Capital Impact Partners and Subsidiaries

Consolidated Financial Report
December 31, 2018

Contents

RSM

RSM US LLP

Independent Auditor's Report

To the Board of Directors
Capital Impact Partners and Subsidiaries

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Capital Impact Partners and Subsidiaries (the Organization), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

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 2017 financial statements of Impact V CDE 7, LLC, a consolidated affiliate, which statements reflect total assets and revenue constituting 4.7% and 4.4%, respectively in 2017, of the related consolidated totals. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Impact V CDE 7, LLC, is based solely on the report 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.

Emphasis of Matter
As discussed in Note 1 to the financial statements, the Organization adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers - Topic 606* and all subsequent ASUs that modified ASC 606. The Organization has elected to apply the modified retrospective method to adopt the new standard in 2018. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the financial statements, the Organization adopted new accounting guidance ASU 2016-14, *Not-for-Profit Entities (Topic 958); Presentation of Financial Statements of Not-for-Profit Entities* and applied this retrospectively to 2017. Our opinion is not modified with respect to this matter.

Opinion
In our opinion, based on our audits and the report 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, 2018 and 2017, 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.

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

RSM US LLP

Blue Bell, Pennsylvania
March 25, 2019

Capital Impact Partners and Subsidiaries

Consolidated Statements of Financial Position
December 31, 2018 and 2017

	2018	2017
Assets		
Cash and cash equivalents – unrestricted	**$ 54,798,361**	$ 28,596,868
Cash and cash equivalents – restricted	**31,696,272**	29,408,229
Accounts and interest receivable	**2,858,058**	2,832,906
Contributions receivable	**7,900,000**	525,000
Investments	**7,110,149**	5,802,541
Mortgage Backed and U.S. Treasury Securities	**53,090,027**	48,249,579
Loans receivable	**347,634,426**	311,259,856
Less: allowance for loan losses	**(11,833,262)**	(11,001,026)
Loans receivable, net	**335,801,164**	300,258,830
Loans receivable – subsidiaries	**32,481,332**	60,007,244
Other assets	**2,983,074**	3,060,779
Total assets	**$ 528,718,437**	$ 478,741,976
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 4,391,302**	$ 3,784,058
Refundable advance liability	**4,650,000**	4,800,000
Office vacation obligation	**-**	2,668,125
Deferred rent and tenant allowance	**2,036,402**	1,647,720
Revolving lines of credit	**75,000,000**	85,000,000
Notes payable	**76,752,847**	76,212,388
Investor Notes, net	**98,237,284**	40,734,213
Subordinated debt	**10,718,000**	10,718,000
Federal Home Loan Bank borrowing	**11,000,000**	11,000,000
Bond loan payable	**48,044,247**	40,930,079
Notes payable – subsidiaries	**37,986,941**	60,157,656
Total liabilities	**368,817,023**	337,652,239
Net assets:		
Without donor restrictions	**105,180,311**	102,693,027
Noncontrolling interest in consolidated subsidiaries	**25,004,079**	20,104,251
Total without donor restrictions	**130,184,390**	122,797,278
With donor restrictions	**29,717,024**	18,292,459
Total net assets	**159,901,414**	141,089,737
Total liabilities and net assets	**$ 528,718,437**	$ 478,741,976

See notes to consolidated financial statements.

Capital Impact Partners and Subsidiaries

Consolidated Statements of Activities
Years Ended December 31, 2018 and 2017

	2018	2017
Changes in net assets without donor restrictions:		
Financial activity:		
Financial income:		
Interest income on loans	**$ 21,569,459**	$ 18,172,429
Loan fees	**686,432**	406,069
Investment income, net	**828,229**	1,002,093
Gain (loss) on NMTC unwind	**94,891**	(3,941)
Total financial income	**23,179,011**	19,576,650
Financial expense:		
Interest expense	**9,899,399**	7,608,780
Provision for loan losses	**850,353**	2,229,350
Bad debt expense	**146,893**	190,208
Total financial expense	**10,896,645**	10,028,338
Net financial income	**12,282,366**	9,548,312
Revenue and support:		
Loan servicing fees	**1,653,562**	1,924,772
Fees (Note 14)	**3,228,661**	2,755,204
Contract revenue	**1,143**	4,559
Other income	**7,277**	49,236
Net assets released from donor restrictions	**5,304,316**	7,536,098
Total revenue and support	**10,194,959**	12,269,869
Expenses:		
Innovative community lending program	**11,177,033**	9,648,009
Total program expenses	**11,177,033**	9,648,009
Support expenses:		
Management and general	**9,077,413**	9,378,237
Fundraising	**690,416**	931,915
Total expenses	**20,944,862**	19,958,161
Increase in net assets without donor restrictions before non-operating items and noncontrolling interest activities	**1,532,463**	1,860,020
Gain on extinguishment of office vacating agreement	**1,937,432**	-
NCB office vacating expense	**-**	(2,727,544)
Cancellation of debt – subsidiary	**-**	9,119,937
Bad debt expense – subsidiary	**-**	(9,119,937)
Increase (decrease) in net assets without donor restrictions before noncontrolling interest activities	**3,469,895**	(867,524)
Noncontrolling interest – capital contribution	**4,900,000**	20,104,058
Noncontrolling interest – distribution	**(982,783)**	(52,511)
Increase in net assets without donor restrictions	**7,387,112**	19,184,023
Changes in net assets with donor restrictions:		
Investment income, net	**152,650**	56,863
Grant revenue	**16,576,231**	1,014,600
Net assets released from donor restrictions	**(5,304,316)**	(7,536,098)
Increase (decrease) in net assets with donor restrictions	**11,424,565**	(6,464,635)
Change in net assets	**18,811,677**	12,719,388
Net assets, beginning	**141,089,737**	128,370,349
Net assets, ending	**$ 159,901,414**	$ 141,089,737

See notes to consolidated financial statements.

Capital Impact Partners and Subsidiaries

Consolidated Statements of Functional Expenses
Years Ended December 31, 2018 and 2017

2018	Program Expenses: Innovative Community Lending Program	Support Expenses: Management and General	Support Expenses: Fundraising	Total
Interest expense	$ 9,899,399	$ -	$ -	$ 9,899,399
Provision for loan loss	850,353	-	-	850,353
Bad debt	146,893	-	-	146,893
Salaries and benefits	6,585,939	5,999,750	316,112	12,901,801
Professional fees	282,644	228,443	30,172	541,259
Contractual services	1,182,169	813,279	107,414	2,102,862
Corporate development	203,210	363,222	47,973	614,405
Lease expense	360,743	461,080	60,897	882,720
Insurance	-	147,284	19,453	166,737
Travel and entertainment	236,773	149,780	19,782	406,335
Training and tuition	40,616	127,243	16,806	184,665
Grant expense	1,174,373	-	-	1,174,373
Depreciation	116,099	243,648	-	359,747
Other	994,467	543,684	71,807	1,609,958
	$ 22,073,678	$ 9,077,413	$ 690,416	$ 31,841,507

2017	Program Expenses: Innovative Community Lending Program	Support Expenses: Management and General	Support Expenses: Fundraising	Total
Interest expense	$ 7,608,780	$ -	$ -	$ 7,608,780
Provision for loan loss	2,229,350	-	-	2,229,350
Bad debt	-	190,208	-	190,208
Salaries and benefits	6,009,884	5,919,780	529,199	12,458,863
Professional fees	60,820	560,553	70,294	691,667
Contractual services	1,053,050	533,829	66,943	1,653,822
Corporate development	22,452	480,488	60,254	563,194
Lease expense	441,280	437,893	54,913	934,086
Insurance	-	139,891	17,543	157,434
Travel and entertainment	209,485	202,227	25,360	437,072
Training and tuition	62,795	44,237	5,547	112,579
Grant expense	1,262,690	22,214	2,786	1,287,690
Depreciation	-	193,654	24,285	217,939
Other	715,761	653,263	74,791	1,443,815
	$ 19,676,347	$ 9,378,237	$ 931,915	$ 29,986,499

See notes to consolidated financial statements.

Capital Impact Partners and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Increase in net assets	$ 18,811,677	$ 12,719,388
Noncontrolling interest activities	3,917,217	20,051,547
Increase (decrease) in net assets before noncontrolling interest activities	14,894,460	(7,332,159)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Provision for loan losses	850,353	2,229,350
Bad debt expense	146,893	9,310,145
Cancellation of debt – subsidiary	-	(9,119,937)
Depreciation	359,747	217,938
Gain on extinguishment of office vacating agreement	(1,937,432)	-
Amortization of notes issuance costs	106,000	23,604
Amortization of deferred rent and tenant allowance	388,682	14,938
Investment loss (gain)	928,767	(10,742)
(Gain) loss on NMTC unwind	(94,891)	3,941
Loss on disposal of assets	54,334	24,555
Accretion of interest on loans	88,445	115,558
Decrease (increase) in:		
Accounts and interest receivable	(172,045)	(1,096,214)
Contributions receivable	(7,375,000)	5,505,676
Other assets	91,761	39,845
(Decrease) increase in:		
Accounts payable and accrued expenses	413,094	509,293
Refundable advance liability	(150,000)	4,800,000
Office vacation obligation	(730,693)	2,668,125
Net cash provided by operating activities	7,862,475	7,903,916
Cash flows from investing activities:		
Loan originations and advances	(70,823,860)	(138,895,364)
Loan purchases	(6,417,074)	(17,313,319)
Loan repayments	40,598,247	40,349,197
Loan sales	250,000	11,500,000
Loan originations and advances – subsidiaries	(466,113)	(18,967,205)
Loan repayments – subsidiaries	27,992,025	337,988
Proceeds from distributions of investments	10,560,104	20,463,429
Purchase of investments	(17,542,036)	(54,720,446)
Purchase of furnishings and equipment	(428,135)	(110,025)
Net cash used in investing activities	(16,276,842)	(157,355,745)
Cash flows from financing activities:		
Proceeds from notes payable	5,000,000	35,969,194
Proceeds from bond loan payable	8,535,000	13,485,000
Repayment of notes payable	(4,547,986)	(20,583,362)
Repayment of bond loan payable	(1,420,832)	(1,180,457)
Proceeds from issuance of Investor Notes, net	57,827,475	41,171,553
Repayment of Investor Notes	(130,000)	-
Payment of issuance cost of Investor Notes	(300,404)	(460,944)
Capital contribution received – noncontrolling interest	4,900,000	20,104,058
Capital distributions paid – noncontrolling interest	(788,635)	-
Proceeds from notes payable – subsidiaries	466,114	18,887,759
Repayment of notes payable – subsidiaries	(22,636,829)	(189,314)
Proceeds from lines of credit	10,000,000	63,000,000
Repayment of lines of credit	(20,000,000)	(10,000,000)
Net cash provided by financing activities	36,903,903	160,203,487
Net increase in cash and cash equivalents	28,489,536	10,751,658
Cash and cash equivalents – beginning	58,005,097	47,253,439
Cash and cash equivalents – ending	$ 86,494,633	$ 58,005,097

(Continued)

Capital Impact Partners and Subsidiaries

Consolidated Statements of Cash Flows (Continued)
Years Ended December 31, 2018 and 2017

		2018		2017
Supplemental disclosure of cash flow information:				
Cash paid during the year for interest	**$**	**9,497,336**	$	7,038,037
Supplemental schedules of noncash investing and financing activities:				
Distributions payable to noncontrolling interest included in accounts payable	**$**	**246,659**	$	52,511
Loan forgiveness		**25,000**		-
Tenant allowance for leasehold improvements and furniture		**61,375**		1,553,284
	$	**333,034**	$	1,605,795

See notes to consolidated financial statements.

