Capital Impact Partners and Subsidiaries and CDC Small Business Finance Corp.

Consolidated and Combined Financial Report with
Independent Auditor's Report
December 31, 2021

Contents

Independent Auditor's Report

To the Board of Directors
Capital Impact Partners and Subsidiaries and CDC Small Business Finance Corp.

Opinion

We have audited the consolidated and combined financial statements of Capital Impact Partners and Subsidiaries and CDC Small Business Finance Corp., which comprise the consolidated and combined statement of financial position as of December 31, 2021, and the related consolidated and combined statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the consolidated and combined financial statements.

In our opinion, the accompanying consolidated and combined financial statements present fairly, in all material respects, the financial position of Capital Impact Partners and Subsidiaries and CDC Small Business Finance Corp. as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Capital Impact Partners and Subsidiaries and CDC Small Business Finance Corp. to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated and combined financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated and combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Capital Impact Partners and Subsidiaries' and CDC Small Business Finance Corp. ability to continue as a going concern for one year after the date that the consolidated and combined financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Capital Impact Partners and Subsidiaries and CDC Small Business Finance Corp.'s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated and combined financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Capital Impact Partners and Subsidiaries and CDC Small Business Finance Corp.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated and combined financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated and combined 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 consolidated and combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated and combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated and combined financial statements or to the consolidated and combined 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 consolidated and combined financial statements as a whole.

CohnReznick LLP

Bethesda, Maryland

March 23, 2022

Capital Impact Partners and Subsidiaries and CDC Small Business Finance Corp.

Consolidated and Combined Statement of Financial Position
December 31, 2021

Assets	
Cash and cash equivalents – unrestricted	$ 104,740,742
Cash and cash equivalents – restricted	32,600,771
Accounts and interest receivable	8,398,611
Contributions receivable	250,000
Investments	34,388,838
Mortgage Backed Securities	59,429,070
Loans receivable	437,643,649
Less: allowance for loan losses	(17,211,649)
Loans receivable, net	420,432,000
Loans receivable – subsidiaries	27,105,392
Loans available for sale	2,533,980
Other assets	11,678,968
Right of use assets	9,732,531
Total assets	$ 711,290,903
Liabilities and Net Assets	
Liabilities:	
Accounts payable and accrued expenses	$ 12,415,011
Refundable advance liability	6,694,569
Loan loss reserve for PCLP program	961,822
Due to Small Business Administration	129,182
Deposits	1,456,549
Notes payable	103,321,940
Investor Notes, net	183,197,579
Subordinated debt	2,500,000
Federal Home Loan Bank borrowing	47,271,304
Bond loan payable	58,849,113
Notes payable – subsidiaries	27,384,895
Other borrowings	917,610
Lease liabilities	12,603,602
Total liabilities	457,703,176
Net assets:	
Without donor restrictions	179,522,038
Noncontrolling interest in consolidated subsidiaries	20,572,345
Total without donor restrictions	200,094,383
With donor restrictions	53,493,344
Total net assets	253,587,727
Total liabilities and net assets	$ 711,290,903

See notes to consolidated and combined financial statements.

Capital Impact Partners and Subsidiaries and CDC Small Business Finance Corp.

Consolidated and Combined Statement of Activities and Changes in Net Assets
Year Ended December 31, 2021

Changes in net assets without donor restrictions:		
Financial activity:		
Financial income:		
Interest income on loans	$	26,685,255
Loan fees		751,999
Investment income, net		(387,014)
Gain (loss) on equity method investments		110,112
Loss on NMTC unwind		23,600
Total financial income		**27,183,952**
Financial expense:		
Interest expense		11,602,812
Provision for loan losses		(168,503)
Total financial expense		**11,434,309**
Net financial income		**15,749,643**
Revenue and support:		
Loan servicing fees		27,271,660
Fees		1,030,142
Contract revenue		57,648
Contribution		2,833,333
Gain on sale of 7a loans		1,639,593
Software licensing and support		2,893,805
Other income		1,646,915
Net assets released from donor restrictions		16,557,724
Total revenue and support		**53,930,820**
Expenses:		
Innovative community lending program		39,836,412
Total non-financial program expenses		**39,836,412**
Support expenses:		
Management and general		17,377,339
Fundraising		1,604,226
Total non-financial expenses		**58,817,977**
Change in net assets without donor restrictions before noncontrolling interest activities		**10,862,486**
Noncontrolling interest – return of investment		(980,200)
Increase in net assets without donor restrictions		**9,882,286**
Changes in net assets with donor restrictions:		
Investment income, net		30,639
Grant revenue		29,884,485
Net assets released from donor restrictions		(16,557,724)
Change in net assets with donor restrictions		**13,357,400**
Change in net assets		**23,239,686**
Net assets, beginning		230,348,041
Net assets, ending	$	253,587,727

See notes to consolidated and combined financial statements.

Capital Impact Partners and Subsidiaries and CDC Small Business Finance Corp.

Consolidated and Combined Statement of Cash Flows
Year Ended December 31, 2021

Cash flows from operating activities:		
Change in net assets	$	23,239,686
Noncontrolling interest activities		(980,200)
Change in net assets before noncontrolling interest activities		24,219,886
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Recovery of loan losses		(168,503)
Gain on sale of 7a loans		1,639,591
Depreciation		728,310
Amortization of notes issuance costs		282,172
Straight-line rent expense		1,203,038
Gain on investments		1,492,524
(Gain) loss on equity method investments		(110,112)
Loss on NMTC unwind		(23,600)
Distribution on earnings from equity method investments		4,930
Accretion of interest on loans		52,111
Decrease (increase) in:		
Accounts and interest receivable		285,579
Contributions receivable		(250,000)
Originations of loans available for sale		(16,715,863)
Sales of loans available for sale		14,367,430
Change in loan origination costs		15,176
Change in loan reserves		(19,508)
Other assets		(594,137)
(Decrease) increase in:		
Accounts payable and accrued expenses		4,953,538
Due to small business administration		(19,976)
Decreases in deposits		1,268,214
Refundable advance liability		(2,159,023)
Lease liabilities		(1,323,028)
Net cash provided by operating activities		**29,128,749**
Cash flows from investing activities:		
Loan originations and advances		(179,136,283)
Loan purchases		(916,103)
Loan repayments		312,934,762
Loan sales		9,385,182
Loan repayments – subsidiaries		3,625,379
Proceeds received from returns of investment from equity investment		2,225,446
Proceeds from sale and distributions of investments		552,000
Purchase of investments		(37,279)
Proceeds from sale of Mortgage Backed Securities		31,801,193
Purchase of Mortgage Backed Securities		(26,589,768)
Capital lease payments		(4,031)
Purchase of furnishings and equipment		(510,932)
Net cash provided by investing activities		**153,329,566**
Cash flows provided by financing activities:		
Proceeds from notes payable		172,093,396
Repayment of notes payable		(324,985,785)
Repayment of bond loan payable		(2,228,048)
Payments on other borrowings		(479,456)
Proceeds from issuance of Investor Notes, net		33,865,044
Repayment of Investor Notes		(10,302,000)
Payment of issuance cost of Investor Notes		(185,964)
Capital distributions paid – noncontrolling interest		(1,029,728)
Repayment of notes payable – subsidiaries		(3,311,245)
Proceeds from lines of credit		5,000,000
Repayment of lines of credit		(34,500,000)
Net cash used in financing activities		**(166,063,786)**
Net increase in cash and cash equivalents		**16,394,529**
Cash and cash equivalents – beginning		120,946,984
Cash and cash equivalents – ending	$	137,341,513

(Continued)

Capital Impact Partners and Subsidiaries and CDC Small Business Finance Corp.

Consolidated and Combined Statement of Cash Flows (Continued)
Year Ended December 31, 2021

Cash and cash equivalents consist of:		
Cash and cash equivalents – unrestricted	$	104,740,742
Cash and cash equivalents – restricted		32,600,771
	$	137,341,513
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$	11,680,972
Supplemental schedules of noncash investing and financing activities:		
Distributions payable to noncontrolling interest included in accounts payable	$	239,436
Supplemental schedule of noncash operating activities:		
Loan forgiveness	$	141,250

See notes to consolidated and combined financial statements.

Note 1. Description of Activities and Significant Accounting Policies

Description of activities: Capital Impact Partners ("CIP") 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").

CDC Small Business Finance Corp. ("CDC") is a California nonprofit organization committed to serving the capital needs of small businesses in California, Nevada, and Arizona. CDC is a Certified Development Company certified by the U.S. Small Business Administration. Its mission is to champion the growth of diverse small companies in its communities through advocacy and lending services. CDC arranges industrial and commercial real estate, and business development loans for small business.

Related to the agreement between CIP and CDC, effective February 8, 2021, Capital Impact Partners amended its organizational documents. The amendments were primarily to convert from a membership to a non-membership organization and to revise the board makeup and size requirements in relation to the membership conversion.

Effective April 1, 2021, CIP and CDC aligned their operations under one chief executive officer and a joint board of directors (the "Alliance"). The Alliance innovates how capital and investments flow into historically disinvested communities to advance economic empowerment and equitable wealth creation. Capital Impact Partners and CDC remain as separate legal and tax entities with no control over the other.

CIP and CDC cross guarantee most of the other party's debt, and are co-borrowers on other obligations to enable each organization to benefit from the combined financial strength of both organizations.

CIP and CDC have substantially overlapping executive management teams with Ellis Carr, Capital Impact's President and Chief Executive Officer, serving as President and Chief Executive Officer of both organizations.

The transaction closed on July 15, 2021.

