Looking back at our journey through 2018, both as an organization and as a country, it is no surprise to us that Merriam-Webster’s “word of the year” was justice. The meaning and implications of justice were central to important conversations taking place in communities across the United States.

While we are pleased to see attention brought to this critical topic, justice – or the lack thereof – is an issue that we have wrestled with for decades. Indeed, we reflected on this very issue when comparing 1968 and 2018.

That is why justice – racial, social, economic – is core to our own mission and is a critical conversation that we seek to drive every day through our work.

For many years, we sought to advance justice by supporting projects and facilities that created access to a wide range of social services. Despite surpassing $2.7 billion in investments throughout our history, we continued to witness an increasing gap between need and progress. In addressing that gap, we saw an opportunity to expand our focus and invest in efforts that help amplify the ability for individuals and communities to access long-denied resources and break down systemic barriers to determine success for themselves.

This meant thinking differently about the meaning of the word “assets,” not just financing and property, but the strong assets that each community brings to bear when given the opportunity.
Changing Systems through Listening, Learning, and Sharing

In doing so, we doubled down on efforts to engage our network of partners, community leaders, and practitioners. By hearing directly from them, we learned not only about what communities need, but what they are already doing that is working and can be amplified to accelerate the pace of change.

With Mission: Launch, we convened a broad range of stakeholders to better understand the role that financial institutions can play in improving the financial stability and prosperity of individuals living with criminal records, or returning citizens.

In our Annual Report, you will meet Juan, an individual who encapsulates this opportunity. With the right support, he founded his own business, creating new opportunities for himself and other returning citizens.

Building on this approach, we hosted a convening of food and justice leaders to look beyond increasing access to healthy foods, but actually build more just and equitable food systems. Similarly, we explored how the cooperative model can help workers become “worker-owners,” creating new pathways to economic opportunities that amplify communities. A link to our report can be found later in this report.

You will also experience how social worker Hannah Frankel helped to found a unique housing cooperative in Austin, Texas, where residents manage the property in exchange for affordable rents. This group prides itself on adhering to principles of equity and inclusion, and Hannah calls it one of the most racially diverse and democratically run cooperatives she has ever been part of.

Seeds of Change Bearing Fruit

While these are all conversations that will continue into 2019 as we examine the role that Capital Impact can play in these important movements, we are also proud of the outcomes we supported in 2018.

For example, in New York, Make The Road is building a new facility to enable large groups to gather to advocate for fair services and policies for immigrants in New York and beyond. In Texas, Serve Denton’s new hub will co-locate several nonprofits with a range of mission-related focus areas into a low-cost centralized space to anchor the local community.

In a transitional California border neighborhood, Casa Familiar is creating a community-centric space where families, including immigrants, have access to job training, housing, and a community center.

Clinical Pharmacist Krissia Funes of Urban Health Plan in New York is developing ways to better support the city’s rapidly growing population of older adults. Their innovative “layered” model of care for older adults focuses not only on the patient’s physical health, but also supports their ability to stay engaged in their community.

Lastly, our Equitable Development Initiative in Detroit set out in 2017 to help developers of color in Detroit participate in the city’s revitalization through training, mentorship, and access to capital. Just a year later, we are now financing two participants launching projects in Detroit. We look forward to supporting a new cohort in 2019 as well as expanding the program to other cities.

Ellis Carr
Joining Us to Stand Shoulder-To-Shoulder with Communities

In another effort to create new avenues for those who want to join us in expanding opportunity and inclusion, we created the Capital Impact Investment Note. We are so incredibly proud of your response to this offering. With your support, we mobilized more than $100 million by the end of 2018.

You can hear first-hand from financial adviser Andy Loving, who sat down with us to describe the immense impact of the Note and why he recommends it to his clients across 25 different states. It is a true testament to the individuals and large institutions who want to build portfolios that reflect their values.

Knowing that so many of you want to join us in standing shoulder-to-shoulder with communities further fuels the passion behind our mission.

Heeding the Call of Justice in 2019

Listening. Learning. Creating tangible outcomes. Expanding the opportunities to engage others in our work.

All of these components are critical as we work to develop better-integrated and more accessible support systems that are built from the ground up. As we move through 2019, we will continue to work to understand and support the intrinsic strengths and unique characteristics of neighborhoods.

To that end, we will continue to foster deeper connections with communities in specific regions, including northern and southern California, Michigan and the Great Lakes, New York, Texas, and Washington, D.C.

We fundamentally believe that the combination of launching tailored initiatives and loan programs, convening leaders, and sharing knowledge and experiences with policy makers is the way to uplift the financial and human assets that drive social and economic justice.

None of this is possible without the support of so many of you, the willingness of community organizations to work with us to amplify assets that help our country create more equity and remain focused on critical issues of social and economic justice. We are truly humbled.

