



# Small Business Finance

Consolidated Financial Statements  
and Independent Auditor's Report, Schedule of  
Expenditures of Federal Awards and Independent Auditor's  
Reports Required by the Uniform Guidance

December 31, 2025 and 2024

## Contents

	<u>Page</u>
Independent Auditor's Report	2
Consolidated Financial Statements	
Consolidated Statements of Financial Position	5
Consolidated Statements of Activities	6
Consolidated Statements of Functional Expenses	7
Consolidated Statements of Cash Flows	8
Notes to Consolidated Financial Statements	9
Supplementary Information	
Community Advantage Loan Loss Reserve Account	31
Schedule of Expenditures of Federal Awards	32
Notes to Schedule of Expenditures of Federal Awards	33
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	35
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance	37
Schedule of Findings and Questioned Costs	40

Independent Auditor's Report

To the Board of Directors  
CDC Small Business Finance Corp.

Report on the Audit of the Consolidated Financial Statements

*Opinion*

We have audited the consolidated financial statements of CDC Small Business Finance Corp., a not-for-profit organization, which comprise the consolidated statements of financial position as of December 31, 2025 and 2024, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of CDC Small Business Finance Corp. as of December 31, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CDC Small Business Finance Corp. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. The financial statements of San Diego Region Small Business Development Corporation, Bankers Small Business CDC, Momentus Direct Capital, and CDC Ventures were not audited in accordance with *Government Auditing Standards*.

*Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about CDC Small Business Finance Corp.'s ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

*Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not

detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CDC Small Business Finance Corp.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CDC Small Business Finance Corp.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on page 31 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2026, on our consideration of CDC Small Business Finance Corp.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CDC Small Business Finance Corp.'s internal control over financial reporting and compliance.

*CohnReznick LLP*

Los Angeles, California  
March 27, 2026

**CDC Small Business Finance Corp.**

**Consolidated Statements of Financial Position  
Years Ended December 31, 2025 and 2024**

	2025	2024
<u>Assets</u>		
Current assets		
Cash and cash equivalents	\$ 13,614,681	\$ 11,765,234
Certificates of deposit	277,664	385,399
Processing and servicing receivables, net of \$185,658 and \$233,174 allowance for unfunded accounts	1,843,916	2,156,665
Other receivables	2,269,486	2,318,273
Loans available for sale	38,938,570	4,044,738
Deposits and prepaid expenses	774,606	1,960,480
Total current assets	57,718,923	22,630,789
Non-current assets		
Restricted cash for PCLP program reserve requirements	1,707,446	1,663,892
Restricted cash for community loan programs	14,860,780	15,197,338
Loans receivable, net of \$6,582,597 and \$4,870,855 allowance for loan receivable losses	85,893,525	86,231,349
Investments in Lenders Cooperative, Inc.	9,234,158	-
Other assets	2,194,753	2,171,054
Right-of-use assets	371,081	376,598
Property and equipment, net of accumulated depreciation	6,944,711	7,356,122
Total non-current assets	121,206,454	112,996,353
Total assets	\$ 178,925,377	\$ 135,627,142
<u>Liabilities and Net Assets</u>		
Current liabilities		
Accounts payable and accrued expenses	\$ 13,656,917	\$ 9,104,603
Due to Small Business Administration	256,192	256,192
Deposits	621,112	365,897
Current portion of operating lease liabilities	217,931	198,797
Current portion of long-term debt	77,069,704	17,883,889
Total current liabilities	91,821,856	27,809,378
Loan loss reserves	702,105	791,437
Liability on loan commitments	66,510	499,456
Other borrowings	993	101,510
Operating lease liabilities, net of current portion	176,927	220,242
Long-term debt, net of current portion	15,564,781	38,076,520
Total liabilities	108,333,172	67,498,543
Commitments and contingencies		
Net assets		
Without donor restrictions	64,564,303	62,809,975
With donor restrictions	6,027,902	5,318,624
Total net assets	70,592,205	68,128,599
Total liabilities and net assets	\$ 178,925,377	\$ 135,627,142

See Notes to Consolidated Financial Statements.

**CDC Small Business Finance Corp.**

**Consolidated Statements of Activities  
Years Ended December 31, 2025 and 2024**

	<b>2025</b>	<b>2024</b>
Change in net assets without donor restrictions		
Revenues and support		
Financial income		
Loan interest	\$ 9,047,706	\$ 8,973,459
Time deposit interest	519,963	299,078
	9,567,669	9,272,537
Other income		
Net processing and servicing fees	15,299,858	15,529,806
Management fees	194,925	318,918
Gain on sale of 7a loans	3,180,713	4,513,586
Gain on sale of Ventures	11,241,385	-
Less: Net assets of subsidiary removed	(632,547)	-
Loss on investment	(1,265,842)	-
Rental income	785,760	729,738
Software licensing and support	-	4,552,362
504 escrow accounts	3,623,569	3,889,324
Contribution revenue	236,424	584,089
Success fee	-	234,810
Other income	802,663	937,130
Net assets released from donor restriction	232,698	1,224,099
	33,699,606	32,513,862
Total revenues and support	43,267,275	41,786,399
Expenses		
Program services		
Loan processing and servicing	10,984,167	12,188,151
Community loan programs	17,952,406	14,419,694
Software	-	5,171,274
Technical assistance program	-	20,181
	28,936,573	31,799,300
General and administrative	12,576,374	9,479,135
	41,512,947	41,278,435
Change in net assets without donor restrictions	1,754,328	507,964
Change in net assets with donor restrictions		
Contributions for loan loss reserves	233,500	140,625
Contributions for lending programs	271,975	399,099
Contributions for technical assistance programs	411,501	250,000
Other contributions	25,000	208,750
Net Assets released from restrictions	(232,698)	(1,224,099)
	709,278	(225,625)
Change in net assets with donor restrictions	709,278	(225,625)
Change in net assets	2,463,606	282,339
Net assets, beginning	68,128,599	67,846,260
Net assets, end	\$ 70,592,205	\$ 68,128,599

See Notes to Consolidated Financial Statements.

**CDC Small Business Finance Corp.**

**Consolidated Statements of Functional Expenses  
Years Ended December 31, 2025 and 2024**

	2025						
	Program				Support		
	Loan Processing and Servicing	Community Loan Programs	Software	Technical Assistance Program	Total	Management and General	Total
Labor costs	\$ 9,226,958	\$ 7,171,566	\$ -	\$ -	\$ 16,398,524	\$ 8,246,315	\$ 24,644,839
Technology	137,849	1,805	-	-	139,654	1,087,622	1,227,276
Marketing	135,583	107,100	-	-	242,683	82,161	324,844
Lending costs	312,756	1,206,520	-	-	1,519,276	86,504	1,605,780
Occupancy	31,706	-	-	-	31,706	525,541	557,247
Depreciation	-	-	-	-	-	428,009	428,009
Legal, professional, insurance	485,857	80,745	-	-	566,602	1,124,200	1,690,802
Miscellaneous expenses	156,921	105,043	-	-	261,964	804,848	1,066,812
Interest expense	551,649	3,574,924	-	-	4,126,573	191,174	4,317,747
Provision for loan losses	(55,112)	5,704,703	-	-	5,649,591	-	5,649,591
<b>Total expenses</b>	<b>\$ 10,984,167</b>	<b>\$ 17,952,406</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 28,936,573</b>	<b>\$ 12,576,374</b>	<b>\$ 41,512,947</b>

	2024						
	Program				Support		
	Loan Processing and Servicing	Community Loan Programs	Software	Technical Assistance Program	Total	Management and General	Total
Labor costs	\$ 9,289,632	\$ 6,573,492	\$ 3,926,644	-	\$ 19,789,768	\$ 6,076,570	\$ 25,866,338
Technology	62,030	131,462	172,759	-	366,251	728,544	1,094,795
Marketing	268,996	123,980	28,543	-	421,519	-	421,519
Lending costs	586,505	672,931	322,996	-	1,582,432	164,932	1,747,364
Occupancy	220,965	111,353	16,313	-	348,631	303,623	652,254
Depreciation	-	-	4,412	-	4,412	883,272	887,684
Legal, professional, insurance	1,473,501	154,840	529,463	20,181	2,177,985	826,635	3,004,620
Miscellaneous expenses	247,367	114,109	170,144	-	531,620	411,711	943,331
Interest expense	6,042	3,046,156	-	-	3,052,198	83,848	3,136,046
Provision for loan losses	33,113	3,491,371	-	-	3,524,484	-	3,524,484
<b>Total expenses</b>	<b>\$ 12,188,151</b>	<b>\$ 14,419,694</b>	<b>\$ 5,171,274</b>	<b>\$ 20,181</b>	<b>\$ 31,799,300</b>	<b>\$ 9,479,135</b>	<b>\$ 41,278,435</b>

See Notes to Consolidated Financial Statements.

