

**NATIONAL COMMUNITY  
INVESTMENT FUND AND  
SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS AND  
CONSOLIDATING SUPPLEMENTARY INFORMATION**

**YEARS ENDED DECEMBER 31, 2020 AND 2019**

# **NATIONAL COMMUNITY INVESTMENT FUND AND SUBSIDIARIES**

YEARS ENDED DECEMBER 31, 2020 AND 2019

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## **Independent Auditors' Report**

Board of Trustees  
National Community Investment Fund and Subsidiaries

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of National Community Investment Fund and Subsidiaries (NCIF), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, 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.

#### ***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of National Community Investment Fund and Subsidiaries as of December 31, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Consolidating Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 27 through 30 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets and cash flows of the individual entities, 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 audits 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 June 29, 2021, on our consideration of NCIF'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on 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 NCIF's internal control over financial reporting and compliance.

*Ostrow Reisin Berk & Abrams, Ltd.*

June 29, 2021

# **NATIONAL COMMUNITY INVESTMENT FUND AND SUBSIDIARIES**

## **CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

December 31,	2020	2019
<b>ASSETS</b>		
Cash and cash equivalents	\$ 8,535,785	\$ 5,580,819
Investments	12,551,736	12,021,413
Other receivables	99,153	106,962
Prepaid expenses and other assets	55,736	56,466
Notes receivable, net	13,121,325	8,917,582
Property and equipment, net	55,269	66,319
Restricted cash	3,062,081	1,304,300
Total assets	\$ 37,481,085	\$ 28,053,861
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Notes payable, net	\$ 12,639,794	\$ 8,679,901
Accounts payable and accrued expenses	938,333	707,690
Deposits	125,000	125,000
Total liabilities	13,703,127	9,512,591
Net assets:		
Without donor restrictions	22,713,296	18,178,872
With donor restrictions	1,064,662	362,398
Total net assets	23,777,958	18,541,270
Total liabilities and net assets	\$ 37,481,085	\$ 28,053,861

*See notes to consolidated financial statements.*

**NATIONAL COMMUNITY INVESTMENT FUND  
AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years ended December 31,	2020			2019		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Revenue:						
New Markets Tax Credit fees	\$ 2,272,952		\$ 2,272,952	\$ 2,333,948		\$ 2,333,948
Interest income	745,716		745,716	412,706		412,706
Net investment income	3,179,589		3,179,589	3,206,872		3,206,872
Grants and contributions		\$ 2,639,000	2,639,000	553,000		553,000
Other	17,223		17,223	60,327		60,327
Net assets released from restrictions	1,936,736	(1,936,736)		146,482	\$ (146,482)	
<b>Total revenue</b>	<b>8,152,216</b>	<b>702,264</b>	<b>8,854,480</b>	<b>6,713,335</b>	<b>(146,482)</b>	<b>6,566,853</b>
Expenses and other costs:						
Program services	2,324,908		2,324,908	1,796,440		1,796,440
Management and general	1,168,532		1,168,532	990,218		990,218
Fundraising	124,352		124,352	100,706		100,706
<b>Total expenses</b>	<b>3,617,792</b>		<b>3,617,792</b>	<b>2,887,364</b>		<b>2,887,364</b>
Other expenses:						
Start-up costs - professional fees				279,500		279,500
<b>Total expenses and other costs</b>	<b>3,617,792</b>		<b>3,617,792</b>	<b>3,166,864</b>		<b>3,166,864</b>
Change in net assets	4,534,424	702,264	5,236,688	3,546,471	(146,482)	3,399,989
Net assets, beginning of year	18,178,872	362,398	18,541,270	14,632,401	508,880	15,141,281
<b>Net assets, end of year</b>	<b>\$ 22,713,296</b>	<b>\$ 1,064,662</b>	<b>\$ 23,777,958</b>	<b>\$ 18,178,872</b>	<b>\$ 362,398</b>	<b>\$ 18,541,270</b>

*See notes to consolidated financial statements.*

**NATIONAL COMMUNITY INVESTMENT FUND  
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES**

Year ended December 31, 2020	Program Services			Supporting Services		
	Fund advisory and investing	Grant related and special projects	Total	Management and general	Fundraising	Total
Adjustment of allowance for loan losses				\$ 116,613		\$ 116,613
Depreciation and amortization	\$ 7,661	\$ 349	\$ 8,010	2,951	\$ 349	11,310
Insurance	30,096	1,372	31,468	11,589	1,372	44,429
Interest	317,561	14,474	332,035	122,295	14,474	468,804
Membership dues and fees	108,573	4,949	113,522	41,812	4,949	160,283
NCIF Cares - grants		107,000	107,000			107,000
Occupancy expenses	84,945	3,872	88,817	32,712	3,872	125,401
Other office and administrative	24,934	1,135	26,069	9,602	1,136	36,807
Personnel related expenses	1,265,309	57,670	1,322,979	487,282	57,670	1,867,931
Professional services	218,374	11,725	230,099	239,769	37,700	507,568
Technology	33,959	1,548	35,507	13,078	1,548	50,133
Travel	28,120	1,282	29,402	10,829	1,282	41,513
Trustees' fees				80,000		80,000
<b>Total expenses</b>	<b>\$ 2,119,532</b>	<b>\$ 205,376</b>	<b>\$ 2,324,908</b>	<b>\$ 1,168,532</b>	<b>\$ 124,352</b>	<b>\$ 3,617,792</b>

