Capital Impact Partners and Subsidiaries

Consolidated Financial Report
December 31, 2020

Contents

RSM US LLP

Independent Auditor's Report

Board of Directors
Capital Impact Partners

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of Capital Impact Partners and Subsidiaries (the Organization), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Capital Impact Partners and Subsidiaries as of December 31, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

RSM US LLP

Blue Bell, Pennsylvania
March 24, 2021

Capital Impact Partners and Subsidiaries

Consolidated Statements of Financial Position
December 31, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents – unrestricted	**$ 59,662,347**	$ 48,413,099
Cash and cash equivalents – restricted	**27,638,893**	24,627,037
Accounts and interest receivable	**2,314,277**	2,796,591
Contributions receivable	**-**	1,925,000
Investments	**36,279,999**	38,705,826
Mortgage Backed and U.S. Treasury Securities	**66,386,667**	69,466,573
Loans receivable	**371,116,831**	371,351,435
Less allowance for loan losses	**(13,482,640)**	(13,154,705)
Loans receivable, net	**357,634,191**	358,196,730
Loans receivable – subsidiaries	**30,730,771**	33,833,895
Other assets	**3,118,407**	2,959,813
Right of use assets	**9,496,017**	10,794,995
Total assets	**$ 593,261,569**	$ 591,719,559
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 3,847,742**	$ 3,043,820
Refundable advance liability	**8,853,592**	7,245,759
Revolving lines of credit	**29,500,000**	54,000,000
Notes payable	**61,924,794**	70,655,976
Investor Notes, net	**159,538,327**	134,570,907
Subordinated debt	**2,500,000**	2,500,000
Federal Home Loan Bank borrowing	**47,271,304**	47,271,304
Bond loan payable	**61,077,161**	58,908,325
Notes payable – subsidiaries	**30,696,140**	35,906,016
Lease liabilities	**12,442,193**	13,208,278
Total liabilities	**417,651,253**	427,310,385
Commitments and contingencies (Note 20)		
Net assets:		
Without donor restrictions	**121,469,936**	106,859,410
Noncontrolling interest in consolidated subsidiaries	**20,572,345**	30,104,079
Total without donor restrictions	**142,042,281**	136,963,489
With donor restrictions	**33,568,035**	27,445,685
Total net assets	**175,610,316**	164,409,174
Total liabilities and net assets	**$ 593,261,569**	$ 591,719,559

See notes to consolidated financial statements.

Capital Impact Partners and Subsidiaries

Consolidated Statements of Activities
Years Ended December 31, 2020 and 2019

	2020	2019
Changes in net assets without donor restrictions:		
Financial activity:		
Financial income:		
Interest income on loans	**$ 23,426,997**	$ 23,118,073
Loan fees	**879,695**	989,576
Investment income, net	**2,802,042**	4,321,328
Gain (loss) on equity method investments	**1,502,237**	(181,184)
Loss on NMTC unwind	**(420)**	(11,844)
Total financial income	**28,610,551**	28,235,949
Financial expense:		
Interest expense	**11,368,935**	10,975,588
Provision for loan losses	**713,095**	1,631,866
Total financial expense	**12,082,030**	12,607,454
Net financial income	**16,528,521**	15,628,495
Revenue and support:		
Loan servicing fees	**1,228,083**	1,419,708
Fees	**623,448**	1,270,797
Contribution	**15,000,000**	-
Other income	**348,175**	108,310
Net assets released from donor restrictions	**8,190,657**	6,958,858
Total revenue and support	**25,390,363**	9,757,673
Expenses:		
Innovative community lending program	**12,074,387**	11,238,214
Total program expenses	**12,074,387**	11,238,214
Support expenses:		
Management and general	**12,719,502**	10,229,848
Fundraising	**1,295,402**	899,203
Total expenses	**26,089,291**	22,367,265
Change in net assets without donor restrictions before noncontrolling interest activities	**15,829,593**	3,018,903
Noncontrolling interest – capital contribution	**-**	5,100,000
Noncontrolling interest – distributions	**(4,983,306)**	(1,339,804)
Noncontrolling interest – return of investment	**(5,767,495)**	-
Change in net assets without donor restrictions	**5,078,792**	6,779,099
Changes in net assets with donor restrictions:		
Investment income, net	**62,924**	249,945
Grant revenue	**14,250,083**	4,437,574
Net assets released from donor restrictions	**(8,190,657)**	(6,958,858)
Change in net assets with donor restrictions	**6,122,350**	(2,271,339)
Change in net assets	**11,201,142**	4,507,760
Net assets, beginning	**164,409,174**	159,901,414
Net assets, ending	**$ 175,610,316**	$ 164,409,174

See notes to consolidated financial statements.

Capital Impact Partners and Subsidiaries

Consolidated Statements of Functional Expenses
Years Ended December 31, 2020 and 2019

2020	**Program Expenses** Innovative Community Lending Program	**Support Expenses** Management and General	Fundraising	**Total**
Interest expense	$ 11,368,935	$ -	$ -	$ 11,368,935
Provision for loan loss	713,095	-	-	713,095
Salaries and benefits	8,678,406	7,090,822	426,017	16,195,245
Professional fees	117,455	1,017,906	163,743	1,299,104
Contractual services	1,092,338	2,507,424	403,350	4,003,112
Corporate development	40,868	462,071	74,330	577,269
Lease expense	629,265	560,699	75,229	1,265,193
Insurance	-	191,215	30,759	221,974
Travel and entertainment	30,851	29,664	4,772	65,287
Training and tuition	19,828	73,814	11,874	105,516
Grant expense	591,000	-	-	591,000
Depreciation	99,438	224,157	-	323,595
Other	774,938	561,730	105,328	1,441,996
	$ 24,156,417	$ 12,719,502	$ 1,295,402	$ 38,171,321

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

See notes to consolidated financial statements.

Capital Impact Partners and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	$ 11,201,142	$ 4,507,760
Noncontrolling interest activities	(10,750,801)	3,760,196
Change in net assets before noncontrolling interest activities	21,951,943	747,564
Adjustments to reconcile change in net assets to		
net cash provided by operating activities:		
Provision for loan losses	713,095	1,631,866
Depreciation	323,595	336,163
Amortization of notes issuance costs	252,775	163,561
Amortization of right of use assets	1,298,978	901,078
Change in discount on lease liabilities	104,853	109,439
Gain on investments	(1,209,424)	(1,827,631)
(Gain) loss on equity method investments	(1,502,237)	181,184
Loss on NMTC unwind	420	11,844
Distribution on earnings from equity method investments	2,308	2,053
Accretion of interest on loans	53,353	53,129
Decrease (increase) in:		
Accounts and interest receivable	482,314	61,467
Contributions receivable	1,925,000	5,975,000
Other assets	(61,585)	(144,690)
(Decrease) increase in:		
Accounts payable and accrued expenses	840,132	(1,423,781)
Refundable advance liability	1,607,833	2,595,759
Lease liabilities	(870,938)	(633,637)
Net cash provided by operating activities	25,912,415	8,740,368
Cash flows from investing activities:		
Loan originations and advances	(59,110,944)	(75,932,601)
Loan purchases	-	(7,288,956)
Loan repayments	56,960,388	55,811,878
Loan sales	2,000,000	3,382,247
Loan originations and advances – subsidiaries	(7,501,522)	(3,817,123)
Loan repayments – subsidiaries	10,604,646	2,464,563
Proceeds received from returns of investment from equity method investment	3,967,536	-
Proceeds from sale and distributions of investments	62,532	340,018
Purchase of investments	(88,758)	(32,174,147)
Proceeds from sale of Mortgage Backed and U.S. Treasury Securities	28,970,594	12,878,577
Purchase of Mortgage Backed and U.S. Treasury Securities	(24,697,237)	(27,384,118)
Purchase of furnishings and equipment	(420,605)	(168,212)
Net cash provided by (used in) investing activities	10,746,630	(71,887,874)
Cash flows from financing activities:		
Proceeds from notes payable	5,000,000	-
Repayment of notes payable	(13,784,535)	(6,150,000)
Proceeds from bond loan payable	4,250,000	12,787,000
Repayment of bond loan payable	(2,081,164)	(1,922,923)
Repayment of subordinate notes payable	-	(8,218,000)
Proceeds from Federal Home Loan Bank borrowing	-	36,271,304
Proceeds from issuance of Investor Notes, net	42,161,057	46,789,485
Repayment of Investor Notes	(17,126,000)	(10,368,000)
Payment of issuance cost of Investor Notes	(320,412)	(251,423)
Capital contribution received – noncontrolling interest	-	5,100,000
Capital distributions paid – noncontrolling interest	(5,019,516)	(1,263,509)
Capital returns of investment paid to noncontrolling interest	(5,767,495)	-
Proceeds from notes payable – subsidiaries	3,242,367	-
Repayment of notes payable – subsidiaries	(8,452,243)	(2,080,925)
Proceeds from lines of credit	14,700,000	19,000,000
Repayment of lines of credit	(39,200,000)	(40,000,000)
Net cash (used in) provided by financing activities	(22,397,941)	49,693,009
Net increase (decrease) in cash and cash equivalents	14,261,104	(13,454,497)
Cash and cash equivalents – beginning	73,040,136	86,494,633
Cash and cash equivalents – ending	$ 87,301,240	$ 73,040,136

(Continued)

Capital Impact Partners and Subsidiaries

Consolidated Statements of Cash Flows (Continued)
Years Ended December 31, 2020 and 2019

		2020		2019
Cash and cash equivalents consist of:				
Cash and cash equivalents – unrestricted	$	59,662,347	$	48,413,099
Cash and cash equivalents – restricted		27,638,893		24,627,037
	$	87,301,240	$	73,040,136
Supplemental disclosure of cash flow information:				
Cash paid during the year for interest	$	11,502,490	$	10,952,069
Supplemental schedules of noncash investing and financing activities:				
Distributions payable to noncontrolling interest included in accounts payable	$	288,964	$	325,174
Tenant allowance for leasehold improvements and furniture	$	232,050	$	-
Additions to right of use assets as of January 1, 2019	$	-	$	8,578,460
Additions to lease liabilities as of January 1, 2019	$	-	$	10,614,862
Additions to right of use assets and liabilities obtained from operating leases	$	165,186	$	3,117,614

See notes to consolidated financial statements.

