



Community Foundation for Monterey County Impact Investing Portfolio Report



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Table of Contents

- I. Executive Summary
- II. Portfolio Overview
 - A. Portfolio Summary
 - B. Portfolio Summary Detail
 - C. Portfolio Repayment and Reporting Detail
- III. Active Investments
 - A. California FarmLink
 - B. Accion Opportunity Fund
 - C. Cal Costal RDC
 - D. Mission Economic Development Agency
- IV. Pipeline Investments



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Executive Summary

General findings

- Despite the negative economic effects of Covid-19, all of the investees remain financially independent and should be able to meet their missions in the long-term.
- While some organizations closed programs, reduced staff, or ended services all together, CFMC's community development financial institutions (CDFI) were able to meet their mission and expand services, including providing PPP funding.
- Due to Covid-19, many small businesses and nonprofits alike benefitted from PPP funding. Combined with this grant-like funding and more conservative views about the future, lending activities were soft at the CDFIs.
- Unlike some organizations which require significant volunteer support and in-person interactions, the CDFIs were able to pivot to online services immediately and were able to continue operations as usual.

Areas to watch

- CARES Act funding has provided small businesses with a lifeline of support; however, this has led to a decrease in activity from some of the investees. Community Capital Advisors (CCA) will monitor the investee outreach to ensure the needs of the community are being addressed.
- CCA recommends monitoring loan losses in the near future as the economic tolls on small businesses and farms have not fully been realized.





Portfolio Overview

Portfolio Summary

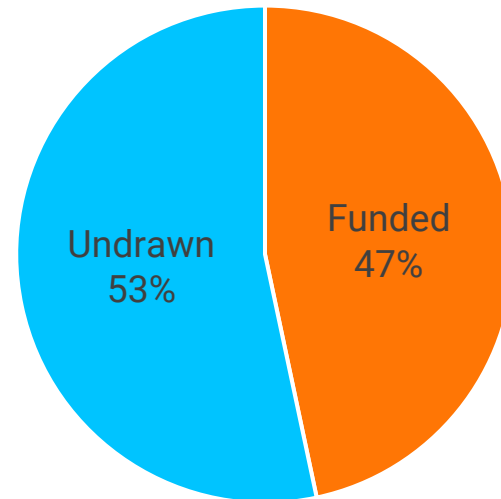
Portfolio Summary

| | | |
|-------------------------------|-------------|------|
| Total Committed | \$3,750,000 | 100% |
| Total Funded | \$1,750,000 | 47% |
| Principal Outstanding | \$1,750,000 | 47% |
| Secured | \$0 | 0% |
| Unsecured | \$1,750,000 | 100% |
| Principal Repaid | \$0 | 0% |
| Interest Paid | \$80,057 | 2% |
| Weighted Portfolio Net Return | 2.50% | |
| Portfolio Target Return | 2.50% | |

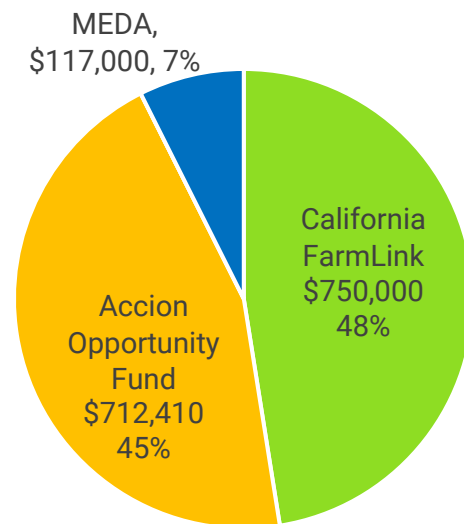
Repayment & Reporting Summary

| | | |
|---------------------------------|-------------|------|
| Current (Principal Outstanding) | \$1,750,000 | 100% |
| < 30 Days Delinquent | \$0 | 0% |
| 30-60 Days Delinquent | \$0 | 0% |
| 60-90 Days Delinquent | \$0 | 0% |
| > 90 Days Delinquent | \$0 | 0% |
| Charge-Offs | \$0 | 0% |
| Default Rate | \$0 | 0% |
| Reporting Status: Current | \$1,750,000 | |
| Financial Covenant: Compliant | \$1,000,000 | |