*See notes to consolidated financial statements.*

**NATIONAL COMMUNITY INVESTMENT FUND  
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)**

Year ended December 31, 2019	Program Services			Supporting Services		
	Fund advisory and investing	Grant related and special projects	Total	Management and general	Fundraising	Total
Adjustment of allowance for loan losses				\$ 15,647		\$ 15,647
Depreciation and amortization	\$ 6,195	\$ 341	\$ 6,536	2,187	\$ 231	8,954
Education and conferences	2,805	154	2,959	990	105	4,054
Insurance	24,936	1,373	26,309	8,802	931	36,042
Interest	137,927	7,592	145,519	48,679	5,152	199,350
Membership dues and fees	74,413	4,096	78,509	26,264	2,779	107,552
Occupancy expenses	78,056	4,297	82,353	27,548	2,916	112,817
Other office and administrative	41,494	2,284	43,778	14,645	1,550	59,973
Personnel related expenses	1,191,186	65,571	1,256,757	420,409	44,493	1,721,659
Professional services	53,657	10,040	63,697	314,934	39,362	417,993
Technology	37,857	2,084	39,941	13,360	1,414	54,715
Travel	47,469	2,613	50,082	16,753	1,773	68,608
Trustees' fees				80,000		80,000
<b>Total expenses</b>	<b>\$ 1,695,995</b>	<b>\$ 100,445</b>	<b>\$ 1,796,440</b>	<b>\$ 990,218</b>	<b>\$ 100,706</b>	<b>\$ 2,887,364</b>

*See notes to consolidated financial statements.*



# NATIONAL COMMUNITY INVESTMENT FUND AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31,	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 5,236,688	\$ 3,399,989
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Donated investment		(553,000)
Depreciation and amortization of property and equipment	11,310	8,954
Amortization of discount on below-market interest rate loan	115,736	146,482
Amortization of loan fees	4,250	1,417
Adjustment of allowance for loan losses	116,613	15,647
Net gain on investments held and sold	(2,964,065)	(2,965,648)
(Increase) decrease in operating assets:		
Other receivables	7,809	(23,659)
Prepaid expenses and other assets	730	3,215
Increase in operating liabilities:		
Accounts payable and accrued expenses	230,643	299,934
Deposits		45,000
Net cash provided by operating activities	2,759,714	378,331
Cash flows from investing activities:		
Originations of notes receivable	(5,300,000)	(4,224,476)
Repayments of notes receivable	979,644	1,590,691
Distributions from investments	2,175	3,454
Proceeds from sales of investments	2,435,382	2,647,005
Purchases of investments	(3,815)	(502,800)
Purchase of property and equipment	(260)	(75,273)
Net cash used in investing activities	(1,886,874)	(561,399)

*See notes to consolidated financial statements.*

# NATIONAL COMMUNITY INVESTMENT FUND AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

Years ended December 31,	2020	2019
Cash flows from financing activities:		
Payments for loan fees		\$ (38,248)
Proceeds from notes payable	\$ 4,487,477	6,196,375
Principal paid on notes payable	(647,570)	(779,743)
Net cash provided by financing activities	3,839,907	5,378,384
Net change in cash and cash equivalents and restricted cash	4,712,747	5,195,316
Cash and cash equivalents and restricted cash, beginning of year	6,885,119	1,689,803
Cash and cash equivalents and restricted cash, end of year	\$ 11,597,866	\$ 6,885,119
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 290,436	\$ 16,466
Reconciliation of cash and cash equivalents and restricted cash reported within the consolidated statements of financial position that sum to the total of the same amount presented in the consolidated statements of cash flows:		
Cash and cash equivalents	\$ 8,535,785	\$ 5,580,819
Restricted cash	3,062,081	1,304,300
Total cash and cash equivalents and restricted cash	\$ 11,597,866	\$ 6,885,119

*See notes to consolidated financial statements.*

# **NATIONAL COMMUNITY INVESTMENT FUND AND SUBSIDIARIES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

### **1. Organization**

The National Community Investment Fund, a 501(c)(4) trust, was founded in December 1995. Its mission is to increase the flow of financial products and services in low- and moderate-income communities. National Community Investment Fund generates financial, social and environmental returns for its investors and funders and contributes to their success by aggregating capital and knowledge and leveraging opportunities. National Community Investment Fund meets its mission through four related activities: “Investing, Lending, NMTC, and Research.”

The NCIF Cares program was created in 2020 when National Community Investment Fund invited 10 partner Community Development Financial Institutions (CDFIs) and minority banks to identify small business customers that are integral to their local communities and needed support to sustain their respective businesses through the COVID-19 pandemic. National Community Investment Fund used over \$100,000 to pilot an unrestricted microgrant program as gap funding to these customers. The first batch of microgrants went to social entrepreneurs, retail businesses, community facilities, affordable housing organizations, arts nonprofits, and other small businesses across the country.

