



QUARTERLY IMPACT REPORT

Q4 2022

GENERATING IMPACT

CNote works with impact-driven financial institutions that are on the front lines of supporting community needs. As a certified B Corporation and a Delaware public benefit corporation, CNote has a purpose of advancing economic and social justice by unlocking access to impact investments. We seek 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 and we aim to incorporate the CNote values into each aspect of our work.



CNote Closes Series A

In a historically challenging period¹ to raise venture funding, CNote closed an oversubscribed \$7 million Series A Preferred Stock investment round in September.

Women-led firms like CNote often face additional barriers to raising investment capital. In 2021, women-owned businesses raised just over 2%² of all venture funding, which is a lower share of funding that has gone to women in any of the 5 previous calendar years³. Additionally, venture funding for startups overall suffered a 50% year-over-year drop in the 3rd quarter of 2022. Despite these challenges, CNote's successful raise is an indication that female founders with a compelling business model and a commitment to impact can attract supporters regardless of market conditions.

American Family Insurance Institute for Corporate and Social Impact led the round, joined by Astia Fund, BankTech Ventures, Commerce Ventures, CityRock Venture Partners and others. CNote is proud that these mission-aligned investors committed to advance equality and strong communities alongside CNote. The Series A investment will enable us to build on our technology, expand our sales team, and deepen our network of community financial institutions.

FIXED INCOME

CNote continues to increase investor support in under-resourced communities through fixed income products that match community needs with impact interests. Investments in CNote's Flagship Fund, Wisdom Fund, and custom loans support CDFI (community development financial institution) loan funds that help entrepreneurs start and grow small businesses, provide families with affordable housing options, and expand access to healthcare, education and other community resources.

CDFI loan funds used fixed income capital from CNote investors to support the following lending activity in Q3 2022:

81%

of loans originated to Black, Indigenous, and People of Color (BIPOC) borrowers

97%

of loans originated to low- to-moderate income (LMI) communities

78%

of loans originated to women-led businesses

Loans originated in Q3 2022 resulted in:

528

affordable housing units created

699

jobs created/retained in Q3

Loans originated since 2017 have resulted in:

6,847

jobs created/retained to-date

CNote out and about:

CNote represented at the Opportunity Finance Network's annual conference

- CNote's investments and impact team met with 45 existing and prospective CDFI network institutions
- Tamra Thetford, director of impact evaluation at CNote, facilitated a session on "Accurate Impact Data: Simplifying and Amplifying Your Impact Data Collection" which featured CNote borrowers Finance Fund, Justine PETERSEN, and TruFund. The late-afternoon discussion was lauded for its transparency in showcasing the work of each organization to balance reporting with learning and create more sustainable processes for impact data collection.
- Stacy Zielinski, CNote's community development director, led a session on "Affordable Capital at Scale: Customized Partnerships with Corporations." This standing-room only session featured representatives from CNote borrowers, Genesis Community Loan Fund and Disability Opportunity Fund. These organizations shared the results of a collaborative investment relationship between corporations and CDFIs that explored using institutional investors' interest in addressing key social issues to meet CDFIs' need for affordable capital.

 **OFN** CONFERENCE 2022
NEW YORK, NY

**INVEST
IN CHANGE**

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 that directly supports entrepreneurship, loan funds participate in the Wisdom Fund Collaborative to access peer learning opportunities and grant support. Recent highlights from the WF Collaborative include:

At the **Wisdom Fund Collaborative member meeting**, Danielle Moser from Business Impact NW and Kari Groth Swan from Meda presented on the data and technology challenges their organizations are addressing to provide more timely data insights and unified data sources so they are better able to serve women entrepreneurs of color. These organizations each received grant support from the Tarsadia Foundation as part of their participation in the Wisdom Fund Collaborative. Several Collaborative members are tackling impact measurement challenges such as integrating data systems, streamlining reporting, and increasing the sharing of key insights across the organization. Business Impact NW is working to create reports which visualize their clients' journey through their resources by integrating metrics across different programs. This integration will assist the organization to identify service gaps, improve program offerings, and expand access and equity for the communities served.

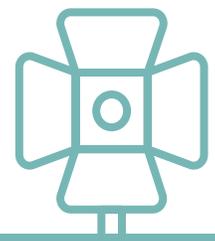
The Wisdom Fund supports CDFI loan funds with lower-cost capital to assist them in providing affordable and accessible capital to women entrepreneurs of color. A few Wisdom Fund borrowers shared the role Wisdom Fund capital plays, especially in a rising rate environment.

"The Wisdom Fund (CNote) capital has benefited our borrowers as this low-rate capital has allowed us to keep the interest rate we charge our borrowers lower than other lenders. All the borrowers that receive this capital have been start-ups, and it is very helpful in managing their cash flow."

— Chuck Wall, Chief Financial Officer, Renaissance Community Loan Fund

"Pacific Community Ventures is a 501c3 nonprofit community development financial institution (CDFI) working to provide restorative capital rather than extractive capital. Accessing low-cost capital is critical as we work to keep rates as low as possible, particularly to women entrepreneurs of color who face challenges accessing low-cost capital, or any capital at all, from the mainstream financial system. CNote's Wisdom Fund has provided us with affordable capital allowing us to expand our reach and the number of borrowers we're able to serve."