## CDC Small Business Finance Corp.

### Consolidated Statements of Cash Flows Years Ended December 31, 2025 and 2024

	2025	2024
Cash flows from operating activities		
Change in net assets	\$ 2,463,606	\$ 282,339
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Provisions for loan losses	5,649,591	3,524,484
Gain on sale of 7a loans	(3,180,713)	(4,513,586)
Gain on sale of business unit	(11,241,385)	-
Loss on investment	1,265,842	
Disposal of business adjustment to net assets	632,547	-
Disposal of business unit gain on investment	(891,162)	-
Amortization of right of use asset	184,297	209,673
Depreciation	428,009	887,684
Decrease (increase) in operating assets		
Processing and servicing receivables	(5,336,842)	(3,154,664)
Other receivables	(111,329)	2,560,076
Deposits and prepaid expenses	1,185,874	(1,400,111)
Other assets	8,362	182,835
Originations of loans available for sale	(67,461,207)	(46,745,902)
Sales of loans available for sale	35,721,543	49,337,223
Change in loan origination costs	(399,325)	(311,098)
Change on loan reserves	(522,278)	(162,745)
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	4,528,133	867,772
Due to Small Business Administration	-	96,235
Deposits	255,215	(559,532)
Lease liabilities	(24,181)	(139,136)
	<u>(36,845,403)</u>	<u>961,547</u>
Net cash (used in) provided by operating activities		
Cash flows from investing activities		
Lending on loans receivable	(27,654,177)	(31,641,687)
Receipts on loans receivable	28,391,326	24,655,706
Withdrawals of certificate of deposits	107,735	83,761
Proceeds from sale of business unit	1,000,000	-
Purchase of property and equipment	(16,598)	(1,461,185)
	<u>1,828,286</u>	<u>(8,363,405)</u>
Net cash provided by (used in) investing activities		
Cash flows from financing activities		
Proceeds from debt	90,000,000	32,427,000
Payments on debt	(53,325,924)	(22,178,723)
Payments on other borrowings	(100,516)	(160,439)
	<u>36,573,560</u>	<u>10,087,838</u>
Net cash provided by financing activities		
Net increase in cash and cash equivalents	1,556,443	2,685,980
Cash, cash equivalents and restricted cash, beginning	<u>28,626,464</u>	<u>25,940,484</u>
Cash, cash equivalents and restricted cash, end	<u>\$ 30,182,907</u>	<u>\$ 28,626,464</u>
Cash and cash equivalents	\$ 13,614,681	\$ 11,765,234
Restricted cash included in non-current assets	<u>16,568,226</u>	<u>16,861,230</u>
Total cash, cash equivalents and restricted cash	<u>\$ 30,182,907</u>	<u>\$ 28,626,464</u>
Supplemental disclosure of cash flow information		
Interest paid	<u>\$ 4,317,747</u>	<u>\$ 3,136,046</u>
Loans written off against the allowance for loan loss	<u>\$ 4,460,128</u>	<u>\$ 2,527,362</u>
Right-of-use assets obtained in exchange for operating lease liabilities	<u>\$ 178,780</u>	<u>\$ -</u>
Common stock recieved for investment in Lenders Cooperative	<u>\$ 10,500,000</u>	<u>\$ -</u>

See Notes to Consolidated Financial Statements.

## **CDC Small Business Finance Corp.**

### **Notes to Consolidated Financial Statements December 31, 2025 and 2024**

#### **Note 1 - Description of activities and significant accounting policies**

##### **Description of activities**

CDC Small Business Finance Corp. ("CDC" or the "Organization") is a not-for-profit organization committed to serving the capital needs of small businesses in California, Nevada, and Arizona. CDC is a Certified Development Company by the U.S. Small Business Administration. Its mission is to champion the growth of small companies in its communities through various lending services. CDC arranges industrial and commercial real estate, and business development loans for small business concerns located throughout the states of California, Nevada, and Arizona.

CDC's primary source of revenue is the servicing and processing of the Small Business Administration's ("SBA") 504 loan programs. In addition, CDC originates, services, and sells loans guaranteed by the SBA under its Community Advantage 7a Program. These loans are used by the borrowers for a variety of purposes and are capped at \$350,000 per loan.

CDC also administers several lending programs including the SBA microloan program, a state sponsored community adjustment and investment loan program, Impower Fund, LA Direct and Fast to Fund, California Rebuilding Fund, and Activate Detroit, all of which are designed to provide loans to small businesses.

CDC had previously elected to participate in the Small Business Association's Premier Certified Lender Program ("PCLP"). See Note 5 for additional information.

Effective July 15, 2021, Capital Impact Partners' and CDC aligned their operations under one chief executive officer and a joint board of directors. The strategic alliance between Capital Impact Partners and CDC, which closed on July 15, 2021, innovates how capital and investments flow into communities to advance economic empowerment and wealth creation. Capital Impact Partners and CDC remain separate legal and tax entities with no control over the other.

Capital Impact Partners is a not-for-profit organization without capital stock organized under the laws of the District of Columbia at the direction of the U.S. Congress in 12 U.S. Code 3051(b). The purpose of Capital Impact Partners is to provide industry altering financial services and technical assistance programs designed to spark systemic change for lasting economic progress.

Capital Impact Partners and CDC cross guarantee most of the other party's debt and are co-borrowers on other obligations to enable each organization to benefit from the combined financial strength of both organizations.

The joint organizations have substantially overlapping executive management teams with Ellis Carr, Capital Impact's President and Chief Executive Officer, serving as Chief Executive Officer of both organizations. The joint board consists of eighteen members, who will each serve a term of one year, with no director serving more than eight consecutive terms.

In July 2022, the strategic alliance of Capital Impact and CDC was rebranded as Momentum Capital, although each of Capital Impact and CDC continues operating as separate entities committed to serving its key market and clients, complementing Capital Impact's and CDC's shared missions of community development and support for small businesses.

## **CDC Small Business Finance Corp.**

### **Notes to Consolidated Financial Statements December 31, 2025 and 2024**

#### **Principles of consolidation**

The consolidated financial statements include the accounts of CDC and other organizations under the control of CDC. These organizations are San Diego Region Small Business Development Corporation ("SDR"), a tax exempt entity and its wholly-owned subsidiary, Bankers Small Business CDC ("Bankers"), Momentus Direct Capital ("DC"), CDC Ventures ("Ventures"), and New Markets Tax Credits ("NMTC"), which are wholly-owned subsidiaries. All significant inter-company accounts and transactions have been eliminated in consolidation. On February 7, 2025, CDC Small Business Finance sold its ownership interest in Ventures to Lenders Cooperative, Inc.

#### **Basis of accounting**

The financial statements of CDC have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

#### **Financial statement presentation**

CDC is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions, which are described as follows:

*Net assets without donor restrictions* - Net assets available for general use that are not subject to donor-imposed restrictions. Items that affect this net asset category principally consist of interest income and interest expense, fees for services and related program and operational expenses associated with the core activities of CDC. This includes grants and contributions without restrictions, and restricted grants and contributions whose donor-imposed restrictions were met during the fiscal year.

*Net assets with donor restrictions* - Net assets whose use by CDC is subject to either explicit donor-imposed stipulations or operation of law that can be fulfilled by actions of CDC or that expire by the passage of time. Items that affect this net asset category are grants for which donor-imposed restrictions have not been met in the year of receipt. Expirations of restrictions on net assets with donor restrictions are reported as net assets released from restrictions.

Also included in this category are net assets subject to donor-imposed restrictions to be maintained permanently by CDC. This includes donations that have been restricted by the donor in perpetuity.

#### **Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates in the consolidated financial statements are the allowance for unfunded loans and the loan loss reserves.

#### **Cash and cash equivalents**

CDC considers all cash accounts that are not subject to withdrawal restrictions or penalties, with initial maturity of three months or less, to be cash equivalents. CDC has certain restricted cash and cash equivalents that are held per terms of grant and loan agreements.

## CDC Small Business Finance Corp.

### Notes to Consolidated Financial Statements December 31, 2025 and 2024

#### Concentration of credit risk

CDC maintains cash in various financial institutions. At times, these balances exceed the insurance limit provided by the Federal Deposit Insurance Corporation ("FDIC"). CDC has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

#### Certificate of deposits and other assets

Certificate of deposits, not subject to withdrawal restrictions, have original staggered maturity dates greater than 90 days, to afford increased liquidity.

