JohnsonLambert LLP
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Calvert Impact Capital, Inc.

Consolidated Financial Statements

Years ended December 31, 2018, 2017 and 2016
with Report of Independent Auditors

Calvert Impact Capital, Inc.

Consolidated Financial Statements

Years ended December 31, 2018, 2017 and 2016

Contents

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, 2018, 2017 and 2016, the related consolidated statements of activities, and cash flows for the years then ended, and the consolidated statement of functional expenses for the year ended December 31, 2018, 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, 2018, 2017, and 2016 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.

Johnson Lambert LLP

Vienna, Virginia
March 28, 2019

Calvert Impact Capital, Inc.

Consolidated Statements of Financial Position

	December 31, 2018	2017	2016
Assets			
Cash and cash equivalents	$ 62,793,173	$ 66,598,757	$ 52,915,552
Certificates of deposit	8,000,000	13,800,000	8,450,000
Investments, at fair value	3,092,943	6,134,921	1,806,745
Portfolio related investments:			
Loans receivable, net	342,063,384	311,646,716	281,280,254
Portfolio investments, at fair value	52,264,178	36,618,400	24,807,052
Interest and fees receivable	2,267,393	1,972,287	2,316,807
Other receivables	2,458,128	2,723,203	1,083,695
Other assets	1,492,056	1,195,787	780,839
Furniture, equipment and software, net of accumulated depreciation of $1,038,210, $859,380, $1,316,923, respectively	1,239,462	702,193	595,172
Total assets	$ 475,670,717	$ 441,392,264	$ 374,036,116
Liabilities and net assets			
Liabilities:			
Accrued interest payable	$ 3,686,702	$ 2,766,748	$ 2,041,762
Accounts payable and accrued expenses	1,568,861	1,637,681	1,114,867
Community Investment Notes payable (the Notes)	410,102,873	379,616,193	321,871,508
Subordinated loans payable	9,169,525	9,842,400	10,060,000
Refundable and recoverable grants	418,800	400,000	250,000
Fair value of foreign currency exchange contracts and cross-currency interest rate swaps, net	1,432,073	3,119,148	1,113,703
Total liabilities	426,378,834	397,382,170	336,451,840
Net assets without donor restrictions:			
Undesignated	22,596,922	17,627,427	14,309,013
Board designated – Cassiopeia Initiative	714,286	-	-
Non-controlling interests	25,012,704	24,759,972	21,093,909
Total net assets without donor restrictions	48,323,912	42,387,399	35,402,922
Total net assets with donor restrictions	967,971	1,622,695	2,181,354
Total net assets	49,291,883	44,010,094	37,584,276
Total liabilities and net assets	$ 475,670,717	$ 441,392,264	$ 374,036,116

See accompanying notes to the consolidated financial statements.

Calvert Impact Capital, Inc.

Consolidated Statements of Activities

	Years ended December 31, 2018	2017	2016
Change in net assets without donor restrictions			
Support:			
Contributions	$ 132,580	$ 488,426	$ 4,092,365
Grants	477,860	382,500	1,333,176
Total support	610,440	870,926	5,425,541
Revenue:			
Portfolio revenue			
Portfolio investment revenue	15,122,946	12,730,779	10,761,011
Change in fair value of investments	2,190,971	2,317,261	854,068
Portfolio fee revenue	2,428,591	1,625,983	1,261,607
Change in fair value of foreign currency denominated loans	(1,770,883)	834,855	(189,175)
Change in fair value of derivatives	1,687,075	(2,053,098)	(1,113,704)
Interest and dividend income	1,316,462	756,193	374,122
Other revenue	163,239	152,124	352,513
Total revenue	21,138,401	16,364,097	12,300,442
Net assets released from restriction:			
Satisfaction of program restrictions	1,144,724	2,002,344	723,388
Total support and revenue	22,893,565	19,237,367	18,449,371
Expenses:			
Program services	12,893,876	12,756,521	16,191,227
Support services:			
Management and general	2,301,185	1,581,511	1,615,612
Fundraising	1,201,084	343,273	385,381
Total expenses	16,396,145	14,681,305	18,192,220
Change in net assets without donor restrictions before non-operating items	6,497,420	4,556,062	257,151
Sale of non-controlling interest in FPIF	-	-	1,000,000
(Purchase)/sale of non-controlling interest in IAOF	-	(128,574)	123,810
(Purchase)/Sale of non-controlling interest in E4I	(76,042)	3,680,625	3,750,000
(Purchase)/sale of non-controlling interest in IAFG	(484,865)	(460,296)	15,000,000
Transfer to ImpactAssets, Inc.	-	(663,341)	(14,272,839)
Change in net assets without donor restrictions	5,936,513	6,984,476	5,858,122
Changes in net assets with donor restrictions			
Contributions and grants	490,000	1,443,686	2,063,358
Net assets released from restriction	(1,144,724)	(2,002,344)	(723,388)
Total change in net assets with donor restrictions	(654,724)	(558,658)	1,339,970
Change in net assets	5,281,789	6,425,818	7,198,092
Net assets at beginning of period	44,010,094	37,584,276	30,386,184
Net assets at end of period	$ 49,291,883	$ 44,010,094	$ 37,584,276