Ellis Carr
President and CEO

Dan Varner
Board Chair; CEO at Goodwill Industries of Greater Detroit
2018 IMPACT HIGHLIGHTS

- $122.5 Million Loans Closed
- 189,000 People Served
- 650 Jobs Created
- Education: 11,500 Students
- Health Care: 140,000 Patients
- Healthy Food: 17,000 Customers
Supporting Financial Inclusion for Returning Citizens
Tightshift Laboring Cooperative | Washington, D.C.

After his release from prison, Juan Reid was filled with optimism for how to build a new life. With the right support, Juan ultimately founded his own business, demonstrating how inclusive approaches can support financial inclusion and stability for returning citizens.

Follow Juan’s journey from incarceration to entrepreneur

In 2018, Capital Impact partnered with Mission: Launch to host thought leaders from across the Washington, D.C. region to share ideas on how financial institutions can better support returning citizens.

Download report at www.capitalimpact.org/publications

Social Impact Stars of the Lone Star State
Montessori For All | La Reunion Housing Co-op | North Texas Area Community Health Centers | Texas

As Lixi struggled in math, her academic issues began impacting her self-esteem. Other school options proved too far away or costly until Montessori For All opened. This free charter school is designed to attract a diverse student body. Their approach has given Lixi new skills and new confidence. Across Texas, Capital Impact is supporting organizations like Montessori that are improving access to a range of quality services.

Meet Lixi and others benefitting from our unique projects opening across Texas.

All of our Stories of Impact are available online at www.capitalimpact.org/stories
Providing Comprehensive—and Convenient—Care for Aging Adults
Urban Health Plan | Hudson Headwaters | New York

As Marcelina got older, she struggled to keep her diabetes under control. After being hospitalized for diabetic complications, she was referred to Urban Health Plan’s Center for Advanced Aging conveniently located in her neighborhood. The Center is part of an innovative health movement that delivers comprehensive care to aging populations while allowing them to continue living and remain active in their communities.

Read Marcelina’s story and others benefitting from this new model of care.

In this video, Urban Health Plan’s Clinical Pharmacist Krissia Funes gives a first-hand account of how The Center for Advanced Aging provides a new model of care for older adults that addresses both physical and mental issues.

Watch video at https://www.youtube.com/c/CapitalImpactOrgCDFI

Impact Investing for U.S. Communities
Just Money Advisors | Kentucky

“When I tried to say I only wanted to do social investing, and not any conventional investing, they told me I’d starve. I said ‘No, I won’t.’” Years later, with clients in 25 states, financial advisor Andy Loving has shown that you can earn financial returns, as well as social returns, on your investments. In this video, he talks about his work and explains why Capital Impact’s Investment Note is part of his portfolio recommendations.

Learn more about Andy’s investment philosophy in this video.
2018 STORIES OF IMPACT

Scaling Worker Co-op Conversions to Drive Wealth Creation
Thought Leadership Report

With an historic wave of retirements expected to shake up the small business landscape, women and communities of color will be disproportionately impacted. We took a comprehensive look at how converting these businesses to worker-owned and -operated cooperatives can save viable businesses while driving local prosperity and supporting vibrant local economies.

▶ Read our report and recommendations at www.capitalimpact.org/publications

Capital Impact
Investment Note Milestone

$100,000,000

invested by socially conscious organizations and individuals to create financial and social impact nationwide

▶ Learn More About Investing in U.S. Communities at www.capitalimpact.org/invest

www.capitalimpact.org
History Informs How Mission-driven Organizations Expand Equity and Justice

Structural discrimination and ensuing wealth inequality have burdened low-income communities, particularly those of color, for generations. In 1968, the Kerner Commission identified institutional racism and the lack of investment in communities of color as the causes. Our President and CEO Ellis Carr examines how far we have come since 1968 and what questions still need to be answered in order to deliver equity and justice for our communities.

Using Diverse Perspectives to Better Serve Our Communities

At Capital Impact, we embrace diversity as both a core component of our culture and a reflection of the communities that we serve. We also actively engage our diverse staff members to bring their experiences and knowledge to bear on our work. By doing so, we are better able to address poverty, create equity, build healthy communities, and promote inclusive growth for underinvested individuals across the country.

Financial Institutions and Local Partners Can Support Financial Stability and Community Re-entry for Returning Citizens

Incarceration marks people with a label that makes it difficult to reestablish stability in mainstream society, particularly financial stability. With our partner Mission: Launch, we hosted a convening in Washington, D.C. on the role that financial institutions, including Capital Impact, can play in improving financial stability for returning citizens and their families.

Read all of our blogs online at www.capitalimpact.org/blog
CDFIs Build Equity, Opportunity, and Inclusion for Communities that Experience Structural and Historical Discrimination

Community Development Financial Institutions (CDFIs) have played a major role in empowering communities to address the structural barriers that exclude them from shared prosperity. Our blog provides a breakdown of what CDFIs are and how we work with community members, developers, city officials, and partners to break down barriers to success.