The detail of other assets are as follows:

	<u>2025</u>	<u>2024</u>
Bankers Investment in NALCAB	\$ 912,570	\$ 882,081
Servicing Asset	1,189,623	1,163,079
Other	92,560	125,894
	<u>\$ 2,194,753</u>	<u>\$ 2,171,054</u>

Management evaluates its investments for impairment on a periodic basis. If management determines the investment to be impaired, they consider the extent and duration of the loss and whether they intend to sell the investment and if it is more likely than not that they will be required to sell the investment before recovery of the loss occurs. If it is determined that the extent and duration of the loss is severe, and that the CDC will need to sell the investment before recovery is expected, or that recovery is not expected, the entire amount of the estimated impairment would be recognized through earnings.

#### Accounts receivable

Accounts receivable consist of SBA loan processing fees receivable, SBA 504 servicing fees receivable and other receivables. Processing fees are recognized at the time of loan approval and are received at the time the loan is funded. An allowance is recorded based on the Organization's experience with loans that are approved but do not fund. Servicing fees are recognized in the month they are earned and are received a month in arrears. Accounts receivable are recorded as current assets due to the expectation or receipt within a year. The allowance for doubtful accounts is an estimate based solely on the historical collectability of the receivable balances. Once a receivable is deemed uncollectible, it is written off against the allowance for doubtful accounts.

#### Property and equipment

Property and equipment are recorded at cost, except for donated items, which are recorded at fair value as of the date received. CDC capitalizes assets with an individual cost of over \$2,000 and expenditures for ordinary repairs and maintenance are charged to operations as incurred.

Depreciation is provided on the straight-line method over the estimated useful lives of the assets which range from five to 39 years for buildings and building improvements; three to five years for leasehold improvements, and three to ten years for furniture and equipment.

#### Loans receivable

CDC operates several community loan programs whereby credit in the form of loans receivable is extended. A provision for credit loss is provided for in the consolidated financial statements through a charge to operations. As a condition of some of these loan programs, CDC is required to restrict cash

## **CDC Small Business Finance Corp.**

### **Notes to Consolidated Financial Statements December 31, 2025 and 2024**

and maintain cash reserves. The restricted cash and reserve balance was \$14,860,780 and \$15,197,338 at December 31, 2025 and 2024, respectively.

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding unpaid principal balances reduced by any charge-offs or specific valuation accounts and net of any deferred fees or costs on originated loans, or unamortized premiums or discounts on purchased loans. They are classified as loans receivable on the statement of financial position. Loan origination fees and certain direct origination costs are capitalized and recognized as an adjustment of the yield of the related loan. Amortization of deferred loan fees is discontinued when a loan is placed on nonaccrual status. Interest rates on loans range from 5.00 percent to 15.00 percent per annum and maturities from 3 years to 20 years.

Loans are designated as nonaccrual loans when principal or interest is past due 90 days based on the contractual terms of the loan or when, in the opinion of management, there is reasonable doubt as to the collectability. Income on nonaccrual loans is subsequently recognized only to the extent that cash is received, and the loan's principal balance is deemed collectible.

#### **Allowance for loan losses**

The allowance for loan losses is a valuation allowance for credit losses inherent in the portfolio. Loan losses are charged against the allowance when management believes a loan balance will not be collected. Subsequent recoveries, if any, are credited to the allowance. The allowance is consistently monitored by management. Management estimates the allowance balance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions, and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged off. Amounts are charged-off when available information confirms that specific loans or portions thereof, are uncollectible. This methodology for determining charge-offs is consistently applied to each segment.

The Organization recognizes interest income on impaired loans based on its existing methods of recognizing interest income on nonaccrual loans. Loans, for which the terms have been modified resulting in a concession, and for which the borrower is experiencing financial difficulties classified as impaired with measurement of impairment as described above.

If a loan is impaired, a portion of the allowance is allocated so that the loan is reported, net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral. Smaller balance, homogeneous loans are collectively evaluated for impairment.

The general component covers non-impaired loans and is based on historical loss rates for each portfolio segment, adjusted for the effects of qualitative or environmental factors that are likely to cause estimated credit losses as of the evaluation date to differ from the portfolio segment's historical loss experience. Qualitative factors include consideration of the following: changes in lending policies and procedures; changes in economic conditions; changes in the nature and volume of the portfolio; changes in the experience, ability and depth of lending management and other relevant staff; changes in the volume and severity of past due, nonaccrual and other adversely graded loans; changes in the loan review system; changes in the value of the underlying collateral for collateral-dependent loans; concentrations of credit and the effect of other external factors such as competition and legal and regulatory requirements.

## **CDC Small Business Finance Corp.**

### **Notes to Consolidated Financial Statements December 31, 2025 and 2024**

Portfolio segments identified by the CDC include SBA Microloans, SBA 7a loans, Impower fund, Other, PCLP 504 loans, and MDC. Relevant risk characteristics for these portfolio segments generally include debt service coverage, loan-to-value ratios, collateral type and financial performance.

CDC routinely evaluates the creditworthiness of the Borrower, at least annually, and establishes reserves. CDC estimates its CECL ("current expected credit loss") Reserve using datapoints that may include the likelihood of default and expected loss given default and other inputs which may include the risk rating of the loan, financial performance compared to financial projections, and how recently the loan was originated compared to the measurement date. Estimating the CECL Reserve requires significant judgement with respect to various factors, including (i) the appropriate historical loan loss reference data, (ii) the expected timing of loan repayments (iii) calibration of the likelihood of default to reflect the risk characteristics of CDC's loans and (iv) CDC's current and future view of the macroeconomic environment. CDC may consider qualitative factors to estimate its CECL reserve.

#### **Reserve for loan losses on unfunded loan commitments**

The loan loss estimate is based on unfunded loan commitments and is an estimate for potential losses for loans that have not yet been funded using the methodology as described above. CDC has accrued loan loss reserves that have been recorded as a liability of \$66,510 and \$499,456 at December 31, 2025 and 2024, respectively.

#### **Reserve for PCLP loan losses and PCLP loan guarantees**

Participation in the PCLP requires CDC to guarantee an amount equal to ten percent of the net debenture of loans made, in the event a loss occurs if a loan under the program is charged off. The loan loss estimate is based on the entire PCLP portfolio and is an estimate of potential losses for loans that have not yet been charged off by the SBA using the methodology as described above. CDC has accrued loan loss reserves that have been recorded as a liability of \$702,105 and \$791,437 at December 31, 2025 and 2024 to address the residual risk associated with these types of loans. This is not a requirement of the program.

Due to the level of risk associated with the loans and the PCLP, it is reasonably possible that changes in the values of loans and losses could occur in the PCLP in the near term and that such change could materially affect amounts reported on the consolidated financial statements.

#### **PCLP contractual cash reserves**

CDC is required to maintain cash reserves equal to one percent of the loan balance amount. CDC may fund the reserve over a two year period. One half of one percent must be reserved upon funding of the debenture and an additional one quarter of one percent must be funded at the end of the first and second year. CDC's cash reserves were \$1,707,446 and \$1,663,892 as of December 31, 2025 and 2024 and were in excess of contractual amounts required in each year.

#### **Loans available for sale**

Management designates loans as available for sale based on intent. Generally, all the guaranteed portion of SBA 7a loans meeting salability requirements, or expected to become saleable within the near term, are designated as available for sale. The unguaranteed portion is retained with a discounted carrying value to account for the higher credit risk associated with it. Generally, the entire balance of MDC loans meeting salability requirements, or expected to become saleable within the near term, are designated as available for sale.

## **CDC Small Business Finance Corp.**

### **Notes to Consolidated Financial Statements December 31, 2025 and 2024**

These loans are carried at the lower of cost or estimated market value in the aggregate. No loans were written down to fair value at year end. Net unrealized losses, if any, are recognized through a valuation allowance by charges to net income. Gains or losses realized on the sale of loans are recognized at the time of sale and are determined by the difference between the net sales proceeds and the carrying value of the loans sold, adjusted for any servicing asset or liability. Gains and losses on the sale of loans are included in noninterest income.

#### **Concentration of revenue**

CDC receives the majority of its revenue in the form of processing and servicing fees on loans guaranteed by the SBA. As with any government-related program, there is a risk that funding could be reduced or discontinued.

#### **Revenue recognition**

CDC's noninterest income within the scope of Topic 606 includes software licensing and technical support. CDC's software licensing and technical support income are recognized as the Organization's performance obligation is satisfied, generally over time on a monthly basis. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. For the years ended December 31, 2025 and 2024, conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met, are \$0 and \$4,896,155, respectively.

#### **Small Business Administration 504 processing fees**

CDC recognizes processing fee revenue when authorization for funding is received from the SBA. SBA 504 loan servicing fees are recognized when earned.