Note 1. Description of Activities and Significant Accounting Policies

Description of activities: Capital Impact Partners is a nonprofit organization without capital stock organized under the laws of the District of Columbia at the direction of the U.S. Congress in 12 U.S. Code 3051(b). The purpose of Capital Impact Partners is to provide industry altering financial services and technical assistance programs designed to spark systemic change for lasting economic progress. Capital Impact Partners empowers communities to create more affordable cooperative homeownership, access to healthy foods, housing and services for the elderly and facilities for health care centers and charter schools. The Community Development Financial Institutions Fund of the U.S. Treasury Department has designated Capital Impact Partners as a certified Community Development Financial Institution (CDFI).

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

Subsidiary Name	Ownership %	Purpose of Subsidiary	Included in Consolidated Financials
Community Solutions Group, LLC	100%	Formed to foster development and provide technical assistance to cooperative organizations and similar non-profit organizations and provide capital in support of development projects by making strategic grants and business planning advances.	Yes
NCBCI Education Conduit, LLC	100%	Formed to facilitate, encourage and assist in financing charter schools. This entity holds Capital Impact Partner's interest in the Charter School Financing Partnership (CSFP), LLC.	Yes
Impact NMTC Holdings II, LLC	100%	Formed to act as a non-managing member for NMTC Community Development Entities (CDEs) with Capital Impact Partners acting as managing member.	Yes
Detroit Neighborhoods Fund, LLC (DNF, LLC)	100%	The purpose of this fund is to provide financing for mixed-use and multi-family rental housing and healthy foods retail in underserved areas in Detroit, Michigan.	Yes
FPIF, LLC	100%	The purpose of this fund is to channel funds to a predominately low income population aged 50+.	Yes
Community Investment Impact Fund, LLC	30%	The purpose of this fund is to engage solely in the business of, directly or indirectly, owning, holding for investment, exchanging, selling and disposing of investments in loans and other related activities. Capital Impact Partners is the managing member of this entity. 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
Community Investment Impact Fund II, LLC	20% (2019)	The purpose of this fund is to engage solely in the business of, directly or indirectly, owning, holding for investment, exchanging, selling and disposing of investments in loans and other related activities. Capital Impact Partners is the managing member of this entity. This entity merged with and into Community Investment Impact Fund, LLC, on January 1, 2020. The fund had no activity in 2020.	Yes
Woodward Corridor Investment Fund, LLC (WWCF, LLC)	100% (2019)	Formed during 2013 to support community development projects benefiting low and moderate income populations, in particular by providing financing to developers of multi-family rental housing and mixed use facilities in Detroit, Michigan, establishing one or more credit facilities to finance such community development projects. This fund had no activity and dissolved on March 5, 2019.	Yes

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

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

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

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

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

Significant accounting policies:

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

Principles of consolidation: The financial statements include the accounts of Capital Impact Partners and its consolidated subsidiaries, which include Community Solutions Group, LLC, NCBCI Education Conduit, LLC, Woodward Corridor Investment Fund, LLC (dissolved in March 2019), Detroit Neighborhoods Fund, LLC, FPIF, LLC, Community Investment Impact Fund, LLC, Community Investment Impact Fund II, LLC (2019) and Impact NMTC Holdings II LLC. Community Investment Impact Fund II, LLC merged into Community Investment Impact Fund, LLC on January 1, 2020. All significant intraorganization accounts and transactions have been eliminated in consolidation.

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

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

Investments: Investments in equity securities, money market funds, Mortgage Backed and U.S. Treasury Securities with readily determinable fair values are stated at fair value measured, as more fully described in Note 22. 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 22. Interest and dividend income are recognized when earned. Any unrealized or realized gains or losses are reported in the statements of activities as a change in assets without donor restrictions, unless explicit donor intent or law restricts their use, in which case unrealized or realized gains or losses are reported in the statements of activities as a change in assets with donor restrictions. Investment return is reported net of investment expenses. In 2020, Capital Impact Partners adjusted the term of amortization of premium/accretion of discount on Mortgage Backed Securities from the contractual maturity (i.e. 30 years) to the average prepayment term (10 years). The acceleration in this term relates to the increase in mortgage payoffs due to refinancing of homes, which comprise these securities. The amortization/accretion is reported with investment income, net without donor restrictions.

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

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

Investment in ROC USA, LLC: Capital Impact Partners has a 23.81% voting interest in ROC USA, LLC and 33% equity investment in ROC USA, LLC and is accounting for its investments in ROC USA, LLC under the equity method of accounting. Accordingly, Capital Impact Partners' share of the change in net assets without donor restrictions of the affiliate is recognized as income or loss in Capital Impact Partners' statements of activities and added to or subtracted from the investment account. Dividends received from the affiliate are treated as a reduction of the investment account. Capital Impact Partners appoints two of the 11 directors of the Board of Directors. The purpose of ROC USA, LLC is to aid people living in manufactured home communities, through technical assistance, loans, training and assistance in the purchase of their communities and the operation of those communities as resident-owned and/or controlled entities.

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

Investment in FHLB Stock: In January 2015, Capital Impact Partners became a member of the Federal Home Loan Bank of Atlanta (FHLBank Atlanta) and is required to maintain an investment in capital stock in FHLBank Atlanta. The FHLBank Atlanta stock does not have a readily determinable value as ownership is restricted and there is no ready market for this stock. As a result, the stock is carried at cost and management evaluates periodically for impairment based on the ultimate recovery of the cost basis of the stock. No impairment was noted as of December 31, 2020 or 2019.

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

Investment in Workforce Affordable Housing Fund I, LLC: In July 2019, Capital Impact Partners became a 96% non-controlling member in the Investment in Workforce Affordable Housing Fund I, LLC and is accounting for its investment under the equity method of accounting. Capital Impact Partners does not consolidate Workforce Affordable Housing Fund I, LLC since it is not the managing member and the managing member controls the entity. The purpose is to invest in multifamily affordable housing properties located in specified areas in the U.S. Housing properties are to be acquired, held for investment then sold. Members record their proportionate share of income or loss from the properties and gain/loss upon sale of the property.

Noncontrolling interest in consolidated subsidiaries: The noncontrolling interest represents the equity interest in Community Investment Impact Fund, LLC (2020 and 2019) and Community Investment Impact Fund II, LLC (2019) exclusive of Capital Impact Partners' interest. Community Investment Impact Fund, LLC (CIIF) (2020 and 2019) and Community Investment Impact Fund II, LLC (2019) are for-profit entities, which are jointly owned by Capital Impact Partners (managing member with 30% ownership in 2020 and 20% ownership in 2019) and Annaly Social Impact LLC (Annaly) (non-managing member with 70% ownership in 2020 and 80% ownership in 2019). Annaly and Capital Impact Partners executed an agreement and plan of merger, effective January 1, 2020, to merge CIIF II into CIIF. Capital Impact Partners consolidates CIIF (2020 and 2019) and CIIF II (2019) financial statements as the managing member and is presumed to control it. The non-managing members do not have substantive kick-out rights or substantive participating rights and therefore cannot consolidate. CIIF (2020 and 2019) and CIIF II (2019) 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 (2020 and 2019) and CIIF II (2019) to distribute to its investors. Distributions include: 1) preferred return of funds to Annaly and 2) remaining portion of interest payments allocated to Annaly and Capital Impact Partners. Finally, in year five, principal payments to Annaly and Capital Impact Partners will commence.

Loans receivable:

Loans: Loans are stated at their principal amounts outstanding, net of deferred loan fees. Interest income is accrued daily at the loans' respective interest rates. Related direct loan origination fees and costs are deferred and amortized over the life of the loans. Fees relating to expired commitments are recognized as non-interest income. If a commitment is exercised during the commitment period, the fee at the time of exercise is recognized over the life of the loan as an adjustment of yield.

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

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

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

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 are charged against the allowance. Subsequent recoveries, if any, are credited to the allowance. The allowance is maintained at a level believed adequate by Management to absorb estimated potential losses after considering changes, past loss experience, the nature of the portfolio and current economic conditions. However, the allowance is an estimate that could change if there are significant changes in the portfolio and/or economic conditions.

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

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

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

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

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

Other assets: Other assets include deposits, a program advance, prepaid expenses and furniture, equipment and leasehold improvements (see Note 11).

Right of use assets / lease liabilities: Capital Impact Partners recognizes 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 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 statements of activities. Lease expense is recognized on at straight-line basis over the term of the lease.

Investor Notes: Capital Impact Partners launched an Investor Notes (Notes) program in 2017. The proceeds of the offerings will be used primarily to fund initiatives that meet critical needs in low income communities across the United States, including through Capital Impact Partners' subsidiaries and third party intermediaries. The proceeds of the 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, and for general corporate purposes. 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 incurred agent and other fees to launch the Notes program. The fees included legal, accounting, and underwriting fees which were capitalized in accordance with U.S. GAAP and amortized using the effective-yield method over the term of the Notes and are presented net of the Investor Notes on the statements of financial position.

US Bank has been designated as the indenture trustee to the indenture agreement and in this capacity US Bank serves as paying agent for the notes. The Notes constitute unsecured debt obligations of Capital Impact Partners.

Net assets: Capital Impact Partners classifies net asset into two categories: Without Donor Restrictions and With Donor Restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Donor restricted net assets are contributions with temporary, donor-imposed time or purpose restrictions. Donor restricted net assets can be released from restriction when the time restrictions expire or the contributions are used for their intended purpose at which time they are reported in the statements of activities as net assets released from restrictions. Donor restricted funds also include donor contributions to be held in perpetuity of which there were none at December 31, 2020 and 2019.

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

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

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

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

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

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 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 Partner to earn a Fund Underwriting fee of 1% 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. As loans are originated, the guarantee fees are recorded as a contingent liability and offset to underwriting fee income.

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

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

Fund management fees are earned by Capital Impact Partners for management of investment funds that it manages for the NMTC program. The performance obligations are estimated to be satisfied evenly over the year and as such are recognized over time in one calendar year. The fund management fees are a flat annual amount that range 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.

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

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

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

Income taxes: Capital Impact Partners is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, Capital Impact Partners qualifies for charitable contribution deductions and has been classified as an organization that is not a private foundation. Income which is not related to exempt purposes, less applicable deductions, is subject to federal corporate income taxes. Management evaluated Capital Impact Partners' tax positions and concluded that Capital Impact Partners had taken no uncertain tax positions that require adjustment to the financial statements. Consequently, no accrual for federal or state tax liability for interest and penalties was deemed necessary for the years ended December 31, 2020 and 2019. Capital Impact Partners files tax returns in the U.S. federal jurisdiction, California and Delaware. Generally, Capital Impact Partners is no longer subject to income tax examination by the U.S. federal or state tax authorities for years before 2017.

