

CNote



QUARTERLY
IMPACT
REPORT
Q2 2023



this
must be
the place

GENERATING IMPACT

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 via impact-driven financial institutions that are on the front lines of supporting community needs. CNote builds solutions to make sustainable change by incorporating community voice and the values of co-creation into all aspects of their work.

Sharing CNote's Impact Framework

CNote's impact framework, developed with extensive input from the impact-driven bank and credit union sector, provides a comprehensive assessment and reporting of the positive impact made by community financial institutions. This framework covers six impact categories, and each quarter, we'll share detailed information on a selected category to explore its measurement in greater depth.

- 1 Addressing Community Social and Environmental Challenges
- 2 Serving Under-resourced Groups
- 3 Community Integration
- 4 Responsive and Responsible Products and Services
- 5 Promoting Diversity, Equity and Inclusion
- 6 Financially Sustainable

Addressing Social and Environmental Challenges:

CNote leverages the [United Nations Sustainable Development Goals](#) (UN SDGs) to assist impact-driven banks and credit unions in categorizing their lending activities and financial products based on specific impact themes. By aligning CNote's impact framework with global impact standards through the use of UN SDGs, we connect the work of impact-driven banks and credit unions in their communities with the impact themes that investors prioritize. The institutions included in CNote's Impact Cash® program primarily focus on the following UN SDGs and relevant impact sub-themes.



· Job Creation

- Financial Inclusion & Education
- Racial Equity
- BIPOC Community Investment
- Economic Development & Mobility

- Affordable Housing
- Community Revitalization

FIXED INCOME SOLUTIONS

CNote's fixed income solutions allow both corporate and individual investors to fund targeted impact initiatives while diversifying their portfolios. Investments in CNote's Flagship Fund, Wisdom Fund, and Custom Notes support community development financial institution (CDFI) loan funds that offer affordable and accessible financial products to 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 Q1 2023:

60%

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

100%

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

88%

of loans originated to women-led businesses

Loans originated in Q1 2023 resulted in:

572

affordable housing units created

161

jobs created/retained

Loans originated since 2017 have resulted in:

8,827

jobs created/retained

CNOTE BORROWER SPOTLIGHT: JUSTINE PETERSEN

Toni Hopkins Launches Cool J's Apparel with the Help of Justine PETERSEN

Jobs Created · BIPOC Entrepreneurship · Woman-owned Business

Justine PETERSEN, a CDFI, connects LMI families and individuals in Missouri, Illinois, and Kansas with institutional resources to help under-resourced groups build assets and create enduring community change. In 2020, they met Toni Hopkins, an aspiring WOC entrepreneur with a plan to start her own trendy clothing boutique.

Justine PETERSEN provided micro-enterprise lending, enabling Toni to open Cool J's Apparel. According to Toni, the loan money from the CDFI helped her with every aspect of her business, from paying rent to completing renovations and from purchasing inventory to buying the iPad that she uses to process sales. Read the full story [here](#).



5 GENDER EQUALITY



8 DECENT WORK AND ECONOMIC GROWTH



10 REDUCED INEQUALITIES



Empowering Wisdom Fund CDFIs

Tarsadia Foundation Grant Fuels Impact Measurement and Technology Enhancements

The Wisdom Fund (WF) is a fixed income vehicle that provides access to low-cost, flexible capital for women of color (WOC) entrepreneurs. It was co-created with CDFIs to bring new thinking, experimentation, and sustainable solutions to drive wealth creation. In addition to capital that directly supports entrepreneurship, CDFI loan funds in the Wisdom Fund portfolio participate in the Wisdom Fund Collaborative, which provides peer learning opportunities and occasional grant support.



Several collaborative member CDFIs recently completed projects around impact measurement and management enhancements that were made possible by grant funding from the Tarsadia Foundation. CDFIs improved data warehousing to centralize lending and impact data, reduce redundancies, and increase visibility into the borrower experience. Gaining these insights further enables collaborative members to curate responsive products. As Danielle Moser, COO of the CDFI Business Impact NW, said:

"It is helping us to tailor our classes, training and services that support our loan clients' success, such as cash-flow management and business growth planning, specifically led by and built for women of color."

Other collaborative members spoke to the importance of these Tarsadia grant funds in advancing their work around impact and technology. As Viola Mai, Development Director, at ICA Fund noted,

"Technology-related projects are expensive for all types of organizations, but it is especially difficult for nonprofit organizations and CDFIs to raise the capital needed for these projects as the value-add isn't as clear or direct for funders."

Wisdom Fund Beneficiary Expansion

CNote's Wisdom Fund is aimed at addressing the challenges of persisting gender and racial wealth gaps by providing more opportunities for WOC entrepreneurs to build wealth. We seek to support that wealth-building at both the personal entrepreneur level and at the community level. As such, CNote recently expanded the scope of Wisdom Fund beneficiaries. **The definition of WOC entrepreneurs now includes women leading for-profit, non-profit and cooperatively-owned ventures.**

CNOTE BORROWER SPOTLIGHT: First Southwest Bank

Riff Raff Brewing Company Opens its Doors with Help from First Southwest Bank

Clean Energy · Rural Small Business Growth

First Southwest Bank (FSWB), a CDFI bank, has been improving Colorado's social and economic landscape for over 100 years. FSWB prioritizes community-centric initiatives, including supporting small business growth in rural Colorado. Jason and Shelly Cox experienced the impact firsthand when they sought to establish their energy-efficient brewery.