Note 1. Description of Activities and Significant Accounting Policies

Description of activities: Capital Impact Partners is a nonprofit organization without capital stock organized under the laws of the District of Columbia at the direction of the U.S. Congress in 12 U.S. Code 3051(b). The purpose of Capital Impact Partners is to provide industry altering financial services and technical assistance programs designed to spark systemic change for lasting economic progress. Capital Impact Partners empowers communities to create more affordable cooperative homeownership, access to healthy foods, housing and services for the 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.	Yes
NCBCI Education Conduit, LLC	100%	Formed to facilitate, encourage and assist in financing charter schools. This entity holds Capital Impact Partner's interest in the Charter School Financing Partnership (CSFP), LLC.	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. This entity dissolved in February 2018.	Yes
Impact NMTC Holdings LLC	99.99%	Formed to act as a non-managing member for NMTC Community Development Entities (CDEs) with Capital Impact Partners acting as managing member. This subsidiary owns 0.01% of Impact V CDE 7 LLC. This entity dissolved in August 2018.	Yes, through Impact V CDE 7's ownership of this subsidiary.
Impact NMTC Holdings II LLC	100%	Formed to act as a non-managing member for NMTC Community Development Entities (CDEs) with Capital Impact Partners acting as managing member.	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 had no activity and dissolved in 2019.	Yes
Detroit Neighborhoods Fund, LLC (DNF, LLC)	100%	The purpose of this fund is to provide financing for mixed-use and multi-family rental housing and healthy foods retail in underserved areas in Detroit, Michigan.	Yes
FPIF, LLC	100%	The purpose of this fund is to channel funds to a predominately low income population aged 50+.	Yes
Community Investment Impact Fund, LLC	20%	The purpose of this fund is to engage solely in the business of, directly or indirectly, owning, holding for investment, exchanging, selling and disposing of investments in loans and other related activities. Capital Impact Partners is the managing member of this entity.	Yes
Community Investment Impact Fund II, LLC	20%	The purpose of this fund is to engage solely in the business of, directly or indirectly, owning, holding for investment, exchanging, selling and disposing of investments in loans and other related activities. Capital Impact Partners is the managing member of this entity.	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. 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, the State of Virginia and the Government of the District of Columbia.

Capital Impact Partners’ principal sources of revenue and support are interest income and fees earned from its lending activities, grants and contributions. Capital Impact Partners has the following distinct program:

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.

Significant accounting policies:

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

Principles of consolidation: The financial statements include the accounts of Capital Impact Partners and its consolidated subsidiaries which include Community Solutions Group, LLC, NCBCI Education Conduit, LLC, Impact V CDE 7, LLC (dissolved in February 2018), Impact VII CDE 11 (dissolved July 2017), LLC, Woodward Corridor Investment Fund, LLC (dissolved in March 2019), Detroit Neighborhoods Fund, LLC, FPIF, LLC, Community Investment Impact Fund, LLC, Community Investment Impact Fund II, LLC, Impact NMTC Holdings LLC (dissolved in August 2018) and Impact NMTC Holdings II 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 generally accepted accounting principles in the United States (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

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

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. Capital Impact Partners' 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 assets without donor restrictions, unless explicit donor intent or law restricts their use, in which case unrealized or realized gains or losses are reported in the statements of activities as a change in assets with donor restrictions. Investment return is reported net of investment expenses.

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

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

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

Investment in Charter School Financing Partnership, LLC: Capital Impact Partners has a 20% voting interest in Charter School Financing Partnership, LLC (CSFP) and is accounting for its investment in CSFP under the equity method of accounting. Accordingly, Capital Impact Partners' share of net income of the affiliate is recognized as income or loss in Capital Impact Partners' statements of activities and added to or subtracted from the investment account. Dividends received from the affiliate are treated as a reduction of the investment account. Capital Impact Partners appoints one of the five managers of the Board of Managers. CSFP was established to encourage, facilitate and assist charter schools with financing and educational related activities.

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

Investment in FHLB Stock: In January 2015, Capital Impact Partners became a member of the Federal Home Loan Bank of Atlanta (FHLBank Atlanta) and is required to maintain an investment in capital stock in FHLBank Atlanta. The FHLBank Atlanta stock does not have a readily determinable value as ownership is restricted and there is no ready market for this stock. As a result, the stock is carried at cost and management evaluates periodically for impairment based on the ultimate recovery of the cost basis of the stock. No impairment was noted as of December 31, 2018 or 2017.

Innovative Investments Portfolio (IIP): The purpose is to invest in innovative and high-impact organizations with a strong fit within Capital Impact Partners' strategic pillars. It allows Capital Impact Partners to fill a gap not currently addressed by its core lending activity. IIP investments may take the form of debt and equity securities, credit enhancements and guarantees. The IIP Committee is comprised of senior management. The IIP committee must review and approve all investments to ensure each investment fits the IIP policy: the value of each individual IIP Investment will not exceed 1% of Capital Impact Partners' net assets without donor restriction, and the total value of the Innovative Investment Portfolio will not exceed 5% of Capital Impact Partners' net assets without donor restriction.

Noncontrolling interest in consolidated subsidiaries: The noncontrolling interest represents the equity interest in Community Investment Impact Fund, LLC, and Community Investment Impact Fund II, LLC exclusive of Capital Impact Partners' interest. Community Investment Impact Fund, LLC (CIIF) and Community Investment Impact Fund II, LLC (CIIF II) are for-profit entities, which are jointly owned by Capital Impact Partners (managing member with 20% ownership) and Annaly Social Impact LLC (non-managing member with 80% ownership). Capital Impact Partners consolidates CIIF and CIIF II financial statements as Capital Impact Partners is the managing member for both entities and presumed to control the entities, as the non-managing member does not have substantive kick-out rights or substantive participating rights. CIIF and CIIF II shall engage solely in the business of, owning, holding for investment, exchanging, selling and disposing of investments in loans and other activities related or incidental to the foregoing business. The Operating agreements outline the "waterfall" of funds for CIIF and CIIF II to distribute to its investors. Distributions include: 1) preferred return of funds to Annaly, and 2) remaining portion of interest payments allocated to Annaly and Capital Impact Partners. Finally, in year five, principal payments to Annaly and Capital Impact Partners will commence.

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 Capital Impact Partners will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by Management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is generally measured on a loan-by-loan basis using the fair value of collateral, since Capital Impact Partners' loans are largely collateral dependent.

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

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

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

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

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

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

When the donor restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), donor restricted net assets are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Contributions receivable, which represents unconditional promises to give, are recognized as revenue in the period received and as assets, decreases of liabilities or expenses depending on the form of the benefits received. 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.

Investor Notes: Capital Impact Partners launched an Investor Notes (Notes) program in 2017. 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 Partners' 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 Partners' lending activities and general operations, and for general corporate purposes. The Notes are sold through the Depository Trust Company (DTC). The Lead Selling Agent, InCapital, agrees to sell these notes to other agents on Capital Impact Partners behalf. The Notes are issued in increments of $1,000 or more and pay interest at various fixed interest rates. The terms for the Notes are one-year, three-year, five-year, seven-year and ten-year maturities.

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

US Bank has been designated as the indenture trustee to the indenture agreement and in this capacity US Bank serves as paying agent for the notes. The Notes constitute unsecured debt obligations of Capital Impact Partners. The Note holders held $98,237,284 and $40,734,213, net of Investor Note issuance cost, of the total Notes payable balance as of December 31, 2018 and 2017, respectively.

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

Net assets: Capital Impact Partners classifies net asset into two categories: Without Donor Restrictions and With Donor Restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Donor restricted net assets are contributions with temporary, donor-imposed time or purpose restrictions. Donor restricted net assets can be released from restriction when the time restrictions expire or the contributions are used for their restricted purpose at which time they are reported in the statements of activities as net assets released from restrictions. Donor restricted funds also include donor contributions to be held in perpetuity. Capital Impact Partners had a revolving loan fund as of December 31, 2017. During 2018, the donor repurposed this fund to finance vulnerable populations. (See Note 13.)

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

Revenue recognized at a point in time includes NMTC Suballocation Fees and NMTC Success Fees:

NMTC suballocation fees are paid to Capital Impact Partners from the community development entity (CDE) for Capital Impact Partners' allocation of its NMTC award to the CDE. The fees are 2% of the qualified equity investment (QEI) made from the investor member to the CDE. The performance obligation by Capital Impact Partners is to assist in the transfer of its NMTC allocation to a CDE; therefore, the performance obligation is satisfied and revenue recognized when the deal closes.

The NMTC success fees are earned for managing the investments of the CDE. The fees are comprised of the Loan Loss Reserve account balance plus interest earnings over the seven years. The fees are typically 2% of the QEI and are payable at the completion of the seven-year compliance period, after the unwind is complete. The fee has variable considerations as the amount is based on the level of performance by Capital Impact Partners up until the end of the compliance period when the hurdle is met and there are no recapture events. Revenue is therefore recognized at a point in time when the deal successfully unwinds. Payment is due upon completion of the unwind.

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

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

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

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

Credit enhancement fees are collected from two investments funds (Chase NMTC EXED and Chase NMTC Fenton) for Capital Impact Partners' arrangement of the credit enhancement facility with the California Charter School Association. The performance obligation is to provide credit enhancement which estimated to occur evenly over the term of the arrangement. The fee is 0.10% of the outstanding credit enhancement facility with the California Charter School Association.

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

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

Deferred rent and tenant allowance: Capital Impact Partners leases office space in Arlington, Virginia that includes escalations and rent abatement for a 50% discount on the monthly rent payments within the first 34 months of occupancy. Capital Impact Partners also leases office space in Detroit, Michigan that includes rent abatement for the first five months of occupancy. Rent expense is recorded on a straight-line basis over the entire lease term. The deferred rent liability recorded in the accompanying statements of financial position represents the cumulative difference between the monthly rent expense and the rent paid. Capital Impact Partners office lease provides for certain incentives in the form of a tenant allowance for leasehold improvements. This benefit is being amortized on a straight-line basis over the life of the lease.

