

Consolidated Financial Statements and Independent  
Auditor's Report

Low Income Investment Fund and Subsidiaries  
(A California Nonprofit Public Benefit Corporation)

June 30, 2025 and 2024

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## Independent Auditor's Report

To the Board of Directors  
Low Income Investment Fund and Subsidiaries

### Opinion

We have audited the consolidated financial statements of Low Income Investment Fund and Subsidiaries (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2025, and the related consolidated statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization as of June 30, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Other Matter

The consolidated financial statements of the Organization for the year ended June 30, 2024, were audited by another auditor, who expressed an unmodified opinion on those statements on October 23, 2024.

### Responsibilities of Management for the Consolidated Financial Statements

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

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

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's

report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### Supplementary Information

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

*CohnReznick LLP*

Bethesda, Maryland  
October 22, 2025

**Low Income Investment Fund and Subsidiaries**  
**(A California Nonprofit Public Benefit Corporation)**

**Consolidated Statements of Financial Position**  
**June 30, 2025 and 2024**

	2025	2024
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 50,039,776	\$ 29,409,688
Restricted cash and cash equivalents	72,753,428	65,630,545
Investments	4,368,997	6,414,818
Accounts receivable, net of allowance for credit losses of \$898,733 for 2025 and \$675,100 for 2024	3,154,408	4,341,189
Current portion of contributions receivable	6,824,953	5,119,056
Accrued interest receivable	4,170,586	3,700,598
Prepaid expenses and deposits	2,370,533	1,497,102
Current portion of notes receivable	237,630,666	209,664,176
<b>Total current assets</b>	<b>381,313,347</b>	<b>325,777,172</b>
Investments, net of current	14,537,348	11,685,049
Restricted investments	11,634,783	10,964,695
Contributions receivable, net of current	711,192	91,032
Right of use asset	8,458,551	8,943,530
Notes receivable, net of current and allowance for credit losses of \$19,502,278 in 2025 and \$13,069,507 in 2024	378,261,835	429,703,360
Equipment and leasehold improvements, net	1,831,944	1,966,528
<b>Total assets</b>	<b>\$ 796,749,000</b>	<b>\$ 789,131,366</b>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 8,795,086	\$ 7,278,167
Accrued interest payable	3,813,536	4,079,818
Conditional contributions	8,819,999	7,055,957
Deferred revenue	443,686	537,802
Funds held in trust	20,219,985	29,336,714
Other liabilities	4,930,154	3,357,817
Lease liability	1,659,592	1,198,806
Current portion of notes payable, net	31,544,352	40,684,863
Current portion of subordinated notes payable	-	4,000,000
<b>Total current liabilities</b>	<b>80,226,390</b>	<b>97,529,944</b>
Other liabilities, net of current	4,161,188	4,161,188
Lease liability, net of current	8,153,589	8,736,195
Notes payable, net of current	450,213,500	477,838,451
Subordinated notes payable, net of current	31,679,620	22,679,620
<b>Total liabilities</b>	<b>574,434,287</b>	<b>610,945,398</b>
Commitments and contingencies		
Net assets:		
Without donor restrictions	153,018,240	120,537,407
Non-controlling interest in subsidiaries	3,615,299	4,079,133
<b>Total without donor restrictions</b>	<b>156,633,539</b>	<b>124,616,540</b>
With donor restrictions	65,681,174	53,569,428
<b>Total net assets</b>	<b>222,314,713</b>	<b>178,185,968</b>
<b>Total liabilities and net assets</b>	<b>\$ 796,749,000</b>	<b>\$ 789,131,366</b>

See notes to consolidated financial statements.

**Low Income Investment Fund and Subsidiaries**  
**(A California Nonprofit Public Benefit Corporation)**

**Consolidated Statement of Activities and Changes in Net Assets**  
**Year Ended June 30, 2025**

	Without Donor Restrictions	With Donor Restrictions	Total
Support, revenues and investment return:			
Net financial income:			
Interest income—lending	\$ 42,694,820	\$ -	\$ 42,694,820
Less interest expense	(18,899,630)	-	(18,899,630)
Less provision for credit losses	(6,277,487)	-	(6,277,487)
<b>Total net financial income</b>	<b>17,517,703</b>	<b>-</b>	<b>17,517,703</b>
Fees:			
Loan packaging and servicing	557,406	-	557,406
Syndication fees	3,877,626	-	3,877,626
Asset management fees	2,803,151	-	2,803,151
Technical assistance and consulting	5,514,883	-	5,514,883
Other	59,295	-	59,295
<b>Total fees</b>	<b>12,812,361</b>	<b>-</b>	<b>12,812,361</b>
Investment return, net	4,115,250	963,873	5,079,123
Contributions	48,241,000	21,911,903	70,152,903
Net assets released from restrictions	10,764,030	(10,764,030)	-
<b>Total support and investment return</b>	<b>63,120,280</b>	<b>12,111,746</b>	<b>75,232,026</b>
<b>Total support, revenues and investment return</b>	<b>93,450,344</b>	<b>12,111,746</b>	<b>105,562,090</b>
Expenses:			
Program services:			
Lending production, asset management and servicing	12,622,364	-	12,622,364
Affordable housing syndication services	5,291,133	-	5,291,133
Child care development services	20,228,230	-	20,228,230
Other development services	5,188,731	-	5,188,731
National policy	149,635	-	149,635
<b>Total program services</b>	<b>43,480,093</b>	<b>-</b>	<b>43,480,093</b>
Supporting services:			
Management and general	15,134,539	-	15,134,539
Fundraising	2,818,713	-	2,818,713
<b>Total supporting services</b>	<b>17,953,252</b>	<b>-</b>	<b>17,953,252</b>
<b>Total expenses</b>	<b>61,433,345</b>	<b>-</b>	<b>61,433,345</b>
<b>Change in net assets</b>	<b>32,016,999</b>	<b>12,111,746</b>	<b>44,128,745</b>
Net assets:			
Beginning of year	124,616,540	53,569,428	178,185,968
End of year	\$ 156,633,539	\$ 65,681,174	\$ 222,314,713

See notes to consolidated financial statements.

**Low Income Investment Fund and Subsidiaries**  
**(A California Nonprofit Public Benefit Corporation)**

**Consolidated Statement of Activities and Changes in Net Assets**  
**Year Ended June 30, 2024**

	Without Donor Restrictions	With Donor Restrictions	Total
Support, revenues and investment return:			
Net financial income:			
Interest income—lending	\$ 35,745,812	\$ -	\$ 35,745,812
Less interest expense	(15,503,107)	-	(15,503,107)
Less provision for credit losses	(2,433,094)	-	(2,433,094)
<b>Total net financial income</b>	<b>17,809,611</b>	<b>-</b>	<b>17,809,611</b>
Fees:			
Loan packaging and servicing	352,824	-	352,824
Syndication fees	2,786,538	-	2,786,538
Asset management fees	3,072,014	-	3,072,014
Technical assistance and consulting	6,922,090	-	6,922,090
Other	272,708	-	272,708
<b>Total fees</b>	<b>13,406,174</b>	<b>-</b>	<b>13,406,174</b>
Investment return, net	2,929,702	972,170	3,901,872
Contributions	32,765,052	8,841,625	41,606,677
Net assets released from restrictions	10,477,672	(10,477,672)	-
<b>Total support and investment return</b>	<b>46,172,426</b>	<b>(663,877)</b>	<b>45,508,549</b>
<b>Total support, revenues and investment return</b>	<b>77,388,211</b>	<b>(663,877)</b>	<b>76,724,334</b>
Expenses:			
Program services:			
Lending production, asset management and servicing	11,127,896	-	11,127,896
Affordable housing syndication services	5,538,599	-	5,538,599
Child care development services	36,415,657	-	36,415,657
Other development services	3,586,558	-	3,586,558
National policy	108,357	-	108,357
<b>Total program services</b>	<b>56,777,067</b>	<b>-</b>	<b>56,777,067</b>
Supporting services:			
Management and general	13,971,648	-	13,971,648
Fundraising	3,243,275	-	3,243,275
<b>Total supporting services</b>	<b>17,214,923</b>	<b>-</b>	<b>17,214,923</b>
<b>Total expenses</b>	<b>73,991,990</b>	<b>-</b>	<b>73,991,990</b>
<b>Change in net assets before distributions to noncontrolling interest</b>	<b>3,396,221</b>	<b>(663,877)</b>	<b>2,732,344</b>
Dissolution of interests	4,850	-	4,850
<b>Change in net assets</b>	<b>3,401,071</b>	<b>(663,877)</b>	<b>2,737,194</b>
Net assets:			
Beginning of year	109,953,702	54,233,305	164,187,007
Cumulative change in accounting policy	11,261,767	-	11,261,767
End of year	<b>\$ 124,616,540</b>	<b>\$ 53,569,428</b>	<b>\$ 178,185,968</b>

See notes to consolidated financial statements.

**Low Income Investment Fund and Subsidiaries**  
**(A California Nonprofit Public Benefit Corporation)**

**Consolidated Statement of Functional Expenses**  
**Year Ended June 30, 2025**

	Program					Total	Management and General	Fundraising	Total
	Lending Production, Asset Management and Servicing	Affordable Housing Syndication Services	Child Care Development Services	Other Development Services	National Policy				
Expenses:									
Personnel	\$ 9,902,174	\$ 3,812,741	\$ 6,181,184	\$ 2,231,753	\$ -	\$ 22,127,852	\$ 10,623,074	\$ 1,783,498	\$ 34,534,424
Consultants and legal	447,080	610,412	1,382,694	348,239	94,700	2,883,125	1,268,321	621,394	4,772,840
Travel and conferences	241,124	132,672	148,811	154,901	768	678,276	372,415	63,110	1,113,801
Occupancy	705,379	380,087	692,523	186,485	-	1,964,474	1,305,835	196,242	3,466,551
Insurances, licenses and fees	279,004	101,714	550,087	12,795	-	943,600	774,933	20,980	1,739,513
Audit and annual report	-	22,596	-	-	-	22,596	357,064	-	379,660
Depreciation and amortization	135,846	97,725	130,311	35,112	-	398,994	180,257	27,289	606,540
Grants	831,459	-	11,132,064	2,201,000	-	14,164,523	-	-	14,164,523
Miscellaneous	80,298	133,186	10,556	18,446	54,167	296,653	252,640	106,200	655,493
<b>Total expenses before interest expense and provision for credit losses</b>	<b>12,622,364</b>	<b>5,291,133</b>	<b>20,228,230</b>	<b>5,188,731</b>	<b>149,635</b>	<b>43,480,093</b>	<b>15,134,539</b>	<b>2,818,713</b>	<b>61,433,345</b>
Interest expense	18,358,255	508,775	-	-	-	18,867,030	32,600	-	18,899,630
Provision for credit losses	6,277,487	-	-	-	-	6,277,487	-	-	6,277,487
<b>Total expenses</b>	<b>\$ 37,258,106</b>	<b>\$ 5,799,908</b>	<b>\$ 20,228,230</b>	<b>\$ 5,188,731</b>	<b>\$ 149,635</b>	<b>\$ 68,624,610</b>	<b>\$ 15,167,139</b>	<b>\$ 2,818,713</b>	<b>\$ 86,610,462</b>

See notes to consolidated financial statements.