Among seven banks in Pagosa Springs, FSWB stood as the sole institution willing to collaborate with them. FSWB facilitated a loan from the Small Business Administration (SBA), enabling the opening of Riff Raff Brewing Company in 2013—the second U.S. brewery to utilize geothermal energy. Over the past decade, FSWB provided three separate lines of financing to Jason and Shelly that have supported their business and the creation of more jobs in rural communities.

Read the full story [here](#).



IMPACT CASH[®]

CNote's Impact Cash is a technology solution that provides clients a single management point for deposits targeting social impact. Deposits are deployed with a network of impact-driven depository institutions that support BIPOC and LMI communities, as well as women entrepreneurs. Impact Cash deposits are offered to banks and credit unions to help them meet the changing needs of communities with supportive lending activities. This includes small business lending; affordable housing programs; financing for infrastructure developments; climate resilience, and energy efficiency lending; and safe and affordable consumer lending products.

Impact Cash network institutions used deposits to support their overall lending activity. In Q1 2023, institutions reported:

54%

toward lending to BIPOC borrowers

70%

toward lending to LMI communities

70%

of assets deployed in community as loans

62%

of branches in under-resourced areas

Institutions supported individuals with low and no credit scores:

676

average credit score of borrowers

CNOTE BORROWER SPOTLIGHT: VCC

Flywheel Development and Virginia Community Capital Team Up to Deliver Solar Energy for All

Equitable Solar Access · Sustainable Community Development

Virginia Community Capital (VCC) is a CDFI with a mission to create jobs, energize places, and promote an enhanced quality of life for Virginians. In 2021, VCC met Flywheel Development, a leading sustainable development company active in solar development and green infrastructure.

In the fall of 2021, Flywheel Development received its first loan from VCC for a portfolio of Solar for All projects, which aim to bring the benefits of solar energy to 100,000 LMI families. Both Flywheel Development and VCC enjoyed working together so much that a year later, the two closed financing on Flywheel's Solar for All 2022 portfolio of projects – getting them off the ground and onto the grid. Read the full story [here](#).



INVESTORS WITH HEART

Enterprise deposits for scaled impact

After several large bank failures led to economic lows in the second quarter, corporations and foundations began to seek ways to insure more of their deposited funds. This deposit migration is a renewed opportunity for investors to simultaneously diversify their accounts while closing the wealth gap. Investors utilizing CNote's Impact Cash solution are leading the way by supporting community financial institutions with tens of millions of dollars in insured deposits. Others can continue this effort and put idle capital to work.

- [Learn more about the steep need for deposits in communities](#) and how enterprise deposits with community financial institutions can help.
- Explore the technology available to enterprise investors that [make diversification, insurance, and impact a three-in-one deal](#).
- Hear from CNote's COO on ways to [make the diversification conversation at a corporate firm one that benefits the whole community](#).

Pricing fixed income solutions for sustainable change

During a rising interest rate environment and credit tightening, impactful CDFI loan funds face challenges in accessing affordable capital for their lending and investment activities. This creates a greater need for funding rather than less. Here's why:

- 1. Increased Demand for Capital:** CDFIs become crucial in providing access to capital for under-resourced communities as traditional lenders become more cautious during economic uncertainty.
- 2. Maintaining Affordability:** CDFIs aim to serve low-income individuals and under-resourced populations, requiring access to capital at favorable interest rates. Rising interest rates on capital lent to CDFIs makes it harder for them to offer loans and financial services to their target clientele.

CNote supports these institutions with affordably priced capital through its Flagship Fund and Wisdom Fund, ensuring investments have maximum impact while delivering fixed returns to investors. Flagship Fund investors earn as much as 3% APY on loans while addressing societal issues close to home.



Fifth ICBA ThinkTECH Accelerator Cohort

CNote out and about:

The second quarter of 2023 has been a full season of events, conferences, and webinars for the whole team.

- In April, CNote hosted a webinar for corporations to learn how community financial institutions (CFIs) create impact and how corporate investments in CFIs help to scale that impact measurably.
- CNote was one of six companies selected to participate in the fifth ICBA ThinkTECH Accelerator, a program that connects fintech companies with more than 1,000 community bankers and industry leaders to improve workable solutions for today's modern banking needs.
- CNote's new Director of Deposits, Strategy, and Operations, Jessica Jacobson, and others from our Depository and Operations teams attended the annual Inclusiv conference to connect with some of our credit union partners.
- CEO Catherine Berman spoke at events hosted by some of our industry partners like the NeuGroup and CUNA CSS to grow our investor and depository networks.

"I found it really energizing to spend time with so many impact-driven financial professionals dedicated to bringing quality services that meet the needs of their communities," says Jessica of her time at the Inclusiv conference. "I particularly enjoyed hearing examples of creative product development responding to specific member needs, origin stories of credit unions established to reach underserved populations, and the opportunity to see firsthand how credit unions in our network are serving their members."

— Jessica Jacobson
Director of Strategy, Operations,
and Deposits



Click here to view the [CNote Impact Glossary](#)
For more information email info@mycnote.com

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