Cancellation of debt – subsidiary: The investor in Impact V CDE 7 forgave the residual balance for two out of four debt payable balances subsequent to a partial principal repayment from Impact V CDE 7 during January 2018. As a result, cancellation of debt income was recognized during the year ended December 31, 2017.

Income taxes: Capital Impact Partners is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, Capital Impact Partners qualifies for charitable contribution deductions and has been classified as an organization that is not a private foundation. Income which is not related to exempt purposes, less applicable deductions, is subject to federal corporate income taxes. Capital Impact Partners had approximately $16,000 and $0 of net unrelated business income tax for the years ended December 31, 2018 and 2017, respectively, as a result of the Tax Cuts and Jobs Act of 2017. Capital Impact Partners provides supplemental funds to employees for parking and transit, now considered as unrelated business income for non-profit entities.

Management evaluated Capital Impact Partners' tax positions and concluded that Capital Impact Partners had taken no uncertain tax positions that require adjustment to the financial statements. Consequently, no accrual for federal or state tax liability for interest and penalties was deemed necessary for the years ended December 31, 2018 and 2017. Capital Impact Partners files tax returns in the U.S. federal jurisdiction, California and Delaware. Generally, Capital Impact Partners is no longer subject to income tax examination by the U.S. federal or state tax authorities for years before 2015.

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

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

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

Reclassifications: Certain reclassifications were made in the 2017 financial statements to conform to the current year presentation with no effect on the changes in net assets or net assets.

Recent accounting pronouncements adopted: As of January 1, 2018, Capital Impact Partners adopted Accounting Standards Update (ASU) 2014-09 *Revenue from Contracts with Customers – Topic 606* and all subsequent ASUs that modified ASC 606. Capital Impact Partners has elected to apply the modified retrospective method to adopt the new standard. There were no material changes in the timing of recognition of revenue and therefore no material impact to the statement of financial position upon adoption. Additional disclosures related to revenue are included in Note 14.

As of January 1, 2018, Capital Impact Partners adopted 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. The implementation of the guidance had no material impact on the measurement or recognition of revenue of prior periods or net asset balances; however, additional disclosures have been added in accordance with the ASU.

Recent accounting pronouncements: 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. Capital Impact Partners elected to early adopt this amendment described above during the year ended December 31, 2015. The other amendments in this update are effective for Capital Impact Partners for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Capital Impact Partners is currently evaluating effect on the financial statements of adopting the other amendments included in ASU 2016-01.

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

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 statement of financial position 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 statement of activities. The new standard is effective for Capital Impact Partners for the fiscal year beginning January 1, 2019. 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. Management has estimated the impact of the pending adoption of the new standard on the consolidated financial statements will be a net increase of approximately $9,500,000 in lease assets, which consists of an increase of approximately $11,500,000, net of deferred rent and tenant allowance of approximately $2,000,000 and an increase of approximately $11,500,000 in lease financing liabilities.

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 instruments. The existing incurred loss model will be replaced with a current expected credit loss (CECL) model for both originated and acquired financial instruments carried at amortized cost and off-balance sheet credit exposures, including loans, loan commitments, held-to-maturity debt securities, financial guarantees, net investment in leases, and most receivables. Recognized amortized cost financial assets will be presented at the net amount expected to be collected through an allowance for credit losses. Expected credit losses on off-balance sheet credit exposures will be recognized through a liability. Unlike current guidance, which requires certain favorable changes in expected cash flows to be accreted into interest income, both favorable and unfavorable changes in expected credit losses (and therefore the allowance) will be recognized through credit loss expense as they occur. With the exception of purchased financial assets with a more than insignificant amount of credit deterioration since origination, for which the initial allowance will be added to the purchase price of the assets, the initial allowance on financial assets subject to the scope (whether originated or acquired) will be recognized through credit loss expense. Expanded disclosures will also be required. The ASU is effective for fiscal years beginning after December 15, 2021. Capital Impact Partners is currently evaluating the impact of adopting this new guidance on its financial statements.

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 Capital Impact Partners on January 1, 2019. ASU 2016-15 requires a retrospective transition method. This standard does not have a material impact on Capital Impact Partners' results of operations or financial position. Capital Impact Partners is currently evaluating the impact the adoption of this guidance will have on its statement of cash flows.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The amendments in this Update should assist entities in: (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The guidance applicable to resource recipients is effective for fiscal years beginning after June 15, 2018, and the guidance applicable to resource providers is effective for fiscal years beginning after December 15, 2018. Early adoption is allowed. Capital Impact Partners is currently evaluating the effect that this guidance will have on its financial statements.

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

In July 2018, the FASB issued ASU 2018-10, *Codification Improvements to Topic 842, Leases.* This ASU clarifies and corrects unintended application of narrow aspects of the lease accounting guidance. For entities that early-adopted Topic 842, the amendments are effective upon issuance of ASU 2018-10, and the transition requirements are the same as those in Topic 842. For entities that have not adopted Topic 842, the effective date and transition requirements for ASU 2018-10 are the same as the effective date and transition requirements in Topic 842 (for annual reporting periods beginning after December 15, 2018 for Capital Impact Partners). See above for the estimated impact of the pending adoption of the new standard on the financial statements.

In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*. This ASU: (a) allows entities to initially apply ASC 842 at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption; and (b) provides a practical expedient under which lessors may elect, by class of underlying assets, to not separate nonlease components from the associated lease component. For entities that have not adopted Topic 842 before the issuance of ASU 2018-11, the effective date and transition requirements for the amendments related to separating components of a contract are the same as those in ASU 2016-02. For entities that have adopted Topic 842 before the issuance of ASU 2018-11, the practical expedient for separating components may be elected either in the first reporting period following the issuance of ASU 2018-11 or at the original effective date of Topic 842 for that entity. See above for the estimated impact of the pending 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:

	2018	2017
Cash in bank	$ 46,523,320	$ 29,131,217
Overnight investments	14,042,980	27,350,589
Other short-term investments	6,896,625	1,523,291
U.S. Treasury Bills (a)	13,031,708	-
Certificates of Indebtedness (a)	6,000,000	-
	$ 86,494,633	$ 58,005,097
Unrestricted	$ 54,798,361	$ 28,596,868
Restricted	31,696,272	29,408,229
	$ 86,494,633	$ 58,005,097

(a) Capital Impact Partners invests idle cash in short term securities, including U.S. Treasury Bills. At December 31, 2018, Capital Impact held $19,031,708 in short-term U.S. Treasury Bills, consisting of $10,031,708 held through its Safekeeping Account at the Federal Home Loan Bank of Atlanta and $9,000,000 held directly through Treasury Direct. Of the $9,000,000 held at Treasury Direct, $6,000,000 was held as Zero-Percent Certificate of Indebtedness (C of I). C of I's are intended to be used as a source of funds for purchasing Treasury Securities.

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

Note 3. Liquidity

Capital Impact Partners regularly monitors liquidity required to meet its annual operating needs and other contractual commitments, while also striving to maximize the return on investment of its funds not required for annual operations. As of December 31, 2018, the following financial assets are available to meet annual operating needs of the 2019 fiscal year:

Total assets at year-end:	
Cash and cash equivalents – unrestricted	$ 54,798,361
Cash and cash equivalents – restricted	31,696,272
Accounts and interest receivable	2,858,058
Contributions receivable	7,900,000
Loans receivable, net	335,801,164
Loans receivable – subsidiaries	32,481,332
Other assets	2,983,074
Investments	7,110,149
Mortgage Backed and U.S. Treasury Securities	53,090,027
Total assets	528,718,437
Less amounts not available to be used within one year:	
Cash and cash equivalents – unrestricted – subsidiaries	(8,017,140)
Cash and cash equivalents – restricted	(31,696,272)
Contributions receivable	(7,900,000)
Loans receivable, due after one year, net	(279,316,061)
Loans receivable – subsidiaries	(32,481,332)
Other assets	(2,983,074)
Investments	(7,110,149)
Investments in pledged Mortgage Backed and U.S. Treasury Securities	(18,448,716)
Unfunded loan commitments	(24,815,955)
Financial assets not available to be used within one year	(412,768,699)
Financial assets available to meet general expenditures within one year	$ 115,949,738

Note 4. 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, 2018 and 2017, Capital Impact Partners had uninsured balances of $42,946,253 and $25,582,177, respectively, that are included in cash and cash equivalents. Uninsured amounts of $20,739,605 and $28,673,881 are held in short-term investments, in sweep accounts and non-bank money market accounts at December 31, 2018 and 2017, 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 43% and 30% of the portfolio represents loans made to entities associated with the NMTC program at December 31, 2018 and 2017, respectively. Approximately 35% and 40% of the portfolio represents loans made in the state of California and approximately 19% and 19% in the state of Michigan at December 31, 2018 and 2017, respectively.

Note 5. Investments

Investments consist of the following as of December 31:

	2018	2017
Marketable equity securities	$ 236,512	$ 217,342
Real estate investment trust	1,568,721	1,335,000
Other investments	531,244	514,326
Total investments at fair value (Note 19)	2,336,477	2,066,668
Equity method investments	2,835,886	2,930,363
Equity method investments in New Markets Tax Credit entities (Note 16)	31,986	46,010
Investments at cost	905,800	759,500
Innovation Investment Portfolio	1,000,000	-
	$ 7,110,149	$ 5,802,541

Other investments include Urban Partnership Bank stock that was donated to Capital Impact Partners in 2012. Capital Impact Partners received 14,700 shares of non-voting stock and 300 shares of voting stock with a total value of $720,000 upon donation. Capital Impact Partners revalued this stock as of 2017 and a $41,700 unrealized gain was recognized and reflected in investment income, net on the statement of activities in 2017. Urban Partnership Bank merged with Providence Bank & Trust in 2019. See Note 21 Subsequent Events. The stock was sold on February 9, 2019 for $299,645 and therefore was not revalued by Capital Impact Partners as of December 31, 2018. This investment was recorded at $245,100 as of December 31, 2018 and 2017.

