2020

# CNote Annual Impact Report


CNote

# Letter from CNote's COO

2020. What a year it has been. The world changed and we've all changed along with it. Old problems persisted such as the growing gap in wealth and health outcomes, and new problems emerged like the misallocation of PPP resources, higher unemployment rates among women, and a drastic decrease in BIPOC-owned businesses.

Despite all that there is hope.

The role of CDFIs as an economic lifeline to underserved communities around the country was reaffirmed. We're proud to support the CDFI industry and its work to reduce these social inequities. CDFIs were critical in getting pre-PPP bridge loans out, providing educational resources so small businesses could avail themselves of federal and state programs, and providing small-dollar PPP loans to borrowers that went unserved by traditional financial institutions. Every CDFI in CNote's portfolio who got involved in PPP lending processed a few years worth of loans in just a few months.

The government also leaned on CDFIs as the financial rails to deploy resources to underserved communities. This shift became evident in PPP lending profiles- where by the third-round, "$15 billion was set aside for community banks, minority-owned financial institutions, and CDFIs that target underserved areas." (source)

Recognizing the role CDFIs have had on advancing a more equal society, corporations relied on them as a tool to further their diversity and inclusion efforts beyond employment practices and engage their cash and investment resources in order to drive capital to women- and BIPOC-led small businesses and underserved communities. Large companies like Mastercard, Starbucks, and Netflix have all committed to more inclusive investments in underserved communities. This is a promising trend for community finance in general. (source)

When I feel the heavy weight of headlines like the growing wealth gap or small businesses in peril, I draw inspiration from our CDFI partners and the work they are doing on the front lines to reverse these worrying trends. As CNote investors, I hope that brings you hope as well.

We are excited to be entering into this new chapter in our country's history where there is a renewed commitment to racial, social, and economic justice. It is a privilege for CNote to be a part of this movement and help individuals and institutions invest in a more equitable society.

Thank you for your partnership and support,

Yuliya Tarasava
CNote COO

# CNote's 2020 Impact Metrics

| | |
|---|---|
| 45% | Dollars in LMI communities |
| 42% | Dollars to women-led businesses (WLB) |
| 53% | Dollars to BIPOC-owned businesses |
| 982 | Jobs Created / Maintained |

*Note there is overlap where a borrower fits more than one category

# CNote Firm Update

As CDFIs have continued their important work of supporting disadvantaged and marginalized communities across the United States, CNote has continued to look for ways we can highlight and fund their work. In 2020, CNote grew its total capital deployed into communities to over $50M. In addition, at the end of the year, Mastercard made a $20M commitment to the CNote Promise Account. We're inspired to see the increased flow of capital into communities that need it most.

For most investors, there's a desire to mobilize capital behind causes they care about. The challenge is execution. We recognize that for community investing to truly scale it has to be simple and accessible. To that end, CNote's impact cash program, The Promise Account, has grown significantly in importance. An insured cash management solution that makes it easy to allocate funds to CDFI Banks and Low-Income Designated Credit Unions, empowers institutions and individuals, through the simple act of moving their money, to support underserved communities.

Across all CNote's initiatives, In the last 12-months, CNote investors have helped to create or maintain over 900 jobs in communities, while deploying 40% or more of capital to women-led businesses and deploying over 50% of capital to BIPOC borrowers. This year, CNote received various recognitions, including 'Best Alternative Investment Platform' from Finovate and 'Best Women-Owned Business Award' from U.N. Women's Empowerment Principles. CNote made the IA 50 list for the second year in a row and graduated to the Fund Manager designation. CNote was also featured in Marketwatch, Forbes, ImpactAlpha, Gendersmart, and Confluence Philanthropy.

This recognition is most important because it brings to light the often overlooked work of our CDFI partners. By highlighting CNote's work in the space, these awards and publications spotlight the work CDFIs have been doing during the pandemic, and their historical crisis responses capabilities. This paves the way for new commitment from both retail and institutional investors.

