NATIONAL COMMUNITY INVESTMENT FUND AND AFFILIATE

YEARS ENDED DECEMBER 31, 2013 AND 2012

NATIONAL COMMUNITY INVESTMENT FUND AND AFFILIATE

YEARS ENDED DECEMBER 31, 2013 AND 2012

CONTENTS

Independent Auditor's Report

Board of Trustees
National Community Investment Fund and Affiliate
Chicago, Illinois

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of National Community Investment Fund and Affiliate (NCIF), which comprise the consolidated statement of financial position as of December 31, 2013 and 2012 and the related consolidated statements of activities 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.

Auditor's 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.

NBC Tower · Suite 1500 | 455 N. Cityfront Plaza Dr. | Chicago, IL 60611-5313 | P: 312.670.7444 | F: 312.670.8301 | www.orba.com

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 financial position of National Community Investment Fund and Affiliate as of December 31, 2013 and 2012 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 9, 2014, 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 to 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.

April 9, 2014

NATIONAL COMMUNITY INVESTMENT FUND
AND AFFILIATE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31,	**2013**	2012
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 2,533,801**	$ 4,532,447
Interest receivable	**35,385**	30,206
Accounts and dividends receivable	**40,805**	45,397
Prepaid expenses	**43,510**	47,199
Total current assets	**2,653,501**	4,655,249
Investments (Note 4)	**8,105,779**	6,259,749
Equipment and website development costs, net of accumulated depreciation and amortization (Note 2)	**69,481**	16,063
Loans receivable (net of allowance for loan losses of $600 in 2013 and $1,800 in 2012) (Note 7)	**59,400**	178,200
Equity investments in Community Development Financial Institutions (CDFIs) (Note 6)	**11,234,658**	10,420,174
Investment in NCIF Capital, LLC	**16,479**	13,651
Deferred loan fees, net of accumulated amortization	**7,500**	11,250
Security deposit	**4,515**	4,515
Total assets	**$ 22,151,313**	$ 21,558,851

See notes to consolidated financial statements.

NATIONAL COMMUNITY INVESTMENT FUND AND AFFILIATE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

December 31,	**2013**	2012
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current portion of notes payable (Note 8)	**$ 640,000**	$ 640,000
Accounts payable and accrued expenses	**356,742**	304,543
Total current liabilities	**996,742**	944,543
Long-term liabilities:		
Long-term debt - contractual principal (Note 8)	**11,779,515**	12,419,515
Discount for below-market interest rate (Note 8)	**(1,221,127)**	(1,849,293)
Total long-term liabilities	**10,558,388**	10,570,222
Total liabilities	**11,555,130**	11,514,765
Net assets:		
Unrestricted	**9,293,697**	8,194,793
Temporarily restricted (Note 11)	**1,302,486**	1,849,293
Total net assets	**10,596,183**	10,044,086
Total liabilities and net assets	**$ 22,151,313**	$ 21,558,851

See notes to consolidated financial statements.

NATIONAL COMMUNITY INVESTMENT FUND AND AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES

Years ended December 31,	2013	2012
Revenue:		
Interest and dividend income	$ 363,860	$ 347,112
New Markets Tax Credits fee income (Note 12)	1,360,185	2,724,814
Gain on settlement of loan pay-off		2,500,000
Other earned revenue	168,339	132,827
Net assets released from restrictions - grants (Note 11)	465,633	1,006,814
Total revenue	2,358,017	6,711,567
Expenses:		
Personnel related expenses	688,757	584,999
Interest expense - contractual	128,180	163,558
Professional services	246,374	185,768
Trustees' fees	82,500	65,000
Travel	72,467	47,542
Occupancy expenses	55,891	54,807
Insurance	44,226	40,911
Membership dues and fees	40,548	32,858
Depreciation and amortization (Note 2)	7,349	3,706
Recovery of loan losses	(1,200)	(4,014)
Other expenses	101,298	85,144
Total expenses	1,466,390	1,260,279
Change in unrestricted net assets before gain (loss) on equity investments in CDFIs and investments and interest amortization	891,627	5,451,288
Realized gains (losses) on equity investments in CDFIs	74,850	(61,500)
Unrealized gains (losses) on equity investments in CDFIs	164,634	(1,532,859)
Gains (losses) on investments	(32,207)	2,370
Change in unrestricted net assets before interest amortization	1,098,904	3,859,299

See notes to consolidated financial statements.