**Low Income Investment Fund and Subsidiaries  
(A California Nonprofit Public Benefit Corporation)**

**Consolidated Statement of Functional Expenses  
Year Ended June 30, 2024**

	Program					Total	Management and General	Fundraising	Total
	Lending Production, Asset Management and Servicing	Affordable Housing Syndication Services	Child Care Development Services	Other Development Services	National Policy				
Expenses:									
Personnel	\$ 8,790,541	\$ 4,323,661	\$ 7,979,712	\$ 2,289,332	\$ -	\$ 23,383,246	\$ 10,123,455	\$ 2,135,812	\$ 35,642,513
Consultants and legal	477,014	430,369	1,874,044	734,532	59,000	3,574,959	1,074,192	658,341	5,307,492
Travel and conferences	212,618	200,521	105,938	177,729	32	696,838	656,089	90,700	1,443,627
Occupancy	692,324	193,958	832,887	237,940	-	1,957,109	890,022	187,716	3,034,847
Insurances, licenses and fees	305,507	94,590	453,995	18,188	-	872,280	709,339	29,620	1,611,239
Audit and annual report	4,302	27,665	5,566	1,212	-	38,745	307,436	993	347,174
Depreciation and amortization	111,946	106,240	126,593	35,079	-	379,858	138,807	21,926	540,591
Grants	222,629	-	25,024,862	65,944	-	25,313,435	-	-	25,313,435
Miscellaneous	311,015	161,595	12,060	26,602	49,325	560,597	72,308	118,167	751,072
<b>Total expenses before interest expense and provision for credit losses</b>	<b>11,127,896</b>	<b>5,538,599</b>	<b>36,415,657</b>	<b>3,586,558</b>	<b>108,357</b>	<b>56,777,067</b>	<b>13,971,648</b>	<b>3,243,275</b>	<b>73,991,990</b>
Interest expense	15,376,271	126,836	-	-	-	15,503,107	-	-	15,503,107
Provision for credit losses	2,433,094	-	-	-	-	2,433,094	-	-	2,433,094
<b>Total expenses</b>	<b>\$ 28,937,261</b>	<b>\$ 5,665,435</b>	<b>\$ 36,415,657</b>	<b>\$ 3,586,558</b>	<b>\$ 108,357</b>	<b>\$ 74,713,268</b>	<b>\$ 13,971,648</b>	<b>\$ 3,243,275</b>	<b>\$ 91,928,191</b>

See notes to consolidated financial statements.

**Low Income Investment Fund and Subsidiaries**  
**(A California Nonprofit Public Benefit Corporation)**

**Consolidated Statements of Cash Flows**  
**Years Ended June 30, 2025 and 2024**

	2025	2024
Cash flows from operating activities:		
Change in net assets	\$ 44,128,745	\$ 2,737,194
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	595,124	536,747
Amortization of debt issuance costs	254,104	219,169
Change in deferred fees and costs	(1,653,602)	570,552
Loss on disposal of fixed assets	13,923	3,845
Amortization of right of use assets	1,503,779	1,112,021
Provision for credit losses	6,504,465	2,433,094
Gain on related-party equity investments	(437,006)	(548,772)
Net realized and unrealized gains	(923,740)	(242,749)
Noncash interest income	(241,724)	(237,593)
Changes in operating assets and liabilities:		
Accounts receivable	1,186,781	(717,634)
Contributions receivable	(2,326,057)	34,363,933
Accrued interest receivable	(469,988)	(1,298,637)
Prepaid expenses and deposits	(873,431)	(98,761)
Lease liability	(1,140,620)	(1,026,409)
Accounts payable and accrued expenses	1,445,225	(5,891,570)
Accrued interest payable	(266,282)	1,544,131
Other liabilities	1,572,337	1,706,985
Conditional contributions	1,669,926	4,138,390
<b>Net cash provided by operating activities</b>	<b>50,541,959</b>	<b>39,303,936</b>
Cash flows from investing activities:		
Purchases of investments	(24,045,946)	(11,926,953)
Proceeds from sales of investments	17,570,551	11,578,060
Proceeds from calls, maturities, and prepayments of investments	6,359,576	1,424,879
Funds held in trust	(9,116,729)	22,932,907
Loans made	(133,252,396)	(222,060,365)
Collections on loans	152,189,984	96,538,468
Purchase of equipment and leasehold improvements	(474,463)	(447,066)
<b>Net cash provided by (used in) investing activities</b>	<b>9,230,577</b>	<b>(101,960,070)</b>
Cash flows from financing activities:		
Proceeds from notes payable	121,638,681	284,527,849
Repayments of notes payable	(158,505,381)	(190,299,999)
Proceeds from subordinated notes payable	5,000,000	-
Debt issuance costs	(152,865)	(57,404)
<b>Net cash (used in) provided by financing activities</b>	<b>(32,019,565)</b>	<b>94,170,446</b>

(Continued)

**Low Income Investment Fund and Subsidiaries**  
**(A California Nonprofit Public Benefit Corporation)**

**Consolidated Statements of Cash Flows (Continued)**  
**Years Ended June 30, 2025 and 2024**

	2025	2024
<b>Net increase in cash, cash equivalents and restricted cash and cash equivalents</b>	<b>\$ 27,752,971</b>	<b>\$ 31,514,312</b>
Cash, cash equivalents and restricted cash and cash equivalents:		
Beginning of year	95,040,233	63,525,921
End of year	<u>\$ 122,793,204</u>	<u>\$ 95,040,233</u>
Cash and cash equivalents	\$ 50,039,776	\$ 29,409,688
Restricted cash and cash equivalents	72,753,428	65,630,545
	<u>\$ 122,793,204</u>	<u>\$ 95,040,233</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 19,131,457</u>	<u>\$ 15,018,230</u>
Noncash investing and financing transactions:		
Right-of-use assets obtained in exchange for lease obligations:		
Operating right-of-use assets obtained during the year	<u>\$ 483,044</u>	<u>\$ 1,517,813</u>
Operating lease liabilities obtained during the year	<u>\$ 657,569</u>	<u>\$ 1,568,016</u>
Supplemental disclosure of noncash activities:		
Cumulative change in accounting policy	<u>\$ -</u>	<u>\$ 11,261,767</u>

See notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

## Note 1 – Organization and nature of business

The Low-Income Investment Fund and Subsidiaries (LIIF), a California nonprofit public benefit corporation, is a community development financial institution (CDFI), which provides a comprehensive range of programs that increase the flow of affordable and flexible capital to people and communities historically excluded from traditional capital markets. LIIF's primary lending programs include affordable housing and early care and education, providing grants and technical assistance to early care and education providers. Created in 1984 in response to needs in low-income housing, LIIF provides a crucial link between community-based, development organizations and the capital markets, and other sources of financing and support.

Headquartered in San Francisco, with lending offices in Los Angeles, New York, Washington, D.C. and Atlanta, LIIF supports organizations working to advance opportunity, equity and well-being in underserved neighborhoods throughout the United States. LIIF-financed projects serve families that have faced historic structural inequities. LIIF offers pre-development, acquisition, construction and permanent loans, as well as lines of credit from its Revolving Loan Fund (RLF), and Bond Guarantee Program (BGP). In addition, LIIF partners with third-party lenders to offer loan packaging and servicing, and technical assistance, grants and consulting to nonprofit community organizations, childcare facilities and state and local government agencies.

Since inception, LIIF has invested \$3.9 billion to promote quality affordable housing, early care and education, k-12 education, health care clinics, and other community building initiatives. LIIF has also leveraged an additional \$19.3 billion in capital investments for high-impact projects spanning 37 states.

On September 30, 2020, LIIF, through its 100% owned subsidiary LIIF Housing Investments, LLC, purchased a 60% controlling interest in National Affordable Housing Trust (NAHT) from Stewards of Affordable Housing for the Future (SAHF). NAHT is a Maryland nonprofit corporation dedicated to the creation and preservation of affordable housing through the use of Low-Income Housing Tax Credits (LIHTC). NAHT serves as the general partner in limited partnerships or the managing member in limited liability companies in LIHTC Funds (LIHTC Funds). Through these funds, NAHT attracts capital to long-term investments in affordable housing.

The following programs and supporting services are included in the accompanying consolidated financial statements:

### **Lending production, asset management and servicing**

Includes all of the activities involved with marketing, underwriting, committing, closing and servicing community development loans.

LIIF lends its capital on a secured and unsecured basis to commercial real estate development projects in six financial product/services clusters—Affordable Housing, Education, Healthcare, Transit Oriented Development, Food Commerce and Community Facilities—utilizing the RLF and Healthy Food and Financing Initiative (HFFI). Through the RLF, LIIF underwrites projects in each program area. HFFI is solely dedicated to financing grocery and small food stores that sell fresh and healthy food. From these funds, LIIF makes loans to support: (1) costs associated with predevelopment activities, including environmental assessments, inspections, architectural services, permits and legal fees, (2) short-term capital for land or existing building acquisition, (3) short-term capital for construction, renovation, mini-perm or bridge financing, (4) new permanent financing or refinancing of existing debt and (5) leveraged lending for New Market Tax Credit (NMTC) projects.

## **Note 1 – Organization and nature of business (continued)**

These loan types span LIIF's programs with varied product offerings, terms and conditions for each product/service cluster:

*Affordable housing* – LIIF lends to multi-family rental and co-ops and supportive/special needs development projects. LIIF extends direct loans to developers of affordable housing projects with loan products for predevelopment, acquisition, construction and permanent financing.

*Education* – LIIF lends to charter school projects, offering a range of loan products, including predevelopment, acquisition, construction, permanent financing and NMTC leveraged loans.

*Healthcare* – LIIF lends to federally qualified healthcare centers offering a range of loan products, including predevelopment, acquisition, construction and permanent financing.

*Transit oriented development* – LIIF lends to transit oriented development projects, including housing and retail space in conjunction with the project. LIIF offers a range of loan products, including predevelopment, acquisition, construction and permanent financing.

*Food commerce* – LIIF lends to food markets and grocery stores that sell healthy and fresh foods, offering predevelopment, acquisition, construction and permanent financing.

*Community facilities* – LIIF's lending activities support a variety of commercial projects and nonprofit office space. LIIF's loan products in this area include predevelopment, acquisition, construction, permanent and NMTC leveraged loans.

In conjunction with these lending activities, LIIF partners with other organizations to create independent Limited Liability Companies (LLCs) to jointly lend to projects and borrowers. LIIF maintains a minority interest in these entities, but often is under contract to provide administrative and accounting services for a fee. LIIF does not consolidate these entities as the participant's rights granted in the operating agreements overcome the presumption of control by LIIF as the managing member. Significant LLCs include the Bay Area Transit Oriented Affordable Housing Fund (BATOAH), the Golden State Acquisition Fund (GSAF), and Metro Affordable Transit Connected Housing (MATCH). LIIF uses the equity method of accounting for its investment in, and earnings or losses from, these LLCs.

### **Affordable housing syndication services**

Includes NAHT's acquisition services, syndication, development consulting services and asset management services. NAHT provides services to affordable housing development partners and tax credit investors through the creation of LIHTC Funds. This includes underwriting and closing affordable housing transactions, fund administration, compliance monitoring, asset management and consulting services.

## **Note 1 – Organization and nature of business (continued)**

### **Early Care and Education development services**

Includes activities related to providing grants, recoverable grants and technical assistance to center-based and licensed family childcare providers to preserve, improve and increase the supply of early care and education spaces and address key planning and business issues related to their facilities. Activities include research, analysis, underwriting, consulting, and other technical assistance. LIIF accomplishes this through a variety of programs, including the San Francisco Child Care Facilities Fund (CCFF), California’s Child Care Infrastructure Grant Program, and Build Up Oregon and the Early Childhood Facilities Fund in Alameda County.

### **Other development services**

Includes nonlending activities associated with new program initiatives, including grants, technical assistance and other program work supporting the development of healthy food and healthy communities, childcare facilities and other community facilities, and community development.

