

**NATIONAL COMMUNITY  
INVESTMENT FUND AND  
SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS AND  
CONSOLIDATING SUPPLEMENTARY INFORMATION**

**YEARS ENDED DECEMBER 31, 2017 AND 2016**

# **NATIONAL COMMUNITY INVESTMENT FUND AND SUBSIDIARIES**

YEARS ENDED DECEMBER 31, 2017 AND 2016

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## **Independent Auditors' Report**

Board of Trustees  
National Community Investment Fund and Subsidiaries

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

We have audited the accompanying consolidated financial statements of National Community Investment Fund and Subsidiaries (NCIF), which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, 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.

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

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

## ***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of National Community Investment Fund and Subsidiaries as of December 31, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Other Information*

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating supplementary information included on pages 15 through 18 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 4, 2018, 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 4, 2018

**NATIONAL COMMUNITY INVESTMENT FUND  
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

December 31,	2017	2016
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,911,634	\$ 4,787,829
Grants receivable	776,500	1,000,000
Prepaid expenses and other assets	131,183	146,005
Equipment and website development costs, net	9,725	26,157
Loans receivable, net of allowance for loan losses	2,984,500	980,000
Investments:		
Community Development Financial Institutions	14,148,290	11,779,566
Limited liability companies	18,407	15,918
Other		500,177
<b>Total assets</b>	<b>\$ 21,980,239</b>	<b>\$ 19,235,652</b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Notes payable:		
Principal	\$ 4,312,500	\$ 5,062,500
Unamortized discount	(584,618)	(788,194)
Accounts payable and accrued expenses	365,766	473,987
<b>Total liabilities</b>	<b>4,093,648</b>	<b>4,748,293</b>
Net assets:		
Unrestricted	16,425,473	12,699,165
Temporarily restricted	1,461,118	1,788,194
<b>Total net assets</b>	<b>17,886,591</b>	<b>14,487,359</b>
<b>Total liabilities and net assets</b>	<b>\$ 21,980,239</b>	<b>\$ 19,235,652</b>

*See notes to consolidated financial statements.*

**NATIONAL COMMUNITY INVESTMENT FUND  
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF ACTIVITIES**

Years ended December 31,	2017			2016		
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total
<b>Revenue:</b>						
New Markets Tax Credits fees	\$ 2,519,019		\$ 2,519,019	\$ 807,851		\$ 807,851
Contracts	455,540		455,540	144,309		144,309
Grants		\$ 876,500	876,500		\$ 1,000,000	1,000,000
Loan interest discount					958,333	958,333
Interest and dividends	252,934		252,934	475,193		475,193
Realized and unrealized gains on investments	1,874,271		1,874,271	729,121		729,121
Other	19,540		19,540	15,403		15,403
Net assets released from restrictions	1,203,576	(1,203,576)		287,582	(287,582)	
<b>Total revenue</b>	<b>6,324,880</b>	<b>(327,076)</b>	<b>5,997,804</b>	<b>2,459,459</b>	<b>1,670,751</b>	<b>4,130,210</b>
<b>Expenses:</b>						
Personnel related expenses	1,328,687		1,328,687	1,245,119		1,245,119
Professional services	483,075		483,075	337,580		337,580
Trustees' fees	87,500		87,500	95,000		95,000
Occupancy expenses	72,286		72,286	70,986		70,986
Travel	155,178		155,178	69,023		69,023
Membership dues and fees	82,122		82,122	68,826		68,826
Insurance	39,173		39,173	44,807		44,807
Interest expense - contractual				27,697		27,697
Depreciation and amortization	220,008		220,008	304,110		304,110
Loan reserve (recovery)	45,500		45,500	(10,000)		(10,000)
Other expenses	85,043		85,043	49,625		49,625
<b>Total expenses</b>	<b>2,598,572</b>		<b>2,598,572</b>	<b>2,302,773</b>		<b>2,302,773</b>
<b>Change in net assets</b>	<b>3,726,308</b>	<b>(327,076)</b>	<b>3,399,232</b>	<b>156,686</b>	<b>1,670,751</b>	<b>1,827,437</b>
<b>Net assets, beginning of year</b>	<b>12,699,165</b>	<b>1,788,194</b>	<b>14,487,359</b>	<b>12,542,479</b>	<b>117,443</b>	<b>12,659,922</b>
<b>Net assets, end of year</b>	<b>\$ 16,425,473</b>	<b>\$ 1,461,118</b>	<b>\$ 17,886,591</b>	<b>\$ 12,699,165</b>	<b>\$ 1,788,194</b>	<b>\$ 14,487,359</b>