National Community Investment Fund’s wholly-owned management entity, NCIF Management, Inc., employs staff and provides services to National Community Investment Fund.

NCIF Capital, LLC is a wholly-owned subsidiary of National Community Investment Fund and is the managing member in limited liability companies, certified as Community Development Entities (CDEs), that are or will be set up for raising and deploying capital under CDFI Fund’s New Markets Tax Credits (NMTC) program.

NCIF Credit Strategies Fund LLC (CSF) is a wholly-owned subsidiary of National Community Investment Fund formed on June 14, 2019. CSF provides financial products and services in underserved markets nationally.

# **NATIONAL COMMUNITY INVESTMENT FUND AND SUBSIDIARIES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

### **2. Summary of significant accounting policies**

#### **Basis of accounting:**

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

#### **Principles of consolidation:**

The accompanying consolidated financial statements include the accounts of National Community Investment Fund, NCIF Management, Inc., NCIF Capital, LLC and NCIF Credit Strategies Fund LLC (collectively referred to as NCIF). All intercompany balances and transactions have been eliminated in consolidation.

#### **Net assets:**

NCIF's net assets are classified into two classes: net assets without donor restrictions and net assets with donor restrictions – according to the existence or absence of donor-imposed restrictions. Net assets without donor restrictions are not subject to donor-imposed restrictions. Net assets with donor restrictions are subject to donor-imposed restrictions that either expire by passage of time, can be fulfilled and removed by actions of NCIF or must be maintained permanently by NCIF. There were no net assets with donor restrictions that are required to be maintained permanently by NCIF at December 31, 2020 and 2019.

#### **Tax status:**

National Community Investment Fund is generally exempt from federal income tax pursuant to Section 501(c)(4) of the Internal Revenue Code.

Through July 2019, NCIF Management, Inc. was a limited liability company disregarded as an entity separate from National Community Investment Fund for tax purposes. In July 2019, NCIF Management, Inc. was converted to a corporation and is subject to federal and state income taxes.

NCIF Capital, LLC is a limited liability company that has elected to be treated as a taxable corporation.

NCIF Credit Strategies Fund LLC is a single member limited liability company disregarded as an entity separate from National Community Investment Fund for federal tax purposes.

Management has determined that NCIF was not required to record a liability related to uncertain tax provisions as of December 31, 2020 and 2019.

# NATIONAL COMMUNITY INVESTMENT FUND AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 2. Summary of significant accounting policies (continued)

#### Cash and cash equivalents and restricted cash:

Cash and cash equivalents and restricted cash consist of cash and other highly liquid resources, such as money market funds, with an original maturity of three months or less when purchased.

#### Property and equipment:

Property and equipment is stated at cost. Depreciation and amortization is calculated on the straight-line method over the estimated useful lives of the assets as follows:

Furniture and equipment	7 years
Leasehold improvements	Shorter of life of lease or 15 years

#### Notes receivable:

NCIF seeks to lend money to projects in partnership with Mission-Oriented Financial Institutions (MOFIs) which are certified Community Development Financial Institutions (CDFIs), Minority Depository Institutions (MDIs) or other financial institutions that meet NCIF definition of impact. The types of loans include project finance, and working capital loans for expansion, acquisition of existing assets or creation of affiliated development companies. 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. The accrual of interest is discontinued whenever 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. At December 31, 2020 and 2019, there were no nonaccrual loans.

#### 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, net of recoveries. Although a loan is charged off by management when deemed uncollectible, collection efforts continue and future recoveries may occur. NCIF experienced no charge-offs for the years ended December 31, 2020 and 2019.

# **NATIONAL COMMUNITY INVESTMENT FUND AND SUBSIDIARIES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

### **2. Summary of significant accounting policies (continued)**

#### **Allowance for loan losses: (continued)**

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:**

Investments consist of debt and/or equity securities in privately-held or publicly-traded MOFIs, and investments in limited liability companies. NCIF has no controlling interests in MOFIs.

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.

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 a permanent impairment is based on a review of available indicators including book value and comparable arms-length transactions.

Non-controlling equity investments in limited liability companies that are not readily marketable and have no readily determinable values, but over which NCIF exerts significant influence as a managing member, are accounted for under the equity method.

# **NATIONAL COMMUNITY INVESTMENT FUND AND SUBSIDIARIES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

### **2. Summary of significant accounting policies (continued)**

#### **Investments: (continued)**

Dividend income, realized and unrealized gains and losses, changes from observable transactions, impairment and investment expenses are included under the caption net investment income on the consolidated statements of activities.

Donations of marketable equity securities are recognized at fair value on the date of donation.

#### **Long-term debt:**

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

Loans with below-market interest rates are discounted to present value. The discount is recognized as restricted contributions revenue in the year the loan is issued. The discount is amortized to expense over the term of the loan using the effective interest method.

