

**NATIONAL COMMUNITY  
INVESTMENT FUND**

**CONSOLIDATED FINANCIAL STATEMENTS AND  
CONSOLIDATING SUPPLEMENTARY INFORMATION**

**YEARS ENDED DECEMBER 31, 2021 AND 2020**

# **NATIONAL COMMUNITY INVESTMENT FUND**

YEARS ENDED DECEMBER 31, 2021 AND 2020

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## **Independent Auditors' Report**

Board of Trustees  
National Community Investment Fund

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

#### ***Opinion***

We have audited the accompanying consolidated financial statements of National Community Investment Fund (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of National Community Investment Fund as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of National Community Investment Fund 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 opinions.

#### ***Responsibilities of Management for the Consolidated Financial Statements***

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

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

### ***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

### ***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 28 through 31 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 consolidating 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 consolidating 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 April 25, 2022 on our consideration of National Community Investment Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on the effectiveness of National Community Investment Fund's 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 National Community Investment Fund's internal control over financial reporting and compliance.

*Ostrow Reisin Berk & Abrams, Ltd.*

Chicago, Illinois  
April 25, 2022

# NATIONAL COMMUNITY INVESTMENT FUND

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31,	2021	2020
<b>ASSETS</b>		
Cash	\$ 9,320,561	\$ 8,535,785
Investments	20,547,396	12,551,736
Other receivables	144,751	99,153
Prepaid expenses and other assets	68,803	55,736
Notes receivable, net	17,074,160	13,121,325
Property and equipment, net	43,959	55,269
Restricted cash	2,877,532	3,062,081
<b>Total assets</b>	<b>\$ 50,077,162</b>	<b>\$ 37,481,085</b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Notes payable, net	\$ 13,017,613	\$ 12,639,794
Accounts payable and accrued expenses	977,677	938,333
Deposits	25,000	125,000
<b>Total liabilities</b>	<b>14,020,290</b>	<b>13,703,127</b>
Net assets:		
Without donor restrictions	35,493,633	22,713,296
With donor restrictions	563,239	1,064,662
<b>Total net assets</b>	<b>36,056,872</b>	<b>23,777,958</b>
<b>Total liabilities and net assets</b>	<b>\$ 50,077,162</b>	<b>\$ 37,481,085</b>

See notes to consolidated financial statements.

## NATIONAL COMMUNITY INVESTMENT FUND

### CONSOLIDATED STATEMENTS OF ACTIVITIES

Years ended December 31,	2021			2020		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
<b>Revenue:</b>						
New Markets Tax Credit fees	\$ 1,626,941		\$ 1,626,941	\$ 2,272,952		\$ 2,272,952
Interest income	848,984		848,984	745,716		745,716
Net investment income	11,396,321		11,396,321	3,179,589		3,179,589
Grants and contributions	8,000	\$ 2,620,765	2,628,765		\$ 2,639,000	2,639,000
Other	84,087		84,087	17,223		17,223
Net assets released from restrictions	3,122,188	(3,122,188)		1,936,736	(1,936,736)	
<b>Total revenue</b>	<b>17,086,521</b>	<b>(501,423)</b>	<b>16,585,098</b>	8,152,216	702,264	8,854,480
<b>Expenses:</b>						
Program services	2,930,320		2,930,320	2,461,677		2,461,677
Management and general	1,286,871		1,286,871	1,046,237		1,046,237
Fundraising	88,993		88,993	109,878		109,878
<b>Total expenses</b>	<b>4,306,184</b>		<b>4,306,184</b>	3,617,792		3,617,792
<b>Change in net assets</b>	<b>12,780,337</b>	<b>(501,423)</b>	<b>12,278,914</b>	4,534,424	702,264	5,236,688
<b>Net assets, beginning of year</b>	<b>22,713,296</b>	<b>1,064,662</b>	<b>23,777,958</b>	18,178,872	362,398	18,541,270
<b>Net assets, end of year</b>	<b>\$ 35,493,633</b>	<b>\$ 563,239</b>	<b>\$ 36,056,872</b>	\$ 22,713,296	\$ 1,064,662	\$ 23,777,958

