NATIONAL COMMUNITY INVESTMENT FUND AND AFFILIATE

YEARS ENDED DECEMBER 31, 2012 AND 2011

NATIONAL COMMUNITY INVESTMENT FUND AND AFFILIATE

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CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

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

Report on the 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, 2012 and 2011 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 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 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.

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Independent Affiliate of BKR International

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

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, 2012 and 2011 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 30, 2013 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 30, 2013

NATIONAL COMMUNITY INVESTMENT FUND AND AFFILIATE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31,	2012	2011
ASSETS		
Current assets:		
Cash and cash equivalents	$ 4,532,447	$ 3,192,143
Interest receivable	30,206	28,301
Accounts and dividends receivable	45,397	33,803
Prepaid expenses	47,199	39,289
Total current assets	4,655,249	3,293,536
Investments (Note 4)	6,259,749	4,517,193
Equipment, net of accumulated depreciation (Note 2)	16,063	17,010
Loans receivable (net of allowance for loan losses of $1,800 in 2012 and $28,814 in 2011) (Note 7)	178,200	1,299,963
Equity investments in Community Development Financial Institutions (CDFIs) (Note 6)	10,420,174	12,158,033
Investment in NCIF Capital, LLC	13,651	9,339
Deferred loan fees, net of accumulated amortization	11,250	15,000
Security deposit	4,515	4,515
Total assets	$ 21,558,851	$ 21,314,589

See notes to consolidated financial statements.

NATIONAL COMMUNITY INVESTMENT FUND AND AFFILIATE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

December 31,		**2012**		2011
LIABILITIES AND NET ASSETS				
Current liabilities:				
Current portion of notes payable (Note 8)	$	**640,000**	$	640,000
Accounts payable and accrued expenses		**304,543**		279,580
Total current liabilities		**944,543**		919,580
Long-term liabilities:				
Long-term debt - contractual principal (Note 8)		**12,419,515**		16,059,515
Discount for below-market interest rate (Note 8)		**(1,849,293)**		(2,846,160)
Total long-term liabilities		**10,570,222**		13,213,355
Total liabilities		**11,514,765**		14,132,935
Net assets:				
Unrestricted		**8,194,793**		4,335,494
Temporarily restricted (Note 11)		**1,849,293**		2,846,160
Total net assets		**10,044,086**		7,181,654
Total liabilities and net assets	$	**21,558,851**	$	21,314,589

See notes to consolidated financial statements.

NATIONAL COMMUNITY INVESTMENT FUND AND AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES

Years ended December 31,	2012	2011
Revenue:		
Interest and dividend income	$ 347,112	$ 299,402
New Markets Tax Credits fee income (Note 12)	2,724,814	1,787,397
Gain on settlement of loan pay-off (Note 8)	2,500,000	
Other earned revenue	132,827	112,854
Net assets released from restrictions - grants (Note 11)	1,006,814	
Total revenue	6,711,567	2,199,653
Expenses:		
Personnel related expenses	584,999	525,429
Interest expense - contractual	163,558	171,750
Professional services	185,768	164,704
Trustees' fees	65,000	65,000
Travel	47,542	69,309
Occupancy expenses	54,807	49,866
Insurance	40,911	37,674
Membership dues and fees	32,858	30,310
Depreciation (Note 2)	3,706	2,807
Recovery of loan losses	(4,014)	(16,173)
Other expenses	85,144	92,163
Total expenses	1,260,279	1,192,839
Change in unrestricted net assets before gains and losses on equity investments in CDFIs and investments and interest amortization	5,451,288	1,006,814
Realized losses on equity investments in CDFIs	(61,500)	(498,397)
Unrealized gains (losses) on equity investments in CDFIs	(1,532,859)	329,004
Gain on investments	2,370	79,117
Change in unrestricted net assets before interest amortization	3,859,299	916,538

See notes to consolidated financial statements.

