To Whom It May Concern:

I am pleased to share the attached 2018 audited financials for Capital Good Fund (“Good Fund”). 2018 was yet another record-breaking year for us in terms of impact, growth, and innovation. A few highlights:

- Loan volume grew 44% over 2017 (from $2.07 to $2.98 million)
- Assets grew by 54% over 2017 (from $3.64 million to $5.6 million)
- Total Income grew by 28% over 2017 (from $1.99 million to $2.55 million)
- Net assets (including “Equity Equivalent Investments,” described below) grew by 17.7% (from $1.37 million to $1.66 million)
- Earned income (interest + program revenue) grew by 95% (from $255,439 to $498,894)
  - Our self-sufficiency ratio increased from 14.7% to 22%
- We ended the year with $3.85 million in loans outstanding, of which 97.4% was on-time
- We deepened our market presence in Florida and Massachusetts; ramped up our energy-efficiency, auto, and immigration loan volume; and provided financial coaching to ~ 200 families

We wish to explain several facets of our financials which are unique and therefore warrant clarification:

1. On page six of the attached audited financials (“Statement of Activities”), we show net income for the year of $43,713. However, this does not include $197,491 of unrestricted income we earned from our DoubleGreen™ energy-efficiency loan product, under which the borrower pays 0% APR and National Grid, a utility local to Rhode Island and Massachusetts, “buys down” the interest rate from 10% to 0%—paid at closing. But while this is an interest rate subsidy, in reality it is unrestricted income: we can use the money as we see fit and there is no circumstance under which we must return the subsidy, as it is not tied to the performance of the loan itself and is paid up front. Nevertheless, we followed our auditor’s guidance that we defer the revenue and earn it over time. As a result, while our net income was low, our cash flow was strong.

2. An Equity Equivalent Investment (“EQ2”) is a special form of debt that must have six characteristics, including no right of acceleration; unsecured; indeterminate maturity date; full subordination; and a concessionary interest rate not tied to income. If a liability meets these criteria, it can be treated like equity on the nonprofit’s balance sheet, thereby strengthening it.¹ We therefore calculate two net assets for Good Fund: with EQ2 (adding EQ2 to our net assets) and without EQ2 (treating EQ2 as a traditional liability). On our balance sheet, our net assets at year-end are $160,409; that figure treats our $1.5 million in EQ2 as a traditional liability. When including the EQ2, however, our net assets are $1.66 million, or a net asset ratio of 30%.

In summary, our 2018 audited financials reflect our continued growth, social impact, and operational excellence. Do not hesitate to reach out with questions: we pride ourselves on our transparency.

Sincerely,

Andy Posner
Founder and CEO
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