Equity method investments: At December 31, 2018 and 2017, Capital Impact Partners had an investment in ROC USA, LLC of $2,605,150 and $2,732,439, respectively. The increase in net assets without donor restriction of ROC USA, LLC is allocated 33.33% to Capital Impact Partners, and the amount allocated to Capital Impact Partners for the years ended December 31, 2018 and 2017, was ($127,290) loss and $128,431 gain, 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 ROC USA, LLC. Capital Impact Partners voting percent is 23.81%. 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, 2018 and 2017, for ROC USA, LLC:

	2018	2017
Total assets	$ 68,244,383	$ 58,444,508
Total liabilities	56,096,937	46,072,583
Net assets/members' capital	12,147,446	12,371,925
Total revenue	2,332,911	3,335,086
Total expenses	2,714,780	2,949,793
Change in net assets without donor restrictions	(381,869)	385,293

Note 5. Investments (Continued)

At December 31, 2018 and 2017, Capital Impact Partners had an investment in Charter School Financing Partnership, LLC (CSFP) of $230,736 and $197,924, respectively. The net income of CSFP is allocated 18% to Capital Impact Partners and amounted to $34,797 and $42,188, respectively, for the years ended December 31, 2018 and 2017. Capital Impact Partners was informed of a distribution of $1,984 and $3,143 as of December 31, 2018 and 2017, respectively. The following is a summary of financial information of CSFP for the years ended December 31, 2018 and 2017:

	2018	2017
Total assets	$ 15,959,701	$ 16,053,810
Total liabilities	1,797,516	2,092,764
Net assets/members' capital	14,162,185	13,961,046
Total revenue	355,303	556,571
Total expenses	161,988	322,196
Change in net assets without donor restrictions	193,315	234,375

Capital Impact Partners has a 50% ownership interest in NCB Communities, LLC. NCB Communities, LLC reported no assets, liabilities, members' capital, revenue or expenses for the years ended December 31, 2018 and 2017.

Investments at cost: Capital Impact Partners is a member of FHLBank Atlanta, whose mission is to support member's residential-mortgage and economic-development lending activities. FHLBank Atlanta is a cooperative bank that offers, among other services, competitively priced financing. As a requirement of membership, Capital Impact Partners was required to purchase Class A Membership Stock of $250,000, which carries voting rights and is also an earning asset with dividends. Capital Impact Partners will be required to purchase additional stock in the amount of 4.5% of each advance and pledge cash or securities as collateral for advances. At December 31, 2018 and 2017, the amount of stock held was $905,800 and $759,500, respectively. As of December 31, 2018 and 2017, Capital Impact Partners has drawn advances totaling $11,000,000 and $11,000,000, respectively, from FHLBank Atlanta.

Innovative Investment Portfolio: Capital Impact Partners invested in innovative and high-impact organizations. All investments adhere to the Innovative Investment Portfolio policy. At December 31, 2018 and 2017, total investments are $1,000,000 and $0, respectively.

The purpose is to make investments (i.e., Debt or Equity Investments, Credit Enhancements or Guarantees) in innovative and high-impact organizations with a strong fit within Capital Impact Partners strategic pillars. It allows Capital Impact Partners to fill a gap not currently addressed by its core lending activity. The IIP committee reviews and then approves the investments to ensure each investment fits the policy. The committee has approved two investments: 1)$500,000 debt investment in a CDFI in the cooperative sector. 2) $500,000 equity investment in a nonprofit developer in Detroit.

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

Capital Impact Partners purchases Mortgage Backed and U.S. Treasury Securities in order to serve as collateral/pledge base for FHLBank Atlanta borrowings and earn a return on idle cash. At December 31, 2018 and 2017, total FHLBank Atlanta borrowings are $11,000,000 and $11,000,000, respectively. The balance of pledged Mortgage Backed and U.S. Treasury Securities are $18,448,716 and $20,986,002 as of December 31, 2018 and 2017, respectively. The remaining unpledged balance, net of discount, which is available to secure future advances are $34,641,311 and $27,263,577 as of December 31, 2018 and 2017, respectively.

The Mortgage Backed and U.S. Treasury Securities by category as of December 31, 2018 follows:

	2018	2017
Mortgage Backed Securities:		
Federal Home Loan Mortgage Company (FHLMC)	$ 11,339,015	$ 9,617,071
Federal National Mortgage Association (FNMA)	30,843,647	28,604,270
Government National Mortgage Association (GNMA)	9,956,035	8,273,853
U.S. Treasury Securities:		
U.S. Treasury Notes	951,330	1,754,385
	$ 53,090,027	$ 48,249,579

Note 7. Contributions Receivable

As of December 31, 2018 and 2017, contributions receivable are due to be collected as follows:

	2018	2017
Receivable in one year or less	$ 6,025,000	$ 255,000
Receivable within one to five years	1,875,000	270,000
	$ 7,900,000	$ 525,000

As of December 31, 2018, total contributions receivable includes amounts due from two grantors totaling $7,250,000.

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:

	2018	%	2017	%
By Sector:				
Education	$ 133,910,991	39	$ 125,606,814	40
Health care	71,127,516	20	70,577,031	23
Affordable housing	94,914,117	27	72,956,040	23
Community development	47,681,802	14	42,119,971	14
Total – Capital Impact Partners	347,634,426	100	311,259,856	100
Impact V CDE 7, LLC	-		22,374,280	
Detroit Neighborhoods Fund, LLC	10,945,946		15,835,030	
FPIF, LLC	21,535,386		21,797,934	
	$ 380,115,758		$ 371,267,100	

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% to 8.25% and maturities from April 1, 2019 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% to 8.35% and maturities from January 1, 2019 to March 1, 2044.

Subsidiaries:

Impact V CDE 7: Impact V CDE 7's loans receivable consisted of two loan transactions. Each loan transaction had a Note 1 and a Note 2. Note 2 had an option that entitled the lender to accelerate the maturity date. In the event the lender exercised this option, the amount of principal the borrower was required to prepay was equivalent to 1% of the original principal amount of the Note 2 being accelerated. Once the partial prepayment occured, Impact V CDE 7 accelerated payment on both loan transactions. This acceleration allowed for the discharge of the remaining balance on one Note and the assignment of the remaining balance for the other Note. Impact V CDE 7 reached its seven-year transaction period in January 2018 and was completely dissolved.

Note 8. Loans Receivable (Continued)

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

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 committed to lend an aggregate of $30,000,000 to the fund; the commitment expired on June 30, 2018. This entity dissolved on March 5, 2019. See Note 21, Subsequent Events.

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% subordinated debt from Capital Impact Partners, funded partly by a program related investment from AARP Foundation. The commitment expired on December 31, 2018. See Note 21, Subsequent Events. This Program Related Investment is included in the notes payable section of the accompanying statements of financial position. The senior debt constitutes $65,400,000 or 90% of the borrowings from a special purpose entity between Calvert Foundation and AARP Foundation. Interest rates range from 5.0% to 6.25% and maturities from May 29, 2022 to December 20, 2024.

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

Note 9. Credit Quality

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

Note 9. Credit Quality (Continued)

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

- Education
- Health care
- Affordable housing
- Community development

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

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

Age analysis of past due loans: The following tables represent an aging of loans by sector as of December 31, 2018 and 2017. 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, 2018	30 - 59 Days Past Due	60 - 89 Days Past Due	90 days and Still Accruing	Non-accrual	Total Past Due	Current	Total Loans
Education	$ -	$ -	$ -	$ -	$ -	$ 133,910,991	$ 133,910,991
Health care	-	-	-	-	-	71,127,516	71,127,516
Affordable housing	146,441	62,855	-	1,050,119	1,259,415	93,654,702	94,914,117
Community development and other	600,000	-	500,000	790,328	1,890,328	45,791,474	47,681,802
	$ 746,441	$ 62,855	$ 500,000	$ 1,840,447	$ 3,149,743	$ 344,484,683	$ 347,634,426

December 31, 2017	30 - 59 Days Past Due	60 - 89 Days Past Due	90 days and Still Accruing	Non-accrual	Total Past Due	Current	Total Loans
Education	$ -	$ -	$ -	$ -	$ -	$ 125,606,814	$ 125,606,814
Health care	-	-	-		-	70,577,031	70,577,031
Affordable housing	734,617	-	-	610,103	1,344,720	71,611,320	72,956,040
Community development and other	-	-	500,000	414,619	914,619	41,205,352	42,119,971
	$ 734,617	$ -	$ 500,000	$ 1,024,722	$ 2,259,339	$ 309,000,517	$ 311,259,856

Note 9. Credit Quality (Continued)

Credit quality indicators: Capital Impact Partners assigns internal credit classifications at the inception of each loan. These ratings are reviewed by an independent third party on a semi-annual basis as well as periodic internal reviews based on Capital Impact Partners' credit guidelines and when loans are renewed. Quarterly reviews are required if the borrower fails to meet contractual expectations or other performance degradation that would warrant increased monitoring. If a loan is in default for a period of 90 days or more or when the contractual collection of principal or interest is in doubt, the loan 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 Capital Impact Partners will sustain some loss if the deficiencies are not corrected.

Note 9. 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, 2018 and 2017.

December 31, 2018	Education	Health Care	Affordable Housing	Community Development	Total
Above average	$ 3,647,926	$ 1,428,988	$ -	$ -	$ 5,076,914
Pass	45,320,736	24,049,770	14,666,293	8,662,425	92,699,224
Watch	84,942,329	45,648,758	67,987,804	32,837,625	231,416,516
Special mention	-	-	10,741,614	4,558,886	15,300,500
Substandard	-	-	550,119	1,173,654	1,723,773
Doubtful	-	-	968,287	449,212	1,417,499
	$ 133,910,991	$ 71,127,516	$ 94,914,117	$ 47,681,802	$ 347,634,426

December 31, 2017	Education	Health Care	Affordable Housing	Community Development	Total
Above average	$ 7,760,475	$ 1,559,294	$ -	$ -	$ 9,319,769
Pass	29,056,620	18,621,391	12,008,861	3,328,721	63,015,593
Watch	88,757,560	50,385,823	47,338,558	32,473,770	218,955,711
Special mention	32,159	10,523	9,235,099	5,786,349	15,064,130
Substandard	-	-	3,422,439	414,619	3,837,058
Doubtful	-	-	951,083	116,512	1,067,595
	$ 125,606,814	$ 70,577,031	$ 72,956,040	$ 42,119,971	$ 311,259,856

Allowance for loan losses: The allowance for loan losses as a percentage of loans outstanding as of December 31, 2018 and 2017, was 3.4% and 3.5%, 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 3.2% and 3.3% as of December 31, 2018 and 2017, respectively.

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

Note 9. Credit Quality (Continued)

The following tables summarize the allowance for loan losses as of and for the year ended December 31, 2018 and 2017, by sector and the amount of loans evaluated individually or collectively for impairment by sector.