*See notes to consolidated financial statements.*

**NATIONAL COMMUNITY INVESTMENT FUND  
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**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Years ended December 31,	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 3,399,232	\$ 1,827,437
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	220,008	304,110
Loan reserve (recovery)	45,500	(10,000)
Loan interest discount		(958,333)
Realized and unrealized gains on investments	(1,874,271)	(729,121)
Change in operating assets and liabilities:		
Grants receivable	223,500	(1,000,000)
Prepaid expenses and other assets	14,822	42,041
Accounts payable and accrued expenses	(108,221)	59,600
<b>Net cash provided by (used in) operating activities</b>	<b>1,920,570</b>	<b>(464,266)</b>
Cash flows from investing activities:		
Loans receivable	(2,050,000)	
Distributions from investments	264	936
Proceeds from sales of investments	963,232	7,290,657
Purchases of investments	(960,261)	(100,512)
<b>Net cash provided by (used in) investing activities</b>	<b>(2,046,765)</b>	<b>7,191,081</b>
Cash flows from financing activity:		
Principal paid on notes payable	(750,000)	(6,077,015)
<b>Net cash used in financing activity</b>	<b>(750,000)</b>	<b>(6,077,015)</b>
Net change in cash and cash equivalents	(876,195)	649,800
Cash and cash equivalents, beginning of year	4,787,829	4,138,029
Cash and cash equivalents, end of year	\$ 3,911,634	\$ 4,787,829
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ -	\$ 27,697

*See notes to consolidated financial statements.*

# **NATIONAL COMMUNITY INVESTMENT FUND AND SUBSIDIARIES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

### **1. Organization**

The National Community Investment Fund (NCIF), 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. 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 four related activities: “Investing, Lending, NMTC, and Research.”

NCIF Management LLC (NCIFMLLC) is a wholly-owned subsidiary of NCIF that employs staff and provides services to NCIF.

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

All activities are consolidated in these financial statements and all references to NCIF refer to the consolidated entity, unless otherwise designated.

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

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

The accompanying consolidated financial statements of NCIF have been prepared 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, 2017 and 2016.

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

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



# **NATIONAL COMMUNITY INVESTMENT FUND AND SUBSIDIARIES**

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

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

#### **Tax status:**

NCIF is generally exempt from federal income tax pursuant to Section 501(c)(4) of the Internal Revenue Code. NCIFMLLC is a disregarded entity for tax purposes. NCIF Capital, LLC has elected to be treated as a taxable corporation.

NCIF has adopted the requirements for accounting for uncertain tax positions and management has determined that NCIF was not required to record a liability related to uncertain tax provisions as of December 31, 2017 and 2016.

#### **Cash and cash equivalents:**

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

#### **Grants receivable:**

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their future cash flows. At December 31, 2017 and 2016, all grants receivable are expected to be collected within one year.

NCIF provides an allowance, as needed, for estimated grants receivable. At December 31, 2017 and 2016, all grants receivable are considered fully collectible and no allowances are considered necessary.

#### **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 depository institutions that demonstrate a high social impact and/or to projects that meet its mission goals. 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 collateralized, 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 the process of collection as determined by management. At December 31, 2017 and 2016, 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.

# **NATIONAL COMMUNITY INVESTMENT FUND AND SUBSIDIARIES**

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

### **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. NCIF experienced no charge-offs for the years ended December 31, 2017 and 2016. 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, 2017 and 2016.

#### **Investments:**

Investments with readily determinable values are carried at fair value. Changes in the fair value of investments owned at the end of the year are recorded as unrealized gains (losses). Gains and losses on investments sold during the year are recorded as realized gains (losses).

Non-controlling equity investments that are not readily marketable and have no readily determinable values are recorded at historical cost, net of any reductions for permanent impairments. Due to their illiquid nature, the transferability of these shares, especially in material quantities, is restricted. Determination of whether there is a permanent impairment is based on a review of available indicators including book value and comparable arms-length transactions.

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

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

Loans with below-market interest rates are discounted to present value. The discount is recognized as temporarily restricted contribution 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.

