

Calvert Impact Capital, Inc.

Consolidated Financial Statements

*Years ended December 31, 2020, 2019 and 2018  
with Report of Independent Auditors*

Calvert Impact Capital, Inc.

Consolidated Financial Statements

Years ended December 31, 2020, 2019 and 2018

Contents

|   |        |
|---|--------|
| Report of Independent Auditors.....                 | 1      |
| Consolidated Financial Statements                   |        |
| Consolidated Statements of Financial Position ..... | 2      |
| Consolidated Statements of Activities .....         | 3      |
| Consolidated Statement of Functional Expenses ..... | 4 - 6  |
| Consolidated Statements of Cash Flows .....         | 7      |
| Notes to Consolidated Financial Statements.....     | 8 - 28 |

## Report of Independent Auditors

Board of Directors  
Calvert Impact Capital, Inc.

We have audited the accompanying consolidated financial statements of Calvert Impact Capital, Inc. (the Company), which comprise the consolidated statements of financial position as of December 31, 2020, 2019 and 2018, the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Calvert Impact Capital, Inc. as of December 31, 2020, 2019 and 2018 and the changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



Vienna, Virginia  
March 26, 2021

## Calvert Impact Capital, Inc.

### Consolidated Statements of Financial Position

|  | 2020           | December 31,<br>2019 | 2018           |
|--|----------------|----------------------|----------------|
| <b>Assets</b>  |                |                      |                |
| Cash and cash equivalents  | \$ 167,466,548 | \$104,720,022        | \$ 62,793,173  |
| Certificates of deposit  | 11,000,000     | 8,000,000            | 8,000,000      |
| Investments, at fair value   | 17,916,320     | 2,698,699            | 3,092,943      |
| Portfolio related investments:   |                |                      |                |
| Loans receivable, net  | 351,544,086    | 349,405,849          | 342,063,384    |
| Portfolio investments, at fair value   | 54,939,181     | 60,508,738           | 52,264,178     |
| Interest and fees receivable   | 1,487,002      | 2,071,261            | 2,267,393      |
| Other receivables  | 6,945,336      | 3,238,006            | 2,458,128      |
| Other assets   | 2,649,574      | 2,054,816            | 1,492,056      |
| Furniture, equipment and software, net of accumulated depreciation of \$1,715,674, \$1,383,465 and \$1,038,210, respectively | 940,615        | 1,108,915            | 1,239,462      |
| Total assets   | \$ 614,888,662 | \$ 533,806,306       | \$ 475,670,717 |
| <b>Liabilities and net assets</b>  |                |                      |                |
| Liabilities:   |                |                      |                |
| Accrued interest payable   | \$ 5,636,183   | \$ 4,572,044         | \$ 3,686,702   |
| Accounts payable and accrued expenses  | 1,457,636      | 1,903,229            | 1,568,861      |
| Community Investment   |                |                      |                |
| Notes payable (the Notes)  | 532,342,148    | 457,460,714          | 410,102,873    |
| Subordinated loans payable   | 18,169,525     | 13,169,525           | 9,169,525      |
| Refundable and recoverable grants  | 12,300         | 108,800              | 418,800        |
| Fair value of foreign currency exchange contracts and cross-currency interest rate swaps, net                                | 880,121        | 1,210,913            | 1,432,073      |
| Total liabilities  | 558,497,913    | 478,425,225          | 426,378,834    |
| Net assets without donor restrictions:   |                |                      |                |
| Undesignated   | 29,756,507     | 28,961,809           | 22,596,922     |
| Board designated – Cassiopeia Initiative   | 714,286        | 714,286              | 714,286        |
| Non-controlling interests  | 24,752,159     | 24,699,370           | 25,012,704     |
| Total net assets without donor restrictions  | 55,222,952     | 54,375,465           | 48,323,912     |
| Total net assets with donor restrictions   | 1,167,797      | 1,005,616            | 967,971        |
| Total net assets   | 56,390,749     | 55,381,081           | 49,291,883     |
| Total liabilities and net assets   | \$ 614,888,662 | \$ 533,806,306       | \$ 475,670,717 |

*See accompanying notes to the consolidated financial statements.*

# Calvert Impact Capital, Inc.

## Consolidated Statements of Activities

|  | Years ended December 31, |                      |                      |
|--|--------------------------|----------------------|----------------------|
|  | 2020                     | 2019                 | 2018                 |
| <b>Change in net assets without donor restrictions</b>                     |                          |                      |                      |
| Support:   |                          |                      |                      |
| Contributions  | \$ 236,746               | \$ 118,739           | \$ 132,580           |
| Grants   | 1,747,000                | 585,189              | 477,860              |
| Total support  | <u>1,983,746</u>         | <u>703,928</u>       | <u>610,440</u>       |
| Revenue:   |                          |                      |                      |
| Portfolio revenue  |                          |                      |                      |
| Portfolio investment revenue   | 16,959,547               | 16,562,671           | 15,122,946           |
| Change in fair value of investments  | 2,178,037                | 2,530,265            | 2,190,971            |
| Portfolio fee revenue  | 2,746,752                | 3,550,857            | 2,428,591            |
| Change in fair value of foreign currency denominated loans                 | (353,855)                | 664,797              | (1,770,883)          |
| Change in fair value of derivatives  | 330,792                  | 221,160              | 1,687,075            |
| Interest and dividend income   | 731,470                  | 1,983,292            | 1,316,462            |
| Other revenue  | 63,381                   | 152,759              | 163,239              |
| Total revenue  | <u>22,656,124</u>        | <u>25,665,801</u>    | <u>21,138,401</u>    |
| Net assets released from restriction:                                      |                          |                      |                      |
| Satisfaction of program restrictions                                       | 148,089                  | 276,000              | 1,144,724            |
| Total support and revenue  | <u>24,787,959</u>        | <u>26,645,729</u>    | <u>22,893,565</u>    |
| Expenses:  |                          |                      |                      |
| Program services   | 21,196,330               | 17,295,526           | 14,420,942           |
| Support services:  |                          |                      |                      |
| Management and general   | 1,622,291                | 1,805,723            | 1,657,490            |
| Fundraising  | 428,855                  | 408,383              | 317,713              |
| Total expenses   | <u>23,247,476</u>        | <u>19,509,632</u>    | <u>16,396,145</u>    |
| Change in net assets without donor restrictions before non-operating items | 1,540,483                | 7,136,097            | 6,497,420            |
| (Redemption) of non-controlling interest in IAOF                           | (131,672)                | (523,636)            | -                    |
| (Redemption) of non-controlling interest in E4I                            | (76,250)                 | (76,042)             | (76,042)             |
| (Redemption) of non-controlling interest in IAFG                           | (485,074)                | (484,865)            | (484,865)            |
| Change in net assets without donor restrictions                            | <u>847,487</u>           | <u>6,051,554</u>     | <u>5,936,513</u>     |
| <b>Changes in net assets with donor restrictions</b>                       |                          |                      |                      |
| Contributions and grants   | 310,270                  | 313,644              | 490,000              |
| Net assets released from restriction                                       | (148,089)                | (276,000)            | (1,144,724)          |
| Total change in net assets with donor restrictions                         | <u>162,181</u>           | <u>37,644</u>        | <u>(654,724)</u>     |
| Change in net assets   | 1,009,668                | 6,089,198            | 5,281,789            |
| Net assets at beginning of period  | <u>55,381,081</u>        | <u>49,291,883</u>    | <u>44,010,094</u>    |
| Net assets at end of period  | <u>\$ 56,390,749</u>     | <u>\$ 55,381,081</u> | <u>\$ 49,291,883</u> |

