

— / **inclusiv** / —

2021 ANNUAL REPORT



FINANCIAL INCLUSION IS A FUNDAMENTAL RIGHT



ABOUT INCLUSIV

At Inclusiv, we believe that financial inclusion is a fundamental right. We dedicate ourselves to closing the gaps and removing barriers to financial opportunities for people living in distressed and underserved communities.

Inclusiv is a certified CDFI intermediary that transforms local progress into lasting national change. We provide capital, make connections, build capacity, develop innovative products and services and advocate for our member community development credit unions (CDCUs).

Inclusiv was instrumental in establishing the CDFI Fund in 1994, is a permanent member of the national CDFI Coalition and is the CDFI and community finance authority for the credit union industry. Our member CDCUs make up the majority of all CDFI-certified credit unions. Today, CDFI certification is an essential credential for credit unions with a focus on financial inclusion.

Inclusiv is the credit union industry's best resource for understanding the CDFI business model and its impact in local economies. For more information on our advocacy on behalf of CDFI credit unions, [click here](#).

ABOUT THIS REPORT

As a mission-driven organization, Inclusiv reports our impact in terms of both financial and social metrics. As a non-profit membership organization and certified community development financial intermediary, Inclusiv's financial structure is comprised of several activities. We report our statement of activities as a non-profit corporation, reflecting revenues and expenses in the areas of program, investment, consulting and administrative. The information contained in this report is based on preliminary, unaudited financial statements.

COMMUNITY DEVELOPMENT CREDIT UNIONS BRIDGE OPPORTUNITIES, BUILD ASSETS & DRIVE IMPACT

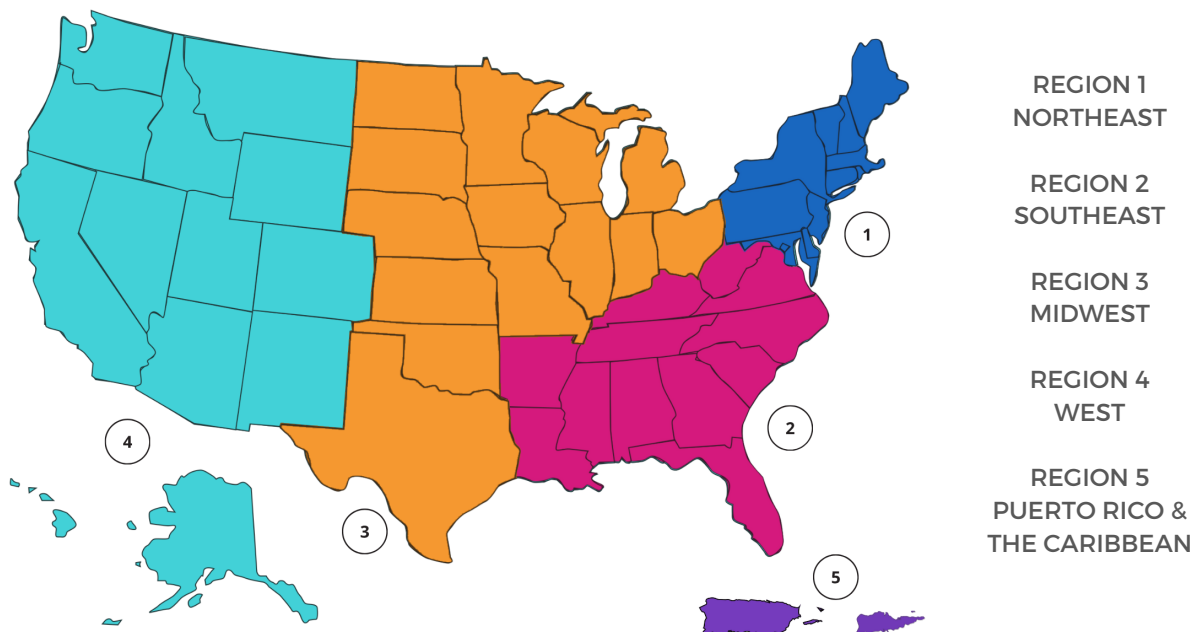
INCLUSIV'S MEMBERSHIP INCLUDES:

- 445 COMMUNITY DEVELOPMENT CREDIT UNIONS & COOPERATIVAS
- 134 MINORITY DESIGNATED CREDIT UNIONS
- 272 CDFI CERTIFIED CREDIT UNIONS

OUR COMMUNITY DEVELOPMENT CREDIT UNIONS:

- SERVE 17 MILLION COMMUNITY MEMBERS
- HOLD \$238 BILLION IN COMMUNITY CONTROLLED ASSETS

INCLUSIV REGIONS:



INCLUSIV'S LARGEST INCREASE IN MEMBERSHIP IN 2021 WAS IN PUERTO RICO THROUGH ITS VAST NETWORK OF FINANCIAL COOPERATIVES. TO BETTER REFLECT AND SERVE OUR EVOLVING MEMBERSHIP, INCLUSIV ADDED A FIFTH REGION TO OUR BOARD OF DIRECTORS REPRESENTATION, SPECIFICALLY FOR PUERTO RICO AND THE CARIBBEAN.

WE'RE GROWING AND EVOLVING

Inclusiv is growing and scaling our work to meet an unprecedented demand for capital to bridge the growing wealth gap. The Inclusiv network facilitates local determination by communities historically locked out of the financial system to ensure that capital is productive, priced fairly and designed to build financial well-being. The murder of George Floyd and the national outcry that followed placed a much-needed spotlight on ongoing racial injustice. The widening wealth gap that accelerated during the pandemic has created a greater urgency to the work of local mission-driven community development financial institutions in their communities.

Over the last 18 months, the Inclusiv network grew by more than 50%, serving 17 million residents of low-income urban, rural and reservation-based communities across 46 states, DC and Puerto Rico. As a financial intermediary raising and deploying capital to fuel growth in credit unions, the Inclusiv balance sheet grew 60%. The Inclusiv Capital and Mortgage teams deployed more than \$35 million in capital in the fourth quarter of 2021 alone. And the Inclusiv team provided record levels of service to underbanked consumers through financial coaching and digital banking and lending platforms.

Amid growth for Inclusiv and our members, we embarked on a year-long journey of organizational development, leadership growth and intensive exploration of a diverse, equitable and inclusive principles. Supported by the Robert Wood Johnson Foundation, Inclusiv engaged outside expertise to support the shaping of the organization for scale, while preserving and enhancing our unique mission driven culture.

In an intensive 6-month engagement, the Inclusiv leadership and staff worked on an organizational restructuring process that simplified and streamlined business lines, organized reporting lines and workflows, envisioned talent needs for growth, formalized performance goals and staff performance expectations and identified key cross-cutting processes in need of targeted process improvements.

Part of this effort was supported with fact-based analysis from McKinsey & Company, as part of their 10 actions towards racial equity.

Through this work we formalized the work of Inclusiv into three specific businesses: Inclusiv Network, Inclusiv Capital and Inclusiv Next.

- **Inclusiv Network** seeks to grow and build a strong and diverse network of CDFI certified and MDI designated credit unions committed to financial inclusion and community development.
- **Inclusiv Capital** is the CDFI arm of Inclusiv responsible for raising and deploying capital. Inclusiv Capital operates multiple funds investing secondary capital, deposits and grants in credit unions; and manages a secondary market for non-conforming affordable mortgages.
- **Inclusiv Next** seeks to create a more inclusive, just, and resilient economy by identifying and promoting the products, services, and ideas on the frontier of the credit union movement through the design of scalable solutions.

These three business lines are supported by three additional organization-wide functions: Chief Finance Office, Policy and Communications and People and Organizational Development to ensure the smooth and consistent delivery of service and information to members, borrowers, funders, investors and other partners and stakeholders. This restructuring will enable Inclusiv to more effectively meet the needs of its growing membership working closely together to support, strengthen and engage credit unions and cooperativas with specialized expertise, solutions and resources.

We launched an in-depth exploration of what it means to be an organization committed to Anti-Racism and Diversity, Equity and Inclusion principles with Crossroads, an antiracism organizing and training consulting firm. Reinforcing and building an ongoing learning culture to better support network members on their journeys to eliminating racism and injustice in our economy and society is core to this work.

FINANCIAL OVERVIEW

As of December 31, 2021 Inclusiv had \$82 million in assets, an increase of 58% from the prior year. Inclusiv managed \$73.5 million in investments in community development credit unions. All investments, excluding nominee deposits and loan participations, are reported on our balance sheet.

Revenues and expenses related to these investments are also separately reported on our income statement. As of December 31, 2021, Inclusiv reported \$3.2 million in unrestricted net assets. Net interest income generated by Inclusiv/Capital and Inclusiv/Mortgage was \$1 million.