NATIONAL COMMUNITY INVESTMENT FUND AND AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES (CONTINUED)

Years ended December 31,	2012	2011
Net assets released from restrictions:		
Interest - amortization of discount (Note 11)	$ 721,837	$ 716,375
Expense:		
Interest - amortization of discount	(721,837)	(716,375)
Change in unrestricted net assets	3,859,299	916,538
Temporarily restricted net assets:		
Grant income	1,006,814	
Net assets released from restrictions:		
Interest - amortization of discount (Note 11)	(721,837)	(716,375)
Loss on write-off of unamortized debt discount (Note 11)	(275,030)	
Grants and other (Note 11)	(1,006,814)	
Change in temporarily restricted net assets	(996,867)	(716,375)
Change in net assets	2,862,432	200,163
Net assets, beginning of year	7,181,654	6,981,491
Net assets, end of year	$ 10,044,086	$ 7,181,654

See notes to consolidated financial statements.

NATIONAL COMMUNITY INVESTMENT FUND AND AFFILIATE

CONSOLIDATED STATEMENT OF CASH FLOWS

Years ended December 31,	2012	2011
Cash flows from operating activities:		
Change in net assets	$ 2,862,432	$ 200,163
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	3,706	2,807
Recovery of loan losses	(4,014)	(16,173)
Discount amortization on below-market interest rate loans	721,837	716,375
Gain on settlement of loan pay-off	(2,500,000)	
Loss on write-off of unamortized debt discount	275,030	
Amortization of investment premiums	432	428
Gain on investments	(2,370)	(79,117)
Impairment of equity investments in CDFIs	1,028,084	80,000
Realized losses on equity investments in CDFIs	61,500	498,397
Unrealized (gains) losses on equity investments in CDFIs	504,775	(409,004)
Change in operating assets and liabilities:		
Interest receivable	(1,905)	7,974
Accounts and dividends receivable	(11,594)	72,756
Prepaid expenses	(7,910)	(5,584)
Deferred loan fees	3,750	3,750
Security deposit		(4,515)
Accounts payable and accrued expenses	24,963	95,169
Cash provided by operating activities	2,958,716	1,163,426
Cash flows from investing activities:		
Repayments from CDFIs on loans receivable	1,125,777	167,245
Equity investments in CDFIs		(1,025,000)
Proceeds from sales of equity investments in CDFIs	143,500	46,040
Investment in LLC	(4,312)	(2,847)
Net purchases of certificates of deposit	(2,249,643)	(1,140,440)
Purchases of investments		(500,000)
Proceeds from paydowns on investments	9,025	6,369
Proceeds from sales and maturities of investments	500,000	1,500,000
Purchase of fixed assets	(2,759)	(12,201)
Cash used in investing activities	(478,412)	(960,834)

See notes to consolidated financial statements.

NATIONAL COMMUNITY INVESTMENT FUND
AND AFFILIATE

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Years ended December 31,		**2012**		2011
Cash flows from financing activity:				
Principal paid on notes payable	**$**	**(1,140,000)**	$	(640,000)
Cash used in financing activity		**(1,140,000)**		(640,000)
Change in cash and cash equivalents		**1,340,304**		(437,408)
Cash and cash equivalents, beginning of year		**3,192,143**		3,629,551
Cash and cash equivalents, end of year	**$**	**4,532,447**	$	3,192,143
Supplemental disclosure of cash flow information:				
Cash paid during the year for interest	**$**	**168,572**	$	170,980

