

BUILDING HEALTHY COMMUNITIES  
PROVIDING INNOVATIVE SOLUTIONS  
CREATING FINANCIAL STRENGTH  
FUNDING DREAMS FOR TOMORROW



Community Development Financial Institution

# 2014 ANNUAL BENEFIT & IMPACT REPORT



# JOIN CLEARINGHOUSE CDFI

CREATING  
FINANCIAL  
SUPPORT



FUNDING DREAMS  
FOR  
TOMORROW



Certified



Corporation

**Clearinghouse CDFI** and over 1,000 other companies are Certified B Corporations that have met rigorous standards of transparency and social and environmental performance. A deeper look at Clearinghouse CDFI reveals a company whose efforts have helped thousands achieve their dreams and goals. We maintain respect for each other, the environment and the communities we serve. We use business as a **force for good**.

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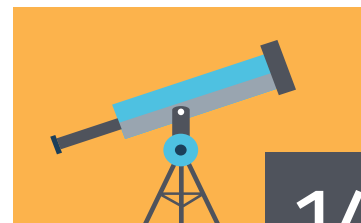
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“We are successful because of our people. We will endure because of our principles.”

— Douglas J. Bystry



## DEAR FRIENDS,

### B Corp Values and Profitability

Before it even had a name, we shared the ideals and values of the B Corp community. Since our inception in 1996, we have been avid believers that a company can make a profit *while* doing good. We made it our mission to run a successful, for-profit community development financial institution to create a difference in our community.

Four years later—three years ahead of schedule—we proved it was possible. By the end of 2000, we were making a profit. We also built 699 affordable housing units for low-income individuals, created 156 jobs, constructed or rehabilitated 109,901 sq. ft., and served 1,564 individuals. We were thrilled.

### A Force for Good

When the B Corp community finally got its name, joining the movement was natural for Clearinghouse CDFI. We, along with 1,200+ B Corps, are committed to using business as a force for good. We believe businesses should strive to be of value and to be a success. We aim to transcend the traditional

notions of business success from maximizing profits to maximizing returns to people and the planet. As a B Corp community, we exist to redefine success in business.

### Working Together

At Clearinghouse CDFI, we cultivate opportunities for people (our employees and in the community) while practicing accountability, transparency, and reducing our environmental footprint. Our impacts have long surpassed the numbers we reached in 2000, but we always strive for better. With this Benefit Report, we hope to set an example of what business success should mean.

We encourage other businesses to join us in this movement. The right way isn't always the easy way – but we are confident that we, as a network of businesses, can be a force for good.



