Consolidated Financial Statements and Independent Auditor's Report

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

June 30, 2021 and 2020

Contents

RSM US LLP

Independent Auditor's Report

Board of Directors
Low Income Investment Fund

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of Low Income Investment Fund and Subsidiaries, which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

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

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Low Income Investment Fund and Subsidiaries as of June 30, 2021 and 2020, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As discussed in Note 2 to the financial statements, effective July 1, 2020, Low Income Investment Fund and Subsidiaries has adopted the Financial Accounting Standards Board issued Accounting Standards Update 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

Other Matter
Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating information as of and for the year ended June 30, 2021, is presented for purposes of additional analysis rather than to present the financial position, results of operations and cash flows of the individual organizations and is not a required part of the 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 financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

RSM US LLP

San Francisco, California
October 28, 2021

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

Consolidated Statements of Financial Position
June 30, 2021 and 2020

	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	$ 40,145,172	$ 35,750,954
Restricted cash and cash equivalents	51,436,102	45,238,522
Investments	282,784	2,262,358
Accounts receivable, net	2,970,038	840,984
Current portion of contributions receivable	11,410,578	13,257,763
Accrued interest receivable	2,341,410	2,489,155
Prepaid expenses and deposits	1,009,723	791,803
Current portion of notes receivable, net	184,055,192	176,046,055
Total current assets	293,650,999	276,677,594
Investments, net of current	21,547,096	16,798,839
Contributions receivable, net of current	233,888	4,561,701
Right of use asset	9,615,267	-
Notes receivable, net of current	312,969,957	276,984,873
Equipment and leasehold improvements, net	1,820,412	1,127,835
Total assets	$ 639,837,619	$ 576,150,842
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$ 9,265,869	$ 4,743,785
Accrued interest payable	2,482,364	2,645,488
Conditional contributions	9,888,811	7,083,331
Deferred revenue	1,026,336	148,559
Funds held in trust	10,096,112	7,432,208
Other liabilities	5,751,758	3,310,338
Current portion of right of use liability	956,335	-
Current portion of notes payable, net	79,356,350	68,158,945
Current portion of subordinated notes payable	1,055,851	-
Total current liabilities	119,879,786	93,522,654
Other liabilities, net of current	4,161,188	2,500,000
Right of use liability, net of current	9,196,788	-
Notes payable, net of current	321,887,092	316,309,204
Subordinated notes payable	27,153,695	26,679,620
Total liabilities	482,278,549	439,011,478
Commitments and contingencies (Notes 18, 19 and 23)		
Net assets:		
Without donor restrictions	101,016,834	77,077,417
Noncontrolling interest in subsidiaries	3,748,526	-
Total without donor restriction	104,765,360	77,077,417
With donor restrictions	52,793,710	60,061,947
Total net assets	157,559,070	137,139,364
Total liabilities and net assets	$ 639,837,619	$ 576,150,842

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, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support, revenues and investment gains (losses):			
Net financial income:			
Interest income - lending	$ 28,220,218	$ -	$ 28,220,218
Less interest expense	(11,502,974)	-	(11,502,974)
Less provision for loan losses and commitments	(348,074)	-	(348,074)
Total net financial income	16,369,170	-	16,369,170
Fees:			
Loan packaging and servicing	543,045	-	543,045
Syndication fees	4,896,000	-	4,896,000
Asset management fees	3,434,650	-	3,434,650
Technical assistance and consulting	804,330	-	804,330
Other	141,612	-	141,612
Total fees	9,819,637	-	9,819,637
Investment return, net	(36,067)	4,027	(32,040)
Contributions	29,859,245	25,729,351	55,588,596
Net assets released from restrictions	33,001,615	(33,001,615)	-
Total	62,824,793	(7,268,237)	55,556,556
Total support, revenues and investment gains (losses)	89,013,600	(7,268,237)	81,745,363
Expenses:			
Program services:			
Lending production, asset management and servicing	8,222,550	-	8,222,550
Affordable housing syndication services	3,610,386	-	3,610,386
Child care development services	34,720,925	-	34,720,925
Strong, Prosperous, and Resilient Communities Challenge (SPARCC)	5,646,660	-	5,646,660
Other development services	352,023	-	352,023
National policy	587,358	-	587,358
Total program services	53,139,902	-	53,139,902
Supporting services:			
Management and general	8,419,017	-	8,419,017
Fundraising	2,101,378	-	2,101,378
Total supporting services	10,520,395	-	10,520,395
Total expenses	63,660,297	-	63,660,297
Change in net assets before noncontrolling interest	25,353,303	(7,268,237)	18,085,066
Noncontrolling interest aquired	2,614,640	-	2,614,640
Distributions to noncontrolling interest	(280,000)	-	(280,000)
Change in net assets	27,687,943	(7,268,237)	20,419,706
Net assets, beginning of year	77,077,417	60,061,947	137,139,364
Net assets, end of year	$ 104,765,360	$ 52,793,710	$ 157,559,070

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, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support, revenues and investment gains (losses):			
Net financial income:			
Interest income - lending	$ 28,188,115	$ -	$ 28,188,115
Less interest expense	(11,578,521)	-	(11,578,521)
Less provision for loan losses and commitments	(1,677,930)	-	(1,677,930)
Total net financial income	14,931,664	-	14,931,664
Fees:			
Loan packaging and servicing	665,164	-	665,164
Asset management fees	1,935,708	-	1,935,708
Technical assistance and consulting	242,056	-	242,056
Other	31,507	-	31,507
Total fees	2,874,435	-	2,874,435
Investment return, net	1,130,658	204,593	1,335,251
Contributions	9,214,512	20,812,900	30,027,412
Net assets released from restrictions	10,062,749	(10,062,749)	-
Total	20,407,919	10,954,744	31,362,663
Total support, revenues and investment gains	38,214,018	10,954,744	49,168,762
Expenses:			
Program services:			
Lending production, asset management and servicing	8,499,741	-	8,499,741
Child care development services	9,883,539	-	9,883,539
Strong, Prosperous, and Resilient Communities Challenge (SPARCC)	4,463,645	-	4,463,645
Other development services	786,813	-	786,813
National policy	713,926	-	713,926
Total program services	24,347,664	-	24,347,664
Supporting services:			
Management and general	7,572,725	-	7,572,725
Fundraising	2,133,331	-	2,133,331
Total supporting services	9,706,056	-	9,706,056
Total expenses	34,053,720	-	34,053,720
Loss on disposal of fixed assets	1,175,067	-	1,175,067
Total expenses and losses	35,228,787	-	35,228,787
Change in net assets	2,985,231	10,954,744	13,939,975
Net assets, beginning of year	74,092,186	49,107,203	123,199,389
Net assets, end of year	$ 77,077,417	$ 60,061,947	$ 137,139,364