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

The following table provides information on Capital Impact Partners' and CDC's various subsidiaries:

Subsidiary Name	Ownership %	Purpose of Subsidiary	Included in Consolidated Financials
Community Solutions Group, LLC	100%	Subsidiary of Capital Impact Partners 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%	Subsidiary of Capital Impact Partners 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%	Subsidiary of Capital Impact Partners formed to act as a non-managing member for NMTC Community Development Entities (CDEs) with Capital Impact Partners acting as managing member.	Yes
Detroit Neighborhoods Fund, LLC (DNF, LLC)	100%	Subsidiary of Capital Impact Partners formed 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%	Subsidiary of Capital Impact Partners formed to channel funds to a predominately low income population aged 50+.	Yes
Community Investment Impact Fund, LLC	30%	On January 1, 2020, CIIF II, LLC merged into CIIF, LLC. Subsidiary of Capital Impact Partners formed 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. Community Investment Impact Fund II, LLC merged with and into this entity, the surviving entity, on January 1, 2020. Effective January 1, 2020, Capital Impact Partners increased its managing member ownership from 20% to 30%.	Yes
Alliance Securities Manager LLC	100%	This LLC is a holding company created for the purpose of holding interests in potential future investment business lines	Yes
San Diego Region Small Business Development Corporation (SDR)	100%	Subsidiary of CDC formed to support business in the San Diego area as well as to operate Bankers Small Business CDC.	Yes
Bankers Small Business CDC (Bankers)	100%	Subsidiary of SDR formed to support business development in San Diego county by operating several loan programs including California Rebuilding Fund and AA Latino Fund. In addition, Bankers is set up to lend funds from a multi-bank consortium to borrowers in San Diego County unable to qualify for SBA or conventional financing.	Yes
CDC Direct Capital	100%	Subsidiary of CDC formed to manage the asset servicing agreement with Morgan Stanley.	Yes
Small Business Finance NMTC, LLC	100%	Small Business Finance NMTC, LLC is a "single-member" LLC. The single member is CDC Small Business Finance.	Yes
Small Business Finance NMTC 1, LLC	100%	Subsidiary of Small Business Finance NMTC, LLC formed to act as a non-managing member of NMTC Community Development Entities (CDEs) with Small Business Finance NMTC, LLC acting as managing member.	Yes
CDC Ventures (Ventures)	100%	Subsidiary of CDC formed to assist borrowers and provide technical support to users of the CDC Ventures software package.	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.

As an inherent part of its charter and mission, Capital Impact Partners makes loans to established cooperatives 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 to 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.

Capital Impact Partners' principal sources of revenue and support are interest income and fees earned from its lending activities, grants and contributions.

CDC's primary source of revenue is the servicing and processing of the Small Business Administration's ("SBA") 504 loan programs. In addition, CDC originates, services, and sells loans guaranteed by the Small Business Administration under its Community Advantage 7a Program. These loans are used by the borrowers for a variety of purposes and are capped at $250,000 per loan. CDC also administers several lending programs including the SBA microloan program, a state sponsored community adjustment and investment loan program, California Rebuilding Fund, Activate Detroit, Instant Boost Capital ("IBC"), LA Direct and Fast to Fund, all of which are designed to provide loans to small businesses.

Significant accounting policies:

Basis of presentation: The consolidated and combined 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 and combination: The financial statements include the accounts of Capital Impact Partners, CDC and their consolidated subsidiaries which include: CSG,LLC, NCBCI Education Conduit, LLC, DNF, LLC, FPIF, LLC, CIIF, LLC, Alliance Security Manager LLC, SDR, Bankers, CDC Direct Capital, Small Business Finance NMTC, LLC, Small Business Finance NMTC 1, LLC, and CDC Ventures. All significant intraorganizational accounts and transactions have been eliminated in consolidation and combination.

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

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

Restricted cash and cash equivalents: Both members of the Alliance have 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)

Accounts Receivable: Accounts receivable consist of SBA loan processing fees receivable and SBA 504 servicing fees receivable. Processing fees are recognized at the time of loan approval and are received at the time the loan is funded. An allowance is recorded based on the company's experience with loans that are approved but do not fund. Servicing fees are recognized in the month they are earned and are received a month in arrears.

Contributions receivable: Both members of the Alliance account for unconditional 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.

Investments: Investments in equity securities, money market funds, Mortgage Backed Securities with readily determinable fair values are stated at fair value measured, as more fully described in Note 24. 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 24. Interest and dividend income are recognized when earned. Any unrealized or realized gains or losses are reported in the consolidated and combined statement of activities and changes in net assets 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 consolidated and combined statement of activities and changes in net assets 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 the entities' voting interest and the degree of control or influence either entity may have over the operations of these entities.

Management evaluates its investments for impairment on a periodic basis. If management determines the investment to be impaired, they consider the extent and duration of the loss and whether they intend to sell the investment and if it is more likely than not that they will be required to sell the investment before recovery of the loss occurs. If it is determined that the extent and duration of the loss is severe, and that the organization will need to sell the investment before recovery is expected, or that recovery is not expected, the entire amount of the estimated impairment would be recognized through earnings.

Noncontrolling interest in consolidated subsidiaries: The noncontrolling interest represents the equity interest in Community Investment Impact Fund, LLC exclusive of Capital Impact Partners' interest. Community Investment Impact Fund, LLC ("CIIF") is a for-profit entity, which is jointly owned by Capital Impact Partners (managing member with 30% ownership) and Annaly Social Impact LLC ("Annaly") (non-managing member with 70% ownership). The non-managing member does not have substantive kick-out rights or substantive participating rights and therefore cannot consolidate. CIIF 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 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 2024, principal payments to Annaly and Capital Impact Partners will commence as loans in the Fund pay off.

Note 1. Description of Activities and Significant Accounting Policies (Continued)
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 the Alliance 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 present value of estimated future cash flows or the fair value of collateral, if repayment of the loan is expected solely from the collateral.

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.

Under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), financial institutions generally do not need to categorize COVID-19-related modifications as TDRs. As a result, loans that have been restructured for short term COVID-19 related hardships are not categorized as TDRs.

Non-accrual loans: The accrual of interest on outstanding loans is discontinued at the time the loan is 90 days delinquent unless the credit is well secured and in process of collection. When the accrual of interest ceases, any unpaid interest previously recorded as income is deducted from income. Any future payments received are applied to reduce principal. At such time as full collection of the remaining recorded balance is expected in the ordinary course of business, interest payments are recorded as interest income on a cash basis. Loans may be reinstated to accrual status when all payments are brought current and, in the opinion of management, collection of the remaining principal and interest can reasonably be expected. If at any time collection of principal or interest is considered doubtful, all or some portion of the loan is charged off for financial reporting purposes, although collection efforts may still continue.

Allowance for loan losses: The allowance for losses is a valuation reserve that management believes will be adequate to absorb possible losses on existing loans that may become uncollectible. It is established through a provision for loan losses charged to expense. Loans deemed to be uncollectible, such as debt discharged in bankruptcy or with collateral deterioration, are charged against the allowance. CIP's subsequent recoveries, if any, are credited to the allowance account while CDC's recoveries are booked against Revenue - Bad Debt Recovery. 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.

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

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 the Alliance's internal risk rating process. Other adjustments are made to the allowance for pools of loans after an assessment of internal or external influences on credit quality that are not reflected in the historical loss or risk rating data.

Reserve for PCLP loan losses and PCLP loan guarantees: Participation in the PCLP requires CDC to guarantee an amount equal to ten percent of the net debenture of loans made, in the event a loss occurs if a loan under the program is charged off. The loan loss estimate is based on the entire PCLP portfolio and is an estimate of potential losses for loans that have not yet been charged off by the SBA using the methodology as described above. CDC has accrued loan loss reserves of $961,822 that has been recorded as a liability at December 31, 2021 to address the residual risk associated with these types of loans. This is not a requirement of the program.

Due to the level of risk associated with the loans and the PCLP, it is reasonably possible that changes in the values of loans and losses could occur in the PCLP in the near term and that such change could materially affect amounts reported on the consolidated financial statements.

PCLP contractual cash reserves:

CDC is required to maintain cash reserves equal to one percent of the loan balance amount. CDC may fund the reserve over a two year period. One half of one percent must be reserved upon funding of the debenture and an additional one quarter of one percent must be funded at the end of the first and second year. CDC's cash reserves were $1,967,305 as of December 31, 2021, and were in excess of contractual amounts required in each year.

Loans Available for Sale: Management designates loans as available for sale based on intent. Generally, all the guaranteed portion of SBA 7(a) loans meeting salability requirements, or expected to become saleable within the near term, are designated as available for sale. The unguaranteed portion is retained with a discounted carrying value to account for the higher credit risk associated with it.

These loans are carried at the lower of cost or estimated market value in the aggregate. No loans were written down to fair value at year end. Net unrealized losses, if any, are recognized through a valuation allowance by charges to net income. Gains or losses realized on the sale of loans are recognized at the time of sale and are determined by the difference between the net sales proceeds and the carrying value of the loans sold, adjusted for any servicing asset or liability. Gains and losses on the sale of loans are included in noninterest income.

Transfers of financial assets: Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when: (1) the assets have been isolated from the Organization, (2) the transferee obtains the right to pledge or exchange the transferred assets and no condition both constrains the transferee from taking advantage of that right and provides more than a trivial benefit for the transferor, and (3) the transferor does not maintain effective control over the transferred assets through either (a) an agreement that both entitles and obligates the transferor to repurchase or redeem the assets before maturity or (b) the ability to unilaterally cause the holder to return specific assets, other than through a cleanup call. Those not eligible for sales accounting treatment were treated as secured borrowings as more fully described in Note 17.

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

CDC is exposed to risks related to loan losses under the Premier Certified Lender Program (“PCLP”). Participation in the PCLP requires CDC to guarantee an amount equal to ten percent of the net debenture of loans made, in the event a loss occurs if a loan under the program is charged off. The loan loss estimate is based on the entire PCLP portfolio and is an estimate of potential losses for loans that have not yet been charged off by the SBA. CDC employs a risk-based analysis of the PCLP loan portfolio to estimate the potential liability under its guarantee. Each loan in the PCLP Portfolio is risk rated and given a loan grade. Each loan grade is assigned a range of anticipated default rates. CDC uses this analysis along with its understanding of past loan loss experience, the nature, and volume of the portfolio, borrower specific information, estimated collateral values, general economic conditions and other factors to determine the estimate for its guarantee liability. The evaluation of the allowance is continuous and subjective as estimates are modified with changing conditions. The results are then used to support management's estimate for loan loss guarantee and the loan loss reserve is adjusted.