#### **Revenue:**

NCIF generally measures revenue based on the amount of consideration NCIF expects to be entitled for the transfer of goods or services to a customer, then recognizes this revenue when or as NCIF satisfies its performance obligations under the contract, which requires significant judgment, except in transactions where accounting principles generally accepted in the United States of America provide other applicable guidance. Material revenue streams are reported separately on the consolidated statements of activities.

NCIF primarily generates revenue from New Markets Tax Credit fees which consist of sponsor fees, asset management fees, and success fees.

#### Sponsor fees

Revenue from sponsor fees is recognized at a point in time. Sponsor fees are generally paid to NCIF from both the CDE investor member and the CDE for NCIF's allocation of the New Markets Tax Credit award to the CDE and other start-up and organizational services benefiting the CDE investor member and CDE. The sponsor fees are a fixed percentage of the equity investment made by the CDE investor member. The performance obligation by NCIF is to assist in the transfer of its New Markets Tax Credit allocation to a CDE and to provide start-up and organizational services benefiting the CDE investor member and CDE; therefore, the performance obligation is satisfied and revenue is recognized when the deal closes.

# **NATIONAL COMMUNITY INVESTMENT FUND AND SUBSIDIARIES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

### **2. Summary of significant accounting policies (continued)**

#### **Revenue: (continued)**

##### Asset management fees

Revenue from asset management fees is recognized over a period of time. Asset management fees are earned by NCIF for management services provided to CDEs. Asset management fees are a fixed annual amount equal to a percentage of the equity investment made from the CDE investor member to the CDE. Asset management fees are accrued monthly and are paid monthly or quarterly. The performance obligations are estimated to be satisfied evenly over the year, which is a significant judgment, and as such are recognized over time in one calendar year.

##### Success fees

Revenue from success fees is recognized at a point in time. The success fee is an additional payment, made upon the end of the seven-year CDE compliance period, solely to the extent that a NMTC recapture event has not occurred. Success fees are equal to a fixed percentage of the equity investment made from the CDE investor member to the CDE. Success fee revenue is not recorded until the end of the compliance period when the hurdle is met since there is variable consideration due to a possibility of a significant reversal. Payment is due when the deal successfully unwinds with no NMTC recapture events. There was no revenue from success fees recognized during the years ended December 31, 2020 and 2019.

##### Practical expedients, disaggregation of revenue, and contract balances

NCIF does not adjust the contract price for the effects of a significant financing component if NCIF expects, at contract inception, that the period between when NCIF transfers a service to a customer and when the customer pays for that service will be one year or less.

Since 2003, NCIF has been awarded \$326 million in NMTC allocations to deploy into projects in partnership with MOFIs. As part of the NMTC program, NCIF provides customary recapture indemnities to its investors. Management considers that the probability of these being invoked is remote.



# **NATIONAL COMMUNITY INVESTMENT FUND AND SUBSIDIARIES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

### **2. Summary of significant accounting policies (continued)**

#### **Revenue: (continued)**

#### Practical expedients, disaggregation of revenue, and contract balances (continued)

New Markets Tax Credit fees are recognized either at a point in time or over a period of time as follows:

Years ended December 31,	<b>2020</b>	2019
New Markets Tax Credit fees recognized at a point in time:		
Sponsor fees	<b>\$ 1,390,000</b>	\$ 1,400,000
New Markets Tax Credit fees recognized over time:		
Asset management fees	<b>882,952</b>	933,948
<b>Total New Markets Tax Credit fees</b>	<b>\$ 2,272,952</b>	<b>\$ 2,333,948</b>

There were no contract assets or contract liabilities as of December 31, 2020, December 31, 2019, and January 1, 2019.

#### **Contributions:**

Contributions are recorded as without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions. All contributions are considered to be available for use without donor restrictions unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as support with donor restrictions.

When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

#### **Start-up costs:**

Start-up costs include professional fees incurred for the formation of NCIF Credit Strategies Fund LLC.

# **NATIONAL COMMUNITY INVESTMENT FUND AND SUBSIDIARIES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

### **2. Summary of significant accounting policies (continued)**

#### **Expense allocation:**

The consolidated financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Personnel related expenses, depreciation and amortization, education and conferences, insurance, interest, membership dues and fees, occupancy expenses, other office and administrative, technology and travel expenses are allocated on the basis of estimates of time and effort. NCIF Cares - grants, professional services expenses and trustees' fees are allocated directly to the program and supporting services they benefit.

#### **Risks and uncertainties:**

NCIF 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 consolidated statements of financial position at December 31, 2020 and 2019.

#### **Use of estimates:**

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

#### **Restatement:**

NCIF reported \$70,000 as deferred revenue on the consolidated statement of financial position as of December 31, 2019. In 2020, NCIF determined that this amount should be reported as accounts payable and accrued expenses and restated the presentation accordingly.

#### **Subsequent events:**

Management has reviewed and evaluated subsequent events through June 29, 2021, the date the consolidated financial statements were available to be issued.

# **NATIONAL COMMUNITY INVESTMENT FUND AND SUBSIDIARIES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

### **2. Summary of significant accounting policies (continued)**

#### **Subsequent events: (continued)**

In January 2021, NCIF NFP Inc. was formed as a 501(c)(3) supporting organization of National Community Investment Fund.