#### **Small Business Administration community advantage 7a loans**

CDC originates loans to customers under the SBA 7a program that generally provides guarantees for 75 percent to 90 percent of each loan, subject to maximum guaranteed amounts. CDC generally sells the guaranteed portion of the loan in an active secondary market and retains the unguaranteed portion in its portfolio. Servicing rights are recognized separately when CDC retains servicing for loans sold.

The sale of SBA guaranteed loans are controlled by the SBA Secondary Participation Guaranty Agreement (1086 agreement). Transfers of financial assets are accounted for as sales, when control over the assets has been relinquished. Control over transferred assets is deemed to be surrendered when the assets have been isolated from the Organization, the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and the Organization does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity. In accordance with current accounting guidance, only certain sales of guaranteed loans are eligible for sales accounting treatment by the CDC. Those not eligible for sales accounting treatment were treated as secured borrowings as more fully described in Note 10.

#### **Gain on sale of 7a loans**

All sales of SBA guaranteed loans are executed on a servicing retained basis, and CDC retains the rights and obligations to service the loans. The standard sales structure under the 1086 agreements provide for CDC to retain a portion of cash flow from the interest payment received on each loan. This cash flow is commonly known as a "servicing spread". The servicing spread is recognized as a "servicing asset" to the extent the spread exceeds "adequate compensation" for the servicing function. Industry practice

**CDC Small Business Finance Corp.**

**Notes to Consolidated Financial Statements  
December 31, 2025 and 2024**

recognizes adequate compensation as 40 basis points. The fair value of the servicing asset is measured at the discounted present value of the excess servicing spread over the life of the related loan using appropriate discount rates and assumptions based on industry statistics for prepayment speeds.

When a loan sale involves the transfer of an interest in less than the entire loan, the controlling accounting method under current accounting guidance requires the seller to reallocate the carrying basis between the assets transferred and the assets retained based on the relative fair value of the respective assets as of the date of sale. The maximum gain on the sale that can be recognized is the difference between the fair value of the assets sold and the reallocated basis of assets sold. CDC measures the fair value of the guaranteed portion sold by the cash premium paid by the broker/dealer. The fair value of the servicing asset and the unguaranteed portion retained are based on discounted cash flow calculations explained above.

The gain on sale is immediately recognized in income and is made up of the sum of the cash premium on the guaranteed loan, the fair value of the servicing asset recognized less the discount recorded on the unguaranteed portion retained. CDC's portfolio of unguaranteed loans retained from sales transaction is significantly discounted.

**SBA servicing assets**

These assets are initially recorded at fair value and amortized over the life of the related loans as a reduction of the servicing income recognized from the servicing spread. The amortized basis in the asset is compared against the fair value of the asset on a regular basis. If the carrying amount exceeds the fair value, the asset is considered impaired and is written down to fair value through a valuation allowance on the asset and a charge against earnings. Management does not believe the asset was impaired at December 31, 2025 and 2024 which is part of other assets on the consolidated statement of financial position.

**Right-of-use assets / lease liabilities**

CDC recognizes right-of-use assets and operating lease liabilities on the consolidated statement of financial position for all leases with terms longer than 12 months. Right-of-use assets and operating lease liabilities are recognized at the lease commencement date based on the present value of the remaining lease payments over the lease term, using the incremental borrowing rate. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the consolidated statement of activities. Lease expense is recognized on a straight-line basis over the term of the lease. The options to extend the lease term are not included in the right-of-use assets and operating lease liabilities recorded, when applicable. CDC has elected the practical expedient of not separating lease components from non-lease components.

**Functional allocation of expenses**

The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, benefits, payroll taxes, technology, marketing, lending costs, occupancy, professional services, interest and other, which are allocated based on estimates of time and effort.

## **CDC Small Business Finance Corp.**

### **Notes to Consolidated Financial Statements December 31, 2025 and 2024**

#### **Advertising costs**

The Organization expenses the costs of advertising in the period incurred. Advertising costs are included in the marketing expense on the consolidated statements of activities and totaled \$324,844 and \$421,519 for the years ended December 31, 2025 and 2024.

#### **Federal grant (contingency)**

CDC and its affiliates receive grants, contracts, and awards under federal programs. Costs incurred by the CDC under federal programs are subject to regulations of those agencies and may be disallowed after review and audit. Management believes adjustments, if any, for unallowable costs charged to federal programs would not be material to the consolidated financial statements or major programs.

#### **Income taxes**

The Organization elected to change its exempt status from Section 501(c)(4) to 501(c)(3) November 24, 2020. The Organization is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and Section 23701(f) of the California Revenue and Taxation Code. CDC has a wholly owned interest in San Diego Region Small Business Development Organization, an organization exempt from income taxes under section 501(c)(3) of the Internal Revenue Code and Section 23701(f) of the California Revenue and Taxation Code. CDC also has a controlling interest in Bankers and Momentus Direct Capital, which are wholly owned for-profit corporations.

The Organization has no unrecognized tax benefits at December 31, 2025 and 2024. Banker and Momentus Direct Capital did not have any taxable income during the year, and accordingly, no provision for income taxes has been made. Management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. Management has analyzed the tax positions taken by the Organization and has concluded that, as of December 31, 2025 and 2024, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements.

#### **Capital Requirements Compliance Disclosure (SBA CA SBLC)**

CDC Small Business Finance operates as a Community Advantage Small Business Lending Company (CA SBLC) and is subject to the capital requirements established by the U.S. Small Business Administration (SBA), including those outlined in SBA Policy Notice 5000-868068, effective May 5, 2025. Beginning May 15, 2025, CA SBLCs are required to maintain, at a minimum, unencumbered paid-in capital and paid-in surplus equal to the greater of (i) \$375,000, or (ii) 10 percent of the aggregate of its share of all outstanding loans.

As of December 31, 2025, the Organization's applicable receivables totaled approximately \$48,000,000, resulting in a minimum required capital level of \$4,800,000. The Organization reported net assets without donor restrictions of \$64,564,303 as of December 31, 2025, all of which are considered available for purposes of meeting SBA capital requirements, to the extent such amounts are unencumbered.

No instances of noncompliance with SBA capital requirements were identified during the reporting period. Furthermore, management is not aware of any conditions or events that would impair CDC Small Business Finance's ability to maintain compliance with these requirements in the foreseeable future.

#### **Divestment of Ventures**

On February 7, 2025, CDC Small Business Finance entered into a definitive agreement to sell its ownership interest in Ventures to Lenders Cooperative, Inc. The transaction closed on February 7, 2025, and the total consideration received was \$1,000,000 in cash and \$10,500,000 in stock.

## CDC Small Business Finance Corp.

### Notes to Consolidated Financial Statements December 31, 2025 and 2024

The sale resulted in a gain of \$11,241,385 which has been recognized in the financial statements for the fiscal year ending December 31, 2025. The divestiture is aligned with the Organization's strategic initiatives to focus on core operations.

CDC has a 33.9% voting interest in Lenders Cooperative, Inc ("Lenders") and is accounting for its investment in Lenders under the equity method of accounting. Accordingly, CDC's share of net income of the affiliate is recognized as income or loss in CDC's Consolidated Statements of Activities and added to or subtracted from the investment account. Dividends received from the affiliate are treated as a reduction of the investment account. CDC appoints one of the three members of the board of directors.

As of December 31, 2025, the carrying value of CDC's equity interest in Lenders is \$9,234,158 net of loss recorded during the year ended December 31, 2025 of \$1,265,842.

As it pertains to Topic 606, relating to software licensing and technical support income, due to the divestment of Ventures, for the year ended December 31, 2025, there was no revenue recognized. For the year ended December 31, 2024 the amount recognized was \$4,896,155.

#### Subsequent events

CDC has evaluated subsequent events through March 27, 2026, which is the date the consolidated financial statements were available to be issued. Subsequent, to year-end 2025, CDC secured an extension of its note payable to CIP, in the amount of \$51,800,000, from a maturity date of July 2026 to a maturity date of December 2026.

#### Note 2 - Liquidity and availability

The Organization regularly monitors liquidity required to meet its annual operating needs and other contractual commitments, while also striving to maximize the return on investment of its funds not required for annual operations.

As of December 31, 2025 and 2024, the following financial assets are available to meet the following annual operating needs:

	<u>2025</u>	<u>2024</u>
Financial assets		
Cash and cash equivalents	\$ 13,614,681	\$ 11,765,234
Certificates of deposit	277,664	385,399
Processing and servicing receivables	1,843,916	2,156,665
Other receivables	2,269,486	2,318,273
Loans available for sale	38,938,570	4,044,738
Unfunded Loan Commitments	<u>(3,356,881)</u>	<u>(7,659,081)</u>
	53,587,436	13,011,228
Grants with donor restriction included as a component of cash and cash equivalents	<u>(128,459)</u>	<u>(30,491)</u>
	<u>\$ 53,458,977</u>	<u>\$ 12,980,737</u>

**CDC Small Business Finance Corp.**

**Notes to Consolidated Financial Statements  
December 31, 2025 and 2024**

CDC uses these sources to meet its ongoing obligations with respect to general expenditures, liabilities, and other obligations as they become due. Cash in excess of daily requirements is invested in various short-term investments with maturities designed to meet obligations as they come due.

