NCIF CREDIT STRATEGIES FUND LLC

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

NCIF CREDIT STRATEGIES FUND LLC

YEARS ENDED DECEMBER 31, 2021 AND 2020

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Independent Auditors' Report

Manager and Member
NCIF Credit Strategies Fund LLC

Opinion

We have audited the accompanying financial statements of NCIF Credit Strategies Fund LLC (a limited liability company) (CSF), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of income and member's equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NCIF Credit Strategies Fund LLC as of December 31, 2021 and 2020, and the results of its operations 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 audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CSF and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about CSF's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 generally accepted 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the 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 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 CSF'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 financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CSF'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.

Ostrow Reisin Berk & Abrams, Ltd.

Chicago, Illinois
April 25, 2022

NCIF CREDIT STRATEGIES FUND LLC

BALANCE SHEETS

December 31,		**2021**		2020
ASSETS				
Cash	**$**	**647,174**	$	190,221
Investments		**18,576,653**		10,832,906
Notes receivable, net		**13,874,143**		12,229,962
Other assets		**74,680**		295,180
Restricted cash		**2,877,532**		3,062,081
Total assets	**$**	**36,050,182**	$	26,610,350
LIABILITIES AND MEMBER’S EQUITY				
Liabilities:				
Notes payable, net	**$**	**11,768,352**	$	10,536,456
Accounts payable and accrued expenses		**171,345**		327,972
Total liabilities		**11,939,697**		10,864,428
Member’s equity		**24,110,485**		15,745,922
Total liabilities and member’s equity	**$**	**36,050,182**	$	26,610,350

See notes to financial statements.

NCIF CREDIT STRATEGIES FUND LLC

STATEMENTS OF INCOME AND MEMBER'S EQUITY

Years ended December 31,		2021		2020
Revenues:				
Investment income:				
Dividend income	$	**331,638**	$	213,054
Realized gains		**225,207**		1,361,682
Unrealized gains		**7,795,409**		621,560
Interest income		**812,492**		643,397
Total investment income		**9,164,746**		2,839,693
Other income		**15,000**		
Total revenues		**9,179,746**		2,839,693
Expenses:				
Interest		**403,822**		353,068
Management fees		**314,276**		305,730
Provision for loan losses		**54,299**		126,018
Professional fees		**42,786**		44,059
Total expenses		**815,183**		828,875
Net income		**8,364,563**		2,010,818
Member's equity, beginning of year		**15,745,922**		13,735,104
Member's equity, end of year	$	**24,110,485**	$	15,745,922

See notes to financial statements.

NCIF CREDIT STRATEGIES FUND LLC

STATEMENTS OF CASH FLOWS

Years ended December 31,		2021		2020
Cash flows from operating activities:				
Net income	$	**8,364,563**	$	2,010,818
Adjustments to reconcile net income to net cash provided by operating activities:				
Amortization of loan fees		**4,250**		4,250
Provision for loan losses		**54,299**		126,018
Net realized and unrealized gain on investments		**(8,020,616)**		(1,983,242)
(Increase) decrease in operating assets:				
Other assets		**220,500**		(253,291)
Increase (decrease) in operating liabilities:				
Accounts payable and accrued expenses		**(156,627)**		181,578
Net cash provided by operating activities		**466,369**		86,131
Cash flows from investing activities:				
Purchases of notes receivable		**(2,000,000)**		(5,300,000)
Repayments of notes receivable		**301,520**		509,401
Proceeds from sale of investments		**276,869**		2,189,682
Net cash used in investing activities		**(1,421,611)**		(2,600,917)
Cash flows from financing activities:				
Proceeds from notes payable		**2,042,917**		4,487,477
Payments on notes payable		**(815,271)**		(85,070)
Net cash provided by financing activities		**1,227,646**		4,402,407
Net change in cash and restricted cash		**272,404**		1,887,621
Cash and restricted cash, beginning of year		**3,252,302**		1,364,681
Cash and restricted cash, end of year	**$**	**3,524,706**	$	3,252,302

See notes to financial statements.