Community Investment Impact Fund, LLC, (CIIF) (2020 and 2019) and Community Investment Impact Fund II, LLC, (CIIF II) (2019) are consolidated subsidiaries of Capital Impact Partners and are Delaware Limited Liability Companies. The entities file annual tax returns to report the income, deductions, gains, losses, etc., from its operations, but does not pay income tax. Instead, any profits or losses pass through to its members, Capital Impact Partners and Annaly. Each member includes its share of the entity's income/loss on its tax return. Annaly and Capital Impact Partners executed an agreement and plan of merger, effective January 1, 2020, to merge CIIF II into CIIF. As such, CIIF II's final annual tax return was filed in 2020.

Reclassifications: Certain reclassifications were made in the 2019 financial statements to conform to the current year presentation with no effect on the changes in net assets or net assets.

Recent accounting pronouncements adopted:

In March 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-04*, Reference Reform Rate (Topic 848): Facilitation of the Effects of Reference Reform Rate on Financial Reporting.* As of December 31, 2020, the Capital Impact Partners adopted ASU 2020-04. ASU 2020-04 provides optional guidance to ease the effects of accounting for reference rate reform in financial reporting. The guidance is applicable to all contracts and transactions that reference LIBOR or a reference rate expected to be discontinued and is modified to another referenced interest rate index. Capital Impact Partners adopted the guidance prospectively in May 2020 with no intent to close loans priced against LIBOR.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. This ASU removes, modifies and adds certain disclosure requirements of Accounting Standards Codification (ASC) Topic 820. Capital Impact Partners adopted the guidance as of January 1, 2020 with no significant impact to the financial statements.

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

In April 2019, the FASB issued ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments.* This ASU makes clarifying amendments to certain financial instrument standards. This guidance contains several effective dates. Capital Impact Partners adopted the amendments related to ASC 825 effective as of January 1, 2020 with no significant impact to the financial statements.

Upcoming accounting pronouncements not yet adopted:

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial instruments. The existing incurred loss model will be replaced with a current expected credit loss (CECL) model for both originated and acquired financial instruments carried at amortized cost and off-balance sheet credit exposures, including loans, loan commitments, held-to-maturity debt securities, financial guarantees, net investment in leases and most receivables. Recognized amortized cost financial assets will be presented at the net amount expected to be collected through an allowance for credit losses. Expected credit losses on off-balance sheet credit exposures will be recognized through a liability. Unlike current guidance, which requires certain favorable changes in expected cash flows to be accreted into interest income, both favorable and unfavorable changes in expected credit losses (and therefore the allowance) will be recognized through credit loss expense as they occur. With the exception of purchased financial assets with a more than insignificant amount of credit deterioration since origination, for which the initial allowance will be added to the purchase price of the assets, the initial allowance on financial assets subject to the scope (whether originated or acquired) will be recognized through credit loss expense. Expanded disclosures will also be required. The ASU is effective for fiscal years beginning after December 15, 2022. Capital Impact Partners is currently evaluating the impact of adopting this new guidance on the financial statements.

In April 2019, the FASB issued ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments.* This ASU makes clarifying amendments to certain financial instrument standards. This guidance contains several effective dates. The amendments related to ASC 326 are effective for annual reporting periods beginning after December 15, 2022, and the amendments related to ASC 815 are effective for annual reporting periods beginning after December 15, 2020, for Capital Impact Partners. Capital Impact Partners is currently evaluating the impact of adopting this new guidance on the financial statements.

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

In November 2019, the FASB issued ASU 2019-11, *Codification Improvements to Topic 326, Financial Instruments–Credit Losses.* This ASU provides narrow-scope improvements to Topic 326. For entities that have not yet adopted ASU 2016-13 as of November 26, 2019, the effective dates for ASU 2019-11 are the same as the effective dates and transition requirements in ASU 2016-13. As such, the ASU is effective for annual reporting periods beginning after December 15, 2022, for Capital Impact Partners.

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

In January 2020, the FASB issued ASU 2020-01, *Investments–Equity Securities (Topic 321), Investments–Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)–Clarifying the Interactions between Topic 321, Topic 323, and Topic 815 (a consensus of the Emerging Issues Task Force).* This ASU clarifies certain interactions between the guidance to account for certain equity securities under Topic 321, investments under equity method of accounting under Topic 323, and derivatives and hedging under Topic 815. These amendments improve current U.S. GAAP by reducing diversity in practice and increasing comparability of the accounting for these interactions. This ASU is effective for annual reporting periods beginning after December 15, 2021, for Capital Impact Partners.

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 Capital Impact Partners and have no significant impact to the Capital Impact Partners' 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 Capital Impact Partners.

Note 2. Cash and Cash Equivalents

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

	2020	2019
Cash in bank	$ 66,943,530	$ 45,416,316
Overnight investments	7,621,308	18,377,166
Other short-term investments	12,736,402	9,246,654
	$ 87,301,240	$ 73,040,136
Unrestricted	$ 59,662,347	$ 48,413,099
Restricted	27,638,893	24,627,037
	$ 87,301,240	$ 73,040,136

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

Note 3. Liquidity

Capital Impact Partners regularly monitors liquidity required to meet its annual operating needs and other contractual commitments, while also striving to maximize the return on investment of its funds not required for annual operations. As of December 31, 2020 and 2019, the following financial assets are available to meet annual operating needs of the 2021 and 2020 fiscal year, respectively:

	2020	2019
Total assets at year-end:		
Cash and cash equivalents – unrestricted	$ 59,662,347	$ 48,413,099
Cash and cash equivalents – restricted	27,638,893	24,627,037
Accounts and interest receivable	2,314,277	2,796,591
Contributions receivable	-	1,925,000
Loans receivable, net	357,634,191	358,196,730
Loans receivable – subsidiaries	30,730,771	33,833,895
Other assets	3,118,407	2,959,813
Investments	36,279,999	38,705,826
Mortgage Backed and U.S. Treasury Securities	66,386,667	69,466,573
Right of use assets	9,496,017	10,794,995
Total assets	593,261,569	591,719,559
Less amounts not available to be used within one year:		
Cash and cash equivalents – unrestricted – subsidiaries	(4,536,755)	(9,759,570)
Cash and cash equivalents – restricted	(27,638,893)	(24,627,037)
Contributions receivable	-	(1,925,000)
Loans receivable, due after one year, net	(333,369,975)	(321,601,732)
Loans receivable – subsidiaries	(30,730,771)	(33,833,895)
Other assets	(3,118,407)	(2,959,813)
Investments	(36,279,999)	(38,705,826)
Investments in pledged Mortgage Backed and U.S. Treasury Securities	(50,092,004)	(51,548,069)
Unfunded loan commitments	(41,386,526)	(48,671,002)
Right of use assets	(9,496,017)	(10,794,995)
Debt service relief fund	(1,193,603)	-
Diversity in Development Detroit Loan Fund	(7,500,000)	-
Diversity in Development DMV Loan Fund	(5,000,000)	-
Assets not available to be used within one year	(550,342,950)	(544,426,939)
Financial assets available to meet general expenditures within one year	$ 42,918,619	$ 47,292,620

Note 4. Concentration of Credit Risk and Concentration of Contributions

Capital Impact Partners maintains cash in various financial institutions. Cash balances at each financial institution are insured by the Federal Deposit Insurance Corporation up to $250,000.

At December 31, 2020 and 2019, Capital Impact Partners had uninsured balances of $65,611,025 and $45,725,023, respectively, that are included in cash and cash equivalents. Capital Impact Partners has not experienced any losses in such accounts. Capital Impact Partners' management believes it limits any significant credit risk by placing its deposits with high quality financial institutions. Uninsured amounts of $17,783,141 and $22,622,900 are held in short-term investments, in sweep accounts and non-bank money market accounts at December 31, 2020 and 2019, respectively.

Note 5. Concentration of Credit Risk and Concentration of Contributions (Continued)

As indicated in Note 9, a substantial portion of the 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 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 21% and 28% of the portfolio represents loans made to entities associated with the NMTC program at December 31, 2020 and 2019, respectively. Approximately 31% and 34% of the portfolio represents loans made in the state of California and approximately 23% and 20% in the state of Michigan at December 31, 2020 and 2019, respectively.

During the year ended December 31, 2020, $15,000,000 or approximately 51% of total grants and contributions was from one donor.

Note 6. Investments

Investments consist of the following as of December 31:

	2020	2019
Marketable equity securities	$ 315,348	$ 310,282
Real estate investment trust	1,443,712	1,404,880
Other investments	281,805	281,803
Total investments at fair value (Note 22)	2,040,865	1,996,965
Equity method investments:		
ROC USA, LLC	3,361,301	2,991,535
Charter School Financing Partnership, LLC	294,264	251,146
Workforce Affordable Housing Fund I, LLC	26,942,843	29,982,824
Other equity method investments	575,097	475,997
Equity method investments in New Markets Tax Credit entities (Note 19)	19,229	20,859
Total equity method investments	31,192,734	33,722,361
Investments at cost	2,546,400	2,486,500
Debt investment	500,000	500,000
	$ 36,279,999	$ 38,705,826

Equity method investments:

ROC USA, LLC: In February 2019, Capital Impact Partners contributed an additional $750,000 into ROC USA, LLC and amended the existing operating agreement (for $500,000) to incorporate this new equity investment. The revised operating agreement allows for the investor members to receive distributions equal to 5% of their capital contribution. Capital Impact Partners received a distribution of $62,500 and $39,583 during the years ended December 31, 2020 and 2019, respectively. The allocation of the change in net assets without donor restriction and voting rights remained consistent with the original agreement at 33.33% and 23.81%, respectively. As provided for in the operating agreement of ROC USA, LLC, there are certain limitations affecting member capital withdrawals. For the years ending December 31, 2020 and 2019, Capital Impact Partners recognized gains (losses) of $432,267 and ($324,032), respectively. At December 31, 2020 and 2019, Capital Impact Partners had total investments in ROC USA, LLC of $3,361,301 and $2,991,535, respectively.

