Local Initiatives Support Corporation and Affiliates

Consolidating and Consolidated Financial Statements and Independent Auditor's Report

December 31, 2019
(With Comparative Financial Information
as of and for the Year Ended December 31, 2018)

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Local Initiatives Support Corporation and Affiliates

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Independent Auditor's Report

The Audit Committee of the Board of Directors and Management
Local Initiatives Support Corporation

We have audited the accompanying consolidating and consolidated financial statements of Local Initiatives Support Corporation and Affiliates (the "Organization"), which comprise the consolidating and consolidated statement of financial position as of December 31, 2019, and the related consolidating and consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended and the related notes to the consolidating and consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidating and 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 consolidating and 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 consolidating and consolidated financial statements based on our audit. We did not audit the financial statements of certain consolidated partnerships, which statements reflect total assets of $31,187,960 as of December 31, 2019, and change in net assets of $(2,409,349) for the year then ended. Those statements were audited by other auditors whose reports have been furnished to us and our opinion, insofar as it relates to those amounts included for the consolidated partnerships, is based solely on the reports of the other auditors. We conducted our audit 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 consolidating and consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidating and consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidating and 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 consolidating and 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 consolidating and 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, based on our audit and the reports of the other auditors, the consolidating and consolidated financial statements referred to above present fairly, in all material respects, the financial position of Local Initiatives Support Corporation and Affiliates as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Standard

As discussed in Note 1 of the consolidating and consolidated financial statements, the Organization adopted the Financial Accounting Standards Board (the "FASB")'s Accounting Standards Update ("ASU") No. 2016-02, *Leases* (Topic 842) ("ASU 2016-02") and the FASB's ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606) as of December 31, 2019. The requirements of the ASUs have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Organization's 2018 consolidating and consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidating and consolidated financial statements in our report dated June 27, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited consolidating and consolidated financial statements from which it has been derived.

CohnReznick LLP

Bethesda, Maryland
June 30, 2020

Local Initiatives Support Corporation and Affiliates

Consolidating and Consolidated Statement of Financial Position
December 31, 2019
(With summarized comparative financial information as of December 31, 2018)

	LISC Parent Only								LISC Consolidated			
	Operating Funds		Loan Fund									
Assets	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Total	LISC Affiliates & Funds	CDA Partnerships	Eliminations	Without Donor Restrictions	With Donor Restrictions	Total	LISC Consolidated 2018 Total
Cash and cash equivalents (Note 3 and 14)	$ 13,134,791	$ 60,416,761	$ 20,314,150	$ 23,390,134	$ 117,255,836	$ 48,327,212	$ 499,233	$ -	$ 82,275,386	$ 83,806,895	$ 166,082,281	$ 160,670,408
Restricted cash (Note 3 and 14)	-	-	-	-	-	13,923,813	1,819,632	-	15,743,445	-	15,743,445	5,005,804
Investments (Note 4 and 14)	73,722,930	20,599,058	-	45,897,904	140,219,892	-	-	-	73,722,930	66,496,962	140,219,892	133,496,403
Investments in affiliates	92,154,880	-	-	-	92,154,880	-	-	(92,154,880)	-	-	-	-
Accrued interest receivable	3,188,545	-	-	-	3,188,545	24,331	-	-	3,212,876	-	3,212,876	2,748,667
Contributions receivable, net (Note 5)	114,683	43,944,719	-	7,127,406	51,186,808	-	-	-	114,683	51,072,125	51,186,808	46,636,210
Government grants and contracts receivable (Note 6)	549,837	16,146,440	-	12,950,238	29,646,515	-	-	-	549,837	29,096,678	29,646,515	19,127,173
Notes and other receivables	-	-	-	-	-	2,269,663	-	(2,269,663)	-	-	-	-
Due from funds (Note 18)	3,869,825	502,450	-	-	4,372,275	9,657,334	-	(5,473,197)	8,053,962	502,450	8,556,412	6,832,475
Loans receivable (Note 7)	-	-	469,842,856	15,541,330	485,384,186	23,566,085	144,079	(2,785,643)	490,767,377	15,541,330	506,308,707	467,862,390
Allowance for uncollectible loans	-	-	(29,608,715)	-	(29,608,715)	(164,243)	-	-	(29,772,958)	-	(29,772,958)	(26,511,420)
Total loans, net	-	-	440,234,141	15,541,330	455,775,471	23,401,842	144,079	(2,785,643)	460,994,419	15,541,330	476,535,749	441,350,970
Recoverable grants to CDPs, net (Note 7)	7,017,914	2,066,465	-	664,801	9,749,180	-	-	-	7,017,914	2,731,266	9,749,180	10,128,554
Prepaid expenses and other assets	2,597,839	228,715	1,162,113	-	3,988,667	12,404,763	1,386,443	(9,683)	17,541,475	228,715	17,770,190	15,796,691
Right of use assets	55,310,940	-	-	-	55,310,940	3,180,295	-	-	58,491,235		58,491,235	62,004,805
Temporary investment in Project Partnerships (Note 9)	-	-	-	-	-	136,689,662	-	-	136,689,662	-	136,689,662	57,111,500
Investment in Funds	-	-	-	-	-	1,166,849	-	-	1,166,849	-	1,166,849	2,022,471
Investment in Project Partnerships (Note 19)	-	-	-	-	-	39,389	-	-	39,389	-	39,389	52,824
Property and equipment, net (Note 11)	5,408,964	-	-	-	5,408,964	1,984,206	57,523,711	-	64,916,881	-	64,916,881	63,755,640
Intangible asset	-	-	-	-	-	2,670,671	-	-	2,670,671		2,670,671	2,400,000
Total assets	$ 257,071,148	$ 143,904,608	$ 461,710,404	$ 105,571,813	$ 968,257,973	$ 255,740,030	$ 61,373,098	$ (102,693,066)	$ 933,201,614	$ 249,476,421	$ 1,182,678,035	$ 1,029,140,595
Liabilities and Net Assets (Deficits)												
Liabilities:												
Accounts payable and accrued expenses (Note 16)	$ 15,874,823	$ 253,471	$ -	$ -	$ 16,128,294	$ 21,124,479	$ 12,123,849	$ (654,551)	$ 48,468,600	$ 253,471	$ 48,722,071	$ 45,797,112
Right of use liabilty	56,803,121	-	-	-	56,803,121	4,617,010	-	-	61,420,131		61,420,131	63,568,006
Government contracts and loan-related advances	1,989,525	1,080,037	-	-	3,069,562	-	-	-	1,989,525	1,080,037	3,069,562	4,669,779
Grants payable (Note 8)	-	31,199,415	-	-	31,199,415	2,500,000	-	(2,500,000)	-	31,199,415	31,199,415	34,994,660
Due to affiliates	-	-	-	-	-	5,129,395	1,365,745	(6,495,140)	-	-	-	-
Capital contributions due to temporary investment in Project Partnerships (Note 9)	-	-	-	-	-	112,087,051	-	-	112,087,051	-	112,087,051	50,217,469
Deferred liabilities	-	-	-	-	-	5,722,056	14,906	-	5,736,962	-	5,736,962	6,374,702
CDA Partnerships - Long-Term Debt, net (Note 17)	-	-	-	-	-	-	49,602,839	-	49,602,839	-	49,602,839	49,851,126
CDA Partnerships - Notes Payable to Funds	-	-	-	-	-	-	4,244,720	-	4,244,720	-	4,244,720	3,216,914
Loans and bond payable, net (Note 12)	5,541,251	-	481,319,119	-	486,860,370	2,631,750	-	(2,631,750)	486,860,370	-	486,860,370	437,758,998
Total liabilities	80,208,720	32,532,923	481,319,119	-	594,060,762	153,811,741	67,352,059	(12,281,441)	770,410,198	32,532,923	802,943,121	696,448,766
Commitments and contingencies (Note 16)												
Net assets:												
Net assets attributable to the Organization (Note 2)	176,862,428	111,371,685	(19,608,715)	105,571,813	374,197,211	92,110,819	-	(92,110,820)	157,253,712	216,943,498	374,197,210	332,019,350
Net assets attributable to the noncontrolling in Project Partnerships and Funds	-	-	-	-	-	9,817,470	(5,978,961)	1,699,195	5,537,704	-	5,537,704	672,479
Total net assets (deficit)	176,862,428	111,371,685	(19,608,715)	105,571,813	374,197,211	101,928,289	(5,978,961)	(90,411,625)	162,791,416	216,943,498	379,734,914	332,691,829
Total liabilities and net assets	$ 257,071,148	$ 143,904,608	$ 461,710,404	$ 105,571,813	$ 968,257,973	$ 255,740,030	$ 61,373,098	$ (102,693,066)	$ 933,201,614	$ 249,476,421	$ 1,182,678,035	$ 1,029,140,595

See Notes to Consolidating and Consolidated Financial Statements.

Local Initiatives Support Corporation and Affiliates

Consolidating and Consolidated Statement of Activities and Changes in Net Assets
Year Ended December 31, 2019
(With summarized comparative financial information for the year ended December 31, 2018)

	LISC Parent Only								LISC Consolidated 2019			
	Operating Funds		Loan Fund									
SUPPORT AND REVENUES	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	LISC Parent Only	LISC Affiliates & Funds	CDA Partnerships	Eliminations	Without Donor Restrictions	With Donor Restrictions	Total	LISC Consolidated 2018 Total
Contributions (Note 5)	$ 3,804,170	$ 84,687,699	$ -	$ 6,515,531	$ 95,007,400	$ 2,500,000	$ -	$ (2,500,000)	$ 3,804,170	$ 91,203,230	$ 95,007,400	$ 97,247,236
Government grants and contracts (Note 6)	3,299,556	23,495,047	-	17,200,000	43,994,603	-	-	-	3,299,556	40,695,047	43,994,603	37,927,712
Interest income on investments	2,447,234	385	-	963,664	3,411,283	3,130	-	-	2,450,364	964,049	3,414,413	4,303,585
Interest income on loans to CDPs (Note 7)	26,972,043	-	-	-	26,972,043	2,098,813	4,011	-	29,074,867	-	29,074,867	23,370,571
Fee income	-	-	-	-	-	62,073,549	-	(237,741)	61,835,808	-	61,835,808	54,715,090
Other income	7,979,425	(20,400)	-	-	7,959,025	12,375,991	4,965,090	(5,131,337)	20,189,169	(20,400)	20,168,769	18,533,560
Equity in earnings of affiliates	15,714,445	-	-	-	15,714,445	-	-	(15,714,445)	-	-	-	-
Net assets released from restrictions	96,926,969	(95,122,144)	-	(1,804,825)	-	-	-	-	96,926,969	(96,926,969)	-	-
Total support and revenue	157,143,842	13,040,587	-	22,874,370	193,058,799	79,051,483	4,969,101	(23,583,523)	217,580,903	35,914,957	253,495,860	236,097,754
EXPENSES												
Program Services:												
Project development and other program activities	51,388,105	-	-	-	51,388,105	50,925,593	8,109,798	(5,936,030)	104,487,466	-	104,487,466	91,627,832
Project grants (Note 8)	48,405,409	-	-	-	48,405,409	13,878,000	-	(13,589,500)	48,693,909	-	48,693,909	48,927,179
Project loans:									-			
Interest	12,618,819	-	-	-	12,618,819	77,510	1,637,756	(83,962)	14,250,123	-	14,250,123	16,521,641
Provision for loss on receivable	-	-	-	-	-	-	347,830	(172,095)	175,735	-	175,735	1,039,093
Increase in provision for uncollectible loans to CDPs (Note 7)	1,170,953	-	3,930,628	-	5,101,581	2,342,543	-	-	7,444,124	-	7,444,124	5,241,758
Provision for uncollectible recoverable grants to CDPs (Note 7)	1,678,897	-	-	-	1,678,897	-	-	-	1,678,897	-	1,678,897	2,526,383
Total program services	115,262,183	-	3,930,628	-	119,192,811	67,223,646	10,095,384	(19,781,587)	176,730,254	-	176,730,254	165,883,886
Supporting Services:												
Management and general	27,283,965	-	-	-	27,283,965	10,312,700	-	(865,818)	36,730,847	-	36,730,847	33,939,303
Fund raising	7,075,956	-	-	-	7,075,956	-	-	-	7,075,956	-	7,075,956	6,297,761
Total supporting services	34,359,921	-	-	-	34,359,921	10,312,700	-	(865,818)	43,806,803	-	43,806,803	40,237,064
Total expenses	149,622,104	-	3,930,628	-	153,552,732	77,536,346	10,095,384	(20,647,405)	220,537,057	-	220,537,057	206,120,950
Change in net assets before gains and losses on investments derivatives, equity in losses of partnership projects and other noncontrolling interest activities	7,521,738	13,040,587	(3,930,628)	22,874,370	39,506,067	1,515,137	(5,126,283)	(2,936,118)	(2,956,154)	35,914,957	32,958,803	29,976,804
Transfers: Board designated net assets for loan fund activities	-	-	-	-	-	-	-	-	-	-	-	-
Realized and unrealized loss on investments	2,671,794	-	-	-	2,671,794	-	-	-	2,671,794	-	2,671,794	(720,557)
Realization of unrealized gain on investment securities available for sale by the operating partnerships	-	-	-	-	-	-	9,228	-	9,228	-	9,228	67,063
Gain on transfer of temporary investments in project partnerships	-	-	-	-	-	-	-	-	-	-	-	-
Equity in income of temporary investment in project partnerships	-	-	-	-	-	504,052	-	-	504,052	-	504,052	28,115
Capital contributions	-	-	-	-	-	1,000,000	-	(1,000,000)	-	-	-	-
Gain on transfer of interest in CDA Partnerships (Note 19)	-	-	-	-	-	-	-	-	-	-	-	3,179,358
Change in net assets before noncontrolling interest activities	10,193,532	13,040,587	(3,930,628)	22,874,370	42,177,861	3,019,189	(5,117,055)	(3,936,118)	228,920	35,914,957	36,143,877	32,530,783
Other noncontrolling interest activities:												
Noncontrolling capital contributions	-	-	-	-	-	10,899,208	-	-	10,899,208	-	10,899,208	61,520
Change in net assets	10,193,532	13,040,587	(3,930,628)	22,874,370	42,177,861	13,918,397	(5,117,055)	(3,936,118)	11,128,128	35,914,957	47,043,085	32,592,303
Net assets (deficit), beginning of year (Note 1)	166,668,896	98,331,098	(15,678,087)	82,697,443	332,019,350	88,009,892	(861,906)	(86,475,507)	151,663,288	181,028,541	332,691,829	300,099,526
Net asset (deficit), end of year	$ 176,862,428	$ 111,371,685	$ (19,608,715)	$ 105,571,813	$ 374,197,211	$ 101,928,289	$ (5,978,961)	$ (90,411,625)	$ 162,791,416	$ 216,943,498	$ 379,734,914	$ 332,691,829

See Notes to Consolidating and Consolidated Financial Statements.

