

Calvert Impact Capital, Inc.

Consolidated Financial Statements

*Years ended December 31, 2022, 2021 and 2020  
with Report of Independent Auditors*

Calvert Impact Capital, Inc.

Consolidated Financial Statements

Years ended December 31, 2022, 2021 and 2020

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## Report of Independent Auditors

Board of Directors  
Calvert Impact Capital, Inc.

### ***Opinion***

We have audited the consolidated financial statements of Calvert Impact Capital, Inc. (the Company), which comprise the consolidated statements of financial position as of December 31, 2022, 2021 and 2020, and 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

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

### ***Responsibilities of Management for the Financial Statements***

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

A handwritten signature in black ink that reads "Johnson Lambert LLP". The signature is written in a cursive, flowing style with large loops and a long tail on the "L".

Vienna, Virginia  
March 28, 2023

## Calvert Impact Capital, Inc.

### Consolidated Statements of Financial Position

	2022	December 31, 2021	2020
<b>Assets</b>			
Cash and cash equivalents	\$ 108,338,725	\$ 149,845,496	\$ 167,466,548
Certificates of deposit	2,000,000	6,000,000	11,000,000
Investments, at fair value	34,291,585	20,336,165	17,916,320
Portfolio related investments:			
Loans receivable, net	383,816,693	400,815,427	351,544,086
Portfolio investments, at fair value	116,961,233	92,214,334	54,939,181
Interest and fees receivable	2,045,505	1,903,231	1,487,002
Other receivables	7,044,053	5,350,955	6,945,336
Other assets	4,393,692	2,303,354	2,649,574
Furniture, equipment and software, net of accumulated depreciation of \$1,644,822, \$1,188,594 and \$1,715,674, respectively	1,314,587	1,740,882	940,615
<b>Total assets</b>	<b>\$ 660,206,073</b>	<b>\$ 680,509,844</b>	<b>\$ 614,888,662</b>
<b>Liabilities and net assets</b>			
<b>Liabilities:</b>			
Accrued interest payable	\$ 6,398,372	\$ 6,410,253	\$ 5,636,183
Accounts payable and accrued expenses	7,532,908	2,119,126	1,457,636
Community Investment			
Notes payable (the Notes)	556,510,674	593,496,911	532,342,148
Subordinated loans payable	25,350,000	20,350,000	18,169,525
Fair value of foreign currency exchange contracts and cross-currency interest rate swaps, net	298,474	(10,883)	880,121
Other liabilities	3,691,252	12,300	12,300
<b>Total liabilities</b>	<b>599,781,680</b>	<b>622,377,707</b>	<b>558,497,913</b>
<b>Net assets without donor restrictions:</b>			
Undesignated	36,552,162	34,285,516	29,756,507
Board designated – Cassiopeia Initiative	-	-	714,286
Non-controlling interests	23,684,660	23,659,050	24,752,159
<b>Total net assets without donor restrictions</b>	<b>60,236,822</b>	<b>57,944,566</b>	<b>55,222,952</b>
<b>Total net assets with donor restrictions</b>	<b>187,571</b>	<b>187,571</b>	<b>1,167,797</b>
<b>Total net assets</b>	<b>60,424,393</b>	<b>58,132,137</b>	<b>56,390,749</b>
<b>Total liabilities and net assets</b>	<b>\$ 660,206,073</b>	<b>\$ 680,509,844</b>	<b>\$ 614,888,662</b>

*See accompanying notes to the consolidated financial statements.*

Calvert Impact Capital, Inc.