Note 6. Investments (Continued)

The following is a summary of financial information for the years ended December 31, 2020 and 2019, for ROC USA, LLC:

	2020	2019
Total assets	$ 129,035,432	$ 123,751,390
Total liabilities	114,574,711	109,657,996
Net assets	14,460,721	14,093,394
Total revenue	5,729,422	2,384,523
Total expenses	4,432,623	3,375,253
Change in net assets without donor restrictions	1,296,799	(990,730)

Workforce Affordable Housing Fund I, LLC: In December 2019, Capital Impact Partners invested in the Workforce Affordable Housing Fund I, LLC. The purpose of this transaction is to invest in multifamily affordable housing properties located in specific areas throughout the United States. During the years ended December 31, 2020 and 2019, Capital Impact Partners made capital contributions of $0 and $29,837,174, respectively. During the years ended December 31, 2020 and 2019, Capital Impact Partners received returns of investment of $3,967,536 and $0, respectively. Capital Impact Partners allocated income was $927,555 and $145,650 for the years ended December 31, 2020 and 2019, respectively.

	2020	2019
Total assets	$ 29,491,167	$ 31,123,261
Total liabilities	45,807	3,970,232
Total members' capital	29,445,360	27,153,029
Total revenue	1,015,810	230,935
Total expenses	49,607	79,215
Net income	966,203	151,720

Charter School Financing Partnership, LLC (CSFP): As of December 31, 2020 and 2019, Capital Impact Partners had an investment of $294,264 and $251,146, respectively. The net income of CSFP is allocated 18% to Capital Impact Partners and amounted to $43,118 and $21,200, respectively, for the years ended December 31, 2020 and 2019. Capital Impact Partners received a distribution of $0 and $790 during the years ended December 31, 2020 and 2019, respectively.

Other equity method investments: 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, 2020 and 2019, was $475,997. The balance of the other equity method investment as of December 31, 2020 and 2019, was $99,100 and $0, respectively.

Debt investment: In 2018, Capital Impact Partners entered into a debt investment with a CDFI in the cooperative sector. The balance recorded as of December 31, 2020 and 2019, was $500,000.

Note 6. Investments (Continued)

Investments at cost: Capital Impact Partners is a member of FHLBank Atlanta, whose mission is to support member's residential-mortgage and economic-development lending activities. FHLBank Atlanta is a cooperative bank that offers, among other services, competitively priced financing. As a requirement of membership, Capital Impact Partners was required to purchase Class A Membership Stock of $250,000, which carries voting rights and is also an earning asset with dividends. Capital Impact Partners will be required to purchase additional stock in the amount of 4.5% of each advance and pledge cash or securities as collateral for advances. At December 31, 2020 and 2019, the amount of stock held was $2,546,400 and $2,486,500, respectively. As of December 31, 2020 and 2019, Capital Impact Partners has drawn advances totaling $47,271,304 from FHLBank Atlanta.

Note 7. Mortgage Backed and U.S. Treasury Securities

Capital Impact Partners purchases Mortgage Backed and U.S. Treasury Securities in order to serve as collateral/pledge base for FHLBank Atlanta borrowings and earn a return on idle cash. Total FHLBank Atlanta borrowings are $47,271,304 as of December 31, 2020 and 2019. The balance of pledged Mortgage Backed and U.S. Treasury Securities are $50,092,004 and $51,548,069 as of December 31, 2020 and 2019, respectively. The remaining unpledged balance, net of discount, which is available to secure future advances are $16,294,663 and $17,918,504 as of December 31, 2020 and 2019, respectively.

The Mortgage Backed and U.S. Treasury Securities by category as of December 31, 2020 and 2019, are as follows:

	2020	2019
Mortgage Backed Securities:		
Federal Home Loan Mortgage Company (FHLMC)	$ 11,283,729	$ 13,932,302
Federal National Mortgage Association (FNMA)	1,414,830	1,804,908
Government National Mortgage Association (GNMA)	8,107,527	8,856,898
Uniform Mortgage Backed Securities (UMBS)	45,580,581	43,916,765
U.S. Treasury Securities:		
U.S. Treasury Notes	-	955,700
	$ 66,386,667	$ 69,466,573

Note 8. Contributions Receivable

As of December 31, 2020 and 2019, contributions receivable are $0 and $1,925,000, respectively, all due in one year.

As of December 31, 2020 and 2019, total conditional contributions receivable not recorded is $3,333,334 and $1,241,667, respectively. The conditional unrecorded receivables include a right of release dependent on available funding or satisfactory progress.

Note 9. Loans Receivable

Capital Impact Partners is a development finance organization and in that capacity originates higher risk development loans in the following primary market sectors: affordable housing, education, health care and community development. The loans originated by Capital Impact Partners are secured and unsecured and many times go to borrowers who may otherwise be unable to obtain conventional credit.

Note 9. Loans Receivable (Continued)

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

	2020	%	2019	%
By Sector:				
Education	$ 108,847,153	29	$ 117,154,570	32
Health care	81,638,716	22	76,269,674	21
Affordable housing	133,388,317	36	124,522,705	33
Community development	47,242,645	13	53,404,486	14
Total – Capital Impact Partners	371,116,831	100	371,351,435	100
Detroit Neighborhoods Fund, LLC	19,728,553		14,379,434	
FPIF, LLC	11,002,218		19,454,461	
	$ 401,847,602		$ 405,185,330	

Real estate loans are used to finance the development of affordable housing projects and to provide term financing to the operation of affordable housing projects once they have been completed. Loans that are made to finance development are usually short-term and are repaid from either a construction or permanent loan. Term loans take the form of mortgages and are repaid from the operations of the real estate cooperative. Interest rates range from 3.58% to 7.57% and maturities from January 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 January 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, 2020, the designated fund for the COVID Relief Program fund had an available balance of $1,193,603.

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.

Note 9. Loans Receivable (Continued)

FPIF, LLC: FPIF, LLC was formed during 2014 under the laws of the state of Delaware. Capital Impact Partners is the sole member and manager of this LLC. FPIF, LLC is organized as a special purpose entity to channel funds to a predominately low income population aged 50+. The lenders 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. Interest rates range from 5.43% to 6.25% and maturities from May 29, 2022 to December 20, 2024.

Refer to Note 15, Notes Payable – Subsidiaries, for further details on subsidiary loans receivables.

Note 10. Credit Quality

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

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

- Education
- Health care
- Affordable housing
- Community development

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

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

Note 10. Credit Quality (Continued)

Age analysis of past due loans: The following tables represent an aging of loans by sector as of December 31, 2020 and 2019. The tables present the principal amount outstanding on the loans that may be past due for principal and/or interest payments contractually due:

December 31, 2020	30 - 59 Days Past Due	60 - 89 Days Past Due	90 days and Still Accruing	Non-accrual	Total Past Due	Current	Total Loans
Education	$ -	$ -	$ -	$ 314,991	$ 314,991	$ 108,532,162	$ 108,847,153
Health care	-	-	-	-	-	81,638,716	81,638,716
Affordable housing	-	-	-	-	-	133,388,317	133,388,317
Community development and other	1,096,512	-	-	60,000	1,156,512	46,086,133	47,242,645
	$ 1,096,512	$ -	$ -	$ 374,991	$ 1,471,503	$ 369,645,328	$ 371,116,831

December 31, 2019	30 - 59 Days Past Due	60 - 89 Days Past Due	90 days and Still Accruing	Non-accrual	Total Past Due	Current	Total Loans
Education	$ -	$ -	$ -	$ 377,950	$ 377,950	$ 116,776,620	$ 117,154,570
Health care	-	-	-	-	-	76,269,674	76,269,674
Affordable housing	-	-	-	560,070	560,070	123,962,635	124,522,705
Community development and other	685,595	-	-	-	685,595	52,718,891	53,404,486
	$ 685,595	$ -	$ -	$ 938,020	$ 1,623,615	$ 369,727,820	$ 371,351,435

Credit quality indicators: Capital Impact Partners assigns internal credit classifications at the inception of each loan. These ratings are reviewed by an independent third party on a semi-annual basis as well as periodic internal reviews based on Capital Impact Partners' credit guidelines and when loans are renewed. Quarterly reviews are required if the borrower fails to meet contractual expectations or other performance degradation that would warrant increased monitoring. If a loan is in default for a period of 90 days or more or when the contractual collection of principal or interest is in doubt, the loan 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 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.

Note 10. Credit Quality (Continued)

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, its charge-off is deferred until its more exact status may be determined. Pending factors include proposed merger, acquisition or liquidation procedures, capital injection, perfecting liens on additional collateral and refinancing plans.

The following tables summarize the loan portfolio by sector and the internally assigned credit quality ratings for those categories at December 31, 2020 and 2019.

December 31, 2020	Education	Health Care	Affordable Housing	Community Development	Total
Above average	$ 2,292,847	$ 3,851,318	$ 691,368	$ -	$ 6,835,533
Pass	27,803,582	11,614,618	14,970,997	9,275,358	63,664,555
Watch	78,134,531	52,848,425	95,866,490	34,599,497	261,448,943
Special mention	301,202	13,324,355	16,918,431	3,111,086	33,655,074
Substandard	-	-	3,971,681	-	3,971,681
Doubtful	314,991	-	969,350	256,704	1,541,045
	$ 108,847,153	$ 81,638,716	$ 133,388,317	$ 47,242,645	$ 371,116,831

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

Note 10. Credit Quality (Continued)

Allowance for loan losses: The allowance for loan losses as a percentage of loans outstanding as of December 31, 2020 and 2019, was 3.6% and 3.5%, respectively, of Capital Impact Partners' total loan portfolio, which includes a special reserve related to a specific lending program. The allowance excluding this specific lending program was 3.6% and 3.3% as of December 31, 2020 and 2019, respectively.

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

The following tables summarize the allowance for loan losses as of and for the year ended December 31, 2020 and 2019, by sector and the amount of loans evaluated individually or collectively for impairment by sector.

December 31, 2020	Education	Health Care	Affordable Housing	Community Development	Total
Allowance for loan losses:					
Beginning balance	$ 3,033,113	$ 2,107,050	$ 4,807,272	$ 3,207,270	$ 13,154,705
Charge-offs	-	-	-	(433,451)	(433,451)
Recoveries	-	-	-	48,291	48,291
Provisions	76,400	582,086	1,148,094	(1,093,485)	713,095
	$ 3,109,513	$ 2,689,136	$ 5,955,366	$ 1,728,625	$ 13,482,640
Ending balance of allowance for loan losses:					
Individually evaluated for impairment	$ 214,289	$ -	$ -	$ -	$ 214,289
Collectively evaluated for impairment	2,895,224	2,689,136	5,955,366	1,728,625	13,268,351
	$ 3,109,513	$ 2,689,136	$ 5,955,366	$ 1,728,625	$ 13,482,640
Loan ending balances:					
Individually evaluated for impairment	$ 274,871	$ -	$ -	$ 52,500	$ 327,371
Collectively evaluated for impairment	108,572,282	81,638,716	133,388,317	47,190,145	370,789,460
	$ 108,847,153	$ 81,638,716	$ 133,388,317	$ 47,242,645	$ 371,116,831

Note 10. Credit Quality (Continued)

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

Impaired loans: The following tables summarize the impaired loans as of December 31, 2020 and 2019. The tables segregate the loans by sector for impaired loans with specific allowances for losses and impaired loans without specific allowances.

