# NATIONAL COMMUNITY INVESTMENT FUND
Chicago, Illinois

## FINANCIAL STATEMENTS
December 31, 2009 and 2008

NATIONAL COMMUNITY INVESTMENT FUND
Chicago, Illinois

FINANCIAL STATEMENTS
December 31, 2009 and 2008

CONTENTS

Crowe Horwath LLP
Independent Member Crowe Horwath International

# REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees
National Community Investment Fund
Chicago, Illinois

We have audited the accompanying statements of financial position of National Community Investment Fund as of December 31, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the management of National Community Investment Fund. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Community Investment Fund as of December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Crowe Horwath LLP
Crowe Horwath LLP

Chicago, Illinois
March 22, 2010

NATIONAL COMMUNITY INVESTMENT FUND
STATEMENTS OF FINANCIAL POSITION
December 31, 2009 and 2008

| | 2009 | 2008 |
|---|---|---|
| **ASSETS** | | |
| Current assets | | |
| Cash and cash equivalents | $ 3,796,154 | $ 1,194,094 |
| Interest receivable | 61,344 | 88,882 |
| Accounts and dividends receivable | 44,938 | 103,310 |
| Prepaid expenses | 33,089 | 26,510 |
| Total current assets | 3,935,525 | 1,412,796 |
| Investments (Note 4) | 5,673,996 | 6,112,549 |
| Loans receivable (net of allowance for loan losses of $90,030 in 2009 and $114,575 in 2008) (Note 6) | 1,305,951 | 2,244,364 |
| Equity investments in Community Development Financial Institutions (CDFIs) | 10,789,898 | 10,635,636 |
| Investment in LLC | 5,012 | 3,850 |
| Deferred loan fees, net of accumulated amortization | 22,500 | 26,250 |
| | $ 21,732,882 | $ 20,435,445 |
| **LIABILITIES AND NET ASSETS** | | |
| Current liabilities | | |
| Current portion of notes payable (Note 7) | $ 640,000 | $ 640,000 |
| Accounts payable and accrued expenses | 85,526 | 73,567 |
| Due to Fund Advisor (Note 8) | 21,476 | 547 |
| Total current liabilities | 747,002 | 714,114 |
| Long-term debt - contractual principal | 17,339,515 | 17,979,515 |
| Discount for below-market rates | (3,805,520) | (4,607,507) |
| Long-term debt, net of discount (Note 7) | 13,533,995 | 13,372,008 |
| Net assets | | |
| Unrestricted | 3,646,365 | 1,705,559 |
| Temporarily restricted (Note 11) | 3,805,520 | 4,643,764 |
| Total net assets | 7,451,885 | 6,349,323 |
| | $ 21,732,882 | $ 20,435,445 |

See accompanying notes to financial statements.

NATIONAL COMMUNITY INVESTMENT FUND
STATEMENTS OF ACTIVITIES
Years ended December 31, 2009 and 2008

| | 2009 | 2008 |
|---|---|---|
| Revenues | | |
| Interest and dividend income | $ 526,578 | $ 765,250 |
| New markets tax credit fee income (Note 12) | 594,727 | 244,705 |
| Conference revenue and sponsorships | 55,300 | 81,872 |
| Other earned revenue | 11,409 | 27,156 |
| Grant revenue | 5,000 | - |
| Net assets released from restrictions- grants (Note 11) | 2,036,850 | 61,603 |
| Total revenues | 3,229,864 | 1,180,586 |
| Expenses | | |
| Fund Advisor staff fees and expenses | 840,000 | 840,000 |
| Trustee's fees | 30,000 | 30,000 |
| Travel | 21,750 | 13,534 |
| Professional services | 221,344 | 97,403 |
| Technology expenses | - | 2,271 |
| Conference expenses | 25,507 | 19,939 |
| Interest expense- contractual | 183,736 | 190,625 |
| Insurance | 32,308 | 32,212 |
| Recovery of loan losses | (24,545) | (213,040) |
| Membership dues and fees | 24,640 | 24,957 |
| NMTC operations expense | 20,000 | - |
| Other expenses | 10,059 | 6,494 |
| Total expenses | 1,384,799 | 1,044,395 |
| Change in unrestricted net assets before interest amortization, gain (loss) on investments and release of permanently restricted net assets | 1,845,065 | 136,191 |
| Net assets released from restrictions: | | |
| Interest - amortization of discount | 801,987 | 783,062 |
| Expenses: | | |
| Interest - amortization of discount | (801,987) | (783,062) |
| Change in unrestricted net assets before gain (loss) on investments and release of permanently restricted net assets | 1,845,065 | 136,191 |