Consolidated Statements of Activities

	Years ended December 31,		
	2022	2021	2020
<b>Change in net assets without donor restrictions</b>			
Support:			
Contributions	\$ 86,430	\$ 309,896	\$ 236,746
Grants	4,305,000	290,000	1,747,000
Total support	4,391,430	599,896	1,983,746
Revenue:			
Portfolio revenue			
Portfolio investment revenue	18,898,689	17,148,719	16,959,547
Change in fair value of investments	4,610,585	4,924,730	2,178,037
Portfolio fee revenue	3,117,916	3,625,766	2,746,752
Change in fair value of foreign currency denominated loans	(74,952)	570,302	(353,855)
Change in fair value of derivatives	(309,357)	891,005	330,792
Interest and dividend income	2,208,855	237,891	731,470
Other revenue	5,371	-	63,381
Total revenue	28,457,107	27,398,413	22,656,124
Net assets released from restriction:			
Satisfaction of program restrictions	559,590	1,316,378	148,089
Total support and revenue	33,408,127	29,314,687	24,787,959
Expenses:			
Program services	27,860,299	22,669,106	21,196,330
Support services:			
Management and general	2,334,161	1,728,832	1,622,291
Fundraising	359,481	518,307	428,855
Total expenses	30,553,941	24,916,245	23,247,476
Change in net assets without donor restrictions before non-operating items	2,854,186	4,398,442	1,540,483
(Redemption) of non-controlling interest in IAOF	-	-	(131,672)
(Redemption) of non-controlling interest in FPIF	-	(1,114,247)	-
(Redemption) of non-controlling interest in E4I	(76,041)	(76,041)	(76,250)
(Redemption) of non-controlling interest in IAFG	(485,889)	(486,540)	(485,074)
Change in net assets without donor restrictions	2,292,256	2,721,614	847,487
<b>Changes in net assets with donor restrictions</b>			
Contributions and grants	559,590	336,151	310,270
Net assets released from restriction	(559,590)	(1,316,378)	(148,089)
Total change in net assets with donor restrictions	-	(980,227)	162,181
Change in net assets	2,292,256	1,741,388	1,009,668
Net assets at beginning of period	58,132,137	56,390,749	55,381,081
Net assets at end of period	\$ 60,424,393	\$ 58,132,137	\$ 56,390,749

See accompanying notes to the consolidated financial statements.

Calvert Impact Capital, Inc.

Consolidated Statement of Functional Expenses

Year Ended December 31, 2022

	Program Services				Total	Support Services		Total Support Services	2022 Total
	Investments	Notes	Syndication	Other		Management and General	Fundraising		
Total employee compensation	\$ 3,415,402	\$ 1,042,016	\$ 512,018	\$ 552,527	\$ 5,521,963	\$ 994,880	\$ 312,429	\$ 1,307,309	\$ 6,829,272
Other expenses									
Interest expenses	13,109	11,439,776	-	-	11,452,885	391,257	-	391,257	11,844,142
Grant expense	-	97,949	-	3,461,740	3,559,689	-	-	-	3,559,689
Consultants	209,842	62,277	154,132	249,523	675,774	46,402	7,327	53,729	729,503
Occupancy	171,020	53,509	36,722	28,328	289,579	39,870	6,295	46,165	335,744
Provision for loan losses	4,251,727	-	-	(43,316)	4,208,411	-	-	-	4,208,411
Depreciation	232,392	72,711	49,900	38,494	393,497	54,177	8,554	62,731	456,228
Professional fees	27,558	7,966	5,581	121,186	162,291	486,610	1,620	488,230	650,521
Equipment and software	179,602	56,723	59,165	46,046	341,536	41,870	6,611	48,481	390,017
Taxes	-	-	-	4,480	4,480	55,976	-	55,976	60,456
Travel	38,842	34,066	7,985	30,790	111,682	36,419	7,178	43,597	155,280
Conferences	8,289	12,120	188	2,716	23,313	2,370	375	2,745	26,058
Supplies	19,459	6,117	4,147	6,421	36,144	11,155	924	12,079	48,223
Dues and subscriptions	53,411	8,662	3,414	73,899	139,386	15,515	5,755	21,270	160,656
Miscellaneous	3,141	4,137	1,546	13,472	22,296	7,179	2,405	9,584	31,880
Bank charges	15,146	26,235	4,258	2,318	47,957	20,588	-	20,588	68,545
Commissions	112,411	746,114	-	-	858,525	-	-	-	858,525
Registration fees	-	-	-	1,310	1,310	31,019	-	31,019	32,329
Insurance	203	63	44	33	343	98,874	8	98,882	99,225
Marketing	-	6,687	750	1,800	9,237	-	-	-	9,237
Total other expenses	5,336,152	12,635,112	327,832	4,039,240	22,338,336	1,339,281	47,052	1,386,333	23,724,669
Total	\$ 8,751,554	\$ 13,677,128	\$ 839,850	\$ 4,591,767	\$ 27,860,299	\$ 2,334,161	\$ 359,481	\$ 2,693,642	\$ 30,553,941

See accompanying notes to the consolidated financial statements.