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			
	Investments	Notes	Syndication	SPV's	Total	Management and General	Fund Raising	Total Support Services	2018 Total
Expenses									
Total employee compensation	$ 2,384,301	$ 847,170	$ 213,766	$ -	$ 3,445,237	$ 1,521,351	$ 664,117	$ 2,185,468	$ 5,630,705
Other expenses									
Interest expense	282,328	7,460,043	-	-	7,742,371	-	-	-	7,742,371
Grant expense	16,429	4,929	821	-	22,179	5,750	138,286	144,036	166,215
Consultants	57,981	21,234	70,152	-	149,367	17,773	134,636	152,409	301,776
Occupancy	321,044	96,313	16,052	-	433,409	112,365	64,209	176,574	609,983
Provision for loan losses	30,879	-	-	(85,587)	(54,708)	-	-	-	(54,708)
Depreciation	94,121	28,236	4,706	-	127,063	32,942	18,824	51,766	178,829
Professional fees	57,072	6,302	1,050	64,230	128,654	322,262	6,521	328,783	457,437
Equipment and software	148,194	44,920	21,007	-	214,121	51,846	30,661	82,507	296,628
Taxes	99,000	-	-	8,284	107,284	3,119	-	3,119	110,403
Travel	69,725	45,479	8,927	-	124,131	103,960	61,196	165,156	289,287
Conferences	12,812	6,330	5,889	-	25,031	9,097	5,882	14,979	40,010
Supplies	2,413	1,024	-	-	3,437	15,690	16,219	31,909	35,346
Dues and subscriptions	59,040	11,481	5,516	-	76,037	16,068	19,093	35,161	111,198
Miscellaneous	(15,099)	(500)	(703)	-	(16,302)	(4,009)	27,101	23,092	6,790
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	-	21,367	-	-	21,367	1,513	14,339	15,852	37,219
Total other expenses	1,243,804	8,073,973	138,669	(7,807)	9,448,639	779,834	536,967	1,316,801	10,765,440
Total	$ 3,628,105	$ 8,921,143	$ 352,435	$ (7,807)	$ 12,893,876	$ 2,301,185	$ 1,201,084	$ 3,502,269	$ 16,396,145

See accompanying notes to the consolidated financial statements.

Calvert Impact Capital, Inc.