— Robert Porter, Managing Director, Lending, Pacific Community Ventures



CNOTE BORROWER SPOTLIGHT

[Access to Capital for Entrepreneurs](#) (ACE) is a CDFI in rural northern Georgia. Today ACE is the largest small-business-oriented CDFI in Georgia with a mission to decrease the gender and racial wealth gaps, particularly for Black and Latinx communities. ACE employs what it refers to as the three C's: capital, coaching, and connections to create sustainable community development. Read about their work [here](#).



[Metropolitan Economic Development Association](#) (Meda) is a Minneapolis-based CDFI founded in 1971 that works exclusively with Black, Indigenous, and people of color (BIPOC) entrepreneurs. Meda's creativity as a lender, their ability to scale, and the relationships they maintain with traditional bank lenders contribute to their ability to participate in the reduction of the wealth gap. Read more about how Meda is helping to build generational wealth in Minnesota [here](#).

CNOTE INVESTORS

CNote's technology platform gives corporations, foundations, and individual investors a simple, low-risk way to deploy ESG cash and fixed income in under-resourced communities at scale.

CNote believes that all investors should have the opportunity to invest in positive, measurable social impact. For individuals, impact investing often requires large dollar amounts and can be difficult to implement. CNote's platform allows for investing with transparency and ease, while providing a simple way to monitor and track how investments are making a difference in communities.

For foundations, and corporate investors, understanding where and how to create scale, maintain portfolio diversification, and meet board, or donor mandated ESG and impact initiatives at the same time can be a challenge. CNote works with these investors to provide technology solutions that allow access to impact-driven financial institutions sustainably and at scale.

IMPACT CASH™

Impact Cash is an insured cash management solution that provides a platform for deposits targeting social impact. Funds are deployed with a network of banks and credit unions 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, low- to-moderate income (LMI) communities and individuals, and women entrepreneurs.

Impact Cash network institutions used deposits as of September 30, 2022 to support their overall lending activity. In Q3, institutions reported:

58%

toward lending to BIPOC borrowers

67%

toward lending to LMI communities

69%

of assets deployed in community as loans ⓘ

Institutions supported individuals with low and no credit scores:

664

average credit score of borrowers

Impact Cash institutions advance financial wellness and financial inclusion

The AmTech Career Academy is a vocational organization dedicated to training high school students to pursue different career paths by placing students in real-world situations where they interact with industry leaders. Education Credit Union, a CNote Impact Cash depository institution, worked with AmTech to open the Education Credit Union AmTech Branch in Amarillo, Texas in the fall of 2022. The branch is staffed with senior apprentices from AmTech's School of Business, who are hired as paid interns and receive high school credits while they gain valuable financial services experience that could one day translate into a full-time role with a bank or credit union.



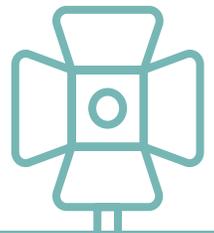
How One Detroit Credit Union is Giving its Members

In 2016, Catherine Dorsey, a lifelong Detroit resident, began nursing school. To pay for her medical school loans, car loans, and other miscellaneous expenses, Catherine borrowed on her credit cards, and took out loans with a predatory lender. Fortunately, Catherine had been a **One Detroit Credit Union** member since 2017 and they helped her consolidate and refinance her debt. One

Detroit Credit Union is a low-income designated credit union and CDFI that has been serving the local community since 1935. Read more about how One Detroit helps community members like Catherine save thousands of dollars and lead healthier financial lives [here](#).



CNOTE BORROWER SPOTLIGHT



Virginia Community Capital Bank was one of the first regulated banks in the country to be designated as a B Corporation and is owned by a nonprofit (VCC Social Enterprises). That means that VCC Bank's shareholders are interested in more than quarterly dividends: they're interested in creating and tracking their impact. Since its inception, **VCC-financed projects have created over 11,000 affordable housing units, supported 30 food-access projects, backed 26 health-related initiatives, and generated or retained nearly 14,000 jobs.** Read more about how VCC Bank's mission driven lending creates transformational impact [here](#).





Percent of assets deployed in community as loans

CNote's network of impact-driven banks and credit unions have a primary purpose of meeting the financial needs of their community. Drawing from [Beneficial Bank's Equitable Banking Standards](#), CNote analyzes the percent of an institution's total assets originated in loans to borrowers as one way of evaluating whether an institution is harnessing the majority of their assets to meet community financing needs. From the Equitable Banking Standards, "Banks should use most of their depositors' money toward their primary function in society — originating new loans to real, tangible activities in their communities."

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1 <https://about.crunchbase.com/blog/top-funded-female-entrepreneurs-2022-thus-far/>

2 <https://www.bloomberg.com/news/articles/2022-01-11/women-founders-raised-just-2-of-venture-capital-money-last-year>

3 <https://about.crunchbase.com/blog/top-funded-female-entrepreneurs-2022-thus-far/>

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