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, 2021

	Program									
	Lending Production, Asset Management and Servicing	Affordable Housing Syndication Services	Child Care Development Services	SPARCC	Other Development Services	National Policy	Total	Management and General	Fundraising	Total
Expenses:										
Personnel	$ 6,112,897	$ 3,212,599	$ 2,106,136	$ 621,454	$ 290,257	$ 385,902	$ 12,729,245	$ 6,638,288	$ 1,330,555	$ 20,698,088
Consultants and legal	641,674	118,860	369,094	560,530	12,300	79,434	1,781,892	355,799	537,367	2,675,058
Travel and conferences	11,176	16,373	4,091	1,784	435	1,536	35,395	15,758	2,361	53,514
Occupancy	836,323	103,838	264,068	80,475	39,439	30,908	1,355,051	676,311	178,741	2,210,103
Insurances, licenses and fees	200,633	66,880	16,946	4,293	2,610	1,300	292,662	461,314	10,302	764,278
Audit and annual report	-	26,116	-	-	-	-	26,116	245,416	-	271,532
Depreciation and amortization	122,516	25,379	34,491	14,421	6,927	2,178	205,912	31,941	29,896	267,749
Grants	247,351	-	31,897,805	4,359,949	-	-	36,505,105	-	-	36,505,105
Miscellaneous	49,980	40,341	28,294	3,754	55	86,100	208,524	(5,810)	12,156	214,870
Total expenses before interest expense and provision for loan losses and commitments	8,222,550	3,610,386	34,720,925	5,646,660	352,023	587,358	53,139,902	8,419,017	2,101,378	63,660,297
Interest expense	11,435,004	67,970	-	-	-	-	11,502,974	-	-	11,502,974
Provision for loan losses and commitments	348,074	-	-	-	-	-	348,074	-	-	348,074
Total expenses	$ 20,005,628	$ 3,678,356	$ 34,720,925	$ 5,646,660	$ 352,023	$ 587,358	$ 64,990,950	$ 8,419,017	$ 2,101,378	$ 75,511,345

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, 2020

	Program								
	Lending Production, Asset Management and Servicing	Child Care Development Services	SPARCC	Other Development Services	National Policy	Total	Management and General	Fundraising	Total
Expenses:									
Personnel	$ 5,728,199	$ 1,335,834	$ 624,627	$ 509,150	$ 441,194	$ 8,639,004	$ 5,447,199	$ 1,124,027	$ 15,210,230
Consultants and legal	989,247	290,968	608,317	99,237	128,095	2,115,864	546,529	653,434	3,315,827
Travel and conferences	151,942	48,321	57,175	35,638	14,554	307,630	292,548	23,228	623,406
Occupancy and equipment	1,069,211	297,298	115,434	80,676	55,414	1,618,033	548,102	275,169	2,441,304
Insurances, licenses and fees	146,226	4,399	7,036	1,429	892	159,982	391,076	4,007	555,065
Audit and annual report	-	-	-	-	-	-	204,035	-	204,035
Depreciation and amortization	119,106	38,434	13,294	10,292	3,487	184,613	59,905	42,459	286,977
Grants	225,136	7,867,007	3,037,288	50,000	-	11,179,431	-	-	11,179,431
Miscellaneous	70,674	1,278	474	391	70,290	143,107	83,331	11,007	237,445
Total expenses before interest expense and provision for loan losses and commitments	8,499,741	9,883,539	4,463,645	786,813	713,926	24,347,664	7,572,725	2,133,331	34,053,720
Interest expense	11,578,521	-	-	-	-	11,578,521	-	-	11,578,521
Provision for loan losses and commitments	1,677,930	-	-	-	-	1,677,930	-	-	1,677,930
Total expenses	$ 21,756,193	$ 9,883,539	$ 4,463,645	$ 786,813	$ 713,926	$ 37,604,115	$ 7,572,725	$ 2,133,331	$ 47,310,171

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, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	$ 20,419,706	$ 13,939,975
Noncontrolling interest activities	(2,334,640)	-
Change in net assets before noncontrolling interest	18,085,066	13,939,975
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	267,749	286,977
Amortization of debt issuance costs	192,060	211,975
Change in deferred fees and costs	(481,939)	35,479
Loss on disposal of fixed assets	-	1,175,067
Noncash lease expense	963,455	-
Provision for loan losses and commitments	348,074	1,677,930
Gain on related-party equity investments	(21,389)	(58,963)
Net realized and unrealized gains and losses	343,890	(272,702)
Noncash interest income	(247,540)	(211,790)
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	(356,094)	(477,665)
Contributions receivable	6,174,998	(11,514,898)
Accrued interest receivable	147,745	(282,522)
Prepaid expenses and deposits	330,688	46,134
Lease liability	(414,476)	-
Accounts payable and accrued expenses	496,205	317,593
Accrued interest payable	(163,124)	1,789,161
Funds held in trust	2,663,904	(4,690,420)
Other liabilities	3,526,708	5,142,009
Conditional contributions	2,622,442	3,333,333
Net cash provided by operating activities	34,478,422	10,716,673
Cash flows from investing activities:		
Purchases of investments	(10,109,623)	(20,519,725)
Proceeds from sales of investments	1,145,257	3,068,915
Proceeds from calls, maturities and prepayments of investments	5,735,220	16,834,582
Loans made	(142,085,380)	(137,826,213)
Collections on loans	114,935,906	109,146,921
Purchase of equipment and leasehold improvements	(915,539)	(985,552)
Net cash acquired in acquisition of NAHT	4,887,510	-
Net cash aquired from stepup acquisition of FPAC and FPAC 2.0	1,820,000	-
Net cash used in investing activities	(24,586,649)	(30,281,072)
Cash flows from financing activities:		
Proceeds from notes payable	49,254,714	168,880,300
Repayments of notes payable	(49,600,339)	(128,671,043)
Proceeds from subordinated notes payable	1,055,851	4,000,000
Repayment of subordinated notes payable	-	(7,490,000)
Debt issuance costs	(10,200)	(1,160,821)
Net cash provided by financing activities	700,026	27,558,436
Net increase in cash, cash equivalents and restricted cash and cash equivalents	10,591,798	7,994,037
Cash, cash equivalents and restricted cash and cash equivalents at beginning of year	80,989,476	72,995,439
Cash, cash equivalents and restricted cash and cash equivalents at end of year	$ 91,581,274	$ 80,989,476
Cash and cash equivalents	$ 40,145,172	$ 35,750,954
Restricted cash and cash equivalents	51,436,102	45,238,522
	$ 91,581,274	$ 80,989,476