SBA Servicing Assets: Servicing assets are included in other assets and are initially recorded at fair value and amortized over the life of the related loans as a reduction of the servicing income recognized from the servicing spread. The amortized basis in the asset is compared against the fair value of the asset on a regular basis. If the carrying amount exceeds the fair value, the asset is considered impaired and is written down to fair value through a valuation allowance on the asset and a charge against earnings. Management does not believe the asset is impaired at December 31, 2021.

Other assets: Other assets include SBA Servicing assets, certificates of deposit, other deposits, a program advance, prepaid expenses and furniture, equipment and leasehold improvements (see Note 12).

Paycheck Protection Program loans: CDC is participating in the Paycheck Protection Program (“PPP”), which is a loan program that originated from the CARES Act and was subsequently expanded by the Paycheck Protection Program and Health Care Enhancement Act. The PPP is designed to provide U.S. small businesses with cash-flow assistance through loans fully guaranteed by the Small Business Administration (“SBA”). If the borrower meets certain criteria and uses the proceeds towards certain eligible expenses, the borrower's obligation to repay the loan can be forgiven up to the full principal amount of the loan and any accrued interest. Upon borrower forgiveness, the SBA pays CDC for the principal and accrued interest owed on the loan. If the full principal of the loan is not forgiven, the loan will operate according to the original loan terms with the 100 percent SBA guaranty remaining. As of December 31, 2021, CDC had PPP loans with a carrying value of approximately $28 million. As compensation for originating the loans, the Organization received lender processing fees from the SBA. Processing fees are received when authorization for funding is received from the SBA.

Right of use assets / lease liabilities: Both members of the Alliance recognize right of use assets and lease liabilities on the statements of financial position for all leases with terms longer than 12 months. Right of use assets and lease liabilities are recognized at the lease commencement date based on the present value of the remaining lease payments over the lease term, using the incremental borrowing rate. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the consolidated and combined statement of activities and changes in net assets. Lease expense is recognized on a straight-line basis over the term of the lease. The options to extend the lease term are not included in the right of use assets and lease liabilities recorded, when applicable. The Alliance has elected the practical expedient of not separating lease components from non-lease components.

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 offerings are 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 offerings may also be used to purchase securities or other assets that will be leveraged to support Capital Impact Partners' lending activities and general operations. The Notes are sold through the Depository Trust Company ("DTC"). The Lead Selling Agent agrees to sell these notes to other agents on Capital Impact Partners behalf.

Capital Impact Partners incurs agent and other fees to issue the Notes program. The fees include legal, accounting, and underwriting fees which are 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: Both members of the Alliance classify 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 consolidated and combined statement of activities and changes in net assets as net assets released from restrictions. Donor restricted funds also include donor contributions to be held in perpetuity totaling $8,124,438 at December 31, 2021.

Revenue recognition*:* The Alliance generally measures revenue based on the amount of consideration each expects to receive for the transfer of services to a customer, then recognizes this revenue when or as each 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 consolidated and combined statement of activities and changes in net assets.

Revenue recognized at a point in time includes NMTC Suballocation Fees, fund underwriting fees, and unused fee income:

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 a percentage 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.

In December 2020, the California Primary Care Association ("CPCA") established the CPCA COVID Response Loan Fund ("Fund") to finance loans to California community healthcare centers. Capital Impact Partners serves as both the Program Administrator of these off-balance sheet loans and Servicer of loans originated by this fund. As Program Administrator, Capital Impact Partners reviews and manages the loan application process. This role entitles Capital Impact Partners to earn a Fund Underwriting fee of 1% per loan which is recognized upon receipt in the consolidated and combined statement of activities and changes in net assets. In addition, Capital Impact Partners has committed to guarantee payments on defaulted loans for up to 5% of the total amount disbursed, not to exceed $1.5 million. As loans are originated, the guarantee fees are recorded as a contingent liability and offset to underwriting fee income.

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

Unused fees are paid to Capital Impact Partners from borrowers with revolving line of credit loans; equal to 15 basis points of the difference between the maximum available loan amount and average aggregate amount outstanding during the immediate preceding year. The unused fees are recognized upon receipt.

Revenue recognized over a period of time includes Asset Management Fees, Fund Management Fees, Credit Enhancement Fees and Guarantee 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 investment funds or from borrowers by Capital Impact Partners for the credit enhancement facility arrangement with the California Charter Schools Association. The performance obligation is to provide credit enhancement, which is estimated to occur evenly over the life of the facilities. The fee is 0.10% of the average daily outstanding principal balance of the credit enhancement facilities and is paid annually to the California Charter Schools Association.

Gain on Sale of 7a Loans: All sales of SBA guaranteed loans are executed on a servicing retained basis, and CDC retains the rights and obligations to service the loans. The standard sales structure under the SBA Secondary Participation Guaranty Agreement (1086 agreement) provide for CDC to retain a portion of cash flow from the interest payment received on each loan. This cash flow is commonly known as a "servicing spread". The servicing spread is recognized as a "servicing asset" to the extent the spread exceeds "adequate compensation" for the servicing function. Industry practice recognizes adequate compensation as 40 basis points. The fair value of the servicing asset is measured at the discounted present value of the excess servicing spread over the life of the related loan using appropriate discount rates and assumptions based on industry statistics for prepayment speeds.

When a loan sale involves the transfer of an interest in less than the entire loan, the controlling accounting method under current accounting guidance requires the seller to reallocate the carrying basis between the assets transferred and the assets retained based on the relative fair value of the respective assets as of the date of sale. The maximum gain on the sale that can be recognized is the difference between the fair value of the assets sold and the reallocated basis of assets sold. CDC measures the fair value of the guaranteed portion sold by the cash premium paid by the broker/dealer. The fair value of the servicing asset and the unguaranteed portion retained are based on discounted cash flow calculations explained above.

The gain on sale is immediately recognized in income and is made up of the sum of the cash premium on the guaranteed loan, the fair value of the servicing asset recognized less the discount recorded on the unguaranteed portion retained. CDC's portfolio of unguaranteed loans retained from sales transaction is significantly discounted.

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

Loan servicing fees: The Alliance recognizes loan servicing fees on the loans that it services for third parties. These fees are earned over the life of the loan.

Functional expense allocation: The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, benefits, payroll taxes, technology, marketing, lending costs, occupancy, professional services, interest and other, which are allocated based on estimates of time and effort. Refer to Note 23 for functional allocation of expenses.

Income taxes: Capital Impact Partners and CDC are generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. CDC has a wholly owned interest in San Diego Region Small Business Development Organization ("SDR"), an organization exempt from income taxes under section 501(c)(3) of the Internal Revenue Code and Section 23701(f) of the California Revenue and Taxation Code. In addition, the Capital Impact Partners and CDC qualify for charitable contribution deductions and have been classified as organizations that are not private foundations. Income which is not related to exempt purposes, less applicable deductions, is subject to federal corporate income taxes. Management evaluated the Capital Impact Partners' and CDC's tax positions and concluded that Capital Impact Partners and CDC 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 year ended December 31, 2021. Capital Impact Partners and CDC file tax returns in the U.S. federal jurisdiction and California. Generally, Capital Impact Partners and CDC are no longer subject to income tax examination by the U.S. federal or state tax authorities for years before 2018.

Consolidated subsidiaries of the Alliance 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. Each member includes its share of the entity's income/loss on its tax return.

Upcoming accounting pronouncements not yet adopted:

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses (Subtopic 326); in November 2018, the FASB issued ASU 2018-19, Codification Improvements to Topic 326, Financial Instruments – Credit Losses; in May 2019, the FASB issued ASU 2019-05, Credit Losses (Topic 326): Targeted Transition Relief.; and in November 2019, the FASB issued ASU 2019-10, Financial Instruments – Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842) Effective Dates. 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. The Alliance is currently evaluating the impact of adopting this new guidance on its financial statements.

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

In March 2020, the FASB issued ASU 2020-03, Codification Improvements to Financial Instruments. This ASU addresses various financial instruments topics. The amendments related to Issues 1, 2, 3, 4 and 5 within the ASU are conforming amendments and effective for annual reporting periods beginning after December 15, 2019 for the Alliance and have no significant impact to the Alliance's financial statements. For entities that have not yet adopted ASU 2016-13, the effective dates for the amendments related to Issues 6 and 7 within ASU 2020-03 are the same as the effective dates in ASU 2016-13. As such, the amendments related to Issues 6 and 7 are effective for annual reporting periods beginning after December 15, 2022 for the Alliance. The Alliance is currently evaluating the impact of adopting this new guidance.