### **National policy**

LIIF’s national policy work encompasses the design and implementation of policy recommendations and advocacy strategies to ensure the organization remains actively engaged in federal policy and program initiatives that support its mission, capital products and programs. Leveraging relationships with policymakers, partner organizations, and coalitions helps to build momentum to advance legislative and regulatory priorities. In accordance with best practices for transparency and accountability, LIIF regularly reviews and updates its advocacy activities to ensure compliance with all applicable laws and reporting requirements.

### **Management and general**

Includes general managerial and administrative functions of LIIF, comprised of staff time and expense and associated with general management, financial operations and reporting, administrative and other similar activities.

### **Fundraising**

Includes the activities necessary to secure financial support from public sources such as the CDFI Fund, Department of Education (DOE), and from foundations and corporations for operations and capital for core community development activities, early care and education programs and other strategic programs and initiatives.

LIIF has been awarded NMTC allocations from the United States Department of Treasury. In order to utilize the NMTC allocations, LIIF establishes Sub-Community Development Entity (CDE) LLCs for the purpose of expanding lending for community facility projects in economically distressed communities in the United States. LIIF generally retains a 0.01% managing member ownership interest in each Sub-CDE LLC established. LIIF does not consolidate these Sub-CDE LLCs as the operating agreements limit LIIF’s control to administrative functions that overcome the presumption of control of the managing member. The established Sub-CDE LLCs operate under an agreement with LIIF for administrative and accounting services. In exchange, LIIF receives a 0.5% administrative fee on Sub-CDE LLC assets under management.

NAHT holds 0.01% general partner or managing member interests in LIHTC funds in the normal course of their business. NAHT does not consolidate these LIHTC Funds as the operating agreements provide the limited partners with substantive participating rights to block or participate in certain significant financial and operating decisions that overcome the presumption of control of the general partner or managing member. The established LIHTC Funds operate under an agreement with NAHT for administrative and accounting services. In exchange, NAHT receives an asset management fee.

## **Note 2 – Summary of significant accounting policies**

### **Basis of accounting**

LIIF's consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Net assets, revenue, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

- Net assets without donor restrictions - Net assets not subject to donor-imposed restrictions.
- Net assets with donor restrictions - Net assets subject to donor-imposed restrictions that will be met by LIIF's actions and/or the passage of time, or maintained perpetually restricted. LIIF has no endowment funds as of June 30, 2025 and 2024.

Revenue is reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Investment proceeds and realized/unrealized gains and losses are reported as changes in net assets without donor restrictions unless specifically limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications from net assets with donor restrictions to net assets without donor restrictions.

### **Basis of consolidation**

Accounting guidance on reporting of related entities requires nonprofit organizations with a controlling and economic interest in other organizations to consolidate those other organizations. Accordingly, the accompanying consolidated financial statements include the accounts of LIIF, its majority-owned companies, NAHT, and its wholly owned subsidiaries, LIIF Housing Investments, LLC, LIIF REO I, LLC, FoodCo, LLC, and LIIF New Markets, LLC. (collectively referred to as LIIF). The noncontrolling interests of NAHT is presented on the consolidated statements of financial position as a separate item in net assets without donor restrictions. All significant intercompany transactions have been eliminated in consolidation.

### **Estimates**

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and revenues and expenses. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant changes in the near term include, but are not limited to, the determination of the allowance for credit losses.

## **Note 2 – Summary of significant accounting policies (continued)**

### **Cash and cash equivalents**

Cash is defined as cash in demand deposit and money market accounts. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and investments so near their maturity that the risk of changes in value due to changes in interest rates is negligible. These include investments with maturity dates within three months of their acquisition date. The Federal Deposit Insurance Corporation (FDIC) provides coverage for certain accounts up to \$250,000. LIIF places its cash and cash equivalents in deposits with regulated financial institutions and, at times, some deposits may be in excess of the FDIC insured limit.

### **Restricted cash and cash equivalents**

Restricted cash and cash equivalents include funds held in trust, amounts required to be maintained in separate bank accounts by investors, donors and grantors and cash and cash equivalents held as security for certain loans.

### **Investments**

LIIF carries its investments at estimated fair value, with the exception of Federal Home Loan Bank of San Francisco (FHLB-SF) stock that is carried at par value in accordance with U.S. GAAP. Estimated fair value is based on estimated market value for fixed income securities and current share values for mutual funds. Equity securities are presented at estimated fair value. Investments held by LIIF include U.S. treasury notes, corporate bonds, asset-backed securities, including collateralized mortgage obligations (CMOs) and equity interests in affiliated companies.

Net investment gains or losses are reported on the consolidated statements of activities and changes in net assets as investment return and consists of interest and dividend income, realized and unrealized gains and losses, less investment expenses.

Restricted investments include the FHLB-SF stock, which is required to be held by LIIF as a member of the bank, as well as pledged securities also held at FHLB-SF as loan collateral.

### **Accounts receivable, net**

Accounts receivable consist of amounts due from contracts, borrowers, related parties or receivables generated from the normal course of business.

LIIF adopted ASC 326 using the aging schedule method for all accounts receivable balances. The allowance for credit losses related to accounts receivable balances was \$898,733 and \$675,100 as of June 30, 2025 and 2024, respectively.

### **Notes receivable, net**

LIIF's loan portfolio products include Affordable Housing, Education, Healthcare, Transit Oriented Development, and Community Facilities. LIIF also makes Program Related Investments (PRIs) to other organizations to achieve charitable purposes in alignment with LIIF's mission to alleviate poverty. These PRIs are comprised of unsecured loans bearing below market interest rates. The fair value of PRI loans is evaluated at inception to determine if a contribution element exists as a discount on the loan. Discounts are amortized over the life of the loan as an adjustment to interest income.

**Note 2 – Summary of significant accounting policies (continued)**

Notes receivable are presented at their outstanding unpaid principal balances net of deferred loan origination fees and an allowance for credit losses. LIIF provides funding in the form of notes receivable, or loans, to other nonprofit organizations, developers and other borrowers, in fulfillment of its mission. The majority of these notes have been made to borrowers in California and New York. The ability of LIIF's borrowers to honor their loan agreements is dependent upon many factors, including general economic conditions, government actions and their ability to arrange for subsequent financing to repay LIIF. When underwriting these notes, in most cases, LIIF obtains a collateral interest in the real estate projects.

Accrued interest receivable on notes receivable totaled \$4,057,879 and \$3,628,242 at June 30, 2025 and 2024, respectively, and is excluded from estimate of allowance for credit losses. Interest income is accrued on the unpaid principal balance at the notes' stated rate. The accrual of interest on notes is discontinued at the time the note is more than 90 days delinquent. Notes are placed on nonaccrual status or charged off at an earlier date if collection of principal and interest is considered doubtful. Notes are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Origination fees are deferred and amortized using the effective interest method over the term of the note as an adjustment to interest income. Direct costs associated with the origination of each note are capitalized and are amortized to expense over the term of the note as an adjustment to interest income. The net amount of deferred origination fees and unamortized initial direct costs is reported as part of the notes receivable, net balance to which it relates on the accompanying consolidated statements of financial position.

**Allowance for credit losses on notes receivables**

The allowance for credit losses on notes receivable and credit enhancements (collectively referred to as the allowance for credit losses on notes receivable) is an estimate of credit losses incurred in LIIF's notes receivable portfolio as of the date of the consolidated statements of financial position. The allowance is established through a provision for credit losses that is charged to expense.

Additions to the allowance are expected to maintain the adequacy of the total allowance after credit losses and loan growth. Loans determined to be uncollectible are charged against the allowance. Cash received on previously charged-off amounts is recorded as a recovery to the allowance. For each period in which the provision for credit losses is expensed, net assets, to the extent available, are released from net assets with donor restrictions to net assets without donor restrictions to cover the net expenditure for the provision. These net assets with donor restrictions represent third-party grants that have been made to LIIF's loan funds. These loan funds issue new loans and cover the capital costs of such lending, including establishing loss reserves upon making new loans, increasing loan loss reserves as necessary during the life of existing loans and covering losses incurred as a result of defaulted loans.

LIIF estimates the allowance balance using relevant information, from internal and external sources, related to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. LIIF utilizes credit losses sourced from peer group banks in the United States to develop data used in the model. This data includes loss rate, prepayment and curtailment rates sourced from call reports.

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exists. LIIF has elected to use the discounted cash flow method for estimating credit losses. LIIF has elected to also perform cash flow monitoring without the present value component. Expected credit losses are estimated over the expected term of all notes receivable considering expected prepayments.

## Note 2 – Summary of significant accounting policies (continued)

In addition, LIIF utilizes qualitative factors to adjust the calculated allowance as appropriate. Qualitative factors are based on management’s judgement of changes in lending specific policies and procedures such as differences in underwriting standards and collections, changes in ability and depth of lending department representatives, changes in the volume of delinquencies, changes in environmental conditions including but not limited to inflation, unemployment and interest rates, changes in federal policy and funding, and other relevant factors.

LIIF identified the loan portfolio segments listed below. LIIF’s loan classes are identical to their loan segments.

Unsecured Loans – All loans within the portfolio which do not have collateral requirements.

Site Development Loans – All loans within the portfolio which are in the development phase and construction phase.

Cash Flowing Property Loans – All loans within the portfolio in which construction and development has been fully completed and the property has a steady cash flow to fund its debt service reserve.

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not also included in the collective evaluation. When management determines that foreclosure is probable losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate.

LIIF assigns a risk rating to all loans upon initial credit approval and reviews the risk rating throughout the life of each loan. This practice allows LIIF to evaluate the portfolio according to the various performance characteristics of the loans. A loan's risk rating is generated via completion of the risk rating model, which was updated in January 2025. The risk rating model determines the risk rating by assessing four elements of risk: Sponsor organizational and financial capacity; Primary source of repayment; Secondary source of repayment; and other loan characteristics. Each element is evaluated against loan product requirements. Loans are expected to be rated Pass at the time of underwriting and approval. There are four categories of Pass to indicate the relative credit strength of the loan. Approval of the Internal Loan Committee is required for an initial risk rating other than Pass.

There is an 8-point scale for risk ratings for loans included in the portfolio:

- 1 - *Pass / Strong* – Much Better Than Guidance.
- 2 - *Pass / High* – Slightly Better Than Guidance
- 3 - *Pass / Acceptable* – At Guidance
- 4 - *Pass / Low* – Slightly Worse Than Guidance
- 5 - *Below Expectation* – Much Worse Than Guidance
- 6 - *Substandard* – Substantially Below Expectations
- 7 - *Doubtful* – Repayment on Original Terms Doubtful
- 8 - *Loss* – Likely Write-Off of Some Principal

**Note 2 – Summary of significant accounting policies (continued)**

All of LIIF's loan products, including Affordable Housing, Education, Healthcare, Transit Oriented Development, Food Commerce and Community Facilities, represent lending, secured by real estate or other assets, to nonprofit and mission aligned for-profit entities. The degree of risk in commercial real estate lending depends primarily on the loan amount in relation to collateral value, the interest rate and the borrower's ability to repay in an orderly fashion. These loans generally possess a lower inherent risk of loss than unsecured loans. Economic trends determined by federal, state and local governments, and related subsidies, real estate values, interest rate environments and other key economic indicators are closely correlated to the credit quality of these loans. Weak economic trends may indicate that the borrower's capacity to repay their obligations may be deteriorating.