At the end of 2020, CNote closed an oversubscribed private funding round to accelerate its growth in the rapidly-expanding socially responsible investing space. This funding gave CNote the ability to scale our reach to both impact investors and CDFIs and continue building proprietary technology to support the expansion.

# CNote 2020 Portfolio Update

Despite the specter of COVID-19 and the anticipated shockwaves throughout local and state economies, CNote CDFI borrowers saw no erosion to their financial position. In fact, every borrower saw an increase in the net income and equity position relative to the prior fiscal year. This was in large part due to the impact of the CARES Act and other federal and state response and recovery programs. Many CDFIs were able receive and claim subsequent forgiveness of PPP loans. Over the course of a few months, CDFIs issued multiple years' worth of PPP loans to businesses in their communities for which they were compensated via government funded origination fees. In addition, many of the CDFIs' borrowers received financial assistance for debt service and rent which reduced the risk of non-payment to CDFIs. All of this relief, in addition to increased philanthropy in the form of new grants, forgiven debt, and deferred and forgiven interest, allowed CNote borrowers and CDFIs to sustain and insulate their financial performance from loan losses. The vast majority of borrowers in CNote's lending portfolio saw preserved or increased levels of cash, preserved or decreased levels of delinquencies and charge-offs by the end of 2020.

Additionally, CNote saw no delinquencies, no modifications, and no loan defaults throughout 2020. **It continues its track record of no loan losses since inception.**

## FY 2020 Flagship Fund Lending Summary

Flagship Fund deployed assets grew to over $25MM. At year-end, average age of CDFI borrowers was 29.8 years with weighted average total assets of $100MM, suggesting a cohort of mature and stable CDFI borrowers with a wide spectrum of lending activities. And, across a variety of indicators, the portfolio demonstrated growth and maturity relative to 2019. Specifically, net asset ratio (NAR) or net assets to total assets, saw a jump from 27% to 30.2%. Charge-off levels stayed below 1% and lower than charge-off levels at the end of 2019. Current and quick ratios for the Flagship Fund saw slight increased improvement to 5.8 and 2.6, respectively, pointing to increased liquidity and growing ability to meet obligations in the short-term. Allowance for loan loss (ALL) increased slightly from 6.6% to 7.32%, as CDFIs borrowers continued to fortify their balance sheets against potential loan losses throughout 2020. Year-end delinquency of the borrowers of CDFIs was 4.36%, which was up from the 2.3% observed at the end of FY 2019, but significantly lower than what initially anticipated at the onset of the pandemic.

## FY 2020 Wisdom Fund Lending Summary

Wisdom Fund AUM grew to over $7MM. At year end, average age of CDFI borrowers was 27 years with weighted average total assets of $39.5MM, reflecting a cohort of mature CDFIs focused primarily on small business lending. And, across a variety of indicators, the Wisdom Fund portfolio demonstrated growth and maturity relative to 2019. Specifically, net asset ratio (NAR) or net assets to total assets, saw a significant jump from 11.5% to 26.1%. Charge-off levels of 1.23% were well below historical pre-pandemic charge-off levels. Current and quick ratios for the Wisdom Fund both saw increases, pointing to increased liquidity and ability to meet obligations in the short-term. Allowance for loan loss (ALL) increased from 4.29% to 6.05%. Delinquency of borrowers of the CDFIs was 2.38%, well below pre-pandemic levels.

# CDFI Profile: The Genesis Fund

## Portfolio: CNote Flagship Fund

### About

CNote continues to profile our CDFI partners to highlight the incredible work they have done and continue to do for their local communities. These profiles will discuss their focus area, the geographies they serve, and a specific impact story which exemplifies the work they do.

The Genesis Fund is a CDFI focused on lending to nonprofit organizations to develop affordable housing and community facilities in underserved communities. At the end of FY20, their portfolio included 84 loan projects throughout Maine and their first two project loans in New Hampshire. These projects included affordable housing, child care centers, eldercare and living facilities for people with disabilities, homeless individuals, and those in recovery, and other community facilities.