(Continued)

NATIONAL COMMUNITY INVESTMENT FUND
STATEMENTS OF ACTIVITIES
Years ended December 31, 2009 and 2008

| | 2009 | 2008 |
|---|---|---|
| Change in unrestricted net assets before gain (loss) on investments and release of permanently restricted net assets | $ 1,845,065 | $ 136,191 |
| Gain (loss) on equity CDFI investments, net of lender and Fund Advisor incentives | 154,262 | (675,071) |
| Gain (loss) on investments | (58,521) | 95,465 |
| Release of permanently restricted seed fund net asset balance (Note 2) | - | 577,288 |
| Change in unrestricted net assets | 1,940,806 | 133,873 |
| Temporarily restricted net assets | | |
| Grant income | 2,000,000 | - |
| Interest income | 593 | 1,655 |
| Net assets released from restriction: | | |
| Interest - amortization of discount | (801,987) | (783,062) |
| Grants and other | (2,036,850) | (61,603) |
| Change in temporarily restricted net assets | (838,244) | (843,010) |
| Permanently restricted net assets | | |
| Recovery of loan losses on seed fund loans | - | 67,444 |
| Loss on equity CDFI Investment | - | (162,000) |
| Release of seed fund net asset balance (Note 2) | - | (577,288) |
| Change in permanently restricted net assets | - | (671,844) |
| **Total change in net assets** | 1,102,562 | (1,380,981) |
| Net assets at beginning of year | 6,349,323 | 7,730,304 |
| **Net assets at end of year** | $ 7,451,885 | $ 6,349,323 |

See accompanying notes to financial statements.

NATIONAL COMMUNITY INVESTMENT FUND
STATEMENTS OF CASH FLOWS
Years ended December 31, 2009 and 2008

| | 2009 | 2008 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Change in net assets | $ 1,102,562 | $ (1,380,981) |
| Adjustments to reconcile change in net assets to cash from operating activities | | |
| Recovery of loan losses | (24,545) | (280,484) |
| Discount amortization on below market interest rate loans | 801,987 | 783,062 |
| Amortization (accretion) of investment premiums (discounts) | (2,472) | 12,087 |
| Net (gain) loss on investments | 58,521 | (95,465) |
| Write down of equity investment in CDFI | 173,788 | 220,126 |
| Net (gain) loss on equity investments in CDFIs | (328,050) | 616,945 |
| Changes in assets and liabilities | | |
| Interest receivable | 27,538 | (16,278) |
| Accounts and dividends receivable | 58,372 | (8,799) |
| Prepaid expenses | (6,579) | (5,155) |
| Deferred loan fees | 3,750 | 3,750 |
| Accounts payable and accrued expenses | 11,959 | (41,274) |
| Due to Fund Advisor | 20,929 | (21,342) |
| Net cash from operating activities | 1,897,760 | (213,808) |
| **Cash flows from investing activities** | | |
| Repayments from CDFIs | 962,958 | 2,013,697 |
| Equity investments in CDFIs | - | (450,000) |
| Investment in LLC | (1,162) | (23) |
| (Purchases) redemptions of certificates of deposit | 292,237 | (308,011) |
| Purchases of investments | (5,191,413) | (7,342,365) |
| Proceeds from paydowns on investments | 670,530 | 88,500 |
| Proceeds from sales and maturities of investments | 4,611,150 | 4,520,000 |
| Net cash from investing investments | 1,344,300 | (1,478,202) |
| **Cash flows from financing activities** | | |
| Principal paid on notes payable | (640,000) | (640,000) |
| Net cash from financing activities | (640,000) | (640,000) |
| Change in cash and cash equivalents | 2,602,060 | (2,332,010) |
| Cash and cash equivalents at beginning of year | 1,194,094 | 3,526,104 |
| **Cash and cash equivalents at end of year** | $ 3,796,154 | $ 1,194,094 |
| Supplemental disclosure of cash flow information | | |
| Cash paid during the year for interest | $ 183,736 | $ 190,625 |
| Non-cash transactions | | |
| Write-off of uncollectible loans to CDFIs | $ - | $ 757,707 |

See accompanying notes to financial statements.

