CAPITAL IMPACT
PARTNERS

Capital Impact Investment Notes

Up to $100,000,000

Interest rates set with each offering

Total Aggregate Offering	$100,000,000
Term/Maturity	Various terms of up to 10 years
Interest Rates	Interest rates will be fixed rate and are set at the time of issuance and are determined by current market conditions. Interest rates will be set forth in the accompanying pricing supplement.
Minimum Investment Requirement	$1,000
Status	Unsecured debt obligations

Lead Agent

Incapital LLC

Investor dollars are not used to pay sales concessions or any other expenses of the offering.

Prospectus dated October 6, 2017

Included in this Prospectus is the essential information related to the Capital Impact Investment Notes (the "Notes"), fixed income securities that raise capital to financially support impact investments targeted towards underserved communities across the United States. Prospective investors are advised to read this Prospectus carefully prior to making any decisions to invest in the Notes. The Notes are issued by Capital Impact Partners ("Capital Impact"), a District of Columbia nonprofit corporation organized at the direction of the United States Congress that is a tax-exempt Internal Revenue Code 501(c)(3) public charity and is a Community Development Financial Institution ("CDFI") certified by the U.S. Department of the Treasury Community Development Financial Institutions Fund (the "CDFI Fund"). Capital Impact's national headquarters are located at 2011 Crystal Drive, Suite 700, Arlington, Virginia 22202; the headquarters will be relocated to 1400 Crystal Drive, Suite 500, Arlington, Virginia 22202 on or about December 1, 2017. Capital Impact's telephone number is (703) 647-2300. Specific terms of the Notes will be described in a separate pricing supplement. The Notes will be global book-entry Notes, which means that they may be purchased electronically through a prospective investor's brokerage account and settled through the Depository Trust Company ("DTC").

Capital Impact will offer Notes through registered broker-dealers. The Notes may be offered to or through Incapital LLC as Lead Agent for resale to other registered broker-dealers. Incapital LLC, or any other Agent appointed by Capital Impact, is not required to purchase or sell any specific amount of Notes but will sell the Notes on a best-efforts basis. Through this program with Incapital LLC, Capital Impact expects to receive net proceeds from sales after sales compensation to Incapital LLC based on the maturity of the Notes sold, ranging from $997 per $1,000 of 1-year Notes to $982 per $1,000 of 10-year Notes. Capital Impact estimates that the total expenses of the offering excluding sales compensation will be approximately $600,000, or 0.6% of the total aggregate offering, resulting in estimated net proceeds ranging from approximately $97,600,000 to $99,100,000 if the total amount of Notes being offered are sold.

The Notes are subject to certain risks, discussed in the section entitled "Risk Factors" beginning on page 13.

Investors are cautioned not to rely on any information not expressly set forth in this Prospectus (or any related pricing supplement). Investors are advised to read this Prospectus and any related pricing supplement carefully prior to making any decision to purchase these securities. No person has been authorized to give any information or to make any representation in connection with this offering other than those contained in this Prospectus, and if given or made, such information or representation must not be relied upon as having been made by Capital Impact.

This Prospectus is intended to provide potential investors with information necessary to make an informed investment decision. However, nothing contained herein is intended as legal, accounting, tax or investment advice, and it should not be taken as such. A prospective investor should consult his or her own legal, tax and/or financial advisor concerning potential investments in the Notes. An investor must rely on his or her own evaluations of Capital Impact, the Notes, and the terms of this offering, including the merits and risks involved.

In this Prospectus and in the course of its operations, Capital Impact will make a number of forward-looking statements. The words "believe," "expect", "intend," "anticipate," "estimate," "project," and other similar expressions identify forward-looking statements, which speak only as of the date the statement was made. Forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified. Future events and actual results could differ materially from those set forth in, contemplated by, or underlying these forward-looking statements. Statements in this Prospectus, including those contained in the section entitled "Risk Factors," describe factors, among others, that could contribute to or cause such differences.

Neither the Notes nor the adequacy of this Prospectus have been approved, disapproved, or passed on by the Securities and Exchange Commission (the "SEC"), any state securities commission, or any other regulatory body. Any representation to the contrary is a criminal offense.

The Notes are not and will not be insured or guaranteed by the Federal Deposit Insurance Company ("FDIC"), the Securities Investment Protection Corporation ("SIPC"), or any other agency.

This Prospectus does not constitute an offer nor the solicitation of an offer to sell to any person in any state or any other political jurisdiction in which such offer or solicitation may not lawfully be made. This Prospectus does not constitute an offer by a broker-dealer in any state where said broker-dealer is not qualified to act as a broker-dealer. Federal and state securities laws may affect Capital Impact's ability to continue to sell the Notes in certain states. As of the date hereof, the Notes will be offered for sale in the United States, excluding the State of Washington and the Commonwealth of Pennsylvania.

The Notes are being offered under an exemption from federal registration pursuant to Section 3(a)(4) of the Securities Act of 1933, as amended (the "Securities Act") and Section 3(c)(10) of the Investment Company Act of 1940, as amended (the "Investment Company Act"). The SEC has not made an independent determination that these securities are exempt from registration.

There is not expected to be any secondary market in the Notes. The Notes may not be transferred or resold except as permitted under the Securities Act and Securities Exchange Act of 1934, as amended (the "Exchange Act"), and applicable state securities laws. Accordingly, investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time.

Incapital LLC has advised Capital Impact that at its discretion it may purchase and sell Notes, but that it is not obligated to buy or sell Notes or make a market in the Notes and may suspend or permanently cease that activity at any time.

The Notes will be offered on a continuous basis. Capital Impact has not set a date for termination of this offering in the event it elects to terminate the offering prior to the sale of the total aggregate offering amount.

FOR RESIDENTS OF ALABAMA ONLY:

THESE SECURITIES ARE OFFERED PURSUANT TO A CLAIM OF EXEMPTION FROM REGISTRATION UNDER SECTION 37(H) OF THE ALABAMA SECURITIES ACT AND SECTION 3(A)(4) OF THE SECURITIES ACT OF 1933. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS NOT BEEN FILED WITH THE ALABAMA SECURITIES COMMISSION OR WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION. NEITHER THE ALABAMA SECURITIES COMMISSION NOR THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION HAS PASSED UPON THE VALUE OF THESE SECURITIES, MADE ANY RECOMMENDATIONS AS TO THEIR PURCHASE, APPROVED OR DISAPPROVED OF THE OFFERING, OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

FOR RESIDENTS OF CALIFORNIA ONLY:

CAPITAL IMPACT HAS REGISTERED TO SELL UP TO $100,000,000 OF NOTES THIS YEAR.

FOR RESIDENTS OF FLORIDA ONLY:

THESE SECURITIES HAVE NOT BEEN REGISTERED IN THE STATE OF FLORIDA. THE SECURITIES WILL BE SOLD PURSUANT TO THE ELEEMOSYNARY EXEMPTION IN FLORIDA STATUTES SECTION 517.015(9).

FOR RESIDENTS OF GEORGIA ONLY:

THESE SECURITIES ARE EXEMPT FROM REGISTRATION WITH THE SECURITIES COMMISSIONER OF THE STATE OF GEORGIA PURSUANT TO RULE 590-4-2-.07. THE SECURITIES COMMISSIONER, BY ACCEPTING REGISTRATION, DOES NOT IN ANY WAY ENDORSE OR RECOMMEND THE PURCHASE OF ANY OF THESE SECURITIES.

IN ORDER TO REMAIN IN COMPLIANCE WITH THE POLICIES ESTABLISHED BY THE GEORGIA DIVISION OF SECURITIES AND BUSINESS REGULATION, AUTOMATIC REINVESTMENT AT MATURITY (AS DISCUSSED ON PAGE 10) WILL NOT BE OFFERED TO GEORGIA INVESTORS.

CAPITAL IMPACT HAS FILED NOTICE TO SELL UP TO $100,000,000 OF THE NOTES IN THE STATE OF GEORGIA. IF AND WHEN $100,000,000 IN THE NOTES HAVE BEEN SOLD IN THE STATE OF GEORGIA, UNDER THIS EXEMPTION, WHICH INCLUDES NEW SALES AS WELL AS RENEWALS, CAPITAL IMPACT MUST FILE NOTICE OF A NEW ISSUE OF SECURITIES IN THE STATE OF GEORGIA BEFORE IT MAY EFFECT ANY ADDITIONAL NEW SALES OR RENEWALS.

AS REQUIRED BY STATE LAW, ALL RESIDENTS OF GEORGIA HAVE THE OPTION OF RESCINDING THEIR INVESTMENT WITHIN 72 HOURS OF THE EXECUTION OF A WRITTEN AGREEMENT TO PURCHASE OR TO REINVEST A NOTE AT MATURITY. PLEASE NOTE THAT NO INVESTOR IN THE STATE OF GEORGIA HAS EVER EXERCISED THIS OPTION.

FOR RESIDENTS OF INDIANA ONLY:

THE INDIANA SECURITIES DIVISION HAS NOT IN ANY WAY PASSED UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, THE SECURITIES OFFERED, OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THIS OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR

REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

FOR RESIDENTS OF KENTUCKY ONLY:

THESE SECURITIES ARE ISSUED PURSUANT TO A CLAIM OF EXEMPTION FROM REGISTRATION UNDER SECTION KRS 292.400(9) OF THE KENTUCKY SECURITIES ACT.

FOR RESIDENTS OF LOUISIANA ONLY:

THESE SECURITIES HAVE BEEN REGISTERED WITH THE SECURITIES COMMISSIONER OF THE STATE OF LOUISIANA UNDER SECTION 51-705(B) OF THE LOUISIANA REVISED STATUTES. THE SECURITIES COMMISSIONER, BY ACCEPTING REGISTRATION, DOES NOT IN ANY WAY ENDORSE OR RECOMMEND THE PURCHASE OF THESE SECURITIES.

FOR RESIDENTS OF MICHIGAN ONLY:

THESE SECURITIES ARE OFFERED PURSUANT TO EXEMPTION MCL 451.2201(G) OF THE MICHIGAN UNIFORM SECURITIES ACT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS NOT BEEN FILED WITH THE OFFICE OF FINANCIAL AND INSURANCE SERVICES, SECURITIES SECTION, MICHIGAN DEPARTMENT OF LABOR & ECONOMIC GROWTH, OR WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION. NEITHER THE OFFICE OF FINANCIAL AND INSURANCE SERVICES NOR THE COMMISSION HAS PASSED UPON THE VALUE OF THESE SECURITIES, MADE ANY RECOMMENDATIONS AS TO THEIR PURCHASE, APPROVED OR DISAPPROVED THE OFFERING, OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

FOR RESIDENTS OF OHIO ONLY:

IN ORDER TO REMAIN IN COMPLIANCE WITH POLICIES ESTABLISHED BY THE OHIO DIVISION OF SECURITIES, AUTOMATIC REINVESTMENT AT MATURITY (AS DISCUSSED ON PAGE 10) WILL NOT BE OFFERED TO OHIO INVESTORS. OHIO INVESTORS SHALL NOT INVEST MORE THAN 10% OF THEIR LIQUID NET WORTH IN THE ISSUER, AFFILIATES OF THE ISSUER, AND IN ANY OTHER NON-TRADED DEBT INVESTMENT PROGRAM. “LIQUID NET WORTH” IS DEFINED AS THAT PORTION OF NET WORTH (TOTAL ASSETS EXCLUSIVE OF PRIMARY RESIDENCE, HOME FURNISHINGS, AND AUTOMOBILES, MINUS TOTAL LIABILITIES) COMPRISED OF CASH, CASH EQUIVALENTS, AND READILY MARKETABLE SECURITIES.

FOR RESIDENTS OF OREGON ONLY:

IN ORDER TO REMAIN IN COMPLIANCE WITH POLICIES ESTABLISHED BY THE OREGON DIVISION OF FINANCE AND CORPORATE SECURITIES, AUTOMATIC REINVESTMENT AT MATURITY (AS DISCUSSED ON PAGE 10) WILL NOT BE OFFERED TO OREGON INVESTORS. CAPITAL IMPACT WILL REGISTER TO SELL $100,000,000 OF NOTES IN OREGON THIS YEAR.

FOR RESIDENTS OF TENNESSEE ONLY:

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

The paying agent for global book-entry Notes is U.S. Bank National Association ("U.S. Bank"), located at 100 Wall Street, Suite 1600, New York, NY 10005.

The Lead Agent authorized to affect sales of the Notes through its selling group is Incapital LLC, located at 200 South Wacker Drive, Suite 3700, Chicago, IL 60606. Incapital LLC has been authorized by Capital Impact to offer the Notes for sale and resell the Notes to other registered broker-dealers that are members of Incapital LLC's network of selected dealers.

INVESTORS ARE ENCOURAGED TO CONSIDER THE CONCEPT OF INVESTMENT DIVERSIFICATION WHEN DETERMINING THE AMOUNT OF NOTES THAT WOULD BE APPROPRIATE FOR THEM IN RELATION TO THEIR OVERALL INVESTMENT PORTFOLIO AND PERSONAL FINANCIAL NEEDS.

FORWARD-LOOKING STATEMENTS

Statements contained in this Prospectus that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act, and Section 21E of the Exchange Act. Also, when Capital Impact uses any of the words "anticipate," "assume," "believe," "estimate," "expect," "intend" or similar expressions, it is making forward-looking statements. These forward-looking statements are not guaranteed and are based on Capital Impact's present intentions and on Capital Impact's present expectations and assumptions. These statements, intentions, expectations and assumptions involve risks and uncertainties, some of which are beyond Capital Impact's control, that could cause actual results or events to differ materially from those anticipated or projected. Purchasers of Notes should not place undue reliance on these forward-looking statements, as events described or implied in such statements may not occur. Except as required by law, Capital Impact undertakes no obligation to update or revise any forward-looking statements as a result of new information, future events or otherwise.

Table of Contents

FORWARD-LOOKING STATEMENTS 6

OFFERING SUMMARY 8

SUMMARY FINANCIAL INFORMATION 11

RISK FACTORS 13

USE OF PROCEEDS 21

DESCRIPTION OF THE ISSUER 21

LENDING ACTIVITIES 24

INVESTING ACTIVITIES 32

BOARD OF DIRECTORS 33

MANAGEMENT TEAM AND KEY EMPLOYEES 36

EXECUTIVE COMPENSATION 38

LEGAL PROCEEDINGS 38

CAPITALIZATION 39

DESCRIPTION OF THE NOTES 42

CERTAIN KEY INDENTURE PROVISIONS 48

HOW TO INVEST / DISTRIBUTION 50

FINANCIAL REPORTING 50

APPENDIX I AUDITED FINANCIAL STATEMENTS 51

OFFERING SUMMARY

This section summarizes the legal and financial terms of the Notes that are described in more detail in the section entitled "Description of the Notes" beginning on page 42. Final terms of any particular Note, including the public offering price, will be determined at the time of sale and will be contained in the accompanying pricing supplement relating to those Notes. The terms in that pricing supplement may vary from and supersede the terms contained in this prospectus, including the terms contained in this summary section and in the section entitled "Description of the Notes." Before making a decision to purchase a Note, investors are advised to read the more detailed information appearing elsewhere in this Prospectus and in the accompanying pricing supplement.

Key Investment Terms	
Issuer	Capital Impact Partners, a District of Columbia nonprofit corporation and certified CDFI.
Securities Offered	Up to $100,000,000 of Capital Impact Investment Notes.
Authorized Denominations	Minimum investment of $1,000.
Term of Investments	Notes may be purchased for terms of 1 year, 3 years, 5 years, 7 years, or 10 years.
Interest Rates and Payment Options	Interest rates will be fixed rate and are set at the time of issuance and are determined by current market conditions. Interest rates for the Notes will be set forth in the accompanying pricing supplement relating to those Notes. Interest payments will be made quarterly.
Offering Period	No termination date has been set for this offering.
Note Purchases	The Notes are available for purchase in book-entry form, which means they may be purchased electronically through the investor's brokerage account and settled through DTC. As of the date hereof, the Notes will be offered and sold only in the United States, excluding the State of Washington, the Commonwealth of Pennsylvania, and any territories thereof.
Use of Proceeds	The proceeds of the offering will be used primarily to fund initiatives that meet critical needs in low-income communities across the United States, including through Capital Impact's subsidiaries and third party intermediaries. The proceeds of the offering may also be used to purchase securities or other assets that will be leveraged to support

	Capital Impact's lending activities and general operations, and for general corporate purposes.
Distribution of Notes	Capital Impact will offer the Notes through registered broker-dealers. The Notes may be offered to or through Incapital LLC as Lead Agent for resale. Incapital LLC, or any other Agent appointed by Capital Impact, is not required to purchase or sell any specific amount of Notes but sells the Notes on a best-efforts basis.
Interest Accrual and Interest Periods	Notes begin to accrue interest on the issuance date and mature on the relevant anniversary of issuance. Interest accrues on a 360-day year based on twelve 30-day months. Interest is paid out quarterly and cannot be reinvested. The interest payment dates for a Note will be the fifteenth day of every third month, commencing in the third succeeding calendar month following the month in which the Note is issued, unless such calendar day is not a business day, in which case the interest payment shall be made on the next succeeding business day. The first payment of interest under a Note shall be an amount equal to interest accruing during the period commencing on the closing date of the Note and ending on the fifteenth day of the third full calendar month that follows such closing date (the "First Interest Period"). Subsequent payments of interest under the Note shall be in an amount equal to interest accruing during each period of three calendar months that follow the First Interest Period.
Ranking	The Notes constitute unsecured debt obligations of Capital Impact. Capital Impact has secured obligations that rank senior to the Notes and has other unsecured debt obligations that will rank equally with the Notes.
Redemption	Notes will not be redeemable at Capital Impact's option or, except as provided under "Survivor's Option" below, be repayable at the option of the holder prior to its stated maturity date.
Survivor's Option	In the limited circumstances set forth below, a holder of Notes may sell the Notes back to Capital

	Impact prior to stated maturity. This sale option can only be made by the authorized representative of the beneficial owner of the Notes within one year following the death of the beneficial owner of the Notes, so long as the Notes were owned by the beneficial owner or his or her estate at least six months prior to the request and certain documentation requirements are satisfied. This feature is referred to as a "Survivor's Option." The right to exercise the Survivor's Option is subject to (i) a limit on total exercises by all holders of Notes in any calendar year of the greater of (x) $1,000,000 or (y) 1% of the aggregate principal balance of all Notes outstanding at the end of the most recently completed calendar year, and (ii) a limit on individual exercises by any holder of Notes in any calendar year of $250,000. Additional details on the Survivor's Option are described in the section entitled "Description of Notes—Survivor's Option" on page 44.
Options at Maturity/Reinvestments	Principal is automatically repaid at maturity. Investors may re-invest their repaid principal by purchasing new Notes at then-current interest rates and terms offered by Capital Impact.
Covenants	The Notes are subject to the terms of an indenture (the "Indenture"), with U.S. Bank, National Association ("U.S. Bank") serving as indenture trustee (the "Indenture Trustee"). The Indenture contains certain affirmative and negative covenants.
Risk Factors	Please refer to "Risk Factors" beginning on page 13.
Tax Consequences	The interest on Notes purchased by an investor is not deductible for federal tax purposes. Any interest paid on the Notes to an investor is taxable. Please refer to "Description of the Notes - Interest Payments and Tax Reporting" on page 46.

SUMMARY FINANCIAL INFORMATION

The tables below set forth select financial information as of and for the years ended December 31, 2012 through 2016. This information is based on our historical financial statements and should be read in conjunction with the financial statements attached to this prospectus as Appendix I.

Capital Impact Partners and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2012 through December 31, 2016

	2012	2013	2014	2015	2016
Assets					
Cash and cash equivalents - unrestricted	$ 11,301,781	$ 16,824,376	$ 22,973,465	$ 21,896,663	$ 20,158,754
Cash and cash equivalents - restricted	34,900,973	35,529,139	39,260,027	35,776,052	27,094,685
Accounts and interest receivable	3,292,379	2,559,694	1,990,401	1,923,122	1,926,900
Contributions receivable	1,179,363	7,174,778	12,296,545	852,811	6,030,676
Investments	4,571,409	4,623,745	4,754,555	4,700,914	5,602,342
Investment in joint venture	2,647,181	2,661,129	2,660,793	2,660,888	-
Mortgage Backed and US Treasury Securities	-	-	-	-	14,185,960
Loans receivable (1)	143,904,975	159,897,403	164,914,807	180,574,691	206,808,453
Less: allowance for loan losses	(9,114,558)	(8,915,755)	(9,177,796)	(9,374,669)	(8,679,760)
Loans receivable, net	134,790,417	150,981,648	155,737,011	171,200,022	198,128,693
Loans receivable - subsidiaries (2)	41,474,750	36,709,530	35,421,220	41,854,452	50,497,966
Other real estate owned, net of valuation allowanc	1,313,330	394,929	-	-	-
Other assets	2,530,456	3,256,266	2,715,301	2,928,996	1,679,807
Total assets	$ 238,002,039	$ 260,715,234	$ 277,809,318	$ 283,793,920	$ 325,305,783
Liabilities and Net Assets					
Liabilities:					
Accounts payable and accrued expenses	$ 3,614,878	$ 2,918,871	$ 4,028,078	$ 4,045,327	$ 3,301,752
Revolving line of credit	7,500,000	21,000,000	24,950,000	32,800,000	32,000,000
Notes payable	51,102,851	62,363,844	65,137,569	61,250,300	66,710,998
Subordinated debt	8,218,000	8,218,000	10,718,000	10,718,000	10,718,000
Federal Home Loan Bank debt	-	-	-	-	5,000,000
Bond loan payable	-	-	-	5,859,705	28,625,536
Notes payable - subsidiaries	41,491,344	36,729,152	35,436,546	41,291,448	50,579,148
Total liabilities	111,927,073	131,229,867	140,270,193	155,964,780	196,935,434
Net assets:					
Unrestricted	79,024,200	79,213,421	84,554,160	101,244,487	103,613,255
Temporarily restricted	45,478,724	48,784,471	51,497,490	25,097,178	23,269,619
Permanently restricted	1,572,042	1,487,475	1,487,475	1,487,475	1,487,475
Total net assets	126,074,966	129,485,367	137,539,125	127,829,140	128,370,349
Total liabilities and net assets	$ 238,002,039	$ 260,715,234	$ 277,809,318	$ 283,793,920	$ 325,305,783

(1) As of December 31, 2016, Capital Impact had $5,867,833 of outstanding receivables from unsecured loans, or 2.8% of all outstanding loans receivable.