Local Initiatives Support Corporation and Affiliates

Consolidating and Consolidated Statement of Functional Expenses
Year Ended December 31, 2019
(With summarized comparative financial information for the year ended December 31, 2018)

	LISC Parent Only				LISC Affiliates & Funds			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and fringe benefits	$ 30,714,876	$ 20,725,418	$ 5,544,633	$ 56,984,927	$ 30,887,309	$ 7,120,222	$ -	$ 38,007,531
Staff travel and related expenses	1,226,003	827,268	221,317	2,274,588	1,460,460	145,127	-	1,605,587
Professional services, consulting and legal	12,494,655	227,723	76,281	12,798,659	7,020,467	569,286	-	7,589,753
Office and administrative	-	-	-	-	1,476,441	323,016	-	1,799,457
CDA Partnerships - property expense	-	-	-	-	-	-	-	-
NMSC reimbursable costs	-	-	-	-	4,071,132	-	-	4,071,132
Depreciation and amortization	557,647	376,283	100,666	1,034,596	477,842	161,883	-	639,725
Service fees	-	-	-	-	1,925,381	352,755	-	2,278,136
Rent and utilities	2,309,663	1,558,487	416,939	4,285,089	1,614,694	190,966	-	1,805,660
Office supplies, postage and messenger	881,290	594,667	159,090	1,635,047	158,104	53,912	-	212,016
Bank fees and other financial expenses	-	456,087	-	456,087	685	292,252	-	292,937
Accounting and auditing fees	-	397,100	-	397,100	12,608	388,204	-	400,812
Conference and meeting	905,433	610,957	163,448	1,679,838	482,855	63,418	-	546,273
Telephone	587,211	396,231	106,003	1,089,445	412,641	75,745	-	488,386
Insurance	282,681	190,744	51,029	524,454	395,127	221,211	-	616,338
Equipment rental	132,274	89,254	23,878	245,406	79,453	12,563	-	92,016
Board expenses	-	38,799	-	38,799	105,024	18,534	-	123,558
Printing, annual report and publications	102,015	68,837	18,416	189,268	3,571	18,273	-	21,844
Project grants	48,405,409	-	-	48,405,409	13,878,000	-	-	13,878,000
Interest	12,618,819	-	-	12,618,819	77,510	-	-	77,510
Provision for loss on receivables	-	-	-	-	58,008	-	-	58,008
Provision for uncollectible recoverable grants to CDCs	1,678,897	-	-	1,678,897	-	-	-	-
Provision for uncollectible loans to CDCs	5,101,581	-	-	5,101,581	2,342,543	-	-	2,342,543
Miscellaneous	1,194,357	726,110	194,256	2,114,723	283,791	305,333	-	589,124
Total	$ 119,192,811	$ 27,283,965	$ 7,075,956	$ 153,552,732	$ 67,223,646	$ 10,312,700	$ -	$ 77,536,346

See Notes to Consolidating and Consolidated Financial Statements.

Local Initiatives Support Corporation and Affiliates

Consolidating and Consolidated Statement of Functional Expenses
Year Ended December 31, 2019
(With summarized comparative financial information for the year ended December 31, 2018)

	CDA Partnerships				Eliminations			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and fringe benefits	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Staff travel and related expenses	-	-	-	-	-	-	-	-
Professional services, consulting and legal	-	-	-	-	(29,193)	(12,511)	-	(41,704)
Office and administrative	-	-	-	-	-	-	-	-
CDA Partnerships - property expense	5,202,758	-	-	5,202,758	(43,475)	-	-	(43,475)
NMSC reimbursable costs	-	-	-	-	(4,071,132)	-	-	(4,071,132)
Depreciation and amortization	2,907,040	-	-	2,907,040	-	-	-	-
Service fees	-	-	-	-	(1,744,453)	(352,755)	-	(2,097,208)
Rent and utilities	-	-	-	-	-	(189,761)	-	(189,761)
Office supplies, postage and messenger	-	-	-	-	-	-	-	-
Bank fees and other financial expenses	-	-	-	-	-	-	-	-
Accounting and auditing fees	-	-	-	-	-	-	-	-
Conference and meeting	-	-	-	-	-	-	-	-
Telephone	-	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-	-
Equipment rental	-	-	-	-	-	-	-	-
Board expenses	-	-	-	-	-	-	-	-
Printing, annual report and publications	-	-	-	-	-	-	-	-
Project grants	-	-	-	-	(13,589,500)	-	-	(13,589,500)
Interest	1,637,756	-	-	1,637,756	(83,962)	-	-	(83,962)
Provision for loss on receivables	347,830	-	-	347,830	(172,095)	-	-	(172,095)
Provision for uncollectible recoverable grants to CDCs	-	-	-	-	-	-	-	-
Provision for uncollectible loans to CDCs	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	(47,777)	(310,791)	-	(358,568)
Total	$ 10,095,384	$ -	$ -	$ 10,095,384	$ (19,781,587)	$ (865,818)	$ -	$ (20,647,405)

Local Initiatives Support Corporation and Affiliates

Consolidating and Consolidated Statement of Functional Expenses
Year Ended December 31, 2019
(With summarized comparative financial information for the year ended December 31, 2018)

	LISC Consolidated 2019				LISC Consolidated 2018			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and fringe benefits	$ 61,602,185	$ 27,845,640	$ 5,544,633	$ 94,992,458	$ 54,226,971	$ 25,551,164	$ 4,963,790	$ 84,741,925
Staff travel and related expenses	2,686,463	972,395	221,317	3,880,175	2,228,559	1,067,852	208,472	3,504,883
Professional services, consulting and legal	19,485,929	784,498	76,281	20,346,708	16,603,194	508,577	74,569	17,186,340
Office and administrative	1,476,441	323,016	-	1,799,457	(302,357)	(16,817)	-	(319,174)
CDA Partnerships - property expense	5,159,283	-	-	5,159,283	5,225,936	-	-	5,225,936
NMSC reimbursable costs	-	-	-	-	-	-	-	-
Depreciation and amortization	3,942,529	538,166	100,666	4,581,361	4,100,994	426,368	76,519	4,603,881
Service fees	180,928	-	-	180,928	100,000	-	-	100,000
Rent and utilities	3,924,357	1,559,692	416,939	5,900,988	3,637,919	1,700,427	416,138	5,754,484
Office supplies, postage and messenger	1,039,394	648,579	159,090	1,847,063	1,392,583	968,881	157,686	2,519,150
Bank fees and other financial expenses	685	748,339	-	749,024	-	700,699	-	700,699
Accounting and auditing fees	12,608	785,304	-	797,912	-	776,737	-	776,737
Conference and meeting	1,388,288	674,375	163,448	2,226,111	843,476	478,876	110,534	1,432,886
Telephone	999,852	471,976	106,003	1,577,831	886,645	426,998	89,816	1,403,459
Insurance	677,808	411,955	51,029	1,140,792	620,179	279,671	42,501	942,351
Equipment rental	211,727	101,817	23,878	337,422	212,603	112,303	25,603	350,509
Board expenses	105,024	57,333	-	162,357	-	39,684	-	39,684
Printing, annual report and publications	105,586	87,110	18,416	211,112	698,643	198,178	14,065	910,886
Project grants	48,693,909	-	-	48,693,909	48,927,179	-	-	48,927,179
Interest	14,250,123	-	-	14,250,123	16,521,641	-	-	16,521,641
Provision for loss on receivables	233,743	-	-	233,743	1,079,097	-	-	1,079,097
Provision for uncollectible recoverable grants to CDCs	1,678,897	-	-	1,678,897	2,526,383	-	-	2,526,383
Provision for uncollectible loans to CDCs	7,444,124	-	-	7,444,124	5,241,758	-	-	5,241,758
Miscellaneous	1,430,371	720,652	194,256	2,345,279	1,112,483	719,705	118,068	1,950,256
Total	$ 176,730,254	$ 36,730,847	$ 7,075,956	$ 220,537,057	$ 165,883,886	$ 33,939,303	$ 6,297,761	$ 206,120,950

See Notes to Consolidating and Consolidated Financial Statements.

Local Initiatives Support Corporation and Affiliates

Consolidating and Consolidated Statement of Cash Flows
Year Ended December 31, 2019
(With comparative financial information for the year ended December 31, 2018)

	LISC Parent Only	LISC Affiliates & Funds	CDA Partnerships	Eliminations	2019	2018
Cash flows from operating activities:						
Change in net assets	$ 42,177,861	$ 2,019,189	$ (5,117,055)	$ (2,936,118)	$ 36,143,877	$ 32,592,303
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:						
Equity in earnings of affiliate	(15,714,445)	-	-	15,714,445	-	-
Distributions from investment in affiliates	12,613,514	-	-	(12,613,514)	-	-
Equity in income of temporary investments in project partnerships	-	(504,052)	-	-	(504,052)	-
Recovery of loan losses	-	(56,455)	-	-	(56,455)	(121,774)
Gain on transfer of temporary investments in Project Partnerships	-	-	-	-	-	-
Gain on sale of investment in real estate company	-	(46,276)	-	46,276	-	-
Gain on forgiveness of debt	-	-	-	-	-	(28,113)
Gain on sale of limited partnership interest in Fund	-	(4,655)	-	-	(4,655)	(18,642)
Loss on transfer of interest in CDA partnerships	-	-	-	-	-	(3,179,358)
Amortization of discounts and issuance costs	63,247	3,261	36,566	-	103,074	99,813
Depreciation and amortization	1,034,596	639,725	2,907,040	-	4,581,361	4,603,881
Realized and unrealized loss (gain) on investments	(2,671,794)	-	-	-	(2,671,794)	720,557
Unrealized gain on interest rate swaps held by Project Partnerships	-	-	(9,228)	-	(9,228)	(67,063)
Equity in income	-	53,845	-	-	53,845	(65,384)
(Decrease) increase in allowance for loans to CDPs, net	5,101,581	(669,090)	-	-	4,432,491	5,241,758
Accretion of loan receivables, net	-	(8,697)	-	-	(8,697)	-
Provision for loss on receivables	-	2,236,308	347,830	(172,095)	2,412,043	1,079,097
Provision for uncollectible recoverable grants	1,678,897	-	-	-	1,678,897	2,526,383
Change in operating assets and liabilities:						
Origination of SBA 7(a) loans	-	(6,977,635)	-	-	(6,977,635)	-
Proceeds from sale of guaranteed loans, net of repayment	-	4,477,028	-	-	4,477,028	-
Principal received from SBA 7(a) loans	-	17,629	-	-	17,629	-
Accrued interest receivable	(438,408)	2,333	-	-	(436,075)	(710,082)
Contributions receivable	(4,550,598)	-	-	-	(4,550,598)	(8,647,299)
Government contracts receivable	(10,519,342)	-	-	-	(10,519,342)	8,693,585
Notes and other receivables	-	3,505,095	(166,866)	172,095	3,510,324	(8,188,299)
Prepaid expenses and other assets	(1,691,570)	399,422	(81,405)	(9,683)	(1,383,236)	(1,941,510)
Accounts payable and accrued expenses	(3,500,592)	4,340,042	1,123,651	(1,203,993)	759,108	5,502,889
Government contracts and loan-related advances	(1,600,217)	-	-	-	(1,600,217)	669,939
Due from affiliate	(1,713,144)	593,193	-	1,119,951	-	-
Right of use asset/liability	1,492,181	-	-	-	1,492,181	-
Due from funds	-	(1,723,936)	-	-	(1,723,936)	(1,264,836)
Grants payable	(3,795,245)	500,000	-	(500,000)	(3,795,245)	(13,393,000)
Deferred liabilities	-	(597,034)	(40,706)	-	(637,740)	(1,512,541)
Net cash provided by (used in) operating activities	17,966,522	8,199,240	(1,000,173)	(382,636)	24,782,953	22,592,304
Cash flows from investing activities:						
Purchase of investments	(4,917,303)	-	-	-	(4,917,303)	(3,075,831)
Proceeds from sale and maturities of investments	865,608	-	-	-	865,608	2,904,737
Return of capital from investment in affiliate	868,878	-	-	(868,878)	-	-
Investment in affiliate	(1,000,000)	-	-	1,000,000	-	-
Recoverable grants to CDPs	(5,415,796)	-	-	-	(5,415,796)	(7,416,390)
Repayments received on recoverable grants to CDPs	4,116,273	-	-	-	4,116,273	3,160,220
Loans to CDPs	(210,863,967)	(2,018,339)	-	2,631,750	(210,250,556)	(197,095,485)
Repayments of loans to CDPs	156,368,609	1,516,162	-	-	157,884,771	114,397,742
(Increase) in note receivable	-	9,160,030	-	52,893	9,212,923	(16,580,604)
Contributions to temporary investments in Project Partnerships and Funds	-	(98,869,182)	-	-	- (98,869,182)	(58,010,558)
Distributions from investments in Funds	-	932,167	-	-	932,167	3,460,921
Proceeds from sale of temporary investment in Project Partnerships and Funds	-	81,664,654	-	-	81,664,654	61,860,326
Contributions to investments in Funds	-	(125,674)	-	-	(125,674)	(1,980,947)
Investment in Project Partnerships	-	13,435	-	-	13,435	7,464
Transfer of interest in CDA partnerships	-	-	-	-	-	(363,709)
Net proceeds from sale of real estate property	-	(822,601)	-	822,601	-	-
Restricted cash escrow	-	-	254,702	-	254,702	346,165
Sale of computer software	-	-	-	-	-	103,899
Purchase of property and equipment	(5,172,535)	(359,031)	(126,650)	-	(5,658,216)	(1,215,921)
Net cash used in investing activities	(65,150,233)	(8,908,379)	128,052	3,638,366	(70,292,194)	(99,497,971)

Local Initiatives Support Corporation and Affiliates

Consolidating and Consolidated Statement of Cash Flows
Year Ended December 31, 2019
(With comparative financial information for the year ended December 31, 2018)

	LISC Parent Only	LISC Affiliates & Funds	CDA Partnerships	Eliminations	2019	2018
Cash flows from financing activities:						
Proceeds from loans payable	108,873,000	28,345,674	-	4,490,250	141,708,924	116,864,163
Repayment of loans payable	(59,834,875)	(25,713,924)	-	(7,122,000)	(92,670,799)	(51,748,461)
Proceeds from long-term debt	-	-	-	-	-	-
Repayment of long-term debt	-	-	(101,389)	(169,988)	(271,377)	(270,078)
Proceeds from notes payable - NEF Funds	-	-	1,027,806	-	1,027,806	211,954
Due to affiliate	-	(546,008)	-	546,008	-	-
Capital contribution	-	11,899,208	-	(1,000,000)	10,899,208	61,520
Increase in charter school grant liabiliity	-	1,205,353	-	-	1,205,353	-
Intangible asset	-	-	-	-	-	(2,400,000)
Distribution to noncontrolling interests	-	14,341	-	-	14,341	-
Net cash provided by financing activities	49,038,125	15,204,644	926,417	(3,255,730)	61,913,456	62,719,098
Net increase (decrease) in cash and cash equivalents	1,854,414	14,495,505	54,296	-	16,404,215	(14,186,569)
Cash, cash equivalents and restricted cash, beginning of year	115,401,422	47,755,520	1,531,513	-	164,688,455	178,875,024
Cash and cash equivalents and restricted cash, end of year	$ 117,255,836	$ 62,251,025	$ 1,585,809	$ -	$ 181,092,670	$ 164,688,455
Cash paid during the year for:						
Interest on indebtedness	$ 14,750,513	$ 388,796	$ 742,355	$ -	$ 15,881,664	$ 9,813,713
Supplemental disclosures of noncash investing activities:						
Disposal of fully appreciated fixed assets	$ 4,528,366	$ -	$ -	$ -	$ 4,528,366	$ 18,010
Fixed assets inclued in accounts payable and accrued expenses		$ -	$ -	$ -	$ -	$ 30,355
Increase in temporary investments in Project Partnerships and capital contributions due to temporary investments in Project Partnerships for the acquisition of Project Partnerships	$ -	$ 550,251,574	$ -	$ -	$ 550,251,574	$ 440,875,071
Decrease in temporary investments in Project Partnerships and capital contributions due to temporary investments in Project Partnerships for the assignment of Project Partnerships to limited partnerships	$ -	$ 389,512,810	$ -	$ -	$ 389,512,810	$ 390,263,509
Supplemental disclosure of cash and noncash investing activities related to deconsolidation of CDA Partnerships:						
Assets transferred	$ -	$ -	$ -	$ -	$ -	$ (10,074,836)
Liabilities transferred	-	-	-	-	-	13,467,555
Noncontrolling interest	-	-	-	-	-	(3,029,010)
Cash disposed, net of cash paid	$ -	$ -	$ -	$ -	$ -	$ 363,709

See Notes to Consolidating and Consolidated Financial Statements.