December 31, 2018	Education	Health Care	Affordable Housing	Community Development	Total
Allowance for loan losses:					
Beginning balance	$ 3,527,124	$ 2,091,633	$ 3,780,213	$ 1,602,056	$ 11,001,026
Charge-offs	-	-	(43,024)	(25,000)	(68,024)
Recoveries	-	49,907	-	-	49,907
Provisions	(190,791)	(419,803)	(156,807)	1,617,754	850,353
	$ 3,336,333	$ 1,721,737	$ 3,580,382	$ 3,194,810	$ 11,833,262
Ending balance of allowance for loan losses:					
Individually evaluated for impairment	$ -	$ -	$ 500,000	$ -	$ 500,000
Collectively evaluated for impairment	3,336,333	1,721,737	3,080,382	3,194,810	11,333,262
	$ 3,336,333	$ 1,721,737	$ 3,580,382	$ 3,194,810	$ 11,833,262
Loan ending balances:					
Individually evaluated for impairment	$ -	$ -	$ 830,757	$ 780,394	$ 1,611,151
Collectively evaluated for impairment	133,910,991	71,127,516	94,083,360	46,901,408	346,023,275
	$ 133,910,991	$ 71,127,516	$ 94,914,117	$ 47,681,802	$ 347,634,426

December 31, 2017	Education	Health Care	Affordable Housing	Community Development	Total
Allowance for loan losses:					
Beginning balance	$ 2,408,246	$ 1,052,563	$ 3,290,842	$ 1,928,109	$ 8,679,760
Charge-offs	-	-	-	-	-
Recoveries	-	66,962	-	24,954	91,916
Provisions	1,118,878	972,108	489,371	(351,007)	2,229,350
	$ 3,527,124	$ 2,091,633	$ 3,780,213	$ 1,602,056	$ 11,001,026
Ending balance of allowance for loan losses:					
Individually evaluated for impairment	$ -	$ -	$ 59,984	$ -	$ 59,984
Collectively evaluated for impairment	3,527,124	2,091,633	3,720,229	1,602,056	10,941,042
	$ 3,527,124	$ 2,091,633	$ 3,780,213	$ 1,602,056	$ 11,001,026
Loan ending balances:					
Individually evaluated for impairment	$ -	$ -	$ 610,103	$ 414,619	$ 1,024,722
Collectively evaluated for impairment	125,606,814	70,577,031	72,345,937	41,705,352	310,235,134
	$ 125,606,814	$ 70,577,031	$ 72,956,040	$ 42,119,971	$ 311,259,856

Note 9. Credit Quality (Continued)

Impaired loans: The following tables summarize the impaired loans as of December 31, 2018 and 2017. The tables segregate the loans by sector for impaired loans with specific allowances for losses and impaired loans without specific allowances.

December 31, 2018	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized*
With no related allowance recorded:					
Education	$ -	$ -	$ -	$ -	$ -
Health care	-	-	-	-	-
Affordable housing	371,150	550,119	-	550,119	23,529
Community development	780,394	790,328	-	790,328	33,434
Subtotal	1,151,544	1,340,447	-	1,340,447	56,963
With an allowance recorded:					
Education	-	-	-	-	-
Health care	-	-	-	-	-
Affordable housing	459,607	500,000	500,000	500,000	34,585
Community development	-	-	-	-	-
Subtotal	459,607	500,000	500,000	500,000	34,585
Total:					
Education	-	-	-	-	-
Health care	-	-	-	-	-
Affordable housing	830,757	1,050,119	500,000	1,050,119	58,114
Community development	780,394	790,328	-	790,328	33,434
Total	$ 1,611,151	$ 1,840,447	$ 500,000	$ 1,840,447	$ 91,548

* Interest income recognized on a cash basis during 2018 was $0.

December 31, 2017	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized*
With no related allowance recorded:					
Education	$ -	$ -	$ -	$ -	$ -
Health care	-	-	-	-	-
Affordable housing	550,119	550,119	-	550,119	20,033
Community development	414,619	414,619	-	442,366	25,166
Subtotal	964,738	964,738	-	992,485	45,199
With an allowance recorded:					
Education	-	-	-	-	-
Health care	-	-	-	-	-
Affordable housing	59,984	59,984	59,984	59,211	575
Community development	-	-	-	-	-
Subtotal	59,984	59,984	59,984	59,211	575
Total:					
Education	-	-	-	-	-
Health care	-	-	-	-	-
Affordable housing	610,103	610,103	59,984	609,330	20,608
Community development	414,619	414,619	-	442,366	25,166
Total:	$ 1,024,722	$ 1,024,722	$ 59,984	$ 1,051,696	$ 45,774

* Interest income recognized on a cash basis during 2017 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, 2018 and 2017, Capital Impact Partners had $0 and $474,603, 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 2017 TDR's represent one loan in the community development sector in the amount of $414,619 and one loan in the affordable housing sector in the amount of $59,984, for which extension of terms were applied. None of the modifications represented forgiveness of debt in 2017.

There were no loans previously identified as TDR's that re-defaulted in 2018 or 2017.

Subsidiaries with loans: Impact V CDE 7, LLC completely dissolved in January 2018. As of December 31, 2018 and 2017, no allowance for loan loss was recorded on the loans receivable for Impact V CDE 7, LLC; however, two of four loans receivable were forgiven as a result of the unwind in January 2018 and bad debt expense of $9,119,937 was recorded for the year ended December 31, 2017. The balance of loans receivable of $22,374,280 at December 31, 2017, equals the amount of principal repayments received by Impact V CDE 7, LLC in January 2018.

DNF 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, 2018 and 2017, 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.

Note 10. Other Assets (Continued)

A cash pledge deposit balance of $523,503 and $514,885, as of December 31, 2018 and 2017, 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.

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. The balance of the guaranty was $0 and $100,420, at December 31, 2018 and 2017, respectively. The guarantee was no longer needed, therefore, Capital Impact Partners no longer reserves these funds.

On September 1, 2015, Capital Impact Partners entered into an agreement with CoMetrics to provide a program related investment loan in the aggregate principal amount of $300,000 to finance its business and operations, consistent with its cooperative purposes. The loan was funded in two separate tranches and pays interest at an initial rate of 1% and increases to 5% if CoMetric's earnings reach a certain level. Capital Impact Partners has advanced $300,000, as of December 31, 2018 and 2017. The loan has earned interest of $3,509 and $3,030 for the years ended December 31, 2018 and 2017, respectively.

Furniture, equipment and leasehold improvements at December 31, 2018 and 2017, were comprised as follows:

	2018	2017
Furniture, equipment and software	$ 814,719	$ 713,591
Leasehold improvements	1,571,159	1,386,375
	2,385,878	2,099,966
Less accumulated depreciation and amortization	(750,419)	(478,006)
	$ 1,635,459	$ 1,621,960

Note 11. Notes and Bond Payable, Revolving Lines of Credit, Subordinated Debt and Investor Notes

Notes and bond payable, revolving lines of credit, investor notes and subordinated debt as of December 31, 2018, consist of the following:

Lender/Type	Commitment Under Bond and Notes Payable	Available Undrawn	Balance December 31, 2018	Balance December 31, 2017	Interest Rate	Final Maturity Date
Calvert Foundation	$ 6,700,000	$ -	$ 6,700,000	$ 6,700,000	2.75%	June 2020
Bank of America	-	-	-	3,000,000	3.75%	September 2018
Ford Foundation	-	-	-	230,269	1.00%	September 2018
California Community Foundation	-	-	-	936,347	1.00%	June 2018
Rasmuson Foundation	200,000	-	200,000	200,000	1.00%	September 2020
Living Cities Catalyst	5,500,000	-	5,500,000	5,500,000	2.00%	December 2020
Robert Wood Johnson	5,000,000	-	5,000,000	5,000,000	2.00%	December 2023
Kellogg Foundation	1,200,000	-	1,135,266	1,224,765	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	-	2,797,581	2,751,007	1.00%	February 2024
Kellogg Foundation	3,000,000	-	3,000,000	3,000,000	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	-	10,000,000	10,000,000	1.00%	December 2027
Fisher Foundation	-	-	-	250,000	1.00%	March 2026
JPMC	15,000,000	-	15,000,000	15,000,000	3.78%	May 2023
Ford Foundation	3,000,000	1,880,000	1,120,000	1,120,000	1.00%	May 2026
Kresge Foundation	800,000	-	800,000	800,000	1.00%	June 2023
Impact Community Capital	10,000,000	-	10,000,000	10,000,000	0.88%	January 2022
Kresge PRI for Memphis	2,000,000	-	2,000,000	2,000,000	2.00%	August 2027
The California Endowment PRI	5,000,000	-	5,000,000	-	2.00%	August 2030
	78,900,000	1,880,000	76,752,847	76,212,388		
JPMC Revolving Line of Credit (a)	90,000,000	50,000,000	40,000,000	60,000,000	LIBOR plus 1.85%	September 2021
Schwab Revolving Line of Credit (b)	15,000,000	-	15,000,000	15,000,000	LIBOR plus 1.75%	August 2019
US Bank Line of Credit (c)	10,000,000	-	10,000,000	-	LIBOR plus 1.75%	June 2020
HSBC Line of Credit (d)	10,000,000	-	10,000,000	10,000,000	2.84%	May 2023
	125,000,000	50,000,000	75,000,000	85,000,000		
Bond Loan Payable (e)	55,000,000	3,683,000	48,044,247	40,930,079	Applicable Federal Financing bank rate +37.5bps liquidity premium	March 2044
Bond Loan Payable (e)	40,000,000	40,000,000	-	-	Applicable Federal Financing bank rate +37.5bps liquidity premium	December 2045
FHLB (f)	48,318,606	37,318,606	11,000,000	11,000,000	2.53%	December 2023
Investor Notes at Par (g)	100,072,000	-	100,072,000	41,777,000		
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
	458,008,606	132,881,606	321,587,094	265,637,467		
Investor notes issuance cost	-	-	(1,834,716)	(1,042,787)		
	$ 458,008,606	$ 132,881,606	$ 319,752,378	$ 264,594,680		

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

Note 11. Notes and Bond Payable, Revolving Lines of Credit, Subordinated Debt and Investor Notes

(a) JPMC Revolving Line of Credit: Capital Impact Partners has a revolving line of credit with a group of four lenders, in which JPMC is the administrative agent and one of the lenders. It allows draws for the period of the line of credit.

(b) Schwab Revolving Line of Credit: Capital Impact Partners has a revolving line of credit that matures in August 2019.

(c) US Bank Revolving Line of Credit: Capital Impact Partners has a revolving line of credit, which allows draws for the period of the line of credit.

(d) HSBC Revolving Line of Credit: Capital Impact Partners has a revolving line of credit with a fixed interest rate and 1 year revolving periods that are extended annually.

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

On September 25, 2014, Capital Impact Partners was awarded a $55,000,000 allocation in the $200,000,000 issuance of the CDFI Fund Bond Guarantee Program to Community Reinvestment Fund, USA. Capital Impact Partners has committed 100% of its allocation, but has until September 25, 2019, to draw down on the bond. As a condition of the program, Capital Impact Partners must pledge eligible secondary borrower loans as collateral to draw on the loan. The loans bear interest at the applicable Federal Financing bank rate +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% guarantee from the Secretary of the Treasury.

On July 15, 2016, Capital Impact Partners was awarded an additional $40,000,000 allocation in the $165,000,000 issuance of the CDFI Fund Bond Guarantee Program to Community Reinvestment Fund, USA. Capital Impact Partners, per the Bond Guarantee Program's requirements, had fully committed 100% of its allocation by July 15, 2018, but will have until July 15, 2021, to draw down on the bond.