Consolidated Statements of Cash Flows

	Years ended December 31,		
	2018	2017	2016
Cash flows from operating activities			
Change in net assets	$ 5,281,789	$ 6,425,818	$ 7,198,092
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:			
Depreciation	178,830	378,436	357,274
Net change in fair value of investments	(2,239,590)	(2,317,261)	(854,068)
Net change in fair value of derivatives	(1,687,075)	2,005,445	1,113,703
Net change in provision for loan losses	(54,707)	163,792	1,910,509
Non-cash capital contribution to IAFG	-	-	(15,000,000)
Transfer of investments and Notes to ImpactAssets, Inc.	172,895	237,630	10,841,715
Donated stock and non-cash contributions	-	(299,399)	(3,000,000)
Proceeds from sale of interests in Partnerships, net	-	(3,091,755)	(4,873,810)
Distributions paid to Partnerships	560,907	-	-
Changes in operating assets and liabilities:			
Other receivables	909,869	(1,454,584)	1,031,899
Interest and fees receivable	(295,106)	344,520	(685,319)
Other assets	(296,269)	(414,948)	155,175
Accounts payable and accrued expenses	(68,820)	522,814	455,301
Accrued interest payable	919,954	724,986	(98,843)
Net cash provided by/(used in) operating activities	3,382,677	3,255,494	(1,488,372)
Cash flows from investing activities			
Cost of investments acquired	(21,590,690)	(30,069,381)	(2,657,939)
Proceeds from sale or maturity of investments	16,853,580	9,251,745	8,492,632
Loans issued	(93,501,733)	(75,827,998)	(101,301,070)
Repayments of loans	63,139,774	47,004,885	36,680,283
Purchases of furniture, equipment and software	(716,098)	(485,457)	(93,348)
Net cash used in investing activities	(35,815,167)	(50,126,206)	(58,879,442)
Cash flows from financing activities			
Increase in subordinated loans payable	108,800	500,000	200,000
Subordinated loan repayments	(762,875)	(567,600)	-
Cash received from sale of interests in Partnerships	-	3,680,625	4,873,810
Repurchases/distributions of interests in Partnerships	(560,907)	(588,870)	-
Proceeds from issuance of the Notes	91,349,071	127,414,852	181,560,485
Repayments of the Notes	(61,507,183)	(69,855,092)	(114,060,108)
Net cash provided by financing activities	28,626,906	60,583,915	72,574,187
Net change in cash and cash equivalents	(3,805,584)	13,683,205	12,246,373
Cash and cash equivalents, beginning of year	66,598,757	52,915,552	40,669,179
Net cash and cash equivalents, end of period	$ 62,793,173	$ 66,598,757	$ 52,915,552
Supplemental disclosures of cash flow information			
Interest paid	$ 6,822,417	$ 5,497,534	$ 4,809,540
Non-cash activities			
Transfer of investments and Notes to ImpactAssets, Inc.	$ 172,895	$ 217,630	$ 10,841,715

See accompanying notes to the consolidated financial statements.

Note A - Organization

Calvert Impact Capital, Inc. (the Company, formally known as Calvert Social Investment Foundation) was formed in l988 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 funds 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 Company to fuel socially responsible small business growth in Latin America and the Caribbean.

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, of which $3,750,000 was contributed in 2016 and $3,750,000 was contributed in 2017. 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 Calvert suffer significant losses over the twelve-year life of E4I.

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 Calvert 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. The Calvert Giving Fund (CGF) was a donor-advised program whereby donors made irrevocable donations to the Company.

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.

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. For example, board designated net assets were set aside by the Board of Directors in the past for the Calvert Giving Fund. 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 subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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. Management has concluded that the Company has properly maintained its exempt status and that there are no uncertain tax positions as of December 31, 2018. There are currently no examinations being conducted. CIP, Inc. has generated net operating losses (NOL) through December 31, 2018, 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.

Note B - Summary of Significant Accounting Policies (Continued)

Subsequent Events
The Company has evaluated subsequent events through March 28, 2019, 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.

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
The Company generally carries its investments at fair value and reports gains and losses in the consolidated statements of activities. Accounting standards have established 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.

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.

Note B - Summary of Significant Accounting Policies (Continued)

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. The Company recognizes transfers between levels of the fair value hierarchy at the end of the period in which events impacting the availability of inputs to the fair value methodology occur.

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, 2018 earn interest at rates ranging from 2.05 % to 2.5% and have maturities ranging from January 2019 through May 2019. 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.

Allowance for Losses
The Company has established an allowance for 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 implements 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;

Note B - Summary of Significant Accounting Policies (Continued)

(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 has established a policy for loans placed on non-accrual status. 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.