Note 1 - Description of organization and summary of significant accounting policies

Description of organization

Local Initiatives Support Corporation ("LISC"), a New York not-for-profit corporation, was incorporated in 1979 to assist community development organizations throughout the United States in their efforts to transform distressed neighborhoods into healthy communities by marshaling private and public sector resources and extending financial assistance in the form of loans, lines of credit, grants, and loan guarantees and providing technical support.

National Equity Fund, Inc. ("NEF") was organized as an Illinois not-for-profit corporation to create a national investment pool to aggregate and channel corporate equity investments into affordable housing developments. Since 1987, NEF has sponsored over 220 separate limited partnerships and limited liability companies (the "Funds") in which investments are made in affordable housing projects (the "Project Partnerships"). Generally, NEF's activities include obtaining commitments from investors, identifying and investing in affordable housing properties to be constructed or rehabilitated through partnerships with nonprofit organizations and private developers, and then monitoring the performance of such properties after completion. Benefits to fund investors are derived principally from Low-Income Housing Tax Credits ("LIHTC").

NEF is governed and its investment decisions are made by a board of directors appointed by LISC, the sole voting member of NEF. LISC has rights and duties in accordance with the Illinois General Not-For-Profit Corporation Act, as amended, with voting rights pursuant to NEF's bylaws and the Illinois Act.

NEF Community Investments, Inc. ("NEFCI"), a wholly-owned subsidiary of NEF, is responsible as the general partner, replacement general partner, managing member, or manager, for the operation and management of certain Funds. NEFCI is organized as an Illinois not-for-profit corporation and is tax-exempt. From time to time, NEF forms special-purpose entities to act as the manager of its Funds. NEFCI is also the sole member of these manager entities. The unaudited assets and liabilities of certain special-purpose entity managers for the multi-investor Funds are presented below:

	2019		2018	
	Unaudited		Unaudited	
	Assets	Liabilities	Assets	Liabilities
Special-purpose entity manager:				
NEF 2009 LLC	$ 4,070,377	$ 2,794,781	$ 3,948,907	$ 2,698,908
National Equity Fund 2011 LLC	9,393,524	4,519,626	9,207,965	4,361,627
NEF 2011 Fund Manager LLC	4,319,828	3,122,779	4,181,720	3,010,595
NEF 2012 Fund Manager LLC	5,516,079	4,652,432	5,358,091	4,516,008
NEF 2013 Fund Manager LLC	4,652,340	4,329,622	4,537,760	4,228,694
NEF 2014 Fund Manager LLC	5,422,725	6,568,392	4,977,950	6,274,400

The special-purpose entity managers are separate legal entities whose assets and credit are not available to satisfy the debts of any other entities or persons.

In 2019 and 2018, NEFCI managed and invested in the NEF Preservation Fund I LP, NEF Preservation Fund II LP, and NEF Mortgage Loan Fund I LP (collectively "NEF Preservation Funds"). The NEF Preservation Funds' purpose is to provide debt and/or equity financing to develop and preserve investments that meet the community development needs of low-income communities, including (but not limited to) affordable housing projects at or near the end of the low-income housing tax credit compliance period under Section 42 of the federal tax code. During

2019, NEFCI sold its limited partnership interest in NEF Preservation Mortgage Loan Fund I LP to an unrelated third party at a gain of $18,642, which is included in other income on the accompanying consolidating and consolidated statement of activities and changes in net assets.

NEFCI also manages and invests in the NYC Distressed Multifamily Housing Fund I LP and NYC Distressed Multifamily Housing Fund II LP (collectively "NYC Distressed Funds"), whose purpose is to provide financing to develop and preserve distressed multifamily rental housing for low- and moderate-income households and for other related community development projects. During 2019 NEFCI sold its limited partnership interest in NYC Distressed Multifamily Housing Fund II LP at a loss of $1,035 which is included in office and administrative expenses on the accompanying consolidating and consolidated statements of functional expenses.

Community Development Advocates, Inc. or its sister companies (collectively referred to as "CDA"), subsidiaries of NEF, acts as general partners in certain Project Partnerships to facilitate the promotion or rehabilitation of low-income housing. As of December 31, 2019 and 2018, CDA was the general partner of eight Project Partnerships. The Project Partnerships where CDA acts as the general partner are collectively referred to as the "CDA Partnerships." The Funds are the limited partners of the CDA Partnerships.

All references to "NEF Funds" contained in these consolidating and consolidated financial statements refer to the Limited Partnerships or Limited Liability Companies ("LLCs") in which NEF has an interest.

New Markets Support Company, LLC ("NMSC") is a Delaware limited liability company formed in 2003 to manage the New Markets Tax Credit ("NMTC") activities of LISC. As of December 31, 2019 and 2018, LISC, the sole member of NMSC, has received $1.053 billion of NMTC investment authority from the Community Development Financial Institutions Fund of the U.S. Department of the Treasury ("CDFI Fund").

The NMTC program provides investors with credits against federal income taxes they incur. NMTCs are passed through to an investor for each Qualified Equity Investment ("QEI") made in a Community Development Entity ("CDE") certified as such by the CDFI Fund. The investor receives credits over a seven-year period for each QEI, equal to 39% of the QEI amount. The CDE uses the QEI proceeds to make Qualified Low-Income Community Investments ("QLICIs") to Qualified Active Low-Income Community Businesses ("QALICBs"). QLICIs include loans to or equity investments in QALICBs or other CDEs. CDEs must comply with various federal requirements or investors risk recapture of tax credits plus penalties and interest thereon.

NMSC is governed by a board of managers, which is elected by LISC. As a not-for-profit corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the "Code"), and therefore, without tax liability, LISC itself cannot use NMTCs. In order to utilize the allocation received by LISC from the CDFI Fund, the board of managers of NMSC suballocates NMTC investment authority to various LLCs organized and managed by NMSC (generally 0.01% ownership). These CDEs make investments in projects that accomplish goals consistent with the mission of LISC and in accordance with certain terms agreed to in the allocation agreements with the CDFI Fund.

NMSC also provides NMTC transaction-related consulting, administration, accounting, reporting, loan servicing, compliance and software services to unrelated third parties. These services are generally provided to organizations with similar community development missions and investing objectives as LISC. NMSC also provided management services to LISC unrelated to the NMTC program. LISC hired NMSC to provide loan servicing administration services for LISC's loan portfolio beginning on October 1, 2019. These services include onboarding new loans, invoicing for, collecting and recording of loan payments as well as providing LISC with various reports related to the loan portfolio. NMSC previously provided management services to LISC for set-up and administration of its Small Business Lending programs. NMSC has discontinued providing services specific to LISC's Small Business Lending programs and as of December 31, 2018, NMSC has no further obligations with regard to these programs.

As a result of NMSC exercising its option under certain redemption agreements, NMSC has become the 100% owner of several LLCs and is deemed to control these entities. The entities NMSC takes ownership of as a result of these agreements typically do not have any assets, liabilities, income or expenses. In circumstances where the LLCs have assets, liabilities, income or expenses at year-end, NMSC consolidates those balances and all significant intra-entity balances are eliminated in consolidation. NMSC and the 100%-owned LLCs are collectively referred to as the "Company." NMSC intends to dissolve these wholly-owned LLS when feasible. During the year ended December 31, 2019, NMSC became the 100% owner of New Markets Investment 61, LLC ("NMI 61"). Pursuant to the NMI 61 operating agreement and investor arrangement, NMI 61 had a significant amount of cash remaining on its balance sheet subsequent to NMSC becoming the 100% owner of NMI 61.

In January 2018, LISC entered into an agreement to purchase a Small Business Lending Company ("SBLC") license for $2.4 million. The purchase of the SBLC license was approved by the U.S. Small Business Administration ("SBA"). LISC formed the wholly-owned subsidiary, Immito, LLC ("Immito"), to make SBA-guaranteed small business loans pursuant to section 7(a) of the Small Business Act ("7(a) loan program"). Generally, SBA will guarantee seventy-five to ninety percent (75% to 90%) of the principal and accrued interest on such loan. As a non-depository lending institution, Immito generally will utilize the ability to sell on the secondary market the guaranteed portion of loans to provide liquidity.

Generally, SBA does not deny liability on a 7(a) loan guaranty unless an organization's actions or omissions caused, or would cause, a material loss on the loan. In addition, a loan that experiences early default within the 18-month threshold established by the SBA may be subject to elevated levels of scrutiny by the SBA.

During 2019, Immito closed on loans with a principal balance of over $7 million, which is considered its main business operating activity.

Resilience and Recovery Network, LLC ("RRN"), a wholly-owned Texas limited liability company, was formed in March 2018 to implement and operate a program to repair homes occupied by low- and moderate-income households that were affected by Hurricane Harvey.

LISC is also the sole member of Local Initiatives Managed Assets Corporation ("LIMAC"), LISC Louisiana Loan Fund LLC ("LLLF"), and Neighborhood Properties, LLC ("NP"), LISC Fund Management, LLC (“LFM”) and Charlotte Housing Opportunity Investment Fund, LLC (“CHOIF”). LIMAC, LLLF, and NP have limited activity. LIMAC was originally established in 1986 to create a national secondary market for affordable housing and community development loans. As of January 15, 2019, LISC filed for dissolution of LIMAC with the New York State Department of State. LLLF was formed to serve as the vehicle through which LISC provides acquisition and predevelopment financings to support development of affordable and mixed-income housing in hurricane-impacted parishes of Louisiana. NP was formed to take title on collateral property foreclosed by LISC where LISC is the highest bidder at public auction.

LISC Fund Management, LLC ("LFM"), a Delaware limited liability company, was formed in June 2019 to act as Fund Manager for various loan funds.

Charlotte Housing Opportunity Investment Fund LLC ("CHOIF") was formed on September 20, 2019 as a limited liability company under the laws of Delaware. The purpose of CHOIF is to deploy long-term below-market capital to promote the construction and renovation of affordable housing in Charlotte.

Additionally, LISC is the founding member of The Bay's Future Fund LLC ("BFF"), which was formed on May 15, 2019 as a limited liability company under the laws of Delaware. The purpose of BFF is to facilitate charitable activities to relieve economic distress in the Bay Area of the State of California.

Summary of significant accounting policies

Consolidation

The accompanying consolidating and consolidated financial statements include the assets, liabilities, net assets, and financial activities of LISC, NEF and its affiliates, NMSC, Immito, RRN, LIMAC, TRI, LLLF, NP, LFM, CHOIF and BFF (collectively, the "Organization"). All significant inter-organization balances and transactions have been eliminated in consolidation.

Financial statement presentation

The accompanying consolidating and consolidated financial statements are prepared on the accrual basis of accounting. The Organization reports its financial information in the following categories:

Without Donor Restrictions

The "Operating Funds - Without Donor Restrictions" is used to record activities supported by resources that are not subject to donor-imposed restrictions and over which management and the board of directors have discretionary control.

The "Loan Funds - Without Donor Restrictions" is used to record loans and bonds payable proceeds mainly provided to the Organization by financial institutions, insurance companies, foundations, government agencies, and other nonprofits with lender-imposed restrictions that may include making loans to Community Development Projects ("CDPs") in certain geographic areas. In some instances, loans payable proceeds are provided to fund recoverable grants to CDPs. These funds, as well as the related recoverable grant activities, are recorded in the "Operating Funds Without Donor Restrictions."

As of December 31, 2019, and 2018, Loan Funds - Without Donor Restrictions consist of $10 million of board-designated net assets, respectively.

Principal repayments received on loans provided to CDPs funded from loan funds, as well as the provision for loan losses, are recorded in the "Loan Funds - Without Donor Restrictions." Impairment losses are charged to the "Operating Funds - Without Donor Restrictions."

The net assets of LISC Affiliates and CDA Partnerships are without donor restriction.

With Donor Restrictions

These funds are used to record contributions received with donor-imposed restrictions. Contributions are recorded as restricted support if they are received with donor stipulations that limit their use. When a donor's restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidating and consolidated statement of activities and changes in net assets as net assets released from restrictions.

Specifically, the "Loan Funds With Donor Restrictions" ("donor-restricted loan funds") is used to record contributions received with donor-imposed restrictions for lending and/or credit enhancement activities. "Operating Funds - With Donor Restriction" ("donor-restricted operating funds") is used to record net assets received with donor-imposed restrictions for all other activities, excluding lending and/or credit enhancement activities.

Estimates
The preparation of the consolidating and consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidating and consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. The significant estimates made in the preparation of these consolidating and consolidated financial statements include the fair value of alternative investments, the allowance for uncollectible loans, the allowance for uncollectible recoverable grants, and the allowance for uncollectible receivables. Actual results could differ from those estimates.

Fair value
Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that a reporting entity has the ability to access at the measurement date.

- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly and certain alternative investments that can be redeemed at or near balance sheet date (within 90 days).