In March 2021, NCIF invested \$1,000,000 in the equity securities of a privately-held CDFI.

NCIF borrowed \$2,042,917 in May 2021 under the Master Loan Agreement dated August 23, 2019. Proceeds were used to purchase notes receivable.

### **3. COVID-19**

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

### **4. Concentration of credit risk**

NCIF primarily maintains its cash in federally-insured bank accounts and may exceed federally-insured limits. The uninsured cash balance at December 31, 2020 and 2019 was approximately \$10,558,000 and \$5,870,000, respectively. Management believes that NCIF is not exposed to any significant credit risk on cash.

### **5. Restricted cash**

Cash is restricted for the following purposes:

December 31,	2020	2019
Debt service reserve	\$ 202,856	\$ 136,856
Investment and loan purchases	2,357,807	1,090,358
Notes payable principal payments	501,418	77,086
Total restricted cash	\$ 3,062,081	\$ 1,304,300

# **NATIONAL COMMUNITY INVESTMENT FUND AND SUBSIDIARIES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

### **5. Restricted cash (continued)**

The debt service reserve represents cash restricted for payment of notes payable principal and interest. 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. Liquidity and availability**

The following represents NCIF's financial assets available to meet general expenditures within one year:

December 31,	<b>2020</b>	2019
Cash and cash equivalents	<b>\$ 8,535,785</b>	\$ 5,580,819
Less net assets with donor restrictions	<b>(918,000)</b>	(100,000)
Financial assets available to meet general expenditures within one year	<b>\$ 7,617,785</b>	\$ 5,480,819

The source of liquidity available to NCIF is cash and cash equivalents. NCIF strives to maintain sufficient cash and cash equivalents to cover 90 days of general expenditures. To facilitate this goal, management updates a rolling, 12-month projected cash flow statement on a monthly basis. Each month, management looks ahead to ensure that cash inflows and outflows are projected in light of any new information regarding NCIF's operations. In addition, management also refreshes its days cash on hand ratio to ensure upcoming expenditures can be met with liquid assets.

Cash inflows primarily arrive at NCIF in the form of NMTC fees, investment income, and CDFI grants. When NCIF acts as the CDE in conjunction with NMTC deals, NCIF receives fees at closing, along with management fees for seven years on each deal. The timing of the cash inflows from NMTC deals is agreed-upon by all involved parties in advance in the form of executed financial models, and is thus predictable in nature, enabling NCIF to accurately project NMTC income on existing deals for years into the future. Cash from investments is received in the form of interest and dividend income, origination fees for new loan investments, and any capital gains realized for investments sold or repaid. NCIF does not project for future capital gains, and thus decisions on expenditures are not based on any assumed future investment sales.

# **NATIONAL COMMUNITY INVESTMENT FUND AND SUBSIDIARIES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

### **6. Liquidity and availability (continued)**

In conjunction with projecting income, all of NCIF's material expenditures are either predictable or discretionary in nature, including personnel, professional fees, occupancy expenses, and principal payments on outstanding debt. This enables management to maintain an accurate projection of its liquidity position and plan its expenditures for long-term equity and/or loan investments by segregating cash that will be needed for upcoming operational expenditures.

### **7. Property and equipment**

The components of property and equipment are as follows:

December 31,	2020	2019
Furniture and equipment	\$ 64,639	\$ 64,379
Leasehold improvements	10,894	10,894
	<b>75,533</b>	75,273
Less accumulated depreciation and amortization	<b>(20,264)</b>	(8,954)
Property and equipment, net	<b>\$ 55,269</b>	\$ 66,319

### **8. Investments**

The following is a summary of NCIF's investments:

December 31,	2020	2019
Marketable equity securities	\$ 4,773,831	\$ 4,126,831
Non-marketable equity securities	7,758,979	7,877,425
Investment in limited liability companies	18,926	17,157
Total investments	<b>\$ 12,551,736</b>	\$ 12,021,413

NCIF recognized impairment losses of \$118,446 and \$293,893 on non-marketable equity securities during the years ended December 31, 2020 and 2019, respectively. There were no upward adjustments to non-marketable equity securities measured at cost during the years ended December 31, 2020 and 2019.

**NATIONAL COMMUNITY INVESTMENT FUND  
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

**8. Investments (continued)**

Net investment income is as follows:

Year ended December 31, 2020	Marketable equity securities	Non- marketable equity securities	Investment in limited liability companies	Total
<b>Dividends</b>	\$ 129	\$ 215,395		\$ 215,524
<b>Realized gains</b>	1,361,682	245,700		1,607,382
<b>Unrealized gains (losses)</b>	1,475,000	(118,446)	\$ 129	1,356,683
<b>Net investment income</b>	<b>\$ 2,836,811</b>	<b>\$ 342,649</b>	<b>\$ 129</b>	<b>\$ 3,179,589</b>

  