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, 2018, 2017, and 2016 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 currently 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, 2018, 2017, and 2016 is classified as a Level 2 fair value measurement based on observable foreign currency exchange rates. As of December 31, 2018, 2017, and 2016, the aggregate carrying amount of the hedged assets was $32,937,846, $31,888,568, and $19,264,799, 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 statements 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.

Note B - Summary of Significant Accounting Policies (Continued)

Contributions and Grants
All contributions and grants are considered to be without donor restrictions unless specifically restricted by the donor or grantor. Amounts received that are designated for future periods or restricted by the donor or grantor for specific purposes are reported as assets with donor restrictions. Amounts received that are restricted by the donor or grantor for specific purposes are reported as assets without donor restrictions if expenses exceed contributions for the related purpose. When a restriction of a temporary nature expires or has been satisfied, 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 restriction.

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 statement of functional expense 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. These items are allocated on the basis on headcount of each cost center.

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 $249,996 are still in the process of being transferred as of December 31, 2018. The total amount transferred to ImpactAssets was comprised of the following for the years ended December 31:

	2018	2017	2016
Cash and cash equivalents	$ -	$ -	$ 3,431,124
Common stock and other equity securities, fair value	172,985	237,630	7,707,578
Community investment notes	-	-	3,134,137
	$ 172,985	$ 237,630	$ 14,272,839

Note B - Summary of Significant Accounting Policies (Continued)

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

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, 2018:

Cash and cash equivalents	$ 62,793,173
Accounts and interest receivable	2,267,393
Contributions receivable	2,458,128
Loans receivable	73,732,516
Short-term investments	10,842,948
Long-term investments appropriated for current use	25,643,527
Financial assets available to meet cash needs for general expenditures within one year	$ 177,737,684

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, Calvert Impact Capital could draw upon the $5 million available line of credit. 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 organization.

Note C - Liquidity and Availability (Continued)

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 statement of cash flows which identifies the sources and uses of the Company's cash and shows positive cash generated by operations for fiscal years 2018 and 2017.

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:

2018	Level 1	Level 2	Total
Common stock	$ -	$ -	$ -
Mutual funds:			
Equity mutual funds	-	-	-
Fixed-income funds	528,168		528,168
Fixed income securities	-	2,564,775	2,564,775
Total investments in hierarchy	$ 528,168	$ 2,564,775	3,092,943
Alternative investment funds at net asset value			52,264,178
Total investments held at fair value			$55,357,121

2017	Level 1	Level 2	Total
Common stock	$ 41,250	$ -	$ 41,250
Mutual funds:			
Equity mutual funds	-	-	-
Fixed-income funds	5,104,660	-	5,104,660
Fixed income securities	-	989,011	989,011
Total investments in hierarchy	$ 5,145,910	$ 989,011	6,134,921
Alternative investment funds at net asset value			36,618,400
Total investments held at fair value			$42,753,321

2016	Level 1	Level 2	Total
Common stock	$ 33,000	$ -	$ 33,000
Mutual funds:			
Fixed-income mutual funds	1,113,225	-	1,113,225
Fixed income securities	-	660,520	660,520
Total investments in hierarchy	$ 1,146,225	$ 660,520	1,806,745
Alternative investment funds at net asset value			24,807,052
Total investments held at fair value			$26,613,797

Note D - Investment and Fair Value Measurement (Continued)

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 2018, the Company has an outstanding capital commitment of $9,577,817 for the Company's investments in these alternative investment funds.

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, 2018, 2017, and 2016, no adjustments were made to the valuations provided by the underlying private investment companies.

During 2018, 2017, and 2016, 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.

Note D - Investment and Fair Value Measurement (Continued)

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.

During 2018, 2017, and 2016, there were no transfers between the levels of the fair value hierarchy.

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 2.3% or more of loans outstanding as of December 31, 2018:

Borrower	Total Outstanding	% of Total Loans Outstanding
ARC Chicago LLC	$ 46,122,673	13.26%
African Local Currency Bond Fund	10,000,000	2.87%
Eco-Business Fund, S.A.	10,000,000	2.87%
SANAD Fund for MSME	10,000,000	2.87%
Boston Community Loan Fund-Blue Hub	8,300,000	2.39%
Preservation of Affordable Housing	8,000,000	2.30%
Clearinghouse CDFI	8,000,000	2.30%
Local Initiatives Support Corporation	8,000,000	2.30%
Total	$108,422,673	31.16%

Note E - Loans Receivable (Continued)

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.