Total Capital: Funded & Undrawn



Total Deployed in Monterey: By Loan



Portfolio Summary Detail

| Investee | Vintage | Transaction Overview | Grant Support | Security | Amount Committed | Amount Funded | Amount Outstanding |
|--|---------|--|--------------------|-----------|--------------------|--------------------|--------------------|
| California FarmLink | 2018 | Term Loan – Intermediary 2.5% interest; 5 years | \$30,000 | Unsecured | \$750,000 | \$750,000 | \$750,000 |
| Accion Opportunity Fund* | 2018 | Term Loan – Intermediary 2.5% interest; 5 years | \$0 | Unsecured | \$1,000,000 | \$1,000,000 | \$1,000,000 |
| California Coastal Rural Development Corporation | 2020 | Term Loan – Intermediary 2.5% interest; 5 years | \$420,000 | Unsecured | \$1,000,000 | \$0 | \$0 |
| Mission Economic Development Agency (MEDA) | 2020 | Term Loan – Intermediary 2.5% interest; 6 years | \$660,000 | Unsecured | \$1,000,000 | \$0 | \$0 |
| | | | | | | | |
| Totals | | | \$1,110,000 | | \$3,750,000 | \$1,750,000 | \$1,750,000 |

*Effective 1/16/2020 Opportunity Fund (original borrower) merged with Accion to form Accion Opportunity Fund and this entity assumed the borrower status under the loan agreement.

Portfolio Repayment & Reporting Detail

| Borrower | Principal Outstanding | % of Portfolio | Principal Repaid | Interest Repaid | Interest Schedule | Repayment Status | Reporting Status | Covenant Compliance | Current Risk Rating |
|-------------------------|-----------------------|----------------|------------------|-----------------|--------------------|------------------|------------------|---------------------|---------------------|
| California FarmLink | \$750,000 | 42.9% | \$0 | \$32,699 | \$18,750/ Annual | Current | Current | Mostly Compliant | 2.5 |
| Accion Opportunity Fund | \$1,000,000 | 57.1% | \$0 | \$47,358 | \$25,000/ Annual | Current | Current | Compliant | 1.5 |
| Cal Costal RDC | \$0 | 0.0% | \$0 | \$0 | \$25,000/ Annual | Not Drawn | Current | Compliant | 2 |
| MEDA | \$0 | 0.0% | \$0 | \$0 | \$7,500/ Quarterly | Not Drawn | Current | Compliant | 3 |
| | | | | | | | | | |
| Total | \$1,750,000 | 100% | \$0 | \$80,057 | | | | | |



Portfolio Impact Detail

| Borrower | Amount Deployed | Amount Deployed in Monterey | Number Loans in Monterey | # MC jobs retained | # MC jobs created | % borrowers low-income | % borrowers socially disadvantage demographic | % farmers using organic practices |
|-------------------------|--------------------|-----------------------------|--------------------------|--------------------|-------------------|------------------------|---|-----------------------------------|
| California FarmLink | \$750,000 | \$750,000 ^a | 45 | 280 | 44 | 97% | 95% | 93% |
| Accion Opportunity Fund | \$1,000,000 | \$712,410 | 34 | 91 | 10 | 21% | 80% | --- |
| Cal Costal RDC | \$0 | \$0 | 0 | 0 | 0 | 0% | 0% | 0% |
| MEDA | \$0 | \$117,000 ^b | 4 | 13 | 0 | 75% | 100% | 0% |
| | | | | | | | | |
| Total | \$1,750,000 | \$1,579,410 | 83 | 384 | 54 | 65%^c | 89%^c | 50%^c |