**Note 3 - Loans receivable**

The composition of the CDC's loans receivable are as follows:

	<u>2025</u>	<u>2024</u>
SBA Microloan Program	\$ 3,964,701	\$ 4,516,188
SBA 7a Loans	42,178,254	47,094,926
Direct Capital (Impower 95)	33,779,142	24,112,278
Bankers	5,170,883	7,779,435
PPP	10,037	346,973
Activate Detroit	1,740,410	2,328,053
Impower Fund 1	4,193,258	3,963,129
MCCF	223,166	36,097
7a Secured Borrowing	993	101,510
	<u>91,260,844</u>	<u>90,278,589</u>
Discount on 7a loans	(1,676,741)	(1,669,078)
Deferred costs	2,892,019	2,492,695
Allowance for loans receivable losses	<u>(6,582,597)</u>	<u>(4,870,857)</u>
	<u>\$ 85,893,525</u>	<u>\$ 86,231,349</u>

The CDC originates loans for sale to governmental agencies and institutional investors. As of December 31, 2025 and 2024, CDC was servicing approximately \$140,321,985 and \$131,681,833 in total SBA loans previously sold. The carrying value of the servicing rights associated with these loans was approximately \$1,190,000 and \$1,163,000 as of December 31, 2025 and 2024, respectively. The carrying value approximated the fair value as of December 31, 2025 and 2024.

**Note 4 - Allowance for loan receivable losses**

A summary of the changes in the allowance for loan losses for loans held as investment by CDC for the year ended December 31, 2025 and 2024, are as follows:

	<u>2025</u>	<u>2024</u>
Balance at beginning of period	\$ 4,870,857	\$ 3,828,051
Provision adjustment for loan losses	5,738,922	3,447,635
Liability on loan commitments	432,946	-
Loans charged-off	(4,460,128)	(2,527,362)
Recoveries	-	122,533
	<u>\$ 6,582,597</u>	<u>\$ 4,870,857</u>

**CDC Small Business Finance Corp.**

**Notes to Consolidated Financial Statements  
December 31, 2025 and 2024**

The following is the activity in the allowance for loan loss by portfolio segment for the year ended December 31, 2025:

	SBA Microloan	SBA 7a	Direct Capital	Bankers	Activate Detroit	Impower Fund 1	MCCF	PPP	Total
Beginning balance	\$ 62,426	\$ 2,553,722	\$ 743,951	\$ 124,559	\$ 1,183,925	\$ 198,157	\$ 3,249	\$ 868	\$ 4,870,857
Provision for loan losses	109,254	4,418,950	545,977	342,878	287,644	17,796	17,171	(748)	5,738,922
Liability on loan commitments	-	(30,164)	461,663	1,447	-	-	-	-	432,946
Loans charged-off	(90,165)	(3,470,615)	-	(371,090)	(528,164)	-	-	(94)	(4,460,128)
Ending loan loss reserve	\$ 81,515	\$ 3,471,893	\$ 1,751,591	\$ 97,794	\$ 943,405	\$ 215,953	\$ 20,420	\$ 26	\$ 6,582,597

The following is the activity in the allowance for loan loss by portfolio segment for the year ended December 31, 2024:

	SBA Microloan	SBA 7a	Direct Capital	Bankers	Activate Detroit	Impower Fund 1	MCCF	PPP	Total
Beginning balance	\$ 52,184	\$ 2,063,878	\$ 424,578	\$ 173,879	\$ 989,713	\$ 117,949	\$ 2,700	\$ 3,170	\$ 3,828,051
Provision for loan losses	28,045	1,282,705	45,947	319,373	1,693,110	80,208	549	(2,302)	3,447,635
Loans charged-off	(59,691)	(865,990)	(95,267)	-	(1,506,414)	-	-	-	(2,527,362)
Recoveries	41,888	73,129	-	-	7,516	-	-	-	122,533
Ending loan loss reserve	\$ 62,426	\$ 2,553,722	\$ 375,258	\$ 493,252	\$ 1,183,925	\$ 198,157	\$ 3,249	\$ 868	\$ 4,870,857

CDC categorizes its loans receivable into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. CDC analyzes loans individually by classifying the loans as to credit risk. This analysis is performed on a quarterly basis. CDC uses the following definitions for its risk ratings:

*Pass* - Loans that are current in payments and in general compliance with all debt covenants. Management considers the likelihood of loss on these credits to be low.

*Special Mention* - Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

*Substandard* - Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

*Liquidation* - Loans classified as liquidation have all the weaknesses inherent in those classified as substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis currently existing facts, conditions, and value, highly questionable and improbable.

**CDC Small Business Finance Corp.**

**Notes to Consolidated Financial Statements  
December 31, 2025 and 2024**

Based on the most recent analysis performed, the risk category of the loans receivable as of December 31, 2025 is as follows:

	Pass	Special Mention	Substandard	Liquidation	Total
SBA Microloan Program	\$ 2,591,460	\$ 989,088	\$ 236,437	\$ 147,716	\$ 3,964,701
SBA 7a Loans	23,793,769	8,321,438	5,342,662	4,720,385	42,178,254
Direct Capital	26,498,969	2,047,450	-	5,232,723	33,779,142
Bankers	2,939,325	966,226	582,836	682,496	5,170,883
PPP	10,037	-	-	-	10,037
Activate Detroit	358,034	323,581	982,630	76,165	1,740,410
Impower Fund 1	2,774,353	885,591	533,314	-	4,193,258
MCCF	6,478	216,689	-	-	223,166
7a Secured Borrowing	993	-	-	-	993
	<u>\$ 58,973,417</u>	<u>\$ 13,750,063</u>	<u>\$ 7,677,879</u>	<u>\$ 10,859,485</u>	<u>\$ 91,260,844</u>

Based on the most recent analysis performed, the risk category of the loans receivable as of December 31, 2024 is as follows:

	Pass	Special Mention	Substandard	Liquidation	Total
SBA Microloan Program	\$ 3,176,210	\$ 869,754	\$ 298,382	\$ 171,842	\$ 4,516,188
SBA 7a Loans	28,513,959	5,844,436	6,751,504	5,985,027	47,094,926
Direct Capital	15,951,664	4,208,406	2,242,208	1,710,000	24,112,278
Bankers	3,000,990	2,052,753	986,940	1,738,752	7,779,435
PPP	336,080	-	-	10,893	346,973
Activate Detroit	482,685	669,720	1,079,028	96,620	2,328,053
Impower Fund 1	2,874,069	566,298	522,762	-	3,963,129
MCCF	21,350	-	-	14,747	36,097
7a Secured Borrowing	101,510	-	-	-	101,510
	<u>\$ 54,458,517</u>	<u>\$ 14,211,367</u>	<u>\$ 11,880,824</u>	<u>\$ 9,727,881</u>	<u>\$ 90,278,589</u>

**CDC Small Business Finance Corp.**

**Notes to Consolidated Financial Statements  
December 31, 2025 and 2024**

Past due and nonaccrual loans receivable were as follows as of December 31, 2025:

	Current	Still Accruing			Nonaccrual	Total
		30-59 Days Past Due	60-89 Days Past Due	Over 90 Days Past Due		
SBA Microloan Program	\$ 3,835,550	\$ 95,516	\$ 33,635	\$ -	\$ -	\$ 3,964,701
SBA 7a Loans	35,521,839	2,283,260	452,840	-	3,920,315	42,178,254
Direct Capital	29,438,626	-	1,710,000	-	2,630,516	33,779,142
Bankers	4,381,931	116,039	-	-	672,913	5,170,883
PPP	10,037	-	-	-	-	10,037
Activate Detroit	806,400	88,305	216,202	-	629,503	1,740,410
Impower Fund 1	4,193,258	-	-	-	-	4,193,258
MCCF	223,166	-	-	-	-	223,166
7a Secured Borrowing	993	-	-	-	-	993
	<u>\$ 78,411,800</u>	<u>\$ 2,583,120</u>	<u>\$ 2,412,677</u>	<u>\$ -</u>	<u>\$ 7,853,247</u>	<u>\$ 91,260,844</u>

Past due and nonaccrual loans receivable were as follows as of December 31, 2024:

	Current	Still Accruing			Nonaccrual	Total
		30-59 Days Past Due	60-89 Days Past Due	Over 90 Days Past Due		
SBA Microloan Program	\$ 4,451,607	\$ -	\$ 64,581	\$ -	\$ -	\$ 4,516,188
SBA 7a Loans	37,137,625	2,109,657	1,544,907	-	6,302,737	47,094,926
Direct Capital	22,591,278	1,350,000	171,000	-	-	24,112,278
Bankers	5,811,693	152,064	127,524	-	1,688,154	7,779,435
PPP	148,949	122,234	1,687	-	74,103	346,973
Activate Detroit	1,308,151	329,134	245,268	-	445,500	2,328,053
Impower Fund 1	3,963,129	-	-	-	-	3,963,129
MCCF	36,097	-	-	-	-	36,097
7a Secured Borrowing	101,510	-	-	-	-	101,510
	<u>\$ 75,550,039</u>	<u>\$ 4,063,089</u>	<u>\$ 2,154,967</u>	<u>\$ -</u>	<u>\$ 8,510,494</u>	<u>\$ 90,278,589</u>

There was no interest income recognized on a cash basis during the years ending December 31, 2025 and 2024.