# **NATIONAL COMMUNITY INVESTMENT FUND AND SUBSIDIARIES**

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

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

#### **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 statements of activities as net assets released from restrictions.

#### **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.

#### **Subsequent events:**

Management of NCIF has reviewed and evaluated subsequent events from December 31, 2017, the consolidated financial statement date, through April 4, 2018, the date the consolidated financial statements were available to be issued.

### **3. Concentration of credit risk**

NCIF primarily maintains its cash in federally-insured bank accounts and on some occasions, may exceed federally-insured limits. The uninsured cash balance at December 31, 2017 and 2016 was approximately \$3,100,000 and \$4,000,000, respectively. Management believes that NCIF is not exposed to any significant credit risk on cash.

**NATIONAL COMMUNITY INVESTMENT FUND  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**4. Investments**

The following is a summary of NCIF's investments:

December 31,	2017	2016
Investments at fair value:		
Mortgage-backed securities		\$ 6,825
Certificates of deposit		493,352
Equity investments in Community Development Financial Institutions (CDFIs)	\$ 6,037,631	4,619,491
Investments at cost:		
Equity investments in Community Development Financial Institutions (CDFIs)	8,110,659	7,160,075
Equity method investments:		
Equity investments in limited liability companies	18,407	15,918
<b>Total</b>	<b>\$ 14,166,697</b>	<b>\$ 12,295,661</b>

**Fair value:**

Investments with readily determinable values are carried at fair value. NCIF reports investments 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).

Mortgage-backed are securities stated at fair value based on 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.

Certificates of deposits are carried at cost which approximates fair value.

Equity investments in CDFI's are stated at fair value based on quoted prices in active markets.

NCIF's investments at fair value are as follows:

December 31, 2017	Level 1	Level 2	Total
<b>Equity investments in CDFIs</b>	<b>\$ 6,037,631</b>		<b>\$ 6,037,631</b>

**NATIONAL COMMUNITY INVESTMENT FUND  
AND SUBSIDIARIES**

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

**4. Investments (continued)**

**Fair value: (continued)**

December 31, 2016	Level 1	Level 2	Total
Mortgage-backed securities		\$ 6,825	\$ 6,825
Certificates of deposit		493,352	493,352
Equity investments in CDFIs	\$ 4,619,491		4,619,491
	\$ 4,619,491	\$ 500,177	\$ 5,119,668

**Cost:**

NCIF's equity investments in CDFI's that are not readily marketable and have no readily determinable values are carried at historical cost, net of any reductions for permanent impairments. There were no permanent impairments recognized during the years ended December 31, 2017 and 2016.

In March 2018, NCIF recognized an impairment loss of approximately \$379,000.

**Equity method:**

NCIF has non-controlling and non-marketable equity investments in limited liability companies. Due to NCIF's ability to exert significant influence over these limited liability companies as managing member, these investments are accounted for under the equity method. At December 31, 2017, NCIF had a 0.01% ownership interest in NCIF New Markets Capital Funds III – XXVII CDE, LLC's. At December 31, 2016, NCIF had a 0.01% ownership interest in NCIF New Markets Capital Funds III – XXIII CDE, LLC's.

Summarized financial information for the limited liability companies in the aggregate is as follows:

December 31,	2017	2016
Assets	\$ 181,075,690	\$ 149,117,776
Liabilities	(320,941)	(326,757)
Members' equity	\$ 180,754,749	\$ 148,791,019
Years ended December 31,	2017	2016
Revenue	\$ 2,955,915	\$ 2,731,877
Expenses	(1,011,514)	(935,566)
Net income	\$ 1,944,401	\$ 1,796,311

**NATIONAL COMMUNITY INVESTMENT FUND  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**5. Loans receivable**

December 31,	2017	2016
Quarterly payments of interest only at 9%, due June 2025	\$ 1,000,000	\$ 1,000,000
Quarterly payments of interest only at 4.10%, due July 2024	1,000,000	
Quarterly payments of interest only at 2.25%, due April 2019	1,050,000	
	3,050,000	1,000,000
Less allowance for loan losses	(65,500)	(20,000)
Total loans receivable, net of allowance for loan losses	\$ 2,984,500	\$ 980,000

Future principal maturities of loans receivable are as follows:

Year ending December 31:	Amount
2018	\$ -
2019	1,050,000
2020	-
2021	-
2022	-
Thereafter	2,000,000
Total	\$ 3,050,000

As of December 31, 2017, NCIF has agreed to participate as a lender for \$750,000. Funds have not been disbursed as of December 31, 2017.

