Capital Impact Partners and Subsidiaries

Consolidated Financial Report
December 31, 2019

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, 2019 and 2018, 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 conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, 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, 2019 and 2018, 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.

Emphasis of Matters
As discussed in Note 1 to the financial statements, the Organization adopted Accounting Standards Update (ASU) 2016-02, Leases (Topic 842) and all subsequent ASUs that modified ASC 842. The Organization has applied the modified retrospective method to adopt the new standard in 2019. 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 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The Organization has applied the modified prospective method to adopt the new standard in 2019. Our opinion is not modified with respect to this matter.

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, 2020

Capital Impact Partners and Subsidiaries

Consolidated Statements of Financial Position
December 31, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents – unrestricted	**$ 40,859,213**	$ 54,798,361
Cash and cash equivalents – restricted	**32,180,923**	31,696,272
Accounts and interest receivable	**2,796,591**	2,858,058
Contributions receivable	**1,925,000**	7,900,000
Investments	**38,705,826**	7,110,149
Mortgage Backed and U.S. Treasury Securities	**69,466,573**	53,090,027
Loans receivable	**371,351,435**	347,634,426
Less: allowance for loan losses	**(13,154,705)**	(11,833,262)
Loans receivable, net	**358,196,730**	335,801,164
Loans receivable – subsidiaries	**33,833,895**	32,481,332
Other assets	**2,959,813**	2,983,074
Right of use assets	**10,794,995**	-
Total assets	**$ 591,719,559**	$ 528,718,437
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 3,043,820**	$ 4,391,302
Refundable advance liability	**7,245,759**	4,650,000
Deferred rent and tenant allowance	**-**	2,036,402
Revolving lines of credit	**54,000,000**	75,000,000
Notes payable	**70,655,976**	76,752,847
Investor Notes, net	**134,570,907**	98,237,284
Subordinated debt	**2,500,000**	10,718,000
Federal Home Loan Bank borrowing	**47,271,304**	11,000,000
Bond loan payable	**58,908,325**	48,044,247
Notes payable – subsidiaries	**35,906,016**	37,986,941
Lease liabilities	**13,208,278**	-
Total liabilities	**427,310,385**	368,817,023
Net assets:		
Without donor restrictions	**106,859,410**	105,180,311
Noncontrolling interest in consolidated subsidiaries	**30,104,079**	25,004,079
Total without donor restrictions	**136,963,489**	130,184,390
With donor restrictions	**27,445,685**	29,717,024
Total net assets	**164,409,174**	159,901,414
Total liabilities and net assets	**$ 591,719,559**	$ 528,718,437

See notes to consolidated financial statements.

Capital Impact Partners and Subsidiaries

Consolidated Statements of Activities
Years Ended December 31, 2019 and 2018

	2019	2018
Changes in net assets without donor restrictions:		
Financial activity:		
Financial income:		
Interest income on loans	$ 23,118,073	$ 21,569,459
Loan fees	989,576	686,432
Investment income, net	4,321,328	920,722
Loss on equity method investments	(181,184)	(92,493)
(Loss) gain on NMTC unwind	(11,844)	94,891
Total financial income	28,235,949	23,179,011
Financial expense:		
Interest expense	10,975,588	9,899,399
Provision for loan losses	1,631,866	850,353
Bad debt expense	-	146,893
Total financial expense	12,607,454	10,896,645
Net financial income	15,628,495	12,282,366
Revenue and support:		
Loan servicing fees	1,419,708	1,653,562
Fees	1,270,797	3,228,661
Contract revenue	-	1,143
Other income	108,310	7,277
Net assets released from donor restrictions	6,958,858	5,304,316
Total revenue and support	9,757,673	10,194,959
Expenses:		
Innovative community lending program	11,238,214	11,177,033
Total program expenses	11,238,214	11,177,033
Support expenses:		
Management and general	10,229,848	9,077,413
Fundraising	899,203	690,416
Total expenses	22,367,265	20,944,862
Change in net assets without donor restrictions before non-operating items and noncontrolling interest activities	3,018,903	1,532,463
Gain on extinguishment of office vacating agreement	-	1,937,432
Change in net assets without donor restrictions before noncontrolling interest activities	3,018,903	3,469,895
Noncontrolling interest – capital contribution	5,100,000	4,900,000
Noncontrolling interest – distribution	(1,339,804)	(982,783)
Increase in net assets without donor restrictions	6,779,099	7,387,112
Changes in net assets with donor restrictions:		
Investment income, net	249,945	152,650
Grant revenue	4,437,574	16,576,231
Net assets released from donor restrictions	(6,958,858)	(5,304,316)
Change in net assets with donor restrictions	(2,271,339)	11,424,565
Change in net assets	4,507,760	18,811,677
Net assets, beginning	159,901,414	141,089,737
Net assets, ending	$ 164,409,174	$ 159,901,414

See notes to consolidated financial statements.

Capital Impact Partners and Subsidiaries

Consolidated Statements of Functional Expenses
Years Ended December 31, 2019 and 2018

2019	**Program Expenses** Innovative Community Lending Program	**Support Expenses** Management and General	**Support Expenses** Fundraising	**Total**
Interest expense	**$ 10,975,588**	**$ -**	**$ -**	**$ 10,975,588**
Provision for loan loss	**1,631,866**	**-**	**-**	**1,631,866**
Salaries and benefits	**6,405,657**	**6,313,063**	**348,730**	**13,067,450**
Professional fees	**125,983**	**538,955**	**80,534**	**745,472**
Contractual services	**933,962**	**1,094,679**	**163,573**	**2,192,214**
Corporate development	**47,430**	**603,819**	**90,226**	**741,475**
Lease expense	**544,790**	**462,679**	**61,348**	**1,068,817**
Insurance	**2,130**	**175,236**	**26,185**	**203,551**
Travel and entertainment	**235,949**	**150,970**	**22,559**	**409,478**
Training and tuition	**55,052**	**114,975**	**17,180**	**187,207**
Grant expense	**1,959,118**	**-**	**-**	**1,959,118**
Depreciation	**103,300**	**232,863**	**-**	**336,163**
Other	**824,843**	**542,609**	**88,868**	**1,456,320**
	$ 23,845,668	**$ 10,229,848**	**$ 899,203**	**$ 34,974,719**

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

See notes to consolidated financial statements.

Capital Impact Partners and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	$ 4,507,760	$ 18,811,677
Noncontrolling interest activities	3,760,196	3,917,217
Change in net assets before noncontrolling interest activities	747,564	14,894,460
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Provision for loan losses	1,631,866	850,353
Bad debt expense	-	146,893
Depreciation	336,163	359,747
Gain on extinguishment of office vacating agreement	-	(1,937,432)
Amortization of notes issuance costs	163,561	106,000
Amortization of deferred rent and tenant allowance	-	388,682
Amortization of right of use assets	901,078	-
Change in discount on lease liabilities	109,439	-
Investment (gain) / loss	(1,827,631)	836,274
Loss on equity method investments	181,184	92,493
Loss (gain) on NMTC unwind	11,844	(94,891)
Distribution on earnings from equity method investments	2,053	113,611
Loss on disposal of assets	-	54,334
Accretion of interest on loans	53,129	88,445
Decrease (increase) in:		
Accounts and interest receivable	61,467	(172,045)
Contributions receivable	5,975,000	(7,375,000)
Other assets	(144,690)	91,761
(Decrease) increase in:		
Accounts payable and accrued expenses	(1,423,781)	413,094
Refundable advance liability	2,595,759	(150,000)
Office vacation obligation	-	(730,693)
Lease liabilities	(633,637)	-
Net cash provided by operating activities	8,740,368	7,976,086
Cash flows from investing activities:		
Loan originations and advances	(75,932,601)	(70,823,860)
Loan purchases	(7,288,956)	(6,417,074)
Loan repayments	55,811,878	40,598,247
Loan sales	3,382,247	250,000
Loan originations and advances – subsidiaries	(3,817,123)	(466,113)
Loan repayments – subsidiaries	2,464,563	27,992,025
Proceeds from sale and distributions of investments	340,018	1,984
Purchase of investments	(32,174,147)	(1,172,858)
Proceeds from sale of Mortgage Backed and U.S. Treasury Securities	12,878,577	10,444,509
Purchase of Mortgage Backed and U.S. Treasury Securities	(27,384,118)	(16,369,178)
Purchase of furnishings and equipment	(168,212)	(428,135)
Net cash used in investing activities	(71,887,874)	(16,390,453)
Cash flows from financing activities:		
Proceeds from notes payable	-	5,000,000
Proceeds from bond loan payable	12,787,000	8,535,000
Repayment of notes payable	(6,150,000)	(4,547,986)
Repayment of bond loan payable	(1,922,923)	(1,420,832)
Repayment of subordinate notes payable	(8,218,000)	-
Proceeds from Federal Home Loan Bank borrowing	36,271,304	-
Proceeds from issuance of Investor Notes, net	46,789,485	57,827,475
Repayment of Investor Notes	(10,368,000)	(130,000)
Payment of issuance cost of Investor Notes	(251,423)	(300,404)
Capital contribution received – noncontrolling interest	5,100,000	4,900,000
Capital distributions paid – noncontrolling interest	(1,263,509)	(788,635)
Proceeds from notes payable – subsidiaries	-	466,114
Repayment of notes payable – subsidiaries	(2,080,925)	(22,636,829)
Proceeds from lines of credit	19,000,000	10,000,000
Repayment of lines of credit	(40,000,000)	(20,000,000)
Net cash provided by financing activities	49,693,009	36,903,903
Net (decrease) increase in cash and cash equivalents	(13,454,497)	28,489,536
Cash and cash equivalents – beginning	86,494,633	58,005,097
Cash and cash equivalents – ending	$ 73,040,136	$ 86,494,633