LIIF also makes unsecured loans, to nonprofit and mission aligned for-profit real estate developers. The degree of risk in commercial unsecured lending depends primarily on the financial viability of the borrower's underlying business and ultimate ability to repay in an orderly fashion. These loans generally possess a higher inherent risk of loss than secured loans. Although management believes the allowance to be adequate, ultimate losses may vary from its estimates. On a routine basis, the adequacy of the allowance, including consideration of the relative risks in the portfolio, current economic conditions and other factors are reviewed. If management determines that changes are warranted based on those reviews, the allowance is adjusted.

LIIF has been awarded funding from the U.S. Department of Education to provide credit enhancements for certain loans made to charter schools. A credit enhancement reduces credit risk by providing assurance that LIIF will be compensated up to the amount of the credit enhancement if the borrower were to default.

**Allowance for Credit Losses on Off-Statement of Financial Condition (OSFC) Credit Exposures**

LIIF estimates expected credit losses over the contractual term in which LIIF is exposed to credit risk. The allowance for credit losses on OSFC credit exposures is adjusted through provision for credit losses and recorded within the Accounts Payable and Accrued Expenses line item on the consolidated statements of financial position. LIIF uses the same methodology to calculate the credit loss associated with OSFC credit exposures as is used for the related funded notes receivable. The OSFC credit exposure is categorized by the same collective (pool) basis as the related funded notes receivable and includes consideration of the likelihood that funding will occur. LIIF has elected to use the benchmark funding rates as part of the loss driver model in the calculation of the allowance for OSFC.

**Sale of notes receivable**

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from LIIF, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets and (3) LIIF does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity or the ability to unilaterally cause the holder to return specific assets. In addition, for transfers of a portion of financial assets (for example, participations of loans receivable), the transfer must meet the definition of a "participating interest" to account for the transfer as a sale. LIIF accounts for transfers and servicing of financial assets by recognizing the financial and servicing assets it controls and the liabilities it has incurred, derecognizes financial assets when control has been surrendered and derecognizes liabilities when extinguished.

For notes receivable sold in which LIIF has retained the servicing rights, no servicing asset or liability has been reported as of June 30, 2025 and 2024, as the benefits of future servicing rights approximate adequate compensation.

## **Note 2 – Summary of significant accounting policies (continued)**

### **Equipment and leasehold improvements, net**

Equipment and leasehold improvement acquisitions of \$5,000 or more are recorded at cost if purchased, or at fair value if donated or acquired.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from three to 10 years. The cost of leasehold improvements is amortized using the straight-line method over the lesser of the useful life or the terms of the related leases. When assets are sold or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in change in net assets for the period. LIIF evaluates equipment and leasehold improvements for financial impairment as events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable.

### **Deferred revenue**

Deferred revenue represents contract liabilities and includes amounts prepaid under certain contracts that will be earned in future periods.

### **Conditional contributions**

Conditional contributions consist of refundable advances received in cash for which the conditions have not been substantially met nor explicitly waived by the donor in accordance with Accounting Standards Codification (ASC) 958 *Not-for-Profit Entities*. As of June 30, 2025 and 2024, conditional contributions as reported on the consolidated statements of financial position were \$8,819,999 and \$7,055,957, respectively. As of June 30, 2025 and 2024, LIIF also had unrecorded conditional contributions balances of \$70,155,469 and \$37,620,581, respectively for which there are executed agreements but no cash received.

### **Leases**

LIIF has established a \$250,000 materiality threshold for accounting for leases under ASC 842, Leases. Any lease where the right of use asset or right of use liability is less than \$250,000 will be accounted for with lease payments expensed on the straight-line basis over the term of the lease and no right of use asset or liability will be recorded. Any lease with a term of 12 months or less will also be accounted for with lease payments expensed on the straight-line basis over the term of the lease. Leases greater than 12 months, and larger than \$250,000, will be accounted for in accordance with ASC 842. To determine the present value of the lease payments, LIIF made an election to use the risk-free rate, for the remaining term of leases existing upon adoption of ASC 842.

### **Other liabilities**

Other liabilities include repayable grants and agency obligations. Repayable grants represent funds received from third parties that will be used to make program related loans to Early Care and Education providers.

### **Funds held in trust**

Funds held in trust represent cash provided by borrowers and funders to cover anticipated draws and certain other expenses related to loans receivable. These amounts are generally held in escrow accounts in the borrower's or funder's name. Amounts are released from funds held in trust as participant loan fundings are incurred or as expenses are paid on behalf of the borrower.

## **Note 2 – Summary of significant accounting policies (continued)**

### **Fair value measurement of financial instruments**

The carrying amount of investments in marketable securities and investments are recorded at fair value. The carrying amounts of other financial instruments approximate their fair value.

### **Impairment of long-lived assets**

An impairment loss is recognized on a long-lived asset if its carrying amount is not recoverable and exceeds its fair value. The carrying amount is not recoverable when it exceeds the sum of undiscounted cash flows expected to result from use of the asset over its remaining useful life and final disposition. The amount of an impairment loss is the difference between an asset's carrying amount and its fair value. Once an impairment loss is recognized, the carrying amount of the asset is lowered and depreciation is adjusted for the remaining useful life of the asset. No impairment losses were recognized in 2025 or 2024.

### **Contributions**

Contributions, which were received from donations and grants, are recognized as revenue when they are received or unconditionally promised.

LIIF reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor-stipulated time restriction ends, or the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period as the contribution is recorded, are reported as restricted contributions and net assets released from restrictions in the same reporting period.

Contributions receivable consist of unconditional promises to give. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. An allowance for uncollectible contributions receivable is established based upon estimated losses related to specific accounts and is recorded through a provision for bad debt that is charged to expense. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using rates commensurate with risk applicable in the years in which those promises are received, as well as any discount for credit risk based on the donor.

### **Revenue recognition**

LIIF's services that fall within the scope of Financial Accounting Standards Board (FASB) ASC 606 are presented within fees on the consolidated statements of activities and changes in net assets, and are recognized as LIIF satisfies its obligations to the customer.

Fees contracts are reciprocal agreements and LIIF recognizes this revenue in accordance with the five-step model under ASC 606 as follows:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

## Note 2 – Summary of significant accounting policies (continued)

Fees revenue is recognized over time as services are provided by LIIF to its customers. In some cases, LIIF's contracts with customers include multiple performance obligations that are not fulfilled simultaneously. When this occurs, the transaction price is allocated on a relative stand-alone selling price (SSP) basis to each performance obligation. LIIF determines SSP based on observable selling prices of similar services.

*Loan packaging and servicing* - Primarily represents NMTC placement and packaging fees, and loan servicing fees. Packaging fees represent an origination fee for assembling the tax credit investor, the senior and/or subordinated lender(s), and allocating the NMTC to the CDE, as well as origination fees for closing loans to third parties. Revenue is recognized at the point in time of the allocation to the Sub-CDE. Servicing fees are outside of the scope of ASC 606. For the years ended June 30, 2025 and 2024, \$557,406 and \$294,052 of servicing fee revenue was recognized, respectively.

*Syndication fees* - Represent fees earned by LIIF at the point of time when limited partners invest in LIHTC Funds. These fees are earned for successfully underwriting and closing a LIHTC fund. LIIF has recognized \$3,877,626 and \$2,786,538 of syndication fees during the years ended June 30, 2025 and 2024, respectively, through NAHT.

*Asset management fees* - Primarily represents administration fees from administrative services to sub-CDE funds created from NMTC transactions and to LIHTC Funds. Administrative duties include maintaining the accounting records, processing cash transactions, oversight of audits, compliance monitoring and reporting. Revenue is recognized over time as services are performed as the sub-CDE funds and LIHTC funds receive the benefits of the services over time as LIIF performs the administrative duties. LIIF has recognized \$2,803,151 and \$3,072,014 of asset management fees during the years ended June 30, 2025 and 2024, respectively.

*Technical assistance and consulting* - Primarily related to certain Early Care and Education awards that LIIF has received. Revenue is recognized over time as the programmatic work required under the contract is fulfilled. For the years ended June 30, 2025 and 2024, \$5,514,883 and \$6,922,090 of revenue was recognized over time, or at a point in time, respectively. For the years ended June 30, 2025 and 2024, contract liabilities totaled \$222,012 and \$488,578, respectively. For the years ended June 30, 2025 and 2024, total contract assets totaled \$26,420 and \$0, respectively.

### Functional expense allocation

The costs of providing LIIF's various programs, as described in Note 1, have been summarized on a functional basis on the consolidated statements of functional expenses. Certain costs have been allocated among programs and supporting services benefited. These costs include information technology and are allocated based on management estimates of direct program support, including headcount and time spent. Occupancy costs are allocated proportionately with the employee's functional categorization on a headcount basis.

### Contributions made

Contributions made are recognized as grants payable in the period in which the barriers are achieved by the grantee and there is no longer a right of refund, which generally occurs when an oral or written agreement has been entered into between LIIF and the grantee. Contributions made are included in grant expense on the consolidated statements of functional expenses.

## Note 2 – Summary of significant accounting policies (continued)

### Noncontrolling interest

Noncontrolling interest (NCI) represents the portion of net assets in any subsidiary that is not attributable, directly or indirectly, to LIIF. The profit or loss derived from the performance of NAHT has been allocated to the change in net assets attributable to the noncontrolling interest on the changes in net assets and net assets based on the terms of the operating agreement between LIIF and its subsidiary.

Changes in net assets, including noncontrolling net assets, for the years ended June 30:

	2025		
	LIIF	NCI	Total
Net assets, beginning of year	\$ 174,106,835	\$ 4,079,133	\$ 178,185,968
Change in net assets	44,592,579	(463,834)	44,128,745
Net assets, end of year	<u>\$ 218,699,414</u>	<u>\$ 3,615,299</u>	<u>\$ 222,314,713</u>
	2024		
	LIIF	NCI	Total
Net assets, beginning of year	\$ 159,485,433	\$ 4,701,574	\$ 164,187,007
Cumulative effect of charge - CECL adoption	11,261,767	-	11,261,767
Change in net assets	3,359,635	(622,441)	2,737,194
Net assets, end of year	<u>\$ 174,106,835</u>	<u>\$ 4,079,133</u>	<u>\$ 178,185,968</u>

### Income taxes

LIIF is a nonprofit organization that has been recognized by the Internal Revenue Service (IRS) and the Franchise Tax Board as an organization that is exempt from federal income tax on its income other than unrelated business taxable income under Section 501(c)(3) of the Internal Revenue Code (IRC) and Section 23701(d) under the California Revenue and Taxation Code, respectively. In addition, LIIF has been recognized by the IRS under Section 170 of the IRC as an organization that is eligible to receive tax-deductible contributions. LIIF has accounted for the uncertainty in income taxes as required by the Accounting for Uncertainty in Income Taxes topic of the FASB ASC. LIIF uses a comprehensive model for recognizing, measuring, presenting and disclosing in the consolidated financial statements tax positions taken or expected to be taken on a tax return. A tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test as specified in FASB Interpretation 48, no tax benefit is recorded. The effect of applying this model and the resulting identification of uncertain tax positions, if any, were not considered significant for financial reporting purposes and are not anticipated to change in the 12 months following June 30, 2025.

During the years ended June 30, 2025 and 2024, LIIF recognized no interest or penalties associated with unrecognized tax benefits. LIIF is subject to the filing of U.S. federal, New York and California informational returns. Federal and New York returns for years ended June 30, 2022 through June 30, 2025, and California returns for years ended June 30, 2021 through June 30, 2025, are currently open for potential federal and state examination.

## Note 2 – Summary of significant accounting policies (continued)

LIIF has for-profit subsidiary entities that are subject to the filing of limited liability corporation tax returns, which may include U.S. federal, New York and California state jurisdictions. During the years ended June 30, 2025 and 2024, these subsidiary entities recognized no interest or penalties associated with unrecognized tax benefits.