OPERATING RESULTS

REVENUES

At the end of the fourth quarter, Inclusiv reported \$11.4 million in revenue. Total revenue includes \$7.7 million in grants and contributions. Inclusiv's investment programs generated \$2.1 million in interest income. An additional

\$342,526 was generated from contracts; and \$1.2 million from membership dues. Inclusiv has an allowance for loan loss of \$660,406, derived from historical loss rates, environmental variables and special reserves for individually impaired loans.

OPERATING EXPENSES & PROGRAM INVESTMENTS

Operating expenses cover all the direct costs of Inclusiv's programs and initiatives, management and investments in our member CDCUs. Inclusiv reported total expenses of \$8.2 million year-to-date. Operating expenses were on budget (variance of 1.5% or \$125,244).

Administrative expenses were \$1.1 million below budget due to remote work and operational changes in response to the COVID pandemic (reduced overhead and travel costs). These reductions were primarily offset by increases in program related expenses, passthrough grants, and technical assistance to the growing membership.

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December 31, 2021				
	12/31/2021	12/31/2020	Change	% Change
Total Assets	82,020,216	52,036,771	29,983,445	58%
Total Liabilities	56,290,358	30,076,877	26,213,481	87%
Total Net Assets	25,729,857	21,959,893	3,769,964	17%
Net Asset Ratio	31%	42%	-11%	-26%
Unrestricted Net Income	3,173,361	1,006,634	2,166,727	215%

CURRENT PORTFOLIO & OUTLOOK

DEPOSITS

As of December 31, 2021, Inclusiv's network of community development credit unions held more than \$2 billion in insured, non-member deposits. Non-member deposits provide capital to support community-based growth and equitable lending by low-income designated credit unions.

These deposits provide capital to support \$162 billion in inclusive, community based loans to low-income, underinvested communities. This capital is an integral part of asset building and wealth creation initiatives including alternatives to predatory loans, support for small businesses and affordable homeownership.

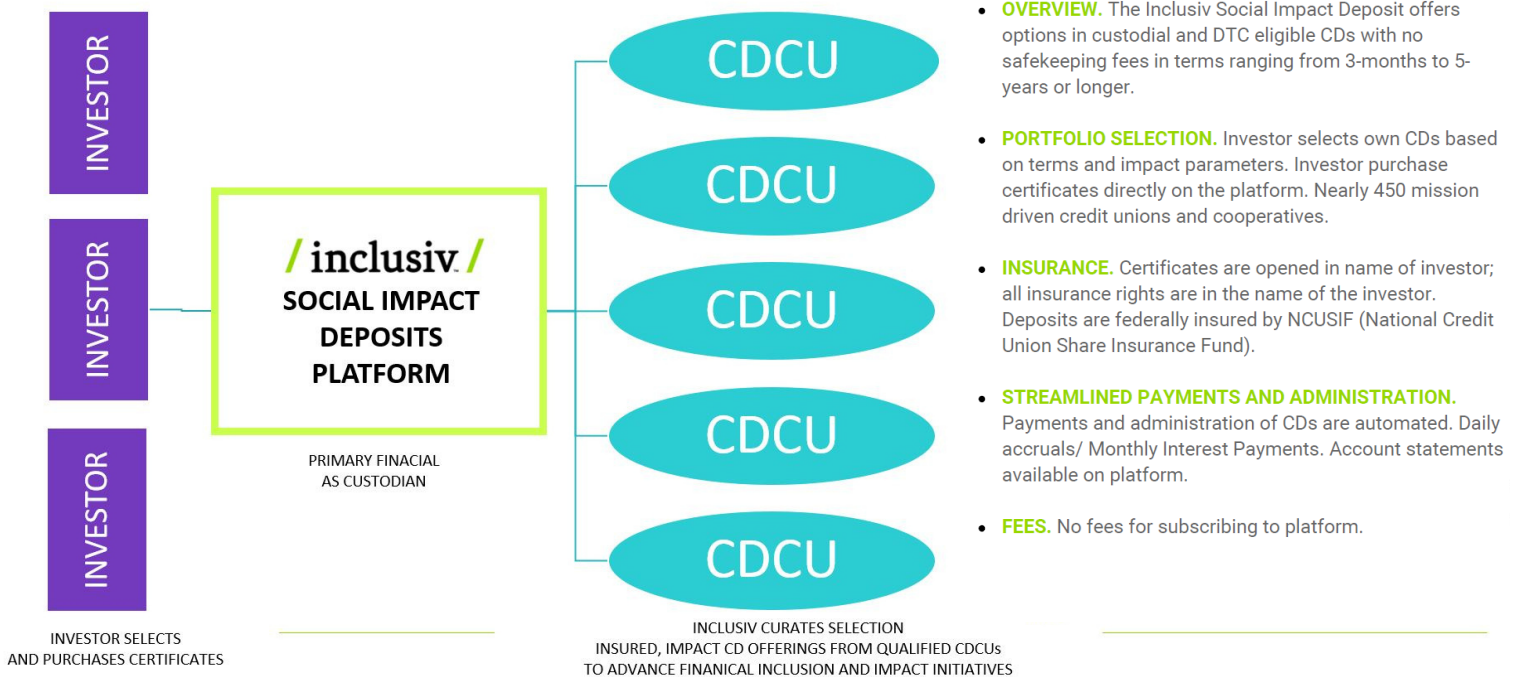
Inclusiv has facilitated more than \$130 million in non-member deposits since inception, successfully connecting investors to opportunities to invest in social impact initiatives in low-income and historically underserved communities.