(Continued)

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

Consolidated Statements of Cash Flows (Continued)
Years Ended June 30, 2021 and 2020

	2021	2020
Supplemental cash flow disclosure:		
Cash paid for interest	$ 11,053,674	$ 9,784,428
Noncash investing and financing transactions:		
Right of use assets obtained in exchange for lease obligations		
Operating leases as of July 1, 2020	$ 7,100,386	$ -
Operating leases obtained during year	$ 3,467,200	$ -
Stepup acquisition of FPAC and FPAC 2.0:		
Notes receivable acquired	$ 15,320,373	$ -
Notes payable acquired	$ 16,804,206	$ -
Subordinated notes payable acquired	$ 474,075	
Acquisition of NAHT:		
Consideration transferred	$ 2,350,000	$ -
Noncash contingent consideration (included in accounts payable and accrued expenses)	1,728,522	-
Acquisition price	$ 4,078,522	$ -

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Note 1 – Organization and nature of business

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 to alleviate poverty and support healthy families and communities by increasing the availability of capital in low-income communities at affordable rates and terms. LIIF's primary programs include affordable housing, education, childcare, healthcare, healthy food, transit oriented development (TOD), and national policy. 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.

With offices in San Francisco, Los Angeles, New York, Washington, D.C., Columbus, and Atlanta, LIIF offers development, acquisition, construction and permanent loans, as well as lines of credit from its Revolving Loan Fund (RLF), Healthy Food and Healthy Communities Fund (HFHC), Healthy Communities Innovation Fund (HCIF), and the U.S. Department of the Treasury Community Development Financial Institutions (CDFI Fund) Bond Guarantee Program (BGP). In addition, LIIF offers loan packaging and servicing to third-party lenders, and technical assistance, grants and consulting to nonprofit community organizations, childcare facilities, educational facilities, residents of multi-family housing, foundations and public sector agencies.

On September 30, 2020, LIIF, through its 100% owned subsidiary LIIF Housing Investments, LLC, purchased a sixty percent 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.

LIIF and NAHT each have a one-third membership interest in LIIF Housing Preservation Fund, LLC and LIIF Housing Preservation Fund II, LLC, commonly known as the Fund to Preserve Affordable Communities (FPAC) and the Fund to Preserve Affordable Communities 2.0 (FPAC 2.0), respectively. The result of the acquisition of a controlling interest in NAHT is that LIIF is now the majority owner of FPAC and FPAC 2.0 with a 53.33 percent direct and indirect ownership interest. FPAC and FPAC 2.0 were created to provide funding in the form of loans to members of SAHF. Loans to SAHF members will finance permanent multi-family acquisition loans and various affordable rental housing loans throughout the United States. See Note 3 for further details.

Note 1 – Organization and nature of business (continued)

The following program 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 three loan funds: the RLF, HFHC and HCIF. Through the RLF, LIIF underwrites projects in each program area. HFHC is solely dedicated to financing grocery and small food stores that sell fresh and healthy food. The HCIF provides capital to higher risk and high social return transactions.

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.

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.

Note 1 – Organization and nature of business (continued)

In conjunction with these lending activities, LIIF occasionally 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), MATCH, FPAC and FPAC 2.0. LIIF uses the equity method of accounting for its investment in, and earnings or losses from, these LLCs. However, with the acquisition of NAHT on September 30, 2021, FPAC and FPAC 2.0 are no longer accounted for under the equity method and are included in LIIF's consolidated financial statements as of and for the nine months ended June 30, 2021 (see Note 3).

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.

Childcare development services

Includes activities related to providing grants and recoverable grants to center-based and family childcare providers, financial assistance to nonprofit childcare centers and technical assistance to childcare providers to 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), the Access to Quality Child Care Expansion program in Washington, D.C., and our technical assistance for pre-K education work in New York City.

SPARCC

In fiscal year 2016, LIIF, in partnership with Enterprise Community Partners Inc., Natural Resources Defense Council Inc., and the Federal Reserve Bank of San Francisco, created the Strong, Prosperous, and Resilient Communities Challenge (SPARCC), a $90 million multi-year initiative which invests in, and amplifies, local efforts underway in six communities in cities in the U.S. to ensure that new infrastructure investments lead to equitable and healthy opportunities for everyone. SPARCC helps regions refine and integrate their vision for the future, where the policies and practices that shape the built environment address the issues of racial equity, health, and climate resiliency through grants, technical assistance, and capital investment. Funded by the Ford Foundation, The JPB Foundation (JPB), The Kresge Foundation (Kresge), the Robert Wood Johnson Foundation (RWJF), and The California Endowment, the program launched in fiscal year 2017. In fiscal year 2020, JPB, Kresge and RWJF renewed their commitment with Phase 2 and were joined by the Ballmer Foundation. SPARCC will continue through 2022.

Note 1 – Organization and nature of business (continued)

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, community development and transit oriented development initiatives.

National policy

Includes the activities related to the design and implementation of advocacy strategies to ensure LIIF is active in federal policy initiatives relevant to its main programs. National policy also includes advancing the policy agenda of LIIF, leveraging relationships and building momentum around the organization and its mission of poverty alleviation. In addition to advocating for programs and policies that support its own activities, LIIF supports all CDFIs by serving as a nonprofit business model for providing capital to low-income neighborhoods.