NCIF CREDIT STRATEGIES FUND LLC

STATEMENTS OF CASH FLOWS (CONTINUED)

Years ended December 31,		**2021**		2020
Supplemental disclosure of cash flow information:				
Cash paid during the year for interest	**$**	**488,147**	$	290,435
Reconciliation of cash and restricted cash reported within the balance sheets that sum to the total of the same amounts presented in the statements of cash flows:				
Cash	**$**	**647,174**	$	190,221
Restricted cash		**2,877,532**		3,062,081
Total cash and restricted cash	**$**	**3,524,706**	$	3,252,302

See notes to financial statements.

1. Organization

NCIF Credit Strategies Fund LLC (CSF), a Delaware limited liability company, was formed on June 14, 2019. CSF is a wholly-owned subsidiary of National Community Investment Fund (NCIF), a 501(c)(4) trust. NCIF contributed equity securities and a note receivable to CSF in August 2019 in exchange for its membership interest in CSF.

CSF is governed by an amended and restated limited liability company agreement (Operating Agreement) and a master loan agreement (Master Loan Agreement) each dated August 23, 2019, which among other things, provides for the management of CSF, defines certain rights and obligations of NCIF and lenders and establishes rights, preferences and privileges of NCIF and lenders. The Operating Agreement provides that no Member or Managing Member shall be personally liable for any debt, obligation or liability of CSF, whether arising in contract or otherwise, by reason of being a Member or acting as a Managing Member of CSF. The Operating Agreement provides that CSF is to terminate on the tenth anniversary of the Operating Agreement unless extended or terminated earlier in accordance with the terms of the Operating Agreement.

CSF's stated business purpose is to engage in any lawful activity for which a limited liability company may be organized in connection with providing financial products and services in underserved markets nationally, including to (a) purchase, acquire, manage and liquidate NCIF sponsored loans receivable, additional secured NCIF network debt and Mission-Oriented Financial Institution (MOFI) debt and liquidity investments that comply with the investment guidelines set forth in the Operating Agreement and (b) manage the purchased NCIF sponsored loan portfolio and any replacement portfolio assets related thereto. MOFIs are certified Community Development Financial Institutions (CDFIs), Minority Depository Institutions (MDIs) or other financial institutions that meet NCIF definition of impact and as per the CSF Operating Agreement.

2. Summary of significant accounting policies

Basis of accounting:

The accompanying financial statements of CSF have been prepared in accordance with accounting principles generally accepted in the United States of America.

Tax status:

CSF is a single member limited liability company disregarded as an entity separate from NCIF for federal tax purposes. NCIF is generally exempt from federal income tax pursuant to Section 501(c)(4) of the Internal Revenue Code.

Management has determined that CSF was not required to record a liability related to uncertain tax provisions as of December 31, 2021 and 2020.

2. Summary of significant accounting policies (continued)

Notes receivable:

CSF seeks to lend money to projects in partnership with MOFIs. The types of loans include project finance, and working capital loans for expansion, acquisition of existing assets or creation of affiliated development companies. Loan maturities vary with the needs of the recipient and are collateralized, when possible, by the assets of the business being financed.

Notes receivable are stated at the principal amount outstanding, net of unearned discount and loan origination fees, when applicable. When principal or interest has been in default ninety consecutive days or more, unless the note is in the process of collection as determined by management, the note is placed on nonaccrual status, in which interest income is recognized when payments are received rather than on an accrual basis. At December 31, 2021 and 2020, there were no notes on nonaccrual status.

Allowance for loan losses:

An allowance for loan losses has been established to provide for those notes which may not be repaid in their entirety. The allowance is increased by provisions for loan losses charged to expense and decreased by charge-offs. Although a loan is charged off by management when deemed uncollectible, collection efforts continue and future recoveries may occur. CSF experienced no charge-offs for the years ended December 31, 2021 and 2020.

The allowance is maintained by management at a level considered adequate to cover losses that are deemed possible based on past industry loss experience, general economic conditions, information about specific borrower situations including their financial position and other factors and estimates which are subject to change over time. Estimating the risk of loss and amount of loss on any loan is necessarily subjective and ultimate losses may vary from current estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

Loans considered to be impaired are reduced to the present value of expected future cash flows by allocating a portion of the allowance for loan losses to such loans.

Investments:

CSF invests in debt and/or equity securities of privately-held or publicly-traded MOFIs. CSF has no controlling interests in MOFIs.