Note 2. Cash and Cash Equivalents

Cash and cash equivalents, including restricted balances, consist of the following at December 31, 2021:

	Capital Impact Partners	CDC	Total
Cash in bank	$ 79,940,681	$ 39,075,270	$ 119,015,951
Overnight Investments	3,231,483	-	3,231,483
Other short-term investments	15,094,079	-	15,094,079
	$ 98,266,243	$ 39,075,270	$ 137,341,513
Unrestricted	$ 73,212,984	$ 31,527,758	$ 104,740,742
Restricted	25,053,259	7,547,512	32,600,771
	$ 98,266,243	$ 39,075,270	$ 137,341,513

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

The Alliance 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, 2021, the following financial assets are available to meet annual operating needs of the 2022 fiscal year:

	Capital Impact Partners	CDC	Total
Cash and cash equivalents - available to be used in 2022	$ 69,241,056	$ 31,527,758	$ 100,768,814
Accounts and interest receivable	2,831,834	5,791,733	8,623,567
Loans receivable, net	37,468,369	-	37,468,369
Investment - available to be used in 2022	-	466,577	466,577
Mortgage Backed Securities - available to be used in 2022	7,362,125	-	7,362,125
Loans Available for sale	-	2,533,980	2,533,980
Unfunded loan commitments	(59,197,655)	-	(59,197,655)
Diversity in Development Detroit Loan Fund	(7,500,000)	-	(7,500,000)
Diversity in Development DMV Loan Fund	(7,875,500)	-	(7,875,500)
	$ 42,330,229	$ 40,320,048	$ 82,650,277

Note 4. Investments

Investments consist of the following as of December 31, 2021:

	Ownership interest	
Marketable equity securities	N/A	$ 428,882
Real estate investment trust	N/A	1,602,086
Other investments	N/A	286,673
Total investments at fair value (Note 24)		2,317,641
Equity method investments:		
ROC USA, LLC	23.81%	3,697,232
Charter School Financing Partnership, LLC	20%	294,264
Workforce Affordable Housing Fund I, LLC	96%	24,611,526
Other equity method investment		392,518
Equity method investments in New Markets Tax Credit entities (Note 20)		39,680
Total equity method investments		29,035,220
Investments at cost	N/A	2,535,977
Debt investment	N/A	500,000
		$ 34,388,838

Summarized financial information for Capital Impact Partners' equity method investments, with the exception of equity method investments in New Markets Tax Credit entities (see Note 20) as of and for the year ended December 31, 2021 are as follows:

Total assets	$ 149,631,481
Total liabilities	106,560,935
Net assets	43,070,547
Total revenue	5,766,995
Total expenses	4,479,638
Change in net assets without donor restrictions	$ 1,287,357

Note 5. Mortgage Backed Securities

Capital Impact Partners purchases Mortgage Backed Securities in order to serve as collateral/pledge base for FHLBank Atlanta borrowings and earn a return on idle cash. Total FHLBank Atlanta borrowings are $47,271,304 as of December 31, 2021. The balance of pledged Mortgage Backed Securities are $52,066,945 as of December 31, 2021. The remaining unpledged balance, net of discount, which is available to secure future advances is $7,362,125 as of December 31, 2021.

Note 5. Mortgage Backed Securities (Continued)

The Mortgage Backed Securities by category as of December 31, 2021 is as follows:

Mortgage Backed Securities:		
Federal Home Loan Mortgage Company (FHLMC)	$	4,891,690
Federal National Mortgage Association (FNMA)		556,807
Government National Mortgage Association (GNMA)		5,761,981
Uniform Mortgage Backed Securities (UMBS)		48,218,592
	$	59,429,070

Note 6. Contributions Receivable

As of December 31, 2021, contributions receivable are $250,000 all due in one year.

As of December 31, 2021, total conditional contributions receivable not recorded is $20,725,000. The conditional unrecorded receivables include a right of release dependent on available funding or satisfactory progress.

Note 7. Loans Receivable

The Alliance's loan portfolios are diversified in terms of sector and loan type. The following is the distribution of loans outstanding at December 31, 2021:

Capital Impact Partners:		
Education	$	104,492,605
Health care		78,550,676
Affordable housing		137,464,356
Community development		43,568,888
		364,076,525
Detroit Neighborhoods Fund, LLC		19,414,419
FPIF, LLC		7,690,973
Total – Capital Impact Partners	$	391,181,917
CDC Small Business Finance Corp:		
SBA microloan program	$	2,778,943
SBA 7a loans		25,708,938
CAIP		31,588
Bankers		13,322,693
PPP		28,229,432
Other loan programs		1,780,390
Discount on 7a loans		(815,801)
Deferred costs		2,530,941
Total – CDC	$	73,567,124

Note 7. Loans Receivable (Continued)

Real estate loans are used to finance the development of affordable housing projects and to provide term financing to the operation of affordable housing projects once they have been completed. Loans that are made to finance development are usually short-term and are repaid from either a construction or permanent loan. Term loans take the form of mortgages and are repaid from the operations of the real estate cooperative. Interest rates range from 0.00% to 7.57% and maturities from December 1, 2021 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 0.00% to 8.85% and maturities from September 1, 2021 to December 1, 2045.

COVID Relief Program: In response to the COVID-19 economic crisis, Capital Impact Partners established a $1.5 million fund to assist high-need borrowers with debt payments for up to four months. In the event borrowers have exhausted reserves and are unable to operationally support debt payments, a Debt Service Relief Fund loan would be sized to support up to four months of principal and interest payments of the borrowers. As of December 31, 2021, the designated fund for the COVID Relief Program fund had an available balance of $0.

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 March 1, 2025 to June 27, 2029.

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 had 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. AARP Foundation's 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. The loans are with sole recourse to the FPIF, LLC and include no obligation for repayment on the part of Capital Impact Partners. Interest rates range from 5.50% to 6.25% and maturities from May 29, 2022 to December 20, 2024.

Refer to Note 16, Notes Payable - Subsidiaries, for further details on subsidiary loans receivables.

CDC originates loans for sale to governmental agencies and institutional investors. At December 31, 2021, the CDC was servicing approximately $51,535,000 in total SBA loans previously sold. The carrying value of the servicing rights associated with these loans was approximately $665,000 as of December 31, 2021. The carrying value approximated the fair value as of December 31, 2021.

Note 8. Credit Quality

Loan origination and risk management

Capital Impact Partners

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.

CDC Small Business Finance Corp.

Portfolio segments identified by CDC include SBA Microloans, SBA 7(a) loans, Community Adjustment and Investment Program ("CAIP"), Bankers, PPP, Other and PCLP 504 loans. Relevant risk characteristics for these portfolio segments generally include debt service coverage, loan-to-value ratios, collateral type and financial performance.

Note 8. Credit Quality (Continued)

Age analysis of past due loans: The following tables represent an aging of loans by sector as of December 31, 2021. The tables present the principal amount outstanding on the loans that may be past due for principal and/or interest payments contractually due:

	30 - 59 Days Past Due	60 - 89 Days Past Due	90 days and Still Accruing	Non-accrual	Total Past Due	Current	Total Loans
Capital Impact Partners							
Education	$ -	$ -	$ -	$ 190,904	$ 190,904	$ 104,301,701	$ 104,492,605
Health care	-	-	-	-	-	78,550,676	78,550,676
Affordable housing	87,450	-	-	6,755,034	6,842,484	130,621,872	137,464,356
Community development and other	-	-	-	227,500	227,500	43,341,388	43,568,888
	87,450	-	-	7,173,438	7,260,888	356,815,637	364,076,525
CDC Small Business Finance Corp.							
SBA microloan program	$ -	$ 13,497	$ -	$ -	$ 13,497	$ 2,765,446	$ 2,778,943
SBA 7a loans	1,351,214	399,665	-	334,904	2,085,783	23,623,155	25,708,938
CAIP	-	-	-	-	-	31,588	31,588
Bankers	456,514	-	-	1,514,143	1,970,657	11,352,036	13,322,693
PPP	5,285,490	20,177	606,513	-	5,912,180	22,317,252	28,229,432
Other	63,578	-	-	197,305	260,883	1,519,507	1,780,390
	7,156,796	433,339	606,513	2,046,352	10,243,000	61,608,984	71,851,984
Discount on 7a loans	-	-	-	-	-	(815,801)	(815,801)
Deferred costs	-	-	-	-	-	2,530,941	2,530,941
	7,156,796	433,339	606,513	2,046,352	10,243,000	63,324,124	73,567,124
	$ 7,244,246	$ 433,339	$ 606,513	$ 9,219,790	$ 17,503,888	$ 420,139,761	$ 437,643,649

Credit quality indicators

Capital Impact Partners

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 is 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

Note 8. Credit Quality (Continued)

expansion to additional sites or services, large loan for borrower or lender and change in a key member of management. These borrowers must have current and regularly received financial information in the file, be in compliance with loan covenants, and be properly documented.

Watch: These borrowers are generally acceptable risks but show some signs of weakness in cash flow or financial strength or have short or unstable earnings history. The borrower may be unable to achieve projected operations and/or may have covenant violations. These loans are performing as agreed and may be characterized by uncertain industry outlook, cyclical or highly competitive, greater sensitivity to market forces and business cycles, full collateral coverage, insufficient current financial information or outdated loan officer review to determine repayment ability, or weak management.

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

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

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, a 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 table summarize the loan portfolio by sector and the internally assigned credit quality ratings for those categories at December 31, 2021:

Capital Impact Partners	Above Average	Pass	Watch	Special Mention	Substandard	Doubtful	Total
Education	$ 2,207,104	$ 49,233,882	$ 52,119,461	$ 391,990	$ 294,354	$ 246,109	$ 104,492,900
Health Care	-	8,072,636	60,020,876	10,457,385	-	-	78,550,897
Affordable housing	670,092	13,188,941	101,396,948	12,923,854	8,640,560	644,350	137,464,745
Community development	-	14,261,344	18,294,845	10,666,314	-	345,480	43,567,983
	$ 2,877,196	$ 84,756,803	$ 231,832,130	$ 34,439,543	$ 8,934,914	$ 1,235,939	$ 364,076,525

Note 8. Credit Quality (Continued)

CDC Small Business Finance Corp.

CDC categorizes its loans receivable into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. CDC analyzes loans individually by classifying the loans as to credit risk. This analysis is performed on a quarterly basis. CDC uses the following definitions for its risk ratings:

Pass: Loans that are current in payments and in general compliance with all debt covenants. Management considers the likelihood of loss on these credits to be low.

Special Mention: Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

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

Liquidation: Loans classified as liquidation have all the weaknesses inherent in those classified as substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis currently existing facts, conditions, and value, highly questionable and improbable.