Douglas J. Bystry  
President / CEO





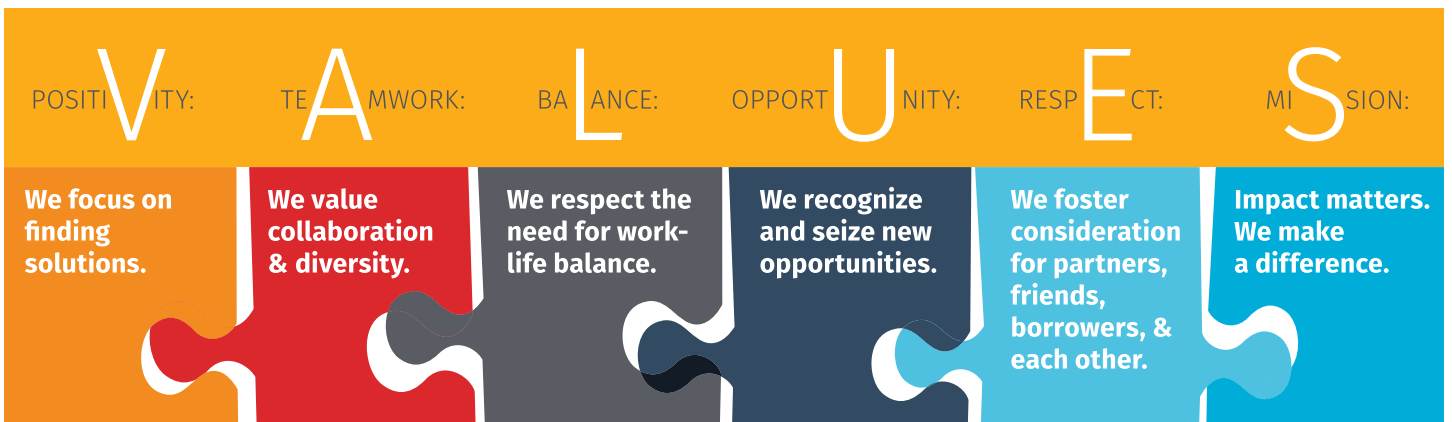
# MISSION

Clearinghouse CDFI provides economic opportunities and improves the quality of life for lower-income individuals and communities through innovative and affordable financing that is unavailable in the conventional market while achieving shareholder objectives.



## 2015 & BEYOND

Giving Hope Today and Funding Dreams for Tomorrow



# THE 3 Bs

  
**CERTIFIED  
B CORP**

  
**BENEFIT  
CORPORATION**

 **B LAB**



## Certified B Corp

Certified B Corps are companies certified by the nonprofit, B Lab, to meet rigorous standards of social and environmental performance, transparency, and accountability. To be certified, a company is scored on a 200 point scale using B Lab's Impact Assessment. A business scoring 80 or higher on the Impact Assessment receives B Corp certification from B Lab.

Clearinghouse CDFI became a Certified B Corp in January 2014, with an Impact Assessment score of 103, well above the median score of 80.

### January 2014:

Clearinghouse CDFI became a Certified B Corp.



## B Lab

B Lab is a nonprofit organization dedicated to using the power of business to solve social and environmental problems. B Lab drives systemic change through three interrelated initiatives:

- ➔ Building a community of Certified B Corporations to make it easier for all of us to tell the difference between 'good companies' and just good marketing
- ➔ Accelerating the growth of impact investing through use of B Lab's GIIRS Ratings and Analytics platform
- ➔ Promoting legislation creating a new corporate form - the benefit corporation - that meets higher standards of corporate purpose, accountability, and transparency.

## Benefit Corporation

A California Benefit Corporation is a corporation, organized under the California General Corporation Law, which elects to create a general and/or specific benefit for society and the environment. It considers the impacts of actions upon its employees, customers, community and society, local/global environment, short-term and long-term interest, the ability to accomplish its public benefit purpose, and shareholders.

A Benefit Report and an assessment of the overall social and environmental performance using a third party standard must be delivered annually to shareholders.

Clearinghouse CDFI is currently pursuing Benefit Corporation status.

# B Impact Assessment

B Lab provides our company with a third party assessment of our overall social and environmental performance through their B Impact Assessment. We chose B Lab to be our third party standard and evaluator because they are the leading force behind this movement. More than 1,200 businesses have been certified, including two other CDFIs. We believe it's the best tool with comprehensive categories to measure performance and the overall good we are doing in the community and environment.