Calvert Impact Capital, Inc.

Consolidated Statement of Functional Expenses

Year Ended December 31, 2021

	Program Services				Total	Support Services		Total Support Services	2021 Total
	Investments	Notes	Syndication	Other		Management and General	Fundraising		
Total employee compensation	\$ 3,473,845	\$ 888,362	\$ 589,243	\$ 563,990	\$ 5,515,440	\$ 1,020,849	\$ 310,925	\$ 1,331,774	\$ 6,847,214
Other expenses									
Interest expenses	136,362	11,864,095	42,765	42,765	12,085,987	85,531	85,531	171,062	12,257,049
Grant expense	40,625	376,586	40,625	40,625	498,461	81,440	81,250	162,690	661,151
Consultants	167,206	48,690	148,828	131,643	496,367	40,985	5,346	46,331	542,698
Occupancy	182,948	54,563	20,328	28,887	286,726	49,214	6,419	55,633	342,359
Provision for loan losses	1,933,765	-	-	(16,556)	1,917,209	-	-	-	1,917,209
Depreciation	213,280	63,610	23,698	33,676	334,264	57,374	7,484	64,858	399,122
Professional fees	42,679	7,160	3,135	94,333	147,307	267,014	2,245	269,259	416,566
Equipment and software	276,690	82,533	48,543	45,077	452,843	74,431	9,708	84,139	536,982
Taxes	-	-	-	360	360	(118,302)	-	(118,302)	(117,942)
Travel	3,356	3,115	944	3,310	10,725	11,789	1,783	13,572	24,297
Conferences	775	(2,788)	-	-	(2,013)	704	-	704	(1,309)
Supplies	13,706	4,129	1,549	2,714	22,098	12,658	553	13,211	35,309
Dues and subscriptions	48,816	8,378	5,791	9,375	72,360	14,167	5,495	19,662	92,022
Miscellaneous	11,549	5,114	1,872	20,285	38,820	6,038	1,568	7,606	46,426
Bank charges	15,743	22,720	3,954	2,356	44,773	20,193	-	20,193	64,966
Commissions	136	730,803	-	-	730,939	-	-	-	730,939
Registration fees	42	228	2	1,616	1,888	29,606	-	29,606	31,494
Insurance	-	-	-	-	-	75,141	-	75,141	75,141
Marketing	-	10,794	1,810	1,948	14,552	-	-	-	14,552
Total other expenses	3,087,678	13,279,730	343,844	442,414	17,153,666	707,983	207,382	915,365	18,069,031
Total	\$ 6,561,523	\$ 14,168,092	\$ 933,087	\$ 1,006,404	\$ 22,669,106	\$ 1,728,832	\$ 518,307	\$ 2,247,139	\$ 24,916,245

See accompanying notes to the consolidated financial statements.



Calvert Impact Capital, Inc.

Consolidated Statement of Functional Expenses

Year Ended December 31, 2020

	Program Services				Total	Support Services		Total Support Services	2020 Total
	Investments	Notes	Syndication	Other		Management and General	Fundraising		
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 Statements of Cash Flows