The calculation for determining the 2025 unfunded loan commitments is as follows:

CDC Small Business Finance Corp.	SBA Microloan	SBA 7a Loans	Impower 95	Bankers CDC	PPP	Activate Detroit	Impower Fund 1	Other	Total
Unfunded Loan Commitments - Unguaranteed Portion	\$ -	\$ 753,743	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 753,743
Unfunded Loan Commitments - Guaranteed	-	2,603,138	-	-	-	-	-	-	2,603,138
Unfunded Loan Commitments - Total	<u>\$ -</u>	<u>\$ 3,356,881</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,356,881</u>

The calculation for determining the 2024 unfunded loan commitments is as follows:

CDC Small Business Finance Corp.	SBA Microloan	SBA 7a Loans	Impower 95	Bankers CDC	PPP	Activate Detroit	Impower Fund 1	Other	Total
Unfunded Loan Commitments - Unguaranteed Portion	\$ -	\$ 444,023	\$ 5,640,000	\$ 17,683	\$ -	\$ -	\$ -	\$ -	\$ 6,101,706
Unfunded Loan Commitments - Guaranteed	-	1,486,642	-	70,733	-	-	-	-	1,557,375
Unfunded Loan Commitments - Total	<u>\$ -</u>	<u>\$ 1,930,665</u>	<u>\$ 5,640,000</u>	<u>\$ 88,416</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,659,081</u>

The liability on loan commitments for December 31, 2025 and 2024, are as follows:

CDC Small Business Finance Corp.	SBA Microloan	SBA 7a Loans	Impower 95	Bankers CDC	PPP	Activate Detroit	Impower Fund 1	Other	Total
Dec 31, 2025 Liability on loan commitments	\$ -	\$ 66,510	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 66,510
Dec 31, 2024 Liability on loan commitments	\$ -	\$ 36,346	\$ 461,663	\$ 1,447	\$ -	\$ -	\$ -	\$ -	\$ 499,456

## CDC Small Business Finance Corp.

### Notes to Consolidated Financial Statements December 31, 2025 and 2024

#### Note 5 - Reserve for PCLP loan losses

As of December 31, 2025 and 2024, CDC services approximately \$117,017,496 and \$131,906,157 respectively in its PCLP Portfolio, which is not a part of CDC's loan portfolio. CDC's guarantee amount is approximately \$11,701,750 and \$13,190,616 as of December 31, 2025 and 2024, respectively. CDC's management has made provisions for PCLP loan loss guarantees in the amounts of \$702,105 and \$791,437 as of December 31, 2025 and 2024. These reserves are management's estimates of potential losses under the PCLP loan participation program. CDC's management continually monitors this group of loans approved under the PCLP ("PCLP Portfolio"). Accruals of \$256,192 and \$256,192 have been made for loans that have been charged off and are payable to the SBA as of December 31, 2025 and 2024, respectively.

CDC employs a risk-based analysis of the PCLP loan portfolio to estimate the potential liability under its guarantee. Each loan in the PCLP Portfolio is risk rated and given a loan grade. Each loan grade is assigned a range of anticipated default rates. CDC uses this analysis along with its understanding of past loan loss experience, the nature, and volume of the portfolio, borrower specific information, estimated collateral values, general economic conditions and other factors to determine the estimate for its guarantee liability. The evaluation of the allowance is continuous and subjective as estimates are modified with changing conditions. The results are then used to support management's estimate for loan loss guarantee and the loan loss reserve is adjusted.

The following table presents the activity in the PCLP loan loss reserve for the year ended December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Balance at beginning of period	\$ 791,437	\$ 896,841
Credit for loan loss	(89,332)	(32,072)
Amounts paid to SBA	-	(96,235)
Recoveries on loans charged off	-	22,903
Balance at end of period	<u>\$ 702,105</u>	<u>\$ 791,437</u>

#### PCLP shared loss exposure

CDC categorizes its PCLP loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. CDC analyzes loans individually by classifying the loans as to credit risk. This analysis is performed on a quarterly basis. CDC uses the following definitions for its risk ratings:

*Pass* - Loans that are current in payments and in general compliance with all debt covenants. Management considers the likelihood of loss on these credits to be low.

*Special Mention* - Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

## CDC Small Business Finance Corp.

### Notes to Consolidated Financial Statements December 31, 2025 and 2024

*Substandard* - Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

*Liquidation* - Loans classified as liquidation have all the weaknesses inherent in those classified as substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis currently existing facts, conditions, and value, highly questionable and improbable.

The risk categories of PCLP loans as of December 31, 2025 were as follows:

	Pass	Special Mention	Substandard	Liquidation	Total
PCLP Shared					
Loss Exposure	\$10,228,422	\$1,359,690	\$86,525	\$27,113	\$11,701,750

The risk categories of PCLP loans as of December 31, 2024 were as follows:

	Pass	Special Mention	Substandard	Liquidation	Total
PCLP Shared					
Loss Exposure	\$11,548,689	\$1,538,539	\$49,838	\$53,550	\$13,190,616

#### Note 6 - Related party transactions

Certain Board members are employees of banks and other entities with whom CDC has participated loans in the normal course of business. These members recuse themselves from the approval of any transactions that CDC has with their respective employer organizations.

In the normal course of business, Capital Impact Partners and CDC share labor, as outlined in a shared services agreement established in 2022. Capital Impact Partners utilized a portion of CDC labor and is reported as a component of management fees in the consolidated statement of activities. For the year ended December 31, 2025 and 2024, activity totaled \$194,925 and \$318,918. CDC utilized a portion of Capital Impact Partner's labor, which was reported as a component of labor costs on the consolidated statement of functional expenses. The total intercompany labor cost for the year ended December 31, 2025 and 2024 was \$3,986,146 and \$3,742,765.

At December 31, 2025 and 2024, approximately \$4,169,000 and \$1,700,000, respectively, is due to Capital Impact Partners and included in accounts payable and accrued expenses on the consolidated statements of financial position.

Capital Impact Partners and CDC cross guarantee most of the other party's debt, and co-borrowers on the remaining obligations to enable each organization to benefit from the combined financial strength of both organizations.

During 2025 AND 2024, Capital Impact Partners issued two bridge loans to CDC to cover disbursements. As of December 31, 2025 and 2024, Capital Impact Partners intercompany loans receivable totaled \$51,800,000 and \$16,800,000.

**CDC Small Business Finance Corp.**

**Notes to Consolidated Financial Statements  
December 31, 2025 and 2024**

**Note 7 - Property and equipment**

The detail of property and equipment are as follows:

	<u>2025</u>	<u>2024</u>
Land	\$ 2,300,000	\$ 2,300,000
Building	6,044,346	6,044,345
Software development	90,558	3,900,304
Furniture and fixtures	983,339	1,007,799
Building improvements	2,842,920	2,022,825
Leasehold improvements	60,025	79,438
	<u>12,321,188</u>	<u>15,354,711</u>
Less accumulated depreciation	<u>(5,376,477)</u>	<u>(7,998,589)</u>
	<u>\$ 6,944,711</u>	<u>\$ 7,356,122</u>

Depreciation expense for the years ended December 31, 2025 and 2024 amounted to \$428,009 and \$887,684.

As part of the sale of CDC's ownership interest in Ventures CDC disposed of software with a net book value of \$3,809,745.

**Note 8 - Contingencies**

CDC is a party to certain legal actions arising in the ordinary course of business. In the opinion of management, additional liabilities, if any, under these actions will not result in material charges against net assets.