## What makes us a better company?

B Lab Certified since: January 2014

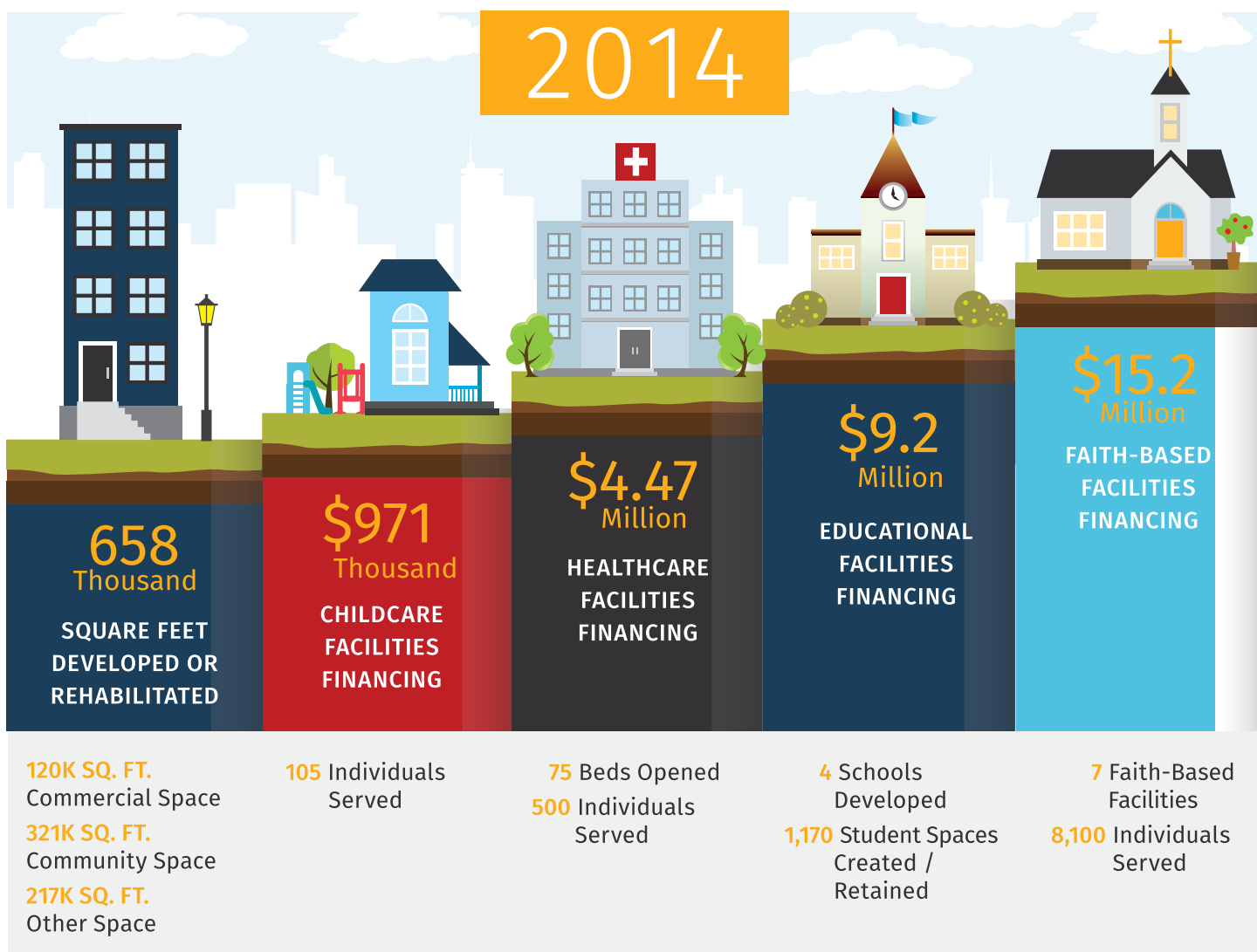
Summary:	Clearinghouse CDFI Score	Median <sup>*</sup> Score
<b>Governance</b> ➔ Transparency & Accountability	18	10
<b>Workforce</b> ➔ Compensation, Benefits, Training, & Work Environment	20	22
<b>Community</b> ➔ Community Products & Practices	61	32
<b>Environment</b> ➔ Environmental Practices	4	9
<b>Overall B Score</b> <sup>**</sup>	103	80

80 out of a maximum 200 makes an applicant eligible for certification

\*Of all businesses that have completed the **B Impact Assessment**

\*\*Median scores will not total to the median Overall B Score

# Community: Impacts



962,485  
Individuals Served Since Inception  
New Individuals in 2014: 145,910



11,962  
Jobs Created or Retained Since Inception  
Total in 2014: 759



**\$1.1 BILLION**

Total Lending Since Inception



# Community: Civic Engagement & Giving

\$200,000 Total Charitable Contributions in 2014



Philanthropy is about more than just donating money or volunteering time.

At Clearinghouse CDFI, we understand that philanthropy is about more than just donating money or volunteering time. It's about giving according to the particular organization's need.