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 encourage and secure financial support from public sources such as the CDFI Fund, Department of Education (DOE), and from individuals, foundations and corporations for operations and capital for the RLF, HFHC, HCIF, and other initiatives.

Note 2 – Summary of significant accounting policies

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, FPAC and FPAC 2.0 and its wholly owned subsidiaries, LIIF Housing Investments, LLC; LIIF REO I, LLC; FoodCo, LLC; LIIF TOAH Member, LLC; LIIF NMTC Holdings, LLC and LIIF New Markets, LLC. (collectively referred to as LIIF). The noncontrolling interests of NAHT, FPAC and FPAC 2.0 are 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.

Note 2 – Summary of significant accounting policies (continued)

Basis of consolidation - continued

LIIF has been awarded NMTC allocations from the United States Department of Treasury. In order to utilize the NMTC allocations, LIIF establishes Sub-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.

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, 2021 and 2020.

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.

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 loan 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), equity interests in affiliated companies, and other equity securities.

Net investment gains or losses is 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.

Accounts receivable, net

Accounts receivable consist of amounts due from contracts, borrowers, related parties or receivables generated from the normal course of business. An allowance for doubtful accounts is established by management based on estimated losses related to specific receivables and aging of amounts owed to LIIF. The allowance for doubtful accounts was $14,153 and $93,093 as of June 30, 2021 and 2020, respectively.

Notes receivable, net

LIIF makes loans in the following portfolios, Affordable Housing, Education, Healthcare, Transit Oriented Development, Food Commerce 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, net - continued

Notes receivable are presented at their outstanding unpaid principal balances net of deferred loan origination fees and an allowance for loan losses and credit enhancements. LIIF provides funding in the form of notes receivable, or loans, to other nonprofit organizations, developers and other borrowers, in fulfillment of its mission. Notes receivable are comprised of acquisition and predevelopment, construction, term, and Equity with a Twist (EQT). 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.

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 loan losses and credit enhancements

The allowance for loan losses and credit enhancements (collectively referred to as allowance for loan losses) is an estimate of loan losses inherent 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 loan losses that is charged to expense.

Additions to the allowance are expected to maintain the adequacy of the total allowance after loan 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 loan 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.

Note 2 – Summary of significant accounting policies (continued)

Allowance for loan losses and credit enhancements - continued

The overall allowance consists of two primary components, specific reserves related to impaired loans and general reserves for inherent losses related to loans that are evaluated collectively for impairment.

A loan is considered impaired when, based on current information and events, it is probable that LIIF will be unable to collect all amounts due, including principal and interest, according to the contractual terms of the original agreement. Loans determined to be impaired are individually evaluated for impairment. Factors considered by management in determining the likelihood of collectibility include primary repayment source, payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays, insignificant loan extensions, or that do not reflect any deterioration in performance, are not classified as impaired. The significance of payment delays or payment shortfalls are determined on a case-by-case basis by management, and take into consideration all facts and circumstances surrounding the loan and borrower, including the length of the delay, reason for the delay, and the borrower's prior payment record.

Loans are not classified as impaired unless they are nonperforming or have been modified and designated as a troubled debt restructuring (TDR). Once a loan is nonperforming or has been modified and designated as a TDR, it is then individually assessed for impairment. When a loan is impaired, LIIF may measure impairment based on the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's observable market price, or the fair value of the collateral if the loan is collateral dependent. A loan is collateral dependent if the repayment of the loan is expected to be provided solely by the underlying collateral.

LIIF calculates the general reserve allowance by applying a percentage of the principal amount outstanding to each loan based upon an estimate of the loss that may be incurred in the event that a loan defaults. The percentage applied is based upon one of the four loan segments and the risk-rating of the loan. The loan segments are Acquisition and Pre-Development, Construction, Term, EQT and CSTI.

The allowance is aggregated into LIIF's loan segments. The allowance for loan losses attributed to each loan segment is combined to determine LIIF's overall allowance, which is included on the consolidated statements of financial position and available for all loss exposures.

Acquisition and Pre-Development Loans are for early stage financing for future development projects. Acquisition loans are secured by vacant land, vacant buildings or occupied buildings being repositioned for a future financing structure which may or may not include physical improvements and economic stabilization. Pre-development loans may be secured or unsecured. As early stage loans for properties which generate no, or possibly limited, revenue, underwriting for all of these loans is based on the current and future value of the site, the potential for the sponsor to obtain multiple financing sources to execute the next stage of financing and the market for the proposed project to be developed. These loans are viewed as having a higher risk profile because the properties are mostly not revenue producing and do not have the next stage of financing secured.

Note 2 – Summary of significant accounting policies (continued)

Allowance for loan losses and credit enhancements - continued

Construction Loans finance the construction and, at times, the acquisition of the site for development. The loans are secured by the site and funded on a draw basis, often in a complex structure with multiple funding sources. The risk of these projects is the ability of the sponsor and contractor to complete the construction within budget and in accordance with local regulations and to reach physical occupancy and economic stabilization. For some projects, there may be a lease-up component that happens during the term of the loan; for others, the property is leased prior to construction and the occupying tenants are underwritten prior to closing. The sponsor's ability to execute on all aspects of the project as well as the analysis of the economic feasibility of the project in the projected economic environment is critical.

Term Loans finance revenue generating stabilized, partially or fully amortizing, properties for up to 7 years or, in some cases when financed by longer-term debt for longer periods of up to 36 years. All term loans are collateralized by the operating properties. The loans are dependent upon the economics of the property depending on whether it is occupied rental housing or occupied by an ongoing business generally charter schools, early childhood education programs, healthcare organizations or other operators in community facilities.

EQT transactions are 10-year enterprise level loans to not-for-profit community development organizations having cross-sectoral alignment with LIIF's mission. The transactions are not project specific and over the life of the loan, these loans may be used to facilitate several projects in multiple sectors. Borrowers are responsible for paying interest on the agreed-upon schedule and to repay the loan at or before maturity based on agreed-upon terms. As unsecured and long term, these loans are viewed as more risky than the secured and/or project based lending and represent a small portion of the loan portfolio.