Capital Impact Partners and CDC cross guarantee most of the other party's debt, and co-borrowers on the remaining obligations to enable each organization to benefit from the combined financial strength of both organizations.

**Note 9 - Leases**

**Lease expense**

CDC leases offices and office equipment in California, Arizona, and Nevada under leases that expire through the year 2029. All contracts that implicitly or explicitly involve property, plant, and equipment are evaluated to determine whether they are or contain a lease.

At lease commencement, CDC recognizes a lease liability, which is measured at the present value of future lease payments, and a corresponding right-of-use asset equal to the lease liability, adjusted for prepaid lease costs, initial direct costs and lease incentives. CDC has elected and applies the practical expedient available to lessees to combine non-lease components with their related lease components and account for them as a single combined lease component for all its leases. CDC remeasures lease liabilities and related right-of-use assets whenever there is a change to the lease term and/or there is a change in the amount of future lease payments, but only when such modification does not qualify to be accounted for as a separate contract.

**CDC Small Business Finance Corp.**

**Notes to Consolidated Financial Statements  
December 31, 2025 and 2024**

CDC determines an appropriate discount rate to apply when determining the present value of the remaining lease payments for purposes of measuring or remeasuring lease liabilities. As the rate implicit in the lease is generally not readily determinable, CDC estimates its incremental borrowing rate as the discount rate. CDC's incremental borrowing rate, which is determined at either lease commencement or when a lease liability is remeasured, is an estimate of the interest rate it would pay on a collateralized borrowing, for an amount equal to the amount and currency of denomination of the lease payments, over a period commensurate with the lease term and in a similar economic environment.

For accounting purposes, CDC's leases commence on the earlier of (i) the date upon which CDC obtains control of the underlying asset and (ii) the contractual effective date of a lease. Lease commencement for most of CDC's leases coincides with the contractual effective date. CDC's leases generally have minimum base terms with renewal options or fixed terms with early termination options. Such renewal and early termination options are exercisable at the option of CDC and, when exercised, usually provide for rental payments during the extension period at then current market rates or at pre-determined rental amounts.

Unless CDC determines that it is reasonably certain that the term of a lease will be extended, such as through the exercise of a renewal option or non-exercise of an early termination option, the term of a lease begins at lease commencement and spans for the duration of the minimum non-cancellable contractual term. When the exercise of a renewal option or non-exercise of an early termination option is reasonably certain, the lease term is measured as ending at the end of the renewal period or on the date an early termination may be exercised.

CDC includes variable rental payments based on a rate or an index such as the Consumer Price index (CPI) in its measurement of lease payments based on the rate or index in effect at lease commencement. Other types of variable lease payments are expensed as incurred, and are reported as a component of occupancy expense in the accompanying consolidated statement of functional expenses.

*Leases Involving Real Estate*

Leases of CDC's corporate headquarters have lease terms that range from five to six years, which terms have been incorporated into its measurement of the related right-of-use assets and lease liabilities. Although most of CDC's real estate leases include one or more options to renew that can extend the contractual terms from five to 10 years, those renewal options are exercisable solely at CDC's discretion and have been excluded from lease term measurements.

Rental payments on these leases typically provide for fixed minimum payments that increase over the lease term at predetermined amounts. Certain leases of real estate provide for rental increases based on the CPI, which are included in CDC's measurement of lease payments based on the rate or index in effect at lease commencement and are therefore included in the measurement of the lease liabilities.

**CDC Small Business Finance Corp.**

**Notes to Consolidated Financial Statements  
December 31, 2025 and 2024**

*Financial Information*

The following provides information about CDC's right-of-use assets and lease liabilities for its operating leases as of December 31, 2025 and 2024:

	<u>Balance Sheet Classification</u>		<u>2025</u>	<u>2024</u>
	<b>Right-of-Use Assets</b>			
Operating leases	Operating lease assets		\$ 371,081	\$ 376,598
Total leased assets			<u>\$ 371,081</u>	<u>\$ 376,598</u>
<b>Lease Liabilities</b>				
<i>Current</i>				
Operating leases	Current portion of operating lease liabilities		\$ 217,931	\$ 198,797
<i>Noncurrent</i>				
Operating leases	Operating lease liabilities, net of current portion		<u>176,927</u>	<u>220,242</u>
Total lease liabilities			<u>\$ 394,858</u>	<u>\$ 419,039</u>

The components of CDC's operating lease cost for the years ended December 31, 2025 and 2024 are as follows:

	<u>Income Statement Classification</u>		<u>2025</u>	<u>2024</u>
	Operating lease cost, net			
Amortization expense	Occupancy		\$ 184,297	\$ 209,673
Total lease cost			<u>\$ 184,297</u>	<u>\$ 209,673</u>

Supplemental cash flow information related to CDC's leases for the year ended December 31, 2025 and 2024:

	<u>Operating Leases</u>	
	<u>2025</u>	<u>2024</u>
Cash paid for amounts included in the measurement of lease liabilities	<u>\$ 24,182</u>	<u>\$ 139,136</u>

Weighted average remaining lease term and weighted average discount rate for CDC's leases as of December 31, 2025 and 2024:

	<u>Operating Leases</u>	
	<u>2025</u>	<u>2024</u>
Weighted average remaining lease term	2 Years	3 years
Weighted average discount rate	0.73%	0.82%

**CDC Small Business Finance Corp.**

**Notes to Consolidated Financial Statements  
December 31, 2025 and 2024**

CDC's operating lease liabilities have effective interest rates ranging from 0.67% to 0.78% and mature between February 2027 and February 2029.

<u>Year Ended December 31,</u>	
2026	\$ 217,931
2027	101,236
2028	69,624
2029	<u>9,528</u>
Total lease payments	398,319
Less imputed interest	<u>(3,461)</u>
Total	<u>\$ 394,858</u>

The undiscounted operating lease liability as of December 31, 2024 is \$422,725.

**Lease income**

CDC receives rental income from four tenants on a month-to-month basis who lease space in the San Diego Building that is the Organization's main office. Rental income for the year ended December 31, 2025 and 2024 was \$785,760 and \$729,738, respectively.

**Note 10 - Other borrowings**

As of December 31, 2025 and 2024, other borrowings on the consolidated statements of financial position of \$993 and \$101,510, respectively consisted of the guaranteed portion of SBA loans sold in the secondary market that could not be accounted for as loan sales according to current accounting guidance. Consistent with this accounting treatment, the premium received for these transfers are recorded as a liability and amortized over the estimated life of the loan into interest income. As of December 31, 2025 and 2024, the premium has been fully amortized.

**CDC Small Business Finance Corp.**

**Notes to Consolidated Financial Statements  
December 31, 2025 and 2024**

**Note 11 - Long-term debt**

Long-term debt at December 31, 2025 and 2024 consist of the following:

Lender	Final Maturity Date	2025	2024
CDC Notes Payable:			
First Republic Bank <sup>(1)</sup>	Jul-29	\$ 1,368,973	\$ 1,712,951
U.S. Small Business Administration <sup>(3)</sup>	Apr-30	1,096,965	1,385,545
U.S. Small Business Administration <sup>(3)</sup>	Apr-29	393,347	508,195
U.S. Small Business Administration <sup>(3)</sup>	May-28	225,660	308,545
U.S. Small Business Administration <sup>(3)</sup>	Sep-26	56,431	141,077
U.S. Small Business Administration <sup>(3)</sup>	Mar-33	1,602,455	1,811,227
U.S. Small Business Administration <sup>(3)</sup>	Nov-34	2,090,654	2,127,000
CIP <sup>(2)</sup>	Jul-26	51,800,000	16,800,000
Federal Reserve <sup>(3)</sup>	Various	-	115,717
Chase Bank <sup>(2)</sup>	Dec-32	10,000,000	10,000,000
US Bank <sup>(2)</sup>	Aug-26	24,000,000	21,050,152
		<u>92,634,485</u>	<u>55,960,409</u>
Less: Current maturities		<u>77,069,704</u>	<u>17,883,889</u>
		<u>\$ 15,564,781</u>	<u>\$ 38,076,520</u>

(1) Secured by the building where CDC's main office is located

(2) Unsecured

(3) Secured by underlying loan portfolio

Interest rates for these loans range from 0.35% to 7.30% and 0.35% to 7.24% at December 31, 2025 and 2024, respectively.

Subsequent, to year-end 2025, CDC secured an extension of its note payable to CIP, in the amount of \$51,800,000, from a maturity date of July 2026 to a maturity date of December 2026.

CDC has certain debt agreements that contain both operational and financial covenants requiring CDC to maintain minimum cash and cash equivalents balances and certain financial ratios.

At December 31, 2025 and 2024 CDC is in compliance with all loan covenants.