(2) Capital Impact's subsidiaries had no outstanding receivables from unsecured loans at December 31, 2016.

Capital Impact Partners and Subsidiaries
Consolidated Statements of Activities
Years Ended December 31, 2012 through December 31, 2016

	2012	2013	2014	2015	2016
Changes in unrestricted net assets:					
Financial activity:					
Financial income:					
Interest income on investments	$ 103,992	$ 90,179	$ 112,179	$ 71,135	$ 247,828
Interest income on loans	10,954,684	10,575,356	11,538,172	11,774,855	13,594,628
Loss on sales of other real estate owned	(127,325)	(51,208)	(110,288)	-	-
Unrealized and realized gain (loss) on investments, net	231,536	480,258	221,011	(200,673)	409,447
Gain (loss) on NMTC unwind	-	(291,900)	221,719	109,427	17,440
Total financial income	11,162,887	10,802,685	11,982,793	11,754,744	14,269,343
Financial expense:					
Interest expense	3,806,277	3,535,495	4,000,860	3,732,367	4,573,557
Provision (credit) for loan losses	193,688	356,702	787,895	948,413	(817,830)
Bad debt expense	-	156,424	296,792	55,501	3,877
Total financial expense	3,999,965	4,048,621	5,085,547	4,736,281	3,759,604
Net financial income	7,162,922	6,754,064	6,897,246	7,018,463	10,509,739
Revenue and support:					
Fees	5,094,710	5,037,646	4,474,878	5,215,701	3,528,576
Contract revenue	1,750,116	2,144,222	1,751,023	1,356,639	19,125
Stock donation	720,000	-	-	-	-
Other income	101,455	64,989	140,234	357,299	613,042
Net assets released from restrictions	5,706,139	7,643,466	15,087,788	29,385,853	10,149,769
Total revenue and support	13,372,420	14,890,323	21,453,923	36,315,492	14,310,512
Expenses:					
Innovative community lending program	7,480,812	7,482,384	8,457,698	10,637,506	10,342,602
Technical assistance	5,197,648	6,561,837	6,340,987	6,411,718	772,657
Total program expenses	12,678,460	14,044,221	14,798,685	17,049,224	11,115,259
Support expenses:					
Management and general	6,205,579	7,137,120	7,940,767	9,318,962	11,033,352
Fundraising	289,422	273,825	270,978	275,442	302,872
Total expenses	19,173,461	21,455,166	23,010,430	26,643,628	22,451,483
Increase in unrestricted net assets	1,361,881	189,221	5,340,739	16,690,327	2,368,768
Changes in temporarily restricted net assets:					
Interest income on investments	26,833	19,953	17,273	10,892	19,293
Gain (loss) on investment in joint venture	658,004	13,948	(336)	95	52,940
Grant Revenue	8,580,120	10,915,312	17,783,870	2,974,554	8,249,977
Net assets released from restrictions	(5,706,139)	(7,643,466)	(15,087,788)	(29,385,853)	(10,149,769)
Increase (decrease) in temporarily restricted net assets	3,558,818	3,305,747	2,713,019	(26,400,312)	(1,827,559)
Changes in permanently restricted net assets:					
Loan principal (charge off) recoveries	99,975	(84,567)	-	-	-
Increase (decrease) in net assets	5,020,674	3,410,401	8,053,758	(9,709,985)	541,209
Net assets, beginning	121,054,292	126,074,966	129,485,367	137,539,125	127,829,140
Net assets, ending	$ 126,074,966	$ 129,485,367	$ 137,539,125	$ 127,829,140	$ 128,370,349

Additional Summary Financial Information

Selected Financial Data	2012	2013	2014	2015	2016
Cash, cash equivalents, and readily marketable securities (combined)	$46,202,754	$52,353,515	$62,233,492	$57,672,715	$47,253,438
Amount of unsecured loans receivable	-	$190,038	$429,136	$2,794,333	$5,867,833
Loan delinquencies as a percent of total loans receivable (1)	2.3%	1.6%	0.4%	0.3%	0.5%
Notes payable	$58,602,851	$83,363,844	$90,087,569	$94,050,300	$98,710,998
Notes payable - subsidiaries	$41,491,344	$36,729,152	$35,436,546	$41,291,448	$50,579,148
Amount of notes redeemed	-	-	-	-	-
Other long-term debt	$8,218,000	$8,218,000	$10,718,000	$16,577,705	$44,343,536

(1) Includes loan balances on which payments of principal or interest are delinquent ninety (90) days or more, including accruing and non-accruing balances.

RISK FACTORS

An investment in the Notes involves various material risks, including the loss of principal. Prior to any investment, and in consultation with their financial and legal advisors, investors should carefully consider, among other matters, the following risk factors and the other information contained in this Prospectus before deciding whether to purchase Notes. There can be no assurance that the following list of risks associated with an investment in the Notes is comprehensive. Additional risks not presently known to Capital Impact or that are currently deemed immaterial could also materially and adversely affect Capital Impact's financial condition, results of operations, business, and prospects.

Risks associated with the Notes and the Offering

The Notes are not secured by any assets of Capital Impact and will be effectively subordinated to any of Capital Impact's existing or future secured indebtedness.

The Notes are general unsecured obligations of Capital Impact and will be effectively subordinated to any of the Capital Impact's existing and future secured indebtedness, to the extent of the value of the collateral securing such indebtedness. As of December 31, 2016, Capital Impact's outstanding secured indebtedness was $33,625,536. The secured indebtedness consisted of $28,625,536 outstanding under the U.S. Department of the Treasury Community Development Financial Institutions Fund's (the "CDFI Fund") Bond Guarantee Program (the "CDFI Fund BGP") and $5,000,000 outstanding under Capital Impact's secured credit facility with the Federal Home Loan Bank of Atlanta ("FHLB-A"). The CDFI Fund BGP permits Capital Impact to borrow up to $95,000,000, which borrowings are secured by Capital Impact's assets with a value of $100,700,000. The FHLB-A secured credit facility provides Capital Impact with the ability to draw up to 10% of its total assets. As of December 31, 2016, the total available borrowings under the CDFI Fund BGP were $65,703,000 and the total available borrowings under the FHLB-A secured credit facility were $25,275,064. Payment of principal and interest will depend solely upon the financial condition of Capital Impact. Further, no sinking fund or other similar deposit has been or will be established by Capital Impact except as may be required by law. In the event of a bankruptcy, liquidation, dissolution, reorganization or similar proceeding, Capital Impact's secured creditors (and the secured creditors of Capital Impact's subsidiaries) have priority over investors in Notes, and will be entitled to recover from the collateral securing such indebtedness prior to any payment being made to holders of Notes. Thus, Capital Impact's assets, including any collateral securing other obligations, may be insufficient to fully satisfy Capital Impact's obligations to repay the Notes. Therefore, the relative risk level is higher for the Notes than for Capital Impact's secured indebtedness.

The Notes will be effectively subordinated to any existing or future indebtedness of Capital Impact's subsidiaries.

Capital Impact's subsidiaries are separate and distinct legal entities and have no obligation, contingencies or otherwise, to pay any amounts due on the Notes or to make funds available to Capital Impact to do so. As a result, the Notes will be effectively subordinated to all existing and future obligations (including trade payables) of Capital Impact's subsidiaries, and the claims of creditors of those subsidiaries, including trade creditors, will have priority as to the assets and cash flows of those subsidiaries. As of December 31, 2016, Capital Impact's subsidiaries outstanding indebtedness was $50,579,148. In the event of a bankruptcy, liquidation, dissolution, reorganization or similar proceeding with respect to Capital Impact's subsidiaries, holders of their indebtedness, including their trade creditors, will be entitled to payment on their claims from assets of those subsidiaries.

The Notes are not FDIC or SIPC insured, are not bank instruments, and are subject to investment risks.

The Notes are not FDIC or SIPC insured or otherwise insured or guaranteed by any governmental agency; nor are the Notes certificates of deposit or deposit accounts with a bank, savings and loan association, credit union or other financial institution regulated by federal or state authorities. As a result, investors are at risk of possible loss of principal invested.

Capital Impact is offering the Notes on a best-efforts sales basis and there is no minimum sales requirement.

The sale of the Notes is a best-efforts offering and there is no minimum sales requirement. Thus, a low sales volume may not prompt cancellation of the offering or cause Capital Impact to refund Note purchases to existing investors.

The interest rate applicable to a Note is fixed at the time of issue.

Interest rates offered for the Notes may change at Capital Impact's discretion and will be driven by market conditions and the current interest rate environment. Should interest rates rise, Capital Impact is not legally obligated to pay a higher rate or to redeem the principal of a Note prior to its maturity. Moreover, the marketability and value of the Notes may decline in a rising interest rate environment. Risks of investment in the Notes may be greater than implied by a relatively low interest rate on the Notes.

The market value of the Notes may be adversely affected by a decrease in the credit ratings assigned to the Notes or Capital Impact.

There is no assurance that any ratings assigned to the Notes or to Capital Impact at the time of issuance will not be lowered or withdrawn at any time, which could adversely affect the market price and marketability of the Notes.

The Survivor's Option may be limited in amount.

Capital Impact has a discretionary right to limit the aggregate principal amount of Notes subject to the Survivor's Option that may be exercised in any calendar year to an amount equal to the greater of $1,000,000 or 1% of the outstanding principal amount of all Notes outstanding as of the end of the most recent calendar year. Capital Impact also has the discretionary right to limit to $250,000 in any calendar year the aggregate principal amount of Notes subject to the Survivor's Option that may be exercised in such calendar year on behalf of any individual deceased beneficial owner of Notes. Accordingly, no assurance can be given that exercise of the Survivor's Option for the desired amount will be permitted in any single calendar year.

Holders of Notes will depend in part on the Indenture Trustee enforcing provisions of the Indenture.

Capital Impact has made arrangements with U.S. Bank to serve as Indenture Trustee. The Indenture defines the possible events of default that could cause the Indenture Trustee to accelerate Capital Impact's Note payment obligations (see "Certain Key Indenture Provisions").

Individual holders of Notes may be unable to control actions taken under the Indenture.

The consent or approval of the holders of a specified percentage of the aggregate principal amount of all outstanding series of Notes is required before various actions may be taken under the Indenture. These actions include the appointment of a successor Indenture Trustee following an Indenture Trustee resignation, the amendment of the Indenture under specified circumstances, the waiver of Events of

Default, and certain other events. There can be no assurance that an individual investor's interests with respect to actions under the Indenture will coincide with those of other investors.

Holders of Notes can only act indirectly through DTC and the Indenture Trustee.

Note transactions are settled through DTC. As is standard to facilitate such electronic transactions, DTC represents such Notes with one or more global certificates registered in the nominee name of "Cede & Co.," the nominee of DTC, rather than in the name of the investor or investor's nominee. To exercise their rights under the Indenture, beneficial owners can only act indirectly through DTC and its participating organizations under their established rules. The Indenture Trustee does not track the beneficial owners of global book-entry Notes.

There is not expected to be any secondary market in the Notes.

The Notes will not be listed for sale on any securities exchange and the nature of this program does not afford the opportunity of a public or secondary market in the Notes. Consequently, the purchase of a Note should be viewed as an investment to be held to maturity.

Holders of Notes should be aware of certain tax consequences.

Although Capital Impact is a 501(c)(3) nonprofit corporation, the interest paid or accrued on the Notes will be taxable as ordinary income to the investor in the earlier of the year it is paid or the year it is accrued, depending on the investor's method of accounting. Investors should be provided with a IRS Form 1099 by their broker in January of each year detailing the interest earned on their investments in the prior year. Investors will not receive a receipt for a charitable contribution and will not be entitled to a charitable deduction for the purchase of the Notes. Investors should consult with their tax advisor regarding any tax treatment of the Notes.

Risks associated with Capital Impact

We may not be able to repay our obligations under the Notes if there is a material adverse effect in our financial condition or results of operations.

Payment of the Notes depends on the ability of Capital Impact to generate revenues sufficient to cover debt service on the Notes and all other indebtedness of Capital Impact while meeting its operating expenses and other cash requirements. No representation can be made or assurance given that revenues will be realized by Capital Impact in amounts sufficient to make the payments necessary to meet the obligations of Capital Impact and to make debt service payments on the Notes as they become due. Future revenues and expenses of Capital Impact are subject to, among other things, the capabilities of the management of Capital Impact, future economic conditions and a variety of non-economic and other conditions, many of which are unpredictable or not within Capital Impact's control. The payment of principal and interest on the Notes, as well as other obligations of Capital Impact, may be adversely impacted by these factors.

Examples of these factors include, but are not limited to, the following:

- *General lending risks*. Although Capital Impact has established due diligence and payment monitoring procedures, there can be no guarantee that borrowers will repay Capital Impact promptly or at all. While Capital Impact intends to pay its investors on schedule, defaults or untimely repayments of investments may result in Capital Impact having insufficient capital to satisfy all outstanding Notes. Specific lending risks include:

- *General commercial real estate investment risk*. A significant portion of Capital Impact's loan portfolio consists of assets with first lien mortgages on commercial real estate. Our borrowers derive cash flows and value from the performance of the commercial real estate and thus, we are subject to general risks of investments in commercial real estate. These risks include:

  - Declines in the value of real estate;
  - Risks related to general and local economic conditions;
  - Dependency on management skills of the borrower or third-party property management firm;
  - Risk depending on the timing of cash flows from the underlying mortgage properties;
  - Increases in property taxes and operating expenses, including energy costs;
  - Changes in zoning laws and other governmental rules, regulation and fiscal policies; compliance with existing legal and regulatory requirements, including environmental controls and regulations;
  - Expenses incurred in the cleanup of environmental problems;
  - Risks related to the type and use of a particular commercial property; and
  - Casualty or condemnation losses, including where liability and casualty insurance does not provide full protection.

- *Changes in interest rates*. Capital Impact's earnings and cash flows depend substantially upon our net interest income. Net interest income is the difference between interest income earned on our loans, and interest expense paid on interest-bearing liabilities, such as borrowed funds. Interest rates are sensitive to many factors that are beyond our control, including general economic conditions, competition and policies of various governmental and regulatory agencies and, in particular, the policies of the Board of Governors of the Federal Reserve System (the "Federal Reserve Board"). Interest rate changes could affect: (1) our ability to originate loans; (2) the fair value of our financial assets and liabilities, including our investment portfolio; and (3) the average duration of our interest-earning assets. Any substantial, unexpected, prolonged change in market interest rates could have a material adverse effect on our financial condition and results of operations.

- *Prepayment and refinancing risk*. Prepayment and refinancing rates may adversely affect the value of our loan portfolio. Prepayment and refinancing rates on loans may be affected by a number of factors including, but not limited to, the availability of mortgage credit, the relative economic vitality of the area in which the related properties are located, the servicing of the loans, possible changes in tax laws, other opportunities for investment, and other economic, social, geographic, demographic and legal factors and other factors beyond our control. Consequently, prepayment and refinancing rates cannot be predicted with certainty and no strategy can completely insulate us from prepayment or other such risks. In periods of declining interest rates, prepayment and refinancing rates on loans generally increase. If general interest rates decline at the same time, the proceeds of such prepayments and refinancings received during such periods are likely to be reinvested by us in loans yielding less than the yields on the loans that were prepaid or refinanced.

- *Sector concentration risk*. Capital Impact finances commercial real estate, mixed use real estate and other projects in the healthcare, education, affordable housing and community development sectors. If one or more of these sectors experiences a financial downturn, Capital Impact borrowers may have difficulty making loan payments.

- *Geographic concentration risk*. As of December 31, 2016, 46% of Capital Impact's revenue-generating loan portfolio was concentrated in California and 18% of its loan portfolio was concentrated in Michigan. If one or more of these geographic areas experiences a financial downturn, Capital Impact borrowers may have difficulty making loan payments.

- *Illiquidity risk*. Loans made by Capital Impact are typically illiquid as there is no secondary market for community development loans. While investment diversification, credit analysis, and limited maturity can reduce the risk of loss, there can be no assurance that Capital Impact will be able to liquidate its position in any particular loan, that borrowers will repay Capital Impact promptly, or that losses will not occur.

- *Adequacy of loan loss reserve*. Capital Impact maintains a loan loss reserve in accordance with GAAP; it is reviewed quarterly by the Chief Risk Officer and the Board of Directors (see "Lending Activities – Credit Quality and Risk Management – Loss Reserve" on page 30). However, the loan loss reserve may not be adequate to meet all potential losses.

- *Charitable purpose*. In furtherance of Capital Impact's charitable purpose, Capital Impact lends money to borrowers which are not able to obtain financing at competitive market rates from conventional lenders such as regulated retail or commercial banks; the reasons for this vary, but often relate to the creditworthiness of the borrower and the availability or value of the collateral the borrower is able to offer to support the credit risk represented by a loan to the borrower. As a result, there is a risk that Capital Impact's loans may not be repaid.

- *Lack of control*. Capital Impact may not have control over certain of its loans. Capital Impact's ability to manage its portfolio of loans may be limited by the form in which they are made. In certain situations, we may:

  - acquire only a minority and/or a non-controlling participation in an underlying loan;

  - engage in intermediary lending by making a loan to another financial institution with a mission, underwriting practices and asset management capabilities aligned with those of Capital Impact, who in turn, makes loans to borrowers; or

  - rely on independent third party management or servicing with respect to the management of our loans.

  Capital Impact's rights to control the process following a borrower default may be subject to the rights of others whose interests may not be aligned with its own.

- *Limits on access to capital*. A significant portion of Capital Impact's revenue is derived from grants obtained through federal programs, private foundations and other institutions. In addition, Capital Impact relies heavily on allocations of funds from various tax credit programs offered by the CDFI Fund. Receipt of grants and access to tax credit programs are neither guaranteed, nor renewable. They are also often associated with lengthy and stringent application processes, which can make them difficult to obtain. Periods of economic hardship may cause a decrease in the availability of grant funding as grant funding sources adopt more conservative financial practices. Budgetary constraints or shifts in the programmatic priorities of federal and grant funding sources may also cause a decrease in the availability of CDFI Fund allocations and grants that are targeted to Capital Impact's mission. The Trump administration is seeking significant cuts to domestic spending in its proposed federal government budget for fiscal year 2018. Because of the uncertain nature of grant receipts or allocations from the CDFI Fund, there is a risk that a sudden reduction in funding could occur, which may adversely impact Capital Impact's ability to repay its obligations as they come due. We also depend on bank financing, transaction or asset specific funding arrangements and other sources of financing to execute our business plan. Our inability to access such funding at acceptable interest rates or at all could have a material adverse effect on our results of operations, financial condition and business.

- *Other investments*. In addition to our lending program, we make investments in, and grants to, cooperative organizations, non-profit organizations, Community Development Financial Institutions ("CDFIs") and others involved in supporting programs that are generally related to Capital Impact's mission. These investments, which can be as much as 10% of our total unrestricted net assets and are not subject to our normal underwriting standards, tend to be higher risk investments than those in our loan portfolio. If these investments are not recoverable, it will result in a reduction of capital available to support our lending activities.

- *Loan servicing and portfolio management*. In addition to providing capital directly to end borrowers, Capital Impact also services loans owned by third parties and engages in lending activities through its wholly-owned subsidiaries. Capital Impact's subsidiaries are typically formed specifically for the purpose of lending to borrowers operating within a particular industry or geography, and are typically financed through senior-subordinate debt structures by Capital Impact and third party investors. Capital Impact manages all aspects of the business of these subsidiaries, including the origination and servicing of loans made by the subsidiaries. Capital Impact bears risk relating to its servicing obligations and the conflicts of interest that may exist in cases where Capital Impact is both a servicer and a lender to a subsidiary. Capital Impact may also suffer reductions in servicing income if Capital Impact's origination of new loans is slower than the pace of maturing loans.

- *Technical assistance.* Capital Impact also provides technical assistance (e.g. consulting services) to a wide range of stakeholders, including project borrowers, community development organizations, strategic partners, policy makers and internal business units. When providing these services to unaffiliated third parties, Capital Impact bears the risk of both payment and performance in relation to the underlying technical assistance agreement. Failure to perform services to the satisfaction of the third party client may result in non-payment and/or legal action against Capital Impact.

- *New business activities*. Capital Impact may enter into new business ventures or alter its existing business model in order to achieve greater social impact consistent with its charitable purpose. For example, Capital Impact may expand the number and type of loan products or programs it offers; adjust its risk tolerance parameters with respect to new or existing business; change the manner or scope of its asset acquisition strategies, including through loan sales, purchases, and participations; expand the industries or geographic areas in which it operates; or offer new forms of technical assistance or other innovative products or services. Although Capital Impact's intention in undertaking new business activities or altering its existing business model may be to increase its social impact, losses related to these activities may adversely impair Capital Impact's financial condition or present a risk of litigation or regulatory oversight not currently present in its existing business model.

We may incur additional debt which may hinder our ability to pay debt service on the Notes.

Capital Impact may issue additional Notes under the Indenture pursuant to supplemental indentures or other unsecured indebtedness without the consent or approval of the owners of any Notes then outstanding. Those additional Notes or unsecured indebtedness will be rank equally with any of the other Notes. The Indenture does not limit the amount of additional Notes or other unsecured indebtedness that may be issued. The incurrence by Capital Impact of additional indebtedness may adversely affect its ability to make payments required on the Notes. Further, if Capital Impact incurs additional indebtedness, the market perception of Capital Impact's ability to pay debt service on the Notes, regardless of Capital Impact's actual ability to make such payments, may result in a decrease in the marketability of the Notes.