Capital Impact Partners has drawn on the 2014 bond and advanced bond proceeds to end borrowers as of December 31, 2018 and 2017, the loans payable balance was $48,044,247 and $40,930,079 respectively, secured by pledged loans receivable of $50,088,695 and $42,437,991, respectively. Capital Impact Partners has not drawn on the 2016 bond or advanced any of the bond proceeds to end borrowers.

Capital Impact Partners paid approximately $2,200 in facility fees related to this program for each of the years ended December 31, 2018 and 2017.

(f) FHLB borrowing: As a member bank, Capital Impact Partners may request advances from FHLBank Atlanta. As of December 31, 2018, the outstanding balance was $11,000,000 secured by Mortgage Backed and U.S. Treasury Securities in the amount of $18,448,716. As of December 31, 2017, the outstanding balance was $11,000,000 secured by Mortgage Backed and U.S. Treasury Securities in the amount of $20,986,002. (See Note 6).

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

(g) Investor Notes: Capital Impact Partners issued more Investor Notes in 2018, continuous from its 2017 offering, for up to $125,000,000. The Notes are sold through the Depository Trust Company (DTC). The Lead Selling Agent, InCapital, agrees to sell these notes to other agents on Capital Impact Partners' behalf. The Notes were issued in increments of $1,000 or more and pay interest at a various fixed interest rates. The terms for the Notes were one-year, three-year, five-year, seven-year and ten-year maturities.

US Bank has been designated as the indenture trustee to the indenture agreement and serves as paying agent for the Notes. The Notes are senior to the subordinated loans. At December 31, 2018 and 2017, the Note holders held $100,072,000 and $41,777,000, respectively of the total Notes payable balance. Interest rates range between 2.00% and 4.10%.

Aggregate annual maturities of Capital Impact Partners' Investor Notes over each of the next five years and thereafter, as of December 31, 2018, are as follows:

Years ending December 31:	
2019	$ 10,218,000
2020	1,194,000
2021	7,377,000
2022	25,150,000
2023	14,020,000
Thereafter	42,113,000
	$ 100,072,000

Aggregate annual maturities of Capital Impact Partners' borrowings over each of the next five years and thereafter, as of December 31, 2018, are as follows:

Years ending December 31:	
2019	$ 38,420,449
2020	25,524,620
2021	56,991,644
2022	45,664,055
2023	42,646,761
Thereafter	112,339,565
	$ 321,587,094

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

For the Ford Foundation, Capital Impact Partners recognized interest expense of $19,731 and $45,434 for the years ended December 31, 2018 and 2017, respectively.

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

For the California Community Foundation, Capital Impact Partners recognized interest expense of $11,639 and $19,708 for the years ended December 31, 2018 and 2017, respectively.

For the Kellogg Foundation, Capital Impact Partners recognized interest expense of $6,254 and $4,617 for the years ended December 31, 2018 and 2017, respectively.

For the Ford Foundation received in 2014, Capital Impact Partners recognized interest expense of $46,574. and $45,799 for the years ended December 31, 2018 and 2017, 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, 2018, is as follows:

	Kellogg Foundation	Ford Foundation 2	Totals
Years ending December 31:			
2019	$ 5,766	$ 47,363	$ 53,129
2020	5,188	48,165	53,353
2021	3,131	48,980	52,111
2022	649	35,721	36,370
2023	-	19,396	19,396
Thereafter	-	2,794	2,794
	$ 14,734	$ 202,419	$ 217,153

Note 12. Notes Payable – Subsidiaries

Subsidiary	Lender	Commitment	December 31, 2018	December 31, 2017	Interest Rate	Maturity Date	Payment Details
Impact V CDE 7	Merrill Lynch NMTC Corp. (a)	$ -	$ -	$ 17,687,500	LIBOR + 3.00%	January 2018	Monthly interest
Impact V CDE 7	Merrill Lynch NMTC Corp. (c)	-	-	73,125	2.00%	January 2018	Annual interest
Impact V CDE 7	Merrill Lynch NMTC Corp. (b)	-	-	4,594,659	6.686%	January 2018	Monthly interest
Impact V CDE 7	Merrill Lynch NMTC Corp. (c)	-	-	18,996	1.00%	January 2018	Monthly interest
Total Impact V CDE 7		-	-	22,374,280			
DNF, LLC (d)	JPMorgan Chase	20,000,000	16,451,555	15,985,441	2.00%	June 2029	Monthly interest
FPIF, LLC (d)	FPIF Feeder Facility LP	-	21,535,386	21,797,935	3.13%	August 2031	Monthly interest and principal
		$ 20,000,000	$ 37,986,941	$ 60,157,656			

(a) The maturity of the note was accelerated as a result of an unwind in 2018. Maturity was on January 22, 2018, at which time all outstanding principal and any accrued interest was due. The loan was with sole recourse to Impact V CDE 7 and included no obligation for repayment on the part of Capital Impact Partners.

Note 12. Notes Payable – Subsidiaries (Continued)

(b) The maturity of the note was accelerated as a result of an unwind in 2018. Maturity was on January 18, 2018, at which time all outstanding principal and any accrued interest was due. The loan was with sole recourse to Impact V CDE 7 and included no obligation for repayment on the part of Capital Impact Partners.

(c) The maturity of the notes was accelerated as a result of an unwind in 2018 and cancellation of debt income of $9,119,937 was recognized in the year ended December 31, 2017. Maturity was in January 2018, at which time all remaining outstanding principal and any accrued interest was due. The loans were with sole recourse to Impact V CDE 7 and included no obligation for repayment on the part of Capital Impact Partners.

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

Aggregate annual maturities of subsidiary borrowings over each of the next five years and thereafter, as of December 31, 2018, are as follows:

Years ending December 31:	
2019	$ 276,701
2020	290,771
2021	307,296
2022	4,811,673
2023	6,848,945
Thereafter	25,451,555
	$ 37,986,941

Note 13. Net Assets With Donor Restrictions

Donor restricted net assets are those net assets whose use by Capital Impact Partners is limited by the donors for a special purpose or restricted to be used in a later period. At December 31, 2018 and 2017, donor restricted net assets consisted of the following:

Grantor	Purpose	2018	2017
Department of Education	Charter School Program	$ 14,390,198	$ 14,318,832
Department of Education / LIIF	Charter School Program	2,002,745	-
CDFI Fund	Affordable Housing	150,000	-
CDFI Fund	Healthy Food Financing	2,000,000	-
CDFI Fund	Financial Assistance	700,000	-
DC Dept of Housing and Community Development	Affordable Housing	5,007,814	-
JPMorgan Chase Foundation	DC Entrepreneurs of Color Fund	3,289,100	-
JPMorgan Chase Bank	DC Equitable Developer	60,476	-
Ford Foundation	Detroit Corridor Initiative	499,993	-
Kresge Foundation	Detroit Corridor Initiative	379,504	111,111
JPMorgan Chase Bank	Detroit Corridor Initiative	363,005	500,000
Ford Foundation	Detroit Corridor Initiative	-	359,237
AARP Foundation	Aging Initiative	72,451	284,362
Santander Bank	Loan Loss Reserve	225,000	-
Robert Wood Johnson Foundation	Financing to Vulnerable Populations	137,339	1,487,475
The California Endowment	California Healthcare Lending	-	209,417
Kellogg Foundation	Healthy Food Financing	-	474,982
Other programs	Various	439,399	547,043
		$ 29,717,024	$ 18,292,459

Contributions receivable of $7,900,000 and $525,000, respectively, as of December 31, 2018 and 2017, were both time restricted and purpose restricted and are included in the above amounts.

As of December 31, 2017, Capital Impact Partners had a revolving loan fund from the Robert Wood Johnson Foundation in the amount of $1,487,475. The loan fund was to be held in perpetuity for development and expansion of small businesses. As of March 8, 2018, the donor repurposed this fund to finance investments or provide community support benefiting vulnerable populations. Permitted uses include the origination of, or participation in, pre-development, acquisition, rehabilitation, new construction, mini-permanent, permanent, equipment, inventory and NMTC leverage loans, equity and equity-like investments, credit enhancements and subsidies intended to support the development of community-based organizations.

Note 14. Fees

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

Revenue recognized at a point in time includes NMTC Suballocation Fees and NMTC Success Fees. Revenue recognized over a period of time includes Fund Management Fees, Asset Management Fees and Credit Enhancement Fees.

Fees – recognized at point in time	2018	2017
NMTC suballocation fees	$ 880,000	$ 1,220,000
NMTC success fees	1,863,713	1,051,226
	2,743,713	2,271,226
Fees – recognized over time		
Asset management fees	301,961	250,166
Fund management fees	122,233	154,623
Credit enhancement fees	60,754	60,689
QALICB fee – Impact V CDE 7	-	18,500
	484,948	483,978
	$ 3,228,661	$ 2,755,204

Note 15. Related Party Transactions

NCB and NCB Financial Savings Bank (NCB, FSB):

Capital Impact Partners was allocated rent expense from NCB. Total rent payments were $0 and $653,604 for the years ended December 31, 2018 and 2017, respectively.

Capital Impact Partners' obligation regarding vacation of premises, with NCB, was signed on July 1, 2016. This agreement outlined that Capital Impact Partners would vacate the current office space on December 1, 2017. Additionally, Capital Impact Partners would continue to make monthly payments to NCB from December 1, 2017 to August 1, 2021, unless events occurred which would reduce these payments. Capital Impact Partners made payments to NCB under the vacation of premises obligation of $730,693 and $59,418 for the years ended December 31, 2018 and 2017, respectively. On October 22, 2018, the agreement was amended whereby NCB reduced its rent on this space. Capital Impact Partners' obligation for monthly payments ceased on December 31, 2018. This resulted in a write-off of the liability and a non-operating gain of $1,937,432 reported on the statement of activities.

Capital Impact Partners maintains cash accounts with NCB, FSB. Balances totaled $30,099,351 and $14,585,874 as of December 31, 2018 and 2017, 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, 2018 and 2017, such participations have included loans to:

Note 15. Related Party Transactions (Continued)

Center for Elders Independence: Capital Impact Partners purchased the outstanding balance of this loan from NCB, FSB during 2014. Capital Impact Partners' balance was $1,111,083 and $1,141,869 as of December 31, 2018 and 2017, respectively.

Numero Uno: Capital Impact Partners purchased the outstanding balance of this loan from NCB, FSB during 2017. Capital Impact Partners' balance was $2,700,000 and $3,000,000 as of December 31, 2018 and 2017, respectively.

Poplar Grove: Capital Impact Partners sold 50% of the outstanding balance of this loan to NCB, FSB during 2017. Capital Impact Partners' balance sold was $2,500,000.