**CDC Small Business Finance Corp.**

**Notes to Consolidated Financial Statements  
December 31, 2025 and 2024**

Principal payments for the years ending December 31 are due as follows:

Year Ended December 31,	
2026	\$ 77,069,704
2027	1,742,641
2028	3,242,879
2029	2,965,368
2030	2,532,477
Thereafter	5,081,415
Total	\$ 92,634,484

**Note 12 – Employee benefit plans**

CDC’s employees participate in the non-contributory defined contribution retirement plan and the 401(k) plan. Under the non-contributory defined contribution retirement plan, CDC contributes 6% of a participant’s annual salary into the plan. Total expenses for the retirement plans for the years ending December 31, 2025 and 2024 was \$841,884 and \$868,266, respectively. The employee thrift plan is organized under IRS Code Section 401(k) and CDC contributes up to 6% of each participant’s annual salary. Contributions and expenses were \$731,390 and \$805,804 for 2025 and 2024. These amounts are recorded as a component of Labor costs expense on the consolidated statement of functional expenses

**Note 13 - Net assets with donor restrictions**

At December 31, 2025 and 2024, net assets with donor restrictions consist of the following:

Net Assets With donor restrictions	2025	2024
Cash		
Loan loss reserves	\$ 5,899,443	\$ 5,288,133
Grants		
Technical Assistance (BAS)	128,459	-
Lending programs	-	30,491
	\$ 6,027,902	\$ 5,318,624

From time to time CDC receives contributions with donor restrictions to support their ongoing programs. As expenses are incurred for these programs these amounts are released from restriction. The amount released for the periods ended December 31, 2025 and 2024 is \$232,698 and \$1,224,099.

Cash restricted for loan loss reserves are maintained as a condition of certain of CDC's funders. Grants restricted for specific purposes are identified by the donor at the time a grant commitment is made.

## **Supplementary Information**

**CDC Small Business Finance Corp.**  
**Community Advantage Loan Loss Reserve Account**  
**December 31, 2025**

Total of unguaranteed portion of sold and unsold Community Advantage Loans	<u>\$ 33,577,405</u>	
Reserves required at 3.7%		<u>\$ 2,118,734</u>
Total reserves required for Community Advantage Loans		<u>\$ 2,118,734</u>
Restricted cash balances maintained in separate bank account	(1)	<u>\$ 5,952,801</u>
Net excess of restricted cash over required reserves		<u>\$ 3,834,067</u>

(1) Balance is maintained at a commercial bank and is in excess of federally insured limits.

See Independent Auditor's Report

**CDC Small Business Finance Corp.**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2025**

<u>Federal agency grantor/pass through grantor/ program or cluster title</u>	<u>Assistance listing number</u>	<u>Grant/contract number</u>	<u>Pass-through entity identifying number</u>	<u>Passed through to subrecipients</u>	<u>Expenditures of federal awards</u>
<b>U.S. Small Business Administration</b>					
Microloan Program - Loan Program	59.046	8556855001		\$ -	\$ 141,077
Microloan Program - Loan Program	59.046	2443337008		-	308,545.00
Microloan Program - Loan Program	59.046	3640117005		-	508,195.00
Microloan Program - Loan Program	59.046	7061447003		-	1,385,545.00
Microloan Program - Loan Program	59.046	4262109110		-	1,811,227.00
Microloan Program - Loan Program	59.046	6109419101		-	2,127,000.00
Subtotal				-	6,281,589
Microloan Program - Technical Assistance	59.046	SBAOCAML230423		-	55,283.00
Microloan Program - Technical Assistance	59.046	SBAOCAML240633		-	108,476.00
Subtotal				-	163,759
Total Program and U.S. Small Business Administration				-	6,445,348
<b>Total - Federal Expenditures</b>				<b>\$ -</b>	<b>\$ 6,445,348</b>

See Notes to Schedule of Expenditures of Federal Awards.

## **CDC Small Business Finance Corp.**

### **Notes to Schedule of Expenditures of Federal Awards Year Ended December 31, 2025**

#### **Note 1 - Basis of presentation**

The accompanying schedule of expenditures of federal awards (the "schedule") includes the federal award activity of CDC Small Business Finance Corp. ("CDC") under programs of the federal government for the year ended December 31, 2025. The information is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of CDC, it is not intended to and does not present the financial position, changes in net assets or cash flows of CDC.

#### **Note 2 - Summary of significant accounting policies**

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

#### **Note 3 - Indirect cost rate**

CDC has not elected to use the de minimis rate allowed by the Uniform Guidance for the year ended December 31, 2025.

#### **Note 4 - Microloan Program**

The Microloan Program represents a program under which CDC periodically applies for and receives loan proceeds from the Small Business Administration ("SBA") (revolving loan pools) that are used to make microloans to eligible micro-borrowers. These microloans are made in accordance with guidance set forth by the SBA under its Standard Operating Procedures ("SOP") and require CDC to meet continuing compliance and reporting requirements. In addition, each fiscal year, CDC applies for and receives approval for grant funding to be paid on a reimbursement basis for specific technical assistance-related expenses incurred by CDC with respect to the Microloan Program.

**CDC Small Business Finance Corp.**

**Notes to Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2025**

**Note 5 - Outstanding loan balances under federal programs**

CDC has received loan funding under federal programs as noted below. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of the loans outstanding as of December 31, 2025 consist of:

<u>Program name</u>	<u>Assistance listing number</u>	<u>Identifying number</u>	<u>Outstanding balance at December 31, 2025</u>
<b>Microloan Program</b>			
Microloan Program - Loan Program	59.046	8556855001	\$ 56,431
Microloan Program - Loan Program	59.046	2443337008	225,660
Microloan Program - Loan Program	59.046	3640117005	393,347
Microloan Program - Loan Program	59.046	7061447003	1,096,965
Microloan Program - Loan Program	59.046	4262109110	1,602,455
Microloan Program - Loan Program	59.046	6109419101	<u>2,090,654</u>
Total Microloan Program			<u><u>\$ 5,465,512</u></u>

Independent Auditor's Report on Internal Control over Financial Reporting and  
on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

To the Board of Directors  
CDC Small Business Finance Corp.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of CDC Small Business Finance Corp., a not-for-profit organization, which comprise the consolidated statement of financial position as of December 31, 2025, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 27, 2026. The financial statements of San Diego Region Small Business Development Corporation, Bankers Small Business CDC, CDC Direct Capital, and CDC Ventures were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal controls over financial reporting or instances of reportable noncompliance associated with San Diego Region Small Business Development Corporation, Bankers Small Business CDC, Momentus Direct Capital, and CDC Ventures.

#### Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered CDC Small Business Finance Corp.'s internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of CDC Small Business Finance Corp.'s internal control. Accordingly, we do not express an opinion on the effectiveness of CDC Small Business Finance Corp.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

#### Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether CDC Small Business Finance Corp.'s consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of CDC Small Business Finance Corp.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the CDC Small Business Finance Corp.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*CohnReznick LLP*

Los Angeles, California  
March 27, 2026

Independent Auditor's Report on Compliance for Each Major Federal Program  
and Report on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Directors  
CDC Small Business Finance Corp.

Report on Compliance for Each Major Federal Program

*Opinion on Each Major Federal Program*

We have audited CDC Small Business Finance Corp.'s compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of CDC Small Business Finance Corp.'s major federal programs for the year ended December 31, 2025. CDC Small Business Finance Corp.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, CDC Small Business Finance Corp. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2025.

*Basis for Opinion on Each Major Federal Program*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States ("*Government Auditing Standards*"); and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of CDC Small Business Finance Corp. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of CDC Small Business Finance Corp.'s compliance with the compliance requirements referred to above.

*Responsibilities of Management for Compliance*

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to CDC Small Business Finance Corp.'s federal programs.

*Auditor's Responsibilities for the Audit of Compliance*

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Small Business Finance Corp.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance will

always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Small Business Finance Corp.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Small Business Finance Corp.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Small Business Finance Corp.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Small Business Finance Corp.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

#### Report on Internal Control over Compliance

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*CohnReznick LLP*

Los Angeles, California  
March 27, 2026

CDC Small Business Finance Corp.

Schedule of Findings and Questioned Costs  
Year Ended December 31, 2025

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified opinion

Internal control over financial reporting:

- Material weaknesses identified? No
- Significant deficiencies identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weaknesses identified? No
- Significant deficiencies identified? None reported

Type of auditor's report issued on compliance for major federal programs: Unmodified opinion

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
59.046	Microloan Program

Dollar threshold used to distinguish between type A and type B programs: \$1,000,000

Auditee qualified as low-risk auditee? Yes

Section II - Financial Statement Findings

No matters were reported

Section III - Federal Awards Findings

No matters were reported