Changes in federal and state priorities and regulations may adversely affect Capital Impact.

Changes in funding priorities by the federal and state governments, such as support for Federally Qualified Health Centers ("FQHCs") or charter schools, could have an adverse effect on the sectors where we provide financing. This could hinder our ability to make loans or affect the ability of our borrowers to make loan payments. In addition, future changes in federal or state laws, rules, or regulations governing the sale of securities by religious, charitable, or other nonprofit organizations may make it more difficult for Capital Impact to offer the Notes. Such an occurrence could result in a decrease in the amount of the Notes sold by Capital Impact, which could potentially affect Capital Impact's operations and its ability to meet its obligations to Noteholders.

Failure to meet Capital Impact's existing debt obligations on any debt agreement could result in a cross-default under other debt agreements, which could adversely affect our business, operations and financial condition.

Capital Impact's existing debt is (and any future debt likely will be) structured through debt agreements, many of which contain (or will contain) provisions for financial covenants that Capital Impact must maintain in order to avoid an event of default. If Capital Impact were to fail to maintain a financial covenant in any of the debt agreements, it would trigger an event of default in not only that particular debt agreement, but also in all other debt agreements that contain a cross-default mechanism. If Capital Impact defaults on its debt agreements, it would negatively impact Capital Impact's financials and ability to pay interest and principal under the Notes when due.

Any change in Capital Impact's non-profit, tax exempt or CDFI status could negatively impact its ability to meet its obligations under the Notes.

Federal authorities have determined that Capital Impact is a CDFI certified by the CDFI Fund and is also exempt from federal and state taxation on the basis of its charitable purpose. These determinations rest upon a number of conditions and assumptions that must continue to be met on an ongoing basis. If Capital Impact fails to comply with any of these conditions or assumptions, Capital Impact could lose its CDFI, non-profit or tax exempt status. If CDFI loses its non-profit or tax-exempt status, it will be subjected to federal and/or state taxation. If Capital Impact became subject to federal or state taxation, this could negatively impact its financial viability and cash flow, and its ability to sell Notes pursuant to exemptions for non-profit charitable securities, all of which could ultimately negatively impact its ability to meet its obligations under the Notes. If Capital Impact loses its CDFI status, it will no longer be able to participate in the various programs that are only available to CDFIs. These programs include the CDFI Fund Financial Assistance awards; Technical Assistance Awards; New Market Tax Credit allocations; and the CDFI Fund BGP. The inability to benefit from CDFI Fund programs will pose a serious challenge to Capital Impact's ability to operate. Finally, a loss of Capital Impact's non-profit, tax exempt or CDFI status results in an event of default under certain of Capital Impact's debt agreements and other agreements with third parties, which defaults would negatively impact Capital Impact's financials and ability to pay interest and principal under the Notes when due.

Failure of Capital Impact to comply with the National Consumer Cooperative Bank Act could negatively impact its ability to meet its obligations under the Notes.

Capital Impact was formed as a District of Columbia nonprofit corporation that is a tax-exempt 501(c)(3) public charity organized at the direction of the United States Congress pursuant to amendments to the National Consumer Cooperative Bank Act ("NCCBA") in 1981. Capital Impact was formed to support the development of cooperatives in underserved communities. While Capital Impact actively engages in activities that are fully consistent with the intent and purpose of the NCCBA, and seeks to engage with cooperatives, Capital Impact has expanded its impact beyond cooperatives to other organizations that embrace two core and foundational principles of cooperation: voluntary and open membership and democratic member control, and which serve members of a low or moderate income, or otherwise underserved, community. The NCCBA does not subject Capital Impact to any Federal regulatory oversight. However, if Capital Impact were to fail to comply with the NCCBA, Capital Impact could be examined or audited in the future, if the United States Congress were to take action to authorize Federal oversight, or a Federal agency or department (such as the General Accounting Office) were to successfully assert that it possessed the authority to exercise oversight of Capital Impact. Any Federal oversight or determination that Capital Impact failed to comply with the NCCBA could ultimately negatively impact its ability to meet its obligations under the Notes.

Investments in readily marketable securities are subject to market risk, which may have a material adverse impact on Capital Impact's financial condition and results of operation.

A portion of Capital Impact's liquid assets (including a portion of the proceeds of this offering) is or may be invested in readily marketable securities, such as mortgage-backed securities ("MBS"), and is therefore subject to market risks. As a result, Capital Impact may incur losses if the market values of those investments decline. Capital Impact intends to grow its MBS portfolio in order to leverage capital through its FHLB-A secured credit facility. The MBS may be subject to periodic "mark-to-market" valuations, which may have a negative, interim effect on the reported value of the MBS prior to realization of an investment in the MBS.

Holders of Notes are subject to risk associated with bankruptcy or insolvency of Capital Impact

If Capital Impact or another affiliated company seeks relief under bankruptcy or related laws, a bankruptcy court could attempt to consolidate its assets into the bankruptcy estate, possibly resulting in delayed or reduced payments to Noteholders. While Capital Impact or the Indenture Trustee are permitted to hold certain segregated funds as Paying Agent under the Indenture, the enforceability in bankruptcy of any pledge of such segregated funds may be limited. Furthermore, there is some risk that a bankruptcy court would deem segregated funds held by Capital Impact or the Indenture Trustee as assets of the bankrupt estate.

Capital Impact's loss of key management personnel could adversely affect its operating performance and ability to pay interest and principal under the Notes when due.

Capital Impact is dependent on the efforts of its key management. Competition for senior management personnel can be intense and Capital Impact may not be able to retain its key management. Although Capital Impact believes qualified replacements could be found for any departures of key management, the loss of their services could adversely affect Capital Impact's operating performance and ability to pay interest and principal under the Notes when due.

USE OF PROCEEDS

The proceeds of the offering will be used primarily to fund initiatives that meet critical needs in low-income communities across the United States, including through Capital Impact’s subsidiaries and third party intermediaries. The proceeds of the offering may also be used to purchase securities or other assets that will be leveraged to support Capital Impact’s lending activities and general operations, and for general corporate purposes.

Consistent with Capital Impact’s existing projects, initiatives that are funded using the proceeds from the offering will be focused in the healthcare, education, affordable housing and community development sectors. Proceeds will also be used to provide technical assistance to borrowers as projects are developed in order to increase the likelihood that the borrower’s project will be successful and have a positive impact on the community it serves. Capital Impact typically invests in cooperatives, cooperative-like organizations, non-profits and other organizations that are dedicated to supporting these sectors.

DESCRIPTION OF THE ISSUER

Overview

Capital Impact is a District of Columbia nonprofit corporation, formed in 1982 pursuant to Title 2 of the National Consumer Cooperative Bank Act of 1978, as amended, at the direction of the United States Congress. Capital Impact is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, as amended (the “Code”), and a public charity, as described in Section 509(a)(1) and Section 170(b)(1)(A)(vi) of the Code. Capital Impact’s principal executive office is located in Arlington, Virginia; it also has offices located in Oakland, California and Detroit, Michigan. In 2011, Capital Impact was certified as a CDFI by the CDFI Fund.

Mission

Capital Impact’s charitable purpose is to provide financial services and technical assistance to cooperatives and other organizations which support underserved communities. Capital Impact accomplishes its charitable purpose by financing projects in the healthcare, education, affordable housing and community development sectors, and by providing technical assistance to its borrowers as projects are developed in order to increase the likelihood that the borrower’s project will be successful and have a positive impact on the community it serves.

Strategy

Capital Impact's business strategy is one that supports comprehensive community revitalization and is specifically designed to actualize its vision of a nation of communities built on a foundation of equity, opportunity, and inclusiveness, in which high-quality healthcare, healthy foods, affordable housing, and a quality education are accessible to everyone present in the community.

Cooperatives, cooperative-like organizations, non-profits and other organizations that are dedicated to supporting these sectors receive financial support (in the form of loans) and technical assistance (in the form of sector-specific expertise), from Capital Impact in furtherance of its charitable purpose; Capital Impact believes that it is uniquely positioned to bring people together in a spirit of cooperation to create businesses, provide services and develop property in their own communities, thus increasing access to goods, developing needed infrastructure to support commerce and essential community services and opening fair and efficient markets to a greater segment of the population.

Lending

Capital Impact's core business is to lend capital to organizations engaged in community development projects that are aligned with Capital Impact's mission. A typical borrower is an organization involved in developing commercial real estate that becomes the backbone for community based-services in one of the company's sectors; examples include charter schools and healthcare centers. Although Capital Impact offers a variety of debt products to its borrowers at different stages of the borrower's life cycle, as more fully described below, a typical loan is one that is secured by a first lien on commercial real estate. Because borrowers in Capital Impact's sectors are often unable to obtain financing at competitive rates directly from conventional lenders, such as regulated retail or commercial banks, Capital Impact prides itself on sourcing and providing capital to mission-oriented borrowers at competitive rates and/or on terms that are generally more flexible than those that may be available to the borrowers in the traditional capital markets.

Although Capital Impact operates on a nation-wide basis and tends to be sector-focused in its approach, it has implemented a place-based revitalization strategy in Detroit and, due to the success of its Detroit strategy, is considering implementing additional place-based strategies in other geographic markets. This strategy targets capital and commitment across multiple sectors simultaneously, such as affordable housing, charter schools, healthy food retailers, community health centers and community-based aging projects, to create a set of interconnected resources that work to strengthen each other. At the present time, Capital Impact's investments are concentrated in California and Michigan. These geographic concentrations may shift in the ordinary course of business as Capital Impact evaluates its business strategy and its concentration risk, which may result in a re-balancing of its portfolio.

Capital Impact often works with local and national strategic partners, including community development organizations, private foundations, other CDFIs and the community development groups within commercial banks, to establish viable ties to the communities it serves, enhance its market presence and increase the scope of the financial products and technical assistance that it can bring to market. Capital Impact's strategic partners are selected based on a variety of factors, including mission alignment, commitment to a particular sector or geography, community ties and financial strength.

In addition to providing capital directly to project borrowers, Capital Impact engages in lending activities with its strategic partners through its wholly-owned subsidiaries, through intermediaries and through the purchase and sale of whole loans and fractional loan participations.

Capital Impact's subsidiaries are typically formed specifically for the purpose of lending to borrowers operating within a particular sector or geography, and are typically financed by Capital Impact and its strategic partners through senior-subordinate debt structures. The senior-subordinate debt structures used to capitalize the subsidiaries allow Capital Impact to provide project borrowers with financing on flexible terms and afford its strategic partners an opportunity to more broadly share risk in markets that have historically been difficult for them to finance at market rates. Capital Impact manages all aspects of the business of these subsidiaries, including the origination and servicing of loans made by the subsidiaries. These subsidiaries are actively engaged in sector-specific or geographically-focused lending activities.

Capital Impact's intermediary lending relationships allow Capital Impact to finance the lending activity of other lenders to achieve scale in an area in which the intermediary has a particular focus or expertise. Examples of intermediaries financed by Capital Impact include cooperative loan funds, non-profit organizations, and other CDFIs. In each case, the mission, underwriting practices and asset management capabilities of the intermediary are aligned with those of Capital Impact. The purchase and sale of whole loans and fractional loan participations enable Capital Impact to create liquidity, manage credit risk and diversify its portfolio.

Sources of capital used to finance or otherwise support Capital Impact's programs include: institutional debt, grants, guarantees, credit enhancements and program-related investments; most of this capital is originated through Federal government programs, private foundations, or other institutions focused on using Capital Impact's established lending platform to scale community development efforts.

Servicing and Portfolio Management

In addition to servicing a portfolio of loans for itself and its wholly-owned subsidiaries, Capital Impact also services commercial loans that are owned in whole or in part by strategic partners or unaffiliated funds with similar community development goals, or that are a part of tax credit transactions in which Capital Impact is also a leverage lender or allocatee. Servicing clients typically bring capital and sector-specific expertise to transactions in which Capital Impact has an interest, but do not have the necessary servicing platform or personnel to service their own loans. Servicing includes the management of billing and payment applications and responding to the immediate needs of the borrower. Capital Impact generates fee revenue when it performs servicing on behalf of third parties and limits this activity to transactions in which the strategy and mission of the parties is aligned; it is not a service that is marketed independently of the company's core lending activities. Capital Impact's portfolio management team manages all aspects of each loan over its life, and monitors loan performance and the credit risk relating to each loan.

Technical Assistance

Although Capital Impact does not generate a substantial amount of revenue through its technical assistance activities, it views technical assistance as being core to its mission and critical to the success of its project borrowers and the communities it serves. Capital Impact's technical assistance activities include research, writing, analytics and consulting in areas in which Capital Impact's team of professionals have industry-recognized expertise. Capital Impact's technical assistance benefits a wide range of stakeholders, including project borrowers, community development organizations, strategic partners, policy makers and internal business units, all of whom are dedicated to actualizing Capital Impact's vision for a more inclusive and equitable society.

Demonstrated Results

Capital Impact's dedication to its mission has led it to become recognized as a leader in community development in communities across the country. Notably, the company has:

- disbursed more than $2.2 billion to organizations that provide services to more than 4.7 million people in low income communities annually;

- become one of the leading non-profit community health center lenders in the country, with more than $780 million deployed to FQHCs, touching 10% of their patients nationwide;
- provided more than $700 million in financing to charter schools that serve more than 233,000 students annually; provided more financing to nonprofit charter schools than the next two largest CDFIs combined;
- deployed $152 million to healthy food retailers and wholesalers that have eliminated food deserts and other low access areas; and
- committed approximately $65 million to the revitalization of housing and mixed use facilities in Detroit, Michigan.

LENDING ACTIVITIES

Loan Products

Capital Impact offers the following loan products to organizations operating in or supporting the community healthcare, education, affordable housing and community development sectors:

- revolving lines of credit;
- working capital financing;
- bridge financing;
- construction and renovation loans;
- tenant improvement loans;
- real estate acquisition loans;
- predevelopment loans;
- permanent loans; and
- equipment loans.

Although Capital Impact's loans are typically secured by a first lien on the real estate or other business assets of the borrower, Capital Impact sometimes takes a subordinated or unsecured position in a transaction. Capital Impact believes that this flexibility enables it to support borrowers throughout their life cycles, and that this support leads to greater social impact in the communities it serves. Determinations regarding the level of credit risk that is supportable in a particular transaction, including the type and amount of collateral required to secure Capital Impact's position, are made in accordance with its underwriting guidelines and the underwriting and approval process described below.

Lending Criteria

Because Capital Impact is a public charity, it places strong emphasis during the evaluation process on the connection between the borrower's project and Capital Impact's charitable purpose and mission. Capital Impact carefully considers the likelihood that the borrower's project will drive societal change in a community or sector served by Capital Impact, and may give greater weight to the potential social impact of the project than it does to other factors that traditionally drive the credit decisions of commercial banks. When considering mission alignment, Capital Impact typically focuses on the degree to which the project will:

- benefit low-income or disadvantaged populations;
- increase access to goods and services in underserved communities;
- develop needed infrastructure to support commerce;
- drive further development and density within a targeted area; and
- support Capital Impact's core cooperative principles of equity and inclusion.

Potential loans are evaluated by Capital Impact's Triage Committee to determine the fit with Capital Impact's overall strategy and mission, and then potential loans move to underwriting to determine if credit and risks requirements set forth in Capital Impact's underwriting guidelines are met. The factors used to evaluate potential loans include:

- how the proposed loan fits within Capital Impact's strategy for the sector or geography;
- the risk of the loan relative to the risk allocations within Capital Impact's portfolio by sector and geography and the overall credit quality of the portfolio;
- the financial strength of the borrower;
- the financial projections for the project to be financed;
- the ability of the borrower to repay the loan obligation;
- the value of the collateral for the loan (if any);
- the need for and availability of additional credit support if the creditworthiness of the borrower is questionable or the value of the collateral is low;
- the success of other similar projects completed by the borrower (if any);
- the availability of capital to finance the transaction at competitive rates; and
- the interest of third parties, such as community development organizations, CDFIs and private foundations, to partner on the transaction.

Capital Impact's mission focus during the evaluation process differentiates it from its for-profit peers in the financial services and banking industries, and may result in the extension of credit to higher risk borrowers consistent with its mission.

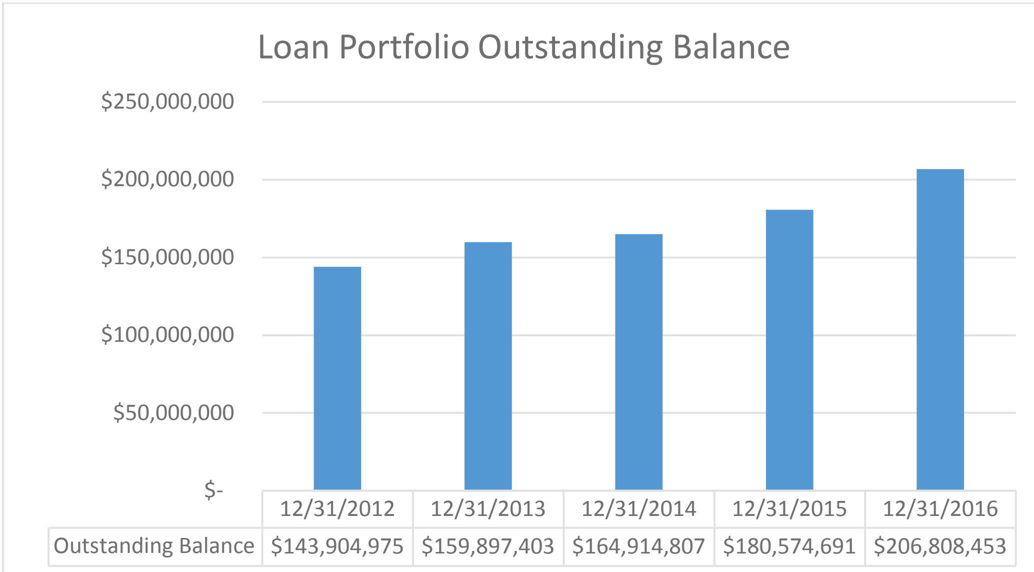
Capital Impact maintains a lending policy that provides a framework for and expectations to management regarding the scope and nature of Capital Impact's lending, in furtherance of Capital Impact's mission and tax-exempt purposes. The lending policy is reviewed and approved by Capital Impact's Board of Directors on an annual basis.

Loan Portfolio

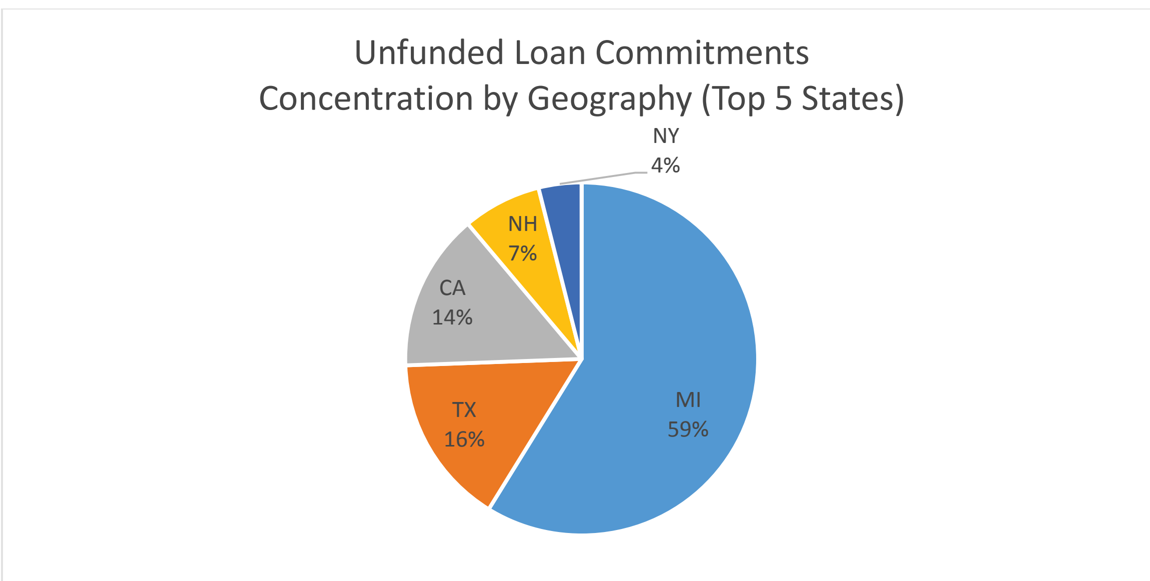
Capital Impact's loan portfolio consists of loans reflected in Capital Impact's loans receivable balance as set forth in its accompanying audited financial statements. The loans receivable balance includes loans disbursed through Capital Impact as well as Capital Impact's portion of loans disbursed through five of its subsidiaries.[1] Capital Impact earns revenue (including interest, management fees, servicing fees, and other revenue) from its subsidiary loans and from loans it manages; but these loans are not reflected in Capital Impact's loans receivable balances set forth in the accompanying audited financial statements.