*See accompanying notes to the consolidated financial statements.*

## Calvert Impact Capital, Inc.

### Consolidated Statement of Functional Expenses

Year Ended December 31, 2020

|                             | Program Services |               |             |            | Support Services |                           |             | 2020<br>Total |                              |
|-----------------------------|------------------|---------------|-------------|------------|------------------|---------------------------|-------------|---------------|------------------------------|
|                             | Investments      | Notes         | Syndication | Other      | Total            | Management<br>and General | Fundraising |               | Total<br>Support<br>Services |
| Total employee compensation | \$ 3,072,709     | \$ 1,012,566  | \$ 517,547  | \$ 522,163 | \$ 5,124,985     | \$ 999,193                | \$ 286,881  | \$ 1,286,074  | \$ 6,411,059                 |
| Other expenses              |                  |               |             |            |                  |                           |             |               |                              |
| Interest expenses           | 185,483          | 11,044,738    | 37,801      | 37,801     | 11,305,823       | 75,603                    | 75,603      | 151,206       | 11,457,029                   |
| Grant expense               | 74,480           | 30,049        | 16,609      | 19,655     | 140,793          | 36,264                    | 21,034      | 57,298        | 198,091                      |
| Consultants                 | 173,935          | 47,581        | 17,726      | 209,794    | 449,036          | 42,916                    | 5,598       | 48,514        | 497,550                      |
| Occupancy                   | 330,393          | 98,538        | 36,710      | 52,167     | 517,808          | 88,878                    | 11,593      | 100,471       | 618,279                      |
| Provision for loan losses   | 2,107,442        | -             | -           | (45,855)   | 2,061,587        | -                         | -           | -             | 2,061,587                    |
| Depreciation                | 177,524          | 52,946        | 19,725      | 28,030     | 278,225          | 47,755                    | 6,229       | 53,984        | 332,209                      |
| Professional fees           | 49,176           | 8,875         | 3,334       | 42,723     | 104,108          | 162,883                   | 1,128       | 164,011       | 268,119                      |
| Equipment and software      | 257,127          | 76,614        | 44,944      | 40,888     | 419,573          | 69,590                    | 9,023       | 78,613        | 498,186                      |
| Taxes                       | -                | -             | -           | 4,464      | 4,464            | (76,558)                  | -           | (76,558)      | (72,094)                     |
| Travel                      | 9,755            | 4,943         | 1,804       | 5,166      | 21,668           | 10,013                    | 3,543       | 13,556        | 35,224                       |
| Conferences                 | 1,845            | 8,666         | 19          | 1,226      | 11,756           | 643                       | 38          | 681           | 12,437                       |
| Supplies                    | 10,923           | 3,910         | 1,174       | 2,562      | 18,569           | 4,619                     | 694         | 5,313         | 23,882                       |
| Dues and subscriptions      | 50,598           | 10,831        | 8,900       | 14,171     | 84,500           | 7,535                     | 5,485       | 13,020        | 97,520                       |
| Miscellaneous               | 15,621           | 7,971         | 2,247       | 19,546     | 45,385           | 7,676                     | 1,809       | 9,485         | 54,870                       |
| Bank Charges                | 15,418           | 24,071        | 4,495       | 2,776      | 46,760           | 25,188                    | -           | 25,188        | 71,948                       |
| Commissions                 | -                | 540,113       | -           | -          | 540,113          | -                         | -           | -             | 540,113                      |
| Registration fees           | -                | 8,671         | -           | 980        | 9,651            | 30,226                    | -           | 30,226        | 39,877                       |
| Insurance                   | 242              | 72            | 27          | 38         | 379              | 89,679                    | 9           | 89,688        | 90,067                       |
| Marketing                   | 6,594            | 94            | 94          | 4,365      | 11,147           | 188                       | 188         | 376           | 11,523                       |
| Total other expenses        | 3,466,556        | 11,968,683    | 195,609     | 440,497    | 16,071,345       | 623,098                   | 141,974     | 765,072       | 16,836,417                   |
| Total                       | \$ 6,539,265     | \$ 12,981,249 | \$ 713,156  | \$ 962,660 | \$ 21,196,330    | \$ 1,622,291              | \$ 428,855  | \$ 2,051,146  | \$ 23,247,476                |

*See accompanying notes to the consolidated financial statements.*

Calvert Impact Capital, Inc.

Consolidated Statement of Functional Expenses

Year Ended December 31, 2019

|                             | Program Services |               |             |              | Total         | Support Services          |             |                              | 2019<br>Total |
|-----------------------------|------------------|---------------|-------------|--------------|---------------|---------------------------|-------------|------------------------------|---------------|
|                             | Investments      | Notes         | Syndication | Other        |               | Management<br>and General | Fundraising | Total<br>Support<br>Services |               |
| Total employee compensation | \$ 2,890,001     | \$ 873,720    | \$ 456,725  | \$ 487,560   | \$ 4,708,006  | \$ 990,631                | \$ 271,627  | \$ 1,262,258                 | \$ 5,970,264  |
| Other expenses              |                  |               |             |              |               |                           |             |                              |               |
| Interest expense            | 227,968          | 9,143,602     | -           | -            | 9,371,570     | -                         | -           | -                            | 9,371,570     |
| Grant expense               | -                | 136,000       | -           | -            | 136,000       | -                         | -           | -                            | 136,000       |
| Consultants                 | 124,580          | 30,839        | 11,639      | 138,349      | 305,407       | 70,964                    | 8,299       | 79,263                       | 384,670       |
| Occupancy                   | 329,091          | 82,273        | 32,909      | 49,364       | 493,637       | 106,954                   | 24,682      | 131,636                      | 625,273       |
| Provision for loan losses   | 245,757          | -             | -           | -            | 245,757       | -                         | -           | -                            | 245,757       |
| Depreciation                | 181,713          | 45,428        | 18,171      | 27,257       | 272,569       | 59,057                    | 13,628      | 72,685                       | 345,254       |
| Professional fees           | 51,244           | 5,252         | 2,101       | 484,751      | 543,348       | 248,591                   | 12,377      | 260,968                      | 804,316       |
| Equipment and software      | 222,114          | 96,577        | 38,160      | 34,955       | 391,806       | 71,627                    | 16,493      | 88,120                       | 479,926       |
| Taxes                       | -                | -             | -           | 26,067       | 26,067        | 1,627                     | -           | 1,627                        | 27,694        |
| Travel                      | 58,181           | 54,022        | 8,761       | 34,484       | 155,448       | 106,192                   | 39,218      | 145,410                      | 300,858       |
| Conferences                 | 10,414           | 18,038        | 2,824       | 1,902        | 33,178        | 8,989                     | 1,749       | 10,738                       | 43,916        |
| Supplies                    | 21,149           | 5,446         | 1,745       | 7,542        | 35,882        | 16,281                    | 8,675       | 24,956                       | 60,838        |
| Dues and subscriptions      | 47,898           | 3,975         | 9,439       | 11,043       | 72,355        | 17,801                    | 11,504      | 29,305                       | 101,660       |
| Bank Charges                | 23,720           | 15,207        | 4,162       | 2,080        | 45,169        | 24,675                    | -           | 24,675                       | 69,844        |
| Commissions                 | -                | 369,061       | -           | -            | 369,061       | -                         | -           | -                            | 369,061       |
| Registration fees           | (75)             | 8,851         | -           | 3,360        | 12,136        | 18,793                    | -           | 18,793                       | 30,929        |
| Insurance                   | -                | -             | -           | -            | -             | 62,993                    | -           | 62,993                       | 62,993        |
| Marketing                   | 9,149            | 33,028        | 4,005       | 31,948       | 78,130        | 548                       | 131         | 679                          | 78,809        |
| Total other expenses        | 1,552,903        | 10,047,599    | 133,916     | 853,102      | 12,587,520    | 815,092                   | 136,756     | 951,848                      | 13,539,368    |
| Total                       | \$ 4,442,904     | \$ 10,921,319 | \$ 590,641  | \$ 1,340,662 | \$ 17,295,526 | \$ 1,805,723              | \$ 408,383  | \$ 2,214,106                 | \$ 19,509,632 |

See accompanying notes to the consolidated financial statements.