The determination of the general reserve for loans that are not considered to be individually impaired is based on estimates made by management, to include, but not limited to, consideration of historical losses by portfolio segment, internal asset classifications, and qualitative factors to include economic trends in LIIF's service areas, industry trends, geographic concentrations, estimated collateral values, LIIF's underwriting policies, the character of the loan portfolio and probable losses inherent in the portfolio taken as a whole.

Loans for which contractual terms have been modified in a TDR and are current at the time of restructuring remain on accrual status if there is demonstrated performance prior to the restructuring and payment in full under the restructured terms is expected. A restructuring of a debt constitutes a TDR if LIIF, for economic, legal or other reasons related to the borrower's financial difficulties, grants a concession to the borrower that it would not otherwise consider. These concessions may include rate reductions, principal forgiveness, extension of maturity date and other actions intended to minimize potential losses. TDR loans typically present an elevated level of credit risk because the borrowers are not able to perform according to the original contractual terms. Loans that are reported as TDRs are considered impaired and measured for impairment as described above.

Note 2 – Summary of significant accounting policies (continued)

Allowance for loan losses and credit enhancements - continued

LIIF assigns a risk rating to all loans and performs detailed reviews of all loans to identify credit risks and to assess the overall collectibility of that segment of the portfolio. This analysis is performed on a periodic basis depending on the risk rating of the loan. These credit quality indicators are used to assign a risk rating to each individual loan. The risk ratings for loans included in the portfolio segments can be grouped into five major categories, defined as follows:

Pass – A pass loan is performing consistent with or better than projections, and with no existing or known potential weaknesses deserving of management's close attention.

Below expectation – A below expectation loan has potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or in LIIF's loan position at some future date. Below expectation loans are not adversely classified and do not expose LIIF to sufficient risk to warrant adverse classification.

Substandard – A substandard loan is not adequately protected by the current financial position and paying capacity of the borrower or the value of the collateral pledged, if any. Loans classified as substandard have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. Well-defined weaknesses include inadequate cash flow or collateral support, a project's lack of marketability, failure to complete construction on time or the project's failure to fulfill economic expectations. They are characterized by the distinct possibility that LIIF will sustain some loss if the deficiencies are not corrected.

Doubtful – Loans classified as doubtful have all the weaknesses inherent in those classified as substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently known facts, conditions and values, highly questionable and improbable.

Loss – Loans classified as loss are considered uncollectible and are charged-off.

All of LIIF's loan portfolios, Affordable Housing, Education, Healthcare, Transit Oriented Development, Food Commerce and Community Facilities represent lending, secured by real estate or other assets, typically to nonprofit 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.

Note 2 – Summary of significant accounting policies (continued)

Allowance for loan losses and credit enhancements - continued

LIIF also makes unsecured loans, typically to nonprofit 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.

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" in order 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, 2021 and 2020, as the benefits of future servicing rights approximate adequate compensation.

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.

Note 2 – Summary of significant accounting policies (continued)

Equipment and leasehold improvements, net - continued

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from three to ten 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. LIIF vacated its San Francisco office in June 2020 and wrote off a net book value of approximately $1,175,000 of tenant improvements and furniture and fixtures and is included in loss on disposal of fixed assets on the consolidated statement of activities and changes in net assets for the year ended June 30, 2020.

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 in which the conditions have not been substantially met nor explicitly waived by the donor in accordance with Accounting Standards Update (ASU) 2018-08.

Leases

LIIF has established a $250,000 materiality threshold for accounting for leases under Accounting Standards Codification (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 under 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 childcare 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 or funder 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.

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.

Note 2 – Summary of significant accounting policies (continued)

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 2021 or 2020.

Contributions

Contributions, which were received from donations and grants, are recognized as revenue at fair value 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 Topic 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)

Revenue recognition - 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 its products.

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 FASB ASC Topic 606. For the years ended June 30, 2021 and 2020, $469,242 and $369,294, of servicing fee revenue was recognized, and $73,803 and $295,870, was recognized from packaging fees at a point in time, 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 $4,896,000 of syndication fees during the year ended June 30, 2021, as a result of the acquisition of 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 $3,434,650 and $1,935,708 of asset management fees during the years ended June 30, 2021 and 2020, respectively.

Technical assistance and consulting: Primarily related to certain early childcare education awards that LIIF has received. Revenue is recognized as the programmatic work required under the contract is fulfilled. For the years ended June 30, 2021 and 2020, $804,330 and $242,056 of revenue was recognized over time, respectively.

Note 2 – Summary of significant accounting policies (continued)

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: Effective July 1, 2019, the Organization adopted the contributions made component of ASU 2018-08, "Clarifying the Scope and the Accounting Guidance for Contributions Received and 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.

Noncontrolling Interest

Noncontrolling interest 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, FPAC and FPAC 2.0 have 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 agreements between LIIF and its subsidiaries.

Changes in net assets including noncontrolling net assets for the year ended June 30, 2021:

	LIIF	NCI	Total
Net assets, beginning of year	$ 137,139,364	$ -	$ 137,139,364
Acquisition of noncontrolling interest	-	2,614,640	2,614,640
Change in net assets	16,671,180	1,413,886	18,085,066
Distributions to noncontrolling interest	-	(280,000)	(280,000)
Net assets, end of year	$ 153,810,544	$ 3,748,526	$ 157,559,070

Acquisitions

Under FASB ASC 958-805, Not for Profit—Business Combinations, acquisitions are accounted for utilizing the acquisition method and accordingly, the results of operations of the acquired business are included in the results of activities from the respective date of acquisition.

Note 2 – Summary of significant accounting policies (continued)

Income taxes

LIIF is a nonprofit organization that has been recognized by the Internal Revenue Service 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 and Section 23701(d) under the California Revenue and Taxation Code, respectively. In addition, LIIF has been recognized by the Internal Revenue Service under Section 170 of the Internal Revenue Code 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, 2021.

During the years ended June 30, 2021 and 2020, 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, 2018 through June 30, 2021, and California returns for years ended June 30, 2017 through June 30, 2021, are currently open for potential federal and state examination.