*See notes to consolidated financial statements.*

## NATIONAL COMMUNITY INVESTMENT FUND

### CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

Year ended December 31, 2021	Program Services			Supporting Services		
	Fund	Grant		Management	Fundraising	
	advisory and	related and	Total	and general		Total
	investing	special		projects		
		projects				
Adjustment of allowance for loan losses				\$ 101,414		\$ 101,414
Depreciation and amortization	\$ 7,466	\$ 339	\$ 7,805	3,166	\$ 339	11,310
Insurance	38,662	1,757	40,419	16,402	1,757	58,578
Interest	487,245		487,245			487,245
Membership dues and fees	76,029	3,456	79,485	32,274	3,456	115,215
NCIF Cares - grants		400,000	400,000			400,000
Occupancy	87,921	3,996	91,917	37,300	3,996	133,213
Office and administrative	53,504	2,432	55,936	22,700	2,432	81,068
Personnel	1,365,953	62,089	1,428,042	579,495	62,089	2,069,626
Professional services	147,968	127,270	275,238	376,804	12,131	664,173
Technology	40,991	1,863	42,854	17,390	1,863	62,107
Travel	20,449	930	21,379	8,676	930	30,985
Trustees' fees				91,250		91,250
<b>Total expenses</b>	<b>\$ 2,326,188</b>	<b>\$ 604,132</b>	<b>\$ 2,930,320</b>	<b>\$ 1,286,871</b>	<b>\$ 88,993</b>	<b>\$ 4,306,184</b>

*See notes to consolidated financial statements.*



**NATIONAL COMMUNITY INVESTMENT FUND**

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

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	468,804		468,804			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	84,945	3,872	88,817	32,712	3,872	125,401
Office and administrative	24,934	1,135	26,069	9,602	1,136	36,807
Personnel	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>\$ 2,270,775</b>	<b>\$ 190,902</b>	<b>\$ 2,461,677</b>	<b>\$ 1,046,237</b>	<b>\$ 109,878</b>	<b>\$ 3,617,792</b>

*See notes to consolidated financial statements.*

# NATIONAL COMMUNITY INVESTMENT FUND

## CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31,	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 12,278,914	\$ 5,236,688
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	11,310	11,310
Amortization of discount on below-market interest rate loan	83,423	115,736
Amortization of loan fees	4,250	4,250
Adjustment of allowance for loan losses	101,414	116,613
Net realized and unrealized gain on investments	(11,056,513)	(2,964,065)
(Increase) decrease in operating assets:		
Other receivables	(45,598)	7,809
Prepaid expenses and other assets	(13,067)	730
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	39,344	230,643
Deposits	(100,000)	
Net cash provided by operating activities	1,303,477	2,759,714
Cash flows from investing activities:		
Originations of notes receivable	(7,199,388)	(5,300,000)
Repayments of notes receivable	1,145,139	979,644
Proceeds from sales of notes receivable	2,000,000	
Distributions from investments	4,335	2,175
Proceeds from sales of investments	4,307,218	2,435,382
Purchases of investments	(1,250,700)	(3,815)
Purchase of property and equipment		(260)
Net cash used in investing activities	(993,396)	(1,886,874)

*See notes to consolidated financial statements.*

# NATIONAL COMMUNITY INVESTMENT FUND

## CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

Years ended December 31,	2021	2020
Cash flows from financing activities:		
Proceeds from notes payable	\$ 2,042,917	\$ 4,487,477
Principal paid on notes payable	(1,752,771)	(647,570)
Net cash provided by financing activities	290,146	3,839,907
Net change in cash and restricted cash	600,227	4,712,747
Cash and restricted cash, beginning of year	11,597,866	6,885,119
Cash and restricted cash, end of year	\$ 12,198,093	\$ 11,597,866
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 488,147	\$ 290,436
Reconciliation of cash 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	\$ 9,320,561	\$ 8,535,785
Restricted cash	2,877,532	3,062,081
Total cash and restricted cash	\$ 12,198,093	\$ 11,597,866

See notes to consolidated financial statements.

# **NATIONAL COMMUNITY INVESTMENT FUND**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

### **1. Organization**

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, New Markets Tax Credit (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. Since program inception, National Community Investment Fund used over \$500,000 to pilot an unrestricted microgrant program as gap funding to these customers. Recipients include 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 NMTC program.

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

NCIF NFP, Inc. was formed in January 2021 as a 501(c)(3) supporting organization of National Community Investment Fund. National Community Investment Fund controls NCIF NFP, Inc. through a common Board of Trustees and common management.

# **NATIONAL COMMUNITY INVESTMENT FUND**

## **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, NCIF Credit Strategies Fund LLC, and NCIF NFP, Inc. (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, 2021 and 2020.

#### **Tax status:**

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

NCIF Management, Inc. is a corporation 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.