(Continued)

Capital Impact Partners and Subsidiaries

Consolidated Statements of Cash Flows (Continued)
Years Ended December 31, 2019 and 2018

		2019		2018
Cash and cash equivalents consist of:				
Cash and cash equivalents – unrestricted	$	40,859,213	$	54,798,361
Cash and cash equivalents – restricted		32,180,923		31,696,272
	$	73,040,136	$	86,494,633
Supplemental disclosure of cash flow information:				
Cash paid during the year for interest	$	10,952,069	$	9,497,336
Supplemental schedules of noncash investing and financing activities:				
Distributions payable to noncontrolling interest included in accounts payable	$	325,174	$	246,659
Tenant allowance for leasehold improvements and furniture	$	-	$	61,375
Additions to right of use assets as of January 1, 2019	$	8,578,460	$	-
Additions to lease liabilities as of January 1, 2019	$	10,614,862	$	-
Additions to right of use assets and liabilities obtained from operating leases	$	3,117,614	$	-

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 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 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)

Capital Impact Partners, was established under the National Consumer Cooperative Bank Act, provides comprehensive financial services to cooperatives and other member-owned organizations throughout the United States. The Board of Directors for Capital Impact Partners consists of eleven members, five of whom are elected from among the then-current senior executive officers or directors (or directors-elect) of the National Cooperative Bank or any of its subsidiaries, including, without limitation, National Cooperative Bank, N.A. (the "NCB"), and six of whom are not related to NCB.

As an inherent part of its charter and mission, Capital Impact Partners makes loans to established cooperative and cooperative-like businesses and, in some markets, makes special loans in the form of predevelopment loans to newer, less established organizations focused on multifamily housing development. As a development finance entity, Capital Impact Partners originates higher risk acquisition, construction and term loans to housing, community facility, food retail, education and worker cooperatives and cooperative-like entities. Consequently, repayment estimates for these higher risk loans are less predictable than those 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.

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

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, 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, and Impact NMTC Holdings II LLC. All significant intra-organization accounts and transactions have been eliminated in consolidation.

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

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

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

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

Investments: Investments in equity securities, money market funds, Mortgage Backed and U.S. Treasury Securities with readily determinable fair values are stated at fair value measured, as more fully described in Note 20. Capital Impact Partners' investment in Real Estate Investment Trust (REIT), and other investments are stated at estimated fair value as more fully described in Note 20. Interest and dividend income are recognized when earned. Any unrealized or realized gains or losses are reported in the statements of activities as a change in assets without donor restrictions, unless explicit donor intent or law restricts their use, in which case unrealized or realized gains or losses are reported in the statements of activities as a change in assets with donor restrictions. Investment return is reported net of investment expenses.

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.

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, 2019 or 2018.

Investment in Workforce Affordable Housing Fund I, LLC: In July 2019, Capital Impact Partners became a 96% non-controlling member in the Investment in Workforce Affordable Housing Fund I, LLC and is accounting for its investment under the equity method of accounting. The purpose is to invest in multifamily affordable housing properties located in specified areas in the U.S. Housing properties are to be acquired, held for investment then sold. Members' record their proportionate share of income or loss from the properties and gain/loss upon sale of the property.

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

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 (Annaly) (non-managing member with 80% ownership). Capital Impact Partners consolidates CIIF and CIIF II financial statements as the managing member for both entities and presumed to control them. The non-managing member does not have substantive kick-out rights or substantive participating rights and therefore cannot consolidate. 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 daily at the loans' respective interest rates. Related direct loan origination fees and costs are deferred and amortized over the life of the loans. Fees relating to expired commitments are recognized as non-interest income. If a commitment is exercised during the commitment period, the fee at the time of exercise is recognized over the life of the loan as an adjustment of yield.

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

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

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.

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

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.

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

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

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

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

Right to use assets / lease liabilities: Capital Impact Partners recognizes right to use assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities.

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

Investor Notes: Capital Impact Partners launched an Investor Notes (Notes) program in 2017. The proceeds of the 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.

Net assets: Capital Impact Partners classifies net asset into two categories: Without Donor Restrictions and With Donor Restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Donor restricted net assets are contributions with temporary, donor-imposed time or purpose restrictions. Donor restricted net assets can be released from restriction when the time restrictions expire or the contributions are used for their intended purpose at which time they are reported in the statements of activities as net assets released from restrictions. Donor restricted funds also include donor contributions to be held in perpetuity of which there were none at December 31, 2019 and 2018.

Revenue recognition*:* Capital Impact Partners generally measures revenue based on the amount of consideration Capital Impact Partners expects to receive 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.

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

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

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

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

Credit enhancement fees are collected from two investment 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, 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: Rent expense is recorded on a straight-line basis over the entire lease term. The deferred rent liability recorded in the accompanying 2018 statement 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. Upon adoption on ASC 842 (Leases) as of January 1, 2019, deferred rent and tenant allowance was netted against the Right of Use Asset. The Right of Use Asset is amortized on a straight-line basis over the term of the respective lease.

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 provides supplemental funds to employees for parking and transit, no longer considered as unrelated business income for non-profit entities. On December 20, 2019, §512(a)(7) of the Internal Revenue Code was repealed, thereby excluding parking and transportation benefits as pretax benefits without unrelated business taxable income implications. The code section 512(a)(7) was struck in such a way as to be retroactive. Capital Impact Partners will request a refund of paid 2019 and 2018 unrelated business income tax totaling approximately $32,000.

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

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, 2019 and 2018. 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 2016.

Community Investment Impact Fund, LLC, (CIIF) and Community Investment Impact Fund II, LLC, (CIIF II) are consolidated subsidiaries of Capital Impact Partners and are Delaware Limited Liability Companies. The entities file annual tax returns to report the income, deductions, gains, losses, etc., from its operations, but does not pay income tax. Instead, any profits or losses pass through to its members, Capital Impact Partners and Annaly. Each member includes its share of the entity's income/loss on its tax return.

Reclassifications: Certain reclassifications were made in the 2018 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, 2019, Capital Impact Partners adopted Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)* and all subsequent ASUs that modified ASU 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. A modified retrospective transition approach was applied to leases existing at, or entered into after, the beginning of the date of adoption, January 1, 2019, with certain practical expedients available. The impact of the new standard at December 31, 2019, is right of use assets - operating in the amount of $10,794,995, which is impacted by any unamortized deferred rent and tenant allowances, and lease liabilities - operating of $13,208,278. Additional disclosures related to leases are included in Note 11.