## Calvert Impact Capital, Inc.

### Consolidated Statement of Functional Expenses

Year Ended December 31, 2018

|                             | Program Services    |                     |                   |                   | Support Services     |                           |                   | 2018<br>Total       |                              |
|-----------------------------|---------------------|---------------------|-------------------|-------------------|----------------------|---------------------------|-------------------|---------------------|------------------------------|
|                             | Investments         | Notes               | Syndication       | Other             | Total                | Management<br>and General | Fundraising       |                     | Total<br>Support<br>Services |
| Total employee compensation | \$ 2,621,290        | \$ 976,105          | \$ 342,700        | \$ 477,406        | \$ 4,417,501         | \$ 955,335                | \$ 257,869        | \$ 1,213,204        | \$ 5,630,705                 |
| Other expenses              |                     |                     |                   |                   |                      |                           |                   |                     |                              |
| Interest expense            | 282,328             | 7,460,043           | -                 | -                 | 7,742,371            | -                         | -                 | -                   | 7,742,371                    |
| Grant expense               | 16,737              | 5,237               | 1,335             | 137,772           | 161,081              | 4,723                     | 308               | 5,031               | 166,112                      |
| Consultants                 | 58,933              | 22,186              | 71,104            | 133,049           | 285,272              | 14,600                    | 1,903             | 16,503              | 301,775                      |
| Occupancy                   | 327,064             | 102,333             | 22,072            | 54,176            | 505,645              | 92,300                    | 12,038            | 104,338             | 609,983                      |
| Provision for loan losses   | 30,879              | -                   | -                 | (85,587)          | (54,708)             | -                         | -                 | -                   | (54,708)                     |
| Depreciation                | 95,885              | 30,001              | 6,471             | 15,883            | 148,240              | 27,060                    | 3,530             | 30,590              | 178,830                      |
| Professional fees           | 58,011              | 7,240               | 1,989             | 68,460            | 135,700              | 319,859                   | 1,878             | 321,737             | 457,437                      |
| Equipment and software      | 150,971             | 47,698              | 23,784            | 26,032            | 248,485              | 42,588                    | 5,555             | 48,143              | 296,628                      |
| Taxes                       | 99,000              | -                   | -                 | 8,284             | 107,284              | 3,119                     | -                 | 3,119               | 110,403                      |
| Travel                      | 80,497              | 56,251              | 19,699            | 30,163            | 186,610              | 81,136                    | 21,543            | 102,679             | 289,289                      |
| Conferences                 | 13,221              | 6,739               | 6,298             | 5,154             | 31,412               | 7,778                     | 819               | 8,597               | 40,009                       |
| Supplies                    | 5,513               | 4,125               | 3,101             | 6,972             | 19,711               | 9,434                     | 6,201             | 15,635              | 35,346                       |
| Dues and subscriptions      | 61,813              | 14,254              | 8,289             | 10,690            | 95,046               | 10,166                    | 5,546             | 15,712              | 110,758                      |
| Miscellaneous               | (15,212)            | (612)               | (815)             | 27,028            | 10,389               | (3,364)                   | (233)             | (3,597)             | 6,792                        |
| Bank Charges                | 7,517               | 34,700              | 5,252             | 2,117             | 49,586               | 27,442                    | -                 | 27,442              | 77,028                       |
| Commissions                 | -                   | 288,884             | -                 | -                 | 288,884              | -                         | -                 | -                   | 288,884                      |
| Registration fees           | 348                 | 3,231               | -                 | 2,640             | 6,219                | 23,348                    | -                 | 23,348              | 29,567                       |
| Insurance                   | -                   | -                   | -                 | 509               | 509                  | 40,668                    | -                 | 40,668              | 41,177                       |
| Marketing                   | 378                 | 21,745              | 378               | 13,204            | 35,705               | 1,298                     | 756               | 2,054               | 37,759                       |
| Total Other Expenses        | 1,273,883           | 8,104,055           | 168,957           | 456,546           | 10,003,441           | 702,155                   | 59,844            | 761,999             | 10,765,440                   |
| <b>Total</b>                | <b>\$ 3,895,173</b> | <b>\$ 9,080,160</b> | <b>\$ 511,657</b> | <b>\$ 933,952</b> | <b>\$ 14,420,942</b> | <b>\$ 1,657,490</b>       | <b>\$ 317,713</b> | <b>\$ 1,975,203</b> | <b>\$ 16,396,145</b>         |

*See accompanying notes to the consolidated financial statements.*



## Calvert Impact Capital, Inc.

### Consolidated Statements of Cash Flows

|   | Years ended December 31, |                       |                      |
|---|--------------------------|-----------------------|----------------------|
|   | 2020                     | 2019                  | 2018                 |
| <b>Cash flows from operating activities</b>   |                          |                       |                      |
| Change in net assets  | \$ 1,009,668             | \$ 6,089,198          | \$ 5,281,789         |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: |                          |                       |                      |
| Depreciation  | 332,209                  | 345,254               | 178,830              |
| Net change in fair value of investments   | (1,903,362)              | (2,636,121)           | (2,239,590)          |
| Net change in fair value of derivatives   | (330,792)                | (221,160)             | (1,687,075)          |
| Net change in provision for loan losses   | 2,024,365                | 138,668               | (54,707)             |
| Transfer of investments to ImpactAssets, Inc.   | 149,996                  | 100,000               | 172,895              |
| Distributions paid to Partnerships  | 692,996                  | 1,084,543             | 560,907              |
| Changes in operating assets and liabilities:  |                          |                       |                      |
| Other receivables   | (4,583,401)              | 327,344               | 909,869              |
| Interest and fees receivable  | 584,259                  | 196,132               | (295,106)            |
| Other assets  | (594,759)                | (562,760)             | (296,269)            |
| Accounts payable and accrued expenses   | (445,593)                | 334,368               | (68,820)             |
| Accrued interest payable  | 1,064,139                | 885,343               | 919,954              |
| Net cash (used in) provided by operating activities   | <u>(2,000,275)</u>       | <u>6,080,809</u>      | <u>3,382,677</u>     |
| <b>Cash flows from investing activities</b>   |                          |                       |                      |
| Cost of investments acquired  | (32,112,190)             | (12,242,321)          | (21,590,690)         |
| Proceeds from sale or maturity of investments   | 21,217,492               | 6,928,128             | 16,853,580           |
| Loans issued  | (120,512,733)            | (73,169,670)          | (93,501,733)         |
| Repayments of loans   | 116,350,132              | 65,688,536            | 63,139,774           |
| Purchases of furniture, equipment and software  | (163,909)                | (214,708)             | (716,098)            |
| Net cash used in investing activities   | <u>(15,221,208)</u>      | <u>(13,010,035)</u>   | <u>(35,815,167)</u>  |
| <b>Cash flows from financing activities</b>   |                          |                       |                      |
| Increase in subordinated loans payable  | 7,500,000                | 5,000,000             | 108,800              |
| Subordinated loan repayments  | (2,596,500)              | (1,310,000)           | (762,875)            |
| Distributions of interests in Partnerships  | (692,996)                | (1,084,543)           | (560,907)            |
| Proceeds from issuance of the Notes   | 183,306,940              | 142,883,710           | 91,349,071           |
| Repayments of the Notes   | (107,549,435)            | (96,633,092)          | (61,507,183)         |
| Net cash provided by financing activities   | <u>79,968,009</u>        | <u>48,856,075</u>     | <u>28,626,906</u>    |
| Net change in cash and cash equivalents   | 62,746,526               | 41,926,849            | (3,805,584)          |
| Cash and cash equivalents, beginning of year  | 104,720,022              | 62,793,173            | 66,598,757           |
| Net cash and cash equivalents, end of period  | <u>\$ 167,466,548</u>    | <u>\$ 104,720,022</u> | <u>\$ 62,793,173</u> |
| <b>Supplemental disclosures of cash flow information</b>  |                          |                       |                      |
| Interest paid   | <u>\$ 10,219,930</u>     | <u>\$ 8,252,260</u>   | <u>\$ 6,822,417</u>  |
| <b>Non-cash activities</b>  |                          |                       |                      |
| Transfer of investments and Notes to ImpactAssets, Inc.   | <u>\$ 149,996</u>        | <u>\$ 100,000</u>     | <u>\$ 172,895</u>    |

*See accompanying notes to the consolidated financial statements.*

# Calvert Impact Capital, Inc.

## Notes to Consolidated Financial Statements

Years ended December 31, 2020, 2019 and 2018

### **Note A - Organization**

Calvert Impact Capital, Inc. (the Company) was formed in 1988 with a mission to enable people to invest for social good. To realize its mission, the Company administers products and services designed to be a bridge between funding available in the capital markets and organizations that can invest those funds to benefit under-served communities.

On April 23, 2010, Community Investment Partners, Inc. (CIP, Inc.), a wholly owned subsidiary of the Company was formed as a Maryland non-stock corporation. The Company is the sole member of the taxable corporation. CIP, Inc. is organized to promote community investment by, among other things, providing fund management and investor services to social and community development institutions in order to encourage the flow of investment resources to disadvantaged communities.

The Company formed two special purpose vehicles in 2015 to further advance its mission in partnership with like-minded organizations. The first, Age Strong, is an initiative of AARP Foundation (AARP), Capital Impact Partners, and the Company, which is funded through the FPIF Feeder Facility L.P. (FPIF). Age Strong's goal is to lend to organizations that provide critical services for people over the age of 50 in the United States of America. The second, Inter-American Opportunity Facility (IOF), is a partnership between the Inter-American Development Bank (IDB) and the Company to fuel socially responsible small business growth in Latin America and the Caribbean. In 2020, The Inter-American Opportunity Facility was discontinued, having completed its activities and final distributions to the partners.