- Level 3 inputs are unobservable inputs for the asset or liability and certain alternative investments that are not redeemable at or near balance sheet date (within 90 days).

Revenue recognition
Revenue and support consists primarily of contributions, government grants & contracts, interest income on loans to CPDs and fee income.

Contributions, including unconditional promises to give (pledges), are recorded as revenue at fair value on the date received or pledged. Contributions are recorded as net assets with donor restrictions if they are received with donor stipulations that limit their use as to purpose or time. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Fair value is estimated giving consideration to anticipated future cash receipts (after allowance is made for uncollectible contributions) and discounting such amounts at a risk adjusted rate commensurate with the duration of the donor's payment plan. These inputs to the fair value estimate are considered Level 3 in the fair value hierarchy. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor imposed restrictions, if any, on the contributions.

Contributed goods are recognized initially as revenue at their estimated fair value at date of receipt and expensed when used. Contributed services are recognized as revenue if the services create or enhance nonfinancial assets or require a specialized skill, are provided by individuals possessing those skills, and typically need to be purchased if not provided by donation. Contributed services that do not meet the above criteria are not recognized as revenue and are not reported in the accompanying consolidating and consolidated financial statements.

The Organization also receives government grants and contracts from a number of sources including federal, state, and local governments. These agreements are evaluated as to whether they qualify as contributions or exchange transactions as defined by U.S. generally accepted accounting principles. Government grants and contracts that are considered contributions are recognized as revenue when it is probable that the conditions surrounding the terms of the grant commitments are met. Government grants and contracts that are considered exchange transactions are recognized as revenue when services have been provided in accordance with the terms of the agreements and are reported in other income in the accompanying consolidating and consolidated statement of activities and changes in net assets.

Fee income consists of syndication fee income, asset management fee income, CDA partnerships-rental income, and disposition income.

Syndication Fee Income, Net: NEF (or its subsidiaries) provides syndication services which include organization, acquisition, and construction monitoring services to the Funds. NEF is compensated for its services through a fee that is recognized as follows:

- 25% is recognized at a point in time as a reimbursement of Fund offering and organization costs incurred by NEF
- 45% is recognized at a point in time as an acquisition fee upon closings of Funds' Project Partnerships
- 30% is recognized over time as a construction management fee during the construction period of those Project Partnerships.

In addition, NEF is reimbursed for legal closing costs associated with the acquisition of the Project Partnerships. Such amounts are presented net in the accompanying consolidating and consolidated statements of activities within fee income.

Asset Management Fee Income - Funds: An annual asset management fee is assessed for each Project Partnership in a particular Fund and is recognized over time as services are provided over the 15-year compliance period, after the project has reached qualified occupancy.

Asset Management Fee Income - Project Partnerships: NEF (or its subsidiaries) receives an asset management fee from certain Project Partnerships. The fee is earned annually over time but only payable from the operational performance of the respective Project Partnership. NEF estimated this variable consideration and recognizes only the amount that is probable such that a significant reversal of cumulative revenue recognized will not occur due to the sub-par operational performance of Project Partnerships. As of December 31, 2019 and 2018, NEF recorded a receivable in the amount of $9,287,834 and $8,965,411, respectively, that represents NEF's best estimate of the consideration that NEF is entitled to receive under the contracts. This estimate is re-evaluated annually and takes into account general economic conditions, specific project characteristics and trends in historical collectibility rates. Because of uncertainties inherent in the estimation process, management's estimate may change in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

CDA Partnerships - Rental Income: The majority of the CDA Partnerships' revenue is derived from leases with tenants generally for terms of one year or less. Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the partnership and the tenants of the property are operating leases.

Disposition Income: NEF (or its subsidiaries) received disposition fees from certain Funds and Project Partnerships. The fee is recognized at a point in time when a sale is consummated and proceeds are sufficient enough to satisfy certain other obligations based on the terms of the contract.

NMSC earns revenue by providing organization, underwriting, accounting, asset management, dissolution, and other services to the LLCs, which are governed by the related operating and fee agreements. Sub-allocation fees are recognized when earned or QEIs are funded. Asset management fees are recognized as income as NMSC renders the service (generally over a seven-year period). From these asset management fees, NMSC pays audit, tax, registration and filing fees and other expenses on behalf of certain LLCs. NMSC accounts for the expenses it pays on behalf of these LLCs as a reduction to total asset management fee revenue. Exit fees are recognized at the end of the NMTC compliance period, generally when the CDE exits the NMTC transaction.

NMSC also earns revenue by contracting with unrelated third parties to provide consulting, administration and compliance services on NMTC transactions. Fees for such services are recognized as income as NMSC renders the service. Additionally, NMSC earns revenue from software licensing and related services that includes all fees earned from granting customers the right to use the software. NMSC also earns interest income on loans made to various borrowers that is accrued as earned in accordance with the contractual terms of the loan agreements.

Secondary market loan sales

Immito sells the SBA-guaranteed portion of loans into the secondary market. In accordance with the accounting guidance for asset transfers, Immito considers any ongoing involvement with transferred assets in determining whether the assets can be derecognized from the balance sheet. With the exception of servicing and certain performance-based guarantees, Immito's continuing involvement with financial assets sold is minimal.

When Immito sells the SBA-guaranteed portion of loans, it may retain servicing rights. The gain or loss on sale depends on the previous carrying amount of the SBA-guaranteed portion of loan sold, the servicing right recognized, and the consideration received, and any liabilities incurred in exchange for the transferred assets.

Upon the sale of SBA-guaranteed portion of loans, any servicing assets retained by Immito are carried at the lower of cost or fair value. The servicing asset is amortized in proportion to and over the period of estimated net servicing income. Servicing income is earned for the full term of the loan or until the loan is repaid. In addition, servicing assets are assessed for impairment based on fair value at each reporting date.

During the year ended December 31, 2019, Immito entered into six transactions which provided for the sale of the SBA-guaranteed portion of certain loans to unrelated parties on the secondary market. Immito retained the non-guaranteed portion of these loans and the related servicing rights for all loans sold on the secondary market. The average interest rate for the six loans sold on the secondary market in 2019 was 6.83% at December 31, 2019.

Cash and cash equivalents
Cash and cash equivalents include cash in banks and on hand and highly-liquid debt instruments that have maturities of three months or less from the date of purchase by the Organization, except for those amounts held by the Organization's investment managers.

Restricted cash
As of December 31, 2019 and 2018, NEF had total restricted cash of $3,594,154 and $2,466,153, respectively, which is included within net assets without donor restrictions in the accompanying consolidating and consolidated statements of financial position and has been designated for distributions to investors for Funds in the process of dissolution.

As of December 31, 2019, and 2018, NEF had restricted cash of $77 and $67,101, respectively, associated with NEF Preservation Fund I LP. Pursuant to the terms of the limited partnership agreement, this money is to be used to provide support services at the Project Partnership level. In addition, as of December 31, 2019 and 2018, NEF also has restricted cash of $2,075,483 and $2,416,199, respectively, pursuant to terms of certain agreements.

NMSC acts as a fiduciary agent and collects debt service payments from borrowers on behalf of related or third-party lenders. Debt service payments received are deposited into restricted cash accounts and are disbursed monthly to the related or third-party lenders. As the agent, NMSC recognizes a liability to the related or third-party lenders concurrent with its receipt of the debt service payments. As of December 31, 2019, and 2018, restricted cash includes loan servicing amounts of $41,145 and $50,044, respectively, held by NMSC on behalf of certain Investment Funds.

NMSC acted as the managing member of NMI 61 from its inception in 2011 through its dissolution on August 23, 2019. At that time, NMSC became 100% owner of NMI 61 as a result of the Exit Agreement executed on the same date. Pursuant to the NMI 61 operating agreement, a loan loss reserve was held by NMI 61 for the duration of the compliance period as a reserve against losses of principal on loans made by NMI 61. Upon the collection of all outstanding loans and fee receivable, payment of all expenses, and the making of required distributions per the NMI 61 operating agreement, any cash remaining in the loan loss reserve is available for NMSC to grant to qualifying charter schools and as such is recorded as restricted cash and a charter school grant liability in the amount of $1,205,353 as of December 31, 2019 on the accompanying consolidated statement of financial position.

Immito's restricted cash includes cash amounts held in separate accounts and restricted for lending (i.e. non-operational) use. As of December 31, 2019, and 2018, restricted cash held by Immito was $255,583 and $6,307, respectively.

As of December 31, 2019, BFF's restricted cash of $8,571,650 includes cash amounts restricted for use including fulfilling BFF's purpose and payment of BFF's expenses.

Investments
Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value in the consolidating and consolidated statement of financial position. Fair value of equity securities is based on quoted market prices. Fair values of fixed maturity securities, other than those based on quoted market prices, are based on prices provided

by the Organization's custodian bank. The custodian bank uses a variety of pricing sources to determine market valuations. Each designates specific pricing services or indexes for each sector of the market upon the provider's expertise. The fair values of alternative investments are based on the net asset value, a practical expedient provided by the investment managers or general partners. Those estimated net asset values may differ significantly from the values that would have been used had a ready market for these securities existed.

Contract-related assets
Contract-related assets from Funds and Project Partnerships, net of estimated uncollectible accounts, were $17,844,245 and $15,797,886 as of December 2019 and 2018, respectively, and are included in Due from Funds, Net and Asset Management Fee Receivable from Project Partnerships in the accompanying consolidated of financial position. NEF evaluates impairment on contract-related assets annually. For the years ended December 31, 2019 and 2018, no impairment loss was recognized on contract-related assets.

Investment in funds
NEF and its subsidiaries account for its partner and member interests in the Funds, NYC Distressed Funds, and the NEF Preservation Funds (collectively "Partner and Member Interests") using the equity method of accounting. Under the equity method, these investments are carried at cost, adjusted for NEF's share of net income, loss, and for cash distributions received. Under the equity method of accounting, the Partner and Member Interests will not be carried below zero unless NEF has continuing involvement in the entity. To the extent that the Partner and Member Interests with a carrying value of zero distribute cash to NEF or its subsidiaries, the distribution is recorded as other income in the Organization's consolidating and consolidated statement of activities.

NEF assesses other-than-temporary declines in values of its investments in its Partner and Member Interests. Annually, the carrying value of each investment is compared to its respective fair values. If an other-than-temporary decline in carrying value exists, an impairment loss is recorded in the Organization's consolidating and consolidated statement of activities and changes in net assets to reduce the investment to fair value.

Risks and uncertainties
The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidating and consolidated statement of financial position.

Loans receivable and the allowance for uncollectible loans
Loans receivable consist primarily of loans to Community Development Projects ("CPDs") originated by LISC and certain developer related project notes facilitated by NEF.

Loan receivable are carried at their unpaid principal balance less unamortized discounts and premiums, retained loan discounts, and an allowance to reflect potentially uncollectible loan balances. The allowance for uncollectible loans is maintained at a level that, in management's judgment, is adequate to provide for potential losses. Large loans are evaluated individually for impairment; an allowance is established when the discounted cash flows of an impaired loan are lower than the carrying value of the loan. For the remainder of the portfolio, an allowance is established based on historical loan loss experience and management's evaluation of the collectability of the loans, taking into consideration project characteristics and trends. The accrual of interest income is discontinued on loans that are delinquent for over 30 days. Loans are written off when repayment is not expected to occur.

To monitor the likelihood of losses to its loan portfolio, LISC employs the following internal risk rating categories:

I. Excellent - The loan is a very strong credit, and sound in every respect. The prospect for repayment is excellent.

II. Strong - The loan is a strong credit and sound in most respects. The prospect for repayment is strong.

III. Good - The loan is a sound credit with reasonable risk for the Organization and with good repayment prospects.

IV. Acceptable - The loan is credit-worthy, but contains heightened risks from the outset. A number of developments that would reduce LISC's repayment risk have yet to occur, but no material problems have developed.

V. Close Follow - The loan has more significant risks that an "Acceptable" loan, but it is still credit-worthy.

VI. Substandard - Conditions seriously jeopardizing loan repayment have developed, and it is likely some loss of loan principal will occur.

VII. Doubtful - The loan has been partially written down but in work-out in the hopes of receiving partial payment.

Recoverable grants
Recoverable grants are early project investments provided to CDPs that contractually require repayment generally without interest. Recoverable grants receivable are recorded when these amounts are disbursed and an allowance has been established based on historical recoverability experience that, in management's judgment, is adequate to cover potential losses.

Government contracts and loan-related advances
Government contracts and loan-related advances consists of amounts received in advance from government agencies and other organizations for the purpose of providing loans, recoverable grants and project grants to CDPs in accordance with the terms of respective contractual agreements.

Capitalized interest
NEF borrows monies in order to provide short-term secured loans to facilitate the acquisition of Project Partnership investments. It is NEF's policy to capitalize interest paid on these borrowings during the construction period of the Project Partnerships. Upon assignment of the beneficial interests of the project investments, NEF may be reimbursed for these interest costs by the Fund. Any unreimbursed costs are recorded as a reduction to fee income.

Discounts and issuance costs on debt issuance
Discounts and issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the long-term debt to which such costs relate. Amortization of debt discount

issuance costs is reported as a component of interest expense and is computed using an imputed interest rate on the related loan.

Deferred costs
Financing costs incurred are amortized over the term of the loan on a straight-line basis, which approximates the effective interest-rate method.

Property and equipment
Property and equipment are stated at cost less accumulated depreciation or amortization, computed using the straight-line method. Furniture, equipment, and software are depreciated over their estimated useful lives of three to seven years. Computer software development costs for internal use are capitalized and amortized on the straight-line basis over an estimated useful life of three years. Leasehold improvements are amortized over the lesser of the estimated useful lives of the assets or the remainder of the lease term, whichever is shorter. Buildings and improvements are depreciated over 27.5 to 40 years. Maintenance and repairs are charged to operations when incurred. Betterments and renewals are capitalized.

Intangible assets
Immito's SBA license is recorded as an indefinite-lived intangible asset and is not amortized as the license is valid for an indefinite period of time. The license is valued at approximately $2,400,000. The license is subject to annual impairment testing, impairment being a material adverse change that would prevent Immito from conducting its 7(a) business as planned. Unless there is an indicator of impairment, which would require an interim impairment analysis, Immito has elected to perform its annual evaluation for impairment on January 1 of each fiscal year.

Engagement deposits
NMSC receives deposits from projects requesting NMTC financing. The deposits are held by NMSC in bank accounts until the projects are closed, at which point the deposits may be used to reimburse for legal and other NMTC closing costs. Any excess of the deposits over legal and other NMTC closing costs is returned to the project.