#### 2014 Contributions

In 2014, we donated money to multiple nonprofits, including organizations with missions related to sustainability, affordable housing, hunger, children, and healthy living. Our Executive Team also donates their time and expertise by serving on various boards such as: Junior Achievement, Disability Opportunity Fund, and El Sol Science and Arts Academy of Santa Ana.



57%

Service Day  
Local Employee  
Participation  
Rate

# Workforce: Compensation, Training, & Benefits

“Since the inception of Clearinghouse CDFI, there has been a commitment to create a great company—and that means more than just compensation. A great corporate culture must exist to keep employees engaged.

Strong, meaningful corporate culture values were established at Clearinghouse CDFI from the start and are reflected in how our employees are treated. We considered all the possible benefits, from health benefits to time off, and picked those we thought would help build that atmosphere.

Nineteen years later, our employee benefits remain largely the same with emphasis on career growth, family, work-life balance, and civic duty.”

– Kathy Bonney, HR Manager



# Workforce: Employee Spotlight

## Employee Spotlight

**Guy Krikorian,  
7 Years**



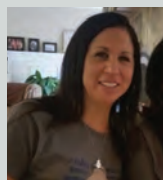
"It is a privilege to work at Clearinghouse CDFI and with everyone involved. It is truly meaningful to see what is being accomplished in the communities and the individuals impacted by our work. I am honored to work here and sincerely blessed to be part of the team. I also would like to thank my wonderful wife and family to whom I owe everything."

– **Guy Krikorian, Controller**

Guy's hard work and dedication never cease, which is why he is our **2014 B Champion**. Here is what Clearinghouse CDFI staff say about him:

“positive  
Loyal kind cheerful  
Amazing RELIABLE  
DEPENDABLE hard working  
superman trustworthy committed  
team player humble  
Honest helpful  
DEDICATED”

# Workforce: Employee Volunteerism



**Merlinda Coronado,**  
Accountant/  
Financial Analyst  
→ 3<sup>rd</sup> Step

"We were able to help over 600 women who are in recovery from drug and alcohol addiction. I can't help but think about how many more are out there."



**Mai Nguyen,**  
Community Impact &  
Compliance Analyst  
→ Public Law  
Center

"I volunteer at PLC's legal clinic to help permanent residents obtain their U.S. Citizenship. It is inspiring to meet people who believe citizenship is a privilege."



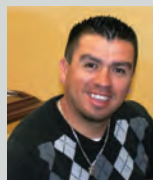
**Rozet Sangalang,**  
Loan Servicing Asst.  
→ Mission Viejo  
Animal Services  
Center

"I volunteer every Sunday to help relinquished, confiscated, and stray cats. Most are shy or depressed, so playing with them warms them up to the public."



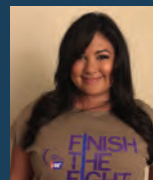
**Susie Beers,**  
Commercial Funding  
Specialist  
→ Lake Forest  
Nursing Center

"It's important to serve those who need love and attention. It helps my daughter appreciate the care she receives from others and the value of paying it forward."



**Cesar Plascencia,**  
Office Coordinator  
→ Santiago Little  
League

"I've never thought of it as volunteering or community service. It has always been second nature like helping my neighbors."



**Amanda Virrey,**  
Underwriter  
→ Relay for Life

"Attending and participating in the event reminds me that no matter what form the disease takes, the fight is never alone. Community and family support is priceless."



# Governance: Transparency & Accountability

"On behalf of the Board of Directors, I am pleased to announce that Clearinghouse CDFI has successfully pursued its general public benefit purpose in all material respects during 2014."

– Gary Dunn,  
Chairman of the Board



## Transparency

We manage our lending without hidden agendas or conditions to foster cooperation and collaborative decision making. We view running a transparent business as an extension of our most important asset - our reputation. Our priority is to provide the appropriate information to the CDFI Fund, our investors, and our employees.