### Subsequent events

LIIF has evaluated subsequent events through October 22, 2025, the date on which the consolidated financial statements were available to be issued.

### Available Liquidity

LIIF's financial assets as of June 30 available to meet general expenditures over the next 12 months consist of the following:

	2025	2024
Financial assets:		
Cash and cash equivalents	\$ 50,039,776	\$ 29,409,688
Restricted cash and cash equivalents	72,753,428	65,630,545
Investments	30,541,128	29,064,562
Accounts receivable	3,154,408	4,341,189
Contributions receivable	7,536,145	5,210,088
Accrued interest receivable	4,170,586	3,700,598
Notes receivable	615,892,501	639,367,536
Total financial assets	<u>784,087,972</u>	<u>776,724,206</u>
Less amounts not available to be used within one year:		
Restricted cash and cash equivalents	(72,753,428)	(65,630,545)
Notes receivable, net of current	(378,261,835)	(429,703,360)
Investments, net of current	(26,172,131)	(22,649,744)
Scheduled debt maturities	(31,544,352)	(44,684,863)
Contributions receivable, net of current	(711,192)	(91,032)
Donor restricted net assets not available for general operations	(26,214,426)	(30,150,154)
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 248,430,608</u>	<u>\$ 183,814,508</u>

Management considers general expenditures to be operating expenses that will be paid with funds that do not have a donor restriction. LIIF's operating expenses are substantially supported by net financial income, loan packaging and servicing fees, and grants and contributions. LIIF's annual operating expenses do not include pass-through grants. These recurring expenses are approximately \$47 million and \$49 million for the years ended June 30, 2025 and 2024, respectively.

With the exception of an investment in the FHLB-SF and equity method investments, LIIF's cash, cash equivalent, and unrestricted investments have no restrictions on use. Cash in excess of what is needed for operations is used to fund notes receivable. LIIF's restricted cash generally is donor, loan participant, or investor restricted for purpose or geography. However, LIIF expects to be able to utilize a portion of these funds to cover salaries and other operating costs to fulfill LIIF's mission as the restrictions are met.

### Note 3 – Cash and cash equivalents, restricted cash and cash equivalents and investments

Cash and cash equivalents, restricted cash and cash equivalents and investments consist of the following as of June 30:

	2025	2024
Cash and cash equivalents	\$ 50,039,776	\$ 29,409,688
Restricted cash and cash equivalents (Note 4)	72,753,428	65,630,545
Investments (Note 5)	18,906,345	18,099,867
Restricted Investments (Note 5)	11,634,783	10,964,695
	<u>\$ 153,334,332</u>	<u>\$ 124,104,795</u>

### Note 4 – Restricted cash and cash equivalents

Restricted cash and cash equivalents are restricted for the following purposes as of June 30:

	2025	2024
Funds held in trust (Note 13)	\$ 20,219,985	\$ 29,336,714
Program restricted	32,278,909	19,520,095
Loan funds	13,570,694	10,196,765
Secured loan funds	6,683,840	6,576,971
	<u>\$ 72,753,428</u>	<u>\$ 65,630,545</u>

### Note 5 – Investments

Investments consist of the following as of June 30:

	2025		2024	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
U.S. Treasury notes	\$ 5,168,480	\$ 5,160,884	\$ 4,769,201	\$ 4,659,556
Corporate bonds	5,077,123	5,289,829	4,939,079	4,783,115
Asset-backed securities (including CMOs)	11,941,083	10,285,401	12,524,498	10,314,564
Municipal Bonds	1,663,858	1,715,205	1,584,518	1,576,364
Real estate partnership	1,900,780	1,900,780	2,216,117	2,216,117
	<u>\$ 25,751,324</u>	<u>\$ 24,352,099</u>	<u>\$ 26,033,413</u>	<u>\$ 23,549,716</u>
Plus other investments:				
Equity method	\$ 2,210,929			\$ 1,775,646
FHLB-SF stock at cost		3,978,100		3,739,200
		<u>\$ 30,541,128</u>		<u>\$ 29,064,562</u>

### Note 5 – Investments (continued)

The amortized cost and fair value of investment securities at June 30, 2025, by contractual maturity, are shown below. Actual maturities may differ from contractual maturities because issuers of the securities may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
Within one year	\$ 2,477,543	\$ 2,494,541
After one year through five years	13,332,317	13,015,198
After five years through ten years	8,004,776	6,909,291
	<u>23,814,636</u>	<u>22,419,030</u>
Investment securities not due at a single maturity date:		
Asset-backed securities (including CMOs)	35,908	32,289
Real estate partnership	1,900,780	1,900,780
	<u>\$ 25,751,324</u>	<u>\$ 24,352,099</u>
Plus other investments:		
Equity method		\$ 2,210,929
FHLB-SF stock at cost		3,978,100
		<u>\$ 30,541,128</u>

Included in the investments balance are 39,781 and 37,392 shares, respectively, at June 30, 2025 and 2024, of FHLB-SF stock, which are required to be held by LIIF as a member of the FHLB-SF. The stock does not have a readily determinable value as ownership is restricted and there is no ready market for this stock. As a result, the stock is carried at cost and management evaluates periodically for impairment based on the ultimate recovery of the cost basis of the stock. No impairment was noted as of June 30, 2025 or 2024. This stock is classified as a restricted investment security carried at cost and can be sold back only at its par value of \$100 per share.

### Note 6 – Accounts receivable, net

Accounts receivable, net consist of the following as of June 30:

	2025	2024
Accounts receivable—contracts	\$ 3,776,959	\$ 4,978,016
Accounts receivable—borrowers	228,135	15,979
Accounts receivable—other	48,047	22,294
Less allowance for credit losses	(898,733)	(675,100)
	<u>\$ 3,154,408</u>	<u>\$ 4,341,189</u>

### Note 7 – Contributions receivable

Contributions receivable consist of grants and pledges awarded, less the allowance for uncollectible pledges. At June 30, 2025 and 2024, the allowance for uncollectible pledges was \$0 for both years. The contributions receivable balance at June 30, 2025 and 2024, is comprised of grants receivable from 16 and 13 grantors, respectively. For the years ending June 30 2025 and 2024, the largest contribution receivable was \$4,646,650 and \$2,729,861, respectively, from a local state government agency to reimburse LIIF for certain pass through childcare grants and associated operating cost.

As of June 30, contributions receivable are due to be collected as follows:

	2025	2024
Receivable in one year or less	\$ 6,824,953	\$ 5,119,056
Receivable in one to five years	711,192	91,032
	<u>\$ 7,536,145</u>	<u>\$ 5,210,088</u>

### Note 8 – Notes receivable, net

Notes receivable, net consist of secured and unsecured notes with interest rates ranging from 0.0% to 10.889%, and as of June 30 are summarized as follows by loan product:

	2025	2024
Affordable housing	\$ 342,558,979	\$ 336,612,313
Education	193,163,477	201,645,875
Health care	17,790,543	29,410,219
Food commerce	5,789,184	10,520,166
Community facilities	76,400,606	76,210,083
Total notes receivable	<u>635,702,789</u>	<u>654,398,656</u>
Less deferred loan origination fees, net	(308,010)	(1,961,613)
Less: allowance for credit losses	<u>(19,502,278)</u>	<u>(13,069,507)</u>
Total notes receivable, net	615,892,501	639,367,536
Less: current portion	<u>(237,630,666)</u>	<u>(209,664,176)</u>
Total long-term notes receivable	<u>\$ 378,261,835</u>	<u>\$ 429,703,360</u>

### Note 8 – Notes receivable, net (continued)

The following table presents total notes receivable outstanding as of June 30 by segment:

	2025	2024
Unsecured Loans	\$ 43,941,365	\$ 34,504,356
Site Development Loans	369,352,985	400,398,366
Loans for Cash Flowing Properties	222,408,439	219,495,934
Total notes receivable	<u>635,702,789</u>	<u>654,398,656</u>
Less deferred loan origination fees, net	(308,010)	(1,961,613)
Less allowance for credit losses	<u>(19,502,278)</u>	<u>(13,069,507)</u>
Total notes receivable, net	615,892,501	639,367,536
Less current portion	<u>(237,630,666)</u>	<u>(209,664,176)</u>
Total long-term notes receivable	<u>\$ 378,261,835</u>	<u>\$ 429,703,360</u>

LIIF's Equity with a Twist loans are PRIs, and are reported net of the discount at June 30, 2025 and 2024, of \$1,595,478 and \$1,005,742, respectively. The discount is amortized into interest expense over the remaining life of the loans.

LIIF has \$17,463,272 and \$33,245,703 at June 30, 2025 and 2024, respectively, of notes related to certain loan participation agreements with third-party investors that did not meet the characteristics of a participating interest in accordance with current accounting rules and, as such, have been accounted for as secured borrowings. The participated loans remain in notes receivable with an equal offsetting amount in notes payable on LIIF's consolidated statements of financial position (see Note 11).

Although these loans did not meet the characteristics of participating interest, LIIF does not maintain any economic risk for the loans. All losses on these loans will reduce the recorded liability and will reduce the receivable balance due to the participating lender. The following tables present the outstanding balances as of June 30 by segment:

	2025	2024
Unsecured Loans	\$ 409,284	\$ 581,798
Site Development Loans	17,053,988	31,391,511
Loans for Cash Flowing Properties	-	1,272,394
	<u>\$ 17,463,272</u>	<u>\$ 33,245,703</u>

### Note 9 – Allowance for credit losses

Changes in the allowance for credit losses on notes receivable and credit enhancements (collectively referred to as the allowance for credit losses on notes receivable) for the years ended June 30 are summarized as follows:

	2025	2024
Balance, beginning of year	\$ 13,069,507	\$ 20,539,541
Accounting adjustments for CECL adoption	-	(9,507,356)
Provision for credit losses	6,205,794	2,364,178
Net adjustments to credit enhancements	226,977	(326,856)
Balance, end of year	<u>\$ 19,502,278</u>	<u>\$ 13,069,507</u>

### Note 9 – Allowance for credit losses (continued)

The following tables show the change in the allowance for credit losses on notes receivable by loan segment as of and for the years ended June 30:

	2025			
	Unsecured	Site	Cash	Total
	Loans	Development	Flowing Property	
	Loans	Loans		
Allowance for credit losses:				
Beginning balance	\$ 619,007	\$ 7,753,379	\$ 4,697,121	\$ 13,069,507
Provision for credit losses	(203,835)	7,104,944	(695,315)	6,205,794
Net adjustments to credit enhancements	(5,400)	232,377	-	226,977
Ending balance	\$ 409,772	\$ 15,090,700	\$ 4,001,806	\$ 19,502,278
	2024			
	Unsecured	Site	Cash	Total
	Loans	Development	Flowing Property	
	Loans	Loans		
Allowance for credit losses:				
Beginning balance	\$ 1,506,022	\$ 12,901,212	\$ 6,132,307	\$ 20,539,541
Accounting adjustments for CECL adoption	(651,659)	(6,692,194)	(2,163,503)	(9,507,356)
Provision for credit losses	66,247	1,569,614	728,317	2,364,178
Net adjustments to credit enhancements	(301,603)	(25,253)	-	(326,856)
Ending balance	\$ 619,007	\$ 7,753,379	\$ 4,697,121	\$ 13,069,507

The following tables present notes receivable by class by management's credit quality indicator of internal risk ratings as of June 30:

	2025			
	Unsecured	Site	Cash	Total
	Loans	Development	Flowing Property	
	Loans	Loans		
Pass	\$ 43,831,210	\$ 323,115,383	\$ 211,961,497	\$ 578,908,090
Below expectation	110,155	9,956,132	-	10,066,287
Substandard	-	36,281,470	10,446,942	46,728,412
	\$ 43,941,365	\$ 369,352,985	\$ 222,408,439	\$ 635,702,789
	2024			
	Unsecured	Site	Cash	Total
	Loans	Development	Flowing Property	
	Loans	Loans		
Pass	\$ 34,504,356	\$ 352,721,195	\$ 204,667,354	\$ 591,892,905
Below expectation	-	38,605,472	10,386,770	48,992,242
Substandard	-	9,071,699	4,441,810	13,513,509
	\$ 34,504,356	\$ 400,398,366	\$ 219,495,934	\$ 654,398,656

There were no loans with internal risk ratings of doubtful or loss as of June 30, 2025 and 2024.