December 31, 2020	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	52,500	60,000	-	32,083	-
Subtotal	52,500	60,000	-	32,083	-
With an allowance recorded:					
Education	274,871	314,991	214,289	318,088	31,381
Health care	-	-	-	-	-
Affordable housing	-	-	-	-	-
Community development	-	-	-	-	-
Subtotal	274,871	314,991	214,289	318,088	31,381
Total:					
Education	274,871	314,991	214,289	318,088	31,381
Health care	-	-	-	-	-
Affordable housing	-	-	-	-	-
Community development	52,500	60,000	-	32,083	-
Total	$ 327,371	$ 374,991	$ 214,289	$ 350,171	$ 31,381

* Interest income recognized on a cash basis during 2020 was $0.

Note 10. Credit Quality (Continued)

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

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

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, 2020 and 2019, Capital Impact Partners had no loans that were classified as TDRs included in impaired loans.

There were no loans previously identified as TDRs that re-defaulted in 2020 or 2019.

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.

Note 10. Credit Quality (Continued)

Capital Impact Partners will evaluate each of the loans within these funds, individually, to determine allowance for loan loss levels.

Note 11. Other Assets

Included in other assets as of December 31, 2020 and 2019, are the following:

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

A cash pledge deposit balance of $536,186 and $533,530, as of December 31, 2020 and 2019, respectively, per a pledge and security agreement dated February 1, 2012 between Capital Impact Partners and CSFP. CSFP used funds borrowed from the Walton Family Foundation to fund a loan to Alliance for College-Ready Public Schools, a charter school operator. The Walton Family Foundation requires CSFP to pledge a percentage of the unpaid principal of the loan to secure repayment of their loan. Capital Impact Partners used proceeds of a grant from the DOE received in a prior year to satisfy the pledge requirement. In consideration of its obligation, Capital Impact Partners earns a monthly fee.

On September 1, 2015, Capital Impact Partners entered into an agreement with CoMetrics to provide a program related investment loan in the aggregate principal amount of $300,000 to finance its business and operations, consistent with its cooperative purposes. The loan was funded in two separate tranches and pays interest at an initial rate of 1% and increases to 5% if CoMetric’s earnings reach a certain level. Capital Impact Partners has advanced $300,000, as of December 31, 2020 and 2019. The loan has earned interest of $4,003 and $3,257 for the years ended December 31, 2020 and 2019, respectively.

Furniture, equipment and leasehold improvements at December 31, 2020 and 2019, were comprised as follows:

	2020	2019
Furniture, equipment and software	$ 1,057,643	$ 966,427
Leasehold improvements	1,917,052	1,587,663
	2,974,695	2,554,090
Less accumulated depreciation and amortization	(1,410,178)	(1,086,582)
	$ 1,564,517	$ 1,467,508

Note 12. Leases

Capital Impact Partners has operating leases for five corporate offices. Leases have remaining lease terms of 1 year to 14 years, some of which include options to extend the leases for up to five years.

The components of lease expense were as follows:

	2020	2019
Operating lease cost - fixed	$ 1,172,151	$ 1,016,696
Operating lease cost - variable	93,042	52,121
	$ 1,265,193	$ 1,068,817
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 870,938	$ 633,637
Non-cash investing and financing activities:		
Additions to right of use assets obtained from operating lease	$ 165,186	$ 3,117,614
Operating lease right of use assets as of January 1, 2019, upon adoption of ASU 2016-02	$ -	$ 8,578,460
Operating lease liabilities as of January 1, 2019, upon adoption of ASU 2016-02	$ -	$ 10,614,862
Weighted average remaining lease term		
Operating leases	11 years	12 years
Weighted average discount rate		
Operating leases	2.91%	2.91%

Because Capital Impact Partners does not have access to the rate implicit in the lease, Capital Impact Partners utilizes its incremental borrowing rate as the discount rate.

Maturities of lease liabilities were as follows:

Years ending December 31:	
2021	$ 1,400,287
2022	1,232,949
2023	1,240,817
2024	1,220,844
2025	1,248,504
Thereafter	8,788,566
Total lease payments	15,131,967
Less imputed interest	(2,689,774)
	$12,442,193

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

Note 12. Leases (Continued)

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

Capital Impact Partners also leases office space in Detroit, Michigan, which includes rent abatement on the monthly rent payments within the first five months of occupancy. Additionally, Capital Impact Partners leases office space in New York, New York, as of February 2019, which includes rent abatement on monthly rent payments for the first 180 days of occupancy. Finally, there is office space in Oakland, California and Austin, Texas, which have a rent agreements due to expire in 2021.

Lease incentives are amortized using the straight-line method over the respective lease term and are presented in the statements of activities as part of lease expense. Lease expense was $1,265,193 and $1,068,817 for the years ended December 31, 2020 and 2019, respectively.

Note 13. Refundable Advance Liability

Capital Impact Partners 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 $8,853,592 and $7,245,759 as of December 31, 2020 and 2019, respectively.

Note 14. Notes and Bond Payable, Revolving Lines of Credit, Subordinated Debt and Investor Notes

Notes and bond payable, revolving lines of credit, Investor Notes and subordinated debt as of December 31, 2020 and 2019, consist of the following:

	Commitment	Available Undrawn	December 31, 2020	December 31, 2019	Interest Rate Range	Maturity Date Range
Revolving lines of credit	$ 125,000,000	$ 95,500,000	$ 29,500,000	$ 54,000,000	1.90% - 2.84%	September 2021 - May 2025
Unsecured - fixed rate	81,100,000	-	61,924,794	70,655,976	0.88% - 3.78%	January 2022 - August 2030
Investor Notes, net	162,019,000	-	162,019,000	136,608,000	1.00% - 4.10%	January 2021 - October 2035
Subordinated debt	2,500,000	-	2,500,000	2,500,000	2.00%	December 2023
Federal Home Loan Bank borrowing	118,286,052	71,014,748	47,271,304	47,271,304	2.37%	December 2029
Bond payable	95,000,000	26,646,000	61,077,161	58,908,325	2.10% - 2.59%	March 2024 - December 2045
	583,905,052	193,160,748	364,292,259	369,943,605		
Investor Notes issuance cost	-	-	(2,480,673)	(2,037,093)		
	$ 583,905,052	$ 193,160,748	$ 361,811,586	$ 367,906,512		

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

Revolving Lines of Credit:

Revolving lines of credit - variable: Capital Impact Partners has three variable rate revolving lines of credit with different financial institutions, one of which is comprised of a group of four lenders. The interest rates are calculated by adding a spread to the London Interbank Offering Rate (LIBOR). The maturity dates on each of these lines of credit range from September 2021 through September 2024. The outstanding balance on these lines of credit total $24,500,000 and $44,000,000 at December 31, 2020 and 2019, respectively.

Revolving line of credit - fixed: Capital Impact Partners has a revolving line of credit with a fixed interest rate that matures in May 2025, which allows draws for the period through May 31, 2021. The outstanding balance on this line of credit was $5,000,000 and $10,000,000 at December 31, 2020 and 2019, respectively.

Unsecured Fixed Rate: Capital Impact Partners has several unsecured debt agreements with Banks and Foundations with fixed interest rates. Three and two agreements are established with banks as of December 31, 2020 and 2019, and seven and ten are established with foundations/CDFIs as of December 31, 2020 and 2019, respectively.

Investor Notes: Capital Impact Partners issued Investor Notes in 2020, continuous from its 2019 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, ten-year and fifteen-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, 2020 and 2019, the Note holders held $162,019,000 and $136,608,000, respectively of the total Notes payable balance. Interest rates range between 1.00% and 4.10%. Aggregate annual maturities of Capital Impact Partners' Investor Notes over each of the next five years and thereafter, as of December 31, 2020, are as follows:

Years ending December 31:	
2021	$ 10,287,000
2022	37,455,000
2023	15,441,000
2024	17,653,000
2025	12,903,000
Thereafter	68,280,000
	$ 162,019,000

Subordinated debt: Capital Impact Partners has a debt agreement with a financial institution which has a fixed interest rate and matures in December 2023. The ending balance as of December 31, 2020 and 2019 was $2,500,000 and $2,500,000, respectively. Principal and interest payments are subordinated to all other creditors of Capital Impact Partners.

FHLB borrowing: As a member bank, Capital Impact Partners may request advances from FHLBank Atlanta. As of December 31, 2020, the outstanding balance was $47,271,304 secured by Mortgage Backed Securities in the amount of $50,092,004. As of December 31, 2019, the outstanding balance was $47,271,304 secured by Mortgage Backed and U.S. Treasury Securities in the amount of $51,548,069.

Note 14. Notes and Bond Payable, Revolving Lines of Credit, Subordinated Debt and Investor Notes (Continued)

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 0.375% 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, but will have until July 15, 2021, to draw down on the bond.

Capital Impact Partners has drawn on the 2014 bond and advanced bond proceeds to end borrowers. As of December 31, 2020 and 2019, the bonds payable balance was $48,226,842 and $49,997,167, respectively, secured by pledged loans receivable of $51,387,501 and $52,679,231, respectively.

Capital Impact Partners has drawn on the 2016 bond and advanced bond proceeds to end borrowers. As of December 31, 2020 and 2019, the bonds payable balance was $12,850,319 and $8,911,158, respectively, secured by pledged loans receivable of $13,227,330 and $9,153,248, respectively.

Capital Impact Partners paid approximately $2,200 in facility fees related to this program for each of the years ended December 31, 2020 and 2019.

Aggregate annual maturities of Capital Impact Partners’ borrowings over each of the next five years and thereafter, as of December 31, 2020, are as follows:

Years ending December 31:	
2021	$ 32,671,827
2022	68,261,904
2023	34,311,646
2024	41,845,606
2025	29,268,046
Thereafter	157,933,230
	$ 364,292,259

U.S. GAAP requires interest expense and contribution revenue to be reported in connection with loans of cash to nonprofit organizations that are interest free or that have below-market interest rates. The contribution is recognized at the time the loan is made and amortized using the effective interest method. The accretion increases interest expense and notes payable.