Notes

a A total of \$3,338,256 is deployed in Monterey County, including the CFMC's loan of \$750,000

b MEDA has approved these loans and will draw on CFMC loan capital shortly to fund them and others in their pipeline

c Weighted average by number of loans in Monterey



Active Investments

FarmLink

Investment Overview

*Mission Statement:
To link independent
farmers and ranchers
with the land and
financing they need for a
sustainable future.*

*FarmLink helps farmers
to build strong business
skills, access fair
financing, and establish
secure land tenure.*



CALIFORNIA

FARMLINK

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| | |
|------------------------|---|
| Loan Purpose: | Provide loan capital as part of the FarmLink's nonprofit loan fund, the Farm Opportunities Loan Program. The Program provides flexibly structured financing to underserved and new farmers, making best efforts to loan in Monterey County. |
| Total Investment: | \$750,000 <i>Grant Support: \$30,000 COVID-19 relief Dec 2020</i> |
| Origination Date: | December 14, 2018 |
| Maturity Date: | December 13, 2023, 5-year extension available |
| Key Terms: | 2.5% interest rate Annual interest only payments Principal due at maturity 5-year term, with option to extend 5 additional years |
| Security: | None |
| Principal Outstanding: | \$750,000 |
| Payment Status: | Current |
| Reporting Status: | Current |
| Covenant Compliance: | 1 Covenant out of Compliance |

FarmLink Impact Narrative

FarmLink reports that the investment from CFMC allowed them the flexibility to respond to the evolving economic impact of the pandemic. Since March 2020, FarmLink has been responding to the impact of COVID-19 on a diverse cross-section of small family farms. Many of these businesses experienced significant disruptions to their sales channels including restaurants, food service, wholesale and farmers' markets, while simultaneously confronting a shortage in labor supply due primarily to uncertainty around evolving on-farm safety standards. FarmLink set aside \$1M in loan capital for an emergency loan program providing loans of up to \$20,000 at 0% interest and deferred payments for six months. FarmLink is also one of the few non-bank CDFIs in the country administering Paycheck Protection Program (PPP) loans to small family farms. Since the crisis began, FarmLink has to-date provided 140 PPP loans totaling more than \$2.7 million to farmers who could not otherwise access this relief program – 75% of those loans were to farmers of color.



Aldo Gonzalez Gonzalez Organic Farms Monterey County

Over the years Aldo Gonzalez has expanded his farm business from five to 44 acres, focused primarily on organic strawberries. Aldo has received annual operating loans from FarmLink and operational pivot support during COVID to keep his farm growing and supplying new markers.

| SOCIAL METRICS | As of 6/30/20 | As of 12/31/20 |
|---|---------------|-------------------|
| Total amount and number of loans made to Monterey farmers | N/A | \$3,338,256 45 |
| Number of Monterey jobs retained | N/A | 280 |
| Number of Monterey jobs created | N/A | 44 |
| % of borrowers with low-income (at least 80% below the median income) | N/A | 97 |
| % borrowers in socially disadvantaged demographic | N/A | 95 |
| % of farmers using organic practices | N/A | 93 |

FarmLink Financial Review



No changes to key management as of 12/31/2020 and the organization reports growth and increased demand over the last year. The Balance Sheet shows Total Assets of \$17.8 million, an increase of nearly \$6 million since 12/31/2019. Operating cash (unrestricted) increased over the period from \$2.67 million on 12/31/2019 to \$2.99 million as of 12/31/2020.

FarmLink is currently monitoring its loan portfolio performance, to anticipate impacts on borrowers as the COVI-19 economic crisis deepens. A \$1M loan guarantee facility has been deployed to provide risk mitigation for "ITIN" borrowers (with no Social Security Number) and therefore do not qualify for federal programs and low cost capital. 37 loans (\$1.1 million) are currently deployed to 32 ITIN borrowers, with 8 currently in our pipeline. 18 of these loans are made to Monterey County businesses in 2020.