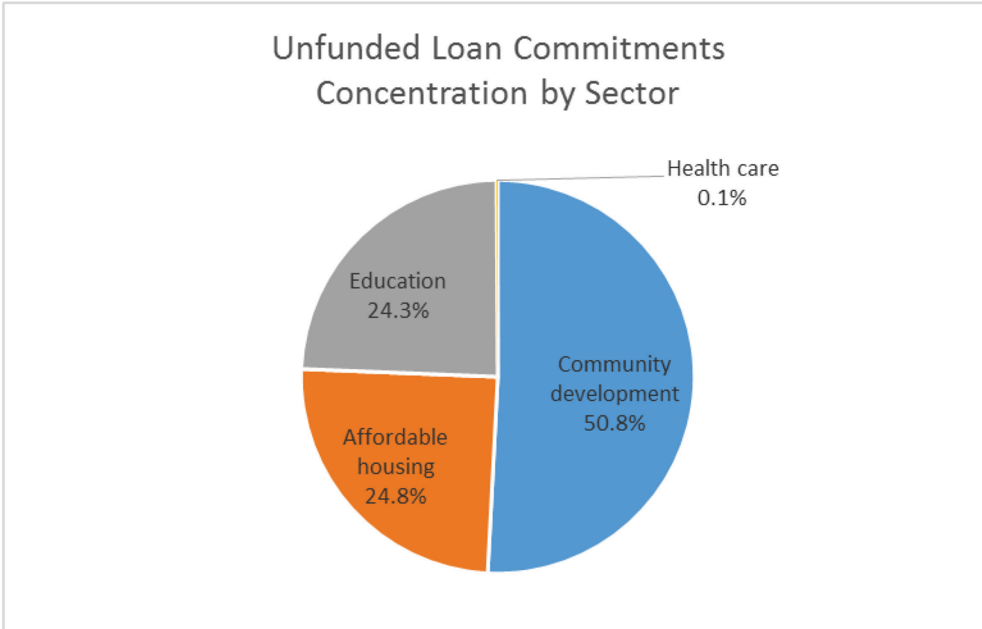
[1] Five subsidiaries were consolidated on Capital Impact's financial statements during the period of 2012 to 2016: Community Economic Development, LLC ("CED"), Impact V CDE 7, LLC, California Freshworks Fund, LLC ("CAFW"), FPIF, LLC, and Detroit Neighborhoods Fund, LLC. CED dissolved as of April 8, 2016 and CAFW dissolved as of April 7, 2015.

Capital Impact's loan portfolio has grown consistently from 2012 through 2016, as illustrated in the below chart.



In the normal course of business, Capital Impact makes commitments to extend loans and lines of credit, which are not reflected in its financial statements until they are disbursed. 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's unfunded loan commitment balance as of December 31, 2016 was $42,265,729, the detail of which is illustrated in the following charts.





Lending Process: Underwriting and Approval

Each new loan is evaluated in a multi-phase process that is both formal and documented to ensure that the loan is aligned with Capital Impact's mission and strategy, the credit risk represented by the loan falls within acceptable risk parameters and the structure and terms of the loan serve to mitigate identified risks to the extent possible.

Screening Committee. Each new loan is evaluated on a preliminary basis by a Screening Committee, comprised of Capital Impact's Director of Lending and Senior Credit Officer. The Screening Committee evaluates the loan to determine its fit with Capital Impact's lending strategy, the requirements of a particular loan program (if applicable), and the resources available to fund it.

Triage Committee. The loan is then evaluated by the Triage Committee, comprised of Capital Impact's President and Chief Executive Officer, Chief Risk Officer and Chief Lending Officer. The Triage Committee evaluates the loan to determine the strength of the preliminary due diligence conducted by the loan officer, the financials of the prospective borrower, and the proposed structure of the loan.

At least two of the three members of the Triage Committee must approve the loan in order to move the loan to underwriting. Known exceptions to Capital Impact's underwriting guidelines and conditions to closing are documented by the Triage Committee and must be addressed during the underwriting process; noted exceptions and closing conditions may result in changes in loan structure and/or a requirement for additional credit support. Exceptions to Capital Impact's pricing guidelines must be approved by its Treasurer.

Underwriting. A loan that has been approved by the Triage Committee moves to underwriting and a non-binding term sheet is typically issued to the prospective borrower. During underwriting, due diligence is completed; all exceptions to Capital Impact's underwriting guidelines, pricing guidelines, and any applicable programmatic requirements (including those identified earlier by the Triage Committee) are noted, together with any potential mitigants, and the loan is restructured, if and to the extent necessary to address residual risk. The underwriting is submitted to the Triage Committee and if the issues identified during the triage and underwriting processes have been addressed to the satisfaction of the Triage Committee (and any exceptions to the pricing guidelines have been approved by the Treasurer), the Triage Committee approves the loan. If the underwriting is unsatisfactory, the Triage Committee rejects the loan. If the aggregate principal amount of the loan exceeds the credit limit established by Capital Impact's Board of Directors, it must also be approved by the Board or the Board committee to which approval authority has been delegated.

Commitment Letters. A non-binding commitment letter is issued to the prospective borrower in connection with most approved loans. Commitment letters are developed with the support of Capital Impact's Legal department and are reviewed and approved by its Director of Lending and Senior Credit Officer prior to issuance.

Closing. Licensed attorneys within Capital Impact's Legal department work with staff in its Lending and Operations departments to document and close all approved loans. The Legal department has developed and consistently leverages standardized forms and processes to manage risks that vary based on the type of transaction. Outside counsel is consulted by the Legal department if subject matter expertise is not resident within the department.

Disbursements and Servicing. The Servicing department adds the details of each loan and other borrower-related information into Capital Impact's loan accounting system to enable proper reporting and management of the asset. Servicers manage billing, payment application and any immediate issues and questions from the borrower. Construction management staff actively manages all aspects of each construction loan, including the general contractor relationship, contract and other due diligence review, draw requests and disbursements, and construction budget management. These processes are intended to ensure that loans are disbursed to borrowers in accordance with applicable loan documentation when conditions to disbursement have been satisfied; payments from borrowers are collected and deposited into the appropriate corporate account(s); an appropriate portion of the payments are remitted to the investors in the loan (if any); and other ministerial functions related to the loan have been completed.

Portfolio Management. Each loan is assigned a risk rating when the loan is closed; ratings are assigned in accordance with Capital Impact's underwriting guidelines. Risk ratings are re-evaluated and adjusted (if necessary) on a periodic basis.

Capital Impact's portfolio management team manages all aspects of each loan over its life, including delinquencies, waivers, amendments and modifications, and monitors loan performance and the credit risk related to each loan by conducting annual site visits and periodic loan reviews. The frequency and scope of the site visits and loan reviews vary depending on the risk rating assigned to the loan; risk rating adjustments are typically made as a result of information acquired during the portfolio management process.

Credit Quality and Risk Management

Oversight. The Chief Risk Officer is responsible for monitoring and managing Capital Impact's credit quality and risk management function. Credit quality metrics and trends, the allowance for loan loss, and new loan programs are evaluated and discussed at risk management meetings led by the Chief Risk Officer. Key risk, operations and accounting personnel attend and participate in the meetings. Issues identified during the meetings are assigned to appropriate personnel for resolution.

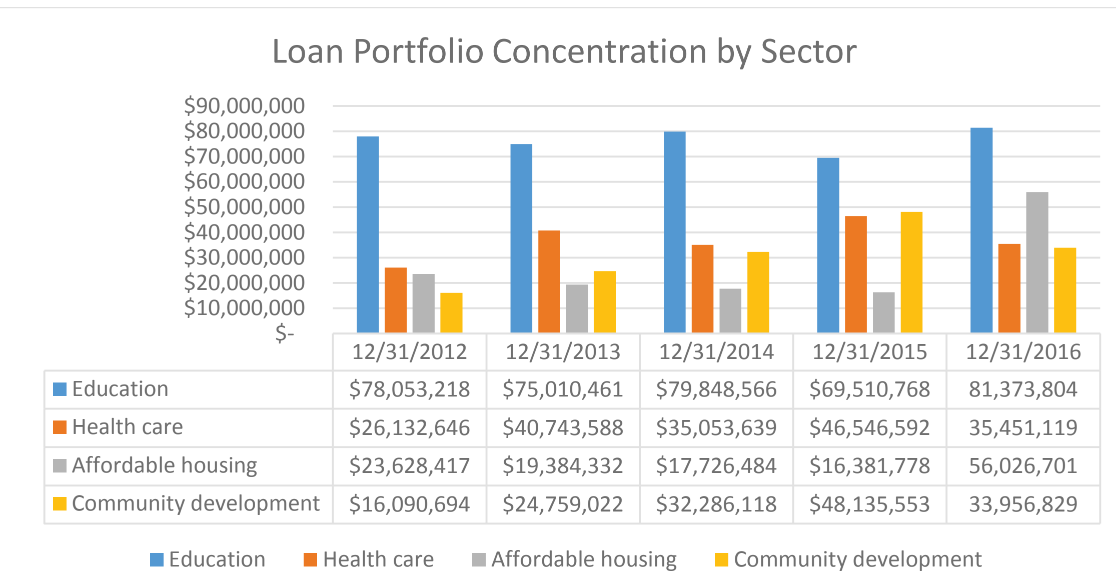
Risk Rating System and Loan Review. Capital Impact maintains a risk rating system that is applied to all loans originated by it or its subsidiaries and to all third party loans that are serviced by Capital Impact. The risk rating system identifies the risks that exist in the portfolio, supports the development of the allowance for loan loss, and provides guidance regarding the level of resources that should be devoted to monitoring a particular credit.

The risk rating system is evaluated each year by Capital Impact's independent accountants in the ordinary course of the audit of Capital Impact's consolidated financial statements. Additionally, a random sampling of the loan portfolio is reviewed at least once per year by an independent consultant. The results of the independent loan reviews, which examine, among other things, the risk ratings assigned to the loans, are presented to the Board of Directors.

Diversification and Concentration. Capital Impact seeks to diversify its risk by lending in a variety of sectors and geographies. However, consistent with its strategy and mission, Capital Impact is focused in several specific sectors and geographies. The company's sectors at the present time are: healthcare, education, affordable housing, and community development. Overlaying the sectors is a focus on particular geographies – California and Michigan. Capital Impact also has concentrations in the areas of loan product and loan size. No single loan or borrower represents 10% or greater of Capital Impact's total loan portfolio as of December 31, 2016.

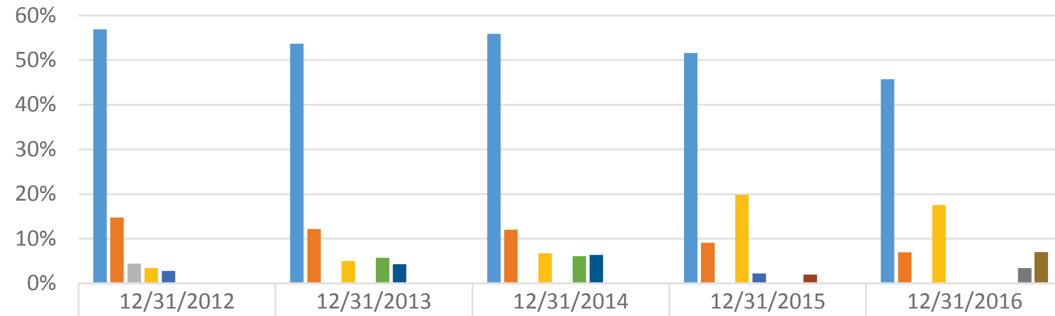
Capital Impact does not have established quantitative lending concentration or geographic limits, but actively monitors the loan portfolio on a quarterly basis. Concentration and geographic risks, and any related changes in approach, are reported to the Board of Directors on a regular basis.

The following charts illustrate Capital Impact's sector-specific and geographic concentrations. Concentrations will shift over time as new opportunities in new sectors or geographies are integrated into Capital Impact's strategic plan, or as the Chief Risk Officer determines that shifts in approach are advisable to manage risk:



	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016
Education	$78,053,218	$75,010,461	$79,848,566	$69,510,768	81,373,804
Health care	$26,132,646	$40,743,588	$35,053,639	$46,546,592	35,451,119
Affordable housing	$23,628,417	$19,384,332	$17,726,484	$16,381,778	56,026,701
Community development	$16,090,694	$24,759,022	$32,286,118	$48,135,553	33,956,829

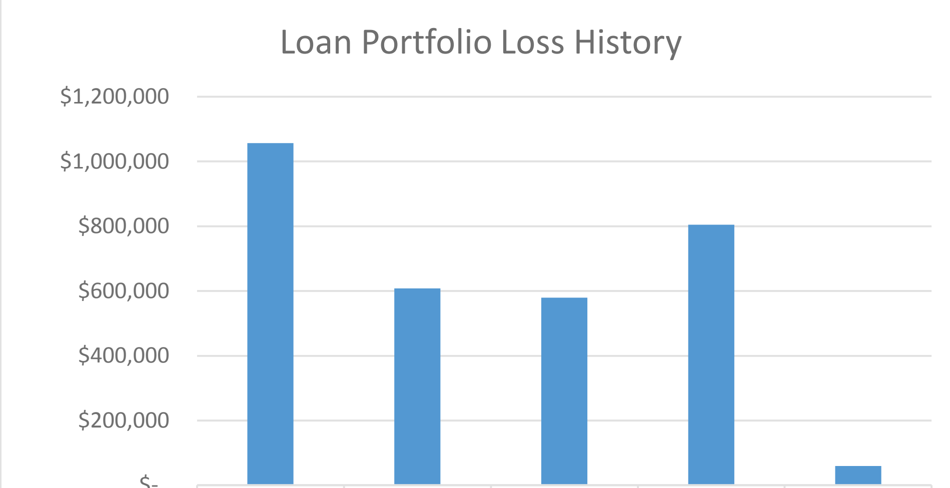
Loan Portfolio
Concentration by Geography (Top 5 States)



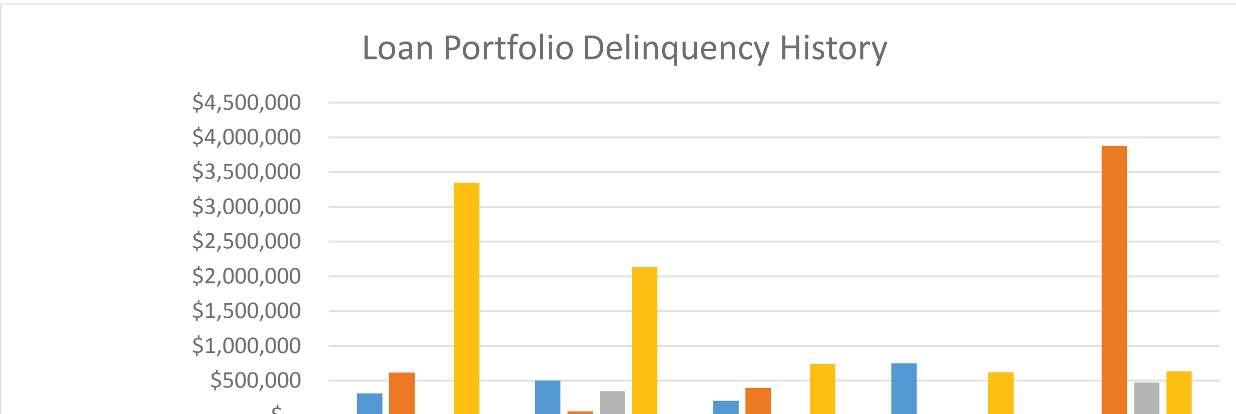
	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016
CA	57%	54%	56%	52%	46%
NY	15%	12%	12%	9%	7%
MA	4%				
MI	3%	5%	7%	20%	18%
MD	3%			2%	
IL		6%	6%		
MO		4%	6%		
OH				2%	
WA					3%
NJ					7%

Loss Reserve. Capital Impact maintains a general allowance for loan loss that is used to reserve against losses in the loan portfolio funded on its balance sheet. The Chief Risk Officer is responsible for the calculation and evaluation of the allowance on a quarterly basis for the balance sheet loan portfolio. Establishing an appropriate level of allowance for loan loss involves both objective and subjective measures. First, Capital Impact applies a general reserve percentage on all loans in its portfolio based on risk rating assigned. This process provides a numerical calculation to be used as a base figure for the actual allowance. Second, impaired loans are identified as incurred. Each loan is evaluated quarterly to determine the sufficiency of collateral coverage. If appropriate, the value may be discounted further. The outstanding balance (or ultimate commitment) of the loan is compared to the discounted value of the collateral and a specific reserve is identified if the collateral is insufficient. This additional reserve is added to the general reserve calculation. Third, Capital Impact performs a trend analysis on six areas of risk and, if needed, increases the allowance by the calculated amounts. Upon totaling the results of these three steps, a calculation is done to determine the variance from the actual allowance in existence on Capital Impact's financial records. Capital Impact's goal is to have that variance in the range of +/- 5%.

The following charts illustrate Capital Impact's portfolio performance history from 2012 to 2016.



	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016
Loss History	$1,056,370	$607,855	$579,246	$804,918	$59,396



	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016
30-59 days past due	$317,092	$499,538	$210,757	$749,828	$-
60-89 days past due	$617,972	$60,158	$393,989	$-	$3,875,000
90 days and still accruing	$-	$350,000	$-	$-	$474,214
Non-accrual	$3,347,960	$2,133,144	$739,905	$622,480	$634,969

30-59 days past due   60-89 days past due   90 days and still accruing   Non-accrual

INVESTING ACTIVITIES

Capital Impact's investment policy is to invests its liquid assets in securities that are intended to: (i) preserve principal, (ii) ensure adequate liquidity, (iii) manage interest rate exposure, and (iv) achieve desired rates of return, except to the extent that Capital Impact makes potentially higher risk investments, as described under "Risk Factors" above. These investments are typically in cooperative organizations, non-profit organizations, CDFIs and others involved in supporting programs that are generally related to Capital Impact's mission. These potentially higher risk investments could represent as much as 10% of Capital Impact's total unrestricted net assets. In addition, Capital Impact invests in securities that are used to provide Capital Impact with a base of eligible collateral to enable it to borrow under its FHLB-A credit facility.

Capital Impact's investment and liquidity management policies are reviewed and approved by the Board each year, and only the Board may approve amendments to such policies. It is the responsibility of the Chief Financial Officer to monitor and report compliance with the policies, and the Chief Financial Officer, together with his or her designees at Capital Impact are authorized to make investments that are in compliance with the investment and liquidity policies. The following table depicts Capital Impact's cash, cash equivalents, and investments from 2014 to 2016. In 2016, Capital Impact's investments generated $247,828 in investment income and $409,447 in net gains.

	2014	2015	2016
Cash and cash equivalents – Unrestricted	$22,973,465	$21,896,663	$20,158,754
Cash and cash equivalents – Restricted	$39,260,027	$35,776,052	$27,094,685
Mortgage-Backed and U.S. Treasury Securities	$ --	$ --	$14,185,960
Alternative Investments	$ 7,415,348	$ 7,361,802	$ 5,602,342

BOARD OF DIRECTORS

Capital Impact's Board is responsible for setting the mission, vision and direction of Capital Impact, and for supervising its executive officers. Accordingly, the Board approves Capital Impact's strategic plan; sets annual corporate goals, which are measured against the strategic plan; approves the annual budget; evaluates executive performance and sets executive compensation; resolves potential conflicts of interest; and ensures that appropriate financial controls are in place.

The Board is comprised of a total of eleven (11) individuals. Directors serve for a term of one (1) year. No director may serve more than eight (8) consecutive terms. The term of each of the Directors currently serving on the Board will expire in May 2018. Board members are reimbursed for out-of-pocket expenses related to Board activities and are eligible to receive a stipend for their service.

The Board may (but is not required to) designate and appoint committees, each consisting of two (2) or more directors. The Board prescribes the powers and functions of each committee. The Board has constituted the following standing committees: an Executive Committee; a Finance, Audit and Risk Committee; and a Lending and Policy-to-Practice Committee. The committee structure is re-evaluated on an annual basis and may change at the discretion of the Board.

Regular meetings of the Board are held at least quarterly at places and times fixed by the Board. Regular meetings of each Board committee are held at places and times fixed by the committee.

To the knowledge of Capital Impact, no director has been convicted of any criminal activity, is the subject of any pending criminal proceedings, or has been the subject of any order, judgment, or decree of any court enjoining such person from any activities associated with the offer or sale of securities.

The following individuals presently serve on Capital Impact's Board:

Wilson H. Beebe, Jr. Wilson Beebe is an Executive Consultant to Thanexus, Inc., a cooperative offering human resource management, marketing, communications, and financial services to New Jersey's independently-owned funeral homes; Mr. Beebe founded Thanexus in 2000 and served as its President from 2000-2015. Mr. Beebe simultaneously serves as an Executive Consultant to the New Jersey State Funeral Directors Association, having retired as its Chief Executive Officer in 2015 after thirty years in that position; a trustee of the Association Master Trust; and a director of the National Cooperative Bank, N.A. Mr. Beebe also served as a member of the Board of Directors of the National Cooperative Business Association (NCBA) from 2002 to 2014, and as the Chairman of the NCBA Board from 2011 to 2013. Mr. Beebe earned a Bachelor of Arts in English Literature from Fordham University.

Dana K. Bezerra. Dana Bezerra joined The F.B. Heron Foundation (Heron) in 2006. She is presently the Senior Vice President of Heron. Ms. Bezerra is or has been a member of the Accelerator Advisory Committee for The Nature Conservancy; Steering Committee of the Mission Investors' Exchange; a member of the Steering Committee of Markets for Good; and a reviewer for the Bill & Melinda Gates Foundation as part of its Grand Challenge Exploration Program. Ms. Bezerra specialized in Philanthropy and Nonprofit Management in the Private Banking & Investment Group of Merrill Lynch from 1999 to 2005. Ms. Bezerra earned a Bachelor of Science in Agricultural Business and Public Policy from Cal Poly, San Luis Obispo.

Thomas Bledsoe. Thomas Bledsoe became the first Chief Executive Officer of the Housing Partnership Network (HPN) in 1998. HPN is an entrepreneurial business cooperative of the nation's premier nonprofit developers, owners and lenders in the affordable housing and community development community. Under his leadership HPN has launched and incubated a dozen social enterprises to drive innovation and scaled impact for its 100 member organizations. These include a CDFI, an insurance company, a real estate investment trust (REIT), and development companies in New Orleans and Detroit. Mr. Bledsoe was the President of the Metropolitan Boston Housing Partnership from 1990 to 1997; the Deputy Secretary of the Massachusetts Executive Office of Communities and Development from 1987 to 1990; and the founding Director of the Office of Neighborhood Services in Boston from 1984 to 1987. Mr. Bledsoe earned a B.A. from Wesleyan University (CT) and a Master's Degree in Public Administration from the John F. Kennedy School of Government at Harvard University.