As of January 1, 2019, Capital Impact Partners adopted 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. Capital Impact Partners applied the requirements on a modified prospective basis to agreements that were not completed prior to January 1, 2019 or entered in after January 1, 2019. The impact of the new standard on the financial statements is a net decrease of approximately $4,715,759 in grant revenue for the year ended December 31, 2019.

As of January 1, 2019, Capital Impact Partners adopted 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. Capital Impact Partners applied ASU 2016-15 on a retrospective transition method. The implementation of the guidance had no material impact on the consolidated financial statements.

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

Recent accounting pronouncements: 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, 2022. Capital Impact Partners is currently evaluating the impact of adopting this new guidance on its financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. This ASU removes, modifies and adds certain disclosure requirements of ASC Topic 820. The ASU is effective for Capital Impact Partners as of January 1, 2020. Capital Impact Partners is currently evaluating the effect that this guidance will have on its financial statements.

In April 2019, the FASB issued ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*. This ASU was issued to clarify and improve areas of guidance related to recently issued financial instrument standards on credit losses, hedging, recognition and measurement. The amendments in the guidance contain several effective dates and are effective for Capital Impact Partners as of January 1, 2020 through January 1, 2023. Capital Impact Partners is currently evaluating the effect that this guidance will have on its financial statements.

In May 2019, the FASB issued ASU 2019-05, *Credit Losses (Topic 326): Targeted Transition Relief*. This ASU provides entities that have certain instruments within the scope of Subtopic 326-20, Financial Instruments – Credit Losses – Measured at Amortized Cost, with an option to irrevocably elect the fair value option in Subtopic 825-10, Financial Instruments – Overall, applied on an instrument-by-instrument basis for eligible instruments, upon adoption of Topic 326. For entities that have not yet adopted the credit losses standard, the ASU is effective when they implement the credit losses standard. Capital Impact Partners is currently evaluating the effect that this guidance will have on its financial statements.

Note 2. Cash and Cash Equivalents

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

	2019	2018
Cash in bank	$ 49,604,317	$ 46,523,320
Overnight investments	18,377,166	14,042,980
Other short-term investments	5,058,653	6,896,625
U.S. Treasury Bills (a)	-	13,031,708
Certificates of Indebtedness (a)	-	6,000,000
	$ 73,040,136	$ 86,494,633
Unrestricted	$ 40,859,213	$ 54,798,361
Restricted	32,180,923	31,696,272
	$ 73,040,136	$ 86,494,633

(a) Capital Impact Partners invests idle cash in short term securities, including U.S. Treasury Bills. At December 31, 2019, Capital Impact Partners held $0 in short-term U.S. Treasury Bills. At December 31, 2018, Capital Impact Partners 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, 2019 and 2018, the following financial assets are available to meet annual operating needs of the 2020 and 2019 fiscal year, respectively:

	2019	2018
Total assets at year-end:		
Cash and cash equivalents – unrestricted	$ 40,859,213	$ 54,798,361
Cash and cash equivalents – restricted	32,180,923	31,696,272
Accounts and interest receivable	2,796,591	2,858,058
Contributions receivable	1,925,000	7,900,000
Loans receivable, net	358,196,730	335,801,164
Loans receivable – subsidiaries	33,833,895	32,481,332
Other assets	2,959,813	2,983,074
Investments	38,705,826	7,110,149
Mortgage Backed and U.S. Treasury Securities	69,466,573	53,090,027
Right to use assets	10,794,995	-
Total assets	591,719,559	528,718,437
Less amounts not available to be used within one year:		
Cash and cash equivalents – unrestricted – subsidiaries	(9,759,570)	(8,017,140)
Cash and cash equivalents – restricted	(32,180,923)	(31,696,272)
Contributions receivable	(1,925,000)	(7,900,000)
Loans receivable, due after one year, net	(321,601,732)	(279,316,061)
Loans receivable – subsidiaries	(33,833,895)	(32,481,332)
Other assets	(2,959,813)	(2,983,074)
Investments	(38,705,826)	(7,110,149)
Investments in pledged Mortgage Backed and U.S. Treasury Securities	(51,548,069)	(18,448,716)
Unfunded loan commitments	(48,671,002)	(24,815,955)
Right to use assets	(10,794,995)	-
Assets not available to be used within one year	(551,980,825)	(412,768,699)
Financial assets available to meet general expenditures within one year	$ 39,738,734	$ 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, 2019 and 2018, Capital Impact Partners had uninsured balances of $48,518,545 and $43,442,994, respectively, that are included in cash and cash equivalents. Uninsured amounts of $20,801,789 and $20,739,605 are held in short-term investments, in sweep accounts and non-bank money market accounts at December 31, 2019 and 2018, 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 28% and 43% of the portfolio represents loans made to entities associated with the NMTC program at December 31, 2019 and 2018, respectively. Approximately 34% and 35% of the portfolio represents loans made in the state of California and approximately 20% and 19% in the state of Michigan at December 31, 2019 and 2018, respectively.

Note 5. Investments

Investments consist of the following as of December 31:

	2019	2018
Marketable equity securities	$ 310,282	$ 236,512
Real estate investment trust	1,404,880	1,568,721
Other investments	281,803	531,244
Total investments at fair value (Note 20)	1,996,965	2,336,477
Equity method investments:		
ROC USA, LLC	2,991,535	2,605,150
Charter School Financing Partnership, LLC	251,146	230,736
Workforce Affordable Housing Fund I, LLC	29,982,824	-
Other equity method investment	475,997	500,000
Equity method investments in New Markets Tax Credit entities (Note 17)	20,859	31,986
Total equity method investments	33,722,361	3,367,872
Investments at cost	2,486,500	905,800
Debt investment	500,000	500,000
	$ 38,705,826	$ 7,110,149

Other investments: 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. This investment was recorded at $245,100 as of December 31, 2018. Urban Partnership Bank merged with Providence Bank & Trust in 2019. The stock was sold on February 9, 2019 for $299,645 and a $54,545 realized gain was recognized and reflected in investment income, net on the statement of activities in 2019.

Equity method investments:

ROC USA, LLC: In February 2019, Capital Impact Partners contributed an additional $750,000 into ROC USA, LLC and amended the existing operating agreement (for $500,000) to incorporate this new equity investment. The revised operating agreement allows for the investor members to receive distributions equal to 5% of their capital contribution. Capital Impact Partners received a distribution of $39,583 through December 31, 2019. The allocation of the change in net assets without donor restriction and voting rights remained consistent with the original agreement at 33.33% and 23.81%, respectively. As provided for in the operating agreement of ROC USA, LLC, there are certain limitations affecting member capital withdrawals. For the years ending December 31, 2019 and 2018, Capital Impact Partners recognized losses of $324,032 and $127,290, respectively. At December 31, 2019 and 2018, Capital Impact Partners had total investments in ROC USA, LLC of $2,991,535 and $2,605,150, respectively.

The following is a summary of financial information for the years ended December 31, 2019 and 2018, for ROC USA, LLC:

	2019	2018
Total assets	$ 96,951,671	$ 87,459,246
Total liabilities	83,507,614	75,312,462
Net assets/members' capital	13,444,057	12,146,784
Total revenue	2,384,522	2,314,074
Total expenses	3,375,251	2,717,310
Change in net assets without donor restrictions	(990,729)	(403,236)

Note 5. Investments (Continued)

Workforce Affordable Housing Fund I, LLC: In December 2019, Capital Impact Partners invested in the Workforce Affordable Housing Fund I, LLC. The purpose of this transaction is to invest in multifamily affordable housing properties located in specific areas throughout the United States. During the year ended December 31, 2019, Capital Impact Partners made capital contributions of $29,837,174. Members' record on-going income or loss from properties and gain/loss upon sale. For the year ended December 31, 2019, Capital Impact Partners allocated income was $145,650.

	2019
Total assets	$ 31,123,261
Total liabilities	3,970,232
Net assets/members' capital	27,153,029
Total revenue	230,935
Total expenses	79,215
Change in net assets without donor restrictions	151,720

Charter School Financing Partnership, LLC (CSFP): As of December 31, 2019 and 2018, Capital Impact Partners had an investment of $251,146 and $230,736, respectively. The net income of CSFP is allocated 18% to Capital Impact Partners and amounted to $21,200 and $34,797, respectively, for the years ended December 31, 2019 and 2018. Capital Impact Partners received a distribution of $790 and $1,984 as of December 31, 2019 and 2018, respectively.