What is a CDFI?

The Right Thing to Do: Helping Communities Break Barriers to Success through Supportive Financing

Diane Borradaile calls on years of experience working in affordable housing and with CDFIs to support Capital Impact’s mission. Together, they plan to empower communities to become places of opportunity by facilitating loan transactions for health care centers, charter schools, affordable housing, healthy food projects, and more.

Meet Diane Borradaile, Capital Impact’s New Chief Lending Officer

How to Use Historic Tax Credits to Promote Community Development

Returning historic buildings to their former grandeur is a win-win for cities and their residents. That is where the Federal Historic Preservation Tax Incentives Program, or what we normally call historic tax credits, comes into play. By supporting developers who use this program, we can help cities preserve their history and create valuable residential and commercial space.

How Capital Impact Supports Community Development and Preservation

Read all of our blogs online at www.capitalimpact.org/blog
CEO Profile: Finance with Finesse

In its series on “The Future of Commercial Real Estate,” the Washington Business Journal sat down with Capital Impact’s CEO, Ellis Carr. The wide-ranging interview looks at our CEO’s past, what his biggest challenges are, and uncovered the fact that he is an amateur DJ.

Guest Blog: How Nonprofits Can Tap Into the Impact Investment Market

The burgeoning world of impact investing offers new hope for nonprofit organizations seeking access to capital. However, harnessing this market comes with a steep learning curve. Backed by the two years of experience it took to debut Capital Impact’s Investment Note, CFO Natalie Gunn shares lessons learned in this guest blog for the Stanford Social Innovation Review. The blog provides tools that other nonprofits can use to develop an important new revenue stream and, in turn, create more social impact.

Home care agencies turn to older workers to fill in labor shortage

With few financial incentives to bring in new workers, the home care industry anticipates a need for at least 13 million new in-home caregivers by 2030. The Houston Chronicle examines how utilizing the co-op model may fill that void while also benefitting workers from older women to immigrants to people of color by turning workers into owners.

Read all of our press clips online at www.capitalimpact.org/press
What Millions of Retiring Small Business Owners Could Mean for Cities

Baby Boomers own the majority of small businesses, but only 17 percent of them have a formal exit plan for when they want to retire. When you consider that small businesses provide the vast majority of employment within low-income urban areas, there is a unique opportunity to benefit these communities by turning these workers into owners using the co-op model. Next City takes a deep dive into this issue based on a “co-op conversion” report recently issued by Capital Impact.

These programs are training Detroit’s minority residents in development

For many entry-level African-American real estate developers, getting a foot in the door can be difficult, with limited opportunities to gain experience and obtain capital. Organizations see this lack of representation as a major gap, particularly given that community perspectives and experience can shape cities to grow more inclusively. Model D looks at how two key programs, including our Equitable Development Initiative, are working to bridge that gap.

Guest Blog: Creating age-friendly communities that support the economic, health, and social needs of older adults

In partnership with West Health and the Build Healthy Places Network, Capital Impact’s Director for Strategic Aging Initiatives launched a series of blogs to tackle the important issue of how older adults can age in place with dignity and access the critical social services necessary to thrive. In this introductory piece, we illustrate how health care reform can support new opportunities to create holistic, comprehensive health care systems.

Read all of our press clips online at www.capitalimpact.org/press
CREATING SOCIAL IMPACT from Coast to Coast

TOTAL MANAGED LOAN PORTFOLIO

$777 MILLION

2018 FINANCIAL HIGHLIGHTS

FY2014-FY2018

111% Loan Portfolio Growth

FY2014-FY2018

91% Total Asset Growth

FY2014-FY2018

54% Unrestricted Net Asset Growth

FY2018 .2% Delinquency Ratio

FINANCIAL HIGHLIGHTS

On-Balance Sheet Loans

Off-Balance Sheet Loans

Milestone

$500+ MILLION

Total On-Balance Sheet Assets

Learn more about our financials online at www.capitalimpact.org/who/financial-strength

www.capitalimpact.org
## 2018 Financial Highlights

Capital Impact Partners and Subsidiaries  
Consolidated Statements of Financial Position 2018 (As of December 31) and 2017