Pedro I. Goitia. Mr. Goitia is a retired Partner from KPMG, where he spent his entire career (32 years). After spending 11 years in the audit department serving banking and other financial institutions, he was promoted to Partner in 1995 and moved to the advisory department to specialize in the structured finance and mortgage banking industries. During his 21 years as a Partner, he lead/co-lead the securitization group, served as account representative for several large local and national securitization and mortgage banking clients and was project manager on multi-year engagements involving risk management process, financial reporting processes/controls and compliance testing of credit agreements. Throughout his career, Mr. Goitia was heavily involved in diversity and inclusion initiatives, serving as Partner Champion of the DC Area Hispanic Latino Network and Trustee of the KPMG Foundation. Mr. Goitia earned a B.S.B.A. from Washington University in St. Louis in 1983 and a Master's Degree in Accountancy from the George Washington University in 1984. He is a Certified Public Accountant.

Paul Hazen. Paul Hazen has been the Executive Director of the U.S. Overseas Cooperative Development Council (OCDC) since 2012; Mr. Hazen was a member of the Board of Directors of OCDC from 1999 to 2011, and the Chairman of the OCDC Board from 2009 to 2011. Mr. Hazen is Chair of the Community Purchasing Alliance Cooperative Board of Directors. Mr. Hazen served as the Chief Executive Officer of the National Cooperative Business Association (NCBA) from 1999 to 2011, and in other executive level positions at the NCBA from 1989 to 1999. Mr. Hazen was President of DotCooperation LLC from 2000 to 2011. Mr. Hazen was on the Board of Directors of the Consumer Federation of America from 1987 to 2001; the Cooperative Development Foundation from 1999 to 2011; Cooperative Business International from 1999 to 2010; the International Cooperatives Alliance from 2006 to 2014, and he is currently a director of the National Cooperative Bank. Mr. Hazen earned a B.A. in Economics and Finance from the University of Wisconsin.

Janis Herschkowitz. Janis Herschkowitz has been the President and Chief Executive Officer of PRL, Inc. and its subsidiaries since 1989; the companies provide high specification castings for our nation's military, nuclear, and industrial applications. Ms. Herschkowitz serves on the Pennsylvania Leadership Council of the National Federation of Independent Business, including serving as Chairman from to 2009 to 2010. Ms. Herschkowitz is a member of the Board of Directors of the National Consumer Cooperative Bank; Mutual Benefit Group; The Pennsylvania Industrial Development Authority; and The Pennsylvania Chamber of Business and Industry. Ms. Herschkowitz served on the Business Advisory Council for the Federal Reserve Bank of Philadelphia, serving as Chairman in 2001. Ms. Herschkowitz earned an M.B.A. in Finance from the University of Texas and a B.A. in International Relations from Penn State University.

Eli Kennedy. Eli Kennedy has been the Chief Executive Officer of the Level Playing Field Institute (LPFI), a non-profit organization focused on helping students enter and succeed in STEM majors and careers, since 2016. Mr. Kennedy is also a member of the Board of Directors of Pacific Charter School Development (PCSD). Mr. Kennedy was the Senior Vice President – School Programs at Redbird Advanced Learning from 2014 to 2015; the President and Chief Executive Officer of PCSD from 2010 to 2014; the Director of the Eli and Edythe Broad Foundation from 2006 to 2010; and a Regional Director of Platform Learning from 2004 to 2006. Mr. Kennedy earned a B.B.A. in Finance from Howard University and a M.B.A. in Entrepreneurial Management from the Wharton School of the University of Pennsylvania.

Rosemary Mahoney (Board Chair). Rosemary Mahoney has been a Senior Advisor to CoMetrics since 2013; Ms. Mahoney was the Chief Executive Officer of CoMetrics from 2008 to 2013. Ms. Mahoney was a founder of MainStreet Cooperative Group, LLC in 2002. Ms. Mahoney was the Director of New Venture Development of Cooperative Solutions, LLC, from 2000 to 2001; and the Executive Director of Cooperative Development Services from 1998 to 2000. Ms. Mahoney was a member of the Board of Directors of CooperationWorks! from 1999 to 2000; a member of the Board of Directors of DotCooperation LLC from 2001 to 2007 and 2009 to 2012; and a member of the Board of Directors of the National Cooperative Business Association from 2000 to 2015. Ms. Mahoney earned a B.S. degree from Illinois State University and a M.S. from the University of Illinois, Champaign-Urbana.

Mary Ann Rothman. Mary Ann Rothman has been the Executive Director of the Council of New York Cooperatives & Condominiums (CNYC Inc.), a membership organization providing information, education and advocacy to and for more than 2,300 housing cooperatives and condominiums in the greater New York area, since 1981. Ms. Rothman is also a member of the Board of Directors of the National Cooperative Bank, N.A.; a member of the Board of Directors of the National Association of Housing Cooperatives; and a member of the Board of Directors of the Urban Homesteading Assistance Board. Ms. Rothman earned a B.A. degree from Bryn Mawr College and an M.A. degree from Middlebury College.

Charles E. Snyder. Charles Snyder has been the President and Chief Executive Officer of National Cooperative Bank, N.A. (NCB) since 1992. Mr. Snyder also serves as Chairman of the Board of Directors of NCB's wholly owned subsidiary, NCB, FSB. Mr. Snyder joined NCB in 1983 as Corporate Vice President and Chief Financial Officer. Mr. Snyder earned a B.S. in Accounting from James Madison University and an M.B.A. from the George Washington University School of Business.

Dan Varner (Board Vice Chair). Dan Varner has been the Chief Executive Officer of Goodwill Industries of Greater Detroit, a non-profit organization focused on employment training, education, support and job placement programs for residents of Greater Detroit, since 2016. Mr. Varner served as Chief Executive Officer at Excellent Schools Detroit from 2011 to 2016, and worked as a Program Officer at the W.K. Kellogg Foundation on both the Michigan and Education & Learning teams from 2010 to 2011. Mr. Varner was the cofounder of Think Detroit; he served as the Chief Operating/Finance Officer from 2000 to 2006, and the Chief Executive Officer of Think Detroit PAL, which was the result of a merger with the Detroit Police Athletic League, from 2006 to 2010. Mr. Varner earned a B.A. from the University of Michigan and a J.D. from the University of Michigan Law School.

The following sets forth board member compensation during 2016:

Board Member	Compensation (2016)
Wilson Beebe, Jr.	$1,000
Dana Bezerra	$3,000
Thomas Bledsoe	$4,000
Pedro I. Goitia*	--
Paul Hazen	$1,000
Janis Herschkowitz	$2,000
Eli Kennedy	$4,000
Rosemary Mahoney	$4,000
L. Ray Moncrief **	$1,000
Mary Ann Rothman	$2,000
Charles E. Snyder	$2,000
Dan Varner	$4,000
Thomas W. Walsh***	$3,000
Judy Ziewacz **	$1,000
** Appointed subsequent to 12/31/2016* ***Terms as Board members expired as of 12/31/2016* **** Term as Board member expired as of 5/4/2017*	

MANAGEMENT TEAM AND KEY EMPLOYEES

Capital Impact's principal executive office is located at 2011 Crystal Drive, Suite 700, Arlington, Virginia 22202; the office will be relocated to 1400 Crystal Drive, Suite 500, Arlington, Virginia 22202 on or about December 1, 2017.

The following individuals serve as Capital Impact's executive officers:

Ellis Carr, President and Chief Executive Officer. Ellis Carr has more than 20 years of experience in the financial services and mortgage industries. Mr. Carr served as Capital Impact's Chief Financial Officer and Treasurer from July, 2012 until his appointment as President and Chief Executive Officer in May, 2016. Prior to joining Capital Impact, he held various positions in the investments, capital markets, strategy and corporate finance areas within Freddie Mac and in fixed income fund management both domestically and abroad at Deutsche Bank. Mr. Carr is a trustee of the NHP Foundation; the Treasurer and Board member of Martha's Table; a Board member of Housing Partnership Network (HPN); and a Board member of the Opportunity Finance Network (OFN). In 2015, he was recognized as one of the "Top 40 under 40" business executives by the Washington Business Journal. Mr. Carr graduated from Towson University with an undergraduate degree in accounting, and from Georgetown University with a master's degree in real estate with a concentration in finance.

Natalie Gunn, Chief Financial Officer and Chief Administrative Officer. Natalie Nickens Gunn is responsible for formulating and executing Capital Impact's financial road map, capital base expansion, and investor relations. She also manages the overall direction for accounting, tax, audit, treasury and financial planning and analysis, and is responsible for Capital Impact's Information Technology, Human Resources and Corporate Services functions. Mrs. Gunn has more than 20 years of corporate financing and accounting experience across the public and private sectors, including serving as Capital Impact's

Controller before stepping into the Chief Financial Officer position. Prior to joining Capital Impact, she held senior positions at the Government National Mortgage Association (Ginnie Mae), National Cooperative Bank, N.A. (NCB), Capital Automotive REIT, Host Hotels and Resorts and PricewaterhouseCoopers. Mrs. Gunn is a Certified Public Accountant and graduated magna cum laude from Hampton University with a degree in accounting.

Scott Sporte, Chief Lending Officer. Scott Sporte leads the Capital Impact team that provides financing to community-based healthcare providers, nonprofit educational institutions, affordable housing developers, retail grocers and wholesalers, and other affiliated organizations nationwide. He has nearly 25 years of experience in community development finance, including five years in Michigan's Upper Peninsula with a rural CDFI providing startup and expansion financing to entrepreneurial businesses. He holds degrees from Kenyon College and Yale Divinity School and serves on the boards of ROC USA Capital, St. Paul's Episcopal School and the Pacific School of Religion.

Carolyn Bauer, Chief Risk Officer. As Chief Risk Officer, Carolyn Bauer is responsible for Capital Impact's enterprise risk management function, portfolio management, servicing and operations. Her key areas of focus include new program development, credit risk management, investor relations internal process enhancements and the development and implementation of systems to support mission critical business processes and data integrity projects. Prior to joining Capital Impact in 1995, Ms. Bauer spent three years as a loan review manager for National Cooperative Bank, N.A. (NCB) and four years as a savings bank manager. She holds an undergraduate degree from Virginia Tech and an MBA from the University of Maryland. Ms. Bauer is also a Certified Public Accountant.

Amy Sue Leavens, General Counsel, Chief Compliance Officer and Corporate Secretary. As the General Counsel, Chief Compliance Officer and Corporate Secretary, Amy Sue Leavens leads Capital Impact's Legal Department. She oversees all legal matters involving Capital Impact, is responsible for Capital Impact's compliance function and advises the Board on governance and other matters relevant to the Board's oversight function. Prior to joining Capital Impact in 2011, Ms. Leavens was an attorney with Fannie Mae and in private practice in the Washington, D.C. office of DLA Piper (formerly known as Piper Marbury and Piper Rudnick). Ms. Leavens was honored in 2015 as one of Washington, D.C.'s Top Corporate Counsel by Bisnow and the Association of Corporate Counsel, and received the Association of Corporate Counsel – National Capital Region (formerly WMACCA) Community Service Award in 2014. Ms. Leavens is a graduate of Georgetown University (A.B. 1994) and Pepperdine University School of Law (J.D. 1997). She is admitted to practice law in Virginia, Washington, D.C., California and Pennsylvania.

Matt Glatting, Treasurer. As Treasurer, Matt Glatting oversees Capital Impact's treasury function and leads the organization's capitalization strategy. Mr. Glatting has a decade of corporate finance and investment analysis experience across the public and private sectors. Prior to joining Capital Impact, Mr. Glatting worked in the Finance Department at Calvert Foundation and as an investment analyst at Prudential Capital Group. Mr. Glatting holds a Master of Economics degree from Macquarie University in Sydney and a Bachelor of Arts with double majors in Economics & Political Science from St. Norbert College in Wisconsin. He studied abroad at the London School of Economics in London and at Fudan University in Shanghai.

EXECUTIVE COMPENSATION

The following table lists the total compensation of Capital Impact's highest paid employees as of December 31, 2016. No staff member receives sales-related commissions.

Name	Title	Compensation (2016)
Terry Simonette[1]	Former President and Chief Executive Officer	$704,723
Ellis Carr[2]	President and Chief Executive Officer	$395,307
Natalie Gunn[3]	Chief Financial Officer	$246,247
Carolyn Bauer	Chief Risk Officer	$280,316
Amy Sue Leavens	General Counsel and Corporate Secretary	$280,765
Scott Sporte	Chief Lending Officer	$326,487

1 Terry Simonette retired in May 2016.

2 Upon Mr. Simonette's retirement in May 2016, Ellis Carr transitioned from Chief Financial Officer to President and Chief Executive Officer.

3 Upon Mr. Simonette's retirement in May 2016, Natalie Gunn was appointed Chief Financial Officer.

LEGAL PROCEEDINGS

There are no material legal proceedings presently pending against Capital Impact or any of its directors, officers, or employees acting in their capacity as representatives of Capital Impact.

CAPITALIZATION

Capital Impact's capitalization as of December 31, 2016 is shown below.

	Amount Outstanding
Debt:	
Revolving Line of Credit	$32,000,000
Notes Payable	$66,710,998
Subordinated debt	$10,718,000
FHLB-A	$5,000,000
CDFI Fund BGP	$28,625,536
Total Debt	$143,054,534
Net Assets:	
Unrestricted[1]	$103,613,255
Temporarily restricted[2]	$23,269,619
Permanently restricted[3]	$1,487,475
Total Net Assets	$128,370,349
Total Capitalization	**$271,424,883**

1 Unrestricted net assets have no external restrictions regarding their use or function.

2 Temporarily restricted net assets have donor-imposed restrictions such as (i) fulfilling a specified purpose, and/or (ii) the passage of a specified amount of time regarding use or function.

3 Permanently restricted net assets have permanent donor-imposed restrictions regarding use or function.

Additional information on Capital Impact's Net Assets as of December 31, 2016 is shown below:

Purpose	Portion of Total Net Assets	Restriction(s) and Possible Uses
Unrestricted	80.71%	Unrestricted
Temporarily Restricted		
Programs	3.04%	General Operating
Credit Enhancement	11.15%	Financing/Credit Enhancements
Financing	3.94%	Lending Activity
Total Temporarily Restricted	18.13%	
Permanently Restricted	1.16%	Financing/Charge-offs
Total	**100.00%**	

Debt Composition and Sources

Sources of Debt at December 31, 2016

Type of Investor	Number of Investors	Total Loans Payable	% of Total Loans Payable	Average per Investor
Financial Institutions	8	$69,983,362	49%	$8,747,920
Foundations and Other CDFIs	12	$36,227,636	25%	$3,018,970
Federal Government	2	$36,843,536	26%	$18,421,768
Total	**22**	**$143,054,534**	**100%**	**$6,502,479**

With the exception of its line of credit, Capital Impact's debt carries a fixed rate.

Remaining Term on Debt at December 31, 2016

Year of Debt Maturity	Total Debt Maturing	% of Total Debt
2017	$13,549,997	9.5%
2018	$37,211,588	26.0%
2019	$9,855,285	6.9%
2020	$16,372,964	11.4%
2021 and Beyond	$66,064,700	46.2%
Total	**$143,054,534**	**100.0%**

Largest Investors at December 31, 2016

Five Largest Investors	Dollar Amount Outstanding	% of Total Debt	Final Maturity	Characteristics	Secured or Unsecured
JPMC LOC	$32,000,000	22.4%	December 2018	Financial Institution	Unsecured
CDFI BGP	$28,625,536	20.0%	March 2044	Federal Government	Secured
JPMC Term	$15,000,000	10.5%	May 2023	Financial Institution	Unsecured
PNC	$8,483,362	5.9%	December 2017	Financial Institution	Unsecured
Small Business Loan Fund	$8,218,000	5.7%	September 2019	Federal Government	Unsecured
Total Debt from Five Largest Investors	**$92,326,898**	**64.5%**			

DESCRIPTION OF THE NOTES

This section provides detail on the legal and financial terms of the Notes. Final terms of any particular Note will be determined at the time of sale and will be set forth in the accompanying pricing supplement relating to those Notes, and may vary from and supersede the terms set forth in this prospectus. Before deciding to purchase any Notes, investors should read the more detailed information appearing elsewhere in this document.

What is a Capital Impact Investment Note?

The Capital Impact Investment Notes are notes issued by Capital Impact that help channel investment capital to social and economic impact investments in the United States. The Notes pay a fixed interest rate that is determined by market conditions at issuance and can be purchased with a term of 1, 3, 5, 7, or 10 years.

Seniority; Security

The Notes are unsecured general obligations of Capital Impact. Capital Impact has outstanding other unsecured general obligations and secured obligations. Moreover, the Indenture does not restrict Capital Impact from incurring additional indebtedness. Such additional indebtedness, if issued, may be either secured or unsecured and may be entitled to payment prior to payment on the Notes. Finally, Capital Impact's subsidiaries have outstanding obligations and the Notes will be effectively subordinated to such obligations.

Who Can Invest

The Notes are marketed to both individual and institutional investors.

Minimum Investment

The minimum investment for the Notes is $1,000.

Distribution

Capital Impact will offer the Notes through registered broker-dealers. The Notes may be offered to or through Incapital LLC, as Lead Agent for resale to other registered broker-dealers. Incapital LLC, or any other Agent appointed by Capital Impact, is not required to purchased or sell any specific amount of Notes but sells the Notes on a best-efforts basis.

How to Invest / Purchase Method

The Notes are available for purchase in book-entry form, which means they may be purchased electronically through the investor's brokerage account and settled through DTC. Interest rates are set at the time of issuance and are determined by current market conditions. Interest rates for the Notes will be set forth in the accompanying pricing supplement relating to those Notes. The DTC arrangement is described below in the section entitled "— Book-Entry Notes and DTC" on page 47. U.S. Bank serves as issuing agent, registrar, and paying agent of global book-entry Notes. Capital Impact has appointed Incapital LLC as the Lead Agent, which in turn has established a selling group of registered broker-dealers. Notes may be purchased through any broker-dealer participating in the Incapital LLC selling group. Investors must consult the current pricing supplement, available from participating brokerages, in addition to this prospectus for applicable Note terms. To purchase Notes, please contact your financial advisor or brokerage firm.

CUSIP Numbers

Capital Impact will assign CUSIP numbers at the time Notes are offered for sale. "CUSIP" is an acronym that refers to Committee on Uniform Security Identification Procedures and the nine-digit, alphanumeric CUSIP numbers that are used to identify securities such as the Notes. A CUSIP number, similar to a serial number, is assigned to each maturity of a security issue. For more information regarding CUSIP numbers, please see the applicable pricing supplement or visit Capital Impact's website www.capitalimpact.org.

Trust Indenture

All Notes are subject to a Trust Indenture, with U.S. Bank serving as Indenture Trustee. Under the Trust Indenture and subject to the terms of the Trust Indenture, the Indenture Trustee will take specified actions on behalf of Noteholders in the event of a default on the Notes. Certain issues relating to the Trust Indenture are set forth beginning on page 48. Upon request, Capital Impact provides copies of the Trust Indenture, which defines the rights of Noteholders.

Interest Accrual and Interest Periods

Notes begin to accrue interest on the issuance date and mature on the relevant anniversary of issuance. Interest accrues on a 360-day year based on twelve 30-day months. Interest is paid out quarterly and cannot be reinvested. Interest rates on the Notes will be fixed rate.

The interest payment dates for a Note will be the fifteenth day of every third month, commencing in the third succeeding calendar month following the month in which the Note is issued, unless such calendar day is not a business day, in which case the interest payment shall be made on the next succeeding business day. The first payment of interest under a Note shall be an amount equal to interest accruing during the period commencing on the closing date of the Note and ending on the fifteenth day of the third calendar month that follows such closing date (the "First Interest Period"). Subsequent payments of interest under the Note shall be in an amount equal to interest accruing during each period of three calendar months that follow the First Interest Period. Interest will be payable to the person in whose name a Note is registered at the close of business on the regular record date before each interest payment date. The first payment of interest on any Note originally issued between a regular record date and an interest payment date will be made on the interest payment date following the next succeeding regular record date to the registered owner of the Note on such next succeeding regular record date. The principal and interest payable at maturity will be paid to the person in whose name the Note is registered at the time of payment. Unless otherwise specified in the applicable pricing supplement, the regular record date for an interest payment date will be the first calendar day of the month in which the interest payment date falls.

Options at Maturity / Reinvestments

Principal is automatically repaid at maturity, but investors have the option to re-invest their repaid principal by purchasing new Notes at then-current interest rates and terms offered by Capital Impact.

Redemption

Notes will not be redeemable at Capital Impact's option or, except as provided under "Survivor's Option" below or except as provided in the relevant pricing supplement, be repayable at the option of the holder prior to its stated maturity date.

Survivor's Option

Subject to the repayment limitations described below, the "Survivor's Option" is a provision in the Notes pursuant to which Capital Impact agrees to repay the Notes, if requested by the authorized representative of the beneficial owner of those Notes, following the death of the beneficial owner of the Notes, so long as the Notes were owned by that beneficial owner or the estate of that beneficial owner at least six (6) months prior to the request and certain documentation requirements are satisfied.

Upon the valid exercise of the Survivor's Option and the proper tender of the Notes for repayment, subject to the repayment limitations described below, we will repay the Notes, in whole or in part, at a price equal to 100% of the principal amount of the deceased beneficial owner's interest in the Notes plus unpaid interest accrued to the date of repayment.