	Years ended December 31,		
	2022	2021	2020
<b>Cash flows from operating activities</b>			
Change in net assets	\$ 2,292,256	\$ 1,741,388	\$ 1,009,668
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:			
Depreciation	456,229	399,121	332,209
Net change in fair value of investments	(4,610,585)	(4,695,705)	(1,903,362)
Net change in fair value of derivatives	309,357	(891,005)	(330,792)
Net change in provision for loan losses	4,206,309	1,898,887	2,024,365
Transfer of investments to ImpactAssets, Inc.			149,996
Distributions paid from Partnerships	561,930	1,676,828	692,996
Changes in operating assets and liabilities:			
Other receivables	(4,796,408)	4,767,955	(4,583,401)
Interest and fees receivable	(142,274)	(416,229)	584,259
Other assets	653,944	346,221	(594,759)
Accounts payable and accrued expenses	6,544,135	661,490	(445,593)
Other liabilities	(195,683)	-	-
Accrued interest payable	(11,881)	774,070	1,064,139
Net cash provided by (used in) operating activities	<u>5,267,329</u>	<u>6,263,021</u>	<u>(2,000,275)</u>
<b>Cash flows from investing activities</b>			
Cost of investments acquired	(65,502,330)	(61,172,560)	(32,112,190)
Proceeds from sale or maturity of investments	35,410,596	31,173,265	21,217,492
Loans issued	(128,721,389)	(213,934,749)	(120,512,733)
Repayments of loans	141,513,814	162,764,521	116,350,132
Purchases of furniture, equipment and software	(29,934)	(1,199,387)	(163,909)
Net cash used in investing activities	<u>(17,329,243)</u>	<u>(82,368,910)</u>	<u>(15,221,208)</u>
<b>Cash flows from financing activities</b>			
Increase in subordinated loans payable	5,000,000	5,050,000	7,500,000
Subordinated loan repayments	-	(2,869,525)	(2,596,500)
Distributions of interests in Partnerships	(561,930)	(1,676,828)	(692,996)
Proceeds from issuance of the Notes	108,499,371	172,334,590	183,306,940
Repayments of the Notes	(142,382,298)	(114,353,400)	(107,549,435)
Net cash (used in) provided by financing activities	<u>(29,444,857)</u>	<u>58,484,837</u>	<u>79,968,009</u>
Net change in cash and cash equivalents	(41,506,771)	(17,621,052)	62,746,526
Cash and cash equivalents, beginning of year	149,845,496	167,466,548	104,720,022
Net cash and cash equivalents, end of period	<u>\$ 108,338,725</u>	<u>\$ 149,845,496</u>	<u>\$ 167,466,548</u>
<b>Supplemental disclosures of cash flow information</b>			
Interest paid	<u>\$ 11,451,657</u>	<u>\$ 11,047,260</u>	<u>\$ 10,219,930</u>
<b>Non-cash activities</b>			
Transfer of investments and Notes to ImpactAssets, Inc.	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 149,996</u>
Initial recognition of right of use lease asset	<u>\$ 2,744,282</u>	<u>\$ -</u>	<u>\$ -</u>

*See accompanying notes to the consolidated financial statements.*

# Calvert Impact Capital, Inc.

## Notes to Consolidated Financial Statements

Years ended December 31, 2022, 2021 and 2020

### **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-resourced 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 the Company 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 the Company'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).

In March 2022, the board of directors of the Company effectuated a reorganization (the Reorganization) amending the Company's Bylaws to name CIC Global Impact, Inc. (CI), a newly formed Delaware 501(c)(3) as the sole member of the Company, and grant it the power to appoint the board of the Company. As a result of the Reorganization, the Company became a wholly controlled subsidiary of CI. The board of directors of CI reaffirmed the appointments of the existing board of directors of the Company and there have been no changes to the composition of the board committees or executive leadership as a result of the Reorganization. The Company's charitable purpose, its lending and investing activities, and other day to day operations including the membership of its staff and Board of Directors are unchanged as a result of the Reorganization. CIC Global Impact, Inc.'s name was subsequently changed to Calvert Impact, Inc.

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 under-resourced 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.

## Calvert Impact Capital, Inc.

### Notes to Consolidated Financial Statements (Continued)

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

##### *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.

##### *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.

## Calvert Impact Capital, Inc.

### Notes to Consolidated Financial Statements (Continued)

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

##### *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, 2022, 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, 2022. There are currently no examinations being conducted.

##### *Subsequent Events*

The Company has evaluated subsequent events through March 28, 2023, 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 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.

## Calvert Impact Capital, Inc.

### Notes to Consolidated Financial Statements (Continued)

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

##### *Investments and Fair Value Measurements (continued)*

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.

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, 2022 earn interest at rates of 4.75% and mature in December 2023. 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 of deposit 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)**

##### *Loans Receivable*

Loans for which management has the intent and ability to hold until maturity or payoff are recorded at amortized cost, net of the allowance for loan losses. Amortized cost is the principal balance outstanding. Interest income is accrued on the unpaid principal balance.