In the past five years, Inclusiv has nearly doubled in membership, representing more than 400 CDCUs that serve nearly 17 million members of low-and moderate-income communities and communities of color across the country. The Inclusiv Network's collective assets increased from \$30 billion to \$238 billion, underlining the opportunities and demand for scalable systems to effectively connect capital to CDCUs.

To support and scale this growth, Inclusiv launched the Inclusiv Impact Deposits Platform. This platform uses technology to increase opportunities and streamline the process of making insured deposits in CDCUs, providing scale that was limited by our historical balance sheet deposits program. Inclusiv's investors will be able to customize and create portfolios of impact deposits, directly supporting the impact of CDCUs as they strengthen economic inclusion.

To learn more about the Inclusiv Impact Deposits Platform, please contact capital@inclusiv.org.

/ inclusiv / social impact deposits platform



CURRENT PORTFOLIO & OUTLOOK

INCLUSIV/MORTGAGE

Inclusiv/Mortgage is a Secondary Market Program that purchases conforming and non-conforming affordable first lien mortgage loans from community development credit unions. Inclusiv's mortgage portfolio is comprised of \$20.2 million in 183 affordable home mortgages originated by 24 community development credit unions across the country.

For most US households, owning a home is a life goal and the main pathway towards building wealth. However, for most low- and moderate-income households, this path can be a complicated one with different obstacles, including access to financing.

Credit unions and partners participating in Inclusiv/Mortgage provide equitable homebuyer products and programs including those designed for Low-to-Moderate income, ITIN, and First time

Homebuyers by offering flexible program criteria, fair rate structures and reduced mortgage insurance requirements.

By creating a secondary market specifically designed to support affordable mortgages to low- and moderate-income homeowners, credit unions are able to more effectively cycle capital within communities, helping members build wealth.

The Inclusiv "Second Look" mortgage process was instituted in 2021. Approved mortgage sellers can now submit previously declined applications to Inclusiv for a second more flexible loan review, expanding opportunities for homeownership to even more low- and moderate income individuals. Since inception, over 60% of Second Look loans have been approved.

SECONDARY CAPITAL

Inclusiv/Capital manages a total of \$52.5 million in secondary capital to strengthen CDCU asset and wealth building initiatives for communities that are underserved by mainstream financial institutions. Inclusiv's secondary capital portfolio is comprised of 33 CDCUs representing more than \$20 billion in community controlled assets. Thirty-nine percent of these CDCUs are either led by and/ or serve primarily communities of color.

Inclusiv/Capital investees use our secondary capital to support financial inclusion and racial equity initiatives, expand products and services designed to meet the needs of low-income and underserved markets. These loans support the capital position of credit unions, enabling them to leverage deposits on a 10:1 basis to increase community based lending.

Community development products and services such as alternative to payday loans, affordable home mortgages, wheels to work programs, branch expansions in financial deserts, financial counseling, small business lending and development services have been integral parts of CDCU asset and wealth building solutions.

Inclusiv's secondary capital investments support financial services to 2 million members of LMI and historically underinvested communities. These CDCUs provided more than \$14.5 billion in safe and affordable loans, including \$7.9 billion in mortgages, providing pathways to building wealth through homeownership. Inclusiv's secondary capital is also used to strengthen local economies by supporting \$1.4 billion in small business and commercial loans.