To obtain repayment pursuant to exercise of the Survivor's Option for Notes, the deceased beneficial owner's authorized representative must provide the following items to the broker or other entity through which the beneficial interest in the Notes is held by the deceased beneficial owner within one year of the date of death of the beneficial owner:

- a written instruction to such broker or other entity to notify DTC of the authorized representative's desire to obtain repayment pursuant to exercise of the Survivor's Option;
- appropriate evidence satisfactory to the Indenture Trustee and Capital Impact (a) that the deceased was the beneficial owner of the Notes at the time of death and his or her interest in the Notes was owned by the deceased beneficial owner or his or her estate at least six months prior to the request for repayment, (b) that the death of the beneficial owner has occurred, (c) of the date of death of the beneficial owner, and (d) that the representative has authority to act on behalf of the beneficial owner;
- if the interest in the Notes is held by a nominee of the deceased beneficial owner, a certificate or letter satisfactory to the Indenture Trustee and Capital Impact from the nominee attesting to the deceased's beneficial ownership of such Notes;
- a written request for repayment signed by the authorized representative of the deceased beneficial owner with the signature guaranteed by a member firm of a registered national securities exchange or of the Financial Industry Regulatory Authority, Inc. or a commercial bank or trust company having an office or correspondent in the United States;
- if applicable, a properly executed assignment or endorsement;
- tax waivers and any other instruments or documents that the Indenture Trustee and Capital Impact reasonably require in order to establish the validity of the beneficial ownership of the Notes and the claimant's entitlement to repayment; and

- any additional information the Indenture Trustee or Capital Impact reasonably require to evidence satisfaction of any conditions to the exercise of the Survivor's Option or to document beneficial ownership or authority to make the election and to cause the repayment of the Notes.

In turn, the broker or other entity will deliver each of these items to the Indenture Trustee, together with evidence satisfactory to the Indenture Trustee from the broker or other entity stating that it represents the deceased beneficial owner.

A beneficial owner of a Note is a person who has the right, immediately prior to such person's death, to receive the proceeds from the disposition of that Note, as well as the right to receive payment of the principal of the Note.

The death of a person holding a beneficial ownership interest in a Note as a joint tenant or tenant by the entirety with another person, or as a tenant in common with the deceased holder's spouse, will be deemed the death of a beneficial owner of that Note, and the entire principal amount of the Note held in this manner will be subject to repayment by Capital Impact upon exercise of the Survivor's Option. However, the death of a person holding a beneficial ownership interest in a Note as tenant in common with a person other than such deceased holder's spouse will be deemed the death of a beneficial owner only with respect to such deceased person's interest in the Note, and only the deceased beneficial owner's percentage interest in the principal amount of the Note will be subject to repayment.

The death of a person who, during his or her lifetime, was entitled to substantially all of the beneficial ownership interests in a Note will be deemed the death of the beneficial owner of that Note for purposes of the Survivor's Option, regardless of whether that beneficial owner was the registered holder of the Note, if the beneficial ownership interest can be established to the satisfaction of the trustee. A beneficial ownership interest will be deemed to exist in typical cases of nominee ownership, ownership under the Uniform Transfers to Minors Act or Uniform Gifts to Minors Act, community property or other joint ownership arrangements between a husband and wife. In addition, the beneficial ownership interest in a Note will be deemed to exist in custodial and trust arrangements where one person has all of the beneficial ownership interest in that Note during his or her lifetime.

Capital Impact has the discretionary right to limit the aggregate principal amount of Notes as to which exercises of the Survivor's Option shall be accepted by us from authorized representatives of all deceased beneficial owners in any calendar year to an amount equal to the greater of $1,000,000 or 1% of the aggregate principal amount of all Notes outstanding as of the end of the most recent calendar year. Capital Impact also has the discretionary right to limit to $250,000 in any calendar year the aggregate principal amount of Notes as to which exercises of the Survivor's Option shall be accepted by Capital Impact from the authorized representative of any individual deceased beneficial owner of Notes in such calendar year. In addition, Capital Impact will not permit the exercise of the Survivor's Option except in principal amounts of $1,000 and multiples of $1,000 and, in the event that the limitations described in this paragraph would result in the partial repayment of any Note, the principal amount of such Note remaining outstanding after repayment must be at least $1,000.

An otherwise valid election to exercise the Survivor's Option may not be withdrawn. Each election to exercise the Survivor's Option will be accepted in the order that elections are received by the Indenture Trustee, except for any Note the acceptance of which would contravene any of the limitations described in the preceding paragraph. Notes accepted for repayment through the exercise of the Survivor's Option normally will be repaid on the first interest payment date that occurs twenty (20) or more calendar days after the date of the acceptance. Each tendered Note that is not accepted in any calendar year due to the application of any of the limitations described in the preceding paragraph will be deemed to be tendered in the following calendar year in the order in which all such Notes were originally tendered. If a Note tendered through a valid exercise of the Survivor's Option is not accepted, the Indenture Trustee will deliver a notice by first-class mail to the authorized representative of the deceased beneficial owner that states the reason that Note has not been accepted for repayment.

All other questions regarding the eligibility or validity of any exercise of the Survivor's Option will be determined by Capital Impact, in its sole discretion, which determination will be final and binding on all parties. For the avoidance of doubt, Capital Impact also retains the right to reject in its sole discretion any exercise of the Survivor's Option where the deceased held no or only a minimal beneficial ownership interest in the Notes and entered into arrangements with third parties in relation to the Notes prior to death for the purpose of permitting or attempting to permit those third parties to directly or indirectly benefit from the exercise of the Survivor's Option.

For assistance with the exercise of the Survivor's Option, please contact U.S. Bank by email at cts.survivor.options@usbank.com or call 800-934-6802.

Events of Default

Notes will become immediately due and payable upon the occurrence of certain insolvency events of Capital Impact, as specified in Section 5.01 of the Indenture. Upon the occurrence of other "Events of Default" with respect to any series of Notes specified in Section 5.01 of the Indenture, the Indenture Trustee may, and shall, if so directed by the holders of not less than twenty-five percent (25%) of the aggregate outstanding amount of such Series of Notes, declare that the Notes are immediately due and payable. Such events include, among other things, non-payment of principal or interest.

Secondary Market

The nature of this program does not presently afford the opportunity of a secondary market. The Lead Agent and other Agents appointed by Capital Impact may make secondary market transactions, but are not obligated to do so. Consequently, the purchase of a Note should be viewed as an investment to be held to maturity.

Interest Payments and Tax Reporting

Interest is paid quarterly. In general, cash-basis taxpayers are required to report interest on their tax return only after the interest has been paid out. Noteholders will be provided with a Form 1099-INT in January of each year indicating the interest earned on their Notes in the prior year. If interest paid is determined to be below the market interest level as defined by the Internal Revenue Service, the Noteholder must generally report imputed income up to the market interest level. Loans to charitable organizations are presently exempt from the imputed interest rules if the amount does not exceed $250,000. Note purchases are not tax deductible. Federal and state tax is due on the interest earned on the Notes. ***Consult your tax adviser regarding the effect on your taxes, if any, of accepting a below-market rate of return on your investment.***

Book-Entry Notes and DTC

Capital Impact will issue the Notes in the form of one or more permanent global book-entry Notes fully registered and deposited with or on behalf of DTC and registered in the name of Cede & Co., as nominee of DTC.

DTC has advised Capital Impact as follows:

- DTC is a limited-purpose trust company under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered under Section 17A of the Securities Exchange Act.

- DTC holds securities that its participants deposit and facilitates the settlement among participants of securities transactions, such as transfers and pledges, in deposited securities, through electronic computerized book-entry changes in participants' accounts, thereby eliminating the need for physical movement of securities certificates.

- Direct participants include securities brokers and dealers, trust companies, clearing corporations and other organizations.

- DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is owned by the users of its regulated subsidiaries.

- Access to the DTC system is also available to others, such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a direct participant, either directly or indirectly.

- The rules applicable to DTC and its participants are on file with the SEC.

Capital Impact has provided the following descriptions of the operations and procedures of DTC solely as a matter of convenience. These operations and procedures are solely within the control of DTC and may be subject to change. Neither Capital Impact nor the Indenture Trustee takes any responsibility for these operations or procedures, and you are urged to contact DTC or its participants directly to discuss these matters.

Capital Impact expects that under procedures established by DTC:

- Upon deposit of the global Notes with DTC or its custodian, DTC will credit through its internal system the accounts of its direct participants with portions of the principal amounts of the global book-entry Notes.

- Ownership of the Notes will be shown on, and the transfer of ownership thereof will be effected only through, records maintained by DTC or its nominee, with respect to interests of direct participants, and the records of direct and indirect participants, with respect to interests of persons other than participants.

The laws of some jurisdictions require purchasers of securities to take physical delivery in definitive form. Accordingly, the ability to transfer interests in the book-entry Notes represented by a global book-entry Note to those persons may be limited. In addition, because DTC can act only on behalf of its participants, who in turn act on behalf of persons who hold interests through participants, the ability of a person having an interest in Notes represented by a global book-entry Note to pledge or transfer those interests to persons or entities that do not participate in DTC's system, or otherwise to take actions in respect of such interest, may be affected by the lack of a physical definitive security in respect of such interest.

So long as DTC or its nominee is the registered owner of a global book-entry Note, DTC or that nominee will be considered the sole owner or holder of the Notes represented by that global book-entry Note for all purposes under the Indenture and under the Notes. Except as provided below, owners of beneficial interests in a global book-entry Note will not be entitled to have Notes represented by that global book-entry Note registered in their names, will not receive or be entitled to receive physical delivery of a certificated Note and will not be considered the owners or holders thereof under the Indenture or under the Notes for any purpose, including with respect to the giving of any direction, instruction or approval to the Indenture Trustee. Accordingly, each beneficial holder owning a beneficial interest in a global book-entry Note must rely on the procedures of DTC and, if that beneficial holder is not a direct or indirect participant, on the procedures of the participant through which that beneficial holder owns its interest, to exercise any rights of a holder of Notes under the Indenture or the global book-entry Notes.

Neither Capital Impact nor the Indenture Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of Notes by DTC, or for maintaining, supervising or reviewing any records of DTC relating to the Notes.

Payments on the Notes represented by the global book-entry Notes will be made to DTC or its nominee, as the case may be, as the registered owner thereof. Capital Impact expects that DTC or its nominee, upon receipt of any payment on the Notes represented by a global book-entry Note, will credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the global book-entry Note as shown in the records of DTC or its nominee. Capital Impact also expects that payments by participants to owners of beneficial interests in the global book-entry Note held through such participants will be governed by standing instructions and customary practice as is now the case with Notes held for the accounts of customers registered in the names of nominees for such customers. The participants will be responsible for those payments.

Payments on the Notes represented by the global book-entry Note will be made in immediately available funds. Transfers between participants in DTC will be effected in accordance with DTC rules and will be settled in immediately available funds.

CERTAIN KEY INDENTURE PROVISIONS

Indenture Covenants

The Indenture contains the following covenants:

Existence; Tax-Exempt and Non-Profit Status. Capital Impact will keep in full effect its existence, rights and franchises as a corporation under the laws of the District of Columbia (unless it becomes, or any successor issuer hereunder is or becomes, organized under the laws of any other state, in which case such successor issuer will keep in full effect its existence, rights and franchises under the laws of such other jurisdiction) and will obtain and preserve its qualification to do business in each jurisdiction in which such qualification is or shall be necessary to protect the validity and enforceability of this Indenture and the Notes. Capital Impact is and at all times until the termination of this Indenture will be organized and operated exclusively for religious, educational, benevolent, charitable, or reformatory purposes exempt from federal income taxes under Section 501(c)(3) of the Code, and not for pecuniary profit, and no part of the net earnings of Capital Impact inures or shall inure to the benefit of any person, private stockholder, or individual. Capital Impact is and shall at all times be excluded from the definition of an investment company under Section 3(c)(10)(B) of the Investment Company Act.

Merger, Consolidation or Sale of Assets. Capital Impact may not consolidate or merge with or into, or transfer all or substantially all of its assets to, any person unless: (i) either Capital Impact shall be the resulting or surviving entity or such person (A) is a corporation organized and existing under the laws of the United States, a State thereof or the District of Columbia, (B) is organized and operated exclusively for religious, educational, benevolent, fraternal, charitable, or reformatory purposes exempt from federal income taxes under Section 501(c)(3) of the Code, and not for pecuniary profit, (C) has no part of its net earnings which inures or shall inure to the benefit of any person, private stockholder, or individual, and (D) is excluded from the definition of an investment company under Section 3(c)(10)(B) of the Investment Company Act; (ii) if Capital Impact is not the resulting or surviving entity, such person assumes by supplemental indenture satisfactory to the Indenture Trustee all of the obligations of Capital Impact under the Notes and the Indenture; and (iii) immediately before and immediately after the transaction no event of default exists.

Indenture Events of Default

"Events of Default," wherever used herein, means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

a) Failure to pay on any Payment Date the full amount of accrued interest on any Note, which failure continues unremedied for ten (10) or more calendar days after such Payment Date;
b) Failure to pay the principal of or premium (if any) on, any Note, on its related Maturity Date, which failure continues unremedied for ten (10) or more calendar days after such Maturity Date;
c) Failure on the part of Capital Impact to observe or perform any covenants or agreements set forth in the Indenture (other than a covenant or agreement of Capital Impact a breach of which is elsewhere in this Section specifically dealt with or which has expressly been included in this Indenture solely for the benefit of one or more Series of Notes other than such Series), which failure has a material adverse effect on the Noteholders and which continues unremedied for a period of sixty (60) calendar days after there has been given after written notice to Capital Impact by the Indenture Trustee, or to Capital Impact by the holders of at least a majority in outstanding principal amount of the Notes of such Series, a written notice specifying such Default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" under the Indenture;
d) Any representation or warranty made by Capital Impact in the Indenture proves to have been incorrect in any material respect and continues to be incorrect in any material respect for sixty (60) days after written notice and as a result of which the interests of the Noteholders are materially and adversely affected;
e) The occurrence of an Insolvency Event relating to Capital Impact;
f) Capital impact becomes an "investment company" within the meaning of the Investment Company Act;
g) This Indenture is required to become qualified under the Trust Indenture Act of 1939, as amended; or

h) Capital Impact fails to provide to the Indenture Trustee the Issuer Payment Confirmation in accordance with section 3.01(b)(ii) of the Indenture, which failure continues unremedied for ten (10) or more days.

Information Concerning the Indenture Trustee

If an Event of Default occurs, the holders of specified percentage amounts of the then outstanding Notes will have the right to direct the Indenture Trustee to exercise remedies in accordance with the terms of the Indenture, subject to certain exceptions. The Indenture Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any Holder of Notes, unless such Holder shall have offered to the Indenture Trustee security and indemnity satisfactory to it against any loss, liability or expense.

HOW TO INVEST / DISTRIBUTION

Investors must consult the relevant pricing supplement, available from participating broker-dealers, in addition to this prospectus for applicable Note terms.

The public offering price of the Notes will be set forth in the relevant pricing supplement. Please note that proceeds from the sale of the Notes will not be used to pay commissions or any other costs related to the sale of the Notes; all commissions or related costs will be paid from Capital Impact's operating budget and will therefore not be charged to investors.

Capital Impact has entered into a Selling Agent Agreement with Incapital LLC, as the Lead Agent, and Incapital LLC may resell the Notes to certain broker-dealers (the "selected dealers"). Notes may be purchased through any selected dealer participating in the Incapital LLC selling group. Selected dealers who effect transactions have agreed to sell Notes in accordance with the terms of this prospectus. Through this program with Incapital LLC, Capital Impact receives net proceeds from sales after sales compensation to Incapital LLC and broker dealers based on the maturity of the Notes sold, ranging from $997 per $1,000 of 1-year Notes to $982 per $1,000 of 10-year Notes. While Capital Impact receives net proceeds after sales of less than the full par value, it uses operating funds to cover the discount such that each investor receives the full par value of a Note.

Except for Notes sold to level-fee accounts, Notes offered to the public will be offered at the public offering price set forth in the applicable pricing supplement. Selected dealers purchasing Notes on an agency basis for non-level fee client accounts shall purchase Notes at the public offering price. Notes purchased by the selected dealers for their own account may be purchased at the public offering price less the applicable concession. Notes purchased by the selected dealers on behalf of level-fee fiduciary or retirement accounts may be sold to such accounts at the public offering price less the applicable concession, in which case, such selected dealers will not retain any portion of the sales price as compensation.

As of the date hereof, the Notes will be offered for sale in the United States, excluding the State of Washington, the Commonwealth of Pennsylvania, and any territories thereof.

FINANCIAL REPORTING

Within 120 days of the fiscal year end, Capital Impact sends or makes available to all current investors in the Notes the audited financial statements for the most recent fiscal year end. The most recent financial statements are also available on Capital Impact's website http://www.capitalimpact.org and upon written request to Capital Impact.

APPENDIX I

AUDITED FINANCIAL STATEMENTS

Capital Impact Partners and Subsidiaries

Consolidated Financial Report
December 31, 2016

Contents

Independent auditor's report	1-2
Financial statements	
Consolidated statements of financial position	3
Consolidated statements of activities	4
Consolidated statements of cash flows	5-6
Notes to consolidated financial statements	7-42

RSM US LLP

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.

Capital Impact Partners and Subsidiaries

Consolidated Financial Report
December 31, 2015

Contents

Independent auditor's report	1-2
Financial statements	
Consolidated statements of financial position	3
Consolidated statements of activities	4
Consolidated statements of cash flows	5-6
Notes to consolidated financial statements	7-42

RSM

RSM US LLP

Independent Auditor's Report

To the Board of Directors
Capital Impact Partners and Subsidiaries
Crystal City, 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, 2015 and 2014, 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 2015 and 2014 financial statements of Community Economic Development, LLC and the 2015 and 2014 financial statements of Impact V CDE 7, LLC, consolidated affiliates, which statements reflect total assets and revenue constituting 11.6 percent and 2.7 percent, respectively in 2015 and 12.5 percent and 4.6 percent, respectively, in 2014 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 and Impact V CDE 7, LLC, 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, 2015 and 2014, 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 28, 2016

Capital Impact Partners and Subsidiaries

Consolidated Statements of Financial Position
December 31, 2015 and 2014

	2015	2014
Assets		
Cash and cash equivalents - unrestricted	**$ 21,896,663**	$ 22,973,465
Cash and cash equivalents - restricted	**35,776,052**	39,260,027
Accounts and interest receivable	**2,123,122**	1,990,401
Contributions receivable	**852,811**	12,296,545
Investments	**4,700,914**	4,754,555
Investment in joint venture	**2,660,888**	2,660,793
Loans receivable	**180,574,691**	164,914,807
Less: allowance for loan losses	**(9,374,669)**	(9,177,796)
Loans receivable, net	**171,200,022**	155,737,011
Loans receivable - subsidiaries	**41,854,452**	35,421,220
Other assets	**2,728,996**	2,715,301
Total assets	**$ 283,793,920**	$ 277,809,318
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 4,045,327**	$ 4,028,078
Revolving line of credit	**32,800,000**	24,950,000
Notes payable	**61,250,300**	65,137,569
Subordinated debt	**10,718,000**	10,718,000
Bond loan payable	**5,859,705**	-
Notes payable - subsidiaries (Note 11)	**41,291,448**	35,436,546
Total liabilities	**155,964,780**	140,270,193
Commitments and contingencies (Notes 15 and 16)		
Net assets:		
Unrestricted	**101,244,487**	84,554,160
Temporarily restricted	**25,097,178**	51,497,490
Permanently Restricted	**1,487,475**	1,487,475
Total net assets	**127,829,140**	137,539,125
Total liabilities and net assets	**$ 283,793,920**	$ 277,809,318

See notes to consolidated financial statements.

Capital Impact Partners and Subsidiaries

Consolidated Statements of Activities
Years Ended December 31, 2015 and 2014

	2015	2014
Changes in unrestricted net assets:		
Financial activity:		
Financial income:		
Interest income on investments	$ 71,135	$ 112,179
Interest income on loans	11,750,149	11,538,172
Unrealized and realized (loss) gain on investments, net	(200,673)	221,011
Loss on sales of other real estate owned	-	(110,288)
Gain on NMTC unwind	109,427	221,719
Total financial income	11,730,038	11,982,793
Financial expense:		
Interest expense	3,732,367	4,000,860
Provision for loan losses	948,413	787,895
Bad debt expense	55,501	296,792
Total financial expense	4,736,281	5,085,547
Net financial income	6,993,757	6,897,246
Revenue and support:		
Fees	5,240,407	4,474,878
Contract revenue	1,356,639	1,751,023
Other income	357,299	140,234
Net assets released from restrictions	29,385,853	15,087,788
Total revenue and support	36,340,198	21,453,923
Expenses:		
Innovative community lending program	10,637,506	8,457,698
Technical assistance	6,411,718	6,340,987
Total program expenses	17,049,224	14,798,685
Support expenses:		
Management and general	9,318,962	7,940,767
Fundraising	275,442	270,978
Total expenses	26,643,628	23,010,430
Increase in unrestricted net assets	16,690,327	5,340,739
Changes in temporarily restricted net assets:		
Interest income on investments	10,892	17,273
Gain (loss) on investment in joint venture	95	(336)
Grants - Ford Foundation - Match for Social Innovation Fund	2,165,000	1,800,000
Grants - Social Innovation Fund	773,739	1,003,901
Grants - Kresge	500,000	900,000
Grants - Kellogg Foundation	190,050	200,000
Grants - CDFI Fund Healthy Foods Financing Initiative	-	2,000,000
Grants - CDFI Fund Financial Assistance Award	-	2,000,000
Grants - The California Endowment	-	345,000
Grants - JP Morgan Chase Bank	-	5,000,000
Grants - First 5 LA	-	2,000,000
Grants - AARP	-	996,400
Grants - Living Cities	-	750,000
Grants - Ford Foundation	-	200,000
Other grants	23,385	588,569
Grant relinquishment loss	(677,620)	-
Net assets released from restrictions	(29,385,853)	(15,087,788)
(Decrease) / Increase in temporarily restricted net assets	(26,400,312)	2,713,019
(Decrease) / Increase in net assets	(9,709,985)	8,053,758
Net assets, beginning	137,539,125	129,485,367
Net assets, ending	$ 127,829,140	$ 137,539,125

See notes to consolidated financial statements.

