



QUARTERLY IMPACT REPORT

Q3 2022

GENERATING IMPACT

CNote works with mission-driven financial institutions that generate impact every day in their communities. As a certified B Corporation and a Delaware public benefit corporation, CNote has a public benefit purpose of advancing economic and social justice by unlocking access to impact investments.

We aim to build a more inclusive economy by driving capital to under-resourced groups with people and communities at the forefront. CNote believes in the importance of co-creation and community voices when building solutions to last and we work to incorporate our values into everything we do.

Supplier diversity at work **geekgir/tech**

CNote is excited to have engaged with Geek Girl Tech for IT and security support. Geek Girl Tech is a public benefit corporation and a certified B Corporation working to advance the careers of under-represented people in cybersecurity and tech, and to make the world a safer place for all. As a woman-owned and led company, Geek Girl Tech prioritizes hiring BIPOC and LGBTQIA+ team members and puts preference on purchasing from other women and minority-owned businesses.

Team CNote is growing, with focus on engineering

As our platform and impact grows, the CNote team continues to expand as well, adding two hires this quarter.



We are pleased to welcome **Abhijeet Roy** as our new VP of Engineering. Abhijeet comes to us with over 20 years of experience in product and platform development and has spent time both at startups and well-established companies like Mastercard. Abhijeet believes that technology and engineering are enablers of a company's mission and is thrilled to bring that lens and his expertise to CNote.

In addition, we are delighted to welcome **Jonathan Jewett** as our applications support engineer. Jonathan, or JJ as he is known around here, spent time in the U.S. Air Force and brings a dedicated passion to make a difference. Prior to CNote, JJ worked at Charles Schwab and has joined our talented software development team within engineering.



Expanding our engineering team enables us to grow our operations, create new opportunities to magnify our impact's reach, and to build new tools and features for our platform.

IMPACT CASH™

Impact Cash deposits as of
June 30, 2022 included:

CNote's Impact Cash is a cash management solution that provides clients with a platform for deposits targeting social impact. Funds are deployed with a network of depository institutions that support under-resourced communities with access to affordable financial products. By utilizing our needs-matching approach, we deploy long-term and stable deposits with impact-driven financial institutions that support BIPOC and low- to-moderate income (LMI) communities and individuals, as well as women entrepreneurs.

48%

toward lending to BIPOC
borrowers

54%

toward lending to LMI
communities

679

average credit score
of borrowers

Impact-driven banks and credit unions advance DEI efforts

Data from the Credit Union National Association's (CUNA's) 2021 annual survey showed that "60% of all credit unions are focused on DEI (up from 37% in 2019)."¹ CNote adopted a question from this survey to connect with its Impact Cash network of impact-driven banks and credit unions to understand if they focus on DEI within their organizations. **We found that 73% of these depository institutions are focused on DEI efforts.**

A DEI focus was established if a bank or credit union had planned DEI initiatives as part of their strategic goals and/or policies, had deployed DEI initiatives and was further aligning them with organizational goals, or had already planned and aligned DEI efforts with organizational goals.

CNOTE BORROWER SPOTLIGHT:

Kaua'i Federal Credit Union (KFCU), the island's only community development financial institution (CDFI) credit union, is focused on tackling Kaua'i's biggest challenges: lack of affordable housing, natural disasters, and an overreliance on a tourism-driven economy. Read more about how KFCU is creating a stronger financial future for its members [here](#).



The Council on Alcoholism and Drug Abuse of Northwest Louisiana (CADA) is a nonprofit private health organization that provides substance abuse and addiction treatment services to anyone in Northwest Louisiana regardless of their ability to pay. One of CNote's impact-driven partners, ANECA Federal Credit Union, works closely with CADA by providing both volunteer support and with financial literacy services for their clients. Read more about this partnership [here](#).