The following tables summarize the loan portfolio by sector and the internally assigned credit quality ratings for those categories at December 31, 2021:

CDC Small Business Finance Corp.	Pass	Special Mention	Substandard	Liquidation	Total
SBA microloan program	$ 2,081,092	$ 470,956	$ 151,487	$ 75,408	$ 2,778,943
SBA 7(a) loans	16,681,666	4,951,362	3,140,302	935,608	25,708,938
CAIP	31,588	-	-	-	31,588
Bankers	6,307,751	999,033	4,422,864	1,593,045	13,322,693
PPP	28,229,432	-	-	-	28,229,432
Other loan programs	1,355,704	-	288,331	136,355	1,780,390
	54,687,233	6,421,351	8,002,984	2,740,416	71,851,984
				Discount on 7(a) loans	(815,801)
				Deferred costs	2,530,941
					$ 73,567,124

Note 8. Credit Quality (Continued)

Allowance for loan losses: The following tables summarize the allowance for loan losses as of and for the year ended December 31, 2021, by sector and the amount of loans evaluated individually or collectively for impairment by sector.

Capital Impact Partners	Education	Health Care	Affordable Housing	Community Development	Total
Allowance for loan losses:					
Beginning balance	$ 3,109,513	$ 2,689,136	$ 5,955,366	$ 1,728,625	$ 13,482,640
Charge-offs	-	-	-	(141,250)	(141,250)
Recoveries	-	-	-	-	-
Provisions	(491,989)	(244,430)	529,126	221,168	13,875
	$ 2,617,524	$ 2,444,706	$ 6,484,492	$ 1,808,543	$ 13,355,265
Ending balance of allowance for loan losses:					
Individually evaluated for impairment	$ 73,904	$ -	$ 201,199	$ 105,000	$ 380,103
Collectively evaluated for impairment	2,543,620	2,444,706	6,283,293	1,703,543	12,975,162
	$ 2,617,524	$ 2,444,706	$ 6,484,492	$ 1,808,543	$ 13,355,265
Loan ending balances:					
Individually evaluated for impairment	$ 190,904	$ -	$ 4,691,199	$ 227,500	$ 5,109,603
Collectively evaluated for impairment	104,301,701	78,550,676	132,773,157	43,341,388	358,966,922
	$ 104,492,605	$ 78,550,676	$ 137,464,356	$ 43,568,888	$ 364,076,525

CDC Small Business Finance Corp.	SBA Microloan	SBA 7a Loans	CAIP	Bankers	Other	PPP	Total
Allowance for loan losses:							
Beginning balance	$ 255,986	$ 2,075,718	$ 5,105	$ 1,494,618	$ 684,095	$ -	$ 4,515,522
Charge-offs	(60,495)	(575,918)	-	(116,035)	-	-	(752,448)
Recoveries	2,522	15,352	-	279,055	-	-	296,929
Provisions	79,881	418,326	(1,946)	(325,369)	(374,511)	-	(203,619)
Ending loan loss reserve	$ 277,894	$ 1,933,478	$ 3,159	$ 1,332,269	$ 309,584	$ -	$ 3,856,384
Ending balance of allowance for loan losses:							
Individually evaluated for impairment	$ -	$ 89,224	$ -	$ 109,868	$ -	$ -	$ 199,092
Collectively evaluated for impairment	277,894	1,844,254	3,159	1,222,401	309,584	-	3,657,292
	$ 277,894	$ 1,933,478	$ 3,159	$ 1,332,269	$ 309,584	$ -	$ 3,856,384
Loan ending balances:							
Individually evaluated for impairment	$ -	$ 463,270	$ -	$ 599,340	$ -	$ -	$ 1,062,610
Collectively evaluated for impairment	2,778,943	25,245,668	31,588	12,723,353	1,780,390	28,229,432	70,789,374
	$ 2,778,943	$ 25,708,938	$ 31,588	$ 13,322,693	$ 1,780,390	$ 28,229,432	$ 71,851,984

Note 8. Credit Quality (Continued)

Impaired loans: The following tables summarize the impaired loans as of December 31, 2021. The tables segregate the loans by sector and organization for impaired loans with specific allowances for losses and impaired loans without specific allowances.

Capital Impact Partners	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized*
With no related allowance recorded:					
Education	$ -	$ -	$ -	$ -	$ -
Health care	-	-	-	-	-
Affordable housing	-	-	-	-	-
Community development					-
Subtotal	-	-	-	-	-
With an allowance recorded:					
Education	$ 190,904	$ 246,109	$ 73,904	$ 278,063	$ 3,704
Health care	-	-	-	-	-
Affordable housing	4,691,199	4,712,630	201,199	4,712,630	204,245
Community development	227,500	227,500	105,000	287,144	-
Subtotal	$ 5,109,603	$ 5,186,239	$ 380,103	$ 5,277,837	$ 207,949
Total:					
Education	$ 190,904	$ 246,109	$ 73,904	$ 278,063	$ 3,704
Health care	-	-	-	-	-
Affordable housing	4,691,199	4,712,630	201,199	4,712,630	204,245
Community development	227,500	227,500	105,000	287,144	-
Total	$ 5,109,603	$ 5,186,239	$ 380,103	$ 5,277,837	$ 207,949

* Interest income recognized on a cash basis during 2021 was $0.

CDC Small Business Finance Corp.	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized*
With no allowance recorded:					
SBA 7a loans	$ -	$ -	$ -	$ -	$ -
SBA microloan program	-	-	-	-	-
CAIP	-	-	-	-	-
Other (IBC)	-	-	-	-	-
Bankers CDC	-	-	-	-	-
Subtotal	$ -	$ -	$ -	$ -	$ -
With an allowance recorded:					
SBA 7a loans	$ 463,270	$ 463,270	$ 89,224	$ 589,808	$ 29,989
SBA microloan program	-	-	-	-	-
CAIP	-	-	-	-	-
Other (IBC)	-	-	-	-	-
Bankers CDC	599,340	599,340	109,868	299,670	38,788
Subtotal	$ 1,062,610	$ 1,062,610	$ 199,092	$ 889,478	$ 68,777
Total:					
SBA 7a loans	$ 463,270	$ 463,270	$ 89,224	$ 589,808	$ 29,989
SBA microloan program	-	-	-	-	-
CAIP	-	-	-	-	-
Other (IBC)	-	-	-	-	-
Bankers CDC	599,340	599,340	109,868	299,670	38,788
Total	$ 1,062,610	$ 1,062,610	$ 199,092	$ 889,478	$ 68,777

*Interest income recognized on a cash basis during 2021 was $0.

Note 8. Credit Quality (Continued)

Impaired loans include loans modified in TDRs 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, 2021, the Capital Impact Partners modified one loan with an unpaid principal balance of $280,000 that is classified as a TDR and included in impaired loans.

There were no loans previously identified as TDRs that re-defaulted in 2021.

Subsidiaries with loans, DNF, LLC 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. No allowance was recorded as of December 31, 2021.

Note 9. Reserve for PCLP Loan Losses

At December 31, 2021, CDC has approximately $160,304,000 in its PCLP Portfolio. CDC's guarantee amount is approximately $16,030,000. CDC has made provisions for PCLP loan loss guarantees in the amount of $961,822 as of December 31, 2021. These reserves are management's estimates of potential losses under the PCLP loan participation program. CDC's management continually monitors this group of loans approved under the PCLP ("PCLP Portfolio"). Accruals of $129,182 have been made for loans that have been charged off and are payable to the Small Business Administration as of December 31, 2021.

CDC employs a risk-based analysis of the PCLP loan portfolio to estimate the potential liability under its guarantee. Each loan in the PCLP Portfolio is risk rated and given a loan grade. Each loan grade is assigned a range of anticipated default rates. CDC uses this analysis along with its understanding of past loan loss experience, the nature, and volume of the portfolio, borrower specific information, estimated collateral values, general economic conditions and other factors to determine the estimate for its guarantee liability. The evaluation of the allowance is continuous and subjective as estimates are modified with changing conditions. The results are then used to support management's estimate for loan loss guarantee and the loan loss reserve is adjusted.

Note 9. Reserve for PCLP Loan Losses (Continued)

The following table presents the activity in the PCLP loan loss reserve for the year ending December 31, 2021:

Beginning balance	$ 889,682
Credit for loan loss	38,584
Amounts paid to SBA	(19,977)
Recoveries on loans charged off	53,533
	$ 961,822

PCLP shared loss exposure

CDC categorizes its PCLP loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. CDC analyzes loans individually by classifying the loans as to credit risk. This analysis is performed on a quarterly basis. CDC uses the following definitions for its risk ratings:

Pass: Loans that are current in payments and in general compliance with all debt covenants. Management considers the likelihood of loss on these credits to be low.

Special Mention: Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

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

Liquidation: Loans classified as liquidation have all the weaknesses inherent in those classified as substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis currently existing facts, conditions, and value, highly questionable and improbable.

The risk categories of PCLP loans were as follows:

	Pass	Special Mention	Substandard	Liquidation	Total
PCLP Shared					
Loan Exposure	$13,662,473	$1,216,403	$1,053,592	$97,895	$16,030,363

Note 10. Concentration of Credit Risk and Concentration of Contributions

Both members of the Alliance maintain cash in various financial institutions. Cash balances at each financial institution are insured by the Federal Deposit Insurance Corporation up to $250,000. At times, these balances exceed the insurance limit provided by the Federal Deposit Insurance Corporation (FDIC). The Alliance’s management believes it limits any significant credit risk by placing its deposits with high quality financial institutions.

Note 10. Concentration of Credit Risk and Concentration of Contributions (Continued)

As indicated in Note 7, a substantial portion of the Capital Impact Partners' loan portfolio is represented by loans to affordable housing projects. Most affordable housing loans have reserves established to mitigate risk of borrower payment issues. In addition, a substantial portion of the Capital Impact Partners' 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 20% of the Capital Impact Partners' portfolio represents loans made to entities associated with the NMTC program at December 31, 2021, respectively. Approximately 25% and 90% of the Capital Impact Partners' and CDC portfolios, respectively, represents loans made in the state of California. Approximately 24% of Capital Impact Partners' portfolio represents loans made in the state of Michigan at December 31, 2021.