NATIONAL COMMUNITY INVESTMENT FUND AND AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES (CONTINUED)

Years ended December 31,	**2013**	2012
Net assets released from restrictions:		
Interest - amortization of discount (Note 11)	**$ 628,166**	$ 721,837
Expense:		
Interest - amortization of discount	**(628,166)**	(721,837)
Change in unrestricted net assets	**1,098,904**	3,859,299
Temporarily restricted net assets:		
Grant income	**546,992**	1,006,814
Net assets released from restrictions:		
Interest - amortization of discount (Note 11)	**(628,166)**	(721,837)
Loss on write-off of unamortized debt discount (Note 11)		(275,030)
Grants and other (Note 11)	**(465,633)**	(1,006,814)
Change in temporarily restricted net assets	**(546,807)**	(996,867)
Change in net assets	**552,097**	2,862,432
Net assets, beginning of year	**10,044,086**	7,181,654
Net assets, end of year	**$ 10,596,183**	$ 10,044,086

See notes to consolidated financial statements.

NATIONAL COMMUNITY INVESTMENT FUND AND AFFILIATE

CONSOLIDATED STATEMENT OF CASH FLOWS

Years ended December 31,	2013	2012
Cash flows from operating activities:		
Change in net assets	$ 552,097	$ 2,862,432
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation and amortization	7,349	3,706
Recovery of loan losses	(1,200)	(4,014)
Discount amortization on below-market interest rate loans	628,166	721,837
Gain on settlement of loan pay-off		(2,500,000)
Loss on write-off of unamortized debt discount		275,030
Amortization of investment premiums	445	432
(Gain) loss on investments	32,207	(2,370)
Impairment of equity investments in CDFIs	63,000	1,028,084
Realized (gains) losses on equity investments in CDFIs	(74,850)	61,500
Unrealized (gains) losses on equity investments in CDFIs	(227,634)	504,775
Change in operating assets and liabilities:		
Interest receivable	(5,179)	(1,905)
Accounts and dividends receivable	4,592	(11,594)
Prepaid expenses	3,689	(7,910)
Deferred loan fees	3,750	3,750
Accounts payable and accrued expenses	52,199	24,963
Cash provided by operating activities	1,038,631	2,958,716
Cash flows from investing activities:		
Repayments from CDFIs on loans receivable	120,000	1,125,777
Proceeds from sales of equity investments in CDFIs		143,500
Investment in LLC	(2,828)	(4,312)
Net purchases of certificates of deposit	(1,882,796)	(2,249,643)
Purchases of equity investments in CDFIs	(575,000)	
Proceeds from paydowns on investments	4,115	9,025
Proceeds from sales and maturities of investments		500,000
Purchase of equipment and website development costs	(60,768)	(2,759)
Cash used in investing activities	(2,397,277)	(478,412)

See notes to consolidated financial statements.

