CELEBRATING 20 YEARS OF BUILDING HEALTHY COMMUNITIES

Low Income Investment Fund | Annual Report 2004
20 Years of Support for Community Development

1984 – 2004
1984 – 2004

1984 The Low Income Housing Fund (LIHF) is founded by Daniel Leibsohn to address the housing needs of low income families and communities.

1987 LIHF’s Revolving Loan Fund (RLF) reaches $1 million.

1990 LIHF opens an office in Los Angeles, expanding its reach to the entire state of California.

YEARS OF GROWTH
BRIDGING THE
PARTNERSHIP AND COLLABORATION
STABILITY
PATHWAYS OF OPPORTUNITY
DIVERSITY
LEADING THE WAY OUT OF POVERTY
1991 LIHF opens an office in New York City, establishing a presence on the East Coast to better serve the needs of the New York Metropolitan Area.

"With our partner, Citizens Housing, we talked to a lot of institutions about an acquisition loan for a sizable piece of land, but only LIHF could get it done."
Donald S. Falk, Director of Housing Development, Tenderloin Neighborhood Development Corporation

1995 LIHF initiates a secondary market for its RLF lending through the sale of participations in loans to conventional banks.
1998 LIHF launches the San Francisco Child Care Facilities Fund (CCFF) with key public and private sector partners to address the need for quality, affordable child care in San Francisco.

1999 LIHF makes its first education loan to the Oakland Charter School Academy, supporting nearly 200 school spaces for kids.

2002 LIHF becomes the Low Income Investment Fund (LIIF), reflecting the expansion of its mission to include child care, education and other community revitalization efforts.
DEAR FRIENDS  On the occasion of the Low Income Investment Fund's (LIIF's) 20th Anniversary, we reflect upon the accomplishments we have made since LIIF's founding in 1984.

Over the past 20 years, LIIF has helped more than 200,000 people and families find stable homes, good schools and quality child care for their kids. Starting with only $500,000 in assets, LIIF has grown to a $200 million corporation. But the core of our work—a commitment to serving the most vulnerable among us—is the same.

In the 20 years since LIIF was founded, we have invested nearly $500 million in capital and technical assistance supporting:

- 48,000 homes for families;
- 18,000 child care spaces;
- 11,000 spaces in schools for children; and
- 2 million square feet of commercial space.

Though we are proud of our past achievements, there is still much work ahead for LIIF and our partners. We have built a great foundation, but we need to do more. Indeed, reflecting on LIIF's past allows us to imagine the work of the future. To that end, we have established the following ten-year legacy goal: Over the next ten years, LIIF will commit one billion dollars to serve one million people. Or, in short, “A Billion for a Million.” Achieving this goal will require LIIF to innovate. We must find new ways to channel private capital to low income communities. We must find new ways to care for children while their parents work and to improve the educational opportunities available to them as they grow up. We must remain responsive to the community organizations that are rebuilding our neighborhoods, towns and cities.

In reflecting on LIIF's growth over the past 20 years, we understand that the steps we take are not ours alone. Our progress is forged through collaboration—community organizations, private financial institutions and our philanthropic partners join us in the desire to create a better world for all Americans, but especially for those most vulnerable American families and children. We must—and do—remain dedicated to our common goals and to each other.

Sincerely,

Nicolas P. Retsinas
Chairman of the Board

Nancy O. Andrews
President and CEO

"LIIF’s support will improve our ability to provide access, especially to very-low income families who could not otherwise afford a quality child care setting."

BONNIE MALLONGA, COO,
1999/Employer Child Care Corporation

2003 LIIF expands its child care work throughout the state of California and to New York City with the launch of the Affordable Buildings for Children’s Development (ABCD) Initiative and the New York Child Care Seed Fund.

2004 LIIF proudly celebrates 20 years of leading through innovation and investing in the future.
A BILLION FOR A MILLION
LIIF’S LEGACY GOAL
This year, LIIF celebrates 20 years of service to low income communities across the nation. Since 1984, LIIF has provided nearly $500 million in capital and technical assistance and leveraged $3.5 billion to assist over 200,000 low income people across the country.