Forward Looking Guidance:

FarmLink is stretching itself to offer assistance to a range of high need, deserving borrowers during the pandemic but overall appears to be well managed and realistic about its lending. The organization should bring its leverage ratio down as portions of the PPP loan it took out is forgiven.

| COVENANTS | As of 6/30/20 | As of 12/31/20 |
|--|---------------|----------------|
| Loan Loss Rate Loan loss rate shall be less than 1.5% of total loan portfolio in each fiscal year | 1.2% | 0.8% |
| Liquidity [(Unrestricted Cash and Equivalents / (annual operating expenses – depreciation))/365] >70 | 425 days | 360 days |
| Leverage Ratio Total debt to total net assets < 2 | 2.20 | 2.09 |
| CFMC Loan % Deployed % of CFMC loan to FarmLink deployed to farmers in CA and % in Monterey | 100% | 100% |

Accion Opportunity Fund Investment Overview

To drive economic mobility by delivering affordable capital and responsible financial solutions to determined entrepreneurs and communities.



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| | |
|------------------------|---|
| Investment Purpose: | Provide flexibly structured financing to small business owners in underserved communities who would otherwise have difficulty securing financing due to limited business history and other factors, for operations, equipment, and land located/operating in Monterey County. |
| Total Investment: | \$1,000,000 <i>Grant Support: none</i> |
| Origination Date: | December 21, 2018 |
| Maturity Date: | December 20, 2023 |
| Key Terms: | 2.5% interest rate Annual interest-only payments Principal due at maturity 5-year term |
| Security: | None |
| Principal Outstanding: | \$1,000,000 |
| Repayment Status: | Current |
| Reporting Status: | Current |
| Covenant Compliance: | Compliant |

Accion Opportunity Fund Impact Narrative

Opportunity Fund merged with Accion in January 2020 to form Accion Opportunity Fund (AOF). While COVID-19 has increased the number of struggling and troubled small businesses it also secured the support of local governments, with some increased donor funding as well, to launch new loan products to support these struggling small businesses.

AOF has worked diligently over the past year to provide COVID response funding, including PPP loans, to its clients to assist them in weathering the challenges of 2020. While delinquencies spiked in the beginning of 2020, with the assistance of various relief funds, delinquencies are returning to normal levels while a portion of the portfolio awaits PPP forgiveness.

| SOCIAL METRICS | As of 6/30/20 | As of 12/31/20 |
|---|---------------|-----------------------|
| Total \$ and # of loans made in Monterey County | N/A | \$712,410 34 loans |
| Jobs Created in Monterey County | N/A | 10 |
| Jobs Retained in Monterey County | N/A | 91 |
| % of borrowers with low-income (at least 80% below the median income) | N/A | 21% |
| % borrowers in socially disadvantaged demographic | N/A | 80% |



Manuel Lopez Lopez Automotive Salinas, CA

Mr. Lopez, a Hispanic entrepreneur who runs an automotive repair shop in Salinas, has received a loan from Accion Opportunity Fund to help support his business during the recent challenging economic times.



Accion Opportunity Fund Financial Review

As of Dec 31, 2020 AOF reports delivering better-than-forecasted performance as small businesses show continued resilience and their ability to pivot. The organization has also improved its balance sheet on the ability to secure new donor and government-funded lending capital. However, AOF originated 377 loans totaling \$20M in the last half of 2020, 33% lower than expected as demand and program launches have been delayed.

The 34 loans made to Monterey borrowers in 2020 were made to borrowers who were 58% Hispanic, 42% female, and 71% med-low income, showing an ability to effectively deploy capital in the County, even under challenging economic conditions.

