completion of the buildout of the suite, the anticipated move in date is December 1, 2017. The lease commitment period is from December 1, 2017 through November 30, 2032.

The Organization leases its offices and certain office equipment under non-cancelable operating leases. The Organization's future annual minimum payments under these leases are as follows:

Years ending December 31:		
2017	$	1,020,027
2018		1,661,036
2019		1,703,554
2020		1,746,868
2021		1,344,806
Thereafter		10,036,443
	$	17,512,734

Rent expense was $919,555 and $1,019,180 for the years ended December 31, 2016 and 2015, respectively.

The Organization 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 the Organization's involvement in these particular classes of financial instruments. The Organization's exposure to credit loss in the event of nonperformance by the other party to the financial instruments for commitments to extend credit and standby letters of credit is represented by the contractual or notional amount of those instruments. The Organization 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, 2016 and 2015, these outstanding commitments totaled $56,828,703 and $48,527,972, respectively.

Note 18. Employee Benefits

Capital Impact Partners' employees participated in the NCB non-contributory defined contribution retirement plan and the 401(k) plan through the end of April 2016. Beginning in May 2016, Capital Impact Partners implemented its own retirement and 401(k) plans and terminated participation in the NCB plans. Under the non-contributory defined contribution retirement plan, Capital Impact Partners contributes 6 percent of a participant's annual salary into the plan. Total expenses for the retirement plans for the years ended December 31, 2016 and 2015 were $446,814 and $511,312, respectively. The employee thrift plan is organized under IRS Code Section 401(k) and Capital Impact Partners contributes up to 6 percent of each participant's annual salary. Contributions and expenses were $444,804 and $531,188 for 2016 and 2015, respectively.

Note 19. Fair Value

Fair value measurements: The Organization 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 the Organization's 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.

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 the Organization's own estimates about assumptions that a market participant would use to value the asset or liability.

Note 19. Fair Value (Continued)

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

	December 31, 2016	Level 1	Level 2	Level 3
Assets:				
Marketable equity securities	$ 489,624	$ 489,624	$ -	$ -
Real estate investment trust	1,335,000	-	-	1,335,000
Other investments	503,816	-	-	503,816
Mortgage backed securities	13,979,160	-	13,979,160	-
U.S. Treasury securities	206,800	-	206,800	-
	$ 16,514,400	$ 489,624	$ 14,185,960	$ 1,838,816

	December 31, 2015	Level 1	Level 2	Level 3
Assets:				
Marketable equity securities	$ 376,782	$ 376,782	$ -	$ -
Real estate investment trust	1,353,000	-	-	1,353,000
Other investments	636,560	-	-	636,560
	$ 2,366,342	$ 376,782	$ -	$ 1,989,560

The following is a description of the valuation methodologies used for instruments measured at fair value. These valuation methodologies were applied to all of the Organization’s financial assets 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 percent. 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 (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.

Stock donation: Included in other investments is donated stock. As of December 31, 2016 and 2015, the fair value of donated stock is calculated using various weightings of the Guideline Public Company Method, Merger and Acquisition Method and the Adjusted Net Asset Method, as well as inputs from financial statement data, publicly available financial information and market research. Regression analysis of market capitalization to tangible book value of similar companies was used to derive an appropriate price-to-tangible book multiple. Based on this information, donated stock is classified as Level 3. As a result of the revaluation as of December 31, 2016, the Organization recorded a $108,000 loss which was reflected in the Organization’s unrealized loss, net, on investments for the year ended December 31, 2016. Therefore, this investment is valued at $203,400 and $311,400 as of December 31, 2016 and 2015, respectively.

Note 19. Fair Value (Continued)

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.

There was no change in the valuation techniques used to measure fair value of investments in the years ended December 31, 2016 and 2015.

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

	2016	2015
Beginning balance at January 1	$ 1,989,560	$ 2,242,947
Total net losses included in change in net assets	(128,724)	(166,558)
Purchases	-	-
Distributions	(22,020)	(86,829)
Ending balance at December 31	$ 1,838,816	$ 1,989,560

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, 2016	Level 1	Level 2	Level 3
Assets:				
Impaired loans, net of specific reserves	$ 633,834	$ -	$ -	$ 633,834

	December 31, 2015	Level 1	Level 2	Level 3
Assets:				
Impaired loans, net of specific reserves	$ 604,390	$ -	$ -	$ 604,390

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 had a carrying amount of $634,969 and $606,351 with a valuation allowance of $1,135 and $1,961 for the years ended December 31, 2016 and 2015, respectively. 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 20. Subsequent Events

The Organization has evaluated its subsequent events (events occurring after December 31, 2016) through April 19, 2017 which represents the date the financial statements were available to be issued.