LIIF works to alleviate poverty by providing capital and technical assistance for affordable housing, child care, education and other community-building initiatives. LIIF provides a bridge between capital markets and low income neighborhoods. LIIF is a national community development financial institution (CDFI) and has worked in 35 states, with activity concentrated in the three core markets where it maintains offices: Southern California, Northern California and the New York Metropolitan Area. These areas comprise nearly 20 percent, or one-fifth, of the nation's total poverty population.

LIIF provides critical resources—flexible capital, training and technical assistance—to community-based developers. LIIF assumes higher levels of risk, smaller deal sizes and more time-consuming transactions than can be borne profitably by the private sector. LIIF also provides support along the way to its borrowers, so that they can prudently spend, manage and repay their loans. As a result, LIIF's capital losses total less than $200,000 over its 20-year history. This solid performance and a focus on internal efficiency have enabled LIIF to serve its social purpose while maintaining between 90 and 100 percent self-sufficiency in its lending operations.

LIIF's flexibility allows it to develop innovative ways to respond to its borrowers' unique and diverse needs. Whether addressing a request for early-stage financing or combining multiple public subsidies with private capital, LIIF is continually creating new capital solutions that address the challenges faced by community developers. These solutions, many of which are described in this report, position LIIF as a crucial link between community-based organizations, capital markets and other sources of financing.

The proof of LIIF's value to its customers can be seen in the growth in the demand on LIIF's resources. In 1998, LIIF committed a total of $10 million in financing; by the end of fiscal year 2004, LIIF's best year to date, this figure had grown to over $84 million in grants and loans.

Today, LIIF brings over $200 million of capital to the table for community investments. Because LIIF's capital revolves, it is constantly redeployed to new organizations and projects.
Housing costs consume a disproportionate amount of a family's income, particularly for low income families. LIIF works to increase the supply of affordable rental housing and the number of homeownership opportunities accessible to low income buyers. Affordable housing has remained LIIF’s most active lending program throughout its 20 years of operation.
Since its founding 20 years ago, LIIF has made affordable housing the cornerstone of its capital delivery programs. Indeed, LIIF was founded with an emphasis on affordable housing, because the lack of affordable housing is a powerful contributor to families’ inability to escape from poverty. The need for affordable rental and homeownership opportunities remains particularly acute today. Over 14.3 million households in the United States spend more than 50 percent of their income on housing, and 9.3 million households live in overcrowded units or housing that is physically inadequate.

Over the years, LIIF has helped tens of thousands of families access safe, secure and affordable housing alternatives. We estimate that the housing LIIF has financed has saved low income families nearly $3 billion in income, due to the reduced rents from the affordable housing supply. In FY04 alone, LIIF supported nearly 4,000 units of housing for low income individuals and families.

In order to help us gain a comprehensive picture of the direct and indirect impacts of our affordable housing lending, LIIF recently introduced an ambitious new project—the Housing Impact Initiative. The Initiative will allow LIIF to measure the impact of our work against our mission of poverty alleviation. Specifically, we aim to answer the question: “Other things being equal, can living in affordable housing improve the life chances of low income families?” We have engaged a Housing Impact Advisory Panel of practitioners, policy analysts and researchers to help guide us in this project. And, though we expect the entire project to last seven to ten years, we aim to have preliminary research results within the next three years.

Old Grove Apartments
LIIF provided a $308,000 loan to Mission Grove Housing, L.P. to aid in the permanent financing of Old Grove Apartments in Oceanside, California. All 56 of the apartments are reserved for low and very-low income families, ten of which are set aside for farm worker families. Four units are reserved for people with HIV/AIDS.
Friendship House
LIIF provided a $1 million loan to Friendship House Association of American Indians for an 80-bed residential alcohol- and substance-abuse treatment facility for homeless and addicted American Indians in San Francisco. The four-story facility will include two floors of 40 beds each for men and women, a medical clinic, and community and office space. The project incorporates many elements of American Indian culture into the design, including a “great hall” for community events. This project will be the only one of its kind in the nation.