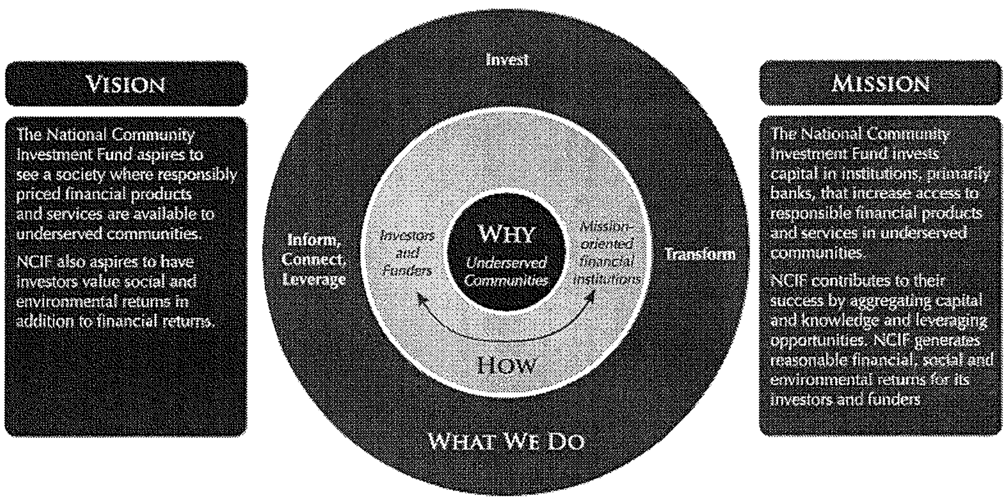
See notes to consolidated financial statements.

NATIONAL COMMUNITY INVESTMENT FUND
AND AFFILIATE

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 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, 2012 and 2011, NCIF owns 100% of NCIF Capital, LLC. The carrying value of NCIF's investment at December 31, 2012 and 2011 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, 2012 and 2011.

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.

Income tax status:

NCIF is exempt from federal income taxes as a result of its status as a non-profit organization as described under Section 501(c)(4) of the Internal Revenue Code. NCIF is the sole member and 100% owner of NCIFMLLC, which is treated as a disregarded entity for tax purposes. NCIF has adopted guidance issued by the Financial Accounting Standards Board (FASB) with respect to accounting for uncertain tax positions. No provision has been made for income taxes in the accompanying consolidated financial statements.

2. Summary of significant accounting policies (continued)

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:

Equipment is stated at cost. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets. Total depreciation expense for the years ended December 31, 2012 and 2011 was $3,706 and $2,807, respectively.

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, 2012 and 2011, 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.

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.

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. For the years ended December 31, 2012 and 2011, NCIF experienced charge-offs of $23,000 and $17,000, 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, 2012 and 2011.

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.

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

As of December 31, 2012 and 2011, NCIF's cash balances were held in fully-insured accounts or were held in other accounts which did not exceed insurable limits.

4. Investments

Investments are stated at fair value. Fair values as of December 31, 2012 and 2011 are summarized as follows:

December 31,	2012	2011
Mortgage-backed securities	**$ 22,350**	$ 31,588
U.S. government agencies/municipal bonds	**1,169,901**	1,667,750
Certificates of deposit	**5,067,498**	2,817,855
Total	**$ 6,259,749**	$ 4,517,193

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, 2012 and 2011.

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).

Marketable 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, 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

5. Fair value measurements (continued)

Assets measured on a recurring basis: (continued)

Assets measured at fair value on a recurring basis at December 31, 2011:

	Level 1	Level 2	Total
Assets:			
Mortgage-backed securities		$ 31,588	$ 31,588
U.S. government agencies/municipal bonds		1,667,750	1,667,750
Certificates of deposit		2,817,855	2,817,855
Marketable equity investments in CDFIs	$ 1,030,687		1,030,687
	$ 1,030,687	$ 4,517,193	$ 5,547,880

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, 2012 and 2011, NCIF held $9,894,262 and $11,127,346 in equity investments in CDFIs that are not readily marketable, respectively. For the years ended December 31, 2012 and 2011, NCIF recognized $1,028,084 and $80,000 of permanent impairment reductions on its equity investments in CDFIs, respectively.