Year ended December 31, 2019	Marketable equity securities	Non- marketable equity securities	Investment in limited liability companies	Total
Dividends	\$ 215	\$ 241,009		\$ 241,224
Realized gains (losses)	(40,366)	2,157,122		2,116,756
Unrealized gains (losses)	1,142,582	(293,893)	\$ 203	848,892
Net investment income	\$ 1,102,431	\$ 2,104,238	\$ 203	\$ 3,206,872

**Investment in limited liability companies:**

At December 31, 2020, NCIF has a 0.01% ownership interest in NCIF New Markets Capital Fund XIII CDE, LLC, New Markets Capital Funds XV – XXXVIII CDE, LLC's, and New Markets Capital Funds 39 – 43 CDE, LLC's. At December 31, 2019, NCIF has a 0.01% ownership interest in NCIF New Markets Capital Funds XII – XXXVIII CDE, LLC's.

# **NATIONAL COMMUNITY INVESTMENT FUND AND SUBSIDIARIES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

### **8. Investments (continued)**

#### **Investment in limited liability companies: (continued)**

While the limited liability companies are independent legal entities, the following is an aggregate summary of financial information for all companies:

December 31,	2020	2019
Assets	\$ 174,883,277	\$ 158,127,280
Liabilities	(297,168)	(302,487)
Members' equity	\$ 174,586,109	\$ 157,824,793
Years ended December 31,	2020	2019
Revenue	\$ 3,469,888	\$ 2,672,740
Expenses	(1,712,049)	(1,623,943)
Net income	\$ 1,757,839	\$ 1,048,797

### **9. Notes receivable**

Notes receivable require quarterly payments of interest at rates ranging from 4.10% to 9.00%. 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. Except as noted below, notes may be prepaid without penalty. Notes receivable of \$1,300,000 and \$-0- as of December 31, 2020 and 2019, respectively, include penalties owed by the borrower in the event the notes are prepaid. Notes receivable in the amounts of \$3,000,000 and \$1,000,000 as of December 31, 2020 and 2019, respectively, are junior in preference to senior lenders and include a note receivable of \$2,000,000 and \$-0- as of December 31, 2020 and 2019, respectively, that may not be redeemed by NCIF until maturity in September 2030.

## **NATIONAL COMMUNITY INVESTMENT FUND AND SUBSIDIARIES**

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 9. Notes receivable (continued)

The following is a summary of notes receivable:

December 31,	2020	2019
Notes receivable	\$ 13,409,650	\$ 9,089,294
Less allowance for loan losses	(288,325)	(171,712)
<b>Total notes receivable, net</b>	<b>\$ 13,121,325</b>	<b>\$ 8,917,582</b>

Future principal maturities of notes receivable are as follows:

Year ending December 31:	Amount
2021	\$ 1,297,021
2022	342,668
2023	300,024
2024	1,739,633
2025	3,075,569
Thereafter	6,654,735
<b>Total</b>	<b>\$ 13,409,650</b>

#### 10. Notes payable

December 31,	2020	2019
Note payable (A)	\$ 2,250,000	\$ 2,812,500
Senior notes payable (B)	9,161,665	5,197,821
Subordinated notes payable (B)	1,407,372	968,809
	<b>12,819,037</b>	8,979,130
Less unamortized loan fees	(32,581)	(36,831)
Less unamortized discount	(146,662)	(262,398)
<b>Total notes payable, net</b>	<b>\$ 12,639,794</b>	<b>\$ 8,679,901</b>

(A) Interest-free note payable to Bank of America Community Development Corporation, due October 1, 2023, quarterly principal payments of \$187,500. Discounted at 5%.



# **NATIONAL COMMUNITY INVESTMENT FUND AND SUBSIDIARIES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

### **10. Notes payable (continued)**

Future minimum payments are as follows:

Year ending December 31:	Amount
2021	\$ 937,500
2022	750,000
2023	562,500
Total	\$ 2,250,000

(B) NCIF received \$15,000,000 in loan commitments from lenders under a Master Loan Agreement dated August 23, 2019. At December 31, 2020, the remaining loan commitment is \$4,316,149. Loan proceeds are used to purchase notes receivable. Loans must be requested by NCIF during a two-year availability period starting on August 23, 2019. The loan availability period may be extended by one year with the lenders' consent.

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.

NCIF 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.

# **NATIONAL COMMUNITY INVESTMENT FUND AND SUBSIDIARIES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

### **10. 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 subordinate 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, NCIF 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.

NCIF 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.