**6. Long-term debt**

December 31,	2017	2016
Interest-free note payable to Bank of America Community Development Corporation, due October 1, 2023, quarterly principal payments of \$187,500. Discounted at 5%.	\$ 4,312,500	\$ 5,062,500
Less unamortized discount	(584,618)	(788,194)
Total notes payable, net of unamortized discount	\$ 3,727,882	\$ 4,274,306

**NATIONAL COMMUNITY INVESTMENT FUND  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**6. Long-term debt (continued)**

Future maturities of long-term debt are as follows:

Year ending December 31:	Amount
2018	\$ 750,000
2019	750,000
2020	750,000
2021	750,000
2022	750,000
Thereafter	562,500
<b>Total</b>	<b>\$ 4,312,500</b>

**7. Temporarily restricted net assets**

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

December 31,	2017	2016
Time:		
CDFI Fund - Financial Assistance Award receivable	\$ 776,500	\$ 1,000,000
Unamortized discount on below-market interest rate loans	584,618	788,194
Purpose:		
Investing in Outcomes	100,000	
<b>Temporarily restricted net assets</b>	<b>\$ 1,461,118</b>	<b>\$ 1,788,194</b>

Temporarily restricted net assets were released from restrictions as follows:

Years ended December 31,	2017	2016
Amortization of discount on below-market interest rate loans	\$ 203,576	\$ 287,582
CDFI Fund - Financial Assistance Award receivable	1,000,000	
<b>Temporarily restricted net assets released from restrictions</b>	<b>\$ 1,203,576</b>	<b>\$ 287,582</b>

# **NATIONAL COMMUNITY INVESTMENT FUND AND SUBSIDIARIES**

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

### **8. New Markets Tax Credits (NMTC) activities**

Since 2003, NCIF has been awarded \$326 million in NMTC allocations. NCIF earned fee income from all closed deals of \$2,519,019 and \$807,851 during the years ended December 31, 2017 and 2016, respectively. The fee income includes one-time sponsor fees and asset management fees payable annually over a period of seven years. 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.

### **9. Lease commitments**

NCIF leases office space under an operating lease expiring May 31, 2019. Future minimum payments are \$73,587 for 2018 and \$30,887 for 2019.

Rent expense was approximately \$72,300 and \$71,000 for the years ended December 31, 2017 and 2016, respectively.

### **10. Functional expenses**

The consolidated statements of activities includes the following functional expenses categories:

Years ended December 31,	2017	2016
Program services:		
Fund advisory and investing	\$ 1,604,619	\$ 1,502,693
Grant related and special projects	399,660	361,512
Management and general	482,295	373,634
Fundraising	111,998	64,934
Total expenses	\$ 2,598,572	\$ 2,302,773



**NATIONAL COMMUNITY INVESTMENT FUND  
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**CONSOLIDATING STATEMENTS OF FINANCIAL POSITION**

December 31, 2017	National Community Investment Fund	NCIF Management LLC	NCIF Capital, LLC	Eliminations	Consolidated
<b>ASSETS</b>					
Cash and cash equivalents	\$ 3,808,176	\$ 92,568	\$ 10,890		\$ 3,911,634
Grants receivable	776,500				776,500
Prepaid expenses and other assets	126,668	4,515			131,183
Equipment and website development costs, net		9,725			9,725
Loans receivable, net of allowance for loan losses	2,984,500				2,984,500
Due from National Community Investment Fund		3,347,721		\$ (3,347,721)	
Investments:					
Community Development Financial Institutions	14,148,290				14,148,290
Limited liability companies			18,407		18,407
Investment in subsidiaries:					
NCIF Management LLC	3,190,195			(3,190,195)	
NCIF Capital, LLC	29,297			(29,297)	
<b>Total assets</b>	<b>\$ 25,063,626</b>	<b>\$ 3,454,529</b>	<b>\$ 29,297</b>	<b>\$ (6,567,213)</b>	<b>\$ 21,980,239</b>
<b>LIABILITIES AND NET ASSETS</b>					
Liabilities:					
Notes payable:					
Principal	\$ 4,312,500				\$ 4,312,500
Unamortized discount	(584,618)				(584,618)
Accounts payable and accrued expenses	101,432	\$ 264,334			365,766
Due to NCIF Management LLC	3,347,721			\$ (3,347,721)	
<b>Total liabilities</b>	<b>7,177,035</b>	<b>264,334</b>		<b>(3,347,721)</b>	<b>4,093,648</b>
Net assets:					
Unrestricted	16,425,473	3,190,195	\$ 29,297	(3,219,492)	16,425,473
Temporarily restricted	1,461,118				1,461,118
<b>Total net assets</b>	<b>17,886,591</b>	<b>3,190,195</b>	<b>29,297</b>	<b>(3,219,492)</b>	<b>17,886,591</b>
<b>Total liabilities and net assets</b>	<b>\$ 25,063,626</b>	<b>\$ 3,454,529</b>	<b>\$ 29,297</b>	<b>\$ (6,567,213)</b>	<b>\$ 21,980,239</b>