Forward Looking Guidance:

The merger with Accion seems to have improved the balance sheet of Opportunity Fund but the challenges of COVID lending remain. We recommend continuing to monitor the organization's integration and performance.

| COVENANTS | As of 6/30/20 | As of 12/31/20 |
|---|---------------|----------------|
| Delinquency Ratio [Delinquent Portfolio (>30days past due) / Total Portfolio] < 10% | 6.2% | 7.1% |
| Liquidity [(Unrestricted Cash and Equivalents / (annual operating expenses – depreciation – loan loss expense))*365] > 70 | 639 days | 734 days |
| Current Ratio Current Net Assets / Current Liabilities > 1.5 | 2.51 | 1.68 |
| CFMC Loan % Deployed % of CFMC loan to Opportunity Fund deployed in Monterey County | 100% | 100% |

California Coastal Rural Development Corporation

Investment Overview

California Coastal Rural Development Corporation is dedicated to providing financing to small farmers and businesses throughout California who lack access to capital and technical assistance. Their mission is to assist these enterprises to grow, thrive and prosper enabling the overall economic development to underserved communities.



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| | |
|------------------------|--|
| Investment Purpose: | Provides flexibly structured financing to underserved and startup small businesses and farmers in Monterey, who would otherwise have difficulty securing financing due to limited business history and other factors, for operations, equipment, and land. |
| Total Investment: | \$1,000,000 <i>Grant Support: \$20,000 COVID-19 relief May 2020 + \$400,000 James Irving Foundation Entrepreneur TA</i> |
| Origination Date: | May 15, 2020 |
| Maturity Date: | May 14, 2025; 5-year extension possible |
| Key Terms: | 2.5% interest rate Annual interest only payments Principal due at maturity 5-year term, with option to extend 5 years |
| Security: | No |
| Principal Outstanding: | \$0 – draw period ends May 14, 2021 |
| Payment Status: | Not applicable |
| Reporting Status: | Current |
| Covenant Compliance: | Compliant |



Luis Alvarez
Alvarez Technology
Salinas, CA

The Cal Coastal loan helped Luis achieve his dream of purchasing a building to house their rapidly growing company. Since moving in, they've added staff without worrying about running out of room, while creating a workspace that makes employees want to come to work every day.

California Coastal Rural Development Corporation

Impact Narrative

To date, Cal Coastal has not drawn down on its \$1M commitment from CFMC. Cal Coastal received several grants that supported their organization. During December 2020, they recognized unrestricted grant income of \$1.0 million consisting of a \$600,000 Wells Fargo Bank Open for Business grant and a \$400,000 CFMC/James Irvine Foundation grant to be used for loans to Latino-owned businesses in the City of Salinas. This was an extraordinary event as Cal Coastal has not received a substantial unrestricted grant for a decade.

Cal Coastal has found that there are other better financing options available for small businesses. For example; PPP/SBA EIDL disaster loans with lower interest rates and also local, state, & federal grants are still readily available. Until these resources are gone, they expect that loan demand will continue to be soft.

| SOCIAL METRICS | As of 12/31/20 | As of 6/30/21 |
|---|----------------|---------------|
| Total \$ and # of loans made to Monterey borrowers | N/A | |
| Number of Monterey jobs retained | N/A | |
| Number of Monterey jobs created | N/A | |
| % of borrowers with low-income (at least 80% below the median income) | N/A | |
| % borrowers in socially disadvantaged demographic | N/A | |
| % of farmers using organic practices | N/A | |

California Coastal Rural Development Corporation

Financial Review

There have been no changes to Cal Coastal's key management, officers and/or Board of Directors. In the past 6 months, since the end of their fiscal year 6/30, the most significant change in Cal Coastal's financial performance is a reduction in loan demand and lower loan interest and fee income. This trend started prior to the 6/30/2020 year end, which closed with a 42% lower loan volume than the previous year. The trend has continued through 12/31/2020.