# NATIONAL COMMUNITY INVESTMENT FUND AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 11. Net assets with donor restrictions

Net assets with donor restrictions are restricted for the following purpose or time restrictions:

December 31,	2020	2019
Time restricted:		
Unamortized discount on below-market interest rate loan	\$ 146,662	\$ 262,398
Purpose restricted:		
Expanding Black Business	500,000	
Investing in Outcomes	8,000	100,000
NCIF Cares	400,000	
Other	10,000	
<b>Total net assets with donor restrictions</b>	<b>\$ 1,064,662</b>	<b>\$ 362,398</b>

Net assets were released from donor restrictions by the passage of time or by incurring expenses satisfying purpose restrictions as follows:

Years ended December 31,	2020	2019
Time restricted:		
Amortization of discount on below-market interest rate loan	\$ 115,736	\$ 146,482
Purpose restricted:		
Investing in Outcomes	92,000	
CDFI Fund - Financial Assistance Award	1,714,000	
NCIF Cares	15,000	
<b>Total net assets released from donor restrictions</b>	<b>\$ 1,936,736</b>	<b>\$ 146,482</b>

In 2020, NCIF received and disbursed \$1,714,000 in CDFI Fund grant funding. Over half of these funds were disbursed in conjunction with America's Healthy Food Financing Initiative, which aims to improve access to healthy food and expand economic opportunity in underserved areas. A portion of the funding also supported several persistent poverty counties in the United States.

# **NATIONAL COMMUNITY INVESTMENT FUND AND SUBSIDIARIES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

### **12. Lease commitments**

NCIF leases office space through November 2024. Future minimum rental payments for base rent are as follows:

<u>Year ending December 31:</u>	<u>Amount</u>
2021	\$ 125,948
2022	127,832
2023	129,717
2024	120,608
<u>Total</u>	<u>\$ 504,105</u>

Rent expense was approximately \$124,000 and \$110,000 for the years ended December 31, 2020 and 2019, respectively.

**NATIONAL COMMUNITY INVESTMENT FUND  
AND SUBSIDIARIES**

**CONSOLIDATING SCHEDULES OF FINANCIAL POSITION**

December 31, 2020	National Community Investment Fund	NCIF Management, Inc.	NCIF Capital, LLC	NCIF Credit Strategies Fund LLC	Eliminations	Consolidated
<b>ASSETS</b>						
Cash and cash equivalents	\$ 8,146,714	\$ 190,386	\$ 8,464	\$ 190,221		\$ 8,535,785
Investments	1,699,904		18,926	10,832,906		12,551,736
Other receivables	64,498	205,793	4	295,180	\$ (466,322)	99,153
Prepaid expenses and other assets	26,307	29,429				55,736
Notes receivable, net	891,363			12,229,962		13,121,325
Property and equipment, net		55,269				55,269
Restricted cash				3,062,081		3,062,081
Investment in subsidiaries	15,771,234				(15,771,234)	
<b>Total assets</b>	<b>\$ 26,600,020</b>	<b>\$ 480,877</b>	<b>\$ 27,394</b>	<b>\$ 26,610,350</b>	<b>\$ (16,237,556)</b>	<b>\$ 37,481,085</b>
<b>LIABILITIES AND NET ASSETS, SHAREHOLDER'S DEFICIENCY AND MEMBER'S EQUITY</b>						
<b>Liabilities:</b>						
Notes payable, net	\$ 2,103,338			\$ 10,536,456		\$ 12,639,794
Accounts payable and accrued expenses	593,724	\$ 482,959		327,972	\$ (466,322)	938,333
Deposits	125,000					125,000
<b>Total liabilities</b>	<b>2,822,062</b>	<b>482,959</b>		<b>10,864,428</b>	<b>(466,322)</b>	<b>13,703,127</b>
<b>Net assets, shareholder's deficiency and member's equity</b>	<b>23,777,958</b>	<b>(2,082)</b>	<b>\$ 27,394</b>	<b>15,745,922</b>	<b>(15,771,234)</b>	<b>23,777,958</b>
<b>Total liabilities and net assets, shareholder's deficiency and member's equity</b>	<b>\$ 26,600,020</b>	<b>\$ 480,877</b>	<b>\$ 27,394</b>	<b>\$ 26,610,350</b>	<b>\$ (16,237,556)</b>	<b>\$ 37,481,085</b>

**NATIONAL COMMUNITY INVESTMENT FUND  
AND SUBSIDIARIES**

**CONSOLIDATING SCHEDULES OF FINANCIAL POSITION (CONTINUED)**

December 31, 2019	National Community Investment Fund	NCIF Management, Inc.	NCIF Capital, LLC	NCIF Credit Strategies Fund LLC	Eliminations	Consolidated
<b>ASSETS</b>						
Cash and cash equivalents	\$ 5,360,885	\$ 130,382	\$ 29,171	\$ 60,381		\$ 5,580,819
Investments	964,910		17,157	11,039,346		12,021,413
Other receivables	73,250	86,409	988	41,889	\$ (95,574)	106,962
Prepaid expenses and other assets	18,126	38,340				56,466
Notes receivable, net	1,352,201			7,565,381		8,917,582
Property and equipment, net		66,319				66,319
Restricted cash				1,304,300		1,304,300
Investment in subsidiaries	13,761,751				(13,761,751)	
<b>Total assets</b>	<b>\$ 21,531,123</b>	<b>\$ 321,450</b>	<b>\$ 47,316</b>	<b>\$ 20,011,297</b>	<b>\$ (13,857,325)</b>	<b>\$ 28,053,861</b>
<b>LIABILITIES AND NET ASSETS, SHAREHOLDER'S DEFICIENCY AND MEMBER'S EQUITY</b>						
<b>Liabilities:</b>						
Notes payable, net	\$ 2,550,102			\$ 6,129,799		\$ 8,679,901
Accounts payable and accrued expenses	314,751	\$ 323,532	\$ 18,587	146,394	\$ (95,574)	707,690
Deposits	125,000					125,000
<b>Total liabilities</b>	<b>2,989,853</b>	<b>323,532</b>	<b>18,587</b>	<b>6,276,193</b>	<b>(95,574)</b>	<b>9,512,591</b>
<b>Net assets, shareholder's deficiency and member's equity</b>	<b>18,541,270</b>	<b>(2,082)</b>	<b>28,729</b>	<b>13,735,104</b>	<b>(13,761,751)</b>	<b>18,541,270</b>
<b>Total liabilities and net assets, shareholder's deficiency and member's equity</b>	<b>\$ 21,531,123</b>	<b>\$ 321,450</b>	<b>\$ 47,316</b>	<b>\$ 20,011,297</b>	<b>\$ (13,857,325)</b>	<b>\$ 28,053,861</b>