Accounting for the impairment of real estate assets
The Organization records an impairment loss on its real estate assets (land, building, and improvements) whenever their carrying value cannot be fully recovered through estimated undiscounted future cash flows from their operations, sale, and low-income housing tax credits. The amount of the impairment loss to be recognized would be the difference between the Organization's carrying value and the estimated fair value. Adjustments for impairment loss for such real estate assets are made in each period as necessary to report these investments at the lower of carrying value or fair market value less cost to sell. However, there can be no assurance that any estimated fair value of these real estate assets would ultimately be realized by the Organization in any future sale or disposition transaction. Impairment losses have no impact on the cash flow of the Organization. No impairment loss on real estate assets was recorded in 2019 and 2018.

Functional expenses
The costs of providing program services and other activities have been summarized on a functional basis in the consolidated statement of functional expenses. Accordingly, certain costs have been allocated among program services, management and general and fundraising expenses.

The expenses that are allocated and the method of allocation include the following:

Expenses	Method of allocation
Salaries and fringe benefits	Time and effort
Professional services, consulting and legal	Direct allocation based on services/time and effort
Office and administrative	Direct allocation based on invoices/time and effort
Rent and utilities	Time and effort
CDA Partnerships - property expense	Direct allocation
Project grants	Direct allocation
Service fees	Direct allocation based on services
Interest	Direct allocation
Provision for uncollectible recoverable grants to CDCs	Direct allocation
Provision for uncollectible loans to CDCs	Direct allocation
Bank fees and other financial expenses	Direct allocation
Accounting and auditing fees	Direct allocation
Board expenses	Direct allocation
All other expenses	Time and effort

Income taxes

The Organization recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Income generated from activities unrelated to the Organization's exempt purpose is subject to tax under the Code, Section 511. As a result of the Tax Cuts and Jobs Act, qualified transportation fringe benefits provided to employees are now treated as unrelated business income. Unrelated business income tax liabilities for the years ended December 31, 2019 and 2018 was immaterial.

Income tax returns filed by the Organization are subject to examination by the Internal Revenue Service for a period of three years. While no income tax returns are currently being examined by the Internal Revenue Service, tax years since 2016 remain open.

LISC is exempt from federal income taxes under Section 501(c)(3) of the Code. It has been classified as an organization that is not a private foundation and has been designated a "publicly supported" organization of the type described in Sections 170(b)(1)(A)(vi) and 509(a)(1) of the Code.

NEF is exempt from federal income taxes under Section 501(c)(4) of the Code. As a 501(c)(4) corporation, contributions to NEF are not tax deductible.

LIMAC is a exempt from federal income taxes under Section 501(c)(3) of the Code. It has been determined that LIMAC is not a private foundation within the meaning of Section 509(a) of the Code because it is an organization of the type described in Section 509(a)(2) of the Code.

NMSC, LLLF, NP, Immito, RRN, LFM, and CHOIF are single-member LLCs and are considered disregarded entities for income tax purposes.

Income or losses of the NEF Funds, and the NMTC CDEs are required to be reported by the respective members/partners on their individual tax returns. Therefore, no provision has been made for federal or state income taxes. Additionally, the low-income housing tax credits generated by the Project Partnerships are passed through the NEF Funds to their members. NMTCs are passed through to an investor for each new QEI made by an investor in a CDE.

BFF has elected to be treated as a pass-through entity for income tax purposes and, as such, is not subject to income taxes. Rather, all items of taxable income, deductions and tax credits are passed through to and are reported by its founding members on their respective income tax returns. BFF's federal tax status as a pass-through entity is based on its legal status as a limited liability company. Accordingly, BFF is not required to take any tax provisions in order to qualify as a pass-through entity. BFF is required to file and does file tax returns with the Internal Revenue Service and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and BFF has no other tax positions which must be considered for disclosure. Income tax returns filed by BFF are subject to examination by the Internal Revenue Service for a period of three years.

Consolidation

The Corporation consolidates limited partnerships or similar entities over which it has a controlling financial interest in accordance with FASB ASC 958-810-20, *Consolidation - Control of Partnerships and Similar Entities* ("FASB ASC 958-810-20"). Generally, FASB ASC 958-810-20 requires consolidation of limited partnerships or similar entities by the general partner of that entity under the presumption that the general partner controls the limited partnership entity. The presumption of control by a general partner can be overcome if the limited partners are able to exercise substantive kick-out or participating rights. The Corporation does not consolidate limited partnerships or similar entities in which it owns a general partnership interest as the presumption of control by the general partner is able to be overcome. The Corporation reassesses whether it holds a controlling financial interest in limited partnerships or similar entities on an annual basis.

The Organization consolidates the CDA Partnerships as the presumption of control was not overcome under guidance of FASB 958-810.

Reclassifications

Reclassifications have been made to the prior year balances to conform to the current year presentations. Such reclassifications were made for comparative purposes only, and do not restate the prior year consolidating and consolidated financial statements.

Recent accounting pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09"), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 replaces most existing revenue recognition guidance in U.S. GAAP when it becomes effective. Additionally, ASU No. 2015-14, *Revenue from Contracts with Customers, Deferral of the Effective Date* ("ASU 2015-14"), was issued by the FASB in August 2015. ASU 2015-14 amended the effective date of ASU 2104-09. Early adoption is permitted, but not before the original effective date for private business entities (i.e. January 2018). The provisions of ASU 2014-09 were effective for LISC on January 1, 2018 and did not have a significant impact on the special-purpose financial statements. NEF adopted ASU 2014-09 in 2019 using the full retrospective method. This resulted in a change in LISC's Investment in Affiliates and beginning net assets of $7,743,503 as of January 1, 2018 due to the cumulative effect of NEF adopting ASU 2014-09. In addition, in 2018 equity in earnings of affiliates, change in net assets and investments in affiliates were increased by $1,221,908, and $8,965,411, respectively, due to NEF's Adoption of ASU 2014-09.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842) ("ASU 2016-02"), which requires lessees to recognize on the balance sheet the assets and liabilities for the rights and obligations created by leases with lease terms of more than 12 months. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee will continue to primarily depend on its classification as a finance or operating lease. However, unlike current U.S. GAAP, which requires only capital leases to be recognized on the balance sheet, ASU 2016-02 will require both types of leases to be recognized on the balance sheet. ASU 2016-02 also requires disclosures about the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements, providing additional information about the amounts recorded in the financial statements. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019 with early adoption permitted.

The Organization adopted ASU2016-02 using the modified retrospective approach at the beginning of the earliest period presented. ASU 2016-02 requires that lessees recognize right of use assets and lease liabilities calculated based on present value of the lease payments for all lease agreements with terms that are greater than 12 months using the rate implicit of the lessee's incremental borrowing rate. The adoption of ASU 2016-02 resulted in recording a noncash transitional adjustment to operating lease right of use assets and operating lease liabilities of \$58,491,235 and \$61,420,131, respectively. In addition, in 2018, total assets and total liabilities were increased by \$62,004,805, due to LISC's adoption of ASU 2016-02. The adoption of ASU 2016-02 did not materially impact our results of operations, cash flows, or presentation thereof.

The following summarizes the impact to the 2018 consolidating and consolidated statement of financial position for 2018 pursuant to the adoption of ASU 2014-09 and ASU 2016-02.

Assets	2018 as reported	Effect of adoption of ASU 2014-09	Effect of adoption of ASU 2016-02	2018 as previously stated
Cash and cash equivalents (Note 3 and 14)	$ 160,670,408	$ -	$ -	$ 160,670,408
Restricted cash (Note 3 and 14)	5,005,804	-	-	5,005,804
Investments (Note 3 and 14)	133,496,403	-	-	133,496,403
Investments in affiliates	-	-	-	-
Accrued interest receivable	2,748,667	-	-	2,748,667
Contributions receivable, net (Note 5)	46,636,210	-	-	46,636,210
Government grants and contracts receivable (Note 6)	19,127,173	-	-	19,127,173
Notes and other receivables	-	-	-	-
Due from funds (Note 18)	6,832,475	-	-	6,832,475
Loan receivable (Note 7)	467,862,390	-	-	467,862,390
Allowance for uncollectible loans	(26,511,420)	-	-	(26,511,420)
Total loans, net	441,350,970	-	-	441,350,970
Recoverable grants to CDPs, net (Note 7)	10,128,554	-	-	10,128,554
Prepaid expenses and other assets	15,796,691	(8,965,411)	-	6,831,280
Right of use asset	62,004,805	-	(62,004,805)	-
Temporary investment in Project Partnerships (Note 9)	57,111,500	-	-	57,111,500
Investment in Funds	2,022,471	-	-	2,022,471
Investment in Project Partnerships (Note 19)	52,824	-	-	52,824
Property and equipment, net (Note 11)	63,755,640	-	-	63,755,640
Intangible asset	2,400,000	-	-	2,400,000
Total assets	$ 1,029,140,595	$ (8,965,411)	$ (62,004,805)	$ 958,170,379
Liabilities and Net Assets (Deficits)				
Liabilities:				
Accounts payable and accrued expenses (Note 16)	$ 45,797,112	$ -	$ 1,563,201	$ 47,360,313
Right of use liability	63,568,006	-	(63,568,006)	-
Government contracts and loan-related advances	4,669,779	-	-	4,669,779
Grants payable (Note 8)	34,994,660	-	-	34,994,660
Due to affiliates	-	-	-	-
Capital contributions due to temporary investment in Project Partnerships (Note 9)	50,217,469	-	-	50,217,469
Deferred liabilities	6,374,702	-	-	6,374,702
CDA Partnerships - Long-Term Debt, net (Note 17)	49,851,126	-	-	49,851,126
CDA Partnerships - Notes Payable to Funds	3,216,914	-	-	3,216,914
Loans and bond payable, net (Note 12)	437,758,998	-	-	437,758,998
Total liabilities	696,448,766	-	(62,004,805)	634,443,961
Commitments and contingencies (Note 16)				
Net assets:				
Net assets attributable to the Organization (Note 2)	332,019,350	(8,965,411)	-	323,053,939
Net assets attributable to the noncontrolling in Project Partnerships & Funds	672,479	-	-	672,479
Total net assets (deficit)	332,691,829	(8,965,411)	-	323,726,418
Total liabilities and net assets	$ 1,029,140,595	$ (8,965,411)	$ (62,004,805)	$ 958,170,379

The following summarizes the impact to the 2018 consolidating and consolidated statement of activities for 2018 pursuant to the adoption of ASU 2014-09 and ASU 2016-02:

Support and Revenues	2018 as reported	Effect of adoption of ASU 2014-09	Effect of adoption of ASU 2016-02	2018 as previously stated
Contributions (Note 5)	$ 97,247,236	$ -	$ -	$ 97,247,236
Government grants & contracts (Note 6)	37,927,712	-	-	37,927,712
Interest income on investments	4,303,585	-	-	4,303,585
Interest income on loans to CDPs (Note 7)	23,370,571	-	-	23,370,571
Fee income	54,715,090	(1,221,908)	-	53,493,182
Other income	18,533,560	-	-	18,533,560
Equity in earnings of affiliates	-	-	-	-
Net assets released from restrictions	-	-	-	-
Total support and revenues	236,097,754	(1,221,908)	-	234,875,846
Expenses				
Program Services:				
Project development and other program activities	91,627,832	-	-	91,627,832
Project grants (Note 8)	48,927,179	-	-	48,927,179
Project loans:		-	-	-
Interest	16,521,641	-	-	16,521,641
Provision for loss on receivable	1,039,093	-	-	1,039,093
Increase in provision for uncollectible loans to CDPs (Note 7)	5,241,758	-	-	5,241,758
Provision for uncollectible recoverable grants to CDPs (Note 7)	2,526,383	-	-	2,526,383
Total program services	165,883,886	-	-	165,883,886
Supporting Services:				
Management and general	33,939,303	-	-	33,939,303
Fund raising	6,297,761	-	-	6,297,761
Total supporting services	40,237,064	-	-	40,237,064
Total expenses	206,120,950	-	-	206,120,950
Change in net assets before gains and losses on investments derivatives, equity in losses of partnership projects and other noncontrolling interest activities	29,976,804	(1,221,908)	-	28,754,896
Transfers: Board designated net assets for loan fund activities				
Transfers: Board designated net assets for loan fund activities				
Realized & unrealized loss on investments	(720,557)	-	-	(720,557)
Realization of unrealized gain on investment securities available for sale by the operating partnerships	67,063	-	-	67,063
Gain on transfer of temporary investments in project partnerships	-	-	-	-
Equity in income of temporary investment in project partnerships	28,115	-	-	28,115
Capital contributions	-	-	-	-
Gain on transfer of interest in CDA Partnerships (Note 19)	3,179,358	-	-	3,179,358
Change in net assets before noncontrolling interest activities	32,530,783	(1,221,908)	-	31,308,875
Other noncontrolling interest activities:				
Noncontrolling capital contributions	61,520	-	-	61,520
Change in net assets	32,592,303	(1,221,908)	-	31,370,395
Net assets (deficit), beginning of year	300,099,526	(7,743,503)	-	292,356,023
Net asset (deficit), end of year	$ 332,691,829	$ (8,965,411)	$ -	$ 323,726,418

In November 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-08, *Statement of Cash Flows (Topic 230) - Restricted Cash* ("ASU 2016-08") to address diversity in practice with respect to the cash flow presentation of changes in amounts described as restricted cash and cash equivalents. ASU 2016-18 requires a reporting entity to include amounts described as either restricted cash or restricted cash and cash equivalents (collectively referred to as "restricted cash" herein) when reconciling beginning and ending balances in its statements of cash flows. The update also amends Topic 230 to require disclosures about the nature of restricted cash and provide a reconciliation of cash, cash equivalents and restricted cash between the balance sheet and statement of cash flows. ASU 2016-18 was adopted retrospectively during the year ended December 31, 2019. Consequently, 2018 beginning and ending cash, cash equivalents, and restricted cash in the consolidating and consolidated statement of cash flows was increased from $177,522,976 to $178,875,024 and $160,670,408 to $164,688,455, respectively.

The following table is a reconciliation of cash, cash equivalents, and restricted cash within the consolidated statements of financial position to the total presented on the consolidating and consolidated statements of cash flows for the years ended December 31, 2019 and 2018:

	2019	2018
Cash and cash equivalents	$ 166,082,281	$ 160,670,408
Restricted cash:		
Investment Funds loan servicing balances held by NMSC	41,145	50,044
NMI 61 loan loass reserve held by NMSC	1,205,353	-
immito lending funds	255,583	6,307
BFF funds	8,571,650	-
NEF Distributions to investors	3,594,154	2,466,153
CDA Partnerships - owner directed	1,819,632	2,265,146
NEF Project level agreements	255,851	151,053
NEF Preservation Fund I	77	67,101
Total cash, cash equivalents, and restricted cash Consolidating and consolidated statements of financial position	181,825,726	165,676,212
Less: CDA Partnerships - reserves/deposits/escrow	(733,056)	(987,757)
Total cash, cash equivalents, and restricted cash Consolidating and consolidated statements of cash flows	$ 181,092,670	$ 164,688,455

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Organization has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying special-purpose financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the implementation of ASU 2018-08.