## NOTE 1 - ORGANIZATION

The National Community Investment Fund (referred to as "NCIF" or "the Fund"), an independent trust, was founded in December 1995. NCIF's mission is to increase the number and capacity of domestic, depository CDFIs that are both effective agents of local community development in distressed markets and sound financial institutions.

NCIF was created through joint efforts between Bank of America and ShoreBank Corporation. Bank of America provided NCIF's initial capital in the form of a $15 million loan. NCIF raised an additional $1,250,000 in capital in 1997 in the form of grants for its Seed Fund from the Ford and the John D. and Catherine T. MacArthur Foundations. During 1998, NCIF received a $4 million loan from MBNA America Bank, NA, which merged with Bank of America effective January 1, 2006. During 2000, the Fund received a $3 million loan $EQ_2$ from Washington Mutual Community Development, Inc., which was purchased by JP Morgan Chase in 2008. To expand its geographical territory and investment activity in CDFIs, NCIF is seeking additional capital from bank and other institutional investors. NCIF has retained ShoreBank Corporation "Fund Advisor" to advise the Fund on market development, investment recommendations, and for general administration.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The accompanying 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: The Fund's net assets are classified into three classes – permanently restricted, temporarily restricted, and unrestricted – according to the existence or absence of donor-imposed restrictions. Unrestricted net assets are not subject to donor-imposed restrictions and principally include interest income, fees for service, and related expenses associated with the core activities of the Fund. Temporarily restricted net assets are subject to donor-imposed restrictions that may or will be met either by actions of the Fund or the passage of time. Permanently restricted net assets are subject to donor-imposed restrictions to be maintained permanently by the Fund; only the income generated from certain grants may be available for operations. During 2007 and 2008 loan loss reserves related to the permanently restricted seed fund loans were funded (in 2007) and then reversed (in 2008) as the calculated reserve decreased. In late 2008, the donor of the seed fund money agreed that the grant could be released to unrestricted net assets in 2008.

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.

(Continued)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

Estimates: The preparation of 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. The Fund's estimated allowance for loan losses is particularly sensitive to change in the near term. Accordingly, actual results could differ from these estimates.

Cash and Cash Equivalents: For the purpose of the 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.

Income Tax: 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.

Investments: Investments consist of widely traded U.S. government obligations, U.S. government agency securities, mortgage backed securities, 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 statements of activities as gain (loss) on investments. Certificates of deposit are stated at cost which approximates fair value.

Loans Receivable: The Fund seeks to lend money to relatively high-risk, growing depository institutions that demonstrate a high social impact. The types of loans the Fund provides include working capital loans for expansion, acquisition of existing assets, or creation of affiliated development companies. Loan maturities are seven to twelve years 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 the Management. At December 31, 2009 and 2008, there were no non accrual loans. Loan fees and direct loan origination costs are deferred and amortized over the term of the loan as a yield adjustment.

(Continued)

**NOTE 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 the Management when deemed uncollectible, collection efforts continue and future recoveries may occur.

The allowance is maintained by the 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. The Fund has experienced charge-offs totaling $0 and $757,707 at December 31, 2009 and 2008, respectively, and $1,244,960 since inception in relation to these loans.

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. Impaired loans, which were fully reserved at December 31, 2009 and 2008, totaled $0.

Equity Investments in CDFIs: The Fund also makes non-controlling 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 and the fund advisor.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to December 31, 2009 to determine the need for any adjustments to and/or disclosures within the audit financial statements for the year ended December 31, 2009. Management has performed their analysis through March 22, 2010, the date the financial statements were available to be issued. Activities subsequent to this date have not been evaluated by management.

(Continued)

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications: Certain prior year amounts have been reclassified to conform to the current year presentation. Reclassifications did not effect total net assets or change in net assets.

## NOTE 3 - CONCENTRATION OF CREDIT RISK

As of December 31, 2008, NCIF maintained cash balances in excess of insurable limits at one financial institution in the amount of $768,851. As of December 31, 2009 NCIF's cash balances were held in fully insured NOW accounts or were held in other accounts which did not exceed insurable limits.