For the Kellogg Foundation, Capital Impact Partners recognized interest expense of $5,188 and $5,766 for the years ended December 31, 2020 and 2019, respectively.

Note 14. Notes and Bond Payable, Revolving Lines of Credit, Subordinated Debt and Investor Notes (Continued)

For the Ford Foundation received in 2014, Capital Impact Partners recognized interest expense of $48,165 and $47,363 for the years ended December 31, 2020 and 2019, respectively.

Aggregate interest accretion over the next four years for Capital Impact Partners' loans with below-market interest rates as of December 31, 2020, is as follows:

	Kellogg Foundation	Ford Foundation 2	Totals
Years ending December 31:			
2021	$ 3,131	$ 48,980	$ 52,111
2022	649	35,721	36,370
2023	-	19,396	19,396
2024	-	2,794	2,794
	$ 3,780	$ 106,891	$ 110,671

Two investors waived interest payments as part of their COVID-19 relief efforts. Interest payments waived as of December 31, 2020 total $169,475 and is reflected as other income in the statements of activities.

Note 15. 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, 2020	December 31, 2019	Interest Rate	Final Maturity Date	Payment Details
DNF, LLC	JPMorgan Chase	$ 20,000,000	$ 19,693,922	$ 16,451,555	2.00%	June 2029	Monthly interest, with consecutive quarterly principal payments beginning in June 2024
FPIF, LLC	FPIF Feeder Facility LP	-	11,002,218	19,454,461	3.33%	August 2031	Monthly interest and principal
		$ 20,000,000	$ 30,696,140	$ 35,906,016			

Aggregate annual maturities of subsidiary borrowings over each of the next five years and thereafter, as of December 31, 2020, are as follows:

Years ending December 31:	
2021	$ 148,296
2022	4,643,922
2023	1,710,000
2024	4,682,006
2025	256,551
Thereafter	19,255,365
	$ 30,696,140

Note 16. Net Assets With Donor Restrictions

Donor restricted net assets are those net assets whose use by Capital Impact Partners is limited by the donors for a special purpose or restricted to be used in a later period. At December 31, 2020 and 2019, donor restricted net assets consisted of the following:

Purpose	2020	2019
Charter School Program	$ 16,561,749	$ 16,536,930
Revolving loan fund - Affordable Housing Financing	6,865,489	5,425,509
Affordable Housing Financing	2,314,000	1,869,935
Disability Financing	268,750	-
Healthy Food Financing	2,750,000	225,716
Financial Assistance	657,464	-
DC Entrepreneurs of Color Fund	2,157,711	2,142,286
Detroit Corridor Initiative	414,239	493,736
Detroit Equitable Developer	215,479	206,846
Aging Initiative	132,389	152,934
Loan Loss Reserve	7,500	75,000
COVID-19 Small Business Joint Response	791,691	-
Various	431,574	316,793
	$ 33,568,035	$ 27,445,685

Contributions receivable of $0 and $1,145,000, respectively, as of December 31, 2020 and 2019, were both time restricted and purpose restricted and are included in the above amounts.

Note 17. Fees

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

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

Fees – recognized at point in time	2020	2019
NMTC suballocation fees	$ 180,000	$ 500,000
NMTC success fees	-	364,518
Fund underwriting fee	48,025	-
	228,025	864,518
Fees – recognized over time		
Asset management fees	381,050	381,859
Fund management fees	10,000	16,206
Credit enhancement fees	4,373	8,214
	395,423	406,279
	$ 623,448	$ 1,270,797

Note 18. 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 $32,592,511 and $26,701,492 as of December 31, 2020 and 2019, respectively.

In the normal course of business, Capital Impact Partners, NCB and NCB, FSB will sell and purchase loan participations from each other. As of December 31, 2020 and 2019, such participations have included loans to:

Center for Elders Independence: Capital Impact Partners purchased the outstanding balance of this loan from NCB, FSB during 2014. Capital Impact Partners' balance was $1,044,890 and $1,078,733 as of December 31, 2020 and 2019, respectively.

Numero Uno: Capital Impact Partners purchased the outstanding balance of this loan from NCB, FSB during 2017. Capital Impact Partners' balance was $1,920,000 and $2,400,000 as of December 31, 2020 and 2019, respectively. Capital Impact Partners purchased the outstanding balance of an additional Numero Uno loan from NCB, FSB during 2019. Capital Impact Partners' balance was $2,000,000 as of December 31, 2020 and 2019, respectively.

Poplar Grove: Capital Impact Partners sold 50% of the outstanding balance of this loan to NCB, FSB during 2017. Capital Impact Partners' balance sold was $0 and 2,483,683 as of December 31, 2020 and 2019, respectively.

Care Resource: Capital Impact Partners purchased the outstanding balance of this loan from NCB, FSB during 2019. Capital Impact Partners' balance as of December 31, 2020 and 2019, was $2,898,203 and $3,053,464, respectively.

ROC USA, LLC: ROC USA Capital is a wholly owned subsidiary of ROC USA, LLC (see Note 1). Capital Impact Partners has purchased loan participations from ROC USA Capital in the ordinary course of business. The balance for the purchased loan participation from ROC USA Capital as of December 31, 2020 and 2019, was $9,921,181 and $10,085,626, respectively. Capital Impact Partners services these loans; however, per an agreement between Capital Impact Partners and ROC USA, LLC, Capital Impact Partners does not earn a servicing fee.

CSFP: In December 2011, Capital Impact Partners purchased a $500,000 participation in a $3,500,000 investment made by the Charter School Financing Partnership, in which Capital Impact Partners is a 20% partner, as more fully described in Note 11.

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, 2020 and 2019 was $475,997. A member of Capital Impact Partners executive management is a board member of the Housing Partnership Network, in which Develop Detroit is a lending affiliate within the Housing Partner Network.

Workforce Affordable Housing Fund I, LLC: In July 2019, Capital Impact Partners became a 96% non-controlling member in the Investment in Workforce Affordable Housing Fund I, LLC. The NHP Foundation is the 4% controlling member. A member of Capital Impact Partners executive management team is a trustee of the NHP Foundation. During the years ended December 31, 2020 and 2019, Capital Impact Partners made capital contributions of $0 and $29,837,174, respectively. During the years ended December 31, 2020 and 2019, Capital Impact Partners received returns of capital of $3,967,536 and $0, respectively. For the years ended December 31, 2020 and 2019, Capital Impact Partners allocated income was $927,555 and $145,650, respectively.

Note 18. Related Party Transactions (Continued)

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

Loans to applicants who are affiliated with a member of Capital Impact Partners are subject to the same eligibility and credit criteria, as well as the same loan terms and conditions, as all other loan requests. Any new loan made to an organization related to a member of the Board is reported to the Finance, Audit and Risk Committee at the next regular meeting. An analysis of the activity during the years ended December 31, 2020 and 2019, for the aggregate amount of these loans is as follows:

Balance, December 31, 2018	$ 27,921,290
Net changes	(718,084)
Balance, December 31, 2019	27,203,206
Net changes	2,213,864
Balance, December 31, 2020	$ 29,417,070

Note 19. New Markets Tax Credit Program (NMTC)

During 2005, Capital Impact Partners implemented its NMTC program and has 28 and 31 Limited Liability Companies (LLCs) that are CDEs, through December 31, 2020 and 2019, respectively.

The LLCs were formed to obtain qualified equity investments from investors and make qualified investments in Qualified Active Low-Income Community Businesses (QALICB) in accordance with the terms of the NMTC program pursuant to Section 45D of the Internal Revenue Code. Investors made capital contributions of approximately $9,000,000 and $25,000,000 to these LLCs during 2020 and 2019, respectively, in anticipation of receiving new markets tax credits of approximately $3,510,000 and $9,750,000 in 2020 and 2019, respectively. Capital Impact Partners serves as the managing member of these LLCs, contributed nominal capital and has financial interests in the NMTC entities noted below.

During 2020, four of the NMTC entities reached their seven-year transaction period and were completely dissolved. In connection with the dissolution of these entities, Capital Impact Partners incurred a loss of $420, which is reflected in the statement of activities for the year ended December 31, 2020.

During 2019, four of the NMTC entities reached their seven-year transaction period and were completely dissolved. In connection with the dissolution of these entities, Capital Impact Partners incurred a loss of $11,844, which is reflected in the statement of activities for the year ended December 31, 2019.

Note 19. New Markets Tax Credit Program (NMTC) (Continued)

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

Impact CDE 42 LLC	Impact CDE 59 LLC
Impact CDE 46 LLC	Impact CDE 60 LLC
Impact CDE 47 LLC	Impact CDE 61 LLC
Impact CDE 48 LLC	Impact CDE 62 LLC
Impact CDE 49 LLC	Impact CDE 63 LLC
Impact CDE 50 LLC	Impact CDE 64 LLC
Impact CDE 51 LLC	Impact CDE 65 LLC
Impact CDE 52 LLC	Impact CDE 66 LLC
Impact CDE 53 LLC	Impact CDE 67 LLC
Impact CDE 54 LLC	Impact CDE 68 LLC
Impact CDE 55 LLC	Impact CDE 69 LLC
Impact CDE 56 LLC	Impact CDE 70 LLC
Impact CDE 57 LLC	Impact CDE 71 LLC
Impact CDE 58 LLC	Impact CDE 72 LLC

At December 31, 2020 and 2019, Capital Impact Partners had a 0.01% interest in each of the above entities.

The total amount of the investment is as follows:

	Amount of Investment 2020	Amount of Investment 2019
Capital Impact Partners New Markets Tax Credit Entities	$ 19,229	$ 20,859

The following is a summary of the audited financial information of these companies as of and for the years ended December 31, 2020 and 2019:

	2020	2019
Total assets	$ 191,826,312	$ 208,082,918
Total liabilities	193,291	179,053
Members' capital	191,633,021	207,903,865
Total revenue	4,599,603	6,305,070
Total expenses	2,000,573	2,812,338
Net income	2,599,030	3,492,732

Note 19. 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 17 material revenue streams recognized at a point in time or recognized over time are reported separately on the statements of activities. During the years ended December 31, 2020 and 2019, Capital Impact Partners earned $1,039,230 and $1,005,655, respectively, of servicing fees from these LLCs. In addition, Capital Impact Partners reflected accounts receivable of $12,991 and $8,025, as of December 31, 2020 and 2019 respectively.