##### *Allowance for Loan Losses*

The Company has established an allowance for loan losses to provide - 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 11 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, 2022, 2021 and 2020 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 had foreign currency denominated loans in Indian Rupees (INR), Mexican Pesos (MXN), and Colombian Pesos (COP). The Company's derivative liability as of December 31, 2022, 2021 and 2020 is classified as a Level 2 fair value measurement based on observable foreign currency exchange rates. As of December 31, 2022, 2021 and 2020, the aggregate carrying amount of the hedged assets was \$9,502,851, \$10,133,834, and \$15,308,121, 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.

##### *Accounting for Leases*

The Company adopted Accounting Standards Codification (ASC) Topic 842, *Leases* on January 1, 2022. Among other requirements, lessees are required to identify leases as either operating or finance and to recognize the following for all leases (with the exception of short-term leases) as of the date of adoption: 1) a lease liability, which is the lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and 2) a right-of-use (ROU) asset, which is an asset that represents the lessee's ROU, or control the use of a specified asset for the lease term. As a result of adopting, the Company recognized a ROU asset of \$2,744,282 and a lease liability of \$3,874,635 on January 1, 2022, which are reflected in the consolidated statement of financial position within other assets and other liabilities, respectively. The Company used 3% for the discount rate for the lease disclosed further in Note K.

The Company determines if an arrangement is a lease or contains a lease at inception of a contract and classifies each lease as an operating or finance lease. A contract is determined to be or contains a lease if the contract conveys the right to control the use of identified property, plant, or equipment (an identified asset) in exchange for consideration. The Company records a right-of-use (ROU) asset for the right to use an underlying asset for the lease term and a lease liability, on a discounted basis, for the obligation to make lease payments arising from the lease. The discount rate used is typically the Company's secured borrowing rate, as most of the Company's leases do not provide an implicit rate underlying leased assets. ROU assets are subject to review for impairment.

## Calvert Impact Capital, Inc.

### Notes to Consolidated Financial Statements (Continued)

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

For operating leases, lease expense relating to fixed payments is recognized on a straight-line basis over the lease term and lease expense relating to variable payments is expensed as incurred.

##### *Contributions and Grants*

Unconditional contributions and grants are recognized when received. Conditional contributions and grants, with a measurable 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.

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 of the average full-time headcount of each cost center.

##### *Reclassifications*

Certain amounts relating to the prior year have been reclassified to conform to the current year presentation with no impact on the previously reported change in net assets.

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

Financial assets available for general expenditure within one year of the consolidated statement of financial position date, comprise the following, as of December 31:

	2022	2021	2020
Cash and cash equivalents	\$ 108,338,725	\$ 149,845,496	\$ 167,466,548
Interest and fees receivable	2,045,505	1,903,231	1,487,002
Other receivables	7,044,053	5,350,955	6,945,336
Loans receivable	64,634,629	82,820,529	77,621,092
Short-term investments	36,291,585	26,336,165	28,916,320
Long-term investments appropriated for current use	73,652,279	58,703,527	31,088,906
Financial assets available to meet cash needs for general expenditures within one year	\$ 292,006,776	\$ 324,959,903	\$ 313,525,204

## 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 \$13 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:

2022	Level 1	Level 2	Level 3	Total
Mutual funds:				
Fixed income funds	\$ 24,441,155	\$ 9,850,430	\$ -	\$ 34,291,585
Alternative investments	-	-	72,290,820	72,290,820
Total investments in hierarchy	<u>\$ 24,441,155</u>	<u>\$ 9,850,430</u>	<u>\$ 72,290,820</u>	106,582,405
Alternative investment funds at net asset value				44,670,413
Total investments held at fair value				<u>\$151,252,818</u>
2021	Level 1	Level 2	Level 3	Total
Mutual funds:				
Fixed-income funds	\$ 20,336,165	\$ -	\$ -	\$ 20,336,165
Alternative investments	-	-	59,058,912	59,058,912
Total investments in hierarchy	<u>\$ 20,336,165</u>	<u>\$ -</u>	<u>\$ 59,058,912</u>	79,395,077
Alternative investment funds at net asset value				33,155,422
Total investments held at fair value				<u>\$112,550,499</u>

## Calvert Impact Capital, Inc.

### Notes to Consolidated Financial Statements (Continued)

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

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				<u>40,205,116</u>
Total investments held at fair value				<u>\$ 72,855,501</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, 2022, the Company has an outstanding capital commitment to purchase an additional amount of approximately \$13,520,992.