Other equity method investment: In 2018, Capital Impact Partners entered into an agreement to invest $500,000 in Develop Detroit, a nonprofit developer in Detroit, Michigan. The balance recorded as of December 31, 2019 and 2018 was $475,997 and $500,000, respectively.

Debt investment: In 2018, Capital Impact Partners entered into a debt investment with a CDFI in the cooperative sector. The balance recorded as of December 31, 2019 and 2018 was $500,000.

Investments at cost: Capital Impact Partners is a member of FHLBank Atlanta, whose mission is to support member's residential-mortgage and economic-development lending activities. FHLBank Atlanta is a cooperative bank that offers, among other services, competitively priced financing. As a requirement of membership, Capital Impact Partners was required to purchase Class A Membership Stock of $250,000, which carries voting rights and is also an earning asset with dividends. Capital Impact Partners will be required to purchase additional stock in the amount of 4.5% of each advance and pledge cash or securities as collateral for advances. At December 31, 2019 and 2018, the amount of stock held was $2,486,500 and $905,800, respectively. As of December 31, 2019 and 2018, Capital Impact Partners has drawn advances totaling $47,271,304 and $11,000,000, respectively, from FHLBank Atlanta.

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, 2019 and 2018, total FHLBank Atlanta borrowings are $47,271,304 and $11,000,000, respectively. The balance of pledged Mortgage Backed and U.S. Treasury Securities are $51,548,069 and $18,448,716 as of December 31, 2019 and 2018, respectively. The remaining unpledged balance, net of discount, which is available to secure future advances are $17,918,504 and $34,641,311 as of December 31, 2019 and 2018, respectively.

Note 6. Mortgage Backed and U.S. Treasury Securities (Continued)

The Mortgage Backed and U.S. Treasury Securities by category as of December 31, 2019 and 2018 are as follows:

	2019	2018
Mortgage Backed Securities:		
Federal Home Loan Mortgage Company (FHLMC)	$ 13,932,302	$ 11,339,015
Federal National Mortgage Association (FNMA)	1,804,908	30,843,647
Government National Mortgage Association (GNMA)	8,856,898	9,956,035
Uniform Mortgage Backed Securities (UMBS)	43,916,765	-
U.S. Treasury Securities:		
U.S. Treasury Notes	955,700	951,330
	$ 69,466,573	$ 53,090,027

Note 7. Contributions Receivable

As of December 31, 2019 and 2018, contributions receivable are due to be collected as follows:

	2019	2018
Receivable in one year or less	$ 1,925,000	$ 6,025,000
Receivable within one to five years	-	1,875,000
	$ 1,925,000	$ 7,900,000

As of December 31, 2019, total contributions receivable includes an amount due from one grantor totaling $1,800,000.

As of December 31, 2019, total conditional contributions receivable not recorded is $1,241,667. The conditional unrecorded receivables include a right of release dependent on available funding or satisfactory progress. Conditional grants are disclosed in accordance with the 2019 adoption of ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* (See Note 1).

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.

Note 8. Loans Receivable (Continued)

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

	2019	%	2018	%
By Sector:				
Education	$ 117,154,570	32	$ 133,910,991	39
Health care	76,269,674	21	71,127,516	20
Affordable housing	124,522,705	33	94,914,117	27
Community development	53,404,486	14	47,681,802	14
Total – Capital Impact Partners	371,351,435	100	347,634,426	100
Detroit Neighborhoods Fund, LLC	14,379,434		10,945,946	
FPIF, LLC	19,454,461		21,535,386	
	$ 405,185,330		$ 380,115,758	

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 8.84% and maturities from February 1, 2020 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 8.85% and maturities from January 1, 2020 to February 1, 2055.

Subsidiaries:

Detroit Neighborhoods Fund, LLC (DNF, LLC): DNF, LLC was formed during 2014 under the laws of the state of Delaware. Capital Impact Partners is the sole member and manager of this LLC. DNF, LLC was formed specifically for the purpose of providing financing for mixed-use and multi-family rental housing and healthy foods retail in underserved areas in Detroit, Michigan. Capital Impact Partners' role is managing the DNF, LLC and identifying, originating, closing and servicing the loans. For this role, Capital Impact Partners receives an annual loan servicing fee of 200 basis points of the average daily outstanding principal balance of each end borrower loan. The lenders have committed to lend an aggregate of $30 million to the fund. The lenders in the fund are Capital Impact Partners, with a $10 million commitment and J.P. Morgan Chase Community Development Corporation, with a $20 million commitment. All loans from each investor are evidenced by individual promissory notes from each lender to DNF, LLC. The loans are with sole recourse to the DNF, LLC and include no obligation for repayment on the part of Capital Impact Partners. Interest rates range from 5.0% to 5.25% and maturities from January 1, 2026 to June 27, 2029.

Woodward Corridor Fund, LLC (WWCF, LLC): Capital Impact Partners is the sole member and manager of this LLC. 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.

Note 8. Loans Receivable (Continued)

FPIF, LLC: FPIF, LLC was formed during 2014 under the laws of the state of Delaware. Capital Impact Partners is the sole member and manager of this LLC. FPIF, LLC is organized as a special purpose entity to channel funds to a predominately low income population aged 50+. The lenders 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. 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 13, Notes Payable – Subsidiaries, for further details on subsidiary loans receivables.

Note 9. Credit Quality

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

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

- Education
- Health care
- Affordable housing
- Community development

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

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

Note 9. Credit Quality (Continued)

Age analysis of past due loans: The following tables represent an aging of loans by sector as of December 31, 2019 and 2018. 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, 2019	30 - 59 Days Past Due	60 - 89 Days Past Due	90 days and Still Accruing	Non-accrual	Total Past Due	Current	Total Loans
Education	$ -	$ -	$ -	$ 377,950	$ 377,950	$ 116,776,620	$ 117,154,570
Health care	-	-	-	-	-	76,269,674	76,269,674
Affordable housing	-	-	-	560,070	560,070	123,962,635	124,522,705
Community development and other	685,595	-	-	-	685,595	52,718,891	53,404,486
	$ 685,595	$ -	$ -	$ 938,020	$ 1,623,615	$ 369,727,820	$ 371,351,435

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
Healthcare	-	-	-	-	-	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	-	-	790,328	1,390,328	46,291,474	47,681,802
	$ 746,441	$ 62,855	$ -	$ 1,840,447	$ 2,649,743	$ 344,984,683	$ 347,634,426

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 or doubtful. The following definitions summarize the basis for each classification.

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

Pass: These borrowers have a clear ability to service debt from the primary repayment source and a history of strong financial performance. These loans may have a short-term or situational weakness that is expected to resolve within 24 months; examples include major construction or rehabilitation, business expansion to additional sites or services, large loan for borrower or lender and change in a key member of management. These borrowers must have current and regularly received financial information in the file, be in compliance with loan covenants, and be properly documented.

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.

Note 9. Credit Quality (Continued)

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

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

Doubtful: These loans have all the weaknesses of substandard loans with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. The possibility of loss is extremely high, but because of certain important, and reasonably specific, pending factors which may work to the advantage and strengthening of the loan, its charge-off is deferred until its more exact status may be determined. Pending factors include proposed merger, acquisition, or liquidation procedures, capital injection, perfecting liens on additional collateral and refinancing plans.

The following tables summarize the loan portfolio by sector and the internally assigned credit quality ratings for those categories at December 31, 2019 and 2018.

December 31, 2019	Education	Health Care	Affordable Housing	Community Development	Total
Above average	$ 2,372,717	$ 1,078,733	$ 711,564	$ -	$ 4,163,014
Pass	33,552,004	20,640,993	11,841,050	12,532,356	78,566,403
Watch	80,851,899	52,124,862	101,553,908	29,877,388	264,408,057
Special mention	-	2,425,086	8,984,118	10,304,106	21,713,310
Substandard	-	-	-	326,862	326,862
Doubtful	377,950	-	1,432,065	363,774	2,173,789
	$ 117,154,570	$ 76,269,674	$ 124,522,705	$ 53,404,486	$ 371,351,435

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

Allowance for loan losses: The allowance for loan losses as a percentage of loans outstanding as of December 31, 2019 and 2018, was 3.5% and 3.4%, 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 3.3% and 3.2% as of December 31, 2019 and 2018, 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, 2019 and 2018, by sector and the amount of loans evaluated individually or collectively for impairment by sector.