Wilford Lane Village
LIIF’s $875,000 loan to Burbank Housing Development Corporation supported the construction of Wilford Lane Village, a 36-unit multifamily apartment complex in the community of Cotati in Sonoma County, California. All 36 of Wilford Lane’s units are available to low income tenants, and 18 of the units are available to tenants with special needs. A variety of services are provided on-site for the special-needs residents.
Palladia Transitional Treatment Program

LIIF closed a $700,000 loan to Palladia Housing Corporation for the renovation of its Transitional Treatment Program facility in the neighborhood of East Harlem, New York. The program has provided dormitory housing and other basic services to 60 recent parolees from New York State prisons for ten years. Says a client, “Before, we were just existing, now we're living.”

Many of the housing facilities that receive LIIF’s support incorporate accommodations and programs for special-needs tenants, including those with mental illness or physical or mental disabilities, or victims of physical abuse. To further promote independence and self-sufficiency, many residences complement these programs with special services such as job training and referrals, health care and counseling, educational and social services, and pre-purchase homeownership counseling.
Across the nation, there are not enough child care spaces to meet the needs of low income families. LIIF’s child care programs help expand the supply of affordable, quality child care by providing capital and technical assistance to support licensed child care providers.
LIIF has actively supported affordable, high-quality child care programs since 1998. During this time, LIIF has funded over 18,000 child care spaces. LIIF broadened its scope of work to incorporate child care because the severe shortage of quality child care spaces available to low income families hinders these families’ ability to achieve economic security.

LIIF operates several distinct child care programs, each of which is designed to address the specific needs of the child care market that it serves. However, all of LIIF’s child care programs share a unified vision of building comprehensive systems of support for child care facilities financing and development.

**San Francisco Child Care Facilities Fund (CCFF).** LIIF’s San Francisco Child Care Facilities Fund (CCFF) is an award-winning public – private collaboration designed to expand and improve child care facilities in San Francisco. Since its inception in 1998, CCFF has provided capital and technical assistance to support more than 10,000 child care spaces for families in the San Francisco Bay Area. LIIF’s CCFF has become a national model in responding to the shortage of affordable child care.

**New York Child Care Seed Fund.** The New York Child Care Seed Fund offers a system of early-stage technical assistance and financing that helps child care providers develop facilities to serve low income children in New York City. To date, the Seed Fund has supported nearly 2,000 child care spaces for low income children and has trained over 100 child care providers and community agencies in child care facilities development and financing.

**Affordable Buildings for Children’s Development (ABCD) Initiative.** In January 2003, LIIF was selected by the David and Lucile Packard Foundation to lead the implementation of the Affordable Buildings for Children’s Development (ABCD) Initiative. The ABCD Initiative (described in more detail on page 15) utilizes a four-pronged approach to create a system for financing and developing quality child care facilities in California.

**MARC After School Program**

The Morrisania section of the Bronx is one of the neighborhoods in New York City most in need of licensed child care space. To help address this need, LIIF closed two participation loans totaling $625,000 to the MARC After School Program, a highly regarded child care provider in Morrisania. MARC was founded to provide quality after-school care for previously homeless children. LIIF’s loans financed the construction of two new classrooms at MARC’s Jerome Avenue facility and support affordable child care for 84 preschool-age children and 60 school-age children.
COLLABORATION

SAFE ENVIRONMENTS

SUSTAINABLE CARE
Affordable, high-quality child care can make the difference between a life of poverty and one of possibility. But many children are on long waiting lists for care as communities struggle with shortages of adequate space and resources for facilities. LIIF’s ABCD Initiative helps fill these gaps.

The ABCD Initiative is a California-wide collaborative of organizations providing support to the child care sector in four areas: capital delivery, capacity building, advocacy and facilities development. The Initiative will support 15,000 child care spaces in California over five years, and most importantly, will put into place the key elements of a sustainable system for financing child care facilities. Even in good economic times, the public sector alone cannot supply the capital investment needed for the construction of a sufficient number of child care facilities. As such, ABCD aims to find ways to attract and sustain new sources of private investments for the child care sector, which will, in turn, leverage public dollars.