The lower loan demand is a result of the COVID-19 pandemic where small businesses are struggling to survive and reluctant to borrow and there are many better alternatives such as PPP and SBA EIDL loans as well as local, state and federal grant opportunities. In addition, Cal Coastal has had to process loan payment deferments to loan borrowers that cannot make loan payments during the pandemic. Until loan demand revives Cal Coastal is reluctant to draw on its most costly sources of capital.



Forward Looking Guidance:

Based on the feedback from Lee Takikawa, President & CEO of Cal Coastal RDC we do not expect them to draw loan funds and forecast that the loan will be cancelled once the draw period closes in May 2021.

| COVENANTS | As of 12/31/20 | As of 6/30/21 |
|--|----------------|---------------|
| Loan Loss Rate (LLR) Annual LLR < 1.5% of total loan portfolio | .32% | |
| Liquidity [((Unrestricted Cash and Equivalents / (annual operating expenses – depreciation)/365))] >70 | 2050 days | |
| Current Ratio Current Net Assets / Current Liabilities > 1.5 | 4.0 | |
| CFMC Loan % Deployed % of CFMC loan to Cal Coastal deployed to businesses in CA and % in Monterey | 0% | |

Mission Economic Development Agency Investment Overview

MEDA's mission is to strengthen low- and moderate-income Latino families by promoting economic equity and social justice through asset building and community development.



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| | |
|------------------------|--|
| Investment Purpose: | Mission Economic Development Agency (MEDA) through el Pajaro CDC's Fondo Adelante, provides financing to underserved businesses in Monterey County, who would otherwise have difficulties securing financing. |
| Total Investment: | \$1,000,000 <i>Grant Support: \$30,000 COVID-19 relief May 2020 +\$5,000 General Endowment Opportunity Fund \$600,000 James Irving Foundation Entrepreneur TA + \$25,000 Ken & Gundy DuVall Small Business Recovery</i> |
| Origination Date: | June 15, 2020 |
| Maturity Date: | June 14, 2026 |
| Key Terms: | 2.5% interest rate Quarterly interest payments starting 3/31/21 Principal (+ 1 st 6m interest) due at maturity 6-year term |
| Security: | None |
| Principal Outstanding: | \$0 – Draw period ends June 14, 2021 |
| Payment Status: | Not applicable |
| Reporting Status: | Current |
| Covenant Compliance: | Compliant |

Mission Economic Development Agency Impact Narrative

MEDA has approved 4 loan applications intended to be funded with the CFMC loan and will make the draw request in early April. El Pajaro CDC, which administers the MEDA Fondo Adelante, reports having received requests for funding and that while there has been an increase in funding available for businesses owners, including access for ITIN clients, the amount of money accessed through these forgivable/grant programs is often insufficient for long-term business sustainability. Fondo Adelante is providing working capital for clients who have managed to stay in business or reopen.

Fondo Adelante so far has assisted 33 Monterey business owners with over 350 hours of TA, business owners who otherwise vulnerable to bankruptcy service providers and other payday lenders.

| SOCIAL METRICS | As of 12/31/20 | As of 6/30/21 |
|---|----------------|---------------|
| Total \$ and # of loans made to Monterey borrowers | \$117,000 4 | |
| Number of Monterey jobs retained | 13 | |
| Number of Monterey jobs created | 0 | |
| % of borrowers with low-income (at least 80% below the median income) | 75% | |
| % borrowers in socially disadvantaged demographic | 100% | |
| % of farmers using organic practices | N/A | |



Marleny Rivas
Papuseria Marleny
Salinas, CA

Marleny, after participating in the 10-week business planning course, opened her business in the Watsonville incubator space before expanding to Salinas in 2014. Due to COVID she considered filing for bankruptcy but was able to receive support and training from MEDA to keep her business going.



El Pájaro CDC is best known in Watsonville for the successful retail business incubator, Plaza Vigil. 16 affordable retail spaces for entrepreneurs

Forward Looking Guidance:

Based on correspondence with El Pajaro CDC and MEDA, there has been demand for small business loans in Monterey and MEDA expects to draw on the loan soon in April to support the Monterey loans approved and in pipeline.