Note 2 - Net assets with donor restrictions

Net assets with donor restrictions are restricted for the Organization's 33 local/regional offices, rural programs, and several other national programs, are to be used in future years for program services, such as project grants, recoverable grants, lending-related activity, technical support, and operating support to community development organizations.

As of December 31, 2019, net assets with donor restrictions were $216,943,498 ($111,371,685 donor-restricted operating funds and $105,571,813 donor-restricted loan funds and included the following components: (1) *Charter School Financing* - approximately $65 million of donor-restricted funds are available to support quality public charter and alternative schools in low-income neighborhoods. Included in this amount is $58.1 million related to grants awarded by the U.S. Department of Education to LISC to provide credit enhancement on loans made by financial institutions to stimulate the financing of charter schools; (2) Lending Activities (excluding DOE funds) - in local and regional offices is approximately $47.4 million; and (3) General Operating and Programmatic Support - approximately $104.5 million of donor-restricted funds that are for use by specific local/regional offices and national programs for both general operating and programmatic support.

Note 3 - Availability and liquidity

The table below represents financial assets available for operating funds expenditures within one year at December 31, 2019 and 2018. Financial assets in the "Loan Funds - Without Donor Restrictions" and "Loan Funds - With Donor Restrictions" are not included in the table below. As explained further in Note 1, these loan funds are for lending and/or credit enhancement activities and are not available for operating expenditures. LISC also has undrawn lines of credit as further described in Note 12. As of December 31, 2019 and 2018, $75,000,000 and $0, respectively, of the undrawn line of credit can be used for operating funds expenditures:

	2019	2018
Financial assets at period end		
Cash and cash equivalents	$ 122,377,997	$ 128,690,918
Restricted cash	15,743,445	5,005,804
Investments	94,321,988	77,638,861
Accrued interest receivable	3,212,876	2,748,667
Contributions receivables, gross	44,059,402	42,683,407
Prepaid expenses and other assets	9,287,834	-
Government grants and contracts receivable	16,696,277	18,376,935
Loans receivable	20,924,521	18,376,935
Due from funds	8,556,412	6,832,475
Temporary investments in project partnerships, net of Capital contributions due to temporary investments in project partnerships	24,602,611	6,894,031
Recoverable grants to CDPs, gross	10,876,380	20,511,304
Total financial assets	370,659,743	275,144,592
Less amounts not available to be used within one year		
Cash and cash equivalents	(7,212,381)	(11,304,208)
Restricted cash	-	(56,351)
Investments	(7,067,995)	(4,828,311)
Contributions receivables, gross	(16,209,870)	(11,350,334)
Loans receivables	(9,397,290)	(11,074,096)
Government grants and contracts receivable	(15,303,092)	(17,172,021)
Recoverable grants to CDPs, gross	(10,876,380)	(20,511,304)
Financial assets not available to be used within one year	(66,067,008)	(76,296,625)
Financial assets available to meet operating fund expenditures over the next 12 months	$ 304,592,735	$ 198,847,967

Also, LISC has financial covenants with certain LISC lenders, some of which address adequate liquidity to cover operating costs and debt service requirements. Specifically, at the end of each quarter, unrestricted operating cash, cash equivalents, and investments must be able to cover at least six months of unrestricted operating expense as defined in the terms of the loan agreements with certain LISC lenders. With regard to debt service, liquid assets must exceed six months of interest and notes payable (as defined in the terms of the loan agreements with certain LISC lenders). At December 31, 2019 and 2018, LISC was in compliance with its financial covenants.

Note 4 - Cash, cash equivalents, restricted cash, and investments

At December 31, 2019 and 2018, the Organization's total portfolio of cash, cash equivalents, restricted cash, and investments consisted of the following:

	Fair value 2019	Fair value 2018
Cash, cash equivalents, and restricted cash	$ 181,825,726	$ 165,676,212
Investments:		
Cash held for investment	36,147,455	35,362,595
Corporate bonds and fixed income funds	39,604,491	37,936,096
U.S. government agencies	37,989,184	36,624,418
Certificates of deposit	4,553,892	5,232,689
Alternative investments:		
Real estate investment trust	3,114,764	3,114,764
Hedge funds	14,948,068	13,622,255
Private equity funds	3,862,038	1,603,586
	140,219,892	133,496,403
Total cash, cash equivalents, restricted cash, and investments	$ 322,045,618	$ 299,172,615

The Organization invests in certain alternative investments, through "funds of funds" investments, which employ multiple investment strategies via a variety of investment managers to provide diversification and control risk. These investments create indirect exposure to the Organization through short sales of securities, trading in future and forward contracts, and other derivative products. Derivatives are tools used to maintain asset mix or manage portfolio risk exposure. While these financial instruments may contain varying degrees of risk, the Organization's risk with respect to such transactions is limited to its capital balance in each investment.

At December 31, 2019 and 2018, cash and cash equivalents include approximately $1.3 million and $4.6 million, respectively, held in escrow-like arrangements with loan participants and $5.9 million and $6.7 million, respectively in loss reserves required by specific programs.

The limitations and restrictions on the Organization's ability to redeem or sell its alternative investments vary by investment. As of December 31, 2019, the following table summarizes the composition of such investments by the various redemption provisions:

Alternative investments	Fair value 2019	Fair value 2018	Redemption frequency	Redemption notice period
Real estate investment trust (A)	$ 3,114,764	$ 3,114,764	Lock-up	Not applicable
Multi-strategy hedge funds (B)	14,856,875	13,512,294	Quarterly	61 calendar days
Credit-focused hedge fund (C)	91,193	109,961	Lock-up	Not applicable
Private equity funds (D)	3,862,038	1,603,586	Lock-up	Not applicable
	$ 21,924,870	$ 18,340,605		

As of December 31, 2019 and 2018, the Organization had $3,868,693 and $4,396,414 unfunded commitments on its alternative investments.

Information with respect to the strategies of those investment funds that is reported at estimated fair value based upon net asset value per share (or its equivalent) is as follows:

1. *Real estate investment trust* - of which the Organization is a minority shareholder, principal business activities are to invest in affordable multifamily residential mortgage loans, which are subsequently syndicated to institutional investors, and to acquire equity interests in affordable multifamily residential real estate assets.

2. *Multi-strategy hedge funds* - includes investments in funds of funds that invest across multiple hedge fund strategies and styles, including equity long/short, event-driven, relative value, tactical trading, and multi-strategy hedge funds styles.

3. *Credit-focused hedge fund* - comprised of an investment in a hedge fund that seeks to achieve attractive total returns through both capital appreciation and current income. The fund seeks to achieve its investment objective through a portfolio of investments in publicly traded and privately held securities, loans, derivatives and other instruments, primarily in the corporate credit sector of the fixed income and related markets.

4. *Private equity funds* - includes investment in funds licensed by the United States Small Business Administration as small business investment companies. The primary purpose of the fund is to operate as a venture fund and invest in equities, debt securities with the equity participation, secured short-term and long-term loans, and as participants with other funds.

Note 5 - Contributions receivable

At December 31, 2019 and 2018, the Organization had contributions receivable with expected receipts as follows:

	2019	2018
Due within one year	$ 36,814,098	$ 36,324,496
Due in one to five years	16,209,870	11,350,334
	53,023,968	47,674,830
Less discount (0.12%–5.00%)	(1,188,160)	(389,620)
Less allowance for uncollectible contributions receivable	(649,000)	(649,000)
Total contributions receivable, net	$ 51,186,808	$ 46,636,210

At December 31, 2019 and 2018, approximately 13.3% and 17.8%, respectively, of the Organization's contributions receivable was from one donor.

At December 31, 2019 and 2018, approximately 29.01% and 55%, respectively, of the Organization's contributions revenue was from five donors.

Note 6 - Government grants and contracts

At December 31, 2019 and 2018, the Organization had grant commitments from various government agencies of approximately $37.4 and $29.3 million, respectively, with expiring term dates ranging from 2020 to 2023. These grant commitments will be recognized in the accompanying consolidating and consolidated financial statements when it is probable that the conditions surrounding the terms of the grants will be met.

At December 31, 2019 and 2018, government grants and contracts receivable were $29.6 million and $19.1 million, respectively. Approximately $7.2 million and $8.4 million of government grants receivable at December 31, 2019 and 2018, and approximately $13.0 million and $13.4 million of government grants and contracts revenue for the year ended December 31, 2019 and 2018, respectively, were from one government agency.

Note 7 - Program loans, recoverable grants to community development projects, notes and other receivables

Program loans

In furtherance of its charitable purposes, LISC makes loans directly to CDPs and also to its affiliates, to benefit affiliate projects. In general, interest rates on loans to CDPs range from 0% to 9% and repayment terms range from 10 months to 36 years. Delinquent loans, measured as those loans whose payment is 90 days past due, totaled $1,666,465 and $1,249,990, respectively, at December 31, 2019 and 2018. The portion of the allowance dedicated to the delinquent loans totaled $315,564 and $221,827 at December 31, 2019 and 2018, respectively. At December 31, 2019, loan principal of $131,136,569 is due to LISC within one year, of which $66,571,769 and is due to LISC within the next six months.

Loans to CDPs and affiliates' projects as of December 31, 2019 and 2018 comprised the following:

Loan type:	2019	2018
Acquisition loans (1)	$ 152,188,882	$ 123,846,031
Predevelopment loans and pre-credit loans (2)	32,505,632	27,986,789
Construction loans (3)	131,052,515	125,135,347
Other (4)	190,561,678	190,894,223
Total	$ 506,308,707	$ 467,862,390

LISC disaggregates loan receivables by loan type when assessing and monitoring risk and performance of the entire population. The major loan types are:

(1) Acquisition loans - to pay purchase and closing costs of a property

(2) Predevelopment loans and pre-credit loans - to pay project predevelopment expenses

(3) Construction loans - to pay hard and soft costs of new or rehabilitation projects

(4) Other - includes mainly semi-permanent and permanent financing for projects, SBA 7(a) loans, bridge loans (financing the remaining gap between projects or program costs and cash from committed or anticipated sources not yet available), and working capital lines of credit to provide flexible capital to meet organizational cash flow needs.

The following tables provide an analysis of the aging of loan receivables as of December 31, 2019 and 2018:

2019	31–60 days past due	61–90 days past due	Greater than 90 days past due	Total past due	Current	Total gross loans receivable
Acquistion	$ 1,391,641	$ 221,000	$ 210,568	$ 1,823,209	$ 150,365,673	$ 152,188,882
Predevelopment and pre-credit loans	3,930,749	-	149,712	4,080,461	28,425,171	32,505,632
Construction	1,305,532	-	1,306,185	2,611,717	128,440,798	131,052,515
Other	600,722	-	-	600,722	189,960,956	190,561,678
Total	$ 7,228,644	$ 221,000	$ 1,666,465	$ 9,116,109	$ 497,192,598	$ 506,308,707

2018	31–60 days past due	61–90 days past due	Greater than 90 days past due	Total past due	Current	Total gross loans receivable
Acquisition	$ 500,000	$ -	$ 820,892	$ 1,320,892	$ 122,525,139	$ 123,846,031
Predevelopment and pre-credit loans	-	-	233,249	233,249	27,753,540	27,986,789
Construction	1,069,206	-	195,849	1,265,055	123,870,292	125,135,347
Other	3,086,074	-	-	3,086,074	187,808,149	190,894,223
Total	$ 4,655,280	$ -	$ 1,249,990	$ 5,905,270	$ 461,957,120	$ 467,862,390

The activity in the allowance for uncollectible loans for the years ended December 31, 2019 and 2018 is as follows:

2019	Acquisition	Predevelopment and pre-credit loans	Construction	Other	Total
Allowance for uncollectible loans, beginning of the year	$ (12,709,740)	$ (3,567,222)	$ (5,703,670)	$ (3,697,455)	$ (25,678,087)
Write-offs	210,566	233,249	491,425	295,751	1,230,991
Recoveries	(20,000)	-	(4,560)	(199,721)	(224,281)
Provision	(3,893,957)	(326,550)	(578,018)	(303,056)	(5,101,581)
Allowance for uncollectible loans, end of the year	$ (16,413,131)	$ (3,660,523)	$ (5,794,823)	$ (3,904,481)	$ (29,772,958)

2018	Acquisition	Predevelopment and pre-credit loans	Construction	Other	Total
Allowance for uncollectible loans, beginning of the year	$ (10,007,007)	$ (2,881,054)	$ (5,932,420)	$ (3,194,958)	$ (22,015,439)
Write-offs	-	-	1,117,370	560,258	1,677,628
Recoveries	-	-	(36,971)	(894,880)	(931,851)
Provision	(2,702,733)	(686,168)	(851,649)	(1,001,208)	(5,241,758)
Allowance for uncollectible loans, end of the year	$ (12,709,740)	$ (3,567,222)	$ (5,703,670)	$ (4,530,788)	$ (26,511,420)

Loans receivable, by class and credit quality category, as of December 31, 2019 and 2018, are as follows:

2019	Excellent	Strong	Good	Acceptable	Close Follow	Substandard	Doubtful	Total
Acquistion	$ -	$ 6,504,999	$ 27,785,793	$ 110,354,879	$ 7,332,643	$ 210,568	$ -	$ 152,188,882
Predevelopment and pre-credit loans	-	525,000	12,112,179	16,111,505	714,614	-	-	29,463,298
Construction	-	-	56,115,225	62,898,214	8,644,607	1,922,898	-	129,580,944
Other	201,408	44,290,073	67,866,789	65,191,145	15,780,956	1,745,212	-	195,075,583
Total	$ 201,408	$ 51,320,072	$ 163,879,986	$ 254,555,743	$ 32,472,820	$ 3,878,678	$ -	$ 506,308,707

2018	Excellent	Strong	Good	Acceptable	Close Follow	Substandard	Doubtful	Total
Acquistion	$ -	$ 12,164,388	$ 44,195,881	$ 61,584,868	$ 4,224,253	$ 422,365	$ -	$ 122,591,755
Predevelopment and pre-credit loans	-	983,384	7,717,706	15,116,363	277,310	-	22,554	24,117,317
Construction	-	-	48,285,339	67,593,880	5,319,492	2,453,246	-	123,651,957
Other	251,658	47,280,606	103,385,503	34,083,417	12,500,177	-	-	197,501,361
Total	$ 251,658	$ 60,428,378	$ 203,584,429	$ 178,378,528	$ 22,321,232	$ 2,875,611	$ 22,554	$ 467,862,390

Recoverable grants to CDPs-sponsored projects

In furtherance of its charitable purposes, the Organization makes recoverable grants directly to CDPs. Recoverable grant activity for 2019 and 2018 is summarized as follows:

	2019	2018
Gross recoverable grants, beginning of year	$ 20,720,694	$ 17,235,089
New recoverable grants made	5,415,796	7,416,390
Write-offs	(1,287,141)	(1)
Repayments	(4,116,273)	(3,160,220)
Gross recoverable grants, end of year	20,733,076	21,491,258
Allowance for uncollectible recoverable grants, end of year	(10,983,896)	(11,362,704)
Recoverable grants receivable, net, end of year	$ 9,749,180	$ 10,128,554

Note 8 - Grants payable

In furtherance of its charitable purposes, the Organization makes grants to CDPs. The Organization's grant activity for the years ended December 31, 2019 and 2018 is summarized below:

	2019	2018
Grants payable, beginning of year	$ 34,994,660	$ 48,387,660
New project grants made	48,405,409	48,808,630
Disbursements on commitments	(52,200,654)	(62,201,630)
Grants payable, end of year	$ 31,199,415	$ 34,994,660

Note 9 - Temporary investments in Project Partnerships

NEF Support Corporation, a subsidiary of NEF, may temporarily hold and currently is holding beneficial interests of Project Partnerships in the interim until the beneficial interests are assigned to a Fund. Upon assignment of the Project Partnerships to a Fund, NEF's investment is typically repaid in whole by the Fund.