In most of the agreements with the LLCs, Capital Impact Partners could be responsible for reimbursing the LLCs in the event of recapture and/or loss of the tax credits for failure to comply with Section 45D of the Internal Revenue Code as a result of errors made by Capital Impact Partners in its role as Managing Member. In most cases, the amount of reimbursement is limited to fees received or a multiple thereof. Capital Impact Partners has retained qualified consultants and implemented control systems to minimize the potential of any such recapture. Management believes the likelihood of recapture is remote and no liabilities have been recorded as of December 31, 2020 and 2019.

To date, Capital Impact Partners has been awarded seven NMTC allocations, totaling $627,000,000.

Note 20. 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, 2020 and 2019, these outstanding commitments totaled $41,386,526 and $48,671,002, respectively.

Note 20. Commitments and Contingencies (Continued)

The California Primary Care Association established the CPCA COVID Response Loan Fund (Fund) to assist California community healthcare centers in December 2020. The $30 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, 2020 was $5,650,000. As loans are originated, the underwriting fee is allocated between the contingent liability and underwriting fee income. As of December 31, 2020, Capital Impact Partners recorded $8,475 of contingent liability, which represents the fair value of the guarantee. For the year ended December 31, 2020, Capital Impact Partners recorded $48,025 in underwriting fee income. This amount is included with fee revenue in the statements of activities.

Capital Impact Partners 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 $5 million in loans through December 31, 2020. Capital Impact Partners expects to close the remaining $7.5 million before December 31, 2022.

Capital Impact Partners committed to initiate the $20 million Diversity in Development DMV Loan Fund over 3 years, with an intention to close $5 million during 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.

On March 11, 2020, the President declared that the coronavirus outbreak in the United States constitutes a national emergency. Capital Impact Partners' business could be materially and adversely affected by a widespread health epidemic, such as the 2020 coronavirus outbreak. The implications could be more severe if located in regions where we derive a significant amount of our loan-portfolio revenue. The occurrence of such an outbreak or other adverse public health development could materially disrupt our business and other businesses, including governmental offices, private foundations and Capital Impact Partners' borrowers. If U.S. federal, state or local governments are closed, timely awards of federal, state and local program funds that Capital Impact has applied for or may apply for in the future may not be made, which could adversely affect Capital Impact Partners. Finally, the outbreak of a widespread health epidemic or pandemic, such as the 2020 coronavirus outbreak, may lead to volatility and disruption in global financial markets, which could adversely affect our ability to obtain financing to execute our business plan and increase the volatility of the daily mark-to-market values of the underlying securities in its mortgage-backed securities portfolio. The extent to which the coronavirus outbreak impacts Capital Impact Partners' results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus outbreak and actions taken to contain the coronavirus outbreak or its impact, among others.

Note 21. Employee Benefits

Capital Impact Partners' employees participate in the non-contributory defined contribution retirement plan and the 401(k) plan. Under the non-contributory defined contribution retirement plan, Capital Impact Partners contributes 6% of a participant's annual salary into the plan. Total expenses for the retirement plans for the years ended December 31, 2020 and 2019, were $569,660 and $495,614, respectively. The employee thrift plan is organized under IRS Code Section 401(k) and Capital Impact Partners contributes up to 6% of each participant's annual salary. Contributions and expenses were $652,463 and $580,172 for 2020 and 2019, respectively. Total retirement plans fund contributions forfeited for the years ended December 31, 2020 and 2019, were $82,623 and $243,670, respectively.

Note 22. Fair Value

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

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

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

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

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

Note 22. Fair Value (Continued)

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

	December 31, 2020	Level 1	Level 2	Level 3
Assets (liabilities):				
Marketable equity securities	$ 315,348	$ 315,348	$ -	$ -
Real estate investment trust	1,443,712	-	-	1,443,712
Other investments	281,805	-	-	281,805
Mortgage Backed Securities	66,386,667	-	66,386,667	-
Guarantee liability	(8,475)	-	-	(8,475)
	$ 68,419,057	$ 315,348	$ 66,386,667	$ 1,717,042

	December 31, 2019	Level 1	Level 2	Level 3
Assets:				
Marketable equity securities	$ 310,282	$ 310,282	$ -	$ -
Real estate investment trust	1,404,880	-	-	1,404,880
Other investments	281,803	-	-	281,803
Mortgage Backed Securities	68,510,873	-	68,510,873	-
U.S. Treasury Securities	955,700	-	955,700	-
	$ 71,463,538	$ 310,282	$ 69,466,573	$ 1,686,683

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 is then capitalized at the Dow Jones Corporate Financials Index yield – a composite of 32, long-term bond issuances from established, creditworthy financial institutions. Fair value is derived by capitalizing the projected dividend per share at this market yield and is also supported by the REIT's net asset valuation (NAV) under the rational that, the REIT is, at a minimum, worth the liquidation value of its assets. Therefore, these assets are classified as Level 3 and use Level 3 inputs to fair value.

Mortgage Backed and U.S. Treasury Securities: These securities receive interest income based on their stated interest rates and are classified as Level 2 instruments, as there are no quoted market prices in active markets for identical assets. The fair value is determined using models and other valuation methodologies, which are corroborated by market data.

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.

Note 22. Fair Value (Continued)

Guarantee liability: The fair value of a guarantee liability is based on 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 years ended December 31, 2020 and 2019.

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

	2020	2019
Beginning balance at January 1	$ 1,686,683	$ 2,099,965
Total net gains (losses) included in change in net assets	38,866	(113,637)
Purchases	(8,475)	-
Sales	(32)	(299,645)
Ending balance at December 31	$ 1,717,042	$ 1,686,683

Fair value on a nonrecurring basis: Certain financial instruments and liabilities are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). The table below presents the assets measured at fair value on a nonrecurring basis.

	December 31, 2020	Level 1	Level 2	Level 3
Assets:				
Impaired loans, net of specific reserves	$ 60,582	$ -	$ -	$ 60,582

	December 31, 2019	Level 1	Level 2	Level 3
Assets:				
Impaired loans, net of specific reserves	$ 261,067	$ -	$ -	$ 261,067

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

Note 23. 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, 2020.

Note 23. Noncontrolling Interest in Consolidated Subsidiaries (Continued)

Capital Impact Partners presents the noncontrolling interest in CIIF and CIIF II, its consolidated subsidiaries, as a separate line item within net assets in the statement of financial position as of December 31, 2019.

CIIF began operations on December 13, 2017. CIIF II began operations on December 28, 2018, and merged into CIIF on January 1, 2020. A 10% equity contribution of $3,763,007 by Capital Impact Partners increased its managing member ownership to 30% from 20% and reduced Annaly's non-managing member ownership to 70% from 80%.

A summary of the 2020 and 2019 activity follows:

	CIP	Annaly	Total
Balance, December 31, 2018	$ 5,026,015	$ 20,104,079	$ 25,130,094
Contributions	-	-	-
Net income	297,888	955,100	1,252,988
Distributions	(256,794)	(955,100)	(1,211,894)
Balance, December 31, 2019	5,067,109	20,104,079	25,171,188
Transfer from CIIF II due to merger	2,557,248	10,000,000	12,557,248
Contributions	3,763,007	-	3,763,007
Net income	490,517	1,219,067	1,709,584
Distributions	(472,062)	(4,983,306)	(5,455,368)
Return of investment	(2,471,783)	(5,767,495)	(8,239,278)
Balance, December 31, 2020	$ 8,934,036	$ 20,572,345	$ 29,506,381

Distributions of $288,964 and $252,030 were payable from CIIF to Annaly as of December 31, 2020 and 2019, respectively. Three CIIF loans receivable totaling $8,239,278 were sold to Capital Impact Partners in December 2020 and the payoff cash was returned to members.

	CIIF II		
	CIP	Annaly	Total
Balance, December 31, 2018	$ 1,225,000	$ 4,900,000	$ 6,125,000
Contributions	1,275,000	5,100,000	6,375,000
Net income	70,573	384,704	455,277
Distributions	(13,325)	(384,704)	(398,029)
Balance, December 31, 2019	2,557,248	10,000,000	12,557,248
Transfer to CIIF due to merger	(2,557,248)	(10,000,000)	(12,557,248)
Balance, December 31, 2020	$ -	$ -	$ -

Distributions of $0 and $73,144 were payable from CIIF II to Annaly as of December 31, 2020 and 2019, respectively.

Note 24. Subsequent Events

Capital Impact Partners has evaluated its subsequent events (events occurring after December 31, 2020) through March 24, 2021, which represents the date the financial statements were issued.

On February 9, 2021, Capital Impact Partners entered into an agreement with CDC Small Business Finance Corporation, a California nonprofit corporation and a Certified Development Company, certified by the U.S. Small Business Administration (CDC). Capital Impact Partners and CDC intend to operate together to focus on economic empowerment and equitable wealth creation and will continue to offer a full suite of lending products and programs. Capital Impact Partners and CDC will remain as separate legal and tax entities. Capital Impact Partners and CDC are evaluating whether to cross-guarantee or become co-issuers or co-obligors of all of the other party's debt, to enable each organization to benefit from the combined financial strength of both organizations.

Related to the agreement between Capital Impact Partners 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 such that the Capital Impact Partners board went from eleven to eight (with seven current directors to one vacancy). On March 24, 2021, the board makeup and size requirements were further revised such that, effective April 1, 2021, Capital Impact Partners will have a board consisting of fourteen directors, who will each serve for a term of one year, with no director serving more than eight consecutive terms. The term of each of the directors currently serving on the board will expire in May 2021, and the term of the seven directors joining the board on April 1, 2021 will expire on March 31, 2022.

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

Closing of the transaction is subject to customary and other closing conditions and is expected to occur in mid-2021.