December 31, 2019	Education	Health Care	Affordable Housing	Community Development	Total
Allowance for loan losses:					
Beginning balance	$ 3,336,333	$ 1,721,737	$ 3,580,382	$ 3,194,810	$ 11,833,262
Charge-offs	-	-	(40,217)	(313,977)	(354,194)
Recoveries	-	-	-	43,771	43,771
Provisions	(303,220)	385,313	1,267,107	282,666	1,631,866
	$ 3,033,113	$ 2,107,050	$ 4,807,272	$ 3,207,270	$ 13,154,705
Ending balance of allowance for loan losses:					
Individually evaluated for impairment	$ 114,950	$ -	$ 500,000	$ -	$ 614,950
Collectively evaluated for impairment	2,918,163	2,107,050	4,307,272	3,207,270	12,539,755
	$ 3,033,113	$ 2,107,050	$ 4,807,272	$ 3,207,270	$ 13,154,705
Loan ending balances:					
Individually evaluated for impairment	$ 376,017	$ -	$ 560,070	$ -	$ 936,087
Collectively evaluated for impairment	116,778,553	76,269,674	123,962,635	53,404,486	370,415,348
	$ 117,154,570	$ 76,269,674	$ 124,522,705	$ 53,404,486	$ 371,351,435

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

Note 9. Credit Quality (Continued)

Impaired loans: The following tables summarize the impaired loans as of December 31, 2019 and 2018. The tables segregate the loans by sector for impaired loans with specific allowances for losses and impaired loans without specific allowances.

December 31, 2019	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized*
With no related allowance recorded:					
Education	$ -	$ -	$ -	$ -	$ -
Health care	-	-	-	-	-
Affordable housing	60,070	60,070	-	61,393	3,545
Community development	-	-	-	-	-
Subtotal	60,070	60,070	-	61,393	3,545
With an allowance recorded:					
Education	376,017	377,950	114,950	410,186	24,575
Health care	-	-	-	-	-
Affordable housing	500,000	500,000	500,000	500,000	23,230
Community development	-	-	-	-	-
Subtotal	876,017	877,950	614,950	910,186	47,805
Total:					
Education	376,017	377,950	114,950	410,186	24,575
Health care	-	-	-	-	-
Affordable housing	560,070	560,070	500,000	561,393	26,775
Community development	-	-	-	-	-
Total	$ 936,087	$ 938,020	$ 614,950	$ 971,579	$ 51,350

* Interest income recognized on a cash basis during 2019 was $0.

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.

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, 2019 and 2018, Capital Impact Partners had no loans that were classified as TDR's included in impaired loans.

There were no loans previously identified as TDR's that re-defaulted in 2019 or 2018.

Subsidiaries with loans:

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, 2019 and 2018, are the following:

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

A cash pledge deposit balance of $533,530 and $523,503, as of December 31, 2019 and 2018, 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.

Note 10. Other Assets (Continued)

On September 1, 2015, Capital Impact Partners entered into an agreement with CoMetrics to provide a program related investment loan in the aggregate principal amount of $300,000 to finance its business and operations, consistent with its cooperative purposes. The loan was funded in two separate tranches and pays interest at an initial rate of 1% and increases to 5% if CoMetric's earnings reach a certain level. Capital Impact Partners has advanced $300,000, as of December 31, 2019 and 2018. The loan has earned interest of $3,257 and $3,509 for the years ended December 31, 2019 and 2018, respectively.

Furniture, equipment and leasehold improvements at December 31, 2019 and 2018, were comprised as follows:

	2019	2018
Furniture, equipment and software	$ 966,427	$ 814,719
Leasehold improvements	1,587,663	1,571,159
	2,554,090	2,385,878
Less accumulated depreciation and amortization	(1,086,582)	(750,419)
	$ 1,467,508	$ 1,635,459

Note 11. Leases

Capital Impact Partners has operating leases for four corporate offices. Leases have remaining lease terms of 1 year to 15 years, some of which include options to extend the leases for up to 5 years.

The components of lease expense were as follows:

	2019
Operating lease cost - fixed	$ 1,016,696
Operating lease cost - variable	52,121
	1,068,817
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	633,637
Non-cash investing and financing activities:	
Additions to right of use assets obtained from operating lease	3,117,614
Operating lease right of use assets as of January 1, 2019	8,578,460
Operating lease liabilities as of January 1, 2019	10,614,862
Weighted average remaining lease term	
Operating leases	12 years
Weighted average discount rate	
Operating leases	2.91%

Note 11. Leases (Continued)

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

Maturities of lease liabilities were as follows:

Years Ending December 31,		
2020	$	940,772
2021		1,204,718
2022		1,212,223
2023		1,237,040
2024		1,217,067
Thereafter		10,015,772
Total lease payments		15,827,592
Less imputed interest		(2,619,314)
	$	13,208,278

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

The lease agreement provides for a tenant allowance of $1,547,350 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.

In September 2019, Capital Impact Partners entered into a new $2 million operating lease to secure additional space for the Arlington, Virginia office. The lease is for 13 years and ends November 30, 2032. The lease agreement provides for a tenant allowance of $232,050 utilized to defray the buildout costs of the suite and furniture. The lease agreement also includes rent abatement on the monthly rent payments within the first nine months of occupancy.

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. Finally, there is office space in Oakland, California which has a rent agreement due to expire in 2021.

Lease expense was $1,068,817 and $882,720 for the years ended December 31, 2019 and 2018, respectively.

Note 12. 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, 2019, consist of the following:

	Commitment	Available Undrawn	December 31, 2019	December 31, 2018	Interest Rate Range	Maturity Date Range
Revolving lines of credit	$ 125,000,000	$ 71,000,000	$ 54,000,000	$ 75,000,000	3.44% - 3.84%	June 2020 - May 2024
Unsecured - fixed rate	76,100,000	1,880,000	70,655,976	76,752,847	.88% - 3.78%	June 2020 - August 2030
Investor Notes, net	136,608,000	-	136,608,000	100,072,000	2.05% - 4.10%	April 2020 - July 2029
Subordinated debt	2,500,000	-	2,500,000	10,718,000	2.00%	December 2023
Federal Home Loan Bank borrowing	82,864,150	35,592,846	47,271,304	11,000,000	2.37%	December 2029
Bond payable	95,000,000	30,896,000	58,908,325	48,044,247	2.35% - 2.58%	March 2024 - December 2045
	518,072,150	139,368,846	369,943,605	321,587,094		
Investor Notes issuance cost	-	-	(2,037,093)	(1,834,716)		
	$ 518,072,150	$ 139,368,846	$ 367,906,512	$ 319,752,378		

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.

Revolving Lines of Credit:

Revolving lines of credit - variable: Capital Impact Partners has three variable rate revolving lines of credit with different financial institutions, one of which is comprised of a group of four lenders. The interest rates are calculated by adding a spread to the London Interbank Offering Rate (LIBOR). The maturity dates on each of these lines of credit range from June 2020 through September 2021. The outstanding balance on these lines of credit total $44,000,000 and $65,000,000 at December 31, 2019 and 2018, respectively.

Revolving line of credit - fixed: **:** Capital Impact Partners has a revolving line of credit with a fixed interest rate that matures in May 2024; which allows draws for the period through May 31, 2020. The outstanding balance on this line of credit was $10,000,000 and $10,000,000 at December 31, 2019 and 2018, respectively.

Unsecured Fixed Rate: Capital Impact Partners has several unsecured debt agreements with Banks and Foundations with fixed interest rates. Two agreements are established with banks as of December 31, 2019 and 2018 and ten and eleven are established with foundations/CDFIs as of December 31, 2019 and 2018, respectively.

Investor Notes: Capital Impact Partners issued more Investor Notes in 2019, continuous from its 2018 offering, for up to $150,000,000. 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, 2019 and 2018, the Note holders held $136,608,000 and $100,072,000, respectively of the total Notes payable balance. Interest rates range between 2.05% and 4.10%.