The following table summarizes the domestic and international loans outstanding, on a gross basis, as of December 31, 2018 based upon the geography in which the borrower conducts its operations:

	Total Outstanding	% of Total Loans Outstanding
Domestic	$ 238,714,674	69%
International	109,196,299	31%
Total	$ 347,910,973	100%

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	2018	2017	2016
Classified loans with specific loan loss allowance	$ -	$ 129,000	$ 168,715
General loans	224,425,425	211,459,811	225,151,589
Loans with credit enhancements	123,485,548	105,960,201	61,698,454
Allowance for loan losses	(5,847,589)	(5,902,296)	(5,738,504)
Total loans receivable, net	$ 342,063,384	$ 311,646,716	$ 281,280,254

As of December 31, 2018, 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:

	2018	2017	2016
Cash collateral	$ 576,676	$ 645,576	$ 648,098
Third and Related party guarantees	56,903,379	65,191,570	47,012,838
Total	$ 57,480,055	$ 65,837,146	$ 47,660,936

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 Allowance	General Allowance	Credit Enhancements	Total
Balance as of January 1, 2016	$ 1,192,795	$ 4,443,913	$ 214,040	$ 5,850,748
Loans written off during the year	(2,015,629)	(7,125)	-	(2,022,754)
Net change in provision for loan loss allowance	831,269	280,717	798,523	1,910,509
Balance as of December 31, 2016	8,435	4,717,505	1,012,563	5,738,504
Loans written off during the year	-	-	-	-
Net change in provision for loan loss allowance	4,464	(775,043)	934,371	163,792
Balance as of December 31, 2017	12,899	3,942,462	1,946,934	5,902,296
Loans written off during the year				
Net change in provision for loan loss allowance	(12,899)	(3,131)	(38,676)	(54,707)
Balance as of December 31, 2018	$ -	$ 3,939,331	$ 1,908,258	$ 5,847,589

Note F - Community Investment Notes 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. In 2014, the Company started issuing 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.

Note F - Community Investment Notes 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, 2018, 2017, and 2016 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 (see Note F).

At December 31, 2018, the top 10 Note holders held Notes representing $160,312,373 or 39.1% of the total Notes payable balance.

Maturities by year are as follows:

2019	$ 145,806,429
2020	60,305,432
2021	55,829,007
2022	35,739,433
2023	36,853,642
Thereafter	75,568,930
Total	$ 410,102,873

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.

Note F - Community Investment Notes Payable (Continued)

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

Organization	2018 Principal Amount	2017 Principal Amount	2016 Principal Amount
Junior Subordinated Loans			
Wells Fargo	$ 1,500,000	$ 1,500,000	$ 1,500,000
Calvert Investment Administrative Services, Inc.	1,000,000	1,000,000	1,000,000
The Columbia Bank	1,000,000	1,000,000	1,000,000
PNC Community Development Company	1,000,000	1,000,000	1,000,000
Deutsche Bank	1,000,000	1,000,000	500,000
The Colorado Health Foundation	750,000	750,000	750,000
Private individual	500,000	500,000	750,000
The Piton Foundation	577,125	1,250,000	1,250,000
The Colorado Health Trust	492,400	492,400	800,000
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
Fidelity Charitable Trust	-	-	150,000
Meredith Lorraine Meyercord Trust	200,000	200,000	200,000
Women's Foundation of Minnesota	100,000	100,000	100,000
Bank of America	-	-	10,000
Total junior subordinated loans payable	$ 9,169,525	$ 9,842,400	$ 10,060,000

Maturities as of December 31, 2018 are:

2019	$ 2,000,000
2020	1,800,000
2021	1,550,000
2022	200,000
2023	100,000
Thereafter	3,519,525
Total	$ 9,169,525

In 2016, The MacArthur Foundation forgave their $2,500,000 subordinated loan to the Company. This loan forgiveness was recognized as contribution income.