Capital Impact Partners and Subsidiaries

Consolidating Statement of Financial Position
December 31, 2020

	Capital Impact Partners	Detroit Neighborhoods Fund, LLC	FPIF, LLC	Community Investment Impact Fund, LLC	Community Investment Impact Fund II, LLC	Eliminations	Total
Assets							
Cash and cash equivalents – unrestricted	$ 55,125,592	$ 218	$ 273,339	$ 4,263,198	$ -	$ -	$ 59,662,347
Cash and cash equivalents – restricted	27,350,967	287,926	-	-	-	-	27,638,893
Accounts and interest receivable	2,472,274	127,477	59,805	176,950	-	(522,229)	2,314,277
Investments	45,214,035	-	-	-	-	(8,934,036)	36,279,999
Mortgage Backed and U.S. Treasury Securities	66,386,667	-	-	-	-	-	66,386,667
Loans receivable	371,116,831	-	-	-	-	-	371,116,831
Less: allowance for loan losses	(13,482,640)	-	-	-	-	-	(13,482,640)
Loans receivable, net	357,634,191	-	-	-	-	-	357,634,191
Loans receivable – subsidiaries	-	29,575,514	12,224,687	25,556,260	-	(36,625,690)	30,730,771
Other assets	3,118,407	-	-	-	-	-	3,118,407
Right of use assets	9,496,017	-	-	-	-	-	9,496,017
						-	
Total assets	$ 566,798,150	$ 29,991,135	$ 12,557,831	$ 29,996,408	$ -	$ (46,081,955)	$ 593,261,569
Liabilities and Net Assets							
Liabilities:							
Accounts payable and accrued expenses	$ 3,706,863	$ 117,518	$ 55,563	$ 490,027	$ -	$ (522,229)	$ 3,847,742
Refundable advance liability	8,853,592	-	-	-	-	-	8,853,592
Due to subsidiaries	25,556,260	-	-	-	-	(25,556,260)	-
Revolving lines of credit	29,500,000	-	-	-	-	-	29,500,000
Notes payable	61,924,794	-	-	-	-	-	61,924,794
Investor Notes, net	159,538,327	-	-	-	-	-	159,538,327
Subordinated debt	2,500,000	-	-	-	-	-	2,500,000
Federal Home Loan Bank borrowing	47,271,304	-	-	-	-	-	47,271,304
Bond loan payable	61,077,161	-	-	-	-	-	61,077,161
Notes payable – subsidiaries	-	29,540,883	12,224,687	-	-	(11,069,430)	30,696,140
Lease liabilities	12,442,193	-	-	-	-	-	12,442,193
Total liabilities	412,370,494	29,658,401	12,280,250	490,027	-	(37,147,919)	417,651,253
Net assets:							
Without donor restrictions	120,859,621	332,734	277,581	-	-	-	121,469,936
Noncontrolling interest in consolidated subsidiaries	-	-	-	29,506,381	-	(8,934,036)	20,572,345
Total without donor restrictions	120,859,621	332,734	277,581	29,506,381	-	(8,934,036)	142,042,281
With donor restrictions	33,568,035	-	-	-	-	-	33,568,035
Total net assets	154,427,656	332,734	277,581	29,506,381	-	(8,934,036)	175,610,316
Total liabilities and net assets	$ 566,798,150	$ 29,991,135	$ 12,557,831	$ 29,996,408	$ -	$ (46,081,955)	$ 593,261,569

Capital Impact Partners and Subsidiaries

Consolidating Statement of Activities
Year Ended December 31, 2020

	Capital Impact Partners	Detroit Neighborhoods Fund, LLC	FPIF, LLC	Community Investment Impact Fund , LLC	Community Investment Impact Fund II, LLC	Eliminations	Total
Changes in net assets without donor restrictions:							
Financial activity:							
Financial income:							
Interest income on loans	$ 19,404,425	$ 1,319,248	$ 1,125,322	$ 2,041,346	$ -	$ (463,344)	$ 23,426,997
Loan fees	831,013	-	48,682	-	-	-	879,695
Investments income, net	3,259,694	3,997	1,533	9,026	-	(472,208)	2,802,042
Gain on equity method investments	1,502,237	-	-	-	-	-	1,502,237
Loss on NMTC unwind	(420)	-	-	-	-	-	(420)
Total financial income	24,996,949	1,323,245	1,175,537	2,050,372	-	(935,552)	28,610,551
Financial expense:							
Interest expense	10,411,280	713,515	707,484	-	-	(463,344)	11,368,935
Provision for loan losses	713,095	-	-	-	-	-	713,095
Total financial expense	11,124,375	713,515	707,484	-	-	(463,344)	12,082,030
Net financial income	13,872,574	609,730	468,053	2,050,372	-	(472,208)	16,528,521
Revenue and support:							
Loan servicing fees	2,202,500	-	-	-	-	(974,417)	1,228,083
Fees	857,055	-	-	-	-	(233,607)	623,448
Contribution	15,000,000	-	-	-	-	-	15,000,000
Other income	346,778	526	-	871	-	-	348,175
Net assets released from donor restrictions	8,190,657	-	-	-	-	-	8,190,657
Total revenue and support	26,596,990	526	-	871	-	(1,208,024)	25,390,363
Expenses:							
Innovative community lending program	12,007,699	520,398	417,703	336,611	-	(1,208,024)	12,074,387
Total program expenses	12,007,699	520,398	417,703	336,611	-	(1,208,024)	12,074,387
Support expenses:							
Management and general	12,620,354	94,100	-	5,048	-	-	12,719,502
Fundraising	1,295,402	-	-	-	-	-	1,295,402
Total expenses	25,923,455	614,498	417,703	341,659	-	(1,208,024)	26,089,291
Change in net assets without donor restrictions before noncontrolling interest activities	14,546,109	(4,242)	50,350	1,709,584	-	(472,208)	15,829,593
Noncontrolling interest – capital contribution	-	-	-	3,763,007	-	(3,763,007)	-
Noncontrolling interest – transfer	-	-	-	12,557,248	(12,557,248)	-	-
Noncontrolling interest – distributions	-	-	-	(5,455,368)	-	472,062	(4,983,306)
Noncontrolling interest – return of investment	-	-	-	(8,239,278)	-	2,471,783	(5,767,495)
Change in net assets without donor restrictions	14,546,109	(4,242)	50,350	4,335,193	(12,557,248)	(1,291,370)	5,078,792
Change in net assets with donor restrictions:							
Investment income, net	62,924	-	-	-	-	-	62,924
Grant revenue	14,250,083	-	-	-	-	-	14,250,083
Net assets released from donor restrictions	(8,190,657)	-	-	-	-	-	(8,190,657)
Change in net assets with donor restrictions	6,122,350	-	-	-	-	-	6,122,350
Change in net assets	20,668,459	(4,242)	50,350	4,335,193	(12,557,248)	(1,291,370)	11,201,142
Net assets, beginning	133,759,197	336,976	227,231	25,171,188	12,557,248	(7,642,666)	164,409,174
Net assets, ending	$ 154,427,656	$ 332,734	$ 277,581	$ 29,506,381	$ -	$ (8,934,036)	$ 175,610,316

The following consolidated entities did not have 2020 activity:

1) Community Solutions Group, LLC 2) NCBCI Education Conduit, LLC 3) Impact NMTC Holdings II, LLC

Capital Impact Partners and Subsidiaries

Consolidating Statement of Financial Position
December 31, 2019

	Capital Impact Partners	Detroit Neighborhoods Fund, LLC	FPIF, LLC	Community Investment Impact Fund , LLC	Community Investment Impact Fund II, LLC	Eliminations	Total
Assets							
Cash and cash equivalents – unrestricted	$ 38,653,529	$ 2,162,254	$ 222,411	$ 4,919,398	$ 2,455,507	$ -	$ 48,413,099
Cash and cash equivalents – restricted	24,383,100	243,937	-	-	-	-	24,627,037
Accounts and interest receivable	2,674,017	97,822	124,341	111,944	66,118	(277,651)	2,796,591
Contributions receivable	1,925,000	-	-	-	-	-	1,925,000
Investments	46,348,491	-	-	-	-	(7,642,665)	38,705,826
Mortgage Backed and U.S. Treasury Securities	69,466,573	-	-	-	-	-	69,466,573
Loans receivable	371,351,435	-	-	-	-	-	371,351,435
Less: allowance for loan losses	(13,154,705)	-	-	-	-	-	(13,154,705)
Loans receivable, net	358,196,730	-	-	-	-	-	358,196,730
Loans receivable – subsidiaries	-	22,605,212	21,616,068	24,291,154	10,137,903	(44,816,442)	33,833,895
Other assets	6,722,820	-	-	-	-	(3,763,007)	2,959,813
Right of use assets	10,794,995	-	-	-	-	-	10,794,995
						-	
Total assets	$ 559,165,255	$ 25,109,225	$ 21,962,820	$ 29,322,496	$ 12,659,528	$ (56,499,765)	$ 591,719,559
Liabilities and Net Assets							
Liabilities:							
Accounts payable and accrued expenses	$ 2,616,452	$ 94,916	$ 119,521	$ 4,151,308	$ 102,280	$ (4,040,657)	$ 3,043,820
Refundable advance liability	7,245,759	-	-	-	-	-	7,245,759
Due to subsidiaries	34,429,057	-	-	-	-	(34,429,057)	-
Revolving lines of credit	54,000,000	-	-	-	-	-	54,000,000
Notes payable	70,655,976	-	-	-	-	-	70,655,976
Investor Notes, net	134,570,907	-	-	-	-	-	134,570,907
Subordinated debt	2,500,000	-	-	-	-	-	2,500,000
Federal Home Loan Bank borrowing	47,271,304	-	-	-	-	-	47,271,304
Bond loan payable	58,908,325	-	-	-	-	-	58,908,325
Notes payable – subsidiaries	-	24,677,333	21,616,068	-	-	(10,387,385)	35,906,016
Lease liabilities	13,208,278	-	-	-	-	-	13,208,278
Total liabilities	425,406,058	24,772,249	21,735,589	4,151,308	102,280	(48,857,099)	427,310,385
Net assets:							
Without donor restrictions	106,313,512	336,976	227,231	-	-	(18,309)	106,859,410
Noncontrolling interest in consolidated subsidiaries	-	-	-	25,171,188	12,557,248	(7,624,357)	30,104,079
Total without donor restrictions	106,313,512	336,976	227,231	25,171,188	12,557,248	(7,642,666)	136,963,489
With donor restrictions	27,445,685	-	-	-	-	-	27,445,685
Total net assets	133,759,197	336,976	227,231	25,171,188	12,557,248	(7,642,666)	164,409,174
Total liabilities and net assets	$ 559,165,255	$ 25,109,225	$ 21,962,820	$ 29,322,496	$ 12,659,528	$ (56,499,765)	$ 591,719,559

Capital Impact Partners and Subsidiaries

Consolidating Statement of Activities
Year Ended December 31, 2019

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

The following consolidated entities did not have 2019 activity:

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