The Genesis Fund also places a heavy emphasis on technical assistance, where they share critical knowledge around public and private financing and deal structuring that nonprofits need to develop affordable housing or community facilities. Since its founding in 1992, The Genesis Fund has logged over 23,320 hours in technical assistance over 330 projects. This technical assistance includes helping to develop project plans, conduct feasibility studies, create financial projections, find additional sources of funding, and draft grants. This highly valuable technical assistance is provided to community organizations in all regions of Genesis' Funds coverage, at little or no cost.

An example of the assistance they provide is Mountainside Community, a manufactured home park. When Mountaiside's original owner announced his intentions to sell the property, the residents feared for the worst. Big investors have been buying up mobile home parks and drastically rising prices for a profit. Forming a cooperative allowed Mountainside's residents to maintain the financial stability of their community.

Year to date, The Genesis Fund has lent over $45.7 million to more than 240 projects, all for creating affordable housing and vital community facilities.

The Genesis Fund's predominantly female team and board is led by Executive Director Liza Fleming-Ives, who brings over 20 years of community development experience with her. In her interview with CNote, Liza summed up the value proposition for Genesis in the following way:

"One of our driving principles is to go where other financial institutions won't — or can't. We aim to be a creative and flexible partner to community organizations by filling critical gaps in financing or in expertise to support community development efforts."

# Meet Christine Uwimbabazi, The Entrepreneuring Immigrant Behind The Wheel of Prime Care Transportation

Christine, and her husband, Reverien, came to the United States from Rwanda to go to college, not to start a business.

But while Reverien was working to finish his Ph.D in Buffalo, NY, it was difficult to make ends meet, even with Christine working full time. The couple wanted something more- they wanted to be financially independent.

In 2017, Reverien decided to spend a summer working for a non-emergency medical transport service and saw that there was a shortage of wheelchair vans capable of shuttling patients to and from medical centers. He convinced Christine to take a week off from her job in customer service to give driving a try.

Christine loved driving so much that the two decided to start their own business: Prime Care Transportation- a non-emergency medical transportation company.

Despite the company's rapid growth, Christine and Reverien still needed help. They were trying to get funding to get more vans and hire more drivers to expand into different counties, but they also didn't know if they were losing or gaining money every month.

That's when they connected with CNote partner, Pursuit Community Finance, an Albany based CDFI. Beyond providing a loan to cover business operations, Pursuit was able to assist Christine in finding a reputable CPA, a marketing specialist, and a human resources consultant.

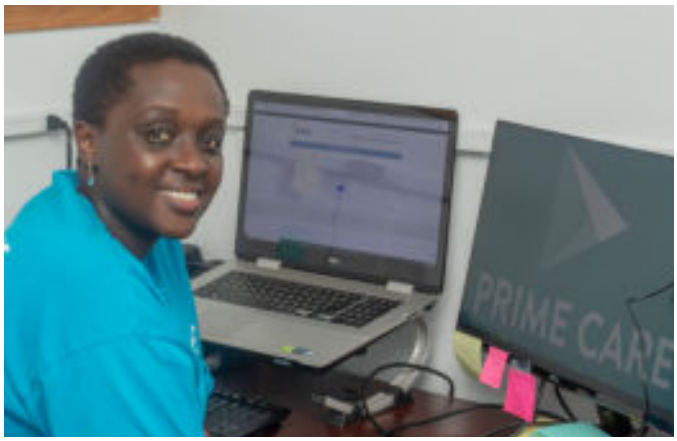
**Impact Themes**:

**SDGs** Goal 3:
Good Health and Wellbeing

**SDGs** Goal 5:
Gender Equality

**SDGs** Goal 11:
Sustainable Cities and Communities

**CNote Impact Themes**:
Racial equity, Access to healthcare, Economic Development and Mobility




"I don't have the right credit score to go to a bank," she said. "But what bank does what Pursuit does? They come to me and ask: 'How are you doing? How is business? How can we help?' These are things no bank will do. It's one thing to give money, but Pursuit gives peace of mind. I don't just have someone who gave me a loan. I have a friend."