A premise of ABCD’s work is the belief that an effective financing system for child care must be the result of partnerships between child care providers and child care intermediaries, and community developers and community development intermediaries. The ABCD Initiative utilizes the expertise and capacity of existing community organizations and employs four interrelated strategies:

**ABCD Fund**, to provide technical assistance, grants and loans for child care centers’ feasibility planning, acquisition and construction costs, and long-term real estate financing needs.

**ABCD Development Assistance**, to utilize the expertise of regional community developers to increase the construction of child care facilities within educational, health and housing facilities. Partners include Bridge Housing; Child Development, Inc. (CDI); Los Angeles Community Design Center (LACDC); and Mercy Housing California.

**ABCD Constructing Connections**, to strengthen the facilities development expertise of child care center operators and intermediaries, and to improve the regulatory and funding environment to support child care facilities.

**ABCD Campaign to Sustain Child Care**, to catalyze new and diverse coalitions to advocate for increased child care operating subsidies from state and local governments.

The ABCD Initiative’s success will be measured by the degree to which it establishes a financing system that directly increases the availability and affordability of child care; directly increases the co-location of child care programs within housing, health and educational facilities; encourages private investment in child care center financing as an attractive community development opportunity; and promotes increased public expenditures for child care center operations.

**Kidango Child Care Program**
LIIF’s ABCD Fund provided a $25,000 grant to Kidango Chestnut Linden Court Child Care Center to support the construction of a center for 37 children. Chestnut Linden Court is located in West Oakland, California, in a low income area with a shortage of child care. The Center serves children from infant to pre-school age, and 60 to 80 percent of the children served are from low income families. In line with the ABCD model, the center is located within an affordable housing development.
The goal of LIIF’s education program is to improve educational outcomes for low income youth and accelerate the pace of efforts to create quality schools in underserved areas. LIIF views schools not only as educational centers, but also as tools for broader community development.
LIIF’s education program uses a three-pronged approach to achieve its goals: providing direct financing for schools, leveraging third-party capital for schools, and building the capacity of school developers and the education system. Specifically, LIIF aims to create 2,000 spaces in high-performing schools over the next three years.

All of LIIF’s education loans have been made to schools that serve low income populations or poor communities. To date, LIIF’s $12 million in education financing has supported 11,000 quality school spaces for low income children without sustaining any capital losses. This lending activity has been almost exclusively focused on charter schools and has consisted of loans to 36 schools. LIIF’s financing has provided schools with a range of facility acquisition, construction and renovation financing. LIIF is leading CDFI efforts in providing facility loans to charter schools in California.

LIIF has chosen to focus on serving charter schools because they fit well with LIIF’s mission of poverty alleviation and can benefit from LIIF’s expertise in financing community facilities. Charter schools are nonprofit public schools that do not charge tuition, are open to all and typically receive no public funding for facilities. These schools are becoming increasingly prevalent in low income communities in response to the overcrowded, neglected and underperforming schools that are often characteristic of these areas. Charter schools give parents and children additional options for securing a good education and help to address the serious shortages of quality school spaces for children in many urban communities. Unlike traditional public schools whose facilities are financed primarily by government funds, however, charter schools must rely on alternative sources of funding and support, such as the capital and technical assistance provided by LIIF.

### Leadership Charter High School

Leadership Public Schools (LPS) is creating a network of small public high schools in areas with high need and underperforming schools. With the help of a $400,000 loan from LIIF, LPS opened a new charter school in September 2003 in Richmond, California. The school, now serving 9th and 10th graders, will add a grade a year until it serves 450 students in the 9th to 12th grades in Fall 2006. Over 60 percent of students in the school are low income. According to the school’s principal, Jolene Lane, LPS—Richmond works for these students because “we have high expectations for each student; we provide extra help and we offer them new opportunities for growth.”
LIIF partnered with several other organizations to create an innovative cash-flow financing program to help charter schools increase their enrollment and provide quality educational opportunities to more low income children.