NATIONAL COMMUNITY INVESTMENT FUND
AND AFFILIATE

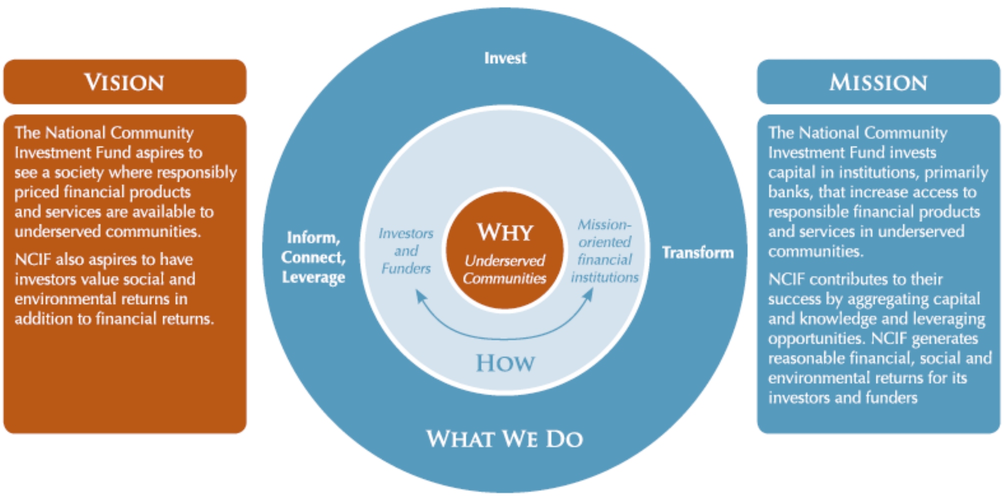
CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Years ended December 31,	**2013**	2012
Cash flows from financing activity:		
Principal paid on notes payable	**$ (640,000)**	$ (1,140,000)
Cash used in financing activity	**(640,000)**	(1,140,000)
Change in cash and cash equivalents	**(1,998,646)**	1,340,304
Cash and cash equivalents, beginning of year	**4,532,447**	3,192,143
Cash and cash equivalents, end of year	**$ 2,533,801**	$ 4,532,447
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	**$ 128,180**	$ 168,572

See notes to consolidated financial statements.

1. Organization

The National Community Investment Fund (referred to as NCIF), an independent nonprofit trust, was founded in December 1995. Its mission is to invest capital in institutions, primarily banks, that increase access to responsible financial products and services in underserved communities. NCIF generates reasonable financial, social and environmental returns for its investors and funders and contributes to their success by aggregating capital and knowledge and leveraging opportunities. NCIF meets its mission through three related activities: “Invest”, “Inform, Connect and Leverage” and “Transform”. See below for a graphical representation:



NCIF was created through joint efforts between Bank of America and ShoreBank Corporation as a means to catalyze the Community Development Financial Institutions (CDFI) banking sector by providing patient equity capital to the sector. NCIF raised its initial capital in the form of a $15 million loan from Bank of America and has since raised additional funds through several other private sector investors, foundations and the CDFI Fund.

On September 30, 2010, NCIF Management LLC (NCIFMLLC) was created as a wholly-owned subsidiary of NCIF for the purposes of employing staff. Beginning December 1, 2010, NCIFMLLC was retained by NCIF, under a Service Agreement set to expire on December 31, 2015, to provide investment advisory, administrative and management services to NCIF. NCIF is the sole member of NCIFMLLC and NCIFMLLC is treated as a disregarded entity for tax purposes. All activities are consolidated in these financial statements and all references to NCIF refer to the consolidated entity, unless otherwise designated.

1. Organization (continued)

In November 2002, NCIF formed NCIF Capital, LLC as a limited liability company in the state of Delaware. NCIF Capital, LLC's purpose is to act as the managing member in one or more limited liability companies that are 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. As of December 31, 2013 and 2012, NCIF owns 100% of NCIF Capital, LLC. The carrying value of NCIF's investment at December 31, 2013 and 2012 approximates NCIF's underlying equity in the net equity of NCIF Capital, LLC. See Note 12 for further detail on NMTC activities.

2. Summary of significant accounting policies

Basis of accounting:

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

Basis of presentation:

NCIF's net assets are classified into three classes: unrestricted, temporarily restricted and permanently restricted – according to the existence or absence of donor-imposed restrictions. Unrestricted net assets are not subject to donor-imposed restrictions. Temporarily restricted net assets are subject to donor-imposed restrictions that either expire by passage of time or can be fulfilled and removed by actions of NCIF. Permanently restricted net assets are subject to donor-imposed restrictions to be maintained permanently by NCIF; only the income generated from certain grants may be available for operations. NCIF did not have any permanently restricted net assets at December 31, 2013 and 2012.