Note 12. Notes and Bond Payable, Revolving Lines of Credit, Subordinated Debt and Investor Notes (Continued)

Aggregate annual maturities of Capital Impact Partners' Investor Notes over each of the next five years and thereafter, as of December 31, 2019, are as follows:

Years ending December 31:	
2020	$ 17,111,000
2021	7,377,000
2022	37,455,000
2023	14,020,000
2024	17,653,000
Thereafter	42,992,000
	$ 136,608,000

Subordinated debt: Capital Impact Partners has a debt agreement with a financial institution which has a fixed interest rate and matures in December 2023. The ending balance as of December 31, 2019 and 2018 is $2,500,000 and $2,500,000, respectively. Principal and interest payments are subordinated to all other creditors of Capital Impact Partners.

FHLB borrowing: As a member bank, Capital Impact Partners may request advances from FHLBank Atlanta. As of December 31, 2019, the outstanding balance was $47,271,304 secured by Mortgage Backed and U.S. Treasury Securities in the amount of $51,548,069. 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 (see Note 6).

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 and has to draw down on the bond by September 25, 2019 as required by the program. As a condition of the program, Capital Impact Partners must pledge eligible secondary borrower loans as collateral to draw on the loan. The loans bear interest at the applicable Federal Financing bank rate plus .375% liquidity premium at the time of each draw down. 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, 2019 and 2018, the bonds payable balance was $49,997,167 and $48,044,247, respectively, secured by pledged loans receivable of $52,679,231 and $50,088,695, respectively.

Note 12. Notes and Bond Payable, Revolving Lines of Credit, Subordinated Debt and Investor Notes (Continued)

Capital Impact Partners has drawn on the 2016 bond and advanced bond proceeds to end borrowers as of December 31, 2019, the bonds payable balance was $8,911,158, secured by pledged loans receivable of $9,153,248.

Capital Impact Partners paid approximately $2,200 in facility fees related to this program for each of the years ended December 31, 2019 and 2018.

Aggregate annual maturities of Capital Impact Partners' borrowings over each of the next five years and thereafter, as of December 31, 2019, are as follows:

Years ending December 31:	
2020	$ 46,814,142
2021	46,123,449
2022	58,116,136
2023	32,747,828
2024	50,026,016
Thereafter	136,116,034
	$ 369,943,605

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

For the Kellogg Foundation, Capital Impact Partners recognized interest expense of $5,766 and $6,254 for the years ended December 31, 2019 and 2018, respectively.

For the Ford Foundation received in 2014, Capital Impact Partners recognized interest expense of $47,363 and $46,574 for the years ended December 31, 2019 and 2018, 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, 2019, is as follows:

	Kellogg Foundation	Ford Foundation 2	Totals
Years ending December 31:			
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
2024	-	2,794	2,794
	$ 8,968	$ 155,056	$ 164,024

Note 13. Notes Payable – Subsidiaries

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

Subsidiary	Lender	Commitment	December 31, 2019	December 31, 2018	Interest Rate	Maturity Date	Payment Details
DNF, LLC	JPMorgan Chase	$ 20,000,000	$ 16,451,555	$ 16,451,555	2.00%	June 2029	Monthly interest
FPIF, LLC	FPIF Feeder Facility LP	-	19,454,461	21,535,386	3.13%	August 2031	and principal
		$ 20,000,000	$ 35,906,016	$ 37,986,941			

Aggregate annual maturities of subsidiary borrowings over each of the next five years and thereafter, as of December 31, 2019, are as follows:

Years ending December 31:	
2020	$ 352,332
2021	373,312
2022	4,881,945
2023	5,407,597
2024	8,439,275
Thereafter	16,451,555
	$ 35,906,016

Note 14. 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, 2019 and 2018, donor restricted net assets consisted of the following:

Purpose	2019	2018
Charter School Program	$ 16,536,930	$ 16,392,943
Revolving loan fund - Affordable Housing Financing	5,425,509	5,007,814
Affordable Housing Financing	1,869,935	150,000
Healthy Food Financing	225,716	2,000,000
Financial Assistance	-	700,000
DC Entrepreneurs of Color Fund	2,142,286	3,289,100
DC Equitable Developer	-	60,476
Detroit Corridor Initiative	493,736	1,242,502
Detroit Equitable Developer	206,846	-
Aging Initiative	152,934	72,451
Loan Loss Reserve	75,000	225,000
Various	316,793	576,738
	$ 27,445,685	$ 29,717,024

Contributions receivable of $1,145,000 and $7,900,000, respectively, as of December 31, 2019 and 2018, were both time restricted and purpose restricted and are included in the above amounts.

Note 15. 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	2019	2018
NMTC suballocation fees	$ 500,000	$ 880,000
NMTC success fees	364,518	1,863,713
	864,518	2,743,713
Fees – recognized over time		
Asset management fees	381,859	301,961
Fund management fees	16,206	122,233
Credit enhancement fees	8,214	60,754
	406,279	484,948
	$ 1,270,797	$ 3,228,661

Note 16. Related Party Transactions

NCB and NCB Financial Savings Bank (NCB, FSB): 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 $0 and $730,693 for the years ended December 31, 2019 and 2018, 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 for the year ended December 31, 2018.

Capital Impact Partners and its subsidiaries maintain cash accounts with NCB, FSB. Balances totaled $26,701,492 and $30,099,351 as of December 31, 2019 and 2018, 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, 2019 and 2018, such participations have included loans to:

Center for Elders Independence: Capital Impact Partners purchased the outstanding balance of this loan from NCB, FSB during 2014. Capital Impact Partners' balance was $1,078,733 and $1,111,083 as of December 31, 2019 and 2018, respectively.

Note 16. Related Party Transactions (Continued)

Numero Uno: Capital Impact Partners purchased the outstanding balance of this loan from NCB, FSB during 2017. Capital Impact Partners' balance was $2,400,000 and $2,700,000 as of December 31, 2019 and 2018, respectively. Capital Impact Partners purchased the outstanding balance of an additional Numero Uno loan from NCB, FSB during 2019. Capital Impact Partners' balance was $2,000,000 as of December 31, 2019 and 2018, 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 $2,483,683 and $2,500,000 as of December 31, 2019.

Care Resource: Capital Impact Partners purchased the outstanding balance of this loan from NCB, FSB during 2019. Capital Impact Partners' balance was $3,053,464 as of December 31, 2019.

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, 2019 and 2018, was $10,085,626 and $10,241,147, 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: 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.

Develop Detroit: In 2018, Capital Impact Partners entered into an agreement to invest $500,000 in Develop Detroit, a nonprofit developer in Detroit, Michigan. The balance recorded as of December 31, 2019 and 2018 was $475,997 and $500,000, respectively. A member of Capital Impact Partners executive management is a board member of the Housing Partnership Network, in which Develop Detroit is a lending affiliate within the Housing Partner Network.

Workforce Affordable Housing Fund I, LLC: In July 2019, Capital Impact Partners became a 96% non-controlling member in the Investment in Workforce Affordable Housing Fund I, LLC. The NHP Foundation is the 4% controlling member. A member of Capital Impact Partners executive management team is a trustee of The NHP Foundation. During the year ended December 31, 2019, Capital Impact Partners made capital contributions of $29,837,174. For the year ended December 31, 2019, Capital Impact Partners allocated income was $145,650.

Note 16. 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, 2019 and 2018, for the aggregate amount of these loans is as follows:

Balance, December 31, 2017	$ 23,596,450
Net changes	4,324,840
Balance, December 31, 2018	27,921,290
Net changes	(718,084)
Balance, December 31, 2019	$ 27,203,206

Note 17. New Markets Tax Credit Program (NMTC)

During 2005, Capital Impact Partners implemented its NMTC program and has 31 and 33 Limited Liability Companies (LLCs) that are CDEs, through December 31, 2019 and 2018, respectively.

The LLCs were formed to obtain qualified equity investments from investors and make qualified investments in Qualified Active Low-Income Community Businesses (QALICB) in accordance with the terms of the NMTC program pursuant to Section 45D of the Internal Revenue Code. Investors made capital contributions of approximately $25,000,000 and $44,000,000 to these LLCs during 2019 and 2018, respectively, in anticipation of receiving new markets tax credits of approximately $9,750,000 and $17,160,000 in 2019 and 2018, 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 2019, four of the NMTC entities reached their seven-year transaction period and were completely dissolved. In connection with the dissolution of these entities, Capital Impact Partners incurred a loss of $11,844, which is reflected in the statement of activities for the year ended December 31, 2019.