**33
CDCUs**

**2 Million
Low and Moderate-
Income Members**

**\$14.5 Billion
Community
Based Loans**

**\$20 Billion
Community
Controlled Assets**

CURRENT PORTFOLIO & OUTLOOK

Designations: Low-income + Minority Depository + CDFI
Total Assets: \$12,159,755
Total Loans: \$2,362,752
Total Members: 1,160

Organized as a community development credit union during the 1981 recession, meeting the needs of underserved communities has also been the core of Northeast Community Federal Credit Union's (NEFCU) mission. NECFCU serves communities across Chinatown, Tenderloin, and neighboring communities in San Francisco.

Northeast Community FCU has an established history of strengthening access and the financial health of low- and moderate-income and communities of color. More than 50% of NECFCU members are either unbanked or underbanked prior to joining the credit union. Further, More than 90% of their loans are to low-and moderate income borrowers and people of color,

The disparate impacts of the COVID pandemic on underresourced communities and the rise in anti-Asian hate crimes and racism impacted communities



served by NECFCU as Chinatown businesses reported more than 70% losses in revenue.

In addition to providing inclusive loan products and development services, the credit union and leadership have been dedicated to building community and bringing together local organizations.

Northeast Community FCU's community partnerships and impact have been critical to COVID relief and inclusive recovery and revitalization efforts.

During the past year, the credit union worked with the City of San Francisco and their network of community based organizations to provide more than \$3.5 million in capital, grant, and technical support to more than 1,000 small businesses.

With its language capabilities and reputation for assistance, NEFCU used their Racial Equity and NerdWallet Bay Area Impact Fund awards to help over 491 small businesses in San Francisco's Chinatown to apply for \$8.7M in PPP forgivable loans and State and City COVID-19 grant assistance.

In recognition of their efforts and manager Lily Lo's leadership and dedication to advancing financial inclusion and supporting small businesses, the Mayor of San Francisco issued a proclamation recognized March 31 as Lily Lo Day.

NORTHEAST COMMUNITY FEDERAL CREDIT UNION'S LEADERSHIP AND DEPTH OF COMMUNITY PARTNERSHIPS WAS A CRITICAL TO SAN FRANCISCO'S SMALL BUSINESS COVID RELIEF EFFORTS. NECFCU CONNECTED LOCAL BUSINESSES TO \$8.7 MILLION IN COVID RELIEF GRANTS AND LOANS.

INCLUSIV HAS COMMITTED \$150,000 IN SECONDARY CAPITAL TO INVEST IN NORTHEAST COMMUNITY FEDERAL CREDIT UNION'S CONTINUED GROWTH, EXPANSION OF COMMUNITY IMPACT LOANS, AND FINANCIAL INCLUSION INITIATIVES.

HELPING CREDIT UNIONS ADVANCE RACIAL ECONOMIC EQUITY

Inclusiv Racial Equity Grant Fund

Minority Depository Institution (MDI) credit unions, led by and serving Black, Latinx, Native American, and Asian American people, expand financial inclusion by providing critically needed financial products and services in their local communities. Today, over 600 MDI credit unions and cooperativas serve nearly 5 million people in communities of color across the United States and Puerto Rico. Inclusiv is committed to preserve the rich legacy of MDI credit unions through grant support, technical assistance, and investment.

The Inclusiv Racial Equity Grant Fund is a key part of our commitment to investing in communities of color. It initially responded to the economic damage caused by the COVID-19 pandemic in low-income communities of color. Today, the Racial Equity Grant Fund provides MDI credit unions with flexible grant funding to expand financial services to their members and invests in infrastructure and resources for growth, including CDFI certification, technology upgrades, and community outreach efforts.

The Inclusiv Racial Equity Grant Fund has provided over \$1.3M to 93 MDIs, leveraging close to \$50M in federal investment. Today, over 600 MDIs serve nearly 5M people in communities of color.

Inclusiv's technical assistance ensures that MDI credit unions have the information and tools needed to grow, including accessing federal support through the Community Development Financial Institutions (CDFI) Fund's Rapid Response Program (RRP). The RRP awards announced in June 2021 included \$402 million in grant funding to 244 CDFI credit unions. Inclusiv's technical assistance ensured that these awards also reached smaller MDI credit unions, which have historically been unable to access federal support.