Principles of consolidation:

The accompanying consolidated financial statements include the accounts of NCIF and NCIFMLLC. All intercompany balances and transactions have been eliminated in consolidation.

Tax status:

NCIF is exempt from Federal income tax under Section 501(c)(4) of the Internal Revenue Code and applicable state law. The accounting standards on accounting for uncertainty in income taxes address the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the consolidated financial statements. Under that guidance, NCIF may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of NCIF and various positions related to the potential sources of unrelated business taxable income. The tax benefits recognized in the consolidated financial statements from a tax position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities as of December 31, 2013 and 2012. NCIF files its Form 990 with the Internal Revenue Service (IRS). NCIF is generally no longer subject to examination by the IRS for years ended prior to December 31, 2010.

2. Summary of significant accounting policies (continued)

Tax status: (continued)

NCIF is the sole member and 100% owner of NCIFMLLC, which is treated as a disregarded entity for tax purposes.

Cash and cash equivalents:

For the purpose of the consolidated statement of cash flows, NCIF considers all highly liquid investments with an initial maturity of three months or less when purchased to be cash equivalents.

Investments:

Investments consist of widely traded U.S. government obligations, U.S. government agency securities, mortgage-backed securities, municipal bonds and corporate notes and are carried at fair value. Changes in the fair value of investments owned at the end of the year are recorded as unrealized net gains (losses). The gains and losses on investments sold during the year are recorded as realized net gains (losses) for the year. Realized and unrealized gains or losses are combined and reflected in the consolidated statement of activities as gain (loss) on investments. Certificates of deposit are carried at cost, which approximates fair value.

Equipment and website development costs:

Equipment and website development are stated at cost. Depreciation and amortization is calculated on the straight-line method over the estimated useful lives of the assets.

Loans receivable:

NCIF seeks to lend money to relatively high-risk, growing depository institutions that demonstrate a high social impact. The types of loans that NCIF provides include 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 secured, when possible, by the assets of the business being financed.

Loans receivable are stated at the principal amount outstanding, net of unearned discount and loan origination fees. The accrual of interest is discontinued whenever principal or interest has been in default ninety consecutive days or more, unless the loan is in process of collection as determined by management. At December 31, 2013 and 2012, there were no nonaccrual loans. Loan fees and direct loan origination costs are deferred and amortized over the term of the loan as a yield adjustment.

2. Summary of significant accounting policies (continued)

Allowance for loan losses:

An allowance for loan losses has been established to provide for those loans 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.

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. For the years ended December 31, 2013 and 2012, NCIF experienced charge-offs of $-0- and $23,000, respectively. 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. NCIF did not consider any loans to be impaired at December 31, 2013 and 2012.

Equity investments in CDFIs:

NCIF also makes noncontrolling equity investments in CDFIs. Most of these investments are not readily marketable and, accordingly, are recorded at historical cost, net of any reductions for permanent declines in value. However, for those few investments which have readily available market prices and trade actively on a public exchange, the carrying amount is fair value, net of any incentives payable to the lenders.

Contributions:

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence or nature of any donor restrictions. All contributions are considered to be available for unrestricted use 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 temporarily restricted or permanently restricted support that increases those net asset classes.

When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. Temporarily restricted net assets relate to NCIF's program to expand investments in CDFIs. See Note 11.

2. Summary of significant accounting policies (continued)

Use of estimates:

The preparation of the consolidated financial statements in conformity 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.

3. Concentration of credit risk

NCIF primarily maintains its cash in federally-insured bank accounts and on some occasions, may exceed federally-insured limits in order to support our banks. The uninsured cash balance at December 31, 2013 and 2012 was approximately $1,079,000 and $647,000, respectively. NCIF has not experienced any losses in such accounts. Management believes that NCIF is not exposed to any significant credit risk on cash.