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.

Note 17. New Markets Tax Credit Program (NMTC) (Continued)

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

Impact CDE 41 LLC	Impact CDE 57 LLC
Impact CDE 42 LLC	Impact CDE 58 LLC
Impact CDE 43 LLC	Impact CDE 59 LLC
Impact CDE 44 LLC	Impact CDE 60 LLC
Impact CDE 45 LLC	Impact CDE 61 LLC
Impact CDE 46 LLC	Impact CDE 62 LLC
Impact CDE 47 LLC	Impact CDE 63 LLC
Impact CDE 48 LLC	Impact CDE 64 LLC
Impact CDE 49 LLC	Impact CDE 65 LLC
Impact CDE 50 LLC	Impact CDE 66 LLC
Impact CDE 51 LLC	Impact CDE 67 LLC
Impact CDE 52 LLC	Impact CDE 68 LLC
Impact CDE 53 LLC	Impact CDE 69 LLC
Impact CDE 54 LLC	Impact CDE 70 LLC
Impact CDE 55 LLC	Impact CDE 71 LLC
Impact CDE 56 LLC	

At December 31, 2019 and 2018, 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 2019	Amount of Investment 2018
Capital Impact Partners New Markets Tax Credit Entities	$ 20,859	$ 31,748
Chase New Markets Tax Credit Entities	-	238
	$ 20,859	$ 31,986

The following is a summary of the audited financial information of these companies as of and for the years ended December 31, 2019 and 2018:

	2019	2018
Total assets	$ 208,082,918	$ 215,906,424
Total liabilities	179,053	6,420,448
Members' capital	207,903,865	209,485,976
Total revenue	6,305,070	7,828,800
Total expenses	2,812,338	9,252,282
Net income (loss)	3,492,732	(1,423,482)

Note 17. 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 15, 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, 2019 and 2018, Capital Impact Partners earned $1,005,655 and $1,153,075, respectively, of servicing fees from these LLCs. In addition, Capital Impact Partners reflected accounts receivable of $8,025 and $28,478, as of December 31, 2019 and 2018 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, 2019 and 2018.

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 18. Commitments and Contingencies

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

In the normal course of business, Capital Impact Partners makes commitments to extend term loans, BPAs and lines of credit, which are not reflected in the accompanying financial statements. The commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being completely drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Capital Impact Partners evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by Capital Impact Partners upon extension of credit, is based on management's credit evaluation of the borrower. At December 31, 2019 and 2018, these outstanding commitments totaled $48,671,002 and $24,815,955, respectively.

Note 19. 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, 2019 and 2018 were $495,614 and $512,605, 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 $580,172 and $515,622 for 2019 and 2018, respectively.

Note 20. 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 20. 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, 2019	Level 1	Level 2	Level 3
Assets:				
Marketable equity securities	$ 310,282	$ 310,282	$ -	$ -
Real estate investment trust	1,404,880	-	-	1,404,880
Other investments	281,803	-	-	281,803
Mortgage Backed Securities	68,510,873	-	68,510,873	-
U.S. Treasury Securities	955,700	-	955,700	-
	$ 71,463,538	$ 310,282	$ 69,466,573	$ 1,686,683

	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

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.

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.

Note 20. Fair Value (Continued)

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

There was no change in the valuation techniques used to measure fair value of investments in the years ended December 31, 2019 and 2018.

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

	2019	2018
Beginning balance at January 1	$ 2,099,965	$ 1,849,326
Total net (losses) gains included in change in net assets	(113,637)	250,639
Purchases	-	-
Sales	(299,645)	-
Ending balance at December 31	$ 1,686,683	$ 2,099,965

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, 2019	Level 1	Level 2	Level 3
Assets:				
Impaired loans, net of specific reserves	$ 261,067	$ -	$ -	$ 261,067

	December 31, 2018	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 21. Noncontrolling Interest in Consolidated Subsidiaries

Capital Impact Partners presents the noncontrolling interest in CIIF and CIIF II, its consolidated subsidiaries, as a separate line item within net assets in the statement of financial position.

CIIF began operations on December 13, 2017. CIIF II began operations on December 28, 2018.

A summary of the 2019 and 2018 activity follows:

	CIIF		
	CIP	Annaly	Total
Balance, December 31, 2017	$ 5,026,015	$ 20,104,251	$ 25,130,266
Contributions	-	-	-
Net income	339,019	980,391	1,319,410
Distributions	(339,019)	(980,563)	(1,319,582)
Balance, December 31, 2018	5,026,015	20,104,079	25,130,094
Contributions	-	-	-
Net income	297,888	955,100	1,252,988
Distributions	(256,794)	(955,100)	(1,211,894)
Balance, December 31, 2019	$ 5,067,109	$ 20,104,079	$ 25,171,188

Distributions of $252,030 and $246,659 were payable from CIIF to Annaly as of December 31, 2019 and 2018, respectively.

	CIIF II		
	CIP	Annaly	Total
Balance, December 31, 2017	$ -	$ -	$ -
Contributions	1,225,000	4,900,000	6,125,000
Net income	447	2,220	2,667
Distributions	(447)	(2,220)	(2,667)
Balance, December 31, 2018	1,225,000	4,900,000	6,125,000
Contributions	1,275,000	5,100,000	6,375,000
Net income	70,573	384,704	455,277
Distributions	(13,325)	(384,704)	(398,029)
Balance, December 31, 2019	$ 2,557,248	$ 10,000,000	$ 12,557,248

Distributions of $73,144 and $2,220 were payable from CIIF II to Annaly as of December 31, 2019 and 2018, respectively.

Note 22. Subsequent Events

Capital Impact Partners has evaluated its subsequent events (events occurring after December 31, 2019) through March 25, 2020, which represents the date the financial statements were issued.

Annaly and Capital Impact Partners executed an agreement and plan of merger, effective January 1, 2020, to merge CIIF II into CIIF. A 10% equity contribution of $3,763,007 by Capital Impact Partners increased its managing member ownership to 30% and reduced Annaly's non-managing member ownership to 70%.

Capital Impact Partners was selected as a Housing Preservation Fund Program Manager. In January 2020, the D.C. Department of Housing and Community Development awarded $3,333,333 of Housing Preservation Fund appropriations to Capital Impact Partners to finance affordable housing preservation activities in the District of Columbia.

On March 10, 2020, Capital Impact Partners signed a 1 year space usage license for office space in Austin, Texas. The space usage license commences on April 1, 2020 and rent is payable at $1,755 per month.

On March 10, 2020, the President declared that the coronavirus outbreak in the United States constitutes a national emergency. Capital Impact Partner's business could be materially and adversely affected by a widespread health epidemic, such as the 2020 coronavirus outbreak. The implications could be more severe if located in regions where we derive a significant amount of our loan-portfolio revenue. The occurrence of such an outbreak or other adverse public health development could materially disrupt our business and other businesses, including governmental offices, private foundations and Capital Impact Partners' borrowers. If U.S. federal, state or local governments are closed, timely awards of federal, state and local program funds that Capital Impact has applied for or may apply for in the future may not be made, which could adversely affect Capital Impact Partners. Finally, the outbreak of a widespread health epidemic or pandemic, such as the 2020 coronavirus outbreak, may lead to volatility and disruption in global financial markets, which could adversely affect our ability to obtain financing to execute our business plan and increase the volatility of the daily mark-to-market values of the underlying securities in its mortgage-backed securities portfolio. The extent to which the coronavirus outbreak impacts Capital Impact Partner's results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus outbreak and actions taken to contain the coronavirus outbreak or its impact, among others.