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, 2021 and 2020, these subsidiary entities recognized no interest or penalties associated with unrecognized tax benefits. Federal and New York returns for years ended June 30, 2018 through June 30, 2021, and California returns for years ended June 30, 2017 through June 30, 2021, are currently open for potential federal and state examination.

Reclassifications

Certain account reclassifications have been made to the prior year consolidated financial statements in order to conform to classifications used in the current year, with no impact to net assets or change in net assets.

Note 2 – Summary of significant accounting policies (continued)

Recent accounting pronouncement – adopted

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU requires lessees to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. In June 2020, the FASB issued ASU 2020-05, which defers the effective date of ASU 2016-02 for one year, making it effective for LIIF for the fiscal year ended June 30, 2021. LIIF adopted this ASU as of July 1, 2020, using a modified retrospective basis. LIIF has decided to adopt the package a practical expedients and will not reassess whether any existing or expired contracts contain leases, the lease classification for any expired or existing leases, and indirect costs for existing leases. As a result of this adoption, LIIF recorded a $7.1 million right of use asset and operating lease liability as of July 1, 2020.

Recent accounting pronouncement – not yet adopted

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities.

The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of income as the amounts expected to be collected change. In July 2019, FASB extended the effective date for ASU 2016-13 beginning with LIIF's fiscal year ending June 30, 2024, with early adoption permitted. LIIF is currently evaluating the impact the adoption of this guidance will have on its consolidated financial statements and does not plan to early adopt.

Note 2 – Summary of significant accounting policies (continued)

Liquidity and availability - continued

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

	2021	2020
Financial assets:		
Cash and cash equivalents	$ 40,145,172	$ 35,750,954
Restricted cash and cash equivalents	51,436,102	45,238,522
Investments, net	21,829,880	19,061,197
Accounts receivable, net	2,970,038	840,984
Contributions receivable	11,644,466	17,819,464
Accrued interest receivable	2,341,410	2,489,155
Notes receivable	497,025,149	453,030,928
Total financial assets	627,392,217	574,231,204
Less amounts not available to be used within one year:		
Restricted cash and cash equivalents	(51,436,102)	(45,238,522)
Notes receivable, net of current	(312,969,957)	(276,984,873)
Investments, net	(4,624,577)	(2,830,120)
Scheduled debt maturities	(79,356,350)	(68,158,945)
Contributions receivable, net of current	(233,888)	(4,561,701)
Donor restricted net assets not available for general operations	(29,105,614)	(36,560,404)
Financial assets available to meet general expenditures over the next 12 months	$149,665,729	$139,896,639

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 $27 million and $24 million for the years ended June 30, 2021 and 2020, respectively.

With the exception of an investment in the FHLB-SF and equity method investments, LIIFs cash, cash equivalents, and investments have no restrictions on use. Cash in excess of what is needed for operations is used to fund notes receivable. LIIF also has available unrestricted lines of credit of $110 million to fund loans receivable and general expenditures and $58 million of available restricted lines of credit at June 30, 2021. LIIF's restricted cash generally is donor, loan participant, or investor restricted for purpose or geography. However, we expect to be able to utilize a portion of these funds to cover salaries and other operating costs to fulfill our mission as the restrictions are met.

Note 3 – Business Combination

On September 30, 2020, LIIF acquired a sixty percent controlling interest in NAHT from SAHF. An initial payment of $2.35 million was made at closing with annual installments totaling $1.76 million in each of the following three years based on NAHT achieving certain LIHTC Fund volume. Based on the likelihood that the volume targets will be achieved, management accrued the present value of the contingent consideration at closing which was determined to be $1.73 million; this amount is included in accounts payable and accrued expenses on the consolidated statement of financial position as of June 30, 2021.

NAHT has a 33.33% ownership of FPAC and FPAC 2.0 on the date of the acquisition. As a result of this acquisition, LIIF also owns a 53.33% majority direct and indirect interest in FPAC and FPAC 2.0. The fair value of the assets purchased for both FPAC and FPAC 2.0 approximated the fair value of the liabilities assumed, and therefore no portion of the acquisition purchase price was attributed to FPAC or FPAC 2.0.

The following table shows the estimated fair value of the assets acquired and liabilities assumed for NAHT, FPAC and FPAC 2.0 as of the acquisition date:

	($'s in millions)		
	NAHT	FPAC	FPAC 2.0
Cash and cash equivalents	$ 7.24	$ 1.58	$ 0.23
Loans receivable	-	20.45	4.52
Accounts receivable, net	1.77	-	-
Other assets	0.76	0.09	0.02
Total assets	9.77	22.12	4.77
Accounts payable and accrued liabilities	1.56	0.12	0.05
Notes payable	-	13.29	2.93
Subordinate debt	-	8.72	1.80
Deferred revenue	1.06	-	-
Other liabilities	0.58	-	-
Total liabilities	3.20	22.13	4.78
Total identified net assets	6.57	(0.01)	(0.01)
Fair value of consideration transferred	4.08	-	-
Noncontrolling interest	2.63	(0.01)	0.01
Total fair value	6.71	-	-
Goodwill acquired	$ 0.14	$ -	$ -

Note 4 – 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:

	2021	2020
Cash and cash equivalents	$ 40,145,172	$ 35,750,954
Restricted cash and cash equivalents (Note 5)	51,436,102	45,238,522
Investments (Note 6)	21,829,880	19,061,197
	$113,411,154	$100,050,673

Liquid assets, as defined in investor agreements, required to meet liquidity covenants at June 30, 2021 and 2020, totaled $119,879,786 and $86,090,446, respectively.

Note 5 – Restricted cash and cash equivalents

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

	2021	2020
Funds held in trust (Note 14)	$ 10,096,112	$ 7,432,208
Program restricted	25,353,130	24,372,715
Loan funds	9,165,966	9,038,898
Secured loan funds	6,820,894	4,394,701
	$ 51,436,102	$ 45,238,522

Note 6 – Investments

Investments consist of the following as of June 30:

	2021		2020	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
U.S. Treasury notes	$ 598,102	$ 559,430	$ 825,454	$ 786,743
Corporate bonds	3,805,494	3,944,991	5,582,685	5,778,910
Asset-backed securities (including CMOs)	12,641,698	12,418,098	9,567,869	9,600,949
Real estate partnership	491,327	491,327	-	-
Equity investments	149,890	282,784	97,890	162,365
	$ 17,686,511	17,696,630	$ 16,073,898	16,328,967
Plus other investments:				
Equity method		1,336,950		749,730
FHLB-SF stock at cost		2,796,300		1,982,500
		$ 21,829,880		$ 19,061,197

The amortized cost and fair value of investment securities at June 30, 2021, 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. Included in the investments balance are 27,963 shares and 19,825 shares, respectively, at June 30, 2021 and 2020, of FHLB-SF stock, which are required to be held by LIIF as a member of the FHLB-SF. 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.