The Company formed two additional special purpose vehicles in 2016 to continue the mission with additional like-minded organizations. The first, Equity for Impact, L. P. (E4I), is a limited partnership with the Ford Foundation, a New York not-for-profit corporation (Ford Foundation) and the John D and Catherine T. MacArthur Foundation, an Illinois not-for-profit corporation (MacArthur Foundation). Ford Foundation and MacArthur Foundation are the Limited Partners of E4I, which is controlled by a wholly owned subsidiary of Calvert Impact Capital as the partnership's General Partner. Ford Foundation and MacArthur Foundation collectively committed \$7,500,000 to the limited partnership. The investment in E4I by Ford Foundation and MacArthur Foundation, as contractually agreed, forms a barrier to protect Calvert Impact Capital's Community Investment Noteholders and subordinated debt investors, should the Company suffer significant losses over the twelve-year life of E4I.

## Calvert Impact Capital, Inc.

### Notes to Consolidated Financial Statements (Continued)

#### **Note A - Organization (Continued)**

The second special purpose vehicle created in 2016 is the ImpactAssets Funded Guarantee, L.P. (IAFG). ImpactAssets, Inc., (ImpactAssets) a Maryland not-for-profit corporation, is the primary Limited Partner of IAFG, which is controlled by a wholly owned subsidiary of the Company as the partnership's General Partner and minority Limited Partner. ImpactAssets contributed assets of \$15,000,000 in the form of Calvert Community Investment Notes to the limited partnership, which as contractually agreed, forms a barrier to protect the Company's other Community Investment Noteholders and subordinated debt investors, should the Company suffer significant losses over the twelve-year life of IAFG.

The Company serves as the general partner of FPIF, IOF, IAFG and E4I (collectively, the Partnerships).

The Community Investment Notes (the Notes) are investments purchased by individuals and institutions, serving as a source of funding for investments (primarily loans) to investment partners working in underserved communities.

#### **Note B - Summary of Significant Accounting Policies**

##### *Principles of Consolidation*

The consolidated financial statements include the accounts of Calvert Impact Capital, Inc., CIP, Inc., and the Partnerships (collectively referred to as the Company). The Company is the general partner and has substantive rights to manage and control the Partnerships. Accordingly, the Company consolidates these Partnerships and reflects the non-controlling interests separately in the Company's net assets without donor restrictions. All significant inter-entity balances and transactions have been eliminated in consolidation.

##### *Basis of Accounting and Use of Estimates*

The accompanying consolidated financial statements have been prepared using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). The preparation of the consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of support, revenue and expenses during the reporting period. Actual results could differ from those estimates.

## Calvert Impact Capital, Inc.

### Notes to Consolidated Financial Statements (Continued)

#### **Note B - Summary of Significant Accounting Policies (Continued)**

##### *Basis of Presentation*

The accompanying consolidated financial statements were prepared using GAAP for not-for-profit entities. These standards require not-for-profits to report information regarding their financial position and activities in two classes of net assets as follows:

Net assets without donor restrictions- Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. From time to time, the Board of Directors may designate a portion of net assets for a specific purpose; however, board designated net assets are classified as net assets without donor restrictions. Non-controlling interests in limited partnerships represent third-party limited partner ownership in the Partnerships for which the Company serves as the general partner.

Net assets with donor restrictions - Net assets with donor restrictions represent amounts that are specifically restricted by donors or grantors for specific programs or future periods. The Company reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

##### *Tax Status*

Calvert Impact Capital, Inc. is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Company has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. CIP, Inc. is subject to income tax on its net income, if any. The Partnerships are not subject to federal income tax and any partnership income is taxable to the individual partners. CIP, Inc. has generated net operating losses (NOL) through December 31, 2020, which are available to be carried forward and offset against future taxable income. The Company performs an assessment of the future realization of deferred tax assets and considers historical taxable income and projections for future taxable income over the periods during which the deferred tax assets are recoverable and determines if it is more likely than not that CIP, Inc. will realize the benefits of those differences. The Company has established a valuation allowance against the NOL as it is more likely than not that CIP, Inc. will be unable to utilize the NOL prior to their expiration.

Management has concluded that Calvert Impact Capital, Inc. has maintained its exempt status and that there are no uncertain tax positions as of December 31, 2020. There are currently no examinations being conducted.

## Calvert Impact Capital, Inc.

### Notes to Consolidated Financial Statements (Continued)

#### **Note B - Summary of Significant Accounting Policies (Continued)**

##### *Subsequent Events*

The Company has evaluated subsequent events through March 26, 2021, which is the date the consolidated financial statements were available to be issued and has considered all relevant matters in the preparation of the consolidated financial statements and notes.

In February, 2021, the Company received confirmation that the entire interest held by The Bay and Paul Foundations, Inc. in Generation IM Sustainable Solutions Fund III (B), L.P had been finalized and transferred to Calvert Impact Capital, Inc. The Company recorded a grant receivable in 2020 of \$1,115,000 and had a future commitment to this fund of \$1,885,000 at year end (\$240,000 of which was called in March 2021), for a total LP commitment of \$3,000,000.

##### *Cash and Cash Equivalents*

The Company considers highly liquid investments, with maturity of three months or less when purchased, to be cash equivalents. The Company maintains cash in bank deposit and money market accounts, which at times may exceed federally insured limits. The Company has not experienced any losses in such accounts. Management monitors these balances and believes they do not represent a significant credit risk to the Company.

##### *Investments and Fair Value Measurements*

The Company generally carries its investments at fair value and reports gains and losses in the consolidated statements of activities. GAAP establishes a framework and hierarchy for measuring fair value and disclosing fair value measurements.

The Company invests in various investment instruments. Investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position.

The Company's classifications for investments are based on the fair value framework established by GAAP. The framework is based on the inputs used in the valuation and requires that observable inputs be used in valuations when available. The disclosure of fair value estimates in the fair value guidance includes a hierarchy based on whether significant valuation inputs are observable.

## Calvert Impact Capital, Inc.

### Notes to Consolidated Financial Statements (Continued)

#### **Note B - Summary of Significant Accounting Policies (Continued)**

##### *Investments (continued)*

The three levels of the hierarchy are as follows:

- Level 1: Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities traded in active markets that the Company can access.
- Level 2: Inputs to the valuation methodology include 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, inputs other than quoted prices that are observable for the assets or liabilities and market-corroborated inputs.
- Level 3: Inputs to valuation methodology are unobservable for the asset or liability and are significant to the fair value measurement.

In accordance with GAAP, alternative investment funds, which are measured at fair value using the net asset value per share (or equivalent) as a practical expedient, have not been classified in the fair value hierarchy.

Certificates of deposit held do not meet the definition of securities under accounting standards and thus are not subject to the fair value disclosure requirements of GAAP.

##### *Certificates of Deposit/CDAR'S*

Bank certificates of deposit (CDs) and Certificate of Deposit Account Registry Service (CDARS) are placed with financial institutions. The CDs are shown at the original deposit amounts plus earned interest. CDs and CDARS as of December 31, 2020 earn interest at rates ranging from 0.15 % to 0.65% and have maturities ranging from February 2021 through September 2021. Certain of these certificates of deposit are subject to penalties for early withdrawal. Penalties for early withdrawal would not have a material effect on the consolidated financial statements. The certificates are automatically renewable by the depository financial institution unless the Company provides notification to the institution.

## Calvert Impact Capital, Inc.

### Notes to Consolidated Financial Statements (Continued)

#### **Note B - Summary of Significant Accounting Policies (Continued)**

##### *Allowance for Loan Losses*

The Company has established an allowance for loan losses to provide for estimates of uncollectible loans. Although variability is inherent in such estimates, management believes that the allowance for losses provided in the consolidated financial statements is adequate. However, because of the small population of loans and limited historical experience, actual losses could be significantly more or less than management's estimate. As adjustments to this estimate become necessary, such adjustments are included in current operations. On a quarterly basis, the Company reviews the current level of reserves against prior losses, and the state of the portfolio to determine the adequacy of the reserve level to cover future losses. The Company follows a three-step approach to determining the reserve:

- (1) A reserve percentage is assigned based on the individual risk score of each loan. The percentage applied for each risk category may be changed from time to time by the Company;
- (2) The Company identifies loans that warrant special consideration and applies a specific loan loss allowance for each of these loans independent of the other loans;
- (3) In certain instances, the Company receives credit enhancements, which may reduce the necessary loan loss reserve for the loan. This support is evaluated on a case-by-case basis taking into account the type and amount of credit enhancement as well as management's assessment of the Company's ability to utilize the credit enhancement in the event of borrower default. These credit enhancements are typically in the form of cash collateral and third party guarantees supporting either a portion or the entire outstanding loan.