CDC receives the majority of its revenue in the form of processing and servicing fees on loans guaranteed by the SBA. As with any government-related program, there is a risk that funding could be reduced or discontinued.

During the year ended December 31, 2021, $11,250,000 or approximately 37% of CIP's restricted grants and contributions was from one donor.

Note 11. Related Party Transactions

NCB and NCB Financial Savings Bank (NCB, FSB): Capital Impact Partners and its subsidiaries maintain cash accounts with NCB, FSB. Balances totaled $38,929,649 as of December 31, 2021.

In the normal course of business, Capital Impact Partners, NCB and NCB, FSB will sell and purchase loan participations from each other. Capital Impact Partners' balance was $7,799,402 as of December 31, 2021.

ROC USA, LLC: ROC USA Capital is a wholly owned subsidiary of ROC USA, LLC. 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, 2021 was $7,943,297. 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.

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, 2021 was $392,518. 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. The balance recorded as of December 31, 2021 was $24,611,526.

Prudent Lenders: CDC advanced a line of credit to this affiliated company at a fixed six percent interest rate with a maturity date of December 21, 2024. The line was paid off on December 31, 2021. CDC also held an investment in Prudent Lenders which closed as of December 31, 2021.

Note 11. Related Party Transactions (Continued)

Other: In the normal course of business, members of the Board of Directors may be related to cooperatives or banks receiving or eligible to receive loans. The Alliance 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 year ended December 31, 2021, for the aggregate amount of these loans is as follows:

Balance, December 31, 2020	$	18,252,693
Net changes		(3,881,263)
Balance, December 31, 2021	$	14,371,430

Note 12. Other Assets

Included in other assets as of December 31, 2021, are the following:

		Capital Impact Partners		CDC		Total
Land, building, software development, furnitures and fixtures, and leasehold improvements, net	$	1,292,160	$	6,547,463	$	7,839,623
SBA Servicing Asset		-		245,924		245,924
Deposits and prepaid expenses		1,335,974		413,785		1,749,759
Other assets		300,000		1,543,662		1,843,662
	$	2,928,134	$	8,750,834	$	11,678,968

Note 13. Leases

Capital Impact Partners and CDC have operating leases for six corporate offices. Leases have remaining lease terms of 1 year to 13 years, some of which include options to extend the leases for up to 5 years.

The components of lease expense were as follows:

		Capital Impact Partners		CDC		Total
Operating lease cost - fixed	$	1,228,388	$	559,646	$	1,788,034
Operating lease cost - variable		76,583		-		76,583
	$	1,304,971	$	559,646	$	1,864,617
Cash paid for amounts included in the measurement of lease liabilities:						
Operating cash flows from operating leases	$	1,323,028	$	464,157	$	1,787,185
Weighted average remaining lease term						
Operating leases		11 years		4 years		
Weighted average discount rate						
Operating leases		2.91%		2.91%		

Note 13. 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:	Capital Impact Partners	CDC	Total
2022	$ 1,234,715	$ 323,555	$ 1,558,270
2023	1,239,077	277,910	1,516,987
2024	1,220,844	219,945	1,440,789
2025	1,248,504	176,867	1,425,371
2026	1,278,167	142,974	1,421,141
Thereafter	7,510,399	24,301	7,534,700
Total lease payments	13,731,706	1,165,552	14,897,258
Less imputed interest	(2,268,094)	(25,562)	(2,293,656)
	$ 11,463,612	$ 1,139,990	$ 12,603,602

Lease incentives are amortized using the straight-line method over the respective lease term and are presented in consolidated and combined statement of activities and changes in net assets as part of lease expense.

Note 14. Refundable Advance Liability

CIP reports a refundable advance liability for funds received from conditional contributions from various grantors. These contributions remain classified as a refundable advance until the agreed upon conditions or barriers are met. The refundable advance liability balance was $6,694,569 as of December 31, 2021.

Note 15. Notes and Bond Payable, Revolving Lines of Credit, Subordinated Debt, Investor Notes, and Other Borrowings

Notes and bond payable, revolving lines of credit, Investor Notes, subordinated debt, and other borrowings as of December 31, 2021, consist of the following:

	Commitment	Available Undrawn	Balance	Interest Rate Range	Maturity Date Range
Revolving lines of credit	$ 105,000,000	$ 105,000,000	$ -	1.85% - 2.00%	June 2022 - September 2025
Unsecured - fixed rate	59,700,000	-	52,230,970	.88% - 3.78%	January 2022 - August 2030
Investor Notes, net	185,583,000	-	185,583,000	.40% - 4.10%	January 2022 - October 2035
Subordinated debt	2,500,000	-	2,500,000	2.00%	December 2023
Federal Home Loan Bank borrowing	114,256,559	66,985,255	47,271,304	2.37%	December 2029
Bond payable	95,000,000	-	58,849,113	2.10% - 2.60%	March 2044 - December 2045
CDC notes payable - secured	68,301,181	18,946,450	49,354,731	0.35%-4.35%	June 2022 - April 2030
CDC notes payable - unsecured	1,736,241	-	1,736,241		July 2029
			397,525,359		
Investor Notes issuance cost			(2,385,421)		
			$ 395,139,938		

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

Note 15. Notes and Bond Payable, Revolving Lines of Credit, Subordinated Debt, Investor Notes, and Other Borrowings (Continued)

Investor Notes: Capital Impact Partners issued Investor Notes in 2021, continuous from its 2020 offering, for up to $150,000,000. The Notes are sold through the Depository Trust Company ("DTC"). The Lead Selling Agent 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, 2021, the Note holders held $185,583,000 of the total Notes payable balance. Interest rates range between 0.40% and 4.10%. Aggregate annual maturities of Capital Impact Partners' Investor Notes over each of the next five years and thereafter, as of December 31, 2021, are as follows:

Years ending December 31:		
2022	$	46,557,000
2023		15,441,000
2024		17,638,000
2025		12,903,000
2026		13,183,000
Thereafter		79,861,000
	$	185,583,000

FHLB borrowing: As a member bank, Capital Impact Partners may request advances from FHLBank Atlanta. As of December 31, 2021, the outstanding balance was $47,271,304 secured by Mortgage Backed Securities in the amount of $52,066,945.

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 drew down on the bond by September 25, 2019 as required by the program. 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. 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. Capital Impact Partners, per the Bond Guarantee Program's requirements, had fully committed 100% of its allocation by July 15, 2018, and drew down on the bond by July 15, 2021 as required by the program.

Capital Impact Partners has drawn on the 2014 bond and advanced bond proceeds to end borrowers. As of December 31, 2021, the bonds payable balance was $46,411,726 secured by pledged loans receivable of $50,017,941.

Capital Impact Partners has drawn on the 2016 bond and advanced bond proceeds to end borrowers. As of December 31, 2021, the bonds payable balance was $12,437,387, secured by pledged loans receivable of $12,975,361.

Note 15. Notes and Bond Payable, Revolving Lines of Credit, Subordinated Debt, Investor Notes, and Other Borrowings (Continued)

Aggregate annual maturities of Capital Impact Partners' borrowings over each of the next five years and thereafter, as of December 31, 2021, are as follows:

Years ending December 31:		
2022	$	66,213,922
2023		32,404,488
2024		39,468,341
2025		25,650,408
2026		22,197,779
Thereafter		160,499,450
	$	346,434,388

For the Kellogg Foundation, Capital Impact Partners recognized interest expense of $3,131 for the year ended December 31, 2021.

For the Ford Foundation received in 2014, Capital Impact Partners recognized interest expense of $48,980 for the year ended December 31, 2021.

Aggregate interest accretion over the next four years for Capital Impact Partners' loans with below-market interest rates as of December 31, 2021, is as follows:

	Kellogg Foundation		Ford Foundation		Totals	
Years ending December 31:						
2022	$	649	$	35,721	$	36,370
2023		-		19,396		19,396
2024		-		2,794		2,794
	$	649	$	57,911	$	58,560

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.

CDC notes payable - secured consists of debt payable as follows:

Lender		Total
First Republic Bank	$	2,659,761
U.S. Small Business Administration		3,332,715
CIT		2,000,000
Federal Reserve		31,145,421
Chase Bank		553,550
US Bank		8,500,000
Loan Pool 7		50,567
City of San Diego		1,112,717
	$	49,354,731

Note 15. Notes and Bond Payable, Revolving Lines of Credit, Subordinated Debt, Investor Notes, and Other Borrowings (Continued)

Aggregate annual maturities of CDC's borrowings over each of the next five years and thereafter, as of December 31, 2021, are as follows:

Years ending December 31:		
2022	$	10,964,522
2023		882,246
2024		2,797,609
2025		1,814,114
2026		31,773,771
Thereafter		2,858,708
	$	51,090,970

Note 16. 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 31,2021	Interest Rate	Final Maturity Date	Payment Details
DNF, LLC	JPMorgan Chase	$ -	$ 19,693,922	2.00%	June 2029	Monthly interest, with consecutive quarterly principal payments beginning in June 2024
FPIF, LLC	FPIF Feeder Facility LP	-	7,690,973	3.42%	August 2031	Monthly interest and principal
		$ -	$ 27,384,895			

Aggregate annual maturities of subsidiary borrowings over each of the next five years and thereafter, as of December 31, 2021, are as follows:

Years ending December 31:		
2022	$	3,190,974
2023		-
2024		4,682,005
2025		256,550
2026		269,925
Thereafter		18,985,441
	$	27,384,895

Note 17. Other Borrowings

As of December 31, 2021, other borrowings on the consolidated statements of financial position of $917,610, consisted of the guaranteed portion of SBA loans sold in the secondary market that could not be accounted for as loan sales according to current accounting guidance. Consistent with this accounting treatment, the premium received for these transfers are recorded as a liability and amortized over the estimated life of the loan into interest income. The premium on these loans as of December 31, 2021 is $3,915 and is included in the accounts payable and accrued expenses account on the consolidated statements of financial condition.