LIIF and the California Charter Schools Association (CCSA), a membership and professional organization of more than 530 public charter schools in California, recently developed a cash-flow financing program for schools that are increasing their enrollment. LIIF and CCSA created this innovative program in response to a systematic shortfall in charter school financing. Through January of each school year, charter schools in California receive State funding based on their prior year’s enrollment. As a result, schools that increase enrollment year-to-year are underfunded for the first seven months of each school year before receiving full funding for the current year’s enrollment, beginning in February. Many charter schools have been discouraged from expanding and providing more students with much-needed quality education due to this temporary lack of funding. Others have had to close because of the resulting cash-flow shortage.

The LIIF/CCSA cash-flow program fills this short-term funding gap, and thus encourages schools to serve additional students. In its first year, this cash-flow program has provided $5.5 million in financing to 22 schools. Funding through this program has allowed the schools to increase enrollment by 2,100 students, bringing their total enrollment to nearly 6,000 students. The cash-flow loans will be repaid beginning in March 2005, when the schools receive State funding for their current enrollment levels. LIIF’s and CCSA’s partners in this financing effort include NCB Development Corporation and the Prudential Foundation.

This cash-flow program demonstrates LIIF’s ability to support the charter school community by creating innovative financing products that meet an immediate need, stabilize school finances and create stronger organizations. In fact, according to Caprice Young, President and CEO, CCSA, “At the crucial moment, LIIF stepped in as our lead partner in financing 2,100 new high-quality charter school seats serving communities across California where traditional schools do not give young people the opportunity to succeed.”

**Central City Value School**

LIIF and CCSA provided a $425,000 loan to Value Schools in Los Angeles, California, for the increased enrollment of Central City Value School. The school, previously serving 9th graders, will add a 10th grade for the 2004–2005 school year, creating an additional 240 school spaces in one of the most high-need areas of Los Angeles. In the most recent school year, approximately 72 percent of the school’s students were very-low income, and 28 percent were English language learners. The school’s mission is to “[facilitate] the learning of...students...so that they may become persons who make a difference for their society and their world.”
LIIF thanks its many partners, supporters and collaborators, without whom our work would not be possible.
LIIF Customers

California
A.F. Evans Company, Inc.
Almis Village Apartments, L.P.
Avenue 26 Station, LLC
Beyer Boulevard Apartments, L.P.
Burbank Housing Development Corporation
Cabriro Economic Development Corporation
Center for Interfaith Housing
Citizens Housing Corporation
Colonia Libertad Limited Partnership
Community Housing Opportunities Corporation (CHOC)
A Community of Friends
EAH, Inc.
East LA Community Corporation
Emerald Terrace Housing Partners, L.P.
Green Dot Educational Project
HACSC Fairgrounds Family Associates, L.P.
James Woods Apartments, L.P.
Lakeside Apartments, L.P.
Leadership Public Schools, Inc.
Lillian Place, L.P.
Los Angeles Community Design Center (LACDC)
Los Angeles Housing Partnership, Inc.
Los Angeles Neighborhood Housing Services, Inc.
Marin Theatre Company
Mayberry Townhomes, L.P.
Mercy Housing California
Metropolitan Area Advisory Committee on Anti-Poverty
of San Diego County, Inc.
Mission Grove Housing, L.P.
National Farm Workers Service Center, Inc.
Neighborhood House of North Richmond
New Mexico Housing & Community Development Corporation
The Phoenix of Santa Barbara, Inc.
Prototypes
Rainbow Apartments, L.P.
Resources for Community Development
Santa Cruz Terrace, L.P.
Satellite Housing, Inc.
Shaftner Housing Development, L.P.
Three Courtyards, L.P.
Wilford Lane Village, L.P.
Wu Yee Children’s Services
Yorba Linda Family Partners, L.P.
Young Women’s Christian Association of San Diego County

New York
Greyston Foundation, Inc.
Norfolk Apartments II Limited Partnership
Palladia Housing Corporation
Peach Tikvah-Hope Development, Inc.
Southside United Housing Development Fund Corporation
Urban Homesteading Assistance, Inc. (UHAB)
Wespath, Inc.