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, 2018, 2017, and 2016 the Company was in compliance with all its debt covenants.

Note G - Line of Credit

In May, 2017 the Company entered into a revolving credit facility with Prudential Impact Investments, Private Debt, LLC for a $5,000,000 line of credit. As of December 31, 2018, no funds had been drawn on this facility.

Note H - Refundable and Recoverable Grants

The Company occasionally receives recoverable grants to support the funding of specific loans (or portfolios of loans). These recoverable grants are required to be repaid, in whole or in part, to the grantor at their maturity, if the loans they are supporting do not directly cause the Company to suffer any losses. To the extent the Company has suffered a loss on the relevant loans, an equal portion of the recoverable grant would be forgiven at maturity and would be recorded by the Company as a contribution without donor restriction at that time. Because the amount of forgiveness will not be determined until the time of maturity, the Company reflects refundable grants as liabilities in the consolidated statements of financial position.

On June 1, 2009, the Company received a recoverable grant from the Ford Foundation in the amount of $500,000. This grant was issued to provide support to capitalize a loan loss reserve fund for the affordable housing portfolio in order to mitigate increased levels of risk associated with affordable housing. The grant funds were available over a seven year period. In 2016, this grant was forgiven and recognized as contribution income.

On February 2, 2015, the Company received a recoverable grant from Capital Impact Partners in the amount of $250,000. This grant was issued to provide support in the event that principal and/or interest were not paid when due under a $5,000,000 loan commitment to the Woodward Corridor Investment Fund, LLC. The grant funds are available until January 2, 2035, or the earlier repayment of the loan.

In February 2017, Fidelity Charitable Trust converted their $150,000 subordinated loan into a recoverable grant to support a particular loan, the Paridigm Project., which has a current balance of $39,000 as of December 31, 2018. Repayments of $90,000 were made to Fidelity per the payment schedule and will continue as the underlying loan is repaid. The Company will pay 1.25% interest on the amount of the grant returned to Fidelity.

In January 2018, the Company entered into a three year recoverable grant from Fidelity Charitable in which Fidelity will, from time to time, make recoverable grants to support the Company's own programs in impact investing including mission driven lending activities. These recoverable grants will pay interest of .5% per year and will auto renew for another three years unless Fidelity opts out. As of December 31, 2018, $108,800 had been received from this grant.

Note I - Special Purpose Vehicles

As described in Note A, the Company formed four Partnerships between 2015 and 2016. AARP and IDB contributed capital of $1,000,000 and $642,857, respectively, for non-controlling, limited partner interests during the year ended December 31, 2015. In 2016, AARP and IDB contributed additional capital of $1,000,000 and $123,810, respectively. ImpactAssets contributed $15,000,000 to IAFG for non-controlling limited partner interests in 2016. The Ford Foundation and MacArthur Foundation contributed $3,750,000, in total, for non-controlling, limited partner interests in E4I in 2016, and a further net amount of $3,680,625 in 2017. The Partnerships returned capital of $560,907 during 2018 and $588,870 in 2017. The changes in consolidated net assets without donor restrictions for the year ended December 31, 2018 are presented in the following table:

	Total	Controlling Interest	Non-controlling interest
Net assets without donor restrictions, January 1, 2016	$ 29,544,800	$ 28,071,915	$ 1,472,885
Change in net assets before non-operating items	257,151	509,937	(252,786)
Sale of non-controlling interest in Partnerships	19,873,810	-	19,873,810
Transfer to ImpactAssets	(14,272,839)	(14,272,839)	-
Change in net assets without donor restrictions	5,858,122	(13,762,902)	19,621,024
Net assets without donor restrictions, December 31, 2016	35,402,922	14,309,013	21,093,909
Change in net assets before non-operating items	4,556,062	3,981,754	574,308
Sale of non-controlling interest in Partnerships	3,680,625	-	3,680,625
Repurchases of interests in Partnerships	(588,870)	-	(588,870)
Transfer to ImpactAssets	(663,341)	(663,341)	-
Change in net assets without donor restrictions	6,984,475	3,318,414	3,666,063
Net assets without donor restrictions, December 31, 2017	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
Sale of non-controlling interest in Partnerships	-	-	-
Repurchases of interests in Partnerships	(560,907)	-	(560,907)
Transfer to ImpactAssets	-	-	-
Change in net assets without donor restrictions	5,936,513	5,683,781	252,832
Net assets without donor restrictions, December 31, 2018	$ 48,323,912	$ 23,311,208	$ 25,012,704