The Company ceases to accrue interest on loans when they become 180 days past due or when management believes the receivable is not collectible. Interest accrued on these loans is reversed against interest income. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and in the opinion of management, future payments are reasonably assured.

##### *Furniture, Equipment and Software*

Furniture, equipment, and software are stated at cost, net of accumulated depreciation, and are depreciated on the straight-line basis over the estimated useful lives, which range from 1 to 8 years.

## Calvert Impact Capital, Inc.

### Notes to Consolidated Financial Statements (Continued)

#### **Note B - Summary of Significant Accounting Policies (Continued)**

##### *Accounting for Derivatives*

Derivatives are recorded in the consolidated statements of financial position at fair value. Changes in fair value are recorded when they occur in the consolidated statements of activities. The Company's derivatives as of December 31, 2020, 2019 and 2018 consist of foreign currency exchange contracts and cross-currency interest rate swaps that hedge the Company's currency risk on its foreign-currency denominated loans receivable. The Company has foreign currency denominated loans in Indian Rupees (INR), Mexican Pesos (MXN), and Colombian Pesos (COP). The Company's derivative liability as of December 31, 2020, 2019 and 2018 is classified as a Level 2 fair value measurement based on observable foreign currency exchange rates. As of December 31, 2020, 2019 and 2018, the aggregate carrying amount of the hedged assets was \$15,308,121, \$20,464,052, and \$32,937,846, respectively.

##### *Accounting for Foreign Currency Denominated Transactions*

The books and records of the Company are maintained in U.S. dollars. Transactions denominated in foreign currencies are translated into U.S. dollars at the consolidated statement of financial position date rate of exchange. Changes in foreign currency denominated transactions are recorded in the consolidated statements of activities in the period the change occurs.

##### *Contributions and Grants*

Unconditional contributions and grants are recognized when received. Conditional contributions and grants, with a measureable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been substantially met. Contributions and grants received prior to meeting the conditions are reported as refundable advances in the consolidated statements of financial position.

##### *Functional Allocation of Expenses*

The costs of providing programs and other activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated to program and supporting services benefited.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include information technology, occupancy and human resources costs, which are allocated on the basis on headcount of each cost center.



## Calvert Impact Capital, Inc.

### Notes to Consolidated Financial Statements (Continued)

#### **Note B - Summary of Significant Accounting Policies (Continued)**

##### *Transfer to ImpactAssets*

The Company conducted a multi-year process beginning in 2010 to transfer the Giving Fund assets to ImpactAssets, a mission-aligned organization. These transfers are non-operating items that reduce net assets. An agreement was made in 2016 to transfer the final Giving Fund assets to ImpactAssets. As of December 31, 2016, all items were transferred except for \$663,755 of private investments, of which the final \$149,996 were transferred during 2020. The total amount transferred to ImpactAssets was comprised of the following for the years ended December 31:

|  | 2020       | 2019       | 2018       |
|--|------------|------------|------------|
| Common stock and other equity securities, fair value | \$ 149,996 | \$ 100,000 | \$ 172,985 |

##### *Reclassifications*

Certain prior year balances have been reclassified to conform with current year presentation. These reclassifications resulted in no changes in net assets.

##### *Risks and Uncertainties*

In March 2020, the World Health Organization declared a pandemic related to the rapidly spreading coronavirus (COVID-19) outbreak, which has led to a global health emergency. The Company's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impact on the Company and its borrowers, employees, and vendors. As such, COVID-19 could have a material adverse effect on the Company's financial position in the future including the fair value of the Company's investments. The ultimate duration and impact of the COVID-19 outbreak on the Company's financial position cannot be reasonably estimated at this time.

#### **Note C - Liquidity and Availability of Resources**

Financial assets available for general expenditure within one year of the balance sheet date, comprise the following, as of December 31:

|  | 2020           | 2019           | 2018           |
|--|----------------|----------------|----------------|
| Cash and cash equivalents  | \$ 167,466,548 | \$ 104,720,022 | \$ 62,793,173  |
| Interest and fees receivable   | 1,487,002      | 2,071,261      | 2,267,393      |
| Other receivables  | 6,945,336      | 3,238,006      | 2,458,128      |
| Loans receivable   | 77,621,092     | 64,375,510     | 73,732,516     |
| Short-term investments   | 28,916,320     | 10,539,703     | 10,842,948     |
| Long-term investments appropriated for current use                                     | 31,088,906     | 42,804,771     | 25,643,527     |
| Financial assets available to meet cash needs for general expenditures within one year | \$ 313,525,204 | \$ 227,749,273 | \$ 177,737,685 |

## Calvert Impact Capital, Inc.

### Notes to Consolidated Financial Statements (Continued)

#### **Note C - Liquidity and Availability of Resources (Continued)**

The Company regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Company has various sources of liquidity at its disposal, including cash and cash equivalents, investments, and receivables. Financial assets in excess of daily cash requirements are invested in certificates of deposit, money market funds and other short-term and long-term investments. The investments are closely monitored for their return/yield, which is a significant component of the Company's process for managing its liquidity. In addition, foreign transactions will be denominated in US dollars, or hedged to US dollars through deliverable or non-deliverable forward swaps or other appropriate mechanisms utilized to minimize foreign currency exposure. Limitations on investments (for example, total amount per entity and minimum ratings criteria) apply to the ultimate provider of credit support, including the issuer, the guarantor, the insurer, or the bank providing the letter of credit. Investments will be held in bank, brokerage, money market funds, or other custody accounts. In the event of an unanticipated liquidity need, the Company could draw upon the \$18 million in available lines of credit and \$20 million available Note Purchase Agreement, discussed further in Note G. The Company has evaluated its general expenditures for the next fiscal year and has determined that certain donor or grantor restrictions are for purposes related to the regular, ongoing programs and activities of the Company.

In addition to financial assets available to meet general expenditures over the next 12 months, the Company operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. Refer to the consolidated statement of cash flows which identifies the sources and uses of the Company's cash.

#### **Note D - Investment and Fair Value Measurement**

The following table summarizes the Company's investments held at fair value in accordance with GAAP as of December 31:

| 2020  | Level 1             | Level 2             | Level 3              | Total                |
|---|---------------------|---------------------|----------------------|----------------------|
| Mutual funds:                                   |                     |                     |                      |                      |
| Fixed-income funds                              | \$16,430,601        | \$ -                | \$ -                 | \$ 16,430,601        |
| Fixed income securities                         |                     | 1,485,720           |                      | 1,485,720            |
| Alternative investments                         |                     |                     | 14,734,064           | 14,734,064           |
| Total investments in hierarchy                  | <u>\$16,430,601</u> | <u>\$ 1,485,720</u> | <u>\$ 14,734,064</u> | <u>32,650,385</u>    |
| Alternative investment funds at net asset value |                     |                     |                      | 40,205,116           |
| Total investments held at fair value            |                     |                     |                      | <u>\$ 72,855,501</u> |

Calvert Impact Capital, Inc.

Notes to Consolidated Financial Statements (Continued)

**Note D - Investment and Fair Value Measurement (Continued)**

| 2019  | Level 1           | Level 2             | Level 3              | Total                |
|---|-------------------|---------------------|----------------------|----------------------|
| Mutual funds:                                   |                   |                     |                      |                      |
| Fixed-income funds                              | \$ 537,790        | \$ -                | \$ -                 | \$ 537,790           |
| Fixed income securities                         | -                 | 2,160,909           | -                    | 2,160,909            |
| Alternative investments                         | -                 | -                   | 15,013,433           | 15,013,433           |
| Total investments in hierarchy                  | <u>\$ 537,789</u> | <u>\$ 2,160,909</u> | <u>\$ 15,013,433</u> | 17,712,132           |
| Alternative investment funds at net asset value |                   |                     |                      | 45,495,305           |
| Total investments held at fair value            |                   |                     |                      | <u>\$ 63,207,437</u> |
|   |                   |                     |                      |                      |
| 2018  | Level 1           | Level 2             | Level 3              | Total                |
| Mutual funds:                                   |                   |                     |                      |                      |
| Fixed-income funds                              | \$ 528,168        | \$ -                | \$ -                 | \$ 528,168           |
| Fixed income securities                         | -                 | 2,564,775           | -                    | 2,564,775            |
| Alternative investments                         | -                 | -                   | 13,621,349           | 13,621,349           |
| Total investments in hierarchy                  | <u>\$ 528,168</u> | <u>\$ 2,564,775</u> | <u>\$ 13,621,349</u> | 16,714,292           |
| Alternative investment funds at net asset value |                   |                     |                      | 38,642,829           |
| Total investments held at fair value            |                   |                     |                      | <u>\$ 55,357,121</u> |

The fair value of the fixed-income securities are based upon market quotations from pricing services. The pricing service prepares estimates of fair value measurements for these securities using proprietary pricing applications, which include available relevant market information, benchmark curves, benchmarking of like securities, sector groupings and matrix pricing (Level 2).