Note 18. Net Assets with Donor Restrictions

At December 31, 2021, net assets with donor restrictions consisted of the following:

Capital Impact Partners:		
Charter School Program	$	16,543,554
Revolving loan fund - Affordable Housing Financing		8,124,438
Affordable Housing Financing		4,206,007
Equity and Inclusion		5,842,463
DC Entrepreneurs of Color Fund		1,437,561
National Equitable Developer		10,578,450
Detroit Corridor Initiative		517,775
Aging Initiative		156,273
Racial and Health Equity		9,045
Various		558,629
Total Capital Impact Partners	$	47,974,195
CDC Small Business Finance Corp:		
Loan Loss Reserve	$	5,285,395
Grant Assistance		233,754
Total CDC Small Business Finance Corp.	$	5,519,149
Total	$	53,493,344

Contributions receivable of $250,000, as of December 31, 2021, were both time restricted and purpose restricted and are included in the above amounts.

Note 19. Fees

Material revenue streams are reported separately on the consolidated and combined statement of activities and changes in net assets. Revenue is either recognized at a point in time or over a period of time.

Fees – recognized at point in time		
NMTC suballocation fees	$	618,750
NMTC success fees		53,125
Fund underwriting fee		3,496
CDC - Management fee		892,494
		1,567,865
Fees – recognized over time		
Asset management fees		288,870
Fund management fees		53,366
Credit enhancement fees		3,568
Guarantee Fees		2,194
		347,998
		1,915,863
Elimination for intercompany activity		(885,721)
Total	$	1,030,142

Note 20. New Markets Tax Credit Program ("NMTC")

During 2005, Capital Impact Partners implemented its NMTC program and has 25 Limited Liability Companies ("LLCs") that are CDEs, through December 31, 2021.

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 $16,500,000 to these LLCs during 2021, in anticipation of receiving new markets tax credits of approximately $6,435,000 in 2021. 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 2021, five 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 $23,600, which is reflected in the consolidated and combined statement of activities and changes in net assets for the year ended December 31, 2021.

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

Impact CDE 50 LLC	Impact CDE 63 LLC
Impact CDE 51 LLC	Impact CDE 64 LLC
Impact CDE 52 LLC	Impact CDE 65 LLC
Impact CDE 53 LLC	Impact CDE 66 LLC
Impact CDE 54 LLC	Impact CDE 67 LLC
Impact CDE 55 LLC	Impact CDE 68 LLC
Impact CDE 56 LLC	Impact CDE 69 LLC
Impact CDE 57 LLC	Impact CDE 70 LLC
Impact CDE 58 LLC	Impact CDE 71 LLC
Impact CDE 59 LLC	Impact CDE 72 LLC
Impact CDE 60 LLC	Impact CDE 73 LLC
Impact CDE 61 LLC	Impact CDE 74 LLC
Impact CDE 62 LLC	

At December 31, 2021, Capital Impact Partners had a .01% interest in each of the above entities.

The total amount of the investment is $39,680.

The following is a summary of the audited financial information of these companies as of and for the years ended December 31, 2021:

Total assets	$ 175,226,055
Total liabilities	186,361
Members' capital	175,039,694
Total revenue	3,328,507
Total expenses	2,791,013
Net income	$ 537,494

Note 20. 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 19 material revenue streams recognized at a point in time or recognized over time are reported separately on the consolidated and combined statement of activities and changes in net assets. During the year ended December 31, 2021, Capital Impact Partners earned $889,453 of servicing fees from these LLCs.

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, 2021.

To date, Capital Impact Partners has been awarded eight NMTC allocations, totaling $687,000,000.

Note 21. 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, 2021, these outstanding commitments totaled $59,197,655.

The California Primary Care Association established the CPCA COVID Response Loan Fund ("Fund") to assist California community healthcare centers in December 2020. The $25 million loan fund is comprised of numerous lenders who will make secured loans to the Fund. This debt capital is utilized to finance loans to be made by the Fund to California community health centers. Capital Impact Partners serves as both the Program Administrator and Servicer of loans originated by this fund and earns a monthly servicing fee of 50 basis points and a 1% underwriting fee per loan. In addition, Capital Impact Partners has committed to guarantee payments on defaulted loans for up to 5% of the total amount disbursed, not to exceed $1.5 million. The Fund documents outline the specific triggers for accessing the guarantee. The total amount of borrower loans disbursed by the Fund as of December 31, 2021 was $6,250,000. As loans are originated, the underwriting fee is allocated between the contingent liability and underwriting fee income. As of December 31, 2021, Capital Impact Partners recorded $9,375 of contingent liability, which represents the fair value of the guarantee. For the years ended December 31, 2021, Capital Impact

Note 21. Commitments and Contingencies (Continued)

Partners recorded $53,125 in net underwriting fee income. This amount is included with fees revenue in the consolidated and combined statement of activities and changes in net assets.

Capital Impact Partners is committed to initiate the $12.5 million Diversity in Development - Detroit Loan Fund. In May 2020, the Diversity in Development fund was launched to deploy low-cost and flexible construction financing to minority developers who live in and around Detroit, Michigan. The response to the loan fund led to successfully closing approximately $4.3 million in loans through December 31, 2021. Capital Impact Partners expects to close the remaining $3.2 million before December 31, 2022.

Capital Impact Partners is committed to initiate a $20 million Diversity in Development DMV (Washington DC, Maryland, and Virginia) Loan Fund over 3 years, successfully closing $9.6 million in loans in 2021. The fund will provide acquisition and pre-development loans to enable minority developers to acquire and develop affordable housing and other community facilities in the Washington D.C., Maryland and Virginia area. Capital Impact Partners expects to close the remaining $10.4 million before December 31, 2023.

On March 11, 2020, the President of the United States declared that the coronavirus outbreak constituted a national emergency. The health pandemic led to volatility and disruption in the global financial markets and impacted many businesses, including government offices and private foundations. Although the pandemic continued through 2021, the Alliance pivoted by permitting employees to work remotely throughout the national emergency and leveraged its financial strength, flexibility and resources to withstand any disruptions in loan payments.

Note 22. 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 year ended December 31, 2021 were $656,387. 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 $707,079 for 2021. Total retirement plans forfeited for the year ended December 31, 2021, were $251,662.

CDC adopted a 401(k) Plan effective January 1, 1997 that allows participating employees to contribute from one percent of their pretax annual compensation to the maximum amount permitted under law to the Plan. The Plan covers all employees who have at least six months of service. CDC's matching contributions for the year ended December 31, 2021 was $1,794,601. CDC has accrued discretionary contributions of $819,000 for the year ended December 31, 2021.

Note 23. Functional Allocation of Expenses

The costs of providing the programs and other activities have been summarized on a functional basis in the consolidated and combined statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The consolidated financial statements report expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses, excluding depreciation, are allocated on the basis of estimates of headcount, time and effort.

Note 23. Functional Allocation of Expenses (Continued)

The following schedule presents expenses by function as of December 31, 2021:

	Program Expenses	Support Expenses		
	Innovative Community Lending Program	Management and General	Fundraising	Total
Capital Impact Partners				
Interest expense	$ 10,312,851	$ -	$ -	$ 10,312,851
Provision for loan loss	13,875	-	-	13,875
Salaries and benefits	11,150,269	5,864,502	730,667	17,745,438
Professional fees	121,096	1,044,086	154,045	1,319,227
Contractual services	762,409	2,707,321	399,441	3,869,171
Corporate development	56,399	420,029	61,971	538,399
Lease expense	614,933	601,319	88,719	1,304,971
Insurance	-	256,555	37,852	294,407
Travel and entertainment	36,429	35,282	5,206	76,917
Training and tuition	6,728	58,382	8,614	73,724
Grant expense	3,231,401	-	-	3,231,401
Depreciation	85,188	192,033	-	277,221
Other	499,781	797,822	117,711	1,415,314
	$ 26,891,359	$ 11,977,331	$ 1,604,226	$ 40,472,916

CDC Small Business Finance	Community Loan Program	Loan processing & Servicing	Software	Technical Assistance Program	Total	Management and General	Total
Labor costs	$ 14,940,181	$ 3,439,166	$ 1,339,131	$ 3,350	$ 19,721,828	$ 2,365,455	$ 22,087,283
Technology	521,721	560,109	155,437	-	1,237,267	98,072	1,335,339
Marketing	-	62,810	911	-	63,721	524,992	588,713
Lending costs	332,354	544,715	19,643	103,564	1,000,276	417,760	1,418,036
Occupancy	502,457	130,242	41,864	669	675,232	311,662	986,894
Depreciation	14,388	-	-	-	14,388	436,701	451,089
Legal, professional, insurance	1,021,784	175,111	104,320	4,237	1,305,452	919,468	2,224,920
Miscellaneous expenses	179,873	126,834	64,084	-	370,791	325,895	696,686
Interest expense	-	1,163,089	-	-	1,163,089	126,872	1,289,961
Provision for loan losses	-	(182,378)	-	-	(182,378)	-	(182,378)
	$ 17,512,758	$ 6,019,698	$ 1,725,390	$ 111,820	$ 25,369,666	$ 5,526,877	$ 30,896,543

Note 24. 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

Note 24. Fair Value (Continued)

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

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

	Total	Level 1	Level 2	Level 3
Assets (liabilities):				
Marketable equity securities	$ 428,882	$ 428,882	$ -	$ -
Real estate investment trust	1,602,086	-	-	1,602,086
Other investments	286,673	-	-	286,673
Mortgage Backed Securities	59,429,070	-	59,429,070	-
Guarantee liability	(9,375)	-	-	(9,375)
	$ 61,737,336	$ 428,882	$ 59,429,070	$ 1,879,384

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 and liabilities 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

Note 24. Fair Value (Continued)
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 Securities: These securities receive interest income based on their stated interest rates and are classified as Level 2 instruments, as there are no quoted market prices in active markets for identical assets. The fair value is determined using models and other valuation methodologies, which are corroborated by market data.