**NATIONAL COMMUNITY INVESTMENT FUND  
AND SUBSIDIARIES**

**CONSOLIDATING SCHEDULES OF ACTIVITIES**

Year ended December 31, 2020	National Community Investment Fund	NCIF Management, Inc.	NCIF Capital, LLC	NCIF Credit Strategies Fund LLC	Eliminations	Consolidated
Revenue:						
New Markets Tax Credit fees	\$ 2,272,952					\$ 2,272,952
Interest income	102,319			\$ 643,397		745,716
Net investment income	983,164		\$ 129	2,196,296		3,179,589
Grants and contributions	2,639,000					2,639,000
Management fees		\$ 2,440,682			\$ (2,440,682)	
Income from subsidiaries	2,009,483				(2,009,483)	
Other	17,223					17,223
<b>Total revenue</b>	<b>8,024,141</b>	<b>2,440,682</b>	<b>129</b>	<b>2,839,693</b>	<b>(4,450,165)</b>	<b>8,854,480</b>
<b>Expenses and other costs</b>	<b>2,787,453</b>	<b>2,440,682</b>	<b>1,464</b>	<b>828,875</b>	<b>(2,440,682)</b>	<b>3,617,792</b>
Change in net assets and net income (loss)	5,236,688		(1,335)	2,010,818	(2,009,483)	5,236,688
Net assets, shareholder's deficiency and member's equity, beginning of year	18,541,270	(2,082)	28,729	13,735,104	(13,761,751)	18,541,270
Net assets, shareholder's deficiency and member's equity, end of year	\$ 23,777,958	\$ (2,082)	\$ 27,394	\$ 15,745,922	\$ (15,771,234)	\$ 23,777,958

**NATIONAL COMMUNITY INVESTMENT FUND  
AND SUBSIDIARIES**

**CONSOLIDATING SCHEDULES OF ACTIVITIES (CONTINUED)**

Year ended December 31, 2019	National Community Investment Fund	NCIF Management, Inc.	NCIF Capital, LLC	NCIF Credit Strategies Fund LLC	Eliminations	Consolidated
Revenue:						
New Markets Tax Credit fees	\$ 2,333,948					\$ 2,333,948
Interest income	316,110			\$ 96,596		412,706
Net investment income	2,285,934		\$ 203	920,735		3,206,872
Grants and contributions	553,000					553,000
Management fees		\$ 2,438,127			\$ (2,438,127)	
Loss from subsidiaries	(3,197,942)				3,197,942	
Forgiveness of amounts due from subsidiaries	3,846,022				(3,846,022)	
Other	60,327					60,327
<b>Total revenue</b>	<b>6,197,399</b>	<b>2,438,127</b>	<b>203</b>	<b>1,017,331</b>	<b>(3,086,207)</b>	<b>6,566,853</b>
Expenses and other costs	2,797,410	6,064,129	1,003	588,469	(6,284,147)	3,166,864
Change in net assets and net income (loss)	3,399,989	(3,626,002)	(800)	428,862	3,197,940	3,399,989
Net assets, shareholder's equity and member's equity, beginning of year	15,141,281	3,623,920	29,529		(3,653,449)	15,141,281
Capital contribution				13,306,242	(13,306,242)	
Net assets, shareholder's deficiency and member's equity, end of year	\$ 18,541,270	\$ (2,082)	\$ 28,729	\$ 13,735,104	\$ (13,761,751)	\$ 18,541,270



**Independent Auditors' 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***

Board of Trustees  
National Community Investment Fund and Subsidiaries

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 National Community Investment Fund and Subsidiaries (NCIF), which comprise the consolidated statement of financial position as of December 31, 2020, 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 June 29, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered NCIF's internal control over financial reporting (internal control) to determine the 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 NCIF's internal control. Accordingly, we do not express an opinion on the effectiveness of NCIF'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 consolidated 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 may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether NCIF'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 determination of financial statement amounts. 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 the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Ostrow Reisin Berk & Abrams, Ltd.*

Chicago, IL  
June 29, 2021