## NOTE 4 - INVESTMENTS

Investments are stated at fair value. Fair values as of December 31, 2009 and 2008 are summarized as follows:

| | 2009 | 2008 |
|---|---|---|
| Mortgage backed securities | $ 81,279 | $ 1,458,316 |
| U.S. government agencies | 5,174,395 | 2,919,134 |
| Corporate securities | - | 1,024,540 |
| Certificates of deposit | 418,322 | 710,559 |
| Total | $ 5,673,996 | $ 6,112,549 |

(Continued)

## NOTE 5 - FAIR VALUE MEASUREMENTS

FASB Fair Value Measurement and Disclosures guidance defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in NCIF's principal or most advantageous market in an orderly transaction between market participants on the measurement date.

The guidance establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The measurement guidance describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

*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).

*Mortgage backed, Government and Corporate 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).

*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).

(Continued)

**NOTE 5 - FAIR VALUE MEASUREMENTS** (Continued)

Assets Measured on a Recurring Basis:
Assets measured at fair value on a recurring basis are summarized below:

| | Fair Value Measurements At December 31, 2009 Using | | |
|---|---|---|---|
| | Level 1 | Level 2 | Level 3 |
| Assets | | | |
| Mortgage backed securities | $ - | $ 81,279 | $ - |
| U.S. government agencies | - | 5,174,395 | - |
| Corporate securities | - | - | - |
| Certificates of deposit | - | 418,322 | - |
| Equity investments in CDFIs | 733,050 | - | - |

| | Fair Value Measurements At December 31, 2008 Using | | |
|---|---|---|---|
| | Level 1 | Level 2 | Level 3 |
| Assets | | | |
| Mortgage backed securities | $ - | $ 1,458,316 | $ - |
| U.S. government agencies | - | 2,919,134 | - |
| Corporate securities | - | 1,024,540 | - |
| Certificates of deposit | - | 710,559 | - |
| Equity investments in CDFIs | 405,000 | - | - |

Assets Measured at Fair Value on a Nonrecurring Basis:

For each major category of assets and liabilities measured at fair value on a nonrecurring basis (impaired assets) during the period, disclosures about the fair value measurements are required. The information is presented as follows:

*Equity Investments in CDFIs:* Equity investments in CDFIs that are not readily marketable are carried at historical cost net of any reductions for permanent declines in market value. Determination of whether there is a permanent decline is based on a review of available indicators including book value, prices on OTC bulletin boards and comparable arms length transactions (Level 3 inputs).

(Continued)

**NOTE 5 - FAIR VALUE MEASUREMENTS** (Continued)

| | Fair Value Measurements Year Ended December 31, 2009 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | 2009 (Loss) |
| Equity investments in CDFIs | $ - | $ - | $ 104,212 | $(173,788) |

| | Fair Value Measurements Year Ended December 31, 2008 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | 2008 (Loss) |
| Equity investments in CDFIs | $ - | $ - | $ 731,069 | $(220,126) |

**NOTE 6 - LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES**

| | 2009 | 2008 |
|---|---|---|
| Total loans receivable | $ 1,395,981 | $ 2,358,939 |

Changes in the allowance for loan losses are as follows:

| | 2009 | 2008 |
|---|---|---|
| Balance at beginning of year | $ 114,575 | $ 1,152,766 |
| Write-offs | - | (757,707) |
| Recovery of loan losses | (24,545) | (213,040) |
| Recovery of seed fund loan losses | - | (67,444) |
| Balance at end of year | $ 90,030 | $ 114,575 |
| Loans receivable, net of allowance for loan losses | $ 1,305,951 | $ 2,244,364 |

(Continued)