**NATIONAL COMMUNITY INVESTMENT FUND  
AND SUBSIDIARIES**

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

December 31, 2016	National Community Investment Fund	NCIF Management LLC	NCIF Capital, LLC	Eliminations	Consolidated
<b>ASSETS</b>					
Cash and cash equivalents	\$ 4,575,418	\$ 209,912	\$ 2,499		\$ 4,787,829
Grants receivable	1,000,000				1,000,000
Prepaid expenses and other assets	124,861	20,480	664		146,005
Equipment and website development costs, net		26,157			26,157
Loans receivable, net of allowance for loan losses	980,000				980,000
Due from National Community Investment Fund		2,350,296		\$ (2,350,296)	
Investments:					
Community Development Financial Institutions	11,779,566				11,779,566
Limited liability companies			15,918		15,918
Other	500,177				500,177
Investment in subsidiaries:					
NCIF Management LLC	2,373,602			(2,373,602)	
NCIF Capital, LLC	19,081			(19,081)	
<b>Total assets</b>	<b>\$ 21,352,705</b>	<b>\$ 2,606,845</b>	<b>\$ 19,081</b>	<b>\$ (4,742,979)</b>	<b>\$ 19,235,652</b>
<b>LIABILITIES AND NET ASSETS</b>					
<b>Liabilities:</b>					
Notes payable:					
Principal	\$ 5,062,500				\$ 5,062,500
Unamortized discount	(788,194)				(788,194)
Accounts payable and accrued expenses	240,744	\$ 233,243			473,987
Due to NCIF Management LLC	2,350,296			\$ (2,350,296)	
<b>Total liabilities</b>	<b>6,865,346</b>	<b>233,243</b>		<b>(2,350,296)</b>	<b>4,748,293</b>
<b>Net assets:</b>					
Unrestricted	12,699,165	2,373,602	\$ 19,081	(2,392,683)	12,699,165
Temporarily restricted	1,788,194				1,788,194
<b>Total net assets</b>	<b>14,487,359</b>	<b>2,373,602</b>	<b>19,081</b>	<b>(2,392,683)</b>	<b>14,487,359</b>
<b>Total liabilities and net assets</b>	<b>\$ 21,352,705</b>	<b>\$ 2,606,845</b>	<b>\$ 19,081</b>	<b>\$ (4,742,979)</b>	<b>\$ 19,235,652</b>