	Amortized Cost	Fair Value
Within one year	$ 384,598	$ 395,852
After one year through five years	2,961,435	3,056,164
After five years through ten years	13,351,011	13,096,803
Total	16,697,044	16,548,819
Investment securities not due at a single maturity date:		
Asset-backed securities (including CMOs)	348,250	373,700
Real estate partnership	491,327	491,327
Equity investments	149,890	282,784
	$ 17,686,511	17,696,630
Plus investments at cost:		
Other		1,336,950
FHLB-SF stock		2,796,300
		$ 21,829,880

Note 7 – Accounts receivable, net

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

	2021	2020
Accounts receivable - contracts	$ 2,464,984	$ 106,341
Accounts receivable - borrowers	359,967	673,986
Accounts receivable - other	159,240	153,750
Less allowance for doubtful accounts	(14,153)	(93,093)
	$ 2,970,038	$ 840,984

Note 8 – Contributions receivable

Contributions receivable consist of grants and pledges awarded, less the allowance for uncollectible pledges. At June 30, 2021 and 2020, the allowance for uncollectible pledges was $0 for both years. The contributions receivable balance at June 30, 2021 and 2020 is comprised of grants receivable from fourteen and twelve grantors, respectively. The largest contribution receivable, in the amount of $4,950,000, as of June 30, 2021, is from a government agency to reimburse LIIF for certain pass through childcare grants and associated operating costs incurred in the year ended June 30, 2021. In addition, there are two contributions receivable, as of June 30, 2021, from private foundations totaling $5,390,000 to support LIIF's SPARCC program through 2022. The two largest contributions receivable, in the amount of $8,559,955, as of June 30, 2020, are from private foundations to support LIIF's SPARCC program through 2022. The discount rate on long term receivables was 1.26% as of June 30, 2021.

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

	2021	2020
Receivable in one year or less	$ 11,410,578	$ 13,257,763
Receivable in one to five years	233,888	4,561,701
	$ 11,644,466	$ 17,819,464

Note 9 – Notes receivable, net

Notes receivable, net consist of secured and unsecured notes with interest rates ranging from 1.0% to 8.0% as of June 30 are as follows:

	2021	2020
Affordable housing	$ 242,294,454	$ 223,244,306
Education	172,963,441	144,262,034
Heathcare	39,593,241	40,219,695
Transit oriented development	-	2,835,326
Food commerce	18,050,992	23,737,127
Community facilities, net of discount	42,591,371	37,381,176
Total notes receivable	515,493,499	471,679,664
Less deferred loan origination costs, net	(279,607)	(757,243)
Less allowance for loan losses and credit enhancements (Note 10)	(18,188,743)	(17,891,493)
Total notes receivable, net	497,025,149	453,030,928
Less current portion	(184,055,192)	(176,046,055)
Total long-term notes receivable	$ 312,969,957	$ 276,984,873

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

	2021	2020
Acquisition/Pre-Development	$ 179,497,028	$ 151,903,168
Construction	94,203,391	113,285,536
Term	235,381,447	200,979,135
EQT, net of discount	6,411,633	5,511,825
Total notes receivable	515,493,499	471,679,664
Less deferred loan origination costs, net	(279,607)	(757,243)
Less allowance for loan losses and credit enhancements (Note 10)	(18,188,743)	(17,891,493)
Total notes receivable, net	497,025,149	453,030,928
Less current portion	(184,055,192)	(176,046,055)
Total long-term notes receivable	$ 312,969,957	$ 276,984,873

Note 9 – Notes receivable, net (continued)

LIIF has $52,111,204 and $56,563,071 at June 30, 2021 and 2020, respectively, of notes receivable before the allowance for loan losses on the consolidated statements of financial position 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. An equal amount of notes payable is also recorded on LIIF's consolidated statements of financial position (see Note 12). 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 table presents the outstanding balance by segment as of June 30:

	2021	2020
Acquisition/pre-development	$ 9,445,294	$ 10,598,533
Construction	39,991,127	41,959,917
Term	2,674,783	4,004,621
	$ 52,111,204	$ 56,563,071

LIIF's EQT loans are PRIs and are reported net of the discount at June 30, 2021 and 2020, of $1,288,367 and $1,288,175, respectively. The discount is amortized into interest expense over the remaining life of the loans.

Note 10 – Allowance for loan losses and credit enhancements

Changes in the allowance for loan losses and credit enhancements for the years ended June 30 are summarized as follows:

	2021	2020
Balance, beginning of year	$ 17,891,493	$ 15,248,398
Add provision for loan losses	432,103	1,577,047
(Reductions) additions to credit enhancements	(134,853)	358,516
Recoveries	-	707,532
Balance, end of year	$ 18,188,743	$ 17,891,493

Included in the provision for loan losses and commitments in the consolidated statements of activities and the consolidated statements of functional expenses is provision for unfunded commitments of $468,471 and $100,883 for the years ended June 30, 2021 and 2020, respectively. The provision for unfunded commitments is excluded from the table above.

Note 10 – Allowance for loan losses and credit enhancements (continued)

LIIF has received a total of $18,000,000 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 $1,037,140 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, 2021 and 2020, was $15,751,485 and $16,672,844, respectively, and is included in donor restricted net assets.