2. Summary of significant accounting policies (continued)

Fair value:

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that CSF has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Marketable equity securities consist of investments in publicly-traded MOFIs. Marketable equity securities are measured at fair value in accordance with the fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Marketable equity securities are stated at fair value based on quoted prices in active markets.

2. Summary of significant accounting policies (continued)

Fair value: (continued)

Non-marketable equity securities consist of investments in privately-held MOFIs without readily determinable fair values. Non-marketable equity securities are measured at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. Non-marketable equity securities are also assessed for impairment. Due to their illiquid nature, the transferability of these shares, especially in material quantities, is restricted. Determination of whether there is impairment is based on a review of available indicators including book value and comparable arms-length transactions.

Loan fees:

Loan fees are capitalized and amortized over the life of the notes payable. Unamortized loan fees are reported on the balance sheets as a direct deduction from notes payable. Loan fee amortization expense is included in interest expense.

Use of estimates:

The preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America requires the management of CSF to make estimates and assumptions that affect certain reported amounts and disclosures. CSF's estimated allowance for loan losses is particularly sensitive to change in the near term. Accordingly, actual results could differ from these estimates.

Subsequent events:

Management of CSF has reviewed and evaluated subsequent events through April 25, 2022, the date the financial statements were available to be issued.

3. COVID-19

The COVID-19 pandemic has not had a negative impact on CSF's financial position and operations. Economic uncertainties resulting from the COVID-19 pandemic may impact CSF's investments and notes receivable, although such potential impact, if any, is unknown at this time.

4. Concentration of credit risk

CSF maintains cash in federally-insured bank accounts that may exceed federally-insured limits. The uninsured cash balance at December 31, 2021 and 2020 was approximately $3,133,000 and $3,002,000, respectively. Management believes that CSF is not exposed to any significant credit risk on cash.

5. Restricted cash

Cash is restricted for the following purposes:

December 31,	2021	2020
Debt service reserve	**$ 242,856**	$ 202,856
Investment and loan purchases	**2,634,676**	2,357,807
Notes payable principal payments		501,418
Total restricted cash	**$ 2,877,532**	$ 3,062,081

The debt service reserve represents cash restricted for payment of notes payable principal and interest in the event of losses on notes receivable. The debt service reserve is funded from notes payable proceeds.

Cash received from investment sales is restricted for new investment and loan purchases.

Notes receivable principal payments received are restricted for notes payable principal payments.

6. Notes receivable

Notes receivable require quarterly payments of interest. Principal repayment requirements vary. In general, principal repayments are not required during initial periods and required principal payments are based on principal amortization periods that exceed the maturity date and include a balloon payment at maturity.

The following is a summary of notes receivable:

December 31,	**2021**	2020
Senior:		
Fixed interest rates ranging from 4.10% to 6.50%	**$ 7,898,576**	$ 8,200,096
Interest at the Prime rate of interest plus 2% (5.25% at December 31, 2021)	**2,000,000**	
Fixed interest rate of 6.50%, prepayment penalty	**1,300,000**	1,300,000
Subordinated:		
Fixed interest rate of 9.0%	**1,000,000**	1,000,000
Fixed interest rate of 5.75%, may not be redeemed until maturity in 2030	**2,000,000**	2,000,000
Total notes receivable	**14,198,576**	12,500,096
Less allowance for loan losses	**(324,433)**	(270,134)
Total notes receivable, net	**$ 13,874,143**	$ 12,229,962

Future principal maturities of notes receivable are as follows:

Year ending December 31:	Amount
2022	$ 289,996
2023	326,207
2024	1,904,167
2025	3,228,240
2026	1,631,504
Thereafter	6,818,462
Total	$ 14,198,576

7. Investments

Investments consist of the following:

December 31,	2021	2020
Marketable equity securities	**$ 12,616,552**	$ 3,598,927
Non-marketable equity securities	**5,960,101**	7,233,979
Total investments	**$ 18,576,653**	$ 10,832,906

CSF recognized impairment losses of $-0- and $118,446 on non-marketable equity securities during the years ended December 31, 2021 and 2020, respectively. Impairment losses are included in unrealized gains on the statements of income and member's equity.