Mission Economic Development Agency Financial Review

Since June 2020 there have been no major changes to MEDA's financials. There have been no changes to MEDA's Board of Directors and there have been no changes to Fondo Adelante's Board of Directors. MEDA's HR Director at the time of loan closing has retired and a new Director, Berlina Ceguerra, started in November.

MEDA has brought on additional debt for small business lending in order to provide COVID emergency loans in San Francisco, Santa Cruz, Marin, and surrounding counties. This loan capital is protected through the 95% State Loan Guarantee program as well as 5% Loan Loss Reserves, ensuring that exposure risk is low to lenders during the challenging time of COVID and the ensuing recovery. MEDA continues to operate in tight margins between revenue and expenses, relying on CA Loan Guarantees to mitigate risk, in order to bring programs and resources to the clients it seeks to serve at this critical time.

| COVENANTS | As of 12/31/20 | As of 6/30/21 |
|--|----------------|---------------|
| Loan Loss Rate (LLR) Annual LLR < 5% of total loan portfolio | 0% | |
| Liquidity [(Unrestricted Cash and Equivalents / (annual operating expenses – depreciation))*365] >60 | 152 days | |
| Current Ratio Current Net Assets / Current Liabilities > 1.5 | 4.7 | |
| CFMC Loan % Deployed % of CFMC loan to MEDA deployed to businesses in CA and % in Monterey | 12% committed | |



Appendix

Risk Rating Index

Scale: **1** Strong **2** Good **3** Fair **4** Weak **5** Poor

| 1 | Financial Strength | Management and BOD Strength | Organizational Capacity | Position within Field |
|---|---|--|--|--|
| | Current Ratio > 1.5 | | Able to produce accurate company prepared YTD financial statements | |
| | Strong cash reserve > 10 weeks | Strong, sophisticated, and engaged BOD | | |
| | Debt/Net Asset < 3.0x | Senior management holds strong level of commitment, education, experience, and leadership | Has had CPA-prepared unqualified audits on a yearly basis for many years | Demonstrates programmatic excellence |
| | % of loan portfolio in default <4% | | | Strong sector growth |
| | Loan loss reserve/Loan Portfolio >10% | Management and employees viewed by industry peers as highly competent | Able to produce projections and other budgetary tools | Organization recognized on a national/regional level |
| | Strong revenue growth in foreseeable future | | If organization is a current borrower, they send payments in a timely and accurate manner. | Demand for services continues to grow. |
| | Diverse revenue streams | BOD with diverse range of experience and skills that provide added-value to the organization | | High level of loyalty from end users. |
| | Net profits every year | | Strong, proactive finance team. | |
| | Revenue growth of >5% in past 4 years | Strong financial commitment from BOD | | Received CDFI award in past 3 years |
| | Easily able to access commercial debt | | Diverse products, including NMTC and/or other off balance sheet products | |

Risk Rating Index

Scale: **1** Strong **2** Good **3** Fair **4** Weak **5** Poor

| 2 | Financial Strength | Management and BOD Strength | Organizational Capacity | Position within Field |
|---|---|--|--|--|
| | Current Ratio > 1.5 | | | |
| | 10 week cash reserve | | | |
| | Debt/Net Asset < 4.0x | | | |
| | % of loan portfolio in default <5% | Strong and fairly sophisticated BOD | Has had CPA-prepared unqualified audits in recent years | Demonstrates good programmatic outcomes |
| | Loan loss reserve/Loan Portfolio >8-10% | Minimal level of turnover at BOD, Senior Management and staff | Strong financial team | Moderate sector growth |
| | Revenue growth 5% | | Reviewed historical financial statements | Strong market share within geographic region |
| | Net Assets / Total (Operating Expenses - Depreciation) >1.5 | BOD with diverse range of experience and skills that provide added-value to the organization | If organization is a current borrower, they send payments in a timely and accurate manner. | Demand for services continues to grow. |
| | Net profit 3 out of last 4 years | | Diverse products | Strong level of loyalty from end users. |
| | Able to access commercial debt at a reasonable rate. | | | CDFI award in past 5 years |