LIIF Partners

General Support
Craig Burke & Molly Lazarus
Community Development Financial Institutions Fund
Christopher Donahue
Evelyn & Walter Haas, Jr. Fund
Fannie Mae Foundation
The F.B. Heron Foundation
Lee and Perry Smith Fund
Meyer & Friedman Fund
Michael L. & Ann Parker
The Swig Foundation
Washington Mutual

New York Office Support
The BTM Foundation
JP Morgan Chase Foundation
Ridgewood Savings Bank
Taconic Foundation

Northern California Office Support
California Bank & Trust
Cisco Systems Foundation
Evelyn & Walter Haas, Jr. Fund
Greater Bay Bancorp
San Francisco Foundation
Wells Fargo Foundation

Southern California Office Support
Bank of America
California Bank & Trust
Cathay Bank
Downey Savings & Loan Association
Homeland Foundation
(n.k.a. Marisla Foundation)
HSBC Bank USA
Northern Trust Bank of California
Wells Fargo Foundation

Child Care Support
Booth Ferris Foundation
Child Care & Early Education Fund
Comerica Bank
David & Lucile Packard Foundation
Evelyn & Walter Haas, Jr. Fund
JP Morgan Chase Foundation
Marin Community Foundation
Miriam & Peter Haas Fund
Mizuho USA Foundation, Inc.
New York Community Trust
New York State Office of Children & Family Services
Orfalea Family Foundation
Capital Grants
Booth Ferris
Child Care & Early Education Fund
Empire State Development Corporation
Ford Foundation
JP Morgan Chase

Loans Dedicated to the RLF
Ethel Ackley
Adrian Dominican Sisters
Aetna
Ascension Health
Associated Sulpicians
Astoria Federal Savings & Loan Association
Bank Hapoalim
Bank of America
Bank of the West
California Federal Bank
California Housing Partnership Corporation
Calvert Social Investment Foundation
Carver Savings Bank
Catholic Healthcare West
Community Development Financial Institutions Fund
Chemical Bank
Citicorp USA, Inc.
Community Capital Bank
Community Development Inc.
Congregation of Sisters of Charity, Texas
CR Alternative Trust
Norman & Deirdre Cram
Quinn Delaney
Deutsche Bank
Diocese of Long Island
Dominican Sisters of Mission San Jose
Dominican Sisters of Springfield Illinois
Erich & Hannah Sachs Foundation
The F.B. Heron Foundation
Nancy Falk
Fannie Mae Foundation
Faulkner Trust
First Republic
Ford Foundation
Fuji Bank & Trust Company
Gadfly Trust
Global Ministries, UMC
HSBC Bank USA
JP Morgan Chase Bank
Cathy Kornblith
KP Alternative Trust
K. Perls Trust
Janet Kranzenberg
Luckey Trusts
MacArthur Foundation Manufacturers Bank
The Mechanics Bank
Mellon First Business Bank
MetLife Insurance Company
Mizuho Corporate Bank
Northern Trust Bank of California
Pacific Union Bank
David & Dorothy Perkins
Kevin Pitcairn
Barbara Rhine
Ridgewood Savings Bank
Susan & David Russell
Seton Enablement Fund, Sisters of Charity
Signature Bank
Silicon Valley Bank
Sisters of the Holy Cross
Sisters of Charity of the Blessed Virgin Mary
Sisters of Mercy, Burlingame
Sisters of the Presentation
Sisters of St. Joseph
SSM International Finance, Inc.
Sterling National Bank
Roselyne Swig
U.S. Bank
U.S. Trust Company N.A.
U.S. Trust Funding Exchange
Tanis Walters
Wells Fargo
Woodlands Investment Management Account

Notes Program
Paul Gundelfinger
Sarah Hruska
Joshua H. M. Langenthal
David Meely
Meaveen O’Conner
Charlotte F. Rieger
Saint Pius V Church
Arthur Laingdon Schmitt
Dolores S. Taller

Loan Participants
Local Initiatives Support Coalition (LISC)
Marin Community Foundation

Financing Arranged by LIIF
Marin Community Foundation

In-Kind Services
Department of Health & Human Services, Marin County
Integrated Brokerage Technology, Inc.
Merrill Lynch
Morrison & Foerster, LLP
Powell, Goldstein, Frazer & Murphy, LLP
Thelen Reid & Priest, LLP
## Statement of Financial Position

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<th>Assets</th>
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<tr>
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