7. Loans receivable and allowance for loan losses

December 31,	2012	2011
Total loans receivable	**$ 180,000**	$ 1,328,777

Changes in the allowance for loan losses are as follows:

Years ended December 31,	2012	2011
Balance, beginning of year	**$ 28,814**	$ 61,987
Loan loss applied to allowance	**(23,000)**	(17,000)
Recovery of loan losses	**(4,014)**	(16,173)
Balance, end of year	**$ 1,800**	$ 28,814
Loans receivable, net of allowance for loan losses	**$ 178,200**	$ 1,299,963

8. Long-term debt

Long-term debt consisted of the following:

December 31,	2012	2011
1% note payable to Bank of America Community Development Corporation, due December 14, 2015, quarterly principal payments of $160,000 plus accrued interest.	$ **13,059,515**	$ 13,699,515
1% EQ2 note, payable to JPMorgan Chase Bank (formerly Washington Mutual Community Development Inc.), originally due May 1, 2010. During 2010, the note was extended through May 1, 2015; payments of interest only on a quarterly basis, to the extent of NCIF's available cash flow. Interest for any period which exceeds available cash flow is deferred until the next interest period. During the year ended December 31, 2012, the note was paid off under a discounted loan pay-off agreement.		3,000,000
Total long-term debt	**13,059,515**	16,699,515
Current portion	**(640,000)**	(640,000)
Discount for imputed interest on below-market interest rate loans; see * below.	**(1,849,293)**	(2,846,160)
Total long-term debt, net of current portion and discount for imputed interest	$ **10,570,222**	$ 13,213,355

*A discount on below-market interest rate loans is imputed using interest rates ranging from 5% to 6.75% and 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.

8. Long-term debt (continued)

Future maturities of long-term debt are as follows:

Year ending December 31:		Amount
2013	$	640,000
2014		640,000
2015		11,779,515
Total	$	13,059,515

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 $1,149,820 and $954,000 for the years ended December 31, 2012 and 2011, 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,		**2012**		2011
Fund advisory and investing	**$**	**875,302**	$	811,210
Grant related and special projects		**112,183**		106,555
General and administrative expenses		**268,994**		271,444
Fundraising		**3,800**		3,630
Total expenses	**$**	**1,260,279**	$	1,192,839

11. Temporarily restricted net assets

Temporarily restricted net assets are available for use in future periods as follows:

December 31,	**2012**	2011
Imputed interest on below-market interest rate loans	**$ 1,849,293**	$ 2,846,160

Temporarily restricted net assets were released from restrictions in 2012 and 2011 as follows:

Years ended December 31,	**2012**	2011
Imputed interest on below-market interest rate loans	**$ 721,837**	$ 716,375
Loss on write-off of unamortized debt discount	**$ 275,030**	
CDFI Fund - Financial Assistance Award	**$ 1,006,814**	

12. New Markets Tax Credits (NMTC) activities

NCIF has been awarded a total of $128 million in NMTC allocations across the 2003, 2008 and 2009 program years. NCIF earned fee income from all closed deals of $2,724,814 and $1,787,397 during the years ended December 31, 2012 and 2011, 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, 2012, NCIF closed on five deals under its NMTC program. During the year ended December 31, 2011, NCIF closed on three deals under its NMTC program.

As of December 31, 2012, NCIF had deployed the remainder of its allocation of $41 million. 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 3-year renewal option. Future minimum annual lease payments under this operating lease are as follows:

Year ending December 31:	Amount
2013	$ 55,890
2014	56,974
2015	58,058
2016	24,379
Total	$ 195,301

Rent expense under this lease (including real estate taxes) was approximately $54,800 and $50,000 for the years ended December 31, 2012 and 2011, respectively.

During 2011, 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. The other lease operates on a month-to-month basis.

14. Subsequent events

Management of NCIF has reviewed and evaluated subsequent events from December 31, 2012, the consolidated financial statement date, through April 30, 2013, 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.