The following tables show the allocation of the allowance for loan losses as of and for the years ended June 30 by loan segment and by impairment methodology:

2021	Acquisition/Pre-Development	Construction	Term	EQT	Total
Allowance for loan losses:					
Beginning balance	$ 8,124,308	$ 3,595,392	$ 5,817,793	$ 354,000	$ 17,891,493
Provision for loan losses	133,426	(542,682)	675,609	165,750	432,103
Additions to credit enhancements	(57,658)	(100,776)	23,581	-	(134,853)
Ending balance	$ 8,200,076	$ 2,951,934	$ 6,516,983	$ 519,750	$ 18,188,743
Collectively evaluated for impairment	$ 8,200,076	$ 2,951,934	$ 6,120,573	$ 519,750	$ 17,792,333
Individually evaluated for impairment	-	-	396,410	-	396,410
	$ 8,200,076	$ 2,951,934	$ 6,516,983	$ 519,750	$ 18,188,743
Notes receivable:					
Collectively evaluated for impairment	$ 179,497,028	$ 94,203,391	$ 230,698,589	$ 6,411,633	$ 510,810,641
Individually evaluated for impairment	-	-	4,682,858	-	4,682,858
Total	$ 179,497,028	$ 94,203,391	$ 235,381,447	$ 6,411,633	$ 515,493,499

2020	Acquisition/Pre-Development	Construction	Term	EQT	Total
Allowance for loan losses:					
Beginning balance	$ 6,548,414	$ 3,814,667	$ 4,585,317	$ 300,000	$ 15,248,398
Provision for loan losses	1,449,149	(427,433)	501,331	54,000	1,577,047
Additions to credit enhancements	126,745	208,158	23,613	-	358,516
Recoveries	-	-	707,532	-	707,532
Ending balance	$ 8,124,308	$ 3,595,392	$ 5,817,793	$ 354,000	$ 17,891,493
Collectively evaluated for impairment	$ 8,124,308	$ 3,595,392	$ 5,141,935	$ 354,000	$ 17,215,635
Individually evaluated for impairment	-	-	675,858	-	675,858
	$ 8,124,308	$ 3,595,392	$ 5,817,793	$ 354,000	$ 17,891,493
Notes receivable:					
Collectively evaluated for impairment	$ 151,903,168	$ 113,285,536	$ 192,031,861	$ 5,511,825	$ 462,732,390
Individually evaluated for impairment	-	-	8,947,274	-	8,947,274
Total	$ 151,903,168	$ 113,285,536	$ 200,979,135	$ 5,511,825	$ 471,679,664

Note 10 – Allowance for loan losses and credit enhancements (continued)

LIIF considers the performance of the notes receivable portfolio and its impact on the allowance for loan losses. In addition to this, LIIF also considers qualitative factors, including economic conditions and the segments in which LIIF operates in calculating the allowance. For all of the notes receivable portfolio segments, management evaluates credit quality of individual loans based on payment activity, borrower financial condition and other factors in order to assign individual internal risk ratings.

The following table shows the portfolio segments as allocated by management's internal risk ratings as of June 30:

	2021				
	Acquisition/Pre-Development	Construction	Term	EQT	Total
Pass	$ 173,400,206	$ 74,870,881	$ 207,581,952	$ 6,411,633	$ 462,264,672
Below expectation	6,096,822	19,332,510	23,116,637	-	48,545,969
Substandard	-	-	4,682,858	-	4,682,858
Total	$ 179,497,028	$ 94,203,391	$ 235,381,447	$ 6,411,633	$ 515,493,499

	2020				
	Acquisition/Pre-Development	Construction	Term	EQT	Total
Pass	$ 144,637,919	$ 89,709,329	$ 180,145,518	$ 5,511,825	$ 420,004,591
Below expectation	7,265,249	23,576,207	11,886,343	-	42,727,799
Substandard	-	-	8,947,274	-	8,947,274
Total	$ 151,903,168	$ 113,285,536	$ 200,979,135	$ 5,511,825	$ 471,679,664

There were no loans with internal risk ratings of Doubtful or Loss as of June 30, 2021 or 2020.

As of June 30, 2021 and 2020, LIIF had no loans and three term loans totaling $10.7 million, respectively, that were past due 30 days or longer. Nonaccrual loans totaled $0 at June 30, 2021 and 2020. There were no accruing loans past due greater than 90 days at June 30, 2021 and 2020. Nonaccrual cash basis interest recognized for the years ended June 30, 2021 and 2020 was $0 for both years. Interest foregone on nonaccrual loans for the both years ended June 30, 2021 and 2020 was $0.

The following tables show information related to impaired notes receivable at and for the years ended June 30:

	2021				
Description	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With an allowance recorded:					
Term	$ 4,286,448	$ 4,682,858	$ 396,410	$ 4,831,120	$ 292,053

	2020				
Description	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With an allowance recorded:					
Term	$ 8,271,416	$ 8,947,274	$ 675,858	$ 12,376,664	$ 587,964

Note 10 – Allowance for loan losses and credit enhancements (continued)

Troubled debt restructurings

No notes receivable were modified during the years ended June 30, 2021 and 2020 as TDRs. For the years ended June 30, 2021 and 2020, LIIF had no loans identified as TDRs. There were no notes receivable modified as TDRs for which there was a payment default within 12 months following the modification during the years ended June 30, 2021 and 2020.

In April 2020, the Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, National Credit Union Administration, Office of the Comptroller of the Currency, and Consumer Financial Protection Bureau issued a revised Interagency Statement on Loan Modifications by Financial Institutions Working with Customers Affected by the Coronavirus, which had previously been issued in March 2020. The revised statement provides guidance that modifications meeting certain criteria do not need to be classified as TDRs. Such criteria include payment deferrals or extensions of repayment terms, of six months or less that are insignificant. As of June 30, 2020, there were three loans with a total outstanding principal balance of $8,673,413 with payment deferrals of four months. All three loans have resumed paying in accordance with modified terms in the year ended June 30, 2021. These deferrals are considered to be insignificant and do not meet the criteria to be classified as TDRs. There are no loans with payment deferrals as of June 30, 2021.

The terms of certain other notes receivable were modified during the years ended June 30, 2021 and 2020 that did not meet the definition of a TDR. The modification of these loans involved either a modification of the terms of a note agreement to borrowers who were not experiencing financial difficulties or a delay in a payment that was considered to be insignificant.

Note 11 – Equipment and leasehold improvements, net

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

	2021	2020
Equipment and leasehold improvements	$ 3,282,027	$ 1,645,636