<table>
<thead>
<tr>
<th>Assets</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents - unrestricted</td>
<td>$54,798,361</td>
<td>$28,596,868</td>
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<tr>
<td>Cash and cash equivalents - restricted</td>
<td>31,696,272</td>
<td>29,408,229</td>
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<tr>
<td>Accounts and interest receivable</td>
<td>2,858,056</td>
<td>2,832,906</td>
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<tr>
<td>Contributions receivable</td>
<td>7,900,000</td>
<td>525,000</td>
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<tr>
<td>Investments</td>
<td>7,110,149</td>
<td>5,802,541</td>
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<tr>
<td>Mortgage Backed and US Treasury Securities</td>
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<td>48,249,579</td>
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<tr>
<td>Loans Receivable</td>
<td>347,634,426</td>
<td>311,259,856</td>
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<tr>
<td>Less: allowance for loan losses</td>
<td>(11,833,262)</td>
<td>(11,001,026)</td>
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<tr>
<td>Loans receivable, net</td>
<td>335,801,164</td>
<td>300,258,830</td>
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<tr>
<td>Loans receivable - subsidiaries</td>
<td>32,481,332</td>
<td>60,007,244</td>
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<tr>
<td>Other Assets</td>
<td>2,983,074</td>
<td>3,060,779</td>
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<tr>
<td>Total Assets</td>
<td>$528,718,437</td>
<td>$478,741,976</td>
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</table>

<table>
<thead>
<tr>
<th>Liabilities and Net Assets</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>$4,391,302</td>
<td>$3,784,058</td>
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<tr>
<td>Refundable advance liability</td>
<td>4,650,000</td>
<td>4,800,000</td>
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<tr>
<td>Office vacation obligation</td>
<td>0</td>
<td>2,668,125</td>
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<tr>
<td>Deferred rent and tenant allowance</td>
<td>2,036,402</td>
<td>1,647,720</td>
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<tr>
<td>Revolving line of credit</td>
<td>75,000,000</td>
<td>85,000,000</td>
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<tr>
<td>Notes payable</td>
<td>76,752,847</td>
<td>76,212,388</td>
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<tr>
<td>Investor Notes, net</td>
<td>98,237,284</td>
<td>40,734,213</td>
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<tr>
<td>Subordinated debt</td>
<td>10,718,000</td>
<td>10,718,000</td>
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<tr>
<td>Federal Home Loan Bank debt</td>
<td>11,000,000</td>
<td>11,000,000</td>
</tr>
<tr>
<td>Bond loan payable</td>
<td>48,044,247</td>
<td>40,930,079</td>
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<tr>
<td>Notes payable - subsidiaries</td>
<td>37,986,941</td>
<td>60,157,656</td>
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<tr>
<td>Total Liabilities</td>
<td>368,817,023</td>
<td>337,652,239</td>
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<table>
<thead>
<tr>
<th>Net Assets</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Without donor restrictions</td>
<td>105,180,311</td>
<td>102,693,027</td>
</tr>
<tr>
<td>Noncontrolling interest in consolidated subsidiaries</td>
<td>25,004,079</td>
<td>20,104,251</td>
</tr>
<tr>
<td>Total without donor restrictions</td>
<td>130,184,390</td>
<td>122,797,278</td>
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<tr>
<td>With donor restrictions</td>
<td>29,717,024</td>
<td>18,292,459</td>
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<tr>
<td>Total Net Assets</td>
<td>159,901,414</td>
<td>141,089,737</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total Liabilities and Net Assets</th>
<th></th>
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Learn more about our financials online at [www.capitalimpact.org/who/financial-strength](http://www.capitalimpact.org/who/financial-strength)
2018 BOARD OF DIRECTORS, FUNDERS, INVESTORS & PARTNERS

Without the commitment of our Board of Directors, as well as a range of funders, investors, and partners, we would not be able to fulfill our mission to build communities of opportunity. We thank them for their support!

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Office of Federal Relations at the University of Chicago

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KPMG

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SMASH

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Federal Home Loan Bank - Office of Finance

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Executive Vice President (Retired)
Bank of Georgetown

Mary Ann Rothman
Executive Director
The Council of New York Cooperatives & Condominiums

Dan Varner (Board Chair)
Chief Executive Officer
Goodwill Industries of Greater Detroit

David B. Vliet
Chief Executive Officer
Tiburcio Vasquez Health Center, Inc.

Meet our board at www.capitalimpact.org/who/board-of-directors

Meet our donors, partners, and investors at www.capitalimpact.org/donors-partners-investors

Meet our management team at www.capitalimpact.org/who/management-team
Championing Social and Economic Justice

Capital Impact Partners champions social and economic justice for underserved communities, transforming them into communities of opportunity that foster good health, economic opportunity, and interconnectedness. Through mission-driven lending, incubating social impact programs, impact investing, and policy reform, we partner with local communities to help create equitable access to health care and education, healthy foods, affordable housing, and dignified aging for those most in need.

WE HAVE DEPLOYED MORE THAN $2.7 BILLION TO SERVE NEARLY 5 MILLION PEOPLE AND CREATE MORE THAN 37,000 JOBS NATIONWIDE IN SECTORS CRITICAL TO EQUITABLE COMMUNITIES.

www.capitalimpact.org