Industry associations innovate alongside CNote

The Community Development Bankers

Association (CDBA) works to make the banking industry a force for good. CDBA recently released the "Impact @ Scale Practitioner Guide" to provide education and facilitate the adoption of impact measurement and management across the community development banking sector. The guide helps community development banks build the foundation "to integrate purpose, impact and business strategy to better serve BIPOC and economically distressed communities." Read more about CDBA's practitioner guide [here](#).

Financial well-being is one of the **Credit Union National Association's (CUNA's)** policy priorities in 2022 after new research they conducted highlighted the important role credit unions can play in helping people become more financially healthy. CUNA's recent white paper details the following findings:

- **Improved financial well-being:** 88% of credit union members say their credit union improved their financial well-being.
- **Emergency savings:** Non-members are twice as likely as credit union members to indicate they don't have access to \$500 for an emergency.²

Read more about CUNA's research into the relationship between credit union members and financial well-being [here](#).

FIXED INCOME

CNote continues to increase investor support in under-resourced communities through fixed income products that match community needs to impact interest. Investments in CNote's Flagship Fund, Wisdom Fund, and custom loans support CDFIs that help entrepreneurs start and grow small businesses, provide families with affordable housing options in their communities, and expand access to healthcare, education and other community facilities.

Fixed Income investments in Q2 2022 included:

59% of loans to women-led businesses	73% of loans to BIPOC borrowers
71% of loans to LMI communities	216 jobs created/retained in Q2
6,148 jobs created/retained to date	695 affordable housing units created

Custom ESG investments with a tailored impact return

CNote debuted its customizable promissory loans in 2021 to allow enterprises to invest in a portfolio of CDFI loan funds selected to meet their impact-aligned goals and improve their performance on ESG measures. Treasury teams can narrow in on themes of racial equity, sustainability, and disability equity, among other areas for impact, with a custom note. CNote's ability to customize allows investors to align their impact focus with our CDFI partners' need for capital.



Netflix is a recent example, having invested in a custom note they designed with CNote to help disabled populations and address racial equity. Netflix funds are supporting loans for businesses that offer direct services and products for disabled populations or employ disabled populations; new



accessible housing projects and supportive housing projects; and financing for home improvements and upgrades that improve health, comfort and safety, including clean energy upgrades, among other things.

One of the CDFIs in the portfolio of lenders included in Netflix's custom note is Disability Opportunity Fund (DOF). DOF is a CDFI that provides financing, technical services, and policy advocacy to increase access to appropriate and affordable housing and

related services for people with disabilities throughout the United States. DOF used funding from Netflix's investment to support their project that turned an abandoned schoolhouse into a 100% accessible hotel in White Sulphur Springs, West Virginia called The Schoohouse Hotel.

The hotel is part of DOF's larger effort in the community of White Sulphur Springs to revitalize the job market and economy and create sustainable growth that will continue to be community-led and -supported into the future. DOF's CEO, Charles Hammerman, points out that an important differentiator for their project is that putting a CDFI at the helm of community development means community members themselves are the ones to reap the benefits.

"That's the key point of CDFIs doing the work versus a private equity firm doing the work. In looking at community revitalization, PE firms' first priority is the financial return of a project. CDFIs are asking, 'what's going to make sense for this community?'"



Wisdom Fund provides capital and connections

The Wisdom Fund (WF) provides CDFI loan funds with low-cost, flexible capital to serve women of color (WOC) entrepreneurs. In addition to capital to directly support entrepreneurship, loan funds participate in the Wisdom Fund Collaborative which provides peer learning opportunities and grant support. Recent highlights from the WF Collaborative include:

\$125,000 in grant funds from the **Tarsadia Foundation** were awarded to 10 CDFI loan funds to advance their impact measurement and management capacity and support their technical assistance activities for entrepreneurs.

Joyce Klein, director of the **Business Ownership Initiative** at the **Aspen Institute**, shared their research on meeting the capital needs of business owners of color. Joyce's team explored the important role of small dollar business loans and shared insights on how to scale lending to entrepreneurs of color drawn from its Microfinance Impact Collaborative.