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, 2022, 2021 and 2020, no adjustments were made to the valuations provided by the underlying private investment companies.

## Calvert Impact Capital, Inc.

### Notes to Consolidated Financial Statements (Continued)

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

During 2022, 2021 and 2020, 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 seven-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 \$14,566,541, \$44,181,241, and \$347,153 of Level 3 investments during the years ended December 31, 2022, 2021 and 2020, respectively.

The Company sold \$1,638,421, \$1,187,984 and \$575,496 of Level 3 financial assets, during the years ended December 31, 2022, 2021 and 2020, respectively.

#### **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.

## Calvert Impact Capital, Inc.

### Notes to Consolidated Financial Statements (Continued)

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

The following are the largest single borrowers representing 2.5% or more of loans outstanding as of December 31, 2022:

Borrower	Total Outstanding	% of Total Loans Outstanding
ARC Chicago, LLC	\$ 44,473,846	11.18%
PACE Equity Warehouse LLC	43,610,107	10.96%
PEQ Calvert, LLC	17,924,516	4.50%
Acrecent Finance Partners	15,000,000	3.77%
Banco Internacional de Costa Rica S.A	13,333,333	3.35%
Eco-Business Fund S.A., SICAV-SIF	13,000,000	3.27%
African Local Currency Bond Fund	10,000,000	2.51%
SANAD Fund for MSME	10,000,000	2.51%
Northern Arc Capital	10,000,000	2.51%
Vision Fund International	10,000,000	2.51%
Vivriti Capital Private Limited	10,000,000	2.51%
Total	<u>\$ 197,341,802</u>	<u>49.58%</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 loans. 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, based upon the geography in which the borrower conducts its operations:

Loans receivable	2022	2021	2020
Domestic	\$ 221,054,207	\$221,684,531	\$ 197,998,605
International	176,878,305	189,040,405	161,556,103
Total loans receivable	<u>\$ 397,932,512</u>	<u>\$ 410,724,936</u>	<u>\$ 359,554,708</u>

## Calvert Impact Capital, Inc.

### Notes to Consolidated Financial Statements (Continued)

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

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	2022	2021	2020
Classified loans with specific loan loss allowance	\$ 12,414,030	\$ 10,791,842	\$ 6,000,000
General loans	267,373,977	280,229,481	239,682,180
Loans with credit enhancements	118,144,504	119,703,613	113,872,528
Allowance for loan losses	(14,115,818)	(9,909,509)	(8,010,622)
Total loans receivable, net	<u>\$ 383,816,693</u>	<u>\$ 400,815,427</u>	<u>\$ 351,544,086</u>

As of December 31, 2022, 2021, and 2020 there were loans totaling \$12,414,030, \$10,791,842, and \$6,000,000, respectively, on which accrual of interest has been discontinued.

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:

	2022	2021	2020
Cash collateral	\$ 84,145	\$ 87,718	\$ 248,070
Third and related party guarantees	69,162,162	66,204,429	55,048,386
Total	<u>\$ 69,246,307</u>	<u>\$ 66,292,147</u>	<u>\$ 55,296,456</u>

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, 2020	\$ -	\$ 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	399,200	5,833,183	1,778,239	8,010,622
Loans written off during the year	-	(18,322)	-	(18,322)
Net change in provision for loan loss allowance	2,443,593	174,118	(700,502)	1,917,209
Balance as of December 31, 2021	2,842,793	5,988,979	1,077,737	9,909,509
Loans written off during the year	-	(2,803)	-	(2,803)
Net change in provision for loan loss allowance	4,013,755	(491,089)	686,446	4,209,112
Balance as of December 31, 2022	<u>\$ 6,856,548</u>	<u>\$ 5,495,087</u>	<u>\$ 1,764,183</u>	<u>\$14,115,818</u>

## Calvert Impact Capital, Inc.

### Notes to Consolidated Financial Statements (Continued)

#### **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.

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, 2022, 2021 and 2020, 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, 2022, the top 10 Note holders held Notes representing \$129,609,275 or 23% of the total Notes payable balance.