## Accountability

Accountability is important to the success of our business. To help us remain accountable to all stakeholders, we have one Board of Directors, two Advisory Boards, and four committees—each with unique and important roles.

## Board of Directors

Our Board of Directors includes 15 individuals who keep us accountable to our mission, our business, and our shareholders. Each director is designated as a Community Director, Lending Director, or as a Class A Director. Only individuals who are supported by Affordable Housing Clearinghouse, a nonprofit organization, are eligible to be elected or designated as Community or Lending Director. These designated roles ensure representation of all stakeholders.

## Advisory Board

Our Advisory Board maintains accountability to the low-income residents in our transactions. It includes residents and representatives who speak for the needs of low-income communities and bridge key community individuals/groups and our business.

## Purchase Rehab Resale Advisory Board

The Purchase Rehab Resale (PRR) program was created to help stabilize at-risk neighborhoods where the foreclosure crisis created blight and a decline in home values. The PRR Board provides guidance and insight to align program policies with the real estate market.

## Loan Committee

Loan Committee was established by the Board of Directors to ensure that our loan quality remains excellent. The Committee members are all volunteers, many of which are also employees of shareholders.

## Asset Review Committee

Asset Review Committee (ARC) resolves problem loans while staying true to our mission. They review loan performance, establish asset ratings, and recommend corrective action strategies. ARC ensures that we continue to conduct business in a safe and sound manner.

## Asset Liability Management Committee

Asset Liability Management Committee (ALCO) evaluates, monitors, and approves borrowing and lending strategies. ALCO's role is to make sure we effectively manage our financial risk.

## B Corp Committee

B Corp Committee preserves our accountability to our purpose, people, and planet through participation and engagement of our employees. B Corp Committee works to improve our social and environmental performance and strives to make our company the best for the world.

## Shareholders

We would not be able to accomplish our mission without the help of our shareholders. We would like to say thank you to each and every one for their support and confidence in our company. Our shareholders include:

- ➔ Wells Fargo Bank
- ➔ Pacific Western Bank
- ➔ Banc of California
- ➔ First Bank
- ➔ BBVA Compass
- ➔ Opus Bank
- ➔ Cathay Bank
- ➔ Charles Schwab
- ➔ JPMorgan Chase Bank
- ➔ Luther Burbank Savings
- ➔ FDIC
- ➔ Farmers & Merchants Bank
- ➔ US Bancorp
- ➔ Sunwest Bank
- ➔ Boston Private Bank & Trust Company
- ➔ Plaza Bank
- ➔ Nevada State Bank
- ➔ First General Bank
- ➔ California Bank & Trust
- ➔ East West Bank
- ➔ Citibank
- ➔ Union Bank
- ➔ Royal Business Bank
- ➔ City National Bank
- ➔ California Republic Bank
- ➔ Hanmi Bank
- ➔ HSBC Bank

# Environmental Commitments



**Recycling:** We recycle cans, bottles, paper, and used ink cartridges instead of throwing them away.



**Saving Trees:** Our business is moving toward paperless. We think before we print, print double-sided, & reuse paper for scrap.



**Energy Conservation:** We try to use less electricity to reduce our CO<sup>2</sup> emissions by turning off our office lights at night.



**Careful Shopping:** We purchase environmentally friendly products such as recycled utensils to encourage sustainable production practices.



**Less Travel:** We try to reduce pollution by allowing employees to work from home, by conducting phone meetings, and by using video conferencing.



**Adopt-A-Highway:** We are a proud sponsor of Adopt-A-Highway to help maintain the beauty of our 5-freeway.



# 84.6%

of NMTC projects financed by Clearinghouse CDFI involve green efforts\*

We try to help our living planet by making lifestyle changes and being mindful that we all need to help keep the planet beautiful for future generations.