The Company is a limited partner investor in various alternative investment funds. In accordance with the partnership agreements, limited partners are not liable for any liabilities or for the payment of any debts and obligations of the funds. Net profits and losses are allocated to each partner in accordance with the ratio of their respective capital account balances. The Company may withdraw any or part of their capital account upon providing written notice and other stipulations as defined in the partnership agreements. As of December 31 2020, the Company has an outstanding capital commitment to purchase an additional amount of approximately \$20,020,632.

## Calvert Impact Capital, Inc.

### Notes to Consolidated Financial Statements (Continued)

#### **Note D - Investment and Fair Value Measurement (Continued)**

Investments in alternative investment funds are typically valued, as a practical expedient, utilizing the net asset valuations provided by the underlying private investment companies and/or their administrators, without adjustment, when the net asset valuations of the investments are calculated in a manner consistent with GAAP for investment companies. The Company applies the practical expedient to its investments in private investment companies, unless it is probable that the Company will sell a portion of an investment at an amount different from the net asset valuation. If it is probable that the Company will sell an investment at an amount different from the net asset valuation or in other situations where the practical expedient is not available, the Company considers other factors in addition to the net asset valuation, such as features of the investment, including subscription and redemption rights, expected discounted cash flows, transactions in the secondary market, bids received from potential buyers, and overall market conditions in its determination of fair value. As of December 31, 2020, 2019 and 2018, no adjustments were made to the valuations provided by the underlying private investment companies.

During 2020, 2019 and 2018, the Company took positions in several alternative investment funds. The objective of the funds is to provide an investment option delivering liquidity, security, risk-adjusted return, administrative ease and developmental impact. The funds are designed to provide capital appreciation and social impact by investing in low-income finance institutions (LIFIs), which include microfinance institutions (MFIs), small and medium enterprise (SME) banks and other regulated or unregulated financial institutions in emerging and developed markets, including the United States of America.

The majority of the alternative investment funds require the Company to provide at least a 90 days prior written notice to the General Partner before withdrawing all or any portion of its capital account balance, subject to certain additional restrictions including but not limited to a two-year waiting period for a particular contribution. The remaining alternative investment funds require the Company to provide at least 30 days prior written notice to the administrator of the fund before withdrawing their interest in the funds subject to certain restrictions including but not limited to one-month waiting period for a particular contribution.

#### *Level 3 financial assets*

The Company purchased \$347,153, \$796,873, and \$13,206,414 of Level 3 investments during the years ended December 31, 2020, 2019 and 2018, respectively.

The Company sold \$575,496, \$0 and \$0 of Level 3 financial assets, during the years ended December 31, 2020, 2019 and 2018, respectively.

## Calvert Impact Capital, Inc.

### Notes to Consolidated Financial Statements (Continued)

#### Note E - Loans Receivable

Loans receivable, net of an allowance for losses, consist of loans made in accordance with the Company's stated purpose of providing financial assistance to investment partners operating in and/or for the benefit of economically disadvantaged communities, which are under-served by traditional capital sources. Pursuant to the terms of the note agreements, interest is typically due quarterly or semi-annually.

The following are the largest single borrowers representing 2.5% or more of loans outstanding as of December 31, 2020:

| Borrower                                       | Total<br>Outstanding  | % of Total<br>Loans<br>Outstanding |
|--|-----------------------|------------------------------------|
| ARC Chicago, LLC                               | \$ 45,311,132         | 12.60%                             |
| Eco-Business Fund S.A., SICAV-SIF              | 13,000,000            | 3.62%                              |
| FPIF Feeder Facility LP                        | 11,002,218            | 3.06%                              |
| SANAD Fund for MSME                            | 10,000,000            | 2.78%                              |
| ResponsAbility Financial Inclusion Investments | 10,000,000            | 2.78%                              |
| Banco International De Costa Rica, SA          | 10,000,000            | 2.78%                              |
| Banco Atlantida S.A., Honduras                 | 10,000,000            | 2.78%                              |
| Banco Financiera Comercial Hondurena S.A.      | 9,821,429             | 2.73%                              |
| LIIF Housing Preservation Fund II, LLC         | 9,470,970             | 2.63%                              |
| Multibank, Inc., Panama                        | 9,375,000             | 2.61%                              |
| Preservation of Affordable Housing, LLC        | 9,000,000             | 2.50%                              |
| Gro-Fin SCB Limited Partnership                | 9,000,000             | 2.50%                              |
| Total  | <u>\$ 155,980,749</u> | <u>43.37%</u>                      |

The Company makes loans in developing markets that may be subject to increased risks due to political and regulatory environments, and overall market and economic factors in the countries in which the borrower conducts business or invests. These risks are generally magnified in countries with emerging markets, due to the limited availability of information, currency fluctuations, and the volatility of political and economic conditions in some areas. Fluctuations in exchange rates may adversely affect the repayment of investments. Political or social instability may prevent borrowers from operating effectively and hinder repayment to the Company.

Calvert Impact Capital, Inc.

Notes to Consolidated Financial Statements (Continued)

**Note E - Loans Receivable (Continued)**

The following table summarizes the domestic and international loans outstanding, on a gross basis, as of December 31, 2020 based upon the geography in which the borrower conducts its operations:

|               | Total<br>Outstanding  | % of Total<br>Loans<br>Outstanding |
|---------------|-----------------------|------------------------------------|
| Domestic      | \$ 197,998,605        | 55%                                |
| International | 161,556,103           | 45%                                |
| Total         | <u>\$ 359,554,708</u> | <u>100%</u>                        |

The following table summarize the loans receivable balances as of December 31, based on whether the Company has specifically allowed for loan losses due to credit quality of the loans or considered the loans as part of the Company's general loan loss estimate:

| Loans receivable                                   | 2020                  | 2019                  | 2018                  |
|--|-----------------------|-----------------------|-----------------------|
| Classified loans with specific loan loss allowance | \$ 6,000,000          | \$ -                  | \$ -                  |
| General loans                                      | 239,682,180           | 248,762,363           | 224,425,425           |
| Loans with credit enhancements                     | 113,872,528           | 106,629,743           | 123,485,548           |
| Allowance for loan losses                          | (8,010,622)           | (5,986,257)           | (5,847,589)           |
| Total loans receivable, net                        | <u>\$ 351,544,086</u> | <u>\$ 349,405,849</u> | <u>\$ 342,063,384</u> |

As of December 31, 2020, no loans receivable were placed on non-accrual status.

The Company has secured cash collateral and active guarantees through third and related parties to protect against losses that may be incurred on specific loans or portfolios of loans outstanding. These active guarantees and cash collateral are summarized below:

|                                    | 2020                 | 2019                 | 2018                 |
|------------------------------------|----------------------|----------------------|----------------------|
| Cash collateral                    | \$ 248,070           | \$ 473,667           | \$ 576,676           |
| Third and related party guarantees | 55,048,386           | 49,867,220           | 56,903,379           |
| Total                              | <u>\$ 55,296,456</u> | <u>\$ 50,340,887</u> | <u>\$ 57,480,055</u> |