As of December 31, 2019 and 2018, NEF was holding temporary investments in Project Partnerships of $129,565,674 and $48,998,629, in which NEF contributed $22,811,669 and $6,039,954 to the Project Partnerships and entered into promissory notes for future contributions of $105,278,838 and $42,348,041, respectively. During 2019, NEF recorded equity in income of $504,052 related to temporary investments in two Project Partnerships. No equity in income or loss was recorded during 2018 pertaining to these investments. As of December 31, 2019 and 2018, NEF also includes preacquisition costs of $971,115 and $610,634, respectively, in Temporary Investments in Project Partnerships and Funds, Net. In 2019 and 2018, NEF recorded equity in losses of $0 related to temporary investments.

As of December 31, 2019, NEF Investment Partners LLC, a subsidiary of NEF, was holding a $7,123,988 temporary investment in one Fund. NEF contributed $315,775 to the Fund and entered into a commitment for future contributions of $6,808,213. NEF Investment Partners LLC's entire interest in the Fund was assigned to an investor at book value in 2020.

As of December 31, 2018, NEFCI was holding temporary investments in two Funds of $8,112,871. NEF contributed $243,443 to the Funds and entered into a commitment for future contributions of $7,869,428. NEFCI's interest in both Funds was assigned to investors at book value in 2019.

Note 10 - Acquisitions

Acquisitions are accounted for in accordance with the FASB ASC Topic 958-805, *Not-for-Profit Entities - Business Combinations*. On September 27, 2010, NEF acquired Homestead Capital for the purpose of expanding NEF's presence in the northwest region of the United States. Upon acquisition, NEF allocated the purchase price based on the fair value of the acquired assets, including other identifiable intangible assets such as acquired in-place contracts and customer relationship value, and assumed liabilities. NEF estimated fair value based on discounted cash flow analyses and other valuation techniques. As a result, determining the fair value involved assumptions and estimates, including discount rates, expense growth rates and collectability. NEF allocated $644,012 of the purchase price to certain other intangibles including acquired in-place contract value and customer relationship value. The portions of the purchase price allocated to in-place contracts and customer relationship value are amortized on a straight-line basis over periods ranging from six to 18 years. NEF recorded accumulated amortization of $444,355 and $395,938 as of December 31, 2019 and 2018, respectively. Such amounts are included in other assets in the accompanying consolidating and consolidated statements of financial position. NEF incurred amortization expense pertaining to acquired in-place intangibles of $48,417 and $49,859 for the years ended December 31, 2019 and 2018, respectively.

The following table presents the amortization during the next five years and thereafter related to the acquired in-place intangibles for NEF as of December 31, 2019:

	In-place contracts	Customer relationship	Total
Year:			
2020	$ 42,967	$ 2,646	$ 45,613
2021	38,020	2,646	40,666
2022	30,574	2,646	33,220
2023	24,044	2,646	26,690
2024	19,982	2,646	22,628
Thereafter	25,548	5,292	30,840
	$ 181,135	$ 18,522	$ 199,657

Note 11 - Property and equipment

Property and equipment consist of the following at December 31, 2019 and 2018:

	2019	2018
Furniture, equipment, computer software, and leasehold improvements	$ 17,383,567	$ 16,369,291
Land, buildings, and improvements	92,898,064	92,782,489
Gross property and equipment	110,281,631	109,151,780
Less accumulated depreciation and amortization	(45,364,750)	(45,396,140)
Total property and equipment, net	$ 64,916,881	$ 63,755,640

Related to the CDA entities, as of December 31, 2019 and 2018, the consolidating and consolidated financial statements include $92,898,064 and $92,782,489 in Land, Buildings and Improvements and $2,755,136 and $2,744,062 in Furniture, Equipment, and Leasehold Improvements. Accumulated depreciation was $38,129,489 and $35,345,784 as of December 31, 2019 and 2018.

Note 12 - Loans and bond payable

At December 31, 2019 and 2018, loans and bond payable consisted of the following:

	Maturities	Interest rates	2019	2018
Financial institutions and insurance companies	2020–2037	0.00%–5.00%	$ 376,139,132	$ 330,998,790
Foundations	2020–2025	0.00%–4.50%	53,092,482	47,760,313
Public agencies/entities and retirement funds	2020–2043	0.00%–4.00%	54,733,193	55,139,348
Nonprofit and other institutions	2020–2026	0.00%–2.50%	3,585,194	4,613,425
Total			487,550,001	438,511,876
Less: Unamortized discount and deferred costs (*)			(689,631)	(752,878)
Loans and Bonds Payable, net			$ 486,860,370	$ 437,758,998

Loans and bonds payable maturities

Loans payable are scheduled to be repaid as of December 31, 2019 as follows:

	Principal
2020	$ 39,555,119
2021	58,557,226
2022	64,433,978
2023	73,655,997
2024	41,943,305
Thereafter	209,404,376
Total	$ 487,550,001

* In April 2017, LISC issued $100,000,000 in Taxable Bonds, Series 2017A ("Sustainability Bonds") ($25,000,000, 3.005% term bonds due March 1, 2022; $25,000,000, 3.782% term bonds due March 1, 2027; $50,000,000, 4.649% term bonds due March 1, 2037). The proceeds of the Sustainability Bonds were used to finance then existing loans payable and pay a portion of the debt issuance costs. The Sustainability Bonds were issued at a discount of $731,478, and LISC incurred debt issuance costs of $126,581. As of December 31, 2019 and 2018, the unauthorized discount and deferred costs were $689,631 and $752,878, respectively.

At December 31, 2019, LISC had $124,650,000 of available undrawn sources of funding with maturities ranging from 2020 to 2029. Interest rates range from 1% to 4% fixed rate ($111,650,000) and floating rate range from LIBOR + 1.95% to LIBOR + 2.15% ($13,000,000).

Pledged assets

LISC has pledged certain assets as collateral to lenders to secure (1) nonrecourse indebtedness to LISC totaling $0 and $1,342,243 as of December 31, 2019 and 2018, and (2) $47,799,161 and $49,364,181 of collateral assets for the recourse indebtedness under the Community Development Financial Institution Bond Guarantee Program ("CDFI BGP Loan") totaling $45,545,987 and $46,934,808, as of December 31, 2019 and 2018, respectively.

Subordinated debt
At December 31, 2019, LISC has subordinated debt in loans and bonds payable totaling $34 million in the form of 13 equity-equivalent investments from six financial institutions. At December 31, 2018, LISC had subordinated debt included in loans and bonds payable totaling $25.5 million in the form of 10 equity-equivalent investments from five financial institutions.

Lines of credit
At December 31, 2019 and 2018, LISC had available bank lines of credit of $65,000,000, which expire between February 10, 2020 and December 17, 2021 with interest rates ranging from LIBOR + 1.75% to LIBOR + 2.15%. At December 31, 2019 and 2018, the outstanding balance included in loans and bonds payable was $10,000,000 and $10,000,000, respectively.

A subsidiary of NEF has a $10,000,000 revolving credit facility with a bank to provide a portion of the equity needed to temporarily invest in Project Partnerships. During 2019, the revolving credit facility amount was increased to $20,000,000. The current maturity date is May 31, 2020. NEF intends to renew this facility. The limited partnership interests in the Project Partnerships will secure any monies advanced. Interest on any outstanding amounts is due monthly at the greater of prime plus 25 basis points or 4%. The interest rate was 5% to 5.75% in 2019 and 5.25% to 5.75% in 2018. NEF borrowed $17,835,924 and repaid $17,835,924 in 2019 and borrowed $6,944,551 and repaid $6,944,551 on this line in 2018. The outstanding balance at December 31, 2019 and 2018 was $0.

In 2019, NEF secured a $15,000,000 revolving credit facility with another bank to provide a portion of the equity needed to temporarily invest in Project Partnerships, provide bridge financing to the Funds and to fund general corporate and working capital purposes that support NEF's core business activities. The current maturity date is March 10, 2021. Interest on any outstanding amounts is due quarterly calculated at Prime less 90 basis points. The interest rate in 2019 was 3.85%. NEF borrowed $15,000,000 and repaid $15,000,000 in this line in 2019. The outstanding balance at December 31, 2019 was $0.

Covenants
In accordance with the terms of loan agreements with certain lenders, LISC is required to meet several financial covenants. LISC was in compliance with its financial covenants at December 31, 2019.

Note 13 - Pension and thrift plans

LISC has a Code Section 403(b) defined-contribution pension plan covering all eligible employees. Plan contributions are computed based on formulas defined in the plan. Total pension expense for the years ended December 31, 2019 and 2018, was $3,082,397 and $2,441,379, respectively.

LISC, NEF and Immito maintain thrift plans under Section 401(k) of the Code covering all eligible employees. Under the plans, employee contributions are partially matched by LISC, NEF and Immito, respectively. Total thrift plan expense for the years ended December 31, 2019 and 2018 was $2,464,703 and $2,249,985, respectively.

Note 14 - Financial instruments with off-balance-sheet risk and fair values

Off-balance-sheet risk
The Organization is a party to certain financial instruments with off-balance-sheet risk to meet the financing needs of community development organizations across the United States. These financial

instruments and arrangements include financial guarantees and loan commitments. These transactions and arrangements involve elements of credit risk. The Organization uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

The Organization's exposure to credit loss in the event of nonperformance of the Organization's loans have been guaranteed or sold with recourse is equal to the contractual amounts of the instruments.

Revolving loans are agreements to lend as long as there is no violation of any condition established in the contract. The following represents the composition of financial instruments with off-balance-sheet risk:

	2019 Contract amount	2018 Contract amount
Financial instruments whose contract amounts represent credit risk:		
Financial guarantees	$ 5,940,642	$ 6,120,139
Loan commitments outstanding	208,780,797	234,677,386
Total	$ 214,721,439	$ 240,797,525

LISC generally makes loans over $500,000 on a secured basis. The collateral for such loans generally consists of mortgages, security agreements, assignment of contract receivables, and guarantees.

At December 31, 2019 and 2018, LISC had interest rate swap agreements with notional amounts aggregately of $10,000,000 and $0, respectively. At December 31, 2019 and 2018, the fair value of the interest rate swaps was $5,802 and $0, respectively.

Fair values

The following methods and assumptions were used by the Organization in estimating its fair value disclosure for financial instruments: for cash, cash equivalents, restricted cash escrow, accrued interest receivable, contributions receivable, government grants receivable, notes and other receivables, recoverable grants, real estate held for sale, accounts payable and accrued expenses, grants payable, capital contributions due to temporary investment in Project Partnerships, and capital contributions due to investment in Project Partnerships, the respective amounts reported in the consolidating and consolidated statement of financial position, approximate fair values due to the short-term nature of these financial instruments. The carrying value of loans receivable approximates fair value, which is based on a discounted cash flow analysis using current rates the Organization would charge to similar borrowers with similar maturities and is considered market rate for loans made by similar community development financial institutions. The inputs used for the fair value estimates of these financial instruments are unobservable and are considered Level 3 in the fair value hierarchy. The carrying value of long-term debt and loans and bond payable approximates fair value, which is based on a discounted cash flow analysis using current borrowing rates, which are significant observable inputs and are considered Level 2 in the fair value hierarchy. The Organization utilized Level 3 inputs in its evaluation of impairment of investments in Project Partnerships, the provision for loss on temporary investments in Project Partnerships, the provision for loss on receivables, and the value of the bond receivable. For a discussion of valuations of investments, see Note 1.

The following tables present the Organization's fair value hierarchy for those assets and liabilities measured at fair value on an annual basis as of December 31, 2019 and 2018:

	December 31, 2019		
	Total	Level 1	Level 2
Cash and cash equivalents, and restricted cash escrow	$ 181,825,726	$ 181,825,726	$ -
Investments:			
Cash held for investment	$ 36,147,455	$ 36,147,455	$ -
Corporate bonds and fixed income funds	39,604,491	39,364,383	240,108
U.S. government agencies	37,989,184	30,107,736	7,881,448
Certificates of deposit	4,553,892	-	4,553,892
	$ 118,295,022	$ 105,619,574	$ 12,675,448
Alternative investments:			
Real estate investment trust	$ 3,114,764		
Hedge funds	14,948,068		
Private equity funds	3,862,038		
	21,924,870		
Total investments	$ 140,219,892		
Interest rate swap held by LISC	$ 5,802	$ -	$ 5,802
Interest rate swap held by NEF Project Partnership	170,503	-	170,503
Total interest rate swaps	$ 170,503	$ -	$ 170,503
Loan guarantee - LISC	$ (298,902)	$ -	$ (298,902)

	December 31, 2018		
	Total	Level 1	Level 2
Cash and cash equivalents, and restricted cash escrow	$ 165,676,212	$ 165,676,212	$ -
Investments:			
Cash held for investment	$ 35,362,595	$ 35,362,595	$ -
Corporate bonds and fixed income funds	37,936,096	37,619,043	317,053
U.S. government agencies	36,624,418	28,895,272	7,729,146
Certificates of deposit	5,232,689	-	5,232,689
	$ 115,155,798	$ 101,876,910	$ 13,278,888
Alternative investments:			
Real estate investment trust	$ 3,114,764		
Hedge funds	13,622,255		
Private equity funds	1,603,586		
	18,340,605		
Total investments	$ 133,496,403		
Interest rate swap held by NEF Project Partnership	$ 179,731	$ -	$ 179,731
Total interest rate swaps	$ 179,731	$ -	$ 179,731
Loan guarantee - LISC	$ (298,902)	$ -	$ (298,902)

Note 15 - Concentration of credit risk

LISC makes loans throughout the United States primarily to local community organizations and non-profit developers that are primarily engaged in residential, commercial, and community facility real estate development. Although LISC's portfolio is diversified as to location of borrower, the ability of LISC borrowers to repay their obligations on a timely basis may be affected by a downturn in the economy, a cutback in government subsidies, of the availability of other permanent financing sources, which may limit capital available to complete projects. The Organization places its cash and cash equivalents with high credit quality financial institutions that are federally insured. At times, invested cash may exceed federally insured amounts.