## NOTE 7 - LONG-TERM DEBT

Long-term debt consisted of the following:

| | 2009 | 2008 |
|---|---|---|
| 1% note payable to Bank of America Community Development Corporation, due December 14, 2015, quarterly principal payments of $160,000 plus accrued interest. | $ 14,979,515 | $ 15,619,515 |
| 1% $EQ_2$ note, payable to JPMorgan Chase Bank (formerly Washington Mutual Community Development Inc.), due May 1, 2010 with annual extensions through and including May 1, 2014; 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. | 3,000,000 | 3,000,000 |
| Total long-term debt | 17,979,515 | 18,619,515 |
| Current portion | (640,000) | (640,000) |
| Discount for imputed interest on below-market interest loans; see (1) below. | (3,805,520) | (4,607,507) |
| Total long-term debt, net of current portion and discount for imputed interest | $ 13,533,995 | $ 13,372,008 |

(1) A discount on below-market interest loans is imputed using interest rates ranging from 6 to 8% 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 loans. Each year, as the interest expense is recognized, the discounted amount is amortized to expense.

Future maturities of long-term debt are as follows:

| | |
|---|---|
| 2010 | $ 640,000 |
| 2011 | 640,000 |
| 2012 | 640,000 |
| 2013 | 640,000 |
| 2014 | 640,000 |
| Thereafter | 10,333,995 |
| Total | $ 13,533,995 |

(Continued)

## NOTE 8 - TRANSACTIONS WITH FUND ADVISOR

ShoreBank Corporation and its subsidiaries and affiliates function as the Fund Advisor for NCIF. Fees paid to the Fund Advisor and its affiliates for services including advisory, investment management and consulting totaled $843,725 in 2009 and $843,094 in 2008. Amounts paid to the Fund Advisor as reimbursement of third party payments due to be paid by NCIF totaled $16,750 in 2009 and $21,889 in 2008. These totals include amounts due but unpaid at the previous year end.

Amounts due to the Fund Advisor and its affiliates were $21,476 and $547 at December 31, 2009 and 2008, respectively.

## NOTE 9 - FUNCTIONAL EXPENSES

The statements of activities include the following functional expense categories:

| | 2009 | 2008 |
|---|---|---|
| Fund advisory and investing | $ 1,201,883 | $ 853,568 |
| Grant related and special projects | 62,063 | 81,542 |
| Fundraising | 16,800 | 16,800 |
| General and administrative expenses | 104,053 | 92,485 |
| | $ 1,384,799 | $ 1,044,395 |

(Continued)

## NOTE 10 - ACCRUED INCENTIVES ON CDFI INVESTMENTS

The lenders and Fund Advisor participate in realized gains on sale of equity investments in CDFIs. As of December 31, 2009 and 2008, there were unrealized losses of $46,780 and $374,830, respectively on the Fund's equity investments in CDFIs. Accordingly, there were no accrued incentives recorded for either year.

## NOTE 11 - TEMPORARILY RESTRICTED NET ASSETS

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

| | 2009 | 2008 |
|---|---|---|
| Imputed interest on below-market interest rate debt | $ 3,805,520 | $ 4,607,507 |
| Restricted by donors for specific program use: | | |
| Retail financial services initiative | - | 36,257 |
| | $ 3,805,520 | $ 4,643,764 |

Temporarily restricted net assets were released from restrictions in 2009 and 2008 as follows:

| | 2009 | 2008 |
|---|---|---|
| Imputed interest on below-market interest rate debt | $ 801,987 | $ 783,062 |
| Retail financial services initiative | $ 36,566 | $ 25,000 |
| Heron Foundation | - | 17,289 |
| CDFI Fund Technical Assistance Award | - | 19,314 |
| CDFI Fund Financial Assistance Award | 2,000,284 | - |
| | $ 2,036,850 | $ 61,603 |

(Continued)

## NOTE 12 – NEW MARKETS TAX CREDIT ("NMTC") ACTIVITIES

In early 2009, NCIF closed the first deal under its 2008 NMTC allocation of $30 million from the CDFI Fund. The transaction, involved a 3-way partnership with Wells Fargo Bank and Albina Community Bank, a CDFI Bank, to promote an adaptive reuse of a former Ramada Inn in Portland, OR. The former hotel rooms will be converted into studio apartments for very low-income individuals plus offices for resident services coordinators. The first floor will be converted into an alcohol and drug detoxification center. The project will be owned and managed by Central City Concern, a nonprofit agency serving adults and families who are affected by homelessness, poverty and substance addiction.

During 2009, NCIF received its third NMTC allocation in the amount of $60 million from the CDFI Fund bringing NCIF's cumulative allocations to $128 million.