# How a PPP Loan From a Low-Income Designated Credit Union Gave This Bay Area Nonprofit The Promise of a Brighter Tomorrow

When COVID-19 began to impact the United States, Brighter Beginnings, a non-profit which provides vital medical and social services to low-income families in California,  ended the month with $38,000 in its bank account. For an organization with a $5.5 million operating budget- things were bleak.

"There were months where I had to hold onto my paycheck until we got a payment," CEO Barbara McCullough said. "And if we couldn't make payroll, I'd call up my medical director and several senior staff to see if they could hold onto their checks too."

Despite underfunding, COVID-19 had caused a surge in demand for their services. The staff went from seeing 50 clients a day, face to face, to between 70 and 80 a day, virtually.

If they wanted to continue to serve their high-risk clients and keep their head above water, Brighter Beginnings needed help.

While Barbara thought she had a good relationship with the bank that she went to to apply for a PPP loan, she was told that Brighter Beginnings didn't meet the funding requirements.

**Impact Themes**:

**SDGs** Goal 3:
Good Health and Wellbeing

**SDGs** Goal 4:
Quality Education

**SDGs** Goal 10:
Reduced Inequalities

**CNote Impact Themes**:
Access to Healthcare, Improving the Lives of Underprivileged Children/Families

That's when Barbara turned to CNote partner, Self Help Federal Credit Union. There she was able to apply, and within two-days they were approved for funding. This allowed her to rehire employees, and continue serving the community that was counting on them for critical medical services and COVID-19 testing.

# Ebony Harris, The Entrepreneur Putting Children — And Parents — In Good Hands

Last March, when many small-businesses were forced to close down, essential workers in the food, health care, and emergency services continued working despite a heightened risk to their health and wellbeing.

But while they were helping their local communities, they were often faced with the dilemma of how to care for their kids safely at the same time.

For Ebony Harris, founder of In Good Hands Learning Center- a childcare center in Jackson, Tennessee, the decision to stay open was not an easy one. But after weighing the risks and the benefits, Ebony knew that she couldn't leave the parents and kids who needed her hanging without support.

The decision to stay open paid off, with parents showing their appreciation by recommending In Good Hands to other local families. For Ebony, that meant the phone ringing off the hook, sometimes as many as twenty-times per day.

Ebony was referred to CNote partner and CDFI LiftFund. There, she was able to receive a critical loan, which allowed her to purchase the supplies and equipment that she needed to continue serving her local community.

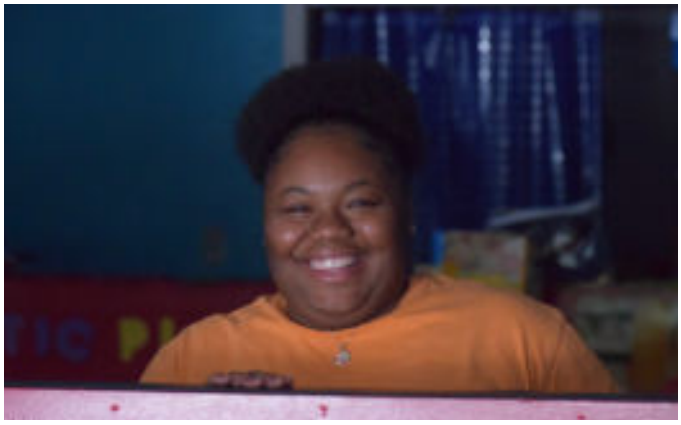
**Impact Themes**:

**SDGs** Goal 4
Quality Education

**SDGs** Goal 8
Decent Work and Economic Growth

**SDGs** Goal 10
Reduced Inequalities

**CNote Impact Themes**:
Resilient Communities, Access to Education, Improving the Lives of Underprivileged Children/Families



# Thank you for reading.

If you have any questions or would like to inquire about partnering with CNote, please email info@mycnote.com