Capital Impact Partners and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended December 31, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
(Decrease) Increase in net assets	$ (9,709,985)	$ 8,053,758
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:		
Provision for loan losses	948,413	787,895
Bad debt expense	55,501	296,792
Depreciation	70,695	72,845
Investment loss (gain), net	200,673	(221,011)
(Gain) loss on investment in joint venture	(95)	336
Loss on sales of other real estate owned	-	110,288
(Gain) on NMTC unwind	(109,427)	(221,719)
Accretion of interest on loan from Ford Foundation	100,129	90,720
Accretion of interest on other loans	34,963	44,367
(Increase) decrease in:		
Accounts and interest receivable	(188,222)	272,501
Contributions receivable	11,443,734	(5,121,767)
Other assets	(48,394)	569,093
Increase in:		
Accounts payable and accrued expenses	17,249	1,109,206
Net cash provided by operating activities	2,815,234	5,843,304
Cash flows from investing activities:		
Loan originations and advances	(44,892,410)	(47,371,188)
Loan purchases	(10,113,996)	(5,437,542)
Loan repayments	29,703,314	28,838,709
Loan sales	8,891,668	18,499,093
Loan originations and advances - subsidiaries	(12,583,997)	-
Loan repayments - subsidiaries	6,150,765	1,288,310
Proceeds from distributions of investments	212,395	1,687,833
Purchase of investments	(250,000)	(1,448,243)
Purchase of equipment	(35,996)	(100,971)
Proceeds from sale of other real estate owned	-	284,641
Net cash used in investing activities	(22,918,257)	(3,759,358)
Cash flows from financing activities:		
Proceeds from notes payable	6,050,000	11,429,542
Proceeds from bond loan payable	5,859,705	-
Repayment of notes payable	(10,072,361)	(6,290,905)
Repayment of note payable - subsidiaries	12,584,397	(1,292,606)
Proceeds from note payable - subsidiaries	(6,729,495)	-
Proceeds from lines of credit	20,100,000	5,200,000
Repayment of lines of credit	(12,250,000)	(1,250,000)
Net cash provided by financing activities	15,542,246	7,796,031
Net (decrease) increase in cash and cash equivalents	(4,560,777)	9,879,977
Cash and cash equivalents, beginning	62,233,492	52,353,515
Cash and cash equivalents, ending	$ 57,672,715	$ 62,233,492
Cash and cash equivalents	$ 21,896,663	$ 22,973,465
Cash and cash equivalents, restricted	35,776,052	39,260,027
Total cash and cash equivalents	$ 57,672,715	$ 62,233,492

(Continued)

Capital Impact Partners and Subsidiaries

Consolidated Statements of Cash Flows (Continued)
Years Ended December 31, 2015 and 2014

		2015		2014
Supplemental disclosure of cash flow information:				
Cash paid during the year for interest	**$**	**3,877,951**	$	4,016,126

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.	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
California FreshWorks Fund, LLC (CAFW)	100%	Formed to provide financing for eligible fresh food retailers and distributors in an effort to overcome barriers and higher costs in underserved areas. Also supports renovation and expansion of existing stores and innovations in fresh food retailing and distributing.	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.	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)	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 2015 or 2014.	Yes
Detroit Neighborhoods Fund, LLC (DNF)	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 co-operatives 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 (US 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, California FreshWorks Fund, LLC (dissolved as of April 7, 2015), 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.

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

Use of estimates: The preparation of financial statements in conformity with US 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 with readily determinable fair values are stated at fair value measured as more fully described in Note 18. 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 18. 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 has a 50 percent voting interest in the Charter School Capital Access Program (CCAP) that is accounted for under the equity method (see Note 5).

Investment in ROC USA, LLC: The Organization has a 33 percent voting interest in ROC USA, LLC and is accounting for its 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 Village to Village Network, LLC: The Organization had a 50 percent membership interest in Village to Village Network, LLC under an agreement dated October 14, 2009 that was accounted for under the equity method. As of December 31, 2014, Capital Impact Partners had withdrawn and terminated its membership interest in Village to Village Network, LLC.

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 Working Capital Fund, LLC: To assist with cash flow challenges experienced by California charter schools due to the states deferring payments to schools, Capital Impact Partners and Local Initiatives Support Corporation (LISC) had partnered with EdTec/EdCapital to create a program in California to provide cash flow financing to charter schools by purchasing the schools' accounts receivables, or Factoring. LISC and Capital Impact Partners had created a fund in a form of an LLC, which is owned 50 percent by each entity to purchase the accounts receivables. This LLC was dissolved as of December 12, 2014.

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 (FHLBankAtlanta) and is required to maintain an investment in capital stock in FHLBankAtlanta. The FHLBankAtlanta 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, 2015.

Contributed assets and liabilities*:* As of December 31, 2015, Capital Impact Partners has spun off the Green House Project and Cornerstone Partnership, two of its technical assistance entities under its Community Solutions Group, LLC (CSG) subsidiary. 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 cash to the Beneficiary of the Green House Project. As of December 31, 2015, the Organization no longer has any interest in either of these entities, except that it holds one seat on the board of directors for the Beneficiary of the Cornerstone Partnership. Community Solutions Group, LLC (CSG) is still a subsidiary of the Organization as of December 31, 2015.

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.

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

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.

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 real estate owned (OREO): Real estate acquired through foreclosure or other proceedings is carried at estimated fair value, indicated by current appraisal, less estimated costs of disposal. The appraised value may be discounted based on Management's review and changes in market conditions. Costs of improving OREO are capitalized to the extent that the carrying value does not exceed its fair value less estimated selling costs. Subsequent valuation adjustments, if any, are recognized as a charge to lending expenses on the consolidated statements of activities. Holding costs are charged to current period expense. Gains and losses on sales are recognized in financial income (loss) as they occur.

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

Other assets: Other assets include a $200,000 pledge deposit with the Phoenix Collegiate Academy Project, a $510,074 pledge deposit with Alliance Investment, a $1,000,000 pledge deposit with Pacific Charter School Development, Incorporated, a $372,611 pledge deposit with Charter School Financing Partnership, a $200,000 program related investment loan advance to CoopMetrics and a $100,000 guaranty reserve funding to Invest Detroit Foundation (See Note 9).

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.

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, 2015 and 2014.

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

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, 2015 and 2014. 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 2012.

Reclassifications: Certain reclassifications were made in the 2014 consolidated financial statements to conform to the current year presentation.

Recent accounting pronouncements: In January 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (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 has elected to early adopt the amendment described above during the year ended December 31, 2015. The Organization has not yet determined the effect on the financial statements of adopting the other amendments included in ASU 2016-01.

In May 2015, the FASB issued ASU 2015-07, *Fair Value Measurement (Topic 820)*: *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* (a consensus of the FASB Emerging Issues Task Force). The objective of this updated standard is to address diversity in practice related to how certain investments measured at net asset value with redemption dates in the future (including periodic redemption dates) are categorized within the fair value hierarchy. The updated standard will be effective for annual and interim reporting periods beginning after December 15, 2016. The Organization is currently evaluating the effect that the updated standard will have on the financial statements.

In May 2014, the FASB issued 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. Early adoption is not permitted. The updated standard will be effective for annual reporting periods beginning after December 15, 2017 and interim periods within annual periods beginning after December 15, 2018. The Organization is currently evaluating the effect that the updated standard will have on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU 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. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Organization is currently evaluating the impact of adoption of the new standard on the financial statements.

Note 2. Cash and Cash Equivalents

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

	2015	2014
Cash in bank	$ 44,243,197	$ 55,363,946
Overnight investments	13,429,518	6,869,546
	$ 57,672,715	$ 62,233,492
Unrestricted	$ 21,896,663	$ 22,973,465
Restricted	35,776,052	39,260,027
	$ 57,672,715	$ 62,233,492

Restricted cash and cash equivalents are held for the Green House program, 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. Restricted cash and cash equivalents were also held for loan loss reserves for the CAFW Fund, LLC loan program prior to dissolution.

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, 2015 and 2014, Capital Impact Partners had uninsured balances of approximately $40,695,806 and $43,695,467, respectively, that are included in cash and cash equivalents. Approximately $13,429,518 and $6,869,546 of the uninsured amounts are held in short term investments, in sweep accounts and non-bank money market accounts at December 31, 2015 and 2014, respectively.

As indicated in Note 7, 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 36 percent and 49 percent of the portfolio represents loans made to entities associated with the NMTC program at December 31, 2015 and 2014, respectively. Approximately 52 percent and 56 percent of the portfolio represents loans made in the state of California at December 31, 2015 and 2014, respectively.

Note 4. Investments

Investments consist of the following as of December 31:

	2015	2014
Marketable equity securities	$ 376,782	$ 399,186
Real estate investment trust	1,353,000	1,316,000
Other investments	636,560	926,947
Total investments at fair value (Note 18)	2,366,342	2,642,133
Equity method investments	2,043,323	2,068,646
Equity method investments in New Markets Tax Credit entities (Note 15)	41,249	43,776
Investments at cost	250,000	-
	$ 4,700,914	$ 4,754,555

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, 2015 and 2014 and recorded a $207,589 and $375,500 unrealized loss, respectively, which were reflected in the Organization's unrealized and realized (loss) gain on investments, net for the years ended December 31, 2015 and 2014. Therefore this investment was valued at $311,400 and $518,989 as of December 31, 2015 and December 31, 2014, respectively.

Equity method investments: At December 31, 2015 and 2014, Capital Impact Partners had an investment in ROC USA, LLC of $1,934,216 and $1,952,283, 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, 2015 and 2014 was ($18,067) and $232,736, respectively. As provided for in the operating agreement of ROC USA, LLC, there are certain limitations affecting member capital withdrawals.

The following is a summary of financial information for the years ended December 31, 2015 and 2014 for ROC USA, LLC:

	2015	2014
Total assets	$ 51,216,786	$ 46,737,736
Total liabilities	39,498,433	34,329,676
Net assets/members' capital	11,718,353	12,408,060
Total revenue	2,401,171	4,185,833
Total expenses	2,455,372	3,487,556
Change in unrestricted net assets	(54,201)	698,277

Note 4. Investments (Continued)

At December 31, 2015 and 2014, Capital Impact Partners had an investment in Charter School Financing Partnership, LLC (CSFP) of $109,107 and $116,363 respectively. The net income of CSFP is allocated 18 percent to Capital Impact Partners and amounted to $6,086 and $7,032, respectively, for the years ended December 31, 2015 and 2014. Capital Impact Partners also received a distribution of $13,342 and $14,810 as of December 31, 2015 and December 31, 2014, respectively. The following is a summary of financial information of CSFP for the years ended December 31, 2015 and 2014:

	2015	2014
Total assets	$ 18,398,900	$ 18,616,684
Total liabilities	2,890,505	3,155,753
Net assets/members' capital	15,508,396	15,460,931
Total revenue	175,451	193,006
Total expenses	141,640	153,937
Change in net assets	33,811	39,069

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, 2015 and 2014.

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. As of December 31, 2015, the Organization has not drawn any 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 consists of two members: Capital Impact Partners and The Reinvestment Fund (TRF). Each member has 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 TRF 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 TRF 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 are allocated to Capital Impact Partners' capital account. The remaining operating income is allocated 50 percent to each member. For the years ended December 31, 2015 and 2014, Capital Impact Partners' allocation totaled $95 and ($336), respectively, and is recorded as gain (loss) on joint venture. At December 31, 2015 and 2014, Capital Impact Partners' investment totaled $2,660,888 and $2,660,793, respectively.

Note 5. Investment in Joint Venture (Continued)

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

	2015	2014
Total assets	$ 5,397,133	$ 5,545,343
Total liabilities	2,740,029	2,881,780
Members' capital	2,657,104	2,663,563
Total revenue	229,965	242,608
Total expenses	236,425	249,653
Net (loss) income	(6,460)	(7,045)

In 2010, Capital Impact Partners reduced its equity investment in CCAP to use the USED funds as enhancement for new charter school transactions. The reduction in equity was permitted by the lenders in CCAP to reduce the allowance/reserve balance to the minimum required for the remaining outstanding loans in CCAP.

The grant proceeds are used as a first loan loss reserve in support of loans sold into CCAP. Grant funds may be used to pay principal and interest owed under the loans in the event the borrower does not make its scheduled monthly payment in a timely manner. In 2015, CCAP used its loan loss reserve to make its scheduled monthly payment to investors timely, as its borrower was not able to make its payment. CCAP expects to receive the advances back from the borrower. All other grant funds remain intact as of December 31, 2015. See Note 19.

Note 6. Contributions Receivable

As of December 31, 2015 and 2014, contributions receivable are due to be collected as follows:

	2015	2014
Receivable in one year or less	$ 762,811	$ 11,284,273
Receivable within 1 - 5 years	90,000	1,012,272
	$ 852,811	$ 12,296,545

As of December 31, 2015, total contributions receivable include amounts due from four grantors. As of December 31, 2014, contributions receivable include amounts due from five grantors totaling $10,143,310.

In connection with the spin off of the Green House Project as of December 31, 2015, Capital Impact Partner's Robert Wood Johnson grant agreement was terminated with the grantor. As a result of this termination, the remaining $677,620 grant was relinquished and the receivable and corresponding revenue that had been recognized for remaining grant funds under the agreement were adjusted to reflect such. The grant termination is reflected in relinquishment loss of Robert Wood Johnson Foundation Grant in the consolidated statements of activities for the year ended December 31, 2015.

Note 7. 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. Following is the distribution of loans outstanding at December 31:

	2015	%	2014	%
By Sector:				
Education	$ 69,510,768	38	$ 79,848,566	48
Health care	46,546,592	26	35,053,639	21
Affordable housing	16,381,778	9	17,726,484	11
Community development	48,135,553	27	32,286,118	20
Total - Capital Impact Partners	180,574,691	100	164,914,807	100
CED	599,137		2,294,330	
Impact V CDE 7, LLC	31,494,217		31,494,217	
CAFW Fund, LLC	-		1,632,673	
Detroit Neighborhood Fund, LLC	4,331,656		-	
FPIF, LLC	5,429,442		-	
	$ 222,429,143		$ 200,336,027	

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 3.50 percent to 8.25 percent and maturities from February 1, 2017 to July 1, 2052.

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 October 1, 2040.

Capital Impact Partners makes Business Planning Advances (BPAs) to eligible entities for technical assistance and predevelopment purposes. At December 31, 2015 and 2014, Capital Impact Partners had BPAs outstanding of $153,750 that are included in loans receivable.

Note 7. Loans Receivable (Continued)

Subsidiaries:

CED: CED's loans receivable consist of advances to various healthcare entities and are secured by the real and personal property of the borrowers as described in the respective loan and security agreements. The notes bear annual interest at a fixed rate of 6 percent. Monthly payments of principal and interest are 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 are due. Maturities range from October 1, 2021 to April 1, 2032. During 2015, Capital Impact Partners repaid CED's debt on behalf of CED. Upon repayment of CED's loan receivable from its borrower, Capital Impact Partners expects to be repaid by CED.

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, 2015, the maturity date has not been accelerated.

CAFW Fund, LLC: The CAFW Fund, LLC was formed under the laws of the state of Delaware. Capital Impact Partners was the sole member and manager of this LLC until it was dissolved during 2015. The LLC was formed specifically for the purpose of making loans to food and grocery businesses in California. The loans provided financing to eligible fresh food retailers and/or distributors to overcome the higher costs and initial barriers to entry in many underserved urban and rural areas, to support renovation and expansion of existing stores as well as innovations in fresh food retailing and distribution. Capital Impact Partners' role is managing the CAFW Fund, LLC and identifying, originating, closing and servicing the loans. The 10 lenders had committed to lend an aggregate of $125,000,000 to the fund. This subsidiary was dissolved during 2015.

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 7. Loans Receivable (Continued)

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 statement of financial position as of December 31, 2015 and $65,400,000 or 90 percent senior debt from a special purpose entity between Calvert Foundation and AARP Inc.

Refer to Note 11 – Notes Payable – Subsidiaries for further details on subsidiary loans receivables.

Note 8. 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.

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, 2015 and 2014. 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, 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 8. Credit Quality (Continued)

December 31, 2014	30 - 59 Days Past Due	60 - 89 Days Past Due	90 days and Still Accruing	Non-accrual	Total Past Due	Current	Total Loans
Education	$ -	$ -	$ -	$ -	$ -	$ 79,848,566	$ 79,848,566
Health care	-	-	-	-	-	35,053,639	35,053,639
Affordable housing	210,757	393,989	-	421,750	1,026,496	16,699,988	17,726,484
Community development & Other	-	-	-	318,155	318,155	31,967,963	32,286,118
Total	$ 210,757	$ 393,989	$ -	$ 739,905	$ 1,344,651	$ 163,570,156	$ 164,914,807

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.

Note 8. Credit Quality (Continued)

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.

The following tables summarize the loan portfolio by sector and the internally assigned credit quality ratings for those categories at December 31, 2015 and 2014.

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

December 31, 2014	Education	Health Care	Affordable Housing	Community Development & Other	Total
Above Average	$ 9,028,065	$ 974,041	$ 9,758	$ -	$ 10,011,864
Pass	25,720,284	4,472,336	2,715,776	9,209,745	42,118,141
Watch	33,705,995	26,638,811	10,352,055	20,179,426	90,876,287
Special Mention	11,394,222	2,519,516	3,781,185	2,138,048	19,832,971
Substandard	-	290,199	424,761	318,155	1,033,115
Doubtful	-	158,736	442,949	440,744	1,042,429
Total	$ 79,848,566	$ 35,053,639	$ 17,726,484	$ 32,286,118	$ 164,914,807

Allowance for loan losses: The allowance for loan losses as a percentage of loans outstanding as of December 31, 2015 and 2014 was 5.0% and 5.6%, respectively, of Capital Impact Partners' loan portfolio. No allowance for loan losses was deemed necessary for any of the Organization's consolidated subsidiary loans as of December 31, 2015 and 2014.

Note 8. Credit Quality (Continued)

The following tables summarize the allowance for loan losses as of and for the year ended December 31, 2015 and 2014, by sector and the amount of loans evaluated individually or collectively for impairment by sector.

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
Provisions	(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

December 31, 2014	Education	Health Care	Affordable Housing	Community Development & Other	Total
Allowance for loan losses:					
Beginning balance	$ 4,097,697	$ 2,262,796	$ 1,330,412	$ 1,224,850	$ 8,915,755
Charge-offs	(579,246)	-	-	-	(579,246)
Recoveries	-	47,971	5,421	-	53,392
Provisions	459,530	(374,555)	(130,638)	833,558	787,895
Ending Balance	$ 3,977,981	$ 1,936,212	$ 1,205,195	$ 2,058,408	$ 9,177,796
Ending balance of allowance for loan losses:					
Individually evaluated for impairment	$ 479,565	$ -	$ -	$ 318,155	$ 797,720
Collectively evaluated for impairment	3,498,416	1,936,212	1,205,195	1,740,253	8,380,076
Total	$ 3,977,981	$ 1,936,212	$ 1,205,195	$ 2,058,408	$ 9,177,796
Loan ending balances					
Individually evaluated for impairment	$ 654,906	$ 247,611	$ 566,103	$ 318,155	$ 1,786,775
Collectively evaluated for impairment	79,193,660	34,806,028	17,160,381	31,967,963	163,128,032
Total	$ 79,848,566	$ 35,053,639	$ 17,726,484	$ 32,286,118	$ 164,914,807

Note 8. Credit Quality (Continued)

Impaired loans: The following tables summarize the impaired loans as of December 31, 2015 and 2014. The tables segregate the loans by sector for impaired loans with specific allowances for losses and impaired loans without specific allowances.

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.

December 31, 2014	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized*
With no related allowance recorded:					
Education	$ -	$ -	$ -	$ -	$ -
Health care	247,611	247,611	-	285,294	15,545
Affordable housing	566,103	694,473	-	705,032	30,464
Community development	-	-	-	-	-
Subtotal	813,714	942,084	-	990,326	46,009
With an allowance recorded:					
Education	654,906	654,906	479,565	726,661	-
Health care	-	-	-	-	-
Affordable housing	-	-	-	-	-
Community development	318,155	318,155	318,155	332,999	-
Subtotal	973,061	973,061	797,720	1,059,660	-
Total:					
Education	654,906	654,906	479,565	726,661	-
Health care	247,611	247,611	-	285,294	15,545
Affordable housing	566,103	694,473	-	705,032	30,464
Community development	318,155	318,155	318,155	332,999	-
Total	$ 1,786,775	$ 1,915,145	$ 797,720	$ 2,049,986	$ 46,009

* Interest income recognized on a cash basis during 2014 was $0.

Note 8. 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, 2015 and 2014, the Organization had $-0- and $391,965, 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 2014 TDR's represent one loan in the healthcare sector and one loan in the affordable housing sector, for which payment terms were modified and/or maturity dates were extended. None of the modifications represented forgiveness of debt.

There were no loans previously identified as TDR's that re-defaulted in 2015 or 2014.

During 2015, the District of Columbia Public Charter School Board voted not to renew the charter for a school with its loan held by Charter School Capital Access Program, LLC, in which Capital Impact Partners has an investment. Therefore the school was closed at the end of the school year after a public hearing that took place on February 11, 2015. The charter was revoked as a result of the school not meeting its goals around student achievement. The most recent appraisal and liquidation values received for the property are more than sufficient to repay the debt on the property. There is a signed purchase offer in an amount sufficient to fully repay all outstanding principal, interest, and fees. The sale of the building is expected to close during the first half of 2016.

During 2015, the charter for another school with a loan within Capital Impact Partners' portfolio was not renewed; therefore, the school was closed in June 2015. The reason given for the revocation was the failure to provide services to children with disabilities in accordance with State regulations. A default letter was sent to the borrower on March 26, 2015. As a result of this default, Capital Impact Partners has classified the loan to this charter school as impaired and placed a specific reserve on the loan as of December 31, 2014. The loan was charged off in 2015.

During 2015, a grocery store borrower experienced delays in opening and was unable to meet volume projections. The store closed and the loan was charged off.

In November 2015, upon indication that the development project was not moving forward, a loan to a long-term care housing authority borrower was fully forgiven in the amount of $17,000.

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, 2015 and 2014, no allowance for loan loss was recorded on the loans receivable for CED and Impact V CDE 7, LLC.