Amber Bond, Senior Project Director with the **African American Alliance of CDFI CEOs**, presented on their new African American Equity Scorecard which is designed to help "better assess investment opportunities in Black communities." Chicago Community Loan Fund, a WF Collaborative participant and early-adopter of the scorecard, shared that the preliminary data collected and generated through the scorecard "will produce policy-changing evidence that stripping bias from credit policies and procedures and infusing credit analyses with many other success-determining analytics is the effective solution for maximizing access to capital while at the same time proving that historically disadvantaged enterprises are creditworthy."



Trend highlight: treasurers get tapped to invest balance sheet dollars for impact

A recent study, the [2022 Edelman Barometer Report](#), found that "societal leadership is now a core function of business." As consumer expectations hold corporations to a higher standard, companies are acting on pledges made in 2020 to improve their DEI and racial justice practices by mobilizing at every layer of the organization.

Today we are seeing that commitment reach **corporate treasurers** and CFOs who are ideally positioned to drive positive impact by **unleashing the power of the corporate balance sheet**.

CNote works with treasury teams to align company assets with community needs and to streamline investments that advance economic equality, racial justice, and gender equity initiatives at scale.

ENTERPRISE INVESTORS

CNote's new enterprise investors this quarter:



syntrinsic



LISC



CNote out and about: CNote speaks at GreenFin Conference



What does it take for corporations to move from pledging change to allocating time and money to address racial and gender equity and climate change?

CNote's CEO, Catherine Berman, spoke at GreenFin 2022 — the premier ESG event aligning sustainability and capital markets — to discuss how corporations can put their cash to work to create sustainable impact.

"Entrepreneurship and home ownership in Black communities are two primary sources of wealth creation. So if we're really serious about changing the wealth gap in this country, and really

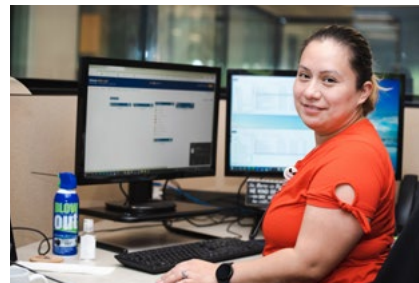


advancing wealth creation in Black communities, it is the corporate cash sitting there — that can be moved literally tomorrow — that I think is one of our greatest levers for change," Catherine said.

Read more about Catherine's panel discussion, "How corporations can move beyond pledges toward economic justice," [here](#).

CNOTE BORROWER SPOTLIGHT:

Capital for Change is the largest full-service community development financial institution (CDFI) in Connecticut. C4C centers its approach to supporting community around what it calls "The Core Four" complimentary missions of providing affordable housing access, energy efficiency lending, loan servicing, and community development loans. Read more about their diverse approach to lending [here](#).



Terri-Nichelle Bradley founded **Brown Toy Box** to bring Black representation to the children's toy aisle and inspire BIPOC children to pursue careers in STEAM with her educational play-kit company. Access to **Capital for Entrepreneurs (ACE)** provided funding to help Terri-Nichelle grow her operation to meet rising demand and today, she is finalizing a partnership with Microsoft to take her kits online. Read more about Terri-Nichelle's small business success journey [here](#).

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1 "Credit Unions Enthusiastically Embracing Diversity, Equity, and Inclusion: Results from the CUNA Annual Membership Survey," Credit Union National Association, 2022. Accessed from: https://news.cuna.org/ext/resources/CUMag_Misc/DEI_IB.pdf

2 "Credit Unions Lead in Improving Financial Well-being for All: Results from the CUNA 2022 National Voter Poll Conducted by Frederick-Polls." Credit Union National Association, 2022. Accessed from: https://www.ccu.org/images/uploads/CUNA_WP_CUs_Lead_Improving_FWBFA_May_2022.pdf

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