In 2021, Inclusiv focused the round of the Racial Equity Grant Fund on helping MDIs and cooperativas under \$50 million in assets become CDFI certified and position themselves to access federal funding. Funds from the grant will help credit unions access services and resources to receive CDFI certification and participate in funding opportunities in 2022. Other uses include strategic and business planning to meet the changing needs of the community and technology and infrastructure investments to support credit unions. Five credit union recipients in 2021 are located in Louisiana, which was hit hard by Hurricane Ida in August. The funds will be used in the credit unions' recovery and in recommencing and updating services.

The funds will be used in the credit unions' recovery and in recommencing and updating services. MDIs have had tremendous impact over generations, building wealth and opportunity with their members. However, they have remained historically undercapitalized and underinvested. We have a moment of opportunity now to fundamentally shift the flows of capital, driving investment to areas that were not just neglected but historically excluded.

The \$12 billion allocated from Congress presents an unprecedented opportunity to build more inclusive economies on a broad scale. The RRP deployed the first round of these funds, including \$402 million, to CDFI and MDI credit unions. Inclusiv is now actively working to ensure that MDI credit unions are prepared and able to access the additional federal resources in the coming year. Currently, Inclusiv is working with nearly 200 credit unions and cooperativas to provide information and technical assistance on how to apply and leverage these funding sources to scale financial inclusion and empower their communities.

The MDI credit unions featured below deployed their Racial Equity Grant Fund awards and received technical assistance from Inclusiv to successfully apply for the RRP. Thirty-five of the Racial Equity Fund recipients were also awarded over \$46 million in RRP from the CDFI Fund.

MT. ZION CREDIT UNION (INDIANAPOLIS, IN)

Mt. Zion Credit Union had helped Kurt Moore with the down payment on the building of K-Love's Auto Detailing, which serves forty auto dealerships. As COVID-19 devastated livelihoods, Mr. Moore needed funds to keep K-Love's running. When his PPP application was in limbo at a larger bank, he sought help from the credit union and received much needed funds within days. "Mt. Zion Credit Union has been there for me as a small credit union, and their services are equal to, if not better, than big banks," says Mr. Moore. Mt. Zion Credit Union disbursed over \$400,000 PPP lending to 36 small businesses in Indianapolis and used their Racial Equity Grant to offer consumer and auto loan relief to members facing hardships. They will use their RRP award to increase their reach and impact.



UNIFIED HOMEOWNERS OF ILLINOIS FEDERAL CREDIT UNION (CHICAGO, IL)

Unified Homeowners of IL FCU had a specific goal upon establishment in 2006—to provide any and all financial services pertaining to owning a home. They used their Racial Equity Grant to help members with late fees, forbearance, and some forgiveness of small dollar loans—but one of the biggest roles they played was unexpected. "What many people really needed from us was just to listen," the credit union's manager Teresa Villalobos Rosado Rosado recalls. "Members called and we listened to what their situation was and how we could help. People needed an ear especially when stuck in their homes. I feel like we became counselors during the pandemic. That's what people needed." The credit union plans to use part of its RRP grant on additional online banking services and establishing a financial education program using Pathways to Financial Empowerment.

Inclusiv Racial Equity Investment Fund

Following the success of the Racial Equity Grant Fund, Inclusiv launched the \$20 million Racial Equity Investment Fund to deploy larger scale investment capital into credit unions serving communities of color. In turn, credit unions leverage these investments to increase lending to minority-owned businesses, homeowners, and consumers, deploying capital to those who need it the most. Inclusiv's unprecedented level of investment into MDIs and CDFIs represents a huge opportunity in the year ahead.

Community development and MDI credit unions can have significant impact on their communities if supported with the capital necessary to thrive. Secondary capital allows CDCUs and MDIs to do more of what they do best - extend credit and provide safe and affordable financial services to underserved individuals who may not otherwise have access to them.

Inclusiv studies have shown that CDCUs that received these investments leveraged capital up to 60 times over 5 years - resulting in more loan deployment, more financial products and services offered, and more specialized lending.



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Join us in San Juan this May at the 2022 Inclusiv Conference!

We proudly invite you to the 2022 Inclusiv Conference, the largest annual gathering of credit unions with a mission of financial inclusion in the U.S.! Our conference brings together thought leaders, policymakers, researchers and practitioners in the fields of financial empowerment and community development to address the tough economic and social justice issues affecting credit unions today. This year we meet in San Juan, Puerto Rico at the Fairmont El San Juan Hotel.

Visit the official 2022 Inclusiv Virtual Conference website to learn more about the conference, safety guidelines, travel arrangements and registration!

<https://cvent.me/BQBAPa>



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