Calvert Impact Capital, Inc.

Notes to Consolidated Financial Statements (Continued)

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

Maturities by year, as of December 31, 2022 are as follows:

2023	\$ 174,736,753
2024	129,196,097
2025	100,130,258
2026	35,150,106
2027	27,352,607
Thereafter	89,944,853
<b>Total</b>	<b>\$ 556,510,674</b>

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. Interest rates as of December 31, 2022 on these subordinated loans range from .75% and 4.75%.

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

Organization	2022 Principal Amount	2021 Principal Amount	2020 Principal Amount
<b>Junior Subordinated Loans</b>			
Wells Fargo	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000
Common Spirit Health.	5,000,000	-	-
The Columbia Bank	-	-	500,000
The Colorado Health Foundation	-	-	750,000
Private individual	500,000	500,000	500,000
The Piton Foundation	-	-	577,125
The Colorado Health Trust	-	-	492,400
San Francisco Foundation	-	-	350,000
Page Hill Foundation	300,000	300,000	300,000
Private Individual	250,000	250,000	200,000
The Denver Foundation	-	-	200,000
Foundation for the Carolinas	7,500,000	7,500,000	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	10,000,000	10,000,000	5,000,000
<b>Total junior subordinated loans payable</b>	<b>\$ 25,350,000</b>	<b>\$ 20,350,000</b>	<b>\$ 18,169,525</b>

## Calvert Impact Capital, Inc.

### Notes to Consolidated Financial Statements (Continued)

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

Maturities as of December 31, 2022 are:

2023	\$ 800,000
2024	1,000,000
2025	800,000
2026	-
2027	-
Thereafter	22,750,000
Total	<u>\$ 25,350,000</u>

The Company entered into a new 15 year, \$5,000,000 subordinated loan agreement in March 2022, with Foundation for the Carolinas which has not yet been drawn upon as of December 31, 2022. Additionally, the Company entered into a new 10 year, \$5,000,000 subordinated loan agreement in July, 2022 with Banc of America Community Development Foundation which also has not yet been drawn upon as of December 31, 2022.

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, 2022, 2021 and 2020, the Company was in compliance with debt covenants.

#### Note G – Credit Facilities

In 2019, the Company entered into a credit facility with Banc of America Community Development Corporation for a \$10,000,000 which expired in 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 expired in May 2022. These two facilities were then combined and extended until July 2023 as a new revolving line of credit with Bank of America, N.A. for \$13,000,000. As of December 31, 2022, no amounts had been drawn on this facility.

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 with said third party. The agreement is effective for a period of 3 years ending in December 2023. As of December 31, 2022, no Community Investment Notes had been placed under this agreement.

## Calvert Impact Capital, Inc.

### Notes to Consolidated Financial Statements (Continued)

#### Note H - Special Purpose Vehicles

As described in Note A, the Company formed four Partnerships. The Partnerships returned capital to their limited partners of \$561,930, \$1,676,828, and \$692,996 in 2022, 2021 and 2020, respectively. The changes in consolidated net assets without donor restrictions for the year ended December 31, 2022 are presented in the following table:

	Total	Controlling Interest	Non-controlling interest
Net assets without donor restrictions, January 1, 2020	\$ 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	55,222,952	30,470,793	24,752,159
Change in net assets before non-operating items	4,398,442	3,814,723	583,719
Repurchases of interests in Partnerships	(1,676,828)	-	(1,676,828)
Change in net assets without donor restrictions	<u>2,721,614</u>	<u>3,814,723</u>	<u>(1,093,109)</u>
Net assets without donor restrictions, December 31, 2021	57,944,566	34,285,516	23,659,050
Change in net assets before non-operating items	2,854,186	2,266,646	587,540
Repurchases of interests in Partnerships	(561,930)	-	(561,930)
Change in net assets without donor restrictions	<u>2,292,256</u>	<u>2,266,646</u>	<u>25,610</u>
Net assets without donor restrictions, December 31, 2022	<u>\$ 60,236,822</u>	<u>\$ 36,552,162</u>	<u>\$ 23,684,660</u>

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

In October 2017, the Company 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. In 2021, this agreement was amended to unrestricted the donor capital.