### Note 9 – Allowance for credit losses (continued)

The amortized cost basis of collateral-dependent loans by the primary collateral type, which are individually evaluated to determine credit losses, by loan class as of June 30, 2025 and 2024, are presented as follows:

	2025				
	Land	Commercial Real Estate	Total Amortized Cost	Allowance for Credit Losses	Total
Site Development Loans	\$35,722,614	\$ -	\$ 35,722,614	\$ (7,946,914)	\$27,775,700
Cash Flowing Property Loans	-	10,446,942	10,446,942	(1,646,744)	8,800,198
Total	<u>\$35,722,614</u>	<u>\$ 10,446,942</u>	<u>\$ 46,169,556</u>	<u>\$ (9,593,658)</u>	<u>\$36,575,898</u>

  

	2024				
	Land	Commercial Real Estate	Total Amortized Cost	Allowance for Credit Losses	Total
Site Development Loans	\$ 9,148,399	\$ -	\$ 9,148,399	\$ (875,066)	\$ 8,273,333
Cash Flowing Property Loans	-	4,441,810	4,441,810	(979,879)	3,461,931
Total	<u>\$ 9,148,399</u>	<u>\$ 4,441,810</u>	<u>\$ 13,590,209</u>	<u>\$ (1,854,945)</u>	<u>\$ 11,735,264</u>

LIIF maintains an allowance for credit losses on OSFC credit exposures, which consists of unfunded loan commitments. Activity in the allowance, which is included in accounts payable and accrued expenses on the consolidated statements position, follows for the years ended June 30:

	2025	2024
Balance, beginning of year	\$ 511,914	\$ 2,154,725
Accounting adjustments for CECL adoption	-	(1,711,727)
Provision for credit losses	71,693	68,916
Balance, end of year	<u>\$ 583,607</u>	<u>\$ 511,914</u>

### Note 10 – Equipment and leasehold improvements, net

Equipment and leasehold improvements, net consist of the following as of June 30:

	2025	2024
Equipment and leasehold improvements	\$ 4,446,332	\$ 4,198,062
Less accumulated depreciation and amortization	(2,614,388)	(2,231,534)
	<u>\$ 1,831,944</u>	<u>\$ 1,966,528</u>

Depreciation and amortization expense totaled \$595,124 and \$536,747 for the years ended June 30, 2025 and 2024, respectively. Total loss on disposal of fixed assets for years ended June 30, 2025 and 2024, were \$13,923 and \$3,845, respectively.

### Note 11 – Notes payable, net

Notes payable, net, with the exception of the Bond Guarantee Program (BGP) debt, FHLB-SF, debt incurred by NAHT and recourse notes payable for loans that did not meet true sales criteria, represent full recourse unsecured obligations of LIIF to repay borrowed money. Notes payable at June 30 are as follows:

	2025	2024
To private foundations, at annual interest rates of 0.0% to 2.0%, notes mature in calendar years 2025 to 2032.	12,875,000	19,250,000
To financial institutions, including lines of credit, at annual interest rates of 1.0% to 7.17%, notes mature in calendar years 2025 to 2035.	223,813,325	233,480,638
Sustainability bonds, at annual interest rates of 3.39% to 3.71%, notes mature in calendar years 2026 to 2029.	100,000,000	100,000,000
To religious organizations, at annual interest rates of 2.0% to 3.0%, notes mature in calendar years 2026 to 2034.	9,500,000	9,520,000
To governmental agencies, at annual interest rates of 0.0% to 5.06%, notes mature in calendar years 2028 to 2052.	114,777,081	139,797,947
To individuals and other organizations, at annual interest rates of 2.0% to 4.0%, notes mature in calendar years 2025 to 2030.	22,372,098	18,155,619
	483,337,504	520,204,204
Less unamortized debt issuance costs	(1,579,652)	(1,680,890)
Less current portion of notes payable, net of unamortized debt issuance costs	(31,544,352)	(40,684,863)
	<u>\$ 450,213,500</u>	<u>\$ 477,838,451</u>
Current portion of unamortized debt issuance costs	\$ 264,120	\$ 232,830
Long-term portion of unamortized debt issuance costs	1,315,532	1,448,060
Total unamortized debt issuance costs	<u>\$ 1,579,652</u>	<u>\$ 1,680,890</u>

Annual maturities of notes payable are as follows:

Years ending June 30:

2026	\$ 31,808,472
2027	60,085,853
2028	90,924,110
2029	49,245,959
2030	104,674,346
Thereafter	146,598,764
	<u>\$ 483,337,504</u>

In July 2019, LIIF issued \$25 million 3.386% Serial Bonds and \$75 million of 3.711% Term Bonds Series 2019 (Sustainability Bonds). The proceeds of the issuance were used to refinance certain fixed and floating rate debt obligations and to pay costs of issuance of the Sustainability Bonds. Interest on the Sustainability Bonds is payable January 1 and July 1. The Serial Bonds are to be redeemed July 1, 2026, and the Term Bonds are to be redeemed in equal annual redemption amounts between July 1, 2027 and July 1, 2029.

### Note 11 – Notes payable, net (continued)

LIIF has \$17,463,272 and \$33,245,703 of notes payable related to certain loan participation agreements with third-party investors that did not meet the characteristics of a participating interest in accordance with accounting rules governing the sale of a financial asset at June 30, 2025 and 2024, respectively. An equal amount of notes receivable is also recorded on LIIF's consolidated statements of financial position (see Note 8). Although these loans did not meet the characteristics of participating interest, LIIF does not maintain any economic risk for the loans. All losses on these loans will reduce the recorded liability and the receivable balance due to the participating lender.

In September 2014, July 2016 and November 2022 LIIF entered into \$65,000,000, \$50,000,000 and \$100,000,000, respectively, of bond loan agreements with CRF QI, LLC, as part of the CDFI Bond Guarantee Program that provides LIIF with up to 29.5-year maturities at capital-efficient rates. Under these agreements, LIIF is required to pledge eligible collateral to the lender equal to 103% of the bond loan, and to fund an additional 3% in cash of the bond loan amount, to a risk share pool account. As of June 30, 2025 and 2024, LIIF has \$109,265,375 and \$113,726,633, respectively, of notes receivable under this arrangement and has \$103,777,081 and \$108,188,053, respectively, of outstanding debt from government agencies. The agreements contain certain loan covenants and other related conditions similar to LIIF's other traditional notes payable, except for the pledging of collateral to the lender and the funding of the risk share pool.

In connection with select notes payable, LIIF is required to meet certain financial and non-financial covenants. The financial covenants include covenants related to liquidity and capital adequacy and are reported to lenders as contractually required.

#### Available credit

Included in notes payable in the table above, LIIF has revolving lines of credit with financial institutions which, in aggregate, permit maximum borrowings that amount to \$295,000,000 and \$260,000,000 at June 30, 2025 and 2024, respectively, at interest rates that vary with market conditions. At June 30, 2025 and 2024, commitments totaling \$213,099,220 and \$101,197,000, respectively, were available to be drawn on such lines. Lines of credit available balances at June 30, 2025 and 2024, include \$25,000,000 with the FHLB-SF, which requires the pledging of eligible assets as collateral in order to draw on the line. As of June 30, 2025 and 2024, LIIF has pledged investments of \$7,656,683 and \$7,113,084, respectively, as collateral under the FHLB-SF line of credit. As of June 30, 2025 and 2024, LIIF had \$5,000,000 outstanding under the FHLB-SF line of credit. As of June 30, 2025 and 2024, NAHT has \$30,000,000, in lines of credit available that require pledging of operating interest or assets of which \$1,900,780 and \$3,803,000 has been drawn or pledged as of June 30, 2025 and 2024, respectively. All remaining lines of credit are unsecured.

Notes payable by instrument type at June 30 are as follows:

	2025	2024
Lines of credit, excluding Bond Guarantee Program	\$ 76,900,780	\$ 155,000,000
Bond Guarantee Program	103,777,081	108,188,053
Sustainability bonds	100,000,000	100,000,000
Term loans	217,229,008	150,576,108
Participation loans not meeting sale criteria, net of allowance	17,110,255	33,119,663
Subordinated notes payable	(31,679,620)	(26,679,620)
	<u>\$ 483,337,504</u>	<u>\$ 520,204,204</u>

### Note 12 – Subordinated notes payable

Subordinated notes payable include notes payable to financial institutions in the amount of \$31,679,620 at June 30, 2025, with maturities in 2027 through 2030, with some facilities permitting renewals in perpetuity. Subordinated notes payable included notes payable to financial institutions in the amount of \$26,679,620 at June 30, 2024. The notes bear interest at rates of 0.0% to 3.0% per annum and interest, where applicable, is payable annually. The notes are unsecured and are subordinate to all other liabilities.

Annual maturities of subordinated notes payable at June 30, 2025, are as follows:

Years ending June 30:	
2026	\$ -
2027	6,379,620
2028	7,500,000
2029	8,800,000
2030	9,000,000
Thereafter	-
	<u>\$ 31,679,620</u>

### Note 13 – Funds held in trust

Funds held in trust include cash provided by borrowers and funders to cover anticipated draws and certain operating expenses associated with loan participations at June 30 as follows:

	2025	2024
Funds received from borrowers and funders	\$ 3,514,241	\$ 4,715,643
Funds received from City of New York	16,705,744	24,621,071
	<u>\$ 20,219,985</u>	<u>\$ 29,336,714</u>

### Note 14 – Investment return, net

Investment return, net for the years ended June 30 consists of the following:

	2025	2024
Interest return, net of bank fees	\$ 3,394,405	\$ 2,609,938
Income from equity investments	323,590	247,345
Gain on related-party equity investments	437,388	553,948
Net realized and unrealized gains (losses)	923,740	490,641
	<u>\$ 5,079,123</u>	<u>\$ 3,901,872</u>

### Note 15 – Net assets with donor restrictions

Net assets with donor restrictions are restricted for the following purposes or periods as of June 30:

	2025	2024
Purpose restrictions:		
Program operations	\$ 4,660,604	\$ 2,831,778
Time and purpose restrictions:		
Revolving Loan Fund	29,054,726	24,956,280
Education Fund	29,921,277	17,023,323
Healthy Foods Fund	-	3,553,047
Healthy Communities Innovation Fund	1,200,000	5,100,000
Child care operating support	844,567	50,000
Innovation Fund	-	55,000
Total time and purpose restrictions	61,020,570	50,737,650
Total donor restricted net assets	\$ 65,681,174	\$ 53,569,428

LIIF has received capital grants available for use in support of loan funds with donor time and purpose restrictions, including loan capital, loan loss reserves and credit enhancements. LIIF accounts for these funds as net assets with donor restrictions. LIIF releases these grants to net assets without donor restrictions as donor restrictions are met through meeting the purpose of the grant or the expiration of time.