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

Guarantee liability: The fair value of a guarantee liability is based the present value of the difference between the net contractual cash flows required under a debt instrument, and the net contractual cash flows that would have been required without the guarantee.

There was no change in the valuation techniques used to measure fair value of investments in the year ended December 31, 2021.

There were no transfers into or out of Level 3 during the year ended December 31, 2021.

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

Beginning balance at January 1	$ 1,717,042
Total net gains (losses) included in change in net assets	171,717
Purchases	(9,375)
Ending balance at December 31	$ 1,879,384

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.

Capital Impact Partners	Total	Level 1	Level 2	Level 3
Assets:				
Impaired loans, net of specific reserves	$ 4,729,500	$ -	$ -	$ 4,729,500

CDC	Total	Level 1	Level 2	Level 3
Assets:				
Impaired loans, net of specific reserves	$ 863,518	$ -	$ -	$ 863,518

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

Note 24. Fair Value (Continued)

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 25. Noncontrolling Interest in Consolidated Subsidiaries

Capital Impact Partners presents the noncontrolling interest in CIIF, its consolidated subsidiary, as a separate line item within net assets in the statement of financial position as of December 31, 2021.

A summary of the 2021 activity follows:

	CIP	Annaly	Total
Balance, December 31, 2020	$ 8,933,582	$ 20,572,345	$ 29,505,927
Net income	462,218	980,200	1,442,418
Distributions	(447,278)	(980,200)	(1,427,478)
Balance, December 31, 2021	$ 8,948,522	$ 20,572,345	$ 29,520,867

Distributions of $239,436 were payable from CIIF to Annaly as of December 31, 2021.

Note 26. Subsequent Events

Capital Impact Partners and CDC have evaluated its subsequent events (events occurring after December 31, 2021) through March 23, 2022, which represents the date the financial statements.

On December 10, 2021, Alliance Securities Manager LLC, a Delaware limited liability company and wholly-owned subsidiary of Capital Impact Partners ("ASM"), entered into a Membership Interest Purchase Agreement ("Purchase Agreement") with ROX Financial Inc., a Delaware corporation ("ROX"), to purchase all of ROX's rights, title and interest in RPS Securities LLC, a Texas limited liability company ("RPS") and a member broker dealer of the Financial Industry Regulatory Authority ("FINRA"). In December 2021, a continuing membership application was submitted by RPS to FINRA as a change in ownership and is subject to FINRA approval.

RPS is a limited liability company organized under the laws of the state of Texas on January 15, 2020. On November 9, 2020, RPS received approval to become a broker-dealer and as such is registered as a broker-dealer with the Securities and Exchange Commission ("SEC") and is a member of FINRA. RPS is approved to engage in investment advisory services, including merger and acquisition advisory services, which may result in securities offerings.

On February 11, 2022, RPS' continuing membership application was approved by FINRA and shortly after, on February 17, 2022, ASM acquired all of the interests in RPS pursuant to the Purchase Agreement and renamed RPS as Alliance Securities LLC effective February 17, 2022.

Capital Impact Partners and Subsidiaries and CDC Small Business Finance Corp.

Combining Statement of Financial Position
December 31, 2021

	Capital Impact Partners	CDC Small Business Finance	Eliminations	Total
Assets				
Cash and cash equivalents – unrestricted	$ 73,212,984	$ 31,527,758	$ -	$ 104,740,742
Cash and cash equivalents – restricted	25,053,259	7,547,512	-	32,600,771
Accounts and interest receivable, net	2,831,834	5,791,733	(224,956)	8,398,611
Contributions receivable	250,000	-	-	250,000
Investments	33,922,261	466,577	-	34,388,838
Mortgage Backed Securities	59,429,070	-	-	59,429,070
Loans receivable	364,076,525	73,567,124	-	437,643,649
Less: allowance for loan losses	(13,355,265)	(3,856,384)	-	(17,211,649)
Loans receivable, net	350,721,260	69,710,740	-	420,432,000
Loans receivable – subsidiaries	27,105,392	-	-	27,105,392
Loans available for sale	-	2,533,980	-	2,533,980
Other assets	2,928,134	8,750,834	-	11,678,968
Right of use assets	8,637,426	1,095,105	-	9,732,531
			-	
Total assets	$ 584,091,620	$ 127,424,239	$ (224,956)	$ 711,290,903
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued expenses	$ 5,033,519	$ 7,606,448	$ (224,956)	$ 12,415,011
Refundable advance liability	6,694,569	-	-	6,694,569
Loan loss reserve for PCLP program	-	961,822	-	961,822
Due to Small Business Administration	-	129,182	-	129,182
Deposits	-	1,456,549	-	1,456,549
Notes payable	52,230,970	51,090,970	-	103,321,940
Investor Notes, net	183,197,579	-	-	183,197,579
Subordinated debt	2,500,000	-	-	2,500,000
Federal Home Loan Bank borrowing	47,271,304	-	-	47,271,304
Bond loan payable	58,849,113	-	-	58,849,113
Notes payable – subsidiaries	27,384,895	-	-	27,384,895
Other borrowings	-	917,610	-	917,610
Lease liabilities	11,463,612	1,139,990	-	12,603,602
Total liabilities	394,625,561	63,302,571	(224,956)	457,703,176
Net assets:				
Without donor restrictions	120,919,519	58,602,519	-	179,522,038
Noncontrolling interest in consolidated subsidiaries	20,572,345	-	-	20,572,345
Total without donor restrictions	141,491,864	58,602,519	-	200,094,383
With donor restrictions	47,974,195	5,519,149	-	53,493,344
Total net assets	189,466,059	64,121,668	-	253,587,727
Total liabilities and net assets	$ 584,091,620	$ 127,424,239	$ (224,956)	$ 711,290,903

See Independent Auditor's Report

Capital Impact Partners and Subsidiaries and CDC Small Business Finance Corp.

Combining Statement of Activities and Changes in Net Assets
Year Ended December 31, 2021

	Capital Impact Partners	CDC Small Business Finance	Eliminations	Total
Changes in net assets without donor restrictions:				
Financial activity:				
Financial income:				
Interest income on loans	$ 21,999,678	$ 4,685,577	$ -	$ 26,685,255
Loan fees	751,999	-	-	751,999
Investments income, net	(399,959)	12,945	-	(387,014)
Gain on equity method investments	110,112	-	-	110,112
Loss on NMTC unwind	23,600	-	-	23,600
Total financial income	22,485,430	4,698,522	-	27,183,952
Financial expense:				
Interest expense	10,312,851	1,289,961	-	11,602,812
Provision for (recovery of) loan losses	13,875	(182,378)	-	(168,503)
Total financial expense	10,326,726	1,107,583	-	11,434,309
Net financial income	12,158,704	3,590,939	-	15,749,643
Revenue and support:				
Net processing and servicing fees	1,103,502	26,168,158	-	27,271,660
Fees	1,023,369	892,494	(885,721)	1,030,142
Contract revenue	57,648	-	-	57,648
Contribution	2,000,000	833,333	-	2,833,333
Gain on sale of 7a loans	-	1,639,593	-	1,639,593
Software liscensing and support	-	2,893,805	-	2,893,805
Other income	122,469	1,524,446	-	1,646,915
Net assets released from donor restrictions	14,110,281	2,447,443	-	16,557,724
Total revenue and support	18,417,269	36,399,272	(885,721)	53,930,820
Non-financial Expenses:				
Innovative community lending program	16,564,633	24,388,955	(1,117,176)	39,836,412
Total non-financial program expenses	16,564,633	24,388,955	(1,117,176)	39,836,412
Support expenses:				
Management and general	11,977,331	5,400,008	-	17,377,339
Fundraising	1,604,226	-	-	1,604,226
Total non-financial expenses	30,146,190	29,788,963	(1,117,176)	58,817,977
Change in net assets without donor restrictions before noncontrolling interest activities	429,783	10,201,248	231,455	10,862,486
Noncontrolling interest – distributions	(980,200)	-	-	(980,200)
Change in net assets without donor restrictions	(550,417)	10,201,248	231,455	9,882,286
Change in net assets with donor restrictions:				
Investment income, net	30,639	-	-	30,639
Grant revenue	28,485,802	1,630,138	(231,455)	29,884,485
Net assets released from donor restrictions	(14,110,281)	(2,447,443)	-	(16,557,724)
Change in net assets with donor restrictions	14,406,160	(817,305)	(231,455)	13,357,400
Change in net assets	13,855,743	9,383,943	-	23,239,686
Net assets, beginning	175,610,316	54,737,725	-	230,348,041
Net assets, ending	$ 189,466,059	$ 64,121,668	$ -	$ 253,587,727

See Independent Auditor's Report

CDC Small Business Finance Corp.

Community Advantage Loan Loss Reserve
December 31, 2021

Total of guaranteed portion of sold Community Advantage Loans approved prior to 1/1/21	$ 26,992,269			
Reserves required at 3%			$	809,768
Total of unguaranteed portion of sold and unsold Community Advantage Loans	$ 16,188,955			
Reserves required at 5%			$	809,448
Total of guaranteed portion of sold Community Advantage Loans approved after 1/1/21	$ 23,829,555			
Reserves required at 5%			$	1,191,478
Total of guaranteed portion of unsold Community Advantage Loans approved after 1/1/21	$ 10,417,877			
Reserves required at 3%			$	312,536
Total reserves required for Community Advantage Loans			$	3,123,230
Restricted cash balances maintained in separate bank account		(1)	$	3,123,478
Net excess of restricted cash over required reserves			$	248

(1) Balance is maintained at a commercial bank and is in excess of federally insured limits.