There were no upward adjustments to non-marketable equity securities measured during the years ended December 31, 2021 and 2020.

Realized gains on non-marketable equity securities were $179,814 and $-0- for the years ended December 31, 2021 and 2020, respectively.

In April 2021, two MOFIs, one publicly-traded and the other privately-held, completed a merger. The post-merger surviving MOFI is publicly-traded. 258,500 shares of non-marketable equity securities with a carrying value of $1,236,286 converted to 3,522,321 shares of marketable equity securities in the merger.

One publicly-traded MOFI represents approximately 99% of the fair value of marketable equity securities at December 31, 2021 and 2020.

Risks and uncertainties:

CSF invests in equity securities which are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with equity securities, it is at least reasonably possible that changes in the values of equity securities will occur in the near term and that such changes could materially affect the amounts reported on the balance sheets at December 31, 2021 and 2020.

8. Notes payable

The following is a summary of notes payable:

December 31,	2021	2020
Senior notes payable	**$ 10,099,781**	$ 9,161,665
Subordinated notes payable	**1,696,902**	1,407,372
	11,796,683	10,569,037
Less unamortized loan fees	**(28,331)**	(32,581)
Total notes payable	**$ 11,768,352**	$ 10,536,456

CSF received $15,000,000 in loan commitments from lenders under a Master Loan Agreement dated August 23, 2019. At December 31, 2021, the remaining loan commitment is $2,273,233. Loan proceeds are used to purchase notes receivable. Loans must be requested by CSF during a three-year availability period ending on August 22, 2022.

Notes payable are unsecured, bear interest at rates ranging from 2.36% to 4.25% and mature seven years after the final loans are made. Payments of interest are due quarterly. The loans require quarterly principal payments equal to cash received during the quarter from:

1) Notes receivable principal payments or prepayments received,
2) Other payments at maturity or liquidation of notes receivable and investments,
3) The sale or other disposition of notes receivable and investments, less expenses, including management fees, and
4) Proceeds from interest, fees and other income received from notes receivable and investments, less expenses other than management fees.

CSF has the right to reinvest proceeds from the sale or transfer of investments instead of including as cash received for quarterly principal payments. Each loan may be repaid or prepaid without penalty.

8. Notes payable (continued)

Quarterly principal payments are due within 45 days of the end of each quarter to senior and subordinated lenders as follows:

First, to the senior lenders:

1) Pro-rata to each senior lender in proportion to the respective principal amounts owed until each such senior lender receives total distributions equal to the principal amount of loans made by such senior lender.
2) Pro-rata to each such senior lender in proportion to the respective principal amounts owed until such senior lender receives total distributions equal to remaining obligations (including interest) with respect to loans made by such senior lender.

Second, to the subordinated lenders:

1) Pro-rata to each subordinated lender in proportion to the respective amounts owed until each such subordinated lender receives total distributions equal to the principal amount of loans made by such subordinated lender.
2) Pro-rata to each such subordinated lender in proportion to the respective amounts owed until such subordinated lender receives total distributions equal to remaining obligations (including interest) with respect to loans made by such subordinated lender.

Starting in August 2024, CSF must repay notes payable quarterly in an amount equal to the greater of principal payments made in the prior quarter or 3% of outstanding principal.

CSF maintains a debt service reserve for payment of senior and subordinated notes payable principal and interest. The debt service reserve is funded from senior and subordinated notes payable proceeds.

9. Management fees

CSF is managed by NCIF Management, Inc., a wholly-owned subsidiary of NCIF, the sole owner of CSF. NCIF Management, Inc. charges CSF a quarterly management fee of $50,000 plus 1% of outstanding notes payable principal. The management fee is payable quarterly in arrears, to the extent of available cash, if any, after required principal payments on notes payable for the quarter, on or before the 30th day following the end of each quarter. If CSF does not generate sufficient cash to cover payment of a quarterly management fee, the payment of such unpaid management fee shall be deferred until all notes payable have been paid in full.

NCIF Management, Inc. charged management fees totaling $314,276 and $305,730 during the years ended December 31, 2021 and 2020, respectively. Management fees payable to NCIF Management, Inc. were $126,250 and $199,604 at December 31, 2021 and 2020, respectively.