## Calvert Impact Capital, Inc.

### Notes to Consolidated Financial Statements (Continued)

#### Note E - Loans Receivable (Continued)

The allowance for loan losses on loans receivable is adjusted throughout the year based upon the Company's assessment of its adequacy compared to the current outstanding loans. The current year's adjustment in the allowance is reflected in the provision for loan losses. The allowance for loan losses on loans receivable is summarized in the following table:

| Allowance for loan losses                       | Specific<br>Allowance | General<br>Allowance | Credit<br>Enhancements | Total               |
|---|-----------------------|----------------------|------------------------|---------------------|
| Balance as of January 1, 2018                   | \$ 12,899             | \$ 3,942,462         | \$ 1,946,934           | \$ 5,902,295        |
| Loans written off during the year               | -                     | -                    | -                      | -                   |
| Net change in provision for loan loss allowance | (12,899)              | (3,131)              | (38,676)               | (54,706)            |
| Balance as of December 31, 2018                 | -                     | 3,939,331            | 1,908,258              | 5,847,589           |
| Loans written off during the year               | -                     | (107,089)            | -                      | (107,089)           |
| Net change in provision for loan loss allowance | -                     | 880,341              | (634,584)              | 245,757             |
| Balance as of December 31, 2019                 | -                     | 4,712,583            | 1,273,674              | 5,986,257           |
| Loans written off during the year               | -                     | (37,222)             | -                      | (37,222)            |
| Net change in provision for loan loss allowance | 399,200               | 1,157,822            | 504,565                | 2,061,587           |
| Balance as of December 31, 2020                 | <u>\$ 399,200</u>     | <u>\$ 5,833,183</u>  | <u>\$ 1,778,239</u>    | <u>\$ 8,010,622</u> |

#### Note F - Community Investment Notes Payable and Subordinated Loans Payable

The Company created the Community Investment Note (the Notes) program to raise funds and reinvest those funds directly in community development and similar organizations with missions that include affordable housing, economic development and business development in urban and rural communities. The Notes are sold through three channels: directly by the Company in paper form, online notes sold directly by the Company through its website platform and brokered notes sold through the Depository Trust Company (DTC). The Notes pay investors a fixed rate of interest ranging from 0% to 4%.

Funds from paper Notes sold directly by the Company are provided by individuals and institutional investors through the sale of the Notes of \$1,000 or greater. The Notes pay investors a fixed rate of interest reflective of risk, return and the mission of the Company. The Company also issues online Notes through its website platform, which are purchased by investors in quantities of \$20 or greater.

The Company is a party to a Trust Indenture Agreement (the indenture agreement) with the Bank of New York (BONY). This agreement allows the Company to issue Notes in a form referred to as brokered, or book entry notes, which are eligible for electronic settlement through the DTC. The Notes, once issued, are represented by permanent global certificates that are registered in the name of Cede & Co., as nominee of the DTC. BONY has been designated as the indenture trustee to the indenture agreement and in this capacity BONY serves as paying agent for the book-entry notes.

Calvert Impact Capital, Inc.

Notes to Consolidated Financial Statements (Continued)

**Note F - Community Investment Notes Payable and Subordinated Debt Payable  
(Continued)**

The indenture agreement imposes certain financial and other covenants on the Company and allows BONY to take specified actions on behalf of the holder of book-entry Notes under certain circumstances. At December 31, 2020, 2019 and 2018, the Company was in compliance with covenants relating to this agreement. For a more complete description of this agreement please refer to the Company's Prospectus.

The Notes are offered under a self-executing exemption from federal registration. The Company and the Notes comply with state registration requirements. The Notes are senior to the subordinated loans.

At December 31, 2020, the top 10 Note holders held Notes representing \$117,556,471 or 22% of the total Notes payable balance.

Maturities by year, as of December 31, 2020 are as follows:

|            |                       |
|------------|-----------------------|
| 2021       | \$ 141,326,931        |
| 2022       | 82,341,679            |
| 2023       | 92,000,914            |
| 2024       | 63,551,383            |
| 2025       | 74,237,490            |
| Thereafter | 78,883,751            |
| Total      | <u>\$ 532,342,148</u> |

Loans were provided by the following organizations to: 1) provide financial assistance to community development organizations operating in economically disadvantaged communities, which are under-served by traditional capital sources and 2) provide subordinate financing to assist the Company in attracting investors for the Note program.



Calvert Impact Capital, Inc.

Notes to Consolidated Financial Statements (Continued)

**Note F - Community Investment Notes Payable and Subordinated Loans Payable  
(Continued)**

The principal amounts of subordinated loans payable by lending organization as of December 31 are as follows:

| Organization                                      | 2020<br>Principal<br>Amount | 2019<br>Principal<br>Amount | 2018<br>Principal<br>Amount |
|---|-----------------------------|-----------------------------|-----------------------------|
| <b>Junior Subordinated Loans</b>                  |                             |                             |                             |
| Wells Fargo                                       | \$ 1,500,000                | \$ 1,500,000                | \$ 1,500,000                |
| Calvert Investment Administrative Services, Inc.  | -                           | 1,000,000                   | 1,000,000                   |
| The Columbia Bank                                 | 500,000                     | 1,000,000                   | 1,000,000                   |
| PNC Community Development Company                 | -                           | -                           | 1,000,000                   |
| Deutsche Bank                                     | -                           | 1,000,000                   | 1,000,000                   |
| The Colorado Health Foundation                    | 750,000                     | 750,000                     | 750,000                     |
| Private individual                                | 500,000                     | 500,000                     | 500,000                     |
| The Piton Foundation                              | 577,125                     | 577,125                     | 577,125                     |
| The Colorado Health Trust                         | 492,400                     | 492,400                     | 492,400                     |
| San Francisco Foundation                          | 350,000                     | 350,000                     | 350,000                     |
| Page Hill Foundation                              | 300,000                     | 300,000                     | 300,000                     |
| Private Individual                                | 200,000                     | 200,000                     | 200,000                     |
| The Denver Foundation                             | 200,000                     | 200,000                     | 200,000                     |
| Foundation for the Carolinas                      | 7,500,000                   | -                           | -                           |
| Meredith Lorraine Meyercord Trust                 | 200,000                     | 200,000                     | 200,000                     |
| Women's Foundation of Minnesota                   | 100,000                     | 100,000                     | 100,000                     |
| Banc of America Community Development Corporation | 5,000,000                   | 5,000,000                   | -                           |
| <b>Total junior subordinated loans payable</b>    | <b>\$ 18,169,525</b>        | <b>\$ 13,169,525</b>        | <b>\$ 9,169,525</b>         |

Maturities as of December 31, 2020 are:

|              |                      |
|--------------|----------------------|
| 2021         | \$ 1,050,000         |
| 2022         | 200,000              |
| 2023         | 600,000              |
| 2024         | 3,019,525            |
| 2025         | 800,000              |
| Thereafter   | 12,500,000           |
| <b>Total</b> | <b>\$ 18,169,525</b> |

Under the terms of the loans detailed above, the Company is subject to certain debt covenants, which require the Company to maintain minimum specific liquidity ratios and to provide timely financial and progress reports to the lending organizations. As of December 31, 2020, 2019 and 2018, the Company was in compliance with debt covenants.

## Calvert Impact Capital, Inc.

### Notes to Consolidated Financial Statements (Continued)

#### **Note G - Line of Credit**

The Company entered into a revolving credit facility with Prudential Impact Investments, Private Debt, LLC for a \$5,000,000 line of credit. This facility has a maturity date of May, 2021 and has not been extended or renewed. In July, 2019, the Company entered into a credit facility with Banc of America Community Development Corporation for a \$10,000,000 which expires January 2022. In September, 2019, the Company entered into a revolving line of credit with Bank of America, N.A for \$3,000,000 which expires January 2022. As of December 31, 2020, no amounts had been drawn on these facilities.

In December 2020, the Company entered into a Note Purchase Agreement with an unaffiliated third party. This agreement provides the Company with the right to place up to \$20,000,000 of Community Investment Notes for a term of 1 year each with said third party. The agreement is effective for a period of 3 years ending in December 2023. As of December 31, 2020, no Community Investment Notes had been placed under this agreement.