NCIF NFP, Inc. is generally exempt from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code.

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

# NATIONAL COMMUNITY INVESTMENT FUND

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

#### 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. 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. NCIF experienced no charge-offs for the years ended December 31, 2021 and 2020.

# **NATIONAL COMMUNITY INVESTMENT FUND**

## **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.

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.

# NATIONAL COMMUNITY INVESTMENT FUND

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 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 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.
- 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.

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.



# **NATIONAL COMMUNITY INVESTMENT FUND**

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

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

#### **Fair value: (continued)**

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.

#### **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 that 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 NMTC 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 NMTC award to the CDE and other start-up and organizational services benefiting the CDE investor member and the 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 NMTC allocation to a CDE and to provide start-up and organizational services benefiting the CDE investor member and the CDE; therefore, the performance obligation is satisfied and revenue is recognized when the deal closes.

# **NATIONAL COMMUNITY INVESTMENT FUND**

## **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, 2021 and 2020.

##### 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 \$376 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

## 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:

<u>Years ended December 31,</u>	<u>2021</u>	<u>2020</u>
New Markets Tax Credit fees recognized at a point in time:		
Sponsor fees	\$ 807,500	\$ 1,390,000
New Markets Tax Credit fees recognized over time:		
Asset management fees	819,441	882,952
<u>Total New Markets Tax Credit fees</u>	<u>\$ 1,626,941</u>	<u>\$ 2,272,952</u>

There were no contract assets or contract liabilities as of December 31, 2021, 2020, and 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.

# **NATIONAL COMMUNITY INVESTMENT FUND**

## **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, depreciation and amortization, education and conferences, insurance, membership dues and fees, occupancy, 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.

#### **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.

#### **Reclassifications:**

Certain amounts in 2020 have been reclassified to conform with the 2021 presentation.

#### **Subsequent events:**

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

### **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 impact NCIF's investments and notes receivable, although such potential impact, if any, 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, 2021 and 2020 was approximately \$11,133,000 and \$10,558,000, respectively. Management believes that NCIF is not exposed to any significant credit risk on cash.

# NATIONAL COMMUNITY INVESTMENT FUND

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 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. Liquidity and availability

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

December 31,	2021	2020
Cash	\$ 9,320,561	\$ 8,535,785
Less net assets with donor restrictions	(500,000)	(918,000)
Financial assets available to meet general expenditures within one year	\$ 8,820,561	\$ 7,617,785

The source of liquidity available to NCIF is cash. NCIF strives to maintain sufficient cash 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.

# NATIONAL COMMUNITY INVESTMENT FUND

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6. Liquidity and availability (continued)

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.

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,	2021	2020
Furniture and equipment	\$ 64,639	\$ 64,639
Leasehold improvements	10,894	10,894
	<b>75,533</b>	75,533
Less accumulated depreciation and amortization	<b>(31,574)</b>	(20,264)
Property and equipment, net	\$ <b>43,959</b>	\$ 55,269

# NATIONAL COMMUNITY INVESTMENT FUND

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 8. Investments

The following is a summary of NCIF's investments:

December 31,	2021	2020
Marketable equity securities	\$ 12,796,174	\$ 4,773,831
Non-marketable equity securities	7,735,101	7,758,979
Investment in limited liability companies	16,121	18,926
<b>Total investments</b>	<b>\$ 20,547,396</b>	<b>\$ 12,551,736</b>

NCIF recognized impairment losses of \$-0- and \$118,446 on non-marketable equity securities during 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 98% and 75% of the fair value of marketable equity securities at December 31, 2021 and 2020, respectively.

Net investment income is as follows:

Year ended December 31, 2021	Marketable equity securities	Non- marketable equity securities	Investment in limited liability companies	Total
<b>Dividends</b>	\$ 275	\$ 339,533		\$ 339,808
<b>Realized gains</b>	3,586,991	179,814		3,766,805
<b>Unrealized gains</b>	7,288,877		\$ 831	7,289,708
<b>Net investment income</b>	<b>\$ 10,876,143</b>	<b>\$ 519,347</b>	<b>\$ 831</b>	<b>\$ 11,396,321</b>

# NATIONAL COMMUNITY INVESTMENT FUND

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 8. Investments (continued)

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

#### Investment in limited liability companies:

At December 31, 2021, NCIF has a 0.01% ownership interest in NCIF New Markets Capital Fund XIX-XXXVIII CDE, LLC and New Markets Capital Funds 39 – 46 CDE, LLC's. 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.