Note 8. Credit Quality (Continued)

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) 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 9. Other Assets

Included in Other Assets as of December 31, 2015 and 2014 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 that enhancement 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 $510,074 and $509,999, respectively, per a pledge and security agreement dated February 1, 2012 between Capital Impact Partners and CSFP. Charter School Financing Partnership (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.

Note 9. Other Assets (Continued)

A $1,000,000 cash deposit with Pacific Charter School Development (PCSD). 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. PCSD intends to provide credit enhancement facilities for bonds issued for the purpose of financing, or refinancing the acquisition, construction, expansion, repair, renovation or improvement or educational facilities for the benefit of Aspire Public Schools (Aspire). College for Certain, LLC, a California limited liability company (CFC), was formed for the purpose of financing and holding title to educational facilities on behalf of Aspire. CFC received bond proceeds from the California Statewide Communities Development Authority on April 1, 2010. PCSD and CFC entered into a letter of credit agreement for $17,000,000 that was backed by the $1,000,000 deposit made by Capital Impact Partners along with grants of $8,000,000 from the Bill & Melinda Gates Foundation and $8,000,000 from the Charles and Helen Schwab Foundation.

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. DOE approved the pledge because DOE funds are being used to purchase an eligible instrument (QZABs). In return for its pledge, Capital Impact Partners recognized a placement fee of $82,000 at closing in 2011. Capital Impact Partners also earns 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 is shared equally by its five partners. As a 20 percent owner of CSFP, Capital Impact Partners receives its pro rata share of .36667 percent per annum. The borrower is required to make quarterly principal and interest payments as well as repayments on the pledged amount. The balance of the deposit included in other assets was $372,611and $417,726, respectively.

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, 2015. The balance of the guaranty was $100,071 and $0, respectively.

A $200,000 Program Related Investment Loan advance to CoopMetrics (d/b/a CoMETRICS). On September 1, 2015, Capital Impact Partners entered into an agreement with CoopMetrics 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 is to be funded in two separate tranches and pay interest at an initial rate of 1 percent and increase to 5 percent if CoopMetric's earnings reach a certain level. Capital Impact Partners has advanced $200,000 and $-0-, respectively, under the loan and earned interest of $589 and $-0-, respectively.

Note 9. Other Assets (Continued)

Furniture, equipment and leasehold improvements at December 31, 2015 and 2014 were comprised as follows:

	2015	2014
Furniture, equipment and software	$ 326,908	$ 290,912
Leasehold improvements	71,609	71,609
	398,517	362,521
Less accumulated depreciation and amortization	(243,198)	(172,503)
	$ 155,319	$ 190,018

Note 10. 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	Commitment under Bond and Notes Payable	Balance December 31, 2015	Balance December 31, 2014	Interest Rate	Maturity Date
Calvert Foundation	$ 6,700,000	$ 6,700,000	$ 6,700,000	2.75%	June 2020
Chase New Markets Corporation	-	-	5,250,000	3.375%	February 2015
Bank of America	9,000,000	9,000,000	12,000,000	3.75%	September 2018
Merrill Lynch NMTC Corporation	10,000,000	8,766,075	8,988,437	1.89%	June 2016
Ford Foundation	2,250,000	2,129,713	2,073,870	1.00%	September 2018
California Community Foundation	6,000,000	897,347	878,460	1.00%	June 2018
Rasmuson Foundation	200,000	200,000	740,791	1.00%	September 2020
PNC Bank	10,000,000	8,483,362	8,483,362	3.50%	December 2017
JPMC Living Cities	-	-	1,000,000	LIBOR plus 2.50%	March 2018
Living Cities Catalyst	5,500,000	5,500,000	4,750,000	2.00%	December 2020
Robert Wood Johnson	10,000,000	5,000,000	2,700,000	2.00%	November 2021
Kellogg Foundation	1,500,000	1,413,632	1,456,765	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	2,660,171	2,615,884	1.00%	February 2024
Kellogg Foundation	3,000,000	2,000,000	-	1.00%	May 2025
Northern trust	1,000,000	1,000,000	-	1.00%	September 2020
The California Endowment	10,000,000	-	-	2.00%	December 2027
	85,650,000	61,250,300	65,137,569		
JPMC Revolving Line of Credit	50,000,000	32,800,000	24,950,000	LIBOR plus 2.25%	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 (a)	55,000,000	5,859,705	-	2.75%	September 2040
Total	$ 201,368,000	$ 110,628,005	$ 100,805,569		

Note 10. 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. The $200 million bond was awarded jointly to the four highest CARS-rated CDFI's in the country – Capital Impact Partners, Low Income Investment Fund, The Reinvestment Fund, and IFF. 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 will have to commit the remaining 50 percent, or $27.5 million, by September 25, 2016, but will have until September 25, 2019 to draw down on the bond. Under the program, bonds are purchased by the Federal Financing Bank and carry a 100 percent guarantee from the Secretary of the Treasury.

The Organization has drawn on the bond and advanced $5,917,000 and $-0- on the bond to a borrower as of December 31, 2015 and 2014, respectively. The bond's final maturity is September 20, 2040. Capital Impact Partners paid approximately $88,724 and $53,125 in facility fees related to this program for the years ended December 31, 2015 and 2014, respectively.

Aggregate annual maturities of Capital Impact Partners' borrowings over each of the next five years and thereafter, as of December 31, 2015, are as follows:

Years ending December 31:	
2016	$ 12,882,916
2017	12,605,300
2018	38,397,309
2019	11,498,153
2020	14,594,324
Thereafter	20,650,003
	$110,628,005

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 note payable.

For the Ford Foundation, Capital Impact Partners recognized interest expense of $55,843 and $54,378 for the years ended December 31, 2015 and 2014, respectively.

For the New Hampshire Endowment for Health, Capital Impact Partners recorded contribution revenue of $0 and $5,384 and recognized interest expense of $0 and $8,112 for the years ended December 31, 2015 and 2014, respectively.

Note 10. Notes and Bond Loan Payable, Revolving Line of Credit and Subordinated Debt (Continued)

For the California Community Foundation, Capital Impact Partners recognized interest expense of $18,877and $18,489 for the years ended December 31, 2015 and 2014, respectively.

For the Rasmuson Foundation, Capital Impact Partners recognized interest expense of $9,209 and $15,592 for the years ended December 31, 2015 and 2014, respectively.

For the Kellogg Foundation, Capital Impact Partners recognized interest expense of $6,867 and $7,557 for the years ended December 31, 2015 and 2014, respectively.

For the Ford Foundation received in 2014, Capital Impact Partners recorded contribution revenue of $0 and $420,458 and recognized interest expense of $44,287 and $36,342 for the years ended December 31, 2015 and 2014, 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, 2015, is as follows:

Years ending December 31:	Ford Foundation 1	California Community Foundation	Kellogg Foundation	Ford Foundation 2	Totals
2016	$ 55,122	$ 19,293	$ 7,932	$ 45,037	$ 127,384
2017	45,434	19,708	6,740	45,799	117,681
2018	19,731	11,639	6,254	46,574	84,198
2019	-	-	5,766	47,363	53,129
2020	-	-	5,188	48,165	53,353
Thereafter	-	-	3,780	106,891	110,671
	$ 120,287	$ 50,640	$ 35,660	$ 339,829	$ 546,416

Note 11. Notes Payable – Subsidiaries

Subsidiary	Lender	Commitment	December 31, 2015	December 31, 2014	Interest Rate	Maturity Date	Payment Details
Community Economic Development, LLC	Impact CalCare II CDE, LLC (a)	$ 20,000,000	$ -	$ 2,294,330	4.00%	November 2030	Monthly principal and interest
Impact V CDE 7, LLC	Merrill Lynch NMTC Corp. (b)		17,687,500	17,687,500	LIBOR + 3.00%	September 2040	Monthly interest
Impact V CDE 7, LLC	Merrill Lynch NMTC Corp. (b)		7,312,500	7,312,500	2.00%	September 2040	Monthly interest
Impact V CDE 7, LLC	Merrill Lynch NMTC Corp. (c)		4,594,659	4,594,659	6.686%	January 2041	Monthly interest
Impact V CDE 7, LLC	Merrill Lynch NMTC Corp. (c)		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			
CAFW Fund, LLC	Citibank	25,000,000	-	347,679	4.397%, 4.65%	May 2023	Monthly interest
CAFW Fund, LLC	Morgan Stanley	15,000,000	-	208,607	4.397%, 4.65%	May 2023	Monthly interest
CAFW Fund, LLC	Bank of America	10,000,000	-	139,072	4.397%, 4.65%	May 2023	Monthly interest
CAFW Fund, LLC	Charles Schwab	10,000,000	-	139,072	4.397%, 4.65%	May 2023	Monthly interest
CAFW Fund, LLC	Metlife	10,000,000	-	139,072	4.397%, 4.65%	May 2023	Monthly interest
CAFW Fund, LLC	JP Morgan Chase	30,000,000	-	417,215	4.397%, 4.65%	May 2023	Monthly interest
CAFW Fund, LLC	The California Endowment	15,000,000	-	208,607	7.0%	May 2023	Monthly interest
CAFW Fund, LLC	Dignity Health	2,500,000	-	34,768	3.5%	May 2023	Monthly interest
CAFW Fund, LLC	Opportunity Finance Network	1,000,000	-	13,907	7%, 3.5%	May 2023	Monthly interest
Total CAFW Fund, LLC (a)		118,500,000	-	1,647,999			
DNF, LLC	JP Morgan Chase (d)	20,000,000	4,367,789	-	2.00%	June 2029	Monthly interest
FPIF, LLC	FPIF Feeder Facility LP (d)	65,400,000	5,429,442	-	3.13%	August 2031	Monthly principal and interest
WWCF, LLC	Senior Lenders (Note 7)	15,000,000	-	-	5.00%	December 2031	Monthly interest
WWCF, LLC	Kresge Foundation	5,000,000	-	-	4.00%	December 2031	Monthly interest
WWCF, LLC	Calvert Foundation	5,000,000	-	-	4.00%	December 2031	Monthly interest
Total WWCF, LLC (d)		25,000,000	-	-			
Totals		$ 280,394,217	$ 41,291,448	$ 35,436,546			

(a) The loan commitments with Impact CalCare and the commitments under the CAFW Fund, LLC were with sole recourse to CED and the CAFW Fund, LLC, respectively, and included no obligation for repayment on the part of Capital Impact Partners as of December 31, 2014. Upon the dissolution of CAFW Fund, LLC in 2015, related commitments were assumed by the Organization. During 2015, Capital Impact Partners repaid CED's loans on behalf of CED. Upon repayment of CED's loan receivable from its borrower, Capital Impact Partners expects to be repaid by CED.

(b) 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.

(c) 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.

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

Note 11. Notes Payable – Subsidiaries (Continued)

Aggregate annual maturities of subsidiary borrowings over each of the next five years and thereafter, as of December 31, 2015, are as follows:

Year ending December 31:	
2016	$ 114,693
2017	120,742
2018	127,109
2019	133,812
2020	140,868
Thereafter	40,654,224
	$ 41,291,448

Note 12. Temporarily Restricted Net Assets

Temporarily restricted net assets are those net assets whose use by the Organization is limited by donors. At December 31, 2015 and 2014, temporarily restricted net assets consisted of the following:

Grantor	Purpose	2015	2014
Department of Education	Charter School Program	$ 15,576,303	$ 15,751,666
JP Morgan Chase	Charter School Program	-	12,000,000
California Healthy Food Financing Initiative	Healthy Food Financing	1,572,933	6,081,423
CDFI Fund	Healthy Food Financing	-	2,000,000
CDFI Fund	Financial Assistance	-	2,298,794
Robert Wood Johnson Foundation	Green House	-	1,640,996
Kellogg Foundation	Healthy Food Financing	43,913	827,241
Healthy California	Healthy Food Financing	567,720	567,720
Ford Foundation	Shared Equity	120,287	176,129
AARP Foundation	Aging Initiative	577,659	996,400
Kresge Foundation	Detroit Corridor Initiative	500,000	605,717
Living Cities	Detroit Corridor Initiative	49,788	506,625
First 5 LA	Healthy Food Financing	612,000	1,786,564
JP Morgan Chase Bank	Detroit Corridor Initiative	4,610,456	5,000,000
Ford Foundation	Detroit Corridor Initiative	153,235	193,125
Sterling Foundation	Green House	-	100,000
Archstone Foundation	Aging Initiative	-	8,267
Other programs	Various	712,884	956,823
		$ 25,097,178	$ 51,497,490

Contributions receivable of $852,811 and $12,296,545, respectively, as of December 31, 2015 and 2014 were both time restricted and purpose restricted and are included in the above amounts.

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 statements of activities for the year ended December 31, 2015.

Note 13. Permanently Restricted Net Assets

At December 31, 2015 and 2014, permanently restricted net assets consisted of the following:

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

Note 14. Related Party Transactions

NCB and NCB Financial Savings Bank (NCB, FSB): As of December 31, 2015 and 2014, Capital Impact Partners has a payable of $417,523 and $230,580, 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 $794,221 and $730,040 for the years ended December 31, 2015 and 2014, 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 $737,808 and $575,771 for the years ended December 31, 2015 and 2014, respectively.

Capital Impact Partners maintains cash accounts with NCB, FSB. Balances totaled approximately $31,506,642 and $32,403,996 as of December 31, 2015 and 2014, 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, 2015 and 2014, 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 $1,489,971 and $1,752,332 as of December 31, 2015 and 2014, 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 $1,198,884 and $1,225,423 as of December 31, 2015 and 2014, respectively.

- ***Telacu Industries, Inc.:*** Capital Impact Partners purchased the outstanding balance of this loan from NCB in April, 2013. Capital Impact Partner's balance was $221,501 as of December 31, 2014. In April 2015, the loan was fully paid off.

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.

Note 14. Related Party Transactions (Continued)

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.

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. The loans are due and payable in June 2016. Capital Impact Partners services the NMTC transaction for NCB, FSB under a separate agreement.

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).

CCAP: Capital Impact Partners is a participant in a lending consortium that makes loans to CCAP (See Note 5), which in turn, makes advances to charter schools. As of December 31, 2014 and 2013, Capital Impact Partners had loans receivable from CCAP of approximately $595,807 and $631,059, respectively, as a part of this lending consortium.

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, 2015 and December 31, 2014 was $1,012,531 and $1,028,861. 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 9.

CoMetrics (formerly CoopMetrics): During 2008, Capital Impact Partners entered into a contract totaling $162,678 with CoMetrics for services relating to a web-based, financial benchmarking system for Green House Replication Initiative (GHRI) participants, which expired by December 31, 2014. Also, during 2014, Capital Impact Partners entered into a contract totaling $52,750 with CoMetrics for services relating to development of HomeKeeper, a Salesforce.com application for the management of affordable homeownership programs, and the HomeKeeper Hub, a national social impact performance database for affordable homeownership programs, which also expired by December 31, 2014.

Also on September 1, 2015, Capital Impact Partners entered into an agreement with CoopMetrics 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 9. Prior to May 2015, one of Capital Impact Partners' employees served on the board of CoMetrics.

Note 14. Related Party Transactions (Continued)

Village to Village Network, LLC: Capital Impact Partners had a 50 percent membership interest in Village to Village Network, LLC under an agreement dated October 14, 2009 that was accounted for under the equity method. As of December 31, 2014, Capital Impact Partners has withdrawn and terminated its membership interest in Village to Village Network, LLC. In connection with the termination, Capital Impact Partners wrote off receivables of approximately $279,000 due from Village to Village Network, LLC, which is included in bad debt expense in the consolidated statement of activities for the year ended December 31, 2014.

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 Organization's Board 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, 2015 and 2014 for the aggregate amount of these loans is as follows:

Balance, December 31, 2013	$ 14,529,680
Net changes	437,471
Balance, December 31, 2014	14,967,151
Net changes	1,947,974
Balance, December 31, 2015	$ 16,915,125

Note 15. New Markets Tax Credit Program

During 2005, Capital Impact Partners implemented its NMTC program and has 42 Limited Liability Companies (LLCs) that are CDEs, through December 31, 2015 and December 31, 2014, respectively. Of the 42 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 $24.8 million and $23.9 million to these LLCs during 2015 and 2014, respectively, in anticipation of receiving new markets tax credits of approximately $9.7 million and $9.3 million in 2015 and 2014, 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 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. During 2014, 6 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 $221,719 during the year ended December 31, 2014, which is reflected in the consolidated statement of activities.

Note 15. New Markets Tax Credit Program (Continued)

Capital Impact Partners also serves as the managing member of the Chase New Market Tax Credit Entities noted below:

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

At December 31, 2015 and 2014 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 2015	Amount of Investment 2014
Capital Impact Partners New Markets Tax Credit Entities	$ 39,416	$ 41,943
Chase New Markets Tax Credit Entities	1,833	1,833
	$ 41,249	$ 43,776

Note 15. New Markets Tax Credit Program (Continued)

The following is a summary of the audited financial information of these companies as of and for the years ended December 31, 2015 and 2014:

	2015	2014
Total assets	$ 472,460,896	$ 461,938,277
Total liabilities	82,862,456	82,768,458
Members' capital	389,598,440	379,220,319
Total revenue	13,097,752	15,124,921
Total expenses	10,456,169	14,575,840
Net income	2,641,499	549,081

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, 2015 and 2014, Capital Impact Partners earned approximately $1,805,989 and $1,941,082, respectively, of servicing fees from these LLCs. In addition, as of December 31, 2015 and 2014, Capital Impact Partners reflected accounts receivable of approximately $449,338 and $358,533, 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, 2015 and 2014.

Capital Impact Partners was awarded its sixth NMTC allocation in the amount of $43,000,000 in June of 2014 bringing the total NMTC allocation to $492,000,000.

Note 16. Commitments and Contingencies

The Organization leases its offices and certain office equipment under non-cancelable operating leases. The Organization’s future annual minimum payments under these leases, net of sublease income, are as follows:

2016	$ 1,062,739
2017	246,992
2018	196,647
2019	202,512
2020	208,086
Thereafter	28,646
	$ 1,945,622

Rent expense, net of subleases, was $1,019,180 and $889,732 for the years ended December 31, 2015 and 2014, respectively.

Note 16. Commitments and Contingencies (Continued)

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, 2015 and 2014, these outstanding commitments totaled $48,527,972 and $16,279,421, respectively.

Note 17. Employee Benefits

Substantially all employees are covered by NCB's non-contributory defined contribution retirement plan. Total expense for the retirement plan for the years ended December 31, 2015 and 2014 was $511,312 and $453,144, respectively. Capital Impact Partners maintains an employee thrift plan, through NCB, organized under IRS Code Section 401(k) and contributes up to 6 percent of each participant's salary. Contributions and expenses were $531,188 and $475,913 for 2015 and 2014, respectively.

Note 18. 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;

Note 18. Fair Value (Continued)

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.

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

	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
Investments at fair value	$ 2,366,342	$ 376,782	$ -	$ 1,989,560

	December 31, 2014	Level 1	Level 2	Level 3
Assets:				
Marketable equity securities	$ 399,186	$ 399,186	$ -	$ -
Real estate investment trust	1,316,000	-	-	1,316,000
Other investments	926,947	-	-	926,947
	$ 2,642,133	$ 399,186	$ -	$ 2,242,947

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.

Note 18. Fair Value (Continued)

Stock donation: Included in Other Investments is donated stock. As of December 31, 2015 and December 31, 2014, 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, 2014, the Organization recorded a $207,589 loss which was reflected in the Organization's unrealized loss, net, on investments for the year ended December 31, 2015. Therefore, this investment is valued at $311,400 as of December 31, 2015 and $518,989 as of December 31, 2014.

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.

Other than the stock donation, there was no change in the valuation techniques used to measure fair value of investments in the years ended December 31, 2015 and 2014.

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

	2015	2014
Beginning balance at January 1	$ 2,242,947	$ 2,418,611
Total net (losses) gains included in change in net assets	(166,558)	(81,536)
Purchases	-	1,258,945
Distributions	(86,829)	(1,353,073)
Ending balance at December 31	$ 1,989,560	$ 2,242,947

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

	December 31, 2014	Level 1	Level 2	Level 3
Assets:				
Impaired loans, net of specific reserves	$ 1,117,425	$ -	$ -	$ 1,117,425

Note 18. Fair Value (Continued)

Impaired Loans Net of Specific Reserves, which are measured for impairment using the loan's observable market price or the fair value of the collateral for collateral-dependent loans had a carrying amount of $606,351 and $1,786,775 with a valuation allowance of $1,961 and $797,720 for the years ended December 31, 2015 and 2014, 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 19. Subsequent Events

The Organization has evaluated its subsequent events (events occurring after December 31, 2015) through April 28, 2016, which represents the date the financial statements were available to be issued and noted the following to be disclosed:

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 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 January 20, 2016, the non-managing member assigned its interest in the CED to the managing member (Capital Impact Partners). As a result, the CED became wholly-owned by the managing member (Capital Impact Partners) and disregarded for income tax purposes. On April 8, 2016, CED was dissolved.

Pacific Charter School Development (PCSD), a not-for-profit organized under the laws of the State of California 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. College for Certain, LLC, (CFC), a California limited liability company, was formed for the purpose of financing and holding title to educational facilities on behalf of Aspire Public Schools (Aspire). In 2010, Capital Impact Partners pledged a $1,000,000 cash deposit to back a $17,000,000 letter of credit agreement entered into by PCSD and CFC to credit enhance educational facility bonds issued by the state of California. (See Note 9 for further detail). The bonds were paid off in 2016; therefore, Capital Impact Partners' $1,000,000 pledge was released from restriction as of March, 2016.

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 will reduce its equity investment in CCAP (Note 5) to zero and will use the funds as enhancement for new charter school loans. As provided for in the amended performance agreement, the funds will be divided equally between Capital Impact Partners and Reinvestment Fund.

In April 2016, CCAP received payment in full on its remaining outstanding loan receivable and the advances described in Note 5 were repaid in full to CCAP. CCAP then paid in full the outstanding balances of the notes payable due to the lenders.