4. Investments

Investments are stated at fair value. Fair values as of December 31, 2013 and 2012 are summarized as follows:

December 31,	**2013**	2012
Mortgage-backed securities	**$ 17,948**	$ 22,350
U.S. government agencies/municipal bonds	**1,137,537**	1,169,901
Certificates of deposit	**6,950,294**	5,067,498
Total	**$ 8,105,779**	$ 6,259,749

5. Fair value measurements

Financial Accounting Standards Board Accounting Standards Codification 820 (FASB ASC 820) *Fair Value Measurements and Disclosures* establishes 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 under FASB ASC 820 are described as follows:

Level 1	Inputs to valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that NCIF 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. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
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.

5. Fair value measurements (continued)

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2013 and 2012.

Mortgage-backed and U.S. government securities: The fair values of debt investments are determined by quoted market prices of similar securities with similar due dates or matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs).

Certificates of deposit: Fair values are estimated to approximate deposit account balances, payable on demand, as no discounts for credit quality or liquidity were determined to be applicable (Level 2 inputs).

Equity investments in CDFIs: The fair values of equity investments in CDFIs that are readily marketable are determined by obtaining quoted prices on nationally recognized security exchanges (Level 1 inputs).

Assets measured on a recurring basis:

Assets measured at fair value on a recurring basis at December 31, 2013:

	Level 1	Level 2	Total
Assets:			
Mortgage-backed securities		**$ 17,948**	**$ 17,948**
U.S. government agencies/municipal bonds		**1,137,537**	**1,137,537**
Certificates of deposit		**6,950,294**	**6,950,294**
Marketable equity investments in CDFIs	**$ 2,403,746**		**2,403,746**
	$ 2,403,746	**$ 8,105,779**	**$ 10,509,525**

5. Fair value measurements (continued)

Assets measured on a recurring basis: (continued)

Assets measured at fair value on a recurring basis at December 31, 2012:

	Level 1	Level 2	Total
Assets:			
Mortgage-backed securities		$ 22,350	$ 22,350
U.S. government agencies/municipal bonds		1,169,901	1,169,901
Certificates of deposit		5,067,498	5,067,498
Marketable equity investments in CDFIs	$ 525,912		525,912
	$ 525,912	$ 6,259,749	$ 6,785,661

6. Equity investments in Community Development Financial Institutions (CDFIs)

In accordance with FASB ASC 958-325, *Not-for-Profit Entities – Investments – Other* and as discussed in Note 2, NCIF's equity investments in CDFIs that are not readily marketable are carried at historical cost, net of any reductions for permanent impairments. Determination of whether there is a permanent impairment is based on a review of available indicators including book value, prices on OTC bulletin boards and comparable arms length transactions. As of December 31, 2013 and 2012, NCIF held $8,830,912 and $9,894,262 in equity investments in CDFIs that are not readily marketable, respectively. For the years ended December 31, 2013 and 2012, NCIF recognized $63,000 and $1,028,084 of permanent impairment reductions on its equity investments in CDFIs, respectively.

7. Loans receivable and allowance for loan losses

December 31,	**2013**	2012
Total loans receivable	**$ 60,000**	$ 180,000

Changes in the allowance for loan losses are as follows:

Years ended December 31,	**2013**	2012
Balance, beginning of year	**$ 1,800**	$ 28,814
Loan loss applied to allowance		(23,000)
Recovery of loan losses	**(1,200)**	(4,014)
Balance, end of year	**$ 600**	$ 1,800
Loans receivable, net of allowance for loan losses	**$ 59,400**	$ 178,200

8. Long-term debt

Long-term debt consisted of the following:

December 31,	**2013**	2012
1% note payable to Bank of America Community Development Corporation, due December 14, 2015, quarterly principal payments of $160,000 plus accrued interest.	**$ 12,419,515**	$ 13,059,515
Total long-term debt	**12,419,515**	13,059,515
Current portion	**(640,000)**	(640,000)
Discount for imputed interest on below-market interest rate loans; see * below.	**(1,221,127)**	(1,849,293)
Total long-term debt, net of current portion and discount for imputed interest	**$ 10,558,388**	$ 10,570,222

*A discount on below-market interest rate loans is imputed using an interest rate of 6.75% and is included in temporarily restricted contribution revenue in the year the loan is issued. The discount represents the cumulative amount of net revenue that has been recognized due to below-market interest rate loans. Each year, as the interest expense is recognized, the discounted amount is amortized to expense.