*Net assets with donor restrictions* – (1) Revolving Loan Fund represents capital grants used to fund loans, provide credit enhancements to loans, or to cover loan losses, (2) Education Fund represents grants received from the U.S. Department of Education to be used as credit enhancement for loans supporting charter school facilities, (3) Healthy Foods Fund represents grants received from the CDFI Fund to be used to support fresh food retail outlets in underserved communities, (4) Healthy Communities Innovation Fund represents a contribution restricted for higher risk, high mission and high social return loans and are time and purpose restricted, and (5) Childcare operating support represents pass-through grants to support the operations of childcare centers servicing low-income households that have been impacted by the coronavirus pandemic.

LIIF has received a total of \$30,000,000 in grants from the U.S. Department of Education to provide credit enhancements for loans made to charter schools. In accordance with the grant agreement, total investment earnings in the amount of \$3,398,576 have been reinvested in the reserve account and are to be used in accordance with the provisions of the grant agreement. The balance of these credit enhancement grants available to cover loan losses for the years ended June 30, 2025 and 2024, was \$29,921,277 and \$17,023,323, respectively, and is included in donor restricted net assets.

### Note 16 – Net assets released from restrictions

Net assets were released from donor restrictions during the years ended June 30 by incurring expenditures satisfying the restricted purposes, or by occurrences of other events specified by donors, as follows:

	2025	2024
Qualified program expenses	\$ 3,215,983	\$ 3,593,347
Capital grants	7,548,047	6,884,325
	\$ 10,764,030	\$ 10,477,672

## Note 17 – Leases

LIIF leases office space in San Francisco, Los Angeles, New York City, Washington, D.C., Columbus, OH (NAHT) and Atlanta, under operating leases expiring on various dates through 2031. Future minimum annual lease payments are as follows:

Years ending June 30:

2026	\$ 1,828,455
2027	1,925,234
2028	1,969,151
2029	2,014,418
2030	1,931,565
Thereafter	<u>670,854</u>
Total lease payments	<u><u>10,339,677</u></u>
Less interest	<u>(526,496)</u>
Present value of operating lease liabilities	<u>\$ 9,813,181</u>

Total lease costs for the year ended June 30, are as follows:

	<u>2025</u>	<u>2024</u>
Operating lease costs	\$ 1,531,346	\$ 1,244,514
Short-term lease costs	519,006	327,030
Variable lease costs	<u>105,143</u>	<u>54,241</u>
Total lease costs	<u><u>\$ 2,155,495</u></u>	<u><u>\$ 1,625,785</u></u>

Operating cash flows from operating leases were \$1,531,346 and \$1,273,627 for the years ended June 30, 2025 and 2024, respectively.

In June 2025, LIIF agreed to a 92-month lease for a new office space in Atlanta, with a new property owner. The lease agreement for the new lease space commenced in April 2025. The landlord provided rent abatement for seven months, starting from second month of the rent, along with moving allowances. The first rent payment of \$7,175 is scheduled to begin in June 2025, and the lease term will end in January 2033. The amount of right of use asset was \$483,044.

On July 1, 2020, LIIF entered into a 10-year lease agreement with a new property owner for its San Francisco office. Monthly rent varies through the term of the lease and in FY25 rent was \$64,811 per month.

In October 2019, LIIF agreed to a substitution of leased space within the same building of its New York office. The substitute 10-year lease agreement for new leased space commenced in September 2020. Under terms of the lease, the property owner has agreed to cancel the original lease upon lease commencement date of the substituted lease. Monthly rent varies through the term of the lease and, in FY25, rent was \$33,872 per month.

Rent expense, net of sublease receipts, for the years ended June 30, 2025 and 2024, was \$2,155,495 and \$1,625,785, respectively, and is included in occupancy costs on the consolidated statements of functional expenses.

## **Note 17 – Leases (continued)**

For the years ended June 30, 2025 and 2024, LIIF obtained right-of-use assets in the amount of \$483,044 and \$1,517,813 respectively. For the years ended June 30, 2025 and 2024, LIIF obtained tenant improvement fixed assets in the amount of \$174,525 and \$0, respectively. For the years ended June 30, 2025 and 2024, LIIF obtained lease liability of \$657,569 and \$1,568,016, respectively. For the years ended June 30, 2025 and 2024, LIIF recognized \$2,255,682 and \$1,112,021 respectively, of right-of-use asset amortization. As of June 30, 2025, the weighted-average remaining lease term for operating leases was 5.28 years. The weighted average discount rate was 1.50%. To determine the present value of the lease payments, LIIF made an election to use the risk-free rate, for the remaining term of leases existing upon adoption of ASC 842.

## **Note 18 – Other commitments and contingencies**

### **Cash, cash equivalents and investments**

Demand deposits held in banks are insured by the FDIC. At June 30, 2025, LIIF had insured balances which totaled \$2,123,418, and uninsured balances which totaled \$120,669,786.

For investments held by a broker who is a member of the Securities Investor Protection Corporation, the cash and securities are insured for the custody function of the broker up to \$500,000, including a \$250,000 limit for cash. At June 30, 2025, LIIF had deposits and securities with insured balances which totaled \$268,742, and uninsured balances which totaled \$22,305,584. Another \$8,071,067 of investments are not held by a broker and are also uninsured. At June 30, 2024, LIIF had deposits and securities with insured balances which totaled \$266,473, and uninsured balances which totaled \$21,083,598. Another \$7,714,490 of investments are not held by a broker and are also uninsured.

### **Concentrations of credit risk**

LIIF does not have significant concentrations with any one customer. Loans related to affordable housing projects and education facilities represented 54% and 28%, respectively, of notes receivable as of June 30, 2025. Loans related to affordable housing projects and education facilities represented 51% and 29%, respectively, of notes receivable as of June 30, 2024.

### **Concentrations of revenues**

LIIF received from one donor \$30,000,000 and \$0 for the years ended June 30, 2025, and 2024, respectively. This was a one-time unrestricted contribution and represented 32% of LIIF's total revenue for the year.

### **Contingencies**

From time to time, LIIF may be a party to certain legal proceedings arising out of the ordinary course of business, the outcomes of which, individually or in the aggregate, in the opinion of LIIF's management, would not have a material adverse effect on LIIF's business operations, financial position, results of operations, or cash flows.

LIIF has received federal funds for specific purposes that are subject to review and audit by grantor agencies. Although such audits could result in expenditure disallowances under terms of grants, it is management's opinion that any required reimbursements or future revenue offsets subsequently determined are remote and would not have a material effect on LIIF's financial position, results of operations or cash flows.

As part of LIIF's NMTC business, as of June 30, 2025, LIIF has assumed a contingent liability of approximately \$46,800,528 if LIIF acted in bad faith and was found guilty of negligence in structuring NMTC transactions or in breach of certain other conditions. Management believes this liability is remote as LIIF is an experienced NMTC allocatee, receives high quality external legal advice when structuring transactions and has regular third-party reviews and annual audits of all NMTC transactions.

### **Note 18 – Other commitments and contingencies (continued)**

In addition, if LIIF were unable to redeploy qualified low income investments that are repaid during the seven-year NMTC compliance period and caused the tax credit investor to lose all tax credits claimed and available to be claimed, LIIF would have a liability for the present value of these failed tax credits which is estimated to be \$6,880,528 as of June 30, 2025. None of the qualified low income investments made as part of these NMTC deals has been repaid during the tax credit compliance period and, in the unlikely event that one does repay, LIIF is confident that the investment would be redeployed during the allowable redeployment period. Contingent liabilities related to LIIF NMTC transactions are, therefore, considered remote.

#### **Other**

Amounts related to undisbursed closed loans at June 30, 2025 and 2024, totaled \$64,811,181 and \$98,439,938, respectively. Amounts related to loan approvals and/or loan commitments at June 30, 2025 and 2024, totaled \$12,528,119 and \$8,975,116, respectively.

### **Note 19 – Defined contribution plan**

LIIF has a 401(k) plan (the Plan) for the benefit of its employees. All regular full and part-time employees are eligible to participate in the Plan upon date of hire. Employees are allowed to defer a portion of earned salaries as contributions to the Plan. The Plan allows LIIF to make matching contributions and/or nonelective discretionary contributions for the benefit of the employees. In addition, NAHT has a 401(a) and 403(b) plan for eligible employees. For the years ended June 30, 2025 and 2024, pension expenses totaled \$909,792 and \$1,131,220, respectively, which are reported in personnel on the statement of functional expenses.

### **Note 20 – Fair value measurements**

LIIF groups its assets and liabilities measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. Valuations within these levels are based upon:

Level 1: Quoted market prices for identical instruments traded on active exchange markets.

Level 2: Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable or can be corroborated by observable market data.

Level 3: Model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect LIIF's estimates of assumptions that market participants would use on pricing the asset or liability, such as discounting an appraisal, for the present value of expected future cash flows. Valuation techniques include management judgment and estimation that may be significant.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

## Note 20 – Fair value measurements (continued)

The following tables present information about LIIF's assets measured at fair value on a recurring and nonrecurring basis as of June 30:

*Recurring basis* – LIIF is required or permitted to record the following assets at fair value on a recurring basis.

	June 30, 2025			
	Level 1	Level 2	Level 3	Fair Value
U.S. Treasury notes	\$ 5,160,884	\$ -	\$ -	\$ 5,160,884
Corporate bonds	-	5,289,829	-	5,289,829
Asset-backed securities (including CMOs)	-	10,285,401	-	10,285,401
Municipal Bonds	-	1,715,205	-	1,715,205
Real estate partnership	-	-	1,900,780	1,900,780
	<u>\$ 5,160,884</u>	<u>\$ 17,290,435</u>	<u>\$ 1,900,780</u>	<u>\$ 24,352,099</u>

  

	June 30, 2024			
	Level 1	Level 2	Level 3	Fair Value
U.S. Treasury notes	\$ 4,659,556	\$ -	\$ -	\$ 4,659,556
Corporate bonds	-	4,783,115	-	4,783,115
Asset-backed securities (including CMOs)	-	10,314,564	-	10,314,564
Municipal Bonds	-	1,576,364	-	1,576,364
Real estate partnership	-	-	2,216,117	2,216,117
	<u>\$ 4,659,556</u>	<u>\$ 16,674,043</u>	<u>\$ 2,216,117</u>	<u>\$ 23,549,716</u>

U.S. government obligations are classified as Level 1 as they are actively traded. Municipal bonds, asset-backed securities and corporate bonds are grouped as Level 2 as fair values for these investments are based on quoted market prices for similar securities.

The following tables present additional information about Level 3 assets measured at fair value. Both observable and unobservable inputs may be used to determine the fair value of positions that LIIF has classified within the Level 3 category. As a result, the unrealized gains and losses for assets within the Level 3 category may include changes in fair value that were attributable to both observable and unobservable inputs.

*Nonrecurring basis* – The following tables present information about LIIF's assets measured at fair value on a nonrecurring basis and indicates the fair value hierarchy of the valuation techniques utilized by LIIF to determine such fair value as of June 30. See Note 2 for measurement of individually evaluated loans and impaired loans.