Capital Impact Partners and Subsidiaries

Consolidating Statement of Financial Position
December 31, 2019

	Capital Impact Partners	Detroit Neighborhood Fund, LLC	FPIF, LLC	Community Investment Impact Fund , LLC	Community Investment Impact Fund II, LLC	Eliminations	Total
Assets							
Cash and cash equivalents – unrestricted	$ 31,099,643	$ 2,162,254	$ 222,411	$ 4,919,398	$ 2,455,507	$ -	$ 40,859,213
Cash and cash equivalents – restricted	31,936,986	243,937	-	-	-	-	32,180,923
Accounts and interest receivable	2,674,017	97,822	124,341	111,944	66,118	(277,651)	2,796,591
Contributions receivable	1,925,000	-	-	-	-	-	1,925,000
Investments	46,348,491	-	-	-	-	(7,642,665)	38,705,826
Mortgage Backed and U.S. Treasury Securities	69,466,573	-	-	-	-	-	69,466,573
Loans receivable	371,351,435	-	-	-	-	-	371,351,435
Less: allowance for loan losses	(13,154,705)	-	-	-	-	-	(13,154,705)
Loans receivable, net	358,196,730	-	-	-	-	-	358,196,730
Loans receivable – subsidiaries	-	22,605,212	21,616,068	24,291,154	10,137,903	(44,816,442)	33,833,895
Other assets	6,722,820	-	-	-	-	(3,763,007)	2,959,813
Right of use assets	10,794,995	-	-	-	-	-	10,794,995
						-	
Total assets	$ 559,165,255	$ 25,109,225	$ 21,962,820	$ 29,322,496	$ 12,659,528	$ (56,499,765)	$ 591,719,559
Liabilities and Net Assets							
Liabilities:							
Accounts payable and accrued expenses	$ 2,616,452	$ 94,916	$ 119,521	$ 4,151,308	$ 102,280	$ (4,040,657)	$ 3,043,820
Refundable advance liability	7,245,759	-	-	-	-	-	7,245,759
Due to subsidiaries	34,429,057	-	-	-	-	(34,429,057)	-
Revolving lines of credit	54,000,000	-	-	-	-	-	54,000,000
Notes payable	70,655,976	-	-	-	-	-	70,655,976
Investor Notes, net	134,570,907	-	-	-	-	-	134,570,907
Subordinated debt	2,500,000	-	-	-	-	-	2,500,000
Federal Home Loan Bank borrowing	47,271,304	-	-	-	-	-	47,271,304
Bond loan payable	58,908,325	-	-	-	-	-	58,908,325
Notes payable – subsidiaries	-	24,677,333	21,616,068	-	-	(10,387,385)	35,906,016
Lease liabilities	13,208,278	-	-	-	-	-	13,208,278
Total liabilities	425,406,058	24,772,249	21,735,589	4,151,308	102,280	(48,857,099)	427,310,385
Net assets:						-	
Without donor restrictions	106,313,512	336,976	227,231	-	-	(18,309)	106,859,410
Noncontrolling interest in consolidated subsidiaries	-	-	-	25,171,188	12,557,248	(7,624,357)	30,104,079
Total without donor restrictions	106,313,512	336,976	227,231	25,171,188	12,557,248	(7,642,666)	136,963,489
With donor restrictions	27,445,685	-	-	-	-	-	27,445,685
Total net assets	133,759,197	336,976	227,231	25,171,188	12,557,248	(7,642,666)	164,409,174
Total liabilities and net assets	$ 559,165,255	$ 25,109,225	$ 21,962,820	$ 29,322,496	$ 12,659,528	$ (56,499,765)	$ 591,719,559

Capital Impact Partners and Subsidiaries

Consolidating Statement of Activities
Year Ended December 31, 2019

	Capital Impact Partners	Detroit Neighborhood Fund, LLC	FPIF, LLC	Community Investment Impact Fund , LLC	Community Investment Impact Fund II, LLC	Eliminations	Total
Changes in net assets without donor restrictions:							
Financial activity:							
Financial income:							
Interest income on loans	$ 19,148,417	$ 1,057,905	$ 1,354,682	$ 1,484,698	$ 533,917	$ (461,546)	$ 23,118,073
Loan fees	969,855	-	19,721	-	-	-	989,576
Investments income, net	4,657,872	26,196	1,734	8,622	13,673	(386,769)	4,321,328
Loss on equity method investments	(181,184)						(181,184)
Loss on NMTC unwind	(11,844)	-	-	-	-	-	(11,844)
Total financial income	24,583,116	1,084,101	1,376,137	1,493,320	547,590	(848,315)	28,235,949
Financial expense:							
Interest expense	9,922,053	667,202	847,879	-	-	(461,546)	10,975,588
Provision for loan losses	1,631,866	-	-	-	-	-	1,631,866
Total financial expense	11,553,919	667,202	847,879	-	-	(461,546)	12,607,454
Net financial income	13,029,197	416,899	528,258	1,493,320	547,590	(386,769)	15,628,495
Revenue and support:							
Loan servicing fees	2,308,810	-	-	-	-	(889,102)	1,419,708
Fees	1,546,520	-	-	-	-	(275,723)	1,270,797
Other income	107,678	-	-	532	100	-	108,310
Net assets released from donor restrictions	6,958,858	-	-	-	-	-	6,958,858
Total revenue and support	10,921,866	-	-	532	100	(1,164,825)	9,757,673
Expenses:							
Innovative community lending program	11,188,333	420,319	463,849	238,125	92,413	(1,164,825)	11,238,214
Total program expenses	11,188,333	420,319	463,849	238,125	92,413	(1,164,825)	11,238,214
Support expenses:							
Management and general	10,227,109	-	-	2,739	-	-	10,229,848
Fundraising	899,203	-	-	-	-	-	899,203
Total expenses	22,314,645	420,319	463,849	240,864	92,413	(1,164,825)	22,367,265
Change in net assets without donor restrictions before non-operating and non controlling interest activities	1,636,418	(3,420)	64,409	1,252,988	455,277	(386,769)	3,018,903
Noncontrolling interest – capital contribution	-	-	-	-	6,375,000	(1,275,000)	5,100,000
Noncontrolling interest – distribution	-	-	-	(1,211,894)	(398,029)	270,119	(1,339,804)
Change in net assets without donor restrictions	1,636,418	(3,420)	64,409	41,094	6,432,248	(1,391,650)	6,779,099
Change in net assets with donor restrictions:							
Investment income, net	249,945	-	-	-	-	-	249,945
Grant revenue	4,437,574	-	-	-	-	-	4,437,574
Net assets released from donor restrictions	(6,958,858)	-	-	-	-	-	(6,958,858)
Change in net assets with donor restrictions	(2,271,339)	-	-	-	-	-	(2,271,339)
Change in net assets	(634,921)	(3,420)	64,409	41,094	6,432,248	(1,391,650)	4,507,760
Net assets, beginning	134,394,118	340,396	162,822	25,130,094	6,125,000	(6,251,016)	159,901,414
Net assets, ending	$ 133,759,197	$ 336,976	$ 227,231	$ 25,171,188	$ 12,557,248	$ (7,642,666)	$ 164,409,174

The following consolidated entities did not have 2019 activity:

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

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
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	1,235,448	6,097	929	4,989	141	7	(326,890)	920,721
Loss on equity method investments	(92,493)	-	-	-	-	-	-	(92,493)
Gain on NMTC unwind	94,891		-	-	-	-	-	94,891
Total financial income	19,608,559	1,335,176	1,376,118	1,564,788	3,170	79,750	(788,551)	23,179,010
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	9,849,682	671,602	515,711	1,564,788	3,170	4,302	(326,890)	12,282,365
Revenue and support:								
Loan servicing fees	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	335	-	-	-	7,278
Net assets released from donor restrictions	5,304,316	-	-	-	-	-	-	5,304,316
Total revenue and support	11,354,516	-	100	335	-	-	(1,159,991)	10,194,960
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
Change in net assets before non-operating items and noncontrolling interest activities	299,547	190,558	64,760	1,319,410	2,667	(17,589)	(326,890)	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)
Change in net assets without donor restrictions	2,236,979	190,558	64,760	(172)	6,125,000	(17,589)	(1,212,424)	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)
Change in net assets with donor restrictions	11,424,565	-	-	-	-	-	-	11,424,565
Change in net assets	13,661,544	190,558	64,760	(172)	6,125,000	(17,589)	(1,212,424)	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	$ 134,394,117	$ 340,396	$ 162,822	$ 25,130,094	$ 6,125,000	$ -	$ (6,251,015)	$ 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.