During 2011, Capital Impact Partners, NCB, FSB and NCB entered into a Memorandum of Understanding (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 Capital Impact Partners, it was the intent of the boards of directors for all three organizations for Capital Impact Partners 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 paid interest only were paid off in November 2018. Capital Impact Partners' debt was subordinate to NCB, FSB's exposure. NCB, FSB, independently underwrote and approved the transaction, which was serviced and monitored by Capital Impact Partners 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%) and NCB (0.01%). In March 2017, Impact NMTC Holdings II, LLC was created to replace Impact NMTC Holdings, LLC. Impact NMTC Holdings II, LLC is wholly owned by Capital Impact Partners. Impact NMTC Holdings, LLC dissolved in August 2018.

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, 2018 and 2017 was $8,340,931 and $4,387,672, respectively. Capital Impact Partners services these loans; however, per an agreement between Capital Impact Partners and ROC USA, LLC, Capital Impact Partners does not earn a servicing fee.

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

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. In 2017, the Capital Impact Partners Board of Directors chairperson is the Board chairperson, owner-member and consultant for CoMetrics. This director retired from the Capital Impact Partners Board of Directors in 2018.

Note 15. Related Party Transactions (Continued)

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

Loans to applicants who are affiliated with a member of Capital Impact Partners are subject to the same eligibility and credit criteria, as well as the same loan terms and conditions, as all other loan requests. Any new loan made to an organization related to a member of the Board is reported to the Finance, Audit and Risk Committee at the next regular meeting. An analysis of the activity during the years ended December 31, 2018 and 2017, for the aggregate amount of these loans is as follows:

Balance, December 31, 2016	$ 20,123,105
Net changes	3,473,345
Balance, December 31, 2017	23,596,450
Net changes	4,324,840
Balance, December 31, 2018	$ 27,921,290

Note 16. New Markets Tax Credit Program (NMTC)

During 2005, Capital Impact Partners implemented its NMTC program and has 33 and 38 Limited Liability Companies (LLCs) that are CDEs, through December 31, 2018 and 2017, respectively. Of the 33 LLCs, there is one Investment Fund in which Capital Impact Partners has an interest, which is a Chase NMTC deal.

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 $44,000,000 and $57,000,000 to these LLCs during 2018 and 2017, respectively, in anticipation of receiving new markets tax credits of approximately $17,160,000 and $22,230,000 in 2018 and 2017, 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 2018, nine of the NMTC entities reached their seven-year transaction period and were completely dissolved. In connection with the dissolution of these entities, Capital Impact Partners incurred a gain of $94,891, which is reflected in the statement of activities for the year ended December 31, 2018.
During 2017, six of the NMTC entities reached their seven-year transaction period and were completely dissolved. In connection with the dissolution of these entities, Capital Impact Partners incurred a loss of $3,941, which is reflected in the statement of activities for the year ended December 31, 2017.

Note 16. New Markets Tax Credit Program (NMTC) (Continued)

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

Impact V CDE 10 LLC	Impact CDE 54 LLC
Impact VI CDE 9 LLC	Impact CDE 55 LLC
Impact VII CDE 3 LLC	Impact CDE 56 LLC
Impact VII CDE 4 LLC	Impact CDE 57 LLC
Impact CDE 41 LLC	Impact CDE 58 LLC
Impact CDE 42 LLC	Impact CDE 59 LLC
Impact CDE 43 LLC	Impact CDE 60 LLC
Impact CDE 44 LLC	Impact CDE 61 LLC
Impact CDE 45 LLC	Impact CDE 62 LLC
Impact CDE 46 LLC	Impact CDE 63 LLC
Impact CDE 47 LLC	Impact CDE 65 LLC
Impact CDE 48 LLC	Impact CDE 66 LLC
Impact CDE 49 LLC	Impact CDE 67 LLC
Impact CDE 50 LLC	Impact CDE 68 LLC
Impact CDE 51 LLC	Impact CDE 69 LLC
Impact CDE 52 LLC	Chase NMTC Northgate Markets Investment Fund, LLC
Impact CDE 53 LLC	

At December 31, 2018 and 2017, Capital Impact Partners had a .01% interest in each of the above entities.

The total amount of the investment is as follows:

	Amount of Investment 2018	Amount of Investment 2017
Capital Impact Partners New Markets Tax Credit Entities	$ 31,748	$ 45,230
Chase New Markets Tax Credit Entities	238	780
	$ 31,986	$ 46,010

The following is a summary of the audited financial information of these companies as of and for the years ended December 31, 2018 and 2017:

	2018	2017
Total assets	$ 215,906,424	$ 284,193,894
Total liabilities	6,420,448	20,026,996
Members' capital	209,485,976	264,166,898
Total revenue	7,828,800	8,098,106
Total expenses	9,252,282	13,254,256
Net loss	(1,423,482)	(5,156,150)

Note 16. New Markets Tax Credit Program (NMTC) (Continued)

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 14, material revenue streams recognized at a point in time or recognized over time are reported separately on the statement of activities. During the years ended December 31, 2018 and 2017, Capital Impact Partners earned $1,153,075 and $1,419,138, respectively, of servicing fees from these LLCs. In addition, as of December 31, 2018 and 2017, Capital Impact Partners reflected accounts receivable of $28,478 and $17,002, 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, 2018 and 2017.

Capital Impact Partners was awarded its seventh NMTC allocation in the amount of $65,000,000 in February 2018, bringing the total NMTC allocation to $627,000,000.

Note 17. Commitments and Contingencies

Capital Impact Partners signed a new 15-year lease agreement for its Arlington, Virginia offices on October 19, 2016. The new location is 1400 Crystal Drive Suite 500, Arlington, Virginia. After completion of the buildout of the suite, the move in date was December 1, 2017. The lease commitment period is from December 1, 2017 through November 30, 2032. The lease agreement provides for annual escalations on base rent and there is a 5-year renewal option after the initial 15-year lease term.

The lease agreement provides for a tenant allowance of $1,553,284 that was fully utilized to defray the buildout costs of the suite and furniture. The lease agreement also provides for rent abatement of a 50% discount on the monthly rent payments within the first 34 months of occupancy. A deferred rent liability is recorded in the accompanying statements of financial position that represents the cumulative difference between the monthly rent expense and the rent paid and includes the tenant allowance as a lease incentive. The deferred rent liability is amortized using the straight-line method over a 15-year term. The amortization is presented in the statement of activities as an offset to rent expense.

Capital Impact Partners also leases office space in Detroit, Michigan, which includes rent abatement on the monthly rent payments within the first five months of occupancy. Additionally, Capital Impact Partners leases office space in New York, NYC, as of February 2019, which includes rent abatement on monthly rent payments for the first 180 days of occupancy. There is also office space in Oakland, California.

Note 17. Commitments and Contingencies (Continued)

Capital Impact Partners leases its offices and certain office equipment under non-cancelable operating leases. Capital Impact Partners’ future annual minimum payments under these leases are as follows:

Years ending December 31:	
2019	$ 646,631
2020	865,163
2021	1,030,036
2022	1,036,808
2023	1,058,067
Thereafter	9,375,245
	$ 14,011,950

Rent expense was $882,720 and $934,086 for the years ended December 31, 2018 and 2017, respectively. An agreement regarding vacation of premises, with NCB, was signed on July 1, 2016. This agreement outlined that Capital Impact Partners would vacate the current office space on December 1, 2017. Additionally, Capital Impact Partners would continue to make monthly payments to NCB from December 1, 2017 to August 1, 2021, unless events occurred which would reduce these payments. Since Capital Impact Partners did not have use of the premises, this was reported as a non-operating expense of $2,727,544 on the statement of activities for the year ended December 31, 2017, and an offsetting liability of $2,668,125 on the statement of financial position as of December 31, 2017, which represents the net present value of these payments through December 31, 2017. On October 22, 2018, the agreement was amended whereby NCB reduced its rent on this space. Capital Impact Partners obligation for monthly payments ceased on December 31, 2018. The remaining liability was written off as a non-operating gain of $1,937,432 on the statement of activities for the year ended December 31, 2018.

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

In the normal course of business, Capital Impact Partners makes commitments to extend term loans, BPAs and lines of credit, which are not reflected in the accompanying financial statements. The commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being completely drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Capital Impact Partners evaluates each customer’s creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by Capital Impact Partners upon extension of credit, is based on management’s credit evaluation of the borrower. At December 31, 2018 and 2017, these outstanding commitments totaled $24,815,955 and $32,963,841, respectively.

Note 18. Employee Benefits

Capital Impact Partners' employees participate in the non-contributory defined contribution retirement plan and the 401(k) plan. Under the non-contributory defined contribution retirement plan, Capital Impact Partners contributes 6% of a participant's annual salary into the plan. Total expenses for the retirement plans for the years ended December 31, 2018 and 2017 were $512,605 and $501,494, respectively. The employee thrift plan is organized under IRS Code Section 401(k) and Capital Impact Partners contributes up to 6% of each participant's annual salary. Contributions and expenses were $515,622 and $520,130 for 2018 and 2017, respectively.

Note 19. Fair Value

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

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

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

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

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

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, 2018	Level 1	Level 2	Level 3
Assets:				
Marketable equity securities	$ 236,512	$ 236,512	$ -	$ -
Real estate investment trust	1,568,721	-	-	1,568,721
Other investments	531,244	-	-	531,244
Mortgage Backed Securities	52,138,697	-	52,138,697	-
U.S. Treasury Securities	951,330	-	951,330	-
U.S Treasury Bills	13,031,708	-	13,031,708	-
	$ 68,458,212	$ 236,512	$ 66,121,735	$ 2,099,965

	December 31, 2017	Level 1	Level 2	Level 3
Assets:				
Marketable equity securities	$ 217,342	$ 217,342	$ -	$ -
Real estate investment trust	1,335,000	-	-	1,335,000
Other investments	514,326	-	-	514,326
Mortgage Backed Securities	46,495,194	-	46,495,194	-
U.S. Treasury Securities	1,754,385	-	1,754,385	-
	$ 50,316,247	$ 217,342	$ 48,249,579	$ 1,849,326

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

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

Real estate investment trust (REIT): The fair value of the REIT is based upon a dividend yield capitalization method of establishing fair value developed by the REIT and communicated to its investors. It reflects the nature of the REIT's business, and measures the REIT's ability to produce cash flow to pay dividends. Under the dividend yield capitalization methodology, the expected dividends for the upcoming 12 months are projected, imputing a dividend payout ratio of 90%. This imputed forward-looking dividend is then capitalized at the Dow Jones Corporate Financials Index yield – a composite of 32, long-term bond issuances from established, creditworthy financial institutions. Fair value is derived by capitalizing the projected dividend per share at this market yield and is also supported by the REIT's net asset valuation (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 19. Fair Value (Continued)

Stock donation: Included in other investments is donated stock. As of December 31, 2018 and 2017, the fair value of donated stock was 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.

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 and the innovative investment portfolio 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, 2018 and 2017.