BFF operations are heavily concentrated in the affordable housing market in the San Francisco Bay Area. Future operations could be affected by changes in the economic or other conditions in that geographical area of the domain for such housing.

Note 16 - Commitments and contingencies

Project Partnership guarantees and purchase commitments

In connection with the placement of a Project Partnership into a Fund in 2014, a subsidiary of NEF entered into a put agreement with the investor of the Fund. Under the agreement, the fund investor could put, assign and transfer the Project Partnership to the subsidiary or its designee at any time after expiration of the credit period and before expiration of the credit compliance period of the Project Partnership, which is anticipated to be 2025 and 2030, respectively ("Put Period"). If the option is exercised, the subsidiary would be responsible for paying the tax credit recapture to the fund investor if a catastrophic event occurs during the Put Period and the Project Partnership was unable to rebuild the lost units due to zoning reconstruction restrictions. NEF has not accrued any contingent liability as a loss is neither probable nor estimable as of December 31, 2019.

During 2015, NEF entered into a guaranty agreement with a Fund related to a Project Partnership in the Fund whereby NEF serves as a backstop to cover the project general partner's obligations if the Project Partnership's reserves are depleted and the project partnership guarantor fails to cover its obligations. NEF's guarantee is currently $250,000 as the project reached stabilized occupancy in 2017. The guaranty period expires at the end of the operating deficit guaranty. NEF has not accrued any contingent liability as a loss is neither probable nor estimable as of December 31, 2019.

During 2018, NEF entered into a guaranty agreement with a Fund related to a Project Partnership in the Fund. NEF has agreed to provide additional back-up guaranty funding in the event that the project's manager, as guarantor, is unable to fulfill their obligations relating to the liquidated damage rights under the development completion guaranty agreement. NEF's maximum exposure is $557,468. NEF has not accrued any contingent liability as a loss is neither probable nor estimable as of December 31, 2019.

During 2018, NEF, as general partner of a Fund, entered into a tax credit purchase and transfer agreement with two Project Partnerships. NEF agreed to purchase the state tax credits associated with the Project Partnerships for a purchase price of $4,366,385. As of December 31, 2018, NEF is the sole member of this Fund. The state tax credits were transferred to third-party investors in August 2019 when the Fund closed. NEF has no further liability as of December 31, 2019.

During 2019, NEF entered into a guaranty agreement with a construction lender related to a Project Partnership in a Fund. NEF has agreed to provide a construction completion guaranty in the event that the project's manager, as a guarantor, is unable to fulfill their obligations during construction and all funds in pledged accounts have been depleted. NEF will be fully released from this guaranty upon construction completion and receipt of the project's final certificate of occupancy. NEF's maximum exposure is $500,000. NEF has not accrued any contingency liability as a loss is neither probable nor estimable as of December 31, 2019.

During 2019, NEF entered into a guaranty agreement with an investor related to a Project Partnership in a Fund. NEF has agreed to provide a 0% interest loan to the Fund in the event that the project's manager, as guarantor, is unable to fulfill their obligations under the development completion guaranty agreement. NEF will be fully released from this guaranty upon the Project Partnership achieving stabilized occupancy and satisfying all conditions to the payment of the fourth equity installment in accordance with the Project Partnership operating agreement. NEF's maximum exposure is $611,000. NEF has not accrued any contingent liability as a loss is neither probable nor estimable as of December 31, 2019.

In 2019 and 2018, NEF has guaranty obligations as a backup guarantor for operating deficits for various Project Partnerships with a maximum exposure of $914,643 and $867,511, respectively. NEF has not accrued any contingent liability as a loss is neither probable nor estimable as of December 31, 2019.

The CDA Partnerships' low-income housing credits are contingent on its ability to maintain compliance with applicable sections of Section 42. Failure to maintain with occupied eligibility and/or unit gross rent, or to correct noncompliance within a specified time period could result in recapture of previously taken tax credits plus interest. In addition, such noncompliance may require an adjustment to the contributed capital by the limited partner(s).

Litigation
In the ordinary course of its activities, the Organization is a party to several legal proceedings. In the opinion of management and legal counsel, the resolution of such matters will not have a material adverse impact on the Organization's operations or financial position.

Operating lease, right of use asset and liability
The Organization's leased assets include office leases with remaining terms from less than one year up to 15 years. Any renewal options are excluded from the calculation of lease liabilities unless exercising the renewal option is reasonably assured. The lease agreements do not contain residual value guarantees or material restrictive covenants. Operating leases are reflected on the consolidating statement of financial position as a right of use asset and a related right of use liability. Right of use assets represent the right to use an underlying asset for the lease term and were $58,491,235 and $62,004,805 as of December 31, 2019 and 2018, respectively, and right of use liability represents the obligation to make lease payments arising from the lease agreement which are discounted using the Organization's incremental borrowing rate, rates ranging from 1.72% to 2.88%, as of December 31, 2019 and 2018, respectively, Operating lease right of use assets and liabilities are recognized at the commencement date, or the date on which the lessor makes the underlying asset available for use, based upon present value of the lease payments over the respective lease term. Lease expense is recognized on a straight-line basis over the lease term. Variable lease costs such as common area maintenance and property taxes are expenses as incurred.

Minimum rental commitments under noncancelable operating real estate leases in effect at December 31, 2018 and expiring at various dates through February 2035 totaled $74,034,658. These amounts exclude future escalation for real estate taxes and building operating expenses. Minimum future rental commitments as of December 31, 2019 are as follows:

2020	$ 6,054,126
2021	6,016,464
2022	5,883,705
2023	5,296,799
2024	3,849,528
Thereafter	46,934,036
Subtotal	74,034,658
Less: Effects of discounting	(12,614,527)
Total	$ 61,420,131

Rental expense, inclusive of real estate taxes and operating costs, for the year ended December 31, 2019 and 2018, totaled $5,900,988 and $5,754,484, respectively.

Government contracting
Grant and contract revenue recognized from government agencies are based on actual costs incurred and reimbursable expenses from the respective government agencies. These costs are subject to audit by the Office of the Inspector General or the respective granting agencies and the ultimate revenue recognized is contingent upon the outcome of any such audits. Accordingly, the accompanying consolidating and consolidated financial statements are subject to reflecting provisions for adjustments, if any, which may result from an audit. For the year ended December 31, 2019, no such provisions was necessary.

Note 17 - CDA partnerships - long-term debt, net

As of December 31, 2019 and 2018, the CDA Partnerships had an outstanding long-term debt balance of $50,226,189 and $50,510,722, respectively, which consists of mortgage notes held by banks and other lenders. Maturity dates range from 2020 to 2057 and interest rates range from 0% to 7.72% as of December 31, 2019 and 2018, respectively. Unamortized debt issuance costs were $623,350 and $659,596 as of December 31, 2019 and 2018, respectively, and are presented net in long-term debt on the consolidating and consolidated statement of financial position.

As of December 31, 2019 and 2018, one CDA Partnership is in technical default on their long-term debt in the amount of $287,374. For these CDA Partnerships, management is working with the lenders and does not expect an unfavorable outcome.

Annual maturities on long-term debt at December 31, 2019 are as follows:

2020	$ 584,085
2021	312,739
2022	1,029,798
2023	1,512,697
2024	1,612,951
Thereafter	45,173,919
Total	$ 50,226,189

Note 18 - Due from funds

Due from funds includes the syndication and asset management fees billed but not received as of December 31, 2019 and 2018. At December 31, 2019 and 2018, the following fees are due to NEF:

	2019	2018
ACD Midwest Fund I LP	$ -	$ 109,612
ACD Midwest Fund II LP	237,718	-
California Equity Fund 2016 LP	177,852	-
California Equity Fund 2018 LP	39,846	1,199,082
California Equity Fund 2019 LP	526,383	-
NEF Capital One Investment Fund LLC	-	119,654
Four Eighty-One Housing Investment Fund IV LP	-	148,408
FNBC Leasing Investment Fund LLC	100,833	10,833
GS-NYEF Fund 2009 LLC	89,172	22,200
Homestead Equity Fund XIII LP	167,536	-
Homestead Equity Fund XIV LP	284,910	515,131
Homestead Equity Fund XV LP	90,027	942,065
Homestead Equity Fund XVI LP	1,303,491	-
MS CTR Fund I LLC	116,347	52,853
National Equity Fund 2006 LP	171,057	1,697
National Equity Fund 2007 LP	148,447	-
National Equity Fund 2018 LP	297,985	294,552
National Equity Fund 2019 LP	1,063,618	-
Nationwide Affordable Housing Fund XX - NEF LLC	82,500	7,500
NEF Chicago West Town Fund LP	301,961	55,467
NEF Community Preservation Fund I LP	91,275	-
NEF Florida Affordable Housing Fund II LP	86,299	-
NEF FRE Affordable Housing Fund LP	-	731,907
NEF Friendship Village Fund LLC	67,483	96,144
NEF Investment Partners Fund V LP	111,232	30,698
NEF Investment Partners Fund VI LP	79,497	2,523
NEF New York Regional Fund LP	808,702	599,216
NEF New York Special Tax Credit Fund 2016 LP	-	131,482
NEF Preservation Fund II LP	91,857	-
NEF Preservation Mortgage Loan Fund I LP	621,185	-
NEF Regional Fund VIII - Chicago LP	384,532	481,364
NEF Regional Secondary - California LP	-	371,845
NEF 2018 Texas Regional Fund LP	350,703	219,963
NYC Distressed Multifamily Housing Fund I LP	88,465	63,465
Other Funds	575,499	624,814
	$ 8,556,412	$ 6,832,475

Note 19 - Project Partnerships

Investment in Project Partnerships

NEF (or its subsidiaries) has nominal (generally 1% or less) general partner or managing member interests in the Funds and other ventures and partnerships. At December 31, 2019 and 2018, NEF's investment balance in the Funds and other ventures and partnerships was $13,430 and $13,730, respectively, and is included in other assets, in the accompanying consolidating and consolidated statement of financial position. NEF accounts for its investments in Funds and other ventures and partnerships using the equity method of accounting, to the extent of its investment plus unrecovered advances. At December 31, 2019 and 2018, deficit balances related to certain of its investments in Funds and other ventures and partnerships were $867,659 and $867,598, respectively, and are included in accounts payable and accrued expenses in the accompanying consolidating and consolidated statement of financial position. NEF recorded $61 and $54,964 of equity in losses as of December 31, 2019 and 2018, respectively.

NEF holds limited partner interests in NYC Distressed Funds, the NEF Preservation Funds, Enclave at Firewheel, and certain Funds in which it manages and accounts for these interests. The investment balances of these interests are $1,153,419 and $2,008,741 as of December 31, 2019 and 2018, respectively. NEF recorded $53,784 of equity in losses and $120,348 as of December 31, 2019 and $120,348 of equity in income as of December 31, 2018.

The CDA entities discussed in Note 1 hold generally a 1% or 0.01% general partnership interest in the CDA Partnerships. Pursuant to U.S. GAAP, CDA is deemed to control the limited partnerships and has, therefore, consolidated all entities in which it served as a general partner or managing member if the limited partners do not overcome the presumption of partnership control. CDA did not assume any general partner interests in 2019 and 2018. CDA transferred its general partner interests in four and three CDA Partnerships to an unrelated third party in 2019 and 2018, resulting in a $0 and $3,179,358 gain on disposition in 2019 and 2018, respectively.

Assignment of Project Partnership interests

The assignment of Project Partnership interests to a Fund is recognized when the parties are bound by the terms of a contract, all consideration has been exchanged, any permanent financing for which NEF is responsible has been arranged and all conditions precedent to closing have been performed.

Interest rate swaps held by CDA Partnerships

One CDA Partnership is party to a derivative financial instrument to limit its exposure to interest rate fluctuations through the use of interest rate swaps. These instruments are held only for the purpose of hedging or limiting such risks, not for speculation. As of December 31, 2019 and 2018, the fair value of the interest rate swap was $170,503 and $179,731, respectively, and is included in accounts payable and other liabilities in the companying consolidating and consolidated statement of financial position. As the CDA Partnership's derivative financial instrument does not qualify for hedge accounting, the CDA Partnership recorded a $9,228 and $67,063 gain on interest rate swap in 2019 and 2018, respectively, and is valued within Level 2 of the fair value hierarchy.

Note 20 - NMTC award administered

As of December 31, 2019 and 2018, approximately $1.039 billion and $987 million, respectively, of the $1.053 billion total NMTC authority awarded to LISC had been closed. The following tables show the total allocation received, total QEIs closed, and total allocation remaining by round for the years ended December 31, 2019 and 2018:

	Projects	Allocation received	QEIs closed before 2019	QEIs closed during 2019	Total QEIs closed through December 31, 2019	Allocation remaining as of December 31, 2019
Round 1–9 and 11	99	$ 838,000,000	$ 838,000,000	$ -	$ 838,000,000	$ -
Round 12	23	70,000,000	68,224,381	1,775,619	70,000,000	-
Round 13	15	85,000,000	80,625,000	3,203,125	83,828,125	1,171,875
Round 15	7	60,000,000	-	47,000,000	47,000,000	13,000,000
Total	144	$ 1,053,000,000	$ 986,849,381	$ 51,978,744	$ 1,038,828,125	$ 14,171,875

	Projects	Allocation received	QEIs closed before 2018	QEIs closed during 2018	Total QEIs closed through December 31, 2018	Allocation remaining as of December 31, 2018
Round 1–9 and 11	99	$ 838,000,000	$ 838,000,000	$ -	$ 838,000,000	$ -
Round 12	22	70,000,000	63,075,166	6,649,215	69,724,381	275,619
Round 13	12	85,000,000	67,550,000	11,575,000	79,125,000	5,875,000
Total	133	$ 993,000,000	$ 968,625,166	$ 18,224,215	$ 986,849,381	$ 6,150,619

As of December 31, 2019 and 2018, 72 and 58 projects, respectively, reached the end of their compliance periods. During 2019 and 2018, NMSC recognized $422,900 and $627,476 in exit fee revenue from 14 and nine CDEs, respectively, related to these projects.

Note 21 - Subsequent events

In connection with the preparation of the consolidating and consolidated financial statements, the Organization evaluated subsequent events after the balance sheet date of December 31, 2019 through June 30, 2020, which was the date the consolidating and consolidated financial statements were available to be issued, and concluded that other than the subsequent event discussed below, no additional matters have occurred that would require recognition or disclosure in the consolidated financial statements.

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity which could result in a loss of revenue and other material adverse effects to the Organization's financial position, results of operations, and cash flows. The Organization is not able to reliably estimate the length or severity of this outbreak and the related financial impact.

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