Note J - 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 are expected to mature over the next 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, 2018, Calvert has received $1,238,184 from this Initiative, and has a remaining receivable of $55,501 which has been discounted for the expected fair value of the future cash flows.

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

	2018	2017	2016
Subject to specified purpose	$ 780,400	$ 1,435,124	$ 1,993,783
Subject to perpetuity	187,571	187,571	187,571
Total net assets with donor restrictions	$ 967,971	$ 1,622,695	$ 2,183,354

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:

	2018	2017	2016
Subject to specified purpose	$ 1,144,724	$ 2,002,344	$ 723,388
Total net assets released with donor restrictions	$ 1,144,724	$ 2,002,344	$ 723,388

Note K - 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% to 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 $288,623, $245,727, and $220,906 for the years ending December 31, 2018, 2017 and 2016, respectively.

Note L - Future Minimum Lease Payments and Rentals

In 2011, the Company entered into a lease agreement for office space commencing January 1, 2012 and terminating December 31, 2020. The lease prescribes price per square foot increases and grants a rent abatement. In 2013, the Company entered into an agreement for additional office space commencing February 1, 2013 and terminating December 31, 2020. The lease prescribes per square foot increases. In addition, during 2013, the Company entered into a sublease agreement to lease a portion of its office space. This sublease commenced December 1, 2013 and terminates September 30, 2019. The lease prescribes price per square foot increases and grants a rent abatement.

Future minimum rental payments under the operating leases and sublease as described above at December 31, 2018, are as follows:

	Leases	Sublease	Net
2019	$ 652,642	$ (102,168)	$ 550,474
2020	670,925	-	670,925
	$ 1,323,567	$ (102,168)	$ 1,221,399

Note M - 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.

The Company and ImpactAssets also had a combined agreement to provide IT and Facilities services, Giving Fund accounting and administration services, which terminated in 2016. The Company paid ImpactAssets $0, $0 and $104,384 for the net amount of these services in 2018, 2017, and 2016, respectively.

In addition to the $15,000,000 Community Investment Notes that ImpactAssets contributed to IAFG as referenced in Note A, ImpactAssets also holds $19,914,987 in Community Investment Notes as of December 31, 2018.

Calvert Research and Management, formerly Calvert Investments, holds the licensing agreement to the Calvert name and holds $34,590,911 in Community Investment Notes as of December 31, 2018. Additionally, upon meeting certain stipulations, Calvert Research and Management will grant Calvert Impact Capital up to $1 million over the course of 2018 – 2023.

Note M - Related Party Transactions (Continued)

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, 2018, 2017, and 2016, the Company had foreign currency loans valued at a USD equivalent of $32,937,846, $31,888,568, and $19,264,798 respectively.

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 N – 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 disclose on the hedge party in Note N of the related party disclosures. The Company currently 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, 2018, 2017, and 2016 is classified as a Level 2 fair value measurement based on observable foreign currency exchange rates.

Note N - 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, 2018, 2017 and 2016 consist of the following:

Asset Derivatives	2018	2017	2016
Colombia pesos	$ 293,081	$ -	$ -
Indian rupees	-	-	-
Mexican pesos	161,429	140,853	-
Total asset derivatives at fair value	$ 454,510	$ 140,853	$ -

Liability Derivatives	2018	2017	2016
Colombia pesos	$ -	$ (307,323)	$ -
Indian rupees	(1,771,686)	(2,952,678)	(1,113,703)
Mexican pesos	(114,897)	-	-
Total liability derivatives at fair value	$ (1,886,583)	$ (3,260,001)	$ (1,113,703)
Net liability derivatives at fair value	$ (1,432,073)	$ (3,119,148)	$ (1,113,703)