#### **Note H - Special Purpose Vehicles**

As described in Note A, the Company formed four Partnerships. The Partnerships returned capital of \$692,996, \$1,084,543, and \$560,907 in 2020, 2019 and 2018, respectively. The changes in consolidated net assets without donor restrictions for the year ended December 31, 2020 are presented in the following table:

|  | <u>Total</u>         | <u>Controlling<br/>Interest</u> | <u>Non-controlling<br/>interest</u> |
|--|----------------------|---------------------------------|-------------------------------------|
| Net assets without donor restrictions, January 1, 2018   | \$ 42,387,399        | \$ 17,627,427                   | \$ 24,759,972                       |
| Change in net assets before non-operating items          | 6,497,420            | 5,683,781                       | 813,639                             |
| Repurchases of interests in Partnerships                 | (560,907)            | -                               | (560,907)                           |
| Change in net assets without donor restrictions          | <u>5,936,513</u>     | <u>5,683,781</u>                | <u>252,732</u>                      |
| Net assets without donor restrictions, December 31, 2018 | 48,323,912           | 23,311,208                      | 25,012,704                          |
| Change in net assets before non-operating items          | 7,136,096            | 6,364,887                       | 771,209                             |
| Repurchases of interests in Partnerships                 | (1,084,543)          | -                               | (1,084,543)                         |
| Change in net assets without donor restrictions          | <u>6,051,553</u>     | <u>6,364,887</u>                | <u>(313,334)</u>                    |
| Net assets without donor restrictions, December 31, 2019 | 54,375,465           | 29,676,095                      | 24,699,370                          |
| Change in net assets before non-operating items          | 1,540,483            | 794,698                         | 745,785                             |
| Repurchases of interests in Partnerships                 | (692,996)            | -                               | (692,996)                           |
| Change in net assets without donor restrictions          | <u>847,487</u>       | <u>794,698</u>                  | <u>52,789</u>                       |
| Net assets without donor restrictions, December 31, 2020 | <u>\$ 55,222,952</u> | <u>\$ 30,470,793</u>            | <u>\$ 24,752,159</u>                |

## Calvert Impact Capital, Inc.

### Notes to Consolidated Financial Statements (Continued)

#### **Note I - Net Assets with Donor Restrictions**

In October 2017, Calvert Impact Capital entered into an agreement (Cassiopeia Initiative or Initiative) with Cassiopeia Foundation (Cassiopeia), in which Cassiopeia donated to the Company their economic interest in certain limited partnerships (the Capital), which were expected to mature over the subsequent three years. The Capital provides net assets initially restricted, and subsequently unrestricted and designated, as support for financing transactions that are co-aligned with the Company's and Cassiopeia's missions. The Company is solely responsible for approving the credit aspects of any transaction, following its normal, standard operating procedures. Upon the maturity of each transaction, its apportioned Capital will be undesignated from the Initiative, forming a permanent base of the Company's net assets.

As of December 31, 2020, Calvert has received \$1,694,512 from this Initiative and has a remaining receivable of \$0.

Net assets with donor restrictions are restricted for the following purposes or periods:

|  | 2020                | 2019                | 2018              |
|--|---------------------|---------------------|-------------------|
| Subject to specified purpose             | \$ 980,226          | \$ 818,045          | \$ 780,400        |
| Subject to perpetuity                    | 187,571             | 187,571             | 187,571           |
| Total net assets with donor restrictions | <u>\$ 1,167,797</u> | <u>\$ 1,005,616</u> | <u>\$ 967,971</u> |

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the passage of time as follows for the year ended December 31:

|   | 2020              | 2019              | 2018                |
|---|-------------------|-------------------|---------------------|
| Subject to specified purpose                      | \$ 148,089        | \$ 276,000        | \$ 1,144,724        |
| Total net assets released with donor restrictions | <u>\$ 148,089</u> | <u>\$ 276,000</u> | <u>\$ 1,144,724</u> |

#### **Note J - Retirement Plan**

The Company sponsors a 401(k) Plan (the Plan) for its employees. Employees with three months of service and having attained the age of twenty-one are eligible for participation in the Plan. The Company double-matches up to the first 2% of employee deferrals (i.e. the Company contributes up to 4%) and then matches employee deferrals up to a maximum of a further 4% of the employee's compensation (i.e. maximum total of 8% contributed by the Company), which vests immediately to the employee. Participants are eligible for employer matching contributions after one year of service. The Company made contributions to the Plan of \$342,006, \$306,609 and \$288,623 for the years ending December 31, 2020, 2019 and 2018, respectively.

## Calvert Impact Capital, Inc.

### Notes to Consolidated Financial Statements (Continued)

#### Note K - Future Minimum Lease Payments and Rentals

In 2020, the Company entered into a lease agreement for office space commencing January 1, 2021 and terminating December 31, 2031. The lease prescribes price per square foot increases and grants a rent abatement. The lease also provides a tenant improvement allowance.

| <u>Future Minimum Lease Payments</u> |                     |
|--------------------------------------|---------------------|
| 2021                                 | \$ -                |
| 2022                                 | 310,412             |
| 2023                                 | 424,241             |
| 2024                                 | 434,862             |
| 2025                                 | 445,747             |
| Thereafter                           | <u>2,918,422</u>    |
|                                      | <u>\$ 4,533,684</u> |

#### Note L - Related Party Transactions

In 2008, the Company incubated a new and independent 501(c)3 called ImpactAssets. In order to segregate the Company's Giving Fund activities from its other activities, the Company began a multi-year process beginning in 2010 and mostly concluding in 2016 to transfer these Giving Fund assets to ImpactAssets as described in Note B.

As referenced in Note A, Impact Assets has contributed \$15,000,000 in Community Investment Notes to IAFG.

Calvert Research and Management, formerly Calvert Investments, holds the licensing agreement to the Calvert name and holds \$34,740,000 in Community Investment Notes as of December 31, 2020. Additionally, upon meeting certain stipulations, Calvert Research and Management will grant the Company up to \$1 million over the course of 2018 – 2023.

Micro FX Solutions (MFX) is an initiative to help manage currency risk in the microfinance sector. The Company funded \$10,000 in pre-operational capital and made additional equity investments of \$75,000 in 2009. The Company also enters into agreements with MFX from time to time to manage the fluctuation of foreign currency values related to loans denominated in foreign currency to reduce its currency risk that the value of the loans repayments would be less than the original loan amount. MFX acts as a counterparty to provide hedging services for these loans. As of December 31, 2020, 2019 and 2018, the Company had foreign currency loans valued at a USD equivalent of \$15,308,121, \$20,464,052 and \$32,937,846, respectively.

## Calvert Impact Capital, Inc.

### Notes to Consolidated Financial Statements (Continued)

#### **Note L - Related Party Transactions (Continued)**

In August 2017, the Company and MFX Solutions entered into an Additional Access agreement in which Calvert provided collateral of \$400,000 to MFX in order to raise the limit on hedging exposures. In February 2018, the Company increased the collateral amount to MFX in the amount of \$200,000.

#### **Note M - Accounting For Derivatives**

The Company is exposed to certain risks relating to its ongoing business operations. The Company utilizes derivative instruments, such as foreign currency exchange contracts and cross-currency interest rate swaps, as hedging instruments of its foreign currency denominated assets. A derivative instrument refers to an investment whose value is “derived” from the value of an underlying asset, reference rate or index. The Company uses derivative instruments to attempt to protect against possible changes in the foreign currency exposures. These derivatives are designated by management as fair value hedging. The Company does not enter into derivative transactions for other purposes.

The Company accounts for derivative instruments in accordance with GAAP. GAAP requires an entity to recognize all derivatives as either assets or liabilities in the statements of financial position and to measure those instruments at fair value. The derivative instruments are marked-to-market with the change in value recorded in the accompanying statements of activities in change in fair value of foreign currency denominated loans.

The Company attempts to minimize credit risk by limiting hedging activities to a third-party hedging counterparty. See further disclosure on the hedge party in Note L of the related party disclosures. The Company’s derivative liability as of December 31, 2020, 2019 and 2018 is classified as a Level 2 fair value measurement based on observable foreign currency exchange rates.

Calvert Impact Capital, Inc.

Notes to Consolidated Financial Statements (Continued)

**Note M - Accounting For Derivatives (Continued)**

The Company's foreign currency exchange contracts and cross-currency interest rate swaps are subject to master netting arrangements and have been presented as a single amount on a net basis within the accompanying statements of financial position. The Company's U.S. dollar fair value of foreign currency exchange contracts and cross-currency interest rate swaps, net as of December 31, 2020, 2019 and 2018 consist of the following:

| Asset Derivatives                         | 2020           | 2019           | 2018           |
|---|----------------|----------------|----------------|
| Colombia pesos                            | \$ -           | \$ 220,523     | \$ 293,081     |
| Mexican pesos                             | 184,632        | -              | 161,429        |
| Total asset derivatives at fair value     | \$ 184,632     | \$ 220,523     | \$ 454,510     |
| Liability Derivatives                     | 2020           | 2019           | 2018           |
| Indian rupees                             | (894,773)      | (952,442)      | (1,771,686)    |
| Mexican pesos                             | (169,980)      | (478,994)      | (114,897)      |
| Total liability derivatives at fair value | \$ (1,064,753) | \$ (1,431,436) | \$ (1,886,583) |
| Net liability derivatives at fair value   | \$ (880,121)   | \$ (1,210,913) | \$ (1,432,073) |