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

	2018	2017
Beginning balance at January 1	$ 1,849,326	$ 1,838,816
Total net gains included in change in net assets	250,639	13,653
Purchases	-	-
Distributions	-	(3,143)
Ending balance at December 31	$ 2,099,965	$ 1,849,326

Note 19. Fair Value (Continued)

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, 2018	Level 1	Level 2	Level 3
Assets:				
Impaired loans, net of specific reserves	$ -	$ -	$ -	$ -

	December 31, 2017	Level 1	Level 2	Level 3
Assets:				
Impaired loans, net of specific reserves	$ -	$ -	$ -	$ -

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

Note 20. Noncontrolling Interest in Consolidated Subsidiary

CIIF began operations on December 13, 2017. Net income was $1,319,410 and $71,011 for the year ended December 31, 2018, and the period ended December 31, 2017, respectively. Of which, $339,019 and $18,308 was allocated to Capital Impact Partners (managing member with 20% ownership) as of December 31, 2018 and 2017, respectively. $980,391 and $52,703 was allocated to Annaly (non-managing member with 80% ownership) as of December 31, 2018 and 2017, respectively. Annaly made capital contributions of $20,104,058 in 2017. Distributions to Annaly were $980,563 and $52,511 for the years ended December 31, 2018 and 2017, respectively. Of those amounts, $246,659 and $52,511 were payable as of December 31, 2018 and 2017, respectively. Capital Impact Partners presents the noncontrolling interest in CIIF, its consolidated subsidiary, as a separate line item within net assets in the statement of financial position.

CIIF II began operations on December 28, 2018. The net income of CIIF II for the period ended December 31, 2018, was $2,667, of which $447 was allocated to Capital Impact Partners (managing member with 20% ownership) and $2,220 was allocated to Annaly (non-managing member with 80% ownership). Annaly made capital contributions of $4,900,000 and was due distributions of $2,220 as of December 31, 2018. Capital Impact Partners presents the noncontrolling interest in CIIF II, its consolidated subsidiary, as a separate line item within net assets in the statement of financial position.

Note 21. Subsequent Events

Capital Impact Partners has evaluated its subsequent events (events occurring after December 31, 2018) through March 25, 2019, which represents the date the financial statements were available to be issued.

FPIF, LLC was formed to channel funds to a predominately low income population aged 50+. The loan agreement was amended on January 10, 2019, to redefine the Draw Termination Date from August 5, 2021 to December 31, 2018.

WWCF, LLC was formed 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. The lenders committed to lend an aggregate of $30,000,000 to the fund, which expired on June 30, 2018. This entity dissolved on March 5, 2019.

Capital Impact Partners holds 15,000 shares of Urban Partnership Bank's voting and nonvoting stock. Urban Partnership Bank merged with Providence Bank & Trust in August 2018. Providence Bank & Trust redeemed the Urban Partnership Bank shares for $19.9763 per share on February 9, 2019, in which Capital Impact Partners received cash of $299,645 on February 19, 2019.

Capital Impact Partners leases office space in New York, NY, as of February 2019, which includes rent abatement on monthly rent payments for the first 180 days of occupancy.

On March 12, 2019, Capital Impact Partners closed a $750,000 IIP equity investment with ROC USA, LLC under the Second Amended and Restated Operating Agreement.

Capital Impact Partners and Subsidiaries

Consolidating Statement of Financial Position
December 31, 2018

	Capital Impact Partners	Detroit Neighborhood Fund, LLC	FPIF, LLC	Community Investment Impact Fund , LLC	Community Investment Impact Fund II, LLC	Impact V CDE 7, LLC	Eliminations	Total
Assets								
Cash and cash equivalents – unrestricted	$ 46,781,221	$ 5,610,186	$ 157,133	$ 2,249,680	$ 141	$ -	$ -	$ 54,798,361
Cash and cash equivalents – restricted	31,453,735	242,537	-	-	-	-	-	31,696,272
Accounts and interest receivable	2,658,202	82,921	115,899	129,641	3,029	-	(131,634)	2,858,058
Contributions receivable	7,900,000	-	-	-	-	-	-	7,900,000
Investments	13,361,164	-	-	-	-	-	(6,251,015)	7,110,149
Mortgage Backed and U.S. Treasury Securities	53,090,027	-	-	-	-	-	-	53,090,027
Loans receivable	347,634,426	-	-	-	-	-	-	347,634,426
Less: allowance for loan losses	(11,833,262)	-	-	-	-	-	-	(11,833,262)
Loans receivable, net	335,801,164	-	-	-	-	-	-	335,801,164
Loans receivable – subsidiaries	-	19,171,724	23,928,207	23,146,378	6,125,000	-	(39,889,977)	32,481,332
Other assets	2,983,074	-	-	-	-	-	-	2,983,074
							-	
Total assets	$ 494,028,587	$ 25,107,368	$ 24,201,239	$ 25,525,699	$ 6,128,170	$ -	$ (46,272,626)	$ 528,718,437
Liabilities and Net Assets								
Liabilities:								
Accounts payable and accrued expenses	$ 3,924,312	$ 89,639	$ 110,210	$ 395,605	$ 3,170	$ -	$ (131,634)	$ 4,391,302
Refundable advance liability	4,650,000	-	-	-	-	-	-	4,650,000
Office vacation obligation	-	-	-	-	-	-	-	-
Deferred rent and tenant allowance	2,036,402	-	-	-	-	-	-	2,036,402
Due to subsidiaries	29,271,378	-	-	-	-	-	(29,271,378)	-
Revolving lines of credit	75,000,000	-	-	-	-	-	-	75,000,000
Notes payable	76,752,847	-	-	-	-	-	-	76,752,847
Investor Notes, net	98,237,284	-	-	-	-	-	-	98,237,284
Subordinated debt	10,718,000	-	-	-	-	-	-	10,718,000
Federal Home Loan Bank borrowing	11,000,000	-	-	-	-	-	-	11,000,000
Bond loan payable	48,044,247	-	-	-	-	-	-	48,044,247
Notes payable – subsidiaries	-	24,677,333	23,928,207	-	-	-	(10,618,599)	37,986,941
Total liabilities	359,634,470	24,766,972	24,038,417	395,605	3,170	-	(40,021,611)	368,817,023
Net assets:							-	
Without donor restrictions	104,677,093	340,396	162,822	-	-	-	-	105,180,311
Noncontrolling interest in consolidated subsidiaries	-	-	-	25,130,094	6,125,000	-	(6,251,015)	25,004,079
Total without donor restrictions	104,677,093	340,396	162,822	25,130,094	6,125,000	-	(6,251,015)	130,184,390
With donor restrictions	29,717,024	-	-	-	-	-	-	29,717,024
Total net assets	134,394,117	340,396	162,822	25,130,094	6,125,000	-	(6,251,015)	159,901,414
Total liabilities and net assets	$ 494,028,587	$ 25,107,368	$ 24,201,239	$ 25,525,699	$ 6,128,170	$ -	$ (46,272,626)	$ 528,718,437

Capital Impact Partners and Subsidiaries

Consolidating Statement of Activities
Year Ended December 31, 2018

	Capital Impact Partners	Detroit Neighborhood Fund, LLC	FPIF, LLC	Community Investment Impact Fund , LLC	Community Investment Impact Fund II, LLC	Impact V CDE 7	Eliminations	Total
Changes in net assets without donor restrictions:								
Financial activity:								
Financial income:								
Interest income on loans	$ 17,787,589	$ 1,225,771	$ 1,375,189	$ 1,559,799	$ 3,029	$ 79,743	$ (461,661)	$ 21,569,459
Loan fees	583,124	103,308	-	-	-	-	-	686,432
Investments income, net	1,137,999	6,097	929	4,989	141	7	(321,933)	828,229
Gain on NMTC unwind	94,891		-	-	-	-	-	94,891
Total financial income	19,603,603	1,335,176	1,376,118	1,564,788	3,170	79,750	(783,594)	23,179,011
Financial expense:								
Interest expense	8,761,631	663,574	860,407	-	-	75,448	(461,661)	9,899,399
Provision for loan losses	850,353	-	-	-	-	-	-	850,353
Bad debt expense	146,893		-	-	-	-	-	146,893
Total financial expense	9,758,877	663,574	860,407	-	-	75,448	(461,661)	10,896,645
Net financial income	9,844,726	671,602	515,711	1,564,788	3,170	4,302	(321,933)	12,282,366
Revenue and support:								
Loan servicing fee	2,533,502	-	-	-	-	-	(879,940)	1,653,562
Fees	3,508,712	-	-	-	-	-	(280,051)	3,228,661
Contract revenue	1,143	-	-	-	-	-	-	1,143
Other income	6,843	-	100	334	-	-	-	7,277
Net assets released from donor restrictions	5,304,316	-	-	-	-	-	-	5,304,316
Total revenue and support	11,354,516	-	100	334	-	-	(1,159,991)	10,194,959
Expenses:			-	-			-	
Innovative community lending program	11,136,822	481,044	451,051	245,713	503	21,891	(1,159,991)	11,177,033
Technical assistance	-		-	-			-	-
Total program expenses	11,136,822	481,044	451,051	245,713	503	21,891	(1,159,991)	11,177,033
Support expenses:								
Management and general	9,077,413	-	-	-	-	-	-	9,077,413
Fundraising	690,416	-	-	-	-	-	-	690,416
Total expenses	20,904,651	481,044	451,051	245,713	503	21,891	(1,159,991)	20,944,862
Increase in net assets before non-operating items and noncontrolling interest activities	294,591	190,558	64,760	1,319,409	2,667	(17,589)	(321,933)	1,532,463
Gain on extinguishment of office vacating agreement	1,937,432	-	-	-	-	-	-	1,937,432
Noncontrolling interest – capital contribution	-	-	-		6,125,000	-	(1,225,000)	4,900,000
Noncontrolling interest – distribution	-	-	-	(1,319,582)	(2,667)	-	339,466	(982,783)
Increase (decrease) in net assets without donor restrictions	2,232,023	190,558	64,760	(173)	6,125,000	(17,589)	(1,207,467)	7,387,112
Change in net assets with donor restrictions:								
Investment income, net	152,650	-	-	-	-	-	-	152,650
Grant revenue	16,576,231	-	-	-	-	-	-	16,576,231
Net assets released from donor restrictions	(5,304,316)	-	-	-	-	-	-	(5,304,316)
Increase in net assets with donor restrictions	11,424,565	-	-	-	-	-	-	11,424,565
Increase in net assets	13,656,588	190,558	64,760	(173)	6,125,000	(17,589)	(1,207,467)	18,811,677
Net assets, beginning	120,732,573	149,838	98,062	25,130,266	-	17,589	(5,038,591)	141,089,737
Net assets, ending	$ 134,389,161	$ 340,396	$ 162,822	$ 25,130,093	$ 6,125,000	$ -	$ (6,246,058)	$ 159,901,414

The following consolidated entities did not have 2018 activity:

1).Community Solutions Group, LLC 2) NCBCI Education Conduit, LLC 3) Impact NMTC Holdings II LLC 4) Woodward Corridor Investment Fund, LLC