## Note 20 – Fair value measurements (continued)

The following table presents quantitative information about Level 3 fair value measurements for financial instruments measured at fair value on a non-recurring basis as of June 30, 2025 and 2024:

	<u>Valuation Techniques</u>	<u>Unobservable Inputs</u>	<u>Range</u>
<b>June 30, 2025</b>			
Individually evaluated loans	Discounted Cash Flows	Discount Rate	5.0 - 8.75%
<b>June 30, 2024</b>			
Individually evaluated loans	Discounted Cash Flows	Discount Rate	6.0 - 6.51%

	June 30, 2025			
	Level 1	Level 2	Level 3	Fair Value
Individually evaluated loans	\$ -	\$ -	\$ 36,575,898	\$ 36,575,898
	June 30, 2024			
	Level 1	Level 2	Level 3	Fair Value
Individually evaluated loans	\$ -	\$ -	\$ 11,735,264	\$ 11,735,264

Changes in Level 3 assets measured at fair value for the years ended June 30 were as follows:

	Fair Value Measurements Using Significant Unobservable Inputs			
	June 30, 2025		June 30, 2024	
	Real Estate Partnership	Impaired Loans	Real Estate Partnership	Impaired Loans
Beginning balance	\$ 2,216,117	\$ 11,735,264	\$ 1,170,902	\$ 1,132,798
Improvement (deterioration) of credit quality	-	24,840,634	-	10,602,466
Purchases	17,251,221	-	9,526,766	-
Sales	(17,566,558)	-	(8,481,551)	-
Ending balance	\$ 1,900,780	\$ 36,575,898	\$ 2,216,117	\$ 11,735,264

## Note 21 – Related-party transactions

LIIF has entered into various loans with borrowers and notes payable from lenders where a senior level employee of the borrower or lender is on LIIF's Board. These related-party loans were made on substantially the same terms, including interest rates and collateral requirements that were prevailing at the date these loans were made. In addition, contributions were received from donors and also paid to grant recipients where a senior level employee is on LIIF's Board.

## Note 21 – Related-party transactions (continued)

LIIF entered into a partnership in BATOAH on February 22, 2011. LIIF has signed a loan agreement to fund up to \$8,500,000 to BATOAH as a participant in loans LIIF originates for BATOAH. Under this agreement, LIIF loaned \$0 at both June 30, 2025 and 2024, to BATOAH. LIIF provides administrative support and loan servicing to BATOAH under a management services agreement. LIIF receives an origination fee on loans if other members originate and sell to BATOAH. For the years ended June 30, 2025 and 2024, LIIF earned management and loan servicing fees from BATOAH totaling \$31,827 and \$32,854, respectively. As of June 30, 2025 and 2024, BATOAH owed LIIF \$2,609 and \$2,707, respectively. As of June 30, 2025, BATOAH's statement of financial position included \$2,513,828 in cash and cash equivalents, \$3,895,541 in notes receivable and total assets of \$6,422,346. In addition, there was \$5,000,000 in notes payable, while members' equity was \$1,419,737. Total liabilities and members' equity was \$6,422,346.

LIIF entered into a partnership in GSAF on March 1, 2012. For each loan underwritten and originated by LIIF on behalf of this entity, LIIF is obligated to directly lend and fund 75% of the principal amount. Loan participations with GSAF totaled \$4,591,925 and \$5,806,285 as of June 30, 2025 and 2024, respectively. LIIF receives a management fee from GSAF. For the years ended June 30, 2025 and 2024, LIIF earned a management fee totaling \$214,653 and \$198,463, respectively. As of June 30, 2025 and 2024, GSAF, LLC owed LIIF \$18,860 and \$17,147, respectively.

LIIF is a member in certain Sub-CDE and investment fund LLCs associated with NMTC transactions. LIIF has also participated as a leveraged lender into certain investment fund LLCs. LIIF receives interest income from these loans and receives a management and loan servicing fee from these LLCs. For the years ended June 30, 2025 and 2024, LIIF earned administrative and loan servicing fees totaling \$1,777,902 and \$1,011,156, respectively.

LIIF entered into a partnership in MATCH, on April 12, 2017. LIIF receives a management fee from MATCH, LLC. For the years ended June 30, 2025 and 2024, LIIF earned management fees totaling \$30,921 and \$37,882, respectively. As of June 30, 2025 and 2024, MATCH owed LIIF \$2,578 and \$2,441, respectively.

Assets and liabilities related to transactions with related parties included on the accompanying consolidated statements of financial position as of June 30 are as follows:

	2025	2024
Notes payable	\$ 53,391,925	\$ 84,606,285
Loans receivable	51,982,915	62,921,867
Grants receivable	-	105,000
Accounts receivable	-	21,250
Accounts payable	7,928	-

Revenues and expenses related to transactions with related parties, included on the accompanying consolidated statements of activities and changes in net assets for the years ended June 30 are as follows:

	2025	2024
Interest income	\$ 2,681,228	\$ 2,729,983
Grant income	10,000	170,000
Technical Assistance Fees Revenue	50,000	-
Grant expenditure	3,000,000	-
Administrative and support services income	951,458	1,280,333
Interest expense	3,362,893	2,182,978

**Low Income Investment Fund and Subsidiaries**  
**(A California Nonprofit Public Benefit Corporation)**

**Consolidating Statement of Financial Position**  
**June 30, 2025**

	LIIF and Wholly Owned Subsidiaries		NAHT	Elimination Entries	Total
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 48,305,098	\$ 1,734,678	\$ -	\$ -	\$ 50,039,776
Restricted cash and cash equivalents	72,753,428	-	-	-	72,753,428
Investments	6,054,592	2,254,965	(3,940,560)	-	4,368,997
Accounts receivable, net of allowance for credit losses of \$898,733 for 2025 and \$675,100 for 2024	1,117,830	2,172,386	(135,808)	-	3,154,408
Current portion of contributions receivable	6,824,953	-	-	-	6,824,953
Accrued interest receivable	4,119,662	50,924	-	-	4,170,586
Prepaid expenses and deposits	2,251,560	118,973	-	-	2,370,533
Current portion of notes receivable	237,574,309	56,357	-	-	237,630,666
<b>Total current assets</b>	<b>379,001,432</b>	<b>6,388,283</b>	<b>(4,076,368)</b>	<b>-</b>	<b>381,313,347</b>
Investments, net of current	7,850,032	6,687,316	-	-	14,537,348
Restricted investments	11,634,783	-	-	-	11,634,783
Contributions receivable, net of current	711,192	-	-	-	711,192
Right of use asset	7,739,169	719,382	-	-	8,458,551
Notes receivable, net of current and allowance for credit losses of \$19,502,278 in 2025 and \$13,069,507 in 2024	378,261,835	-	-	-	378,261,835
Equipment and leasehold improvements, net	1,333,625	498,319	-	-	1,831,944
<b>Total assets</b>	<b>\$ 786,532,068</b>	<b>\$ 14,293,300</b>	<b>\$ (4,076,368)</b>	<b>\$ -</b>	<b>\$ 796,749,000</b>
<b>Liabilities and Net Assets</b>					
Current liabilities:					
Accounts payable and accrued expenses	\$ 6,967,888	\$ 1,963,006	\$ (135,808)	\$ -	\$ 8,795,086
Accrued interest payable	3,813,536	-	-	-	3,813,536
Conditional contributions	8,819,999	-	-	-	8,819,999
Deferred revenue	-	443,686	-	-	443,686
Funds held in trust	20,219,985	-	-	-	20,219,985
Other liabilities	4,930,154	-	-	-	4,930,154
Current portion of lease liability	1,498,404	161,188	-	-	1,659,592
Current portion of notes payable, net	29,643,571	1,900,781	-	-	31,544,352
Current subordinated notes payable, net	-	-	-	-	-
<b>Total current liabilities</b>	<b>75,893,537</b>	<b>4,468,661</b>	<b>(135,808)</b>	<b>-</b>	<b>80,226,390</b>
Other liabilities, net of current	4,161,188	-	-	-	4,161,188
Lease liability, net of current	7,367,589	786,000	-	-	8,153,589
Notes payable, net of current	450,213,500	-	-	-	450,213,500
Subordinated notes payable, net of current	31,679,620	-	-	-	31,679,620
<b>Total liabilities</b>	<b>569,315,434</b>	<b>5,254,661</b>	<b>(135,808)</b>	<b>-</b>	<b>574,434,287</b>
Net assets:					
Without donor restrictions	151,535,460	9,038,639	(7,555,859)	-	153,018,240
Non-controlling interest in subsidiaries	-	-	3,615,299	-	3,615,299
<b>Total without donor restrictions</b>	<b>151,535,460</b>	<b>9,038,639</b>	<b>(3,940,560)</b>	<b>-</b>	<b>156,633,539</b>
With donor restrictions	65,681,174	-	-	-	65,681,174
<b>Total net assets</b>	<b>217,216,634</b>	<b>9,038,639</b>	<b>(3,940,560)</b>	<b>-</b>	<b>222,314,713</b>
<b>Total liabilities and net assets</b>	<b>\$ 786,532,068</b>	<b>\$ 14,293,300</b>	<b>\$ (4,076,368)</b>	<b>\$ -</b>	<b>\$ 796,749,000</b>

See Independent Auditor's Report.

**Low Income Investment Fund and Subsidiaries**  
**(A California Nonprofit Public Benefit Corporation)**

**Consolidating Statement of Activities and Changes in Net Assets**  
**Year Ended June 30, 2025**

	LIIF and Wholly Owned Subsidiaries	NAHT	Elimination Entries	Total
Support, revenues and investment return:				
Net financial income:				
Interest income - lending	\$ 42,694,820	\$ -	\$ -	\$ 42,694,820
Less interest expense	(18,390,855)	(508,775)	-	(18,899,630)
Less provision for credit losses	(6,277,487)	-	-	(6,277,487)
<b>Total net financial income</b>	<b>18,026,478</b>	<b>(508,775)</b>	<b>-</b>	<b>17,517,703</b>
Fees:				
Loan packaging and servicing	557,406	-	-	557,406
Syndication fees	-	3,877,626	-	3,877,626
Asset management fees	951,458	1,851,693	-	2,803,151
Technical assistance and consulting	5,071,670	493,220	(50,007)	5,514,883
Other	47,477	11,818	-	59,295
<b>Total fees</b>	<b>6,628,011</b>	<b>6,234,357</b>	<b>(50,007)</b>	<b>12,812,361</b>
Investment return, net	4,659,957	419,166	-	5,079,123
Contributions	70,152,903	-	-	70,152,903
	74,812,860	419,166	-	75,232,026
<b>Total support, revenues and investment return</b>	<b>99,467,349</b>	<b>6,144,748</b>	<b>(50,007)</b>	<b>105,562,090</b>
Expense:				
Program services:				
Lending production, asset management and servicing	12,672,371	-	(50,007)	12,622,364
Affordable housing syndication services	-	5,291,133	-	5,291,133
Child care development services	20,228,230	-	-	20,228,230
Other development services	5,188,731	-	-	5,188,731
National policy	149,635	-	-	149,635
<b>Total program services</b>	<b>38,238,967</b>	<b>5,291,133</b>	<b>(50,007)</b>	<b>43,480,093</b>
Supporting services:				
Management and general	13,121,341	2,013,198	-	15,134,539
Fundraising	2,818,713	-	-	2,818,713
<b>Total supporting services</b>	<b>15,940,054</b>	<b>2,013,198</b>	<b>-</b>	<b>17,953,252</b>
<b>Total expenses</b>	<b>54,179,021</b>	<b>7,304,331</b>	<b>(50,007)</b>	<b>61,433,345</b>
<b>Change in net assets</b>	<b>45,288,328</b>	<b>(1,159,583)</b>	<b>-</b>	<b>44,128,745</b>
Net assets:				
Beginning of year	171,928,306	10,198,222	(3,940,560)	178,185,968
End of year	\$ 217,216,634	\$ 9,038,639	\$ (3,940,560)	\$ 222,314,713

See Independent Auditor's Report.