**Our greatest ability to positively impact the environment is through our lending. We prioritize borrowers with sustainable businesses or projects involving renewable energy resources, water and energy efficiency, or other environmentally sustainable measures. In doing so, we ensure that positive environmental impact extends beyond our operations.**

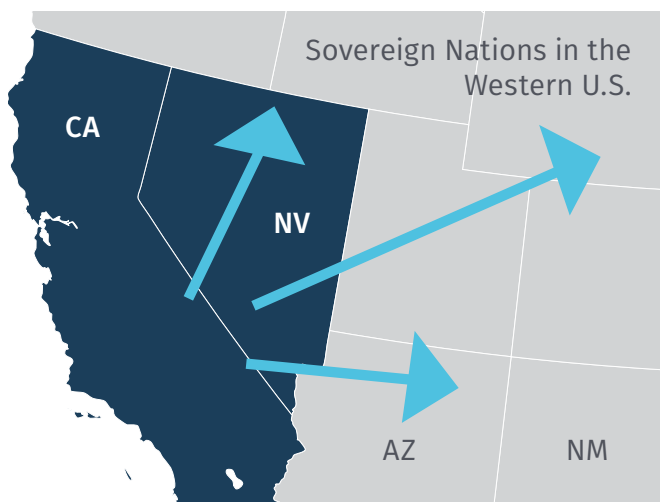
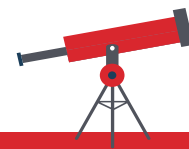
Although our small ecological footprint is small due to the nature of our business, we always strive to reduce our energy use, waste, and consumption.



In 2013, we financed [Port of Hueneme](#), an NMTC project in Oxnard, CA. It serves as the sea-based import-export terminal for fresh produce in southern California and is vital to the region's economic health. We helped Port of Hueneme modernize port electrical systems to reduce fuel emissions by 230 tons annually. This green renovation provides storage and transportation of fresh produce to southern California, including the surrounding food deserts.

\*2012 NMTC Borrower Survey

# Looking Ahead



After reading the B Corp Handbook, we were inspired to do more – and to continue to do more. That’s why we expanded our service area to Arizona, New Mexico, and the Sovereign Nations in the Western U.S. We decided to use our business as a force for good beyond the borders of California and Nevada, and into other low-income communities where we can help **“B the Change.”**

B Corp is also more than a onetime certification. We made a corporate commitment – a life changing commitment. Our commitment means getting everyone at Clearinghouse CDFI on board starting from the top down so that changes can flow from the bottom up.

To foster continuous improvement throughout the company, our Executive “A Team” started the “B Team” – a committee made up of Clearinghouse CDFI employees at all levels. The B Team ensures that we remain committed to being “B” while engaging and empowering our employees to “B the Change.” It’s when working together that we are able to build a successful company.



It is with great pride that we introduce the inaugural B Team:



## Clearinghouse CDFI B Corp Committee

- ➔ Mai Nguyen
- ➔ Lundi Chea
- ➔ Alanna Smith
- ➔ Kathy Bonney
- ➔ Tyler Hagen
- ➔ Melissa Brown
- ➔ Merlinda Coronado
- ➔ Rozet Sangalang
- ➔ Kristy Ollendorff, Executive Team Advisor

## Clearinghouse CDFI Executive Team

- ➔ Douglas J. Bystry - President/CEO
- ➔ Kristy Ollendorff - Chief Commercial Credit Officer
- ➔ Jay Harrison - Chief Investment Officer
- ➔ Alan Orechwa - Chief Financial Officer
- ➔ Brian Maddox - Chief Production Officer





# Declaration of Interdependence

## We envision a new sector of the economy

which harnesses the power of private enterprise to create public benefit. This sector is comprised of a new type of corporation — the B Corporation™ — which is purpose-driven and creates benefit for all stakeholders, not just shareholders.

As members of this emerging sector and as entrepreneurs and investors in B Corporations™,

## We hold these truths to be self-evident:

That we must “B the Change” we seek in the world;

That all business should be conducted as if people and place mattered;

That, through their products, practices, and profits, businesses should aspire to do no harm and benefit all.

To do so requires that we act with the understanding that we are each dependent upon another and thus responsible for each other and future generations.



  
Director/Officer

  
Director/Officer, B Lab



# Annual Benefit & Impact Report 2014



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