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

	2022	2021	2020
Subject to specified purpose	\$ -	\$ -	\$ 980,226
Subject to perpetuity	187,571	187,571	187,571
Total net assets with donor restrictions	<u>\$ 187,571</u>	<u>\$ 187,571</u>	<u>\$ 1,167,797</u>

## Calvert Impact Capital, Inc.

### Notes to Consolidated Financial Statements (Continued)

#### Note I - Net Assets with Donor Restrictions (Continued)

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:

	2022	2021	2020
Subject to specified purpose	\$ 559,590	\$ 1,316,378	\$ 148,089
Total net assets released with donor restrictions	\$ 559,590	\$ 1,316,378	\$ 148,089

#### 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 \$424,608, \$416,331 and \$342,006 for the years ending December 31, 2022, 2021 and 2020, respectively.

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

In 2020, the Company entered into a lease agreement for office space in Bethesda, Maryland commencing January 1, 2021 and terminating December 31, 2031. The lease prescribes price per square foot increases and grants a rent abatement and tenant improvement lease incentives. The Company has an option to renew at the end of the lease term or to early terminate the lease with proper notification and additional termination fees per the terms of the lease agreement. The Company has not recognized the renewal options or early termination in the Company's accounting for the lease in accordance with GAAP because the Company is not reasonably certain to exercise these options as of December 31, 2022. During 2022, 2021 and 2020, the Company recognized \$335,744, \$342,359 and \$618,279, respectively, as rental expense.

## Calvert Impact Capital, Inc.

### Notes to Consolidated Financial Statements (Continued)

#### Note K - Future Minimum Lease Payments and Rentals (Continued)

<b>Future Minimum Lease Payments</b>	
2023	\$ 424,241
2024	434,862
2025	445,747
2026	456,895
2027	468,306
Thereafter	1,993,220
Total undiscounted lease payments:	4,223,271
Less: present value adjustment	(544,319)
Lease liability	<u>\$ 3,678,952</u>

#### Note L - Related Party Transactions

In 2008, the Company incubated a new and independent 501(c)3 called ImpactAssets.

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, 2022. Additionally, upon meeting certain stipulations, Calvert Research and Management granted the Company \$1,250,000 over the course of 2018 – 2022.

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, 2022, 2021 and 2020, the Company's foreign currency loans managed by MFX are valued at a USD equivalent of \$9,502,851, \$10,133,834 and \$15,308,121, respectively.

In 2022, 2021 and 2020, the company provided collateral of \$200,000, \$200,000 and \$400,000 to MFX in order to raise the limit on hedging exposures.

In December 2022, the Company entered into a bridge loan credit agreement with Calvert Impact Small Business, LLC, a wholly owned subsidiary of Calvert Impact, Inc. for up to \$22,370,000. As of December 31, 2022 no amount had been drawn on this agreement. In December 2022 the Company executed a Grant agreement to Calvert Impact, Inc for \$3,000,000 to provide funds for general operations. As of December 31, 2022 no funds had been transferred.

## Calvert Impact Capital, Inc.

### Notes to Consolidated Financial Statements (Continued)

#### 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 consolidated 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 balance as of December 31, 2022, 2021 and 2020 is classified as a Level 2 fair value measurement based on observable foreign currency exchange rates.

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, 2022, 2021 and 2020 consist of the following:

Asset Derivatives	2022	2021	2020
Mexican pesos	\$ -	\$ 216,966	\$ 184,632
Total asset derivatives at fair value	<u>\$ -</u>	<u>\$ 216,966</u>	<u>\$ 184,632</u>
Liability Derivatives	2022	2021	2020
Indian rupees	\$ (298,474)	\$ -	\$ (894,773)
Mexican pesos	-	(206,083)	(169,980)
Total liability derivatives at fair value	<u>\$ (298,474)</u>	<u>\$ (206,083)</u>	<u>\$ (1,064,753)</u>
Net asset (liability) derivatives at fair value	<u>\$ (298,474)</u>	<u>\$ 10,883</u>	<u>\$ (880,121)</u>