Risk Rating Index

Scale: **1** Strong **2** Good **3** Fair **4** Weak **5** Poor

| 3 | Financial Strength | Management and BOD Strength | Organizational Capacity | Position within Field |
|----------|--|--|--|--|
| | Current Ratio < 1.5 | | | Demonstrates a fair level of programmatic outcomes |
| | Cash reserve of 5-10 weeks | | | |
| | Debt/Net Asset < 5.0x | Average staff turnover; minimal Senior Management turnover | Prepares qualified audits or reviewed financial statements | Average reputation |
| | % of loan portfolio in default 6-8% | | | Average sector growth |
| | Loan loss reserve/Loan Portfolio 6-8% | BOD engaged, but not as sophisticated. BOD attempts to make up for lack of sophistication through eagerness to learn and continued Board Development | Fairly strong to average financial team | Medium market share within their geographic region |
| | Stagnant growth in revenue | | If organization is a current borrower, they typically send payments in a timely and accurate manner. | Demand for services is moderate. |
| | Fluctuation in net losses and profits | | Products are limited | Medium level of loyalty from end users. |
| | Unable to access commercial debt at a reasonable rate. | | | CDFI award (or other significant award) in the past 10 years |

Risk Rating Index

Scale: **1** Strong **2** Good **3** Fair **4** Weak **5** Poor

| 4 | Financial Strength | Management and BOD Strength | Organizational Capacity | Position within Field |
|---|--|---|--|---|
| | 2-4 week cash reserves | | | |
| | Debt/Net Asset < 6.0x | | | Demonstrates weak programmatic outcomes |
| | % of loan portfolio in default 8-10% | BOD turnover or other issues | Prepares 990's or compiled statements | Unclear or mediocre history |
| | Loan loss reserve/Loan Portfolio 4-6% | Some senior management turnover | Unable to produce company prepared YTD financials | Sector/field diminishing |
| | Net Assets / Total (Operating Expenses - Depreciation) >0.75 | Weak financial commitment from BOD | Weak financial team | Declining market share within their geographic region |
| | Declining revenue, rising expenses | BOD is not mature and/or may not have strong skill sets | If organization is a current borrower, they typically send payments in late or inaccurately. | Demand for services is declining. |
| | Consistent Net losses | | Organization has limited products | Low level of loyalty from end users. |
| | Unable to access commercial debt. | | | No awards |

Risk Rating Index

Scale: **1** Strong **2** Good **3** Fair **4** Weak **5** Poor

| 5 | Financial Strength | Management and BOD Strength | Organizational Capacity | Position within Field |
|----------|--|---|--|--|
| | Concentrated revenue streams | | | |
| | Historical net losses | Unsophisticated and unengaged Board of Directors | Unable to produce company prepared financial statements | Demonstrates poor programmatic outcomes |
| | Debt/Net Asset > 7.0x | | | Organization with no history |
| | % of loan portfolio in default 10+% | Weak or no financial commitment from BOD | Very weak or no financial team | Bad reputation within field |
| | Loan loss reserve/Loan Portfolio <4% | BOD turnover and other possible problems at the Board level | If organization is a current borrower, they typically send payments in late or inaccurately. | Dropping market share within their geographic region |
| | No cash reserves – possible deficit | Frequent turnover at senior management level | | Demand for services continues to drop. |
| | Debt/Net Asset Ratio >2.5 | Minimal level of diversity | Organization has one product or multiple products with low interest level. | Low level of loyalty from end users. |
| | Net Assets / Total (Operating Expenses - Depreciation) <0.75 | Frequent turnover at staff level. | | No awards |
| | New Organization unable to access commercial debt. | | | |