**NATIONAL COMMUNITY INVESTMENT FUND  
AND SUBSIDIARIES**

**CONSOLIDATING STATEMENTS OF ACTIVITIES**

Year ended December 31, 2017	National Community Investment Fund			NCIF	NCIF	Eliminations	Consolidated
	Unrestricted	Temporarily restricted	Total	Management	Capital,		
				LLC	LLC		
			Unrestricted	Unrestricted			
<b>Revenue:</b>							
New Markets Tax Credits fees	\$ 2,519,019		\$ 2,519,019				\$ 2,519,019
Contracts	455,540		455,540				455,540
Grants		\$ 876,500	876,500				876,500
Interest and dividends	252,934		252,934				252,934
Realized and unrealized gains on investments	1,873,744		1,873,744		\$ 527		1,874,271
Other	19,540		19,540				19,540
Management fees				\$ 2,647,425		\$ (2,647,425)	
Gain on investment in subsidiaries:							
NCIF Management LLC	816,593		816,593			(816,593)	
NCIF Capital, LLC	216		216			(216)	
Net assets released from restrictions	1,203,576	(1,203,576)					
<b>Total revenue</b>	<b>7,141,162</b>	<b>(327,076)</b>	<b>6,814,086</b>	<b>2,647,425</b>	<b>527</b>	<b>(3,464,234)</b>	<b>5,997,804</b>
<b>Expenses:</b>							
Personnel related expenses				1,328,687			1,328,687
Professional services	258,607		258,607	224,468			483,075
Trustees' fees	87,500		87,500				87,500
Occupancy expenses				72,286			72,286
Travel	71,274		71,274	83,904			155,178
Membership dues and fees	51,074		51,074	31,048			82,122
Insurance	39,173		39,173				39,173
Depreciation and amortization	203,576		203,576	16,432			220,008
Loan reserve	45,500		45,500				45,500
Management fees	2,647,425		2,647,425			(2,647,425)	
Other expenses	10,725		10,725	74,007	311		85,043
<b>Total expenses</b>	<b>3,414,854</b>		<b>3,414,854</b>	<b>1,830,832</b>	<b>311</b>	<b>(2,647,425)</b>	<b>2,598,572</b>
Change in net assets	3,726,308	(327,076)	3,399,232	816,593	216	(816,809)	3,399,232
Net assets, beginning of year	12,699,165	1,788,194	14,487,359	2,373,602	19,081	(2,392,683)	14,487,359
Capital contribution					10,000	(10,000)	
<b>Net assets, end of year</b>	<b>\$ 16,425,473</b>	<b>\$ 1,461,118</b>	<b>\$ 17,886,591</b>	<b>\$ 3,190,195</b>	<b>\$ 29,297</b>	<b>\$ (3,219,492)</b>	<b>\$ 17,886,591</b>

**NATIONAL COMMUNITY INVESTMENT FUND  
AND SUBSIDIARIES**

**CONSOLIDATING STATEMENTS OF ACTIVITIES (CONTINUED)**

Year ended December 31, 2016	National Community Investment Fund			NCIF Management LLC	NCIF Capital, LLC	Eliminations	Consolidated
	Unrestricted	Temporarily restricted	Total	Unrestricted	Unrestricted		
<b>Revenue:</b>							
New Markets Tax Credits fees	\$ 807,851		\$ 807,851				\$ 807,851
Contracts	144,309		144,309				144,309
Grants		\$ 1,000,000	1,000,000				1,000,000
Loan interest discount		958,333	958,333				958,333
Interest and dividends	471,756		471,756	\$ 3,437			475,193
Realized and unrealized gains (losses) on investments	729,690		729,690		\$ (569)		729,121
Other	15,403		15,403				15,403
Management fees				2,370,240		\$ (2,370,240)	
Gain (loss) on investment in subsidiaries:							
NCIF Management LLC	693,531		693,531			(693,531)	
NCIF Capital, LLC	(717)		(717)			717	
Net assets released from restrictions	287,582	(287,582)					
<b>Total revenue</b>	<b>3,149,405</b>	<b>1,670,751</b>	<b>4,820,156</b>	<b>2,373,677</b>	<b>(569)</b>	<b>(3,063,054)</b>	<b>4,130,210</b>
<b>Expenses:</b>							
Personnel related expenses				1,245,119			1,245,119
Professional services	151,617		151,617	185,963			337,580
Trustees' fees	95,000		95,000				95,000
Occupancy expenses				70,986			70,986
Travel	11,287		11,287	57,736			69,023
Membership dues and fees	24,119		24,119	44,707			68,826
Insurance	44,807		44,807				44,807
Interest	27,697		27,697				27,697
Depreciation and amortization	287,582		287,582	16,528			304,110
Loan reserve recovery	(10,000)		(10,000)				(10,000)
Management fees	2,370,240		2,370,240			(2,370,240)	
Other expenses (recovery)	(9,630)		(9,630)	59,107	148		49,625
<b>Total expenses</b>	<b>2,992,719</b>		<b>2,992,719</b>	<b>1,680,146</b>	<b>148</b>	<b>(2,370,240)</b>	<b>2,302,773</b>
Change in net assets	156,686	1,670,751	1,827,437	693,531	(717)	(692,814)	1,827,437
Net assets, beginning of year	12,542,479	117,443	12,659,922	1,680,071	19,798	(1,699,869)	12,659,922
Net assets, end of year	\$ 12,699,165	\$ 1,788,194	\$ 14,487,359	\$ 2,373,602	\$ 19,081	\$ (2,392,683)	\$ 14,487,359