Future maturities of long-term debt are as follows:

Year ending December 31:	Amount
2014	$ 640,000
2015	11,779,515
Total	$ 12,419,515

9. Transactions with Manager

On December 1, 2010, NCIF signed a Service Agreement with NCIFMLLC for the purpose of providing investment advisory, administrative and management services to NCIF. As referenced in Note 1, NCIFMLLC is a wholly-owned subsidiary of NCIF and fees paid to NCIFMLLC totaling $1,293,291 and $1,149,820 for the years ended December 31, 2013 and 2012, respectively, were eliminated for the purposes of these consolidated financial statements.

10. Functional expenses

The consolidated statement of activities includes the following functional expense categories:

Years ended December 31,	**2013**	2012
Fund advisory and investing	**$ 965,329**	$ 875,302
Grant related and special projects	**158,239**	112,183
General and administrative expenses	**338,648**	268,994
Fundraising	**4,174**	3,800
Total expenses	**$ 1,466,390**	$ 1,260,279

11. Temporarily restricted net assets

Temporarily restricted net assets are available for the following purpose or time restrictions:

December 31,	**2013**	2012
Purpose:		
W.K. Kellogg Foundation grant - measuring the social impact of financial services providers	**$ 81,359**	
Time:		
Imputed interest on below-market interest rate loans	**1,221,127**	$ 1,849,293
Total temporarily restricted net assets	**$ 1,302,486**	$ 1,849,293

Temporarily restricted net assets were released from restrictions in 2013 and 2012 as follows:

Years ended December 31,	**2013**	2012
Imputed interest on below-market interest rate loans	**$ 628,166**	$ 721,837
Loss on write-off of unamortized debt discount		$ 275,030
W.K. Kellogg Foundation grant - measuring the social impact of financial services providers	**$ 18,641**	
CDFI Fund - Financial Assistance Award	**$ 446,992**	$ 1,006,814

12. New Markets Tax Credits (NMTC) activities

NCIF has been awarded a total of $173 million in NMTC allocations across the 2003, 2008, 2009 and 2012 program years. NCIF earned fee income from all closed deals of $1,360,185 and $2,724,814 during the years ended December 31, 2013 and 2012, respectively. The fee income includes one-time sponsor fees and asset management fees payable annually over a period of seven years. During the year ended December 31, 2013, NCIF closed on two deals under its NMTC program. During the year ended December 31, 2012, NCIF closed on five deals under its NMTC program. As part of the NMTC program, NCIF provides customary recapture indemnities to its investors. Management believes the probability of these being invoked is considered remote.

13. Lease commitments

NCIFMLLC executed an operating lease agreement with a landlord on May 3, 2011 for office space in Chicago, Illinois. The lease is guaranteed by NCIF and is set to expire on May 31, 2016. The lease includes one three-year renewal option. Future minimum annual lease payments under this operating lease are as follows:

Year ending December 31:	Amount
2014	$ 56,974
2015	58,058
2016	24,379
Total	$ 139,411

Rent expense under this lease (including real estate taxes) was approximately $55,900 and $54,800 for the years ended December 31, 2013 and 2012, respectively.

During 2012, NCIFMLLC subleased part of the office space to two tenants – one lease expired on May 31, 2012, but was subsequently renewed effective November 1, 2012 and the other lease operated on a month-to-month basis. During 2013, only the tenant who renewed the agreement on November 1, 2012 subleased office space from NCIFMLLC.

14. Subsequent events

Management of NCIF has reviewed and evaluated subsequent events from December 31, 2013, the consolidated financial statement date, through April 9, 2014, the date the consolidated financial statements were available to be issued. No events have occurred during this period that would be required to be recognized and/or disclosed in these consolidated financial statements as required by generally accepted accounting principles.