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

December 31,	2021	2020
Assets	\$ 156,980,714	\$ 174,883,277
Liabilities	(342,436)	(297,168)
Members' equity	\$ 156,638,278	\$ 174,586,109
Years ended December 31,	2021	2020
Revenue	\$ 3,682,752	\$ 3,469,888
Expenses	(1,644,139)	(1,712,049)
Net income	\$ 2,038,613	\$ 1,757,839



# NATIONAL COMMUNITY INVESTMENT FUND

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 8. Investments (continued)

#### 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, 2021 and 2020.

### 9. 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 4.00% to 6.50%	\$ 11,163,899	\$ 9,109,650
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	17,463,899	13,409,650
Less allowance for loan losses	(389,739)	(288,325)
Total notes receivable, net	\$ 17,074,160	\$ 13,121,325

## NATIONAL COMMUNITY INVESTMENT FUND

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 9. Notes receivable (continued)

Future principal maturities of notes receivable are as follows:

Year ending December 31:	Amount
2022	\$ 289,996
2023	327,261
2024	1,906,675
2025	3,440,002
2026	1,631,504
Thereafter	9,868,461
<b>Total</b>	<b>\$ 17,463,899</b>

#### 10. Notes payable

December 31,	2021	2020
Note payable (A)	\$ 1,312,500	\$ 2,250,000
Senior notes payable (B)	10,099,781	9,161,665
Subordinated notes payable (B)	1,696,902	1,407,372
	<b>13,109,183</b>	12,819,037
Less unamortized loan fees	(28,331)	(32,581)
Less unamortized discount	(63,239)	(146,662)
<b>Total notes payable, net</b>	<b>\$ 13,017,613</b>	<b>\$ 12,639,794</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%.

Future minimum payments are as follows:

Year ending December 31:	Amount
2022	\$ 750,000
2023	562,500
<b>Total</b>	<b>\$ 1,312,500</b>

# NATIONAL COMMUNITY INVESTMENT FUND

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 10. Notes payable (continued)

- (B) NCIF 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 NCIF 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.

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.

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, 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.

# NATIONAL COMMUNITY INVESTMENT FUND

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 10. Notes payable (continued)

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.

### 11. Net assets with donor restrictions

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

December 31,	2021	2020
Time restricted:		
Unamortized discount on below-market interest rate loan	\$ 63,239	\$ 146,662
Purpose restricted:		
Expanding Black Business	500,000	500,000
Investing in Outcomes		8,000
NCIF Cares		400,000
Other		10,000
<b>Total net assets with donor restrictions</b>	<b>\$ 563,239</b>	<b>\$ 1,064,662</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,	2021	2020
Time restricted:		
Amortization of discount on below-market interest rate loan	\$ 83,423	\$ 115,736
Purpose restricted:		
Investing in Outcomes	8,000	92,000
CDFI Fund - Financial Assistance Awards	794,500	1,714,000
CDFI Fund - Rapid Response Program	1,826,265	
NCIF Cares	400,000	15,000
Other	10,000	
<b>Total net assets released from donor restrictions</b>	<b>\$ 3,122,188</b>	<b>\$ 1,936,736</b>

# NATIONAL COMMUNITY INVESTMENT FUND

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 11. Net assets with donor restrictions (continued)

In 2021, NCIF received and disbursed \$2,620,765 in CDFI Fund grant funding. Of this, \$1,826,265 was from the CDFI Rapid Response Program, disbursed for a development project to bolster economic activity and job creation in minority and underserved communities that exhibit high poverty and violence rates in the DC area.

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.

### 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>
2022	\$ 127,832
2023	129,717
2024	120,608
<u>Total</u>	<u>\$ 378,157</u>

Rent expense was approximately \$133,000 and \$124,000 for the years ended December 31, 2021 and 2020, respectively.

## NATIONAL COMMUNITY INVESTMENT FUND

### CONSOLIDATING SCHEDULES OF FINANCIAL POSITION

December 31, 2021	National Community Investment Fund	NCIF Management, Inc.	NCIF Capital, LLC	NCIF Credit Strategies Fund LLC	NCIF NFP, Inc.	Eliminations	Consolidated
<b>ASSETS</b>							
Cash	\$ 8,546,750	\$ 89,749	\$ 33,888	\$ 647,174	\$ 3,000		\$ 9,320,561
Investments	1,954,622		16,121	18,576,653			20,547,396
Other receivables	70,067	334,677	4	74,680		\$ (334,677)	144,751
Prepaid expenses and other assets	28,283	40,520					68,803
Notes receivable, net	3,200,017			13,874,143			17,074,160
Property and equipment, net		43,959					43,959
Restricted cash				2,877,532			2,877,532
Investment in subsidiaries	24,135,327					(24,135,327)	
<b>Total assets</b>	<b>\$ 37,935,066</b>	<b>\$ 508,905</b>	<b>\$ 50,013</b>	<b>\$ 36,050,182</b>	<b>\$ 3,000</b>	<b>\$ (24,470,004)</b>	<b>\$ 50,077,162</b>
<b>LIABILITIES AND NET ASSETS, SHAREHOLDER'S DEFICIENCY AND MEMBER'S EQUITY</b>							
<b>Liabilities:</b>							
Notes payable, net	\$ 1,249,261			\$ 11,768,352			\$ 13,017,613
Accounts payable and accrued expenses	603,933	\$ 510,987	\$ 23,089	171,345	\$ 3,000	\$ (334,677)	977,677
Deposits	25,000						25,000
<b>Total liabilities</b>	<b>1,878,194</b>	<b>510,987</b>	<b>23,089</b>	<b>11,939,697</b>	<b>3,000</b>	<b>(334,677)</b>	<b>14,020,290</b>
<b>Net assets, shareholder's deficiency and member's equity</b>	<b>36,056,872</b>	<b>(2,082)</b>	<b>26,924</b>	<b>24,110,485</b>		<b>(24,135,327)</b>	<b>36,056,872</b>
<b>Total liabilities and net assets, shareholder's deficiency and member's equity</b>	<b>\$ 37,935,066</b>	<b>\$ 508,905</b>	<b>\$ 50,013</b>	<b>\$ 36,050,182</b>	<b>\$ 3,000</b>	<b>\$ (24,470,004)</b>	<b>\$ 50,077,162</b>

## NATIONAL COMMUNITY INVESTMENT FUND

### CONSOLIDATING SCHEDULES OF FINANCIAL POSITION (CONTINUED)

December 31, 2020	National Community Investment Fund	NCIF Management, Inc.	NCIF Capital, LLC	NCIF Credit Strategies Fund LLC	Eliminations	Consolidated
<b>ASSETS</b>						
Cash	\$ 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**

**CONSOLIDATING SCHEDULES OF ACTIVITIES**

Year ended December 31, 2021	National Community Investment Fund	NCIF Management, Inc.	NCIF Capital, LLC	NCIF Credit Strategies Fund LLC	NCIF NFP, Inc.	Eliminations	Consolidated
Revenue:							
New Markets Tax Credit fees	\$ 1,626,941						\$ 1,626,941
Interest income	36,492			\$ 812,492			848,984
Net investment income	3,043,236		\$ 831	8,352,254			11,396,321
Grants and contributions	2,628,765						2,628,765
Management fees		\$ 2,818,284				\$ (2,818,284)	
Income from subsidiaries	8,364,093					(8,364,093)	
Other	69,087			15,000			84,087
Total revenue	15,768,614	2,818,284	831	9,179,746		(11,182,377)	16,585,098
Expenses	3,489,700	2,818,284	1,301	815,183		(2,818,284)	4,306,184
Change in net assets and net income (loss)	12,278,914		(470)	8,364,563		(8,364,093)	12,278,914
Net assets, shareholder's deficiency and member's equity, beginning of year	23,777,958	(2,082)	27,394	15,745,922		(15,771,234)	23,777,958
Net assets, shareholder's deficiency and member's equity, end of year	\$ 36,056,872	\$ (2,082)	\$ 26,924	\$ 24,110,485		\$ (24,135,327)	\$ 36,056,872



**NATIONAL COMMUNITY INVESTMENT FUND**

**CONSOLIDATING SCHEDULES OF ACTIVITIES (CONTINUED)**

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
Total revenue	8,024,141	2,440,682	129	2,839,693	(4,450,165)	8,854,480
Expenses	2,787,453	2,440,682	1,464	828,875	(2,440,682)	3,617,792
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

**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

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, which comprise the consolidated statement of financial position as of December 31, 2021, 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 April 25, 2022.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered National Community Investment Fund's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of National Community Investment Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of National Community Investment Fund'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 or significant deficiencies may exist that were not identified.

## **Report on Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Ostrow Reisin Berk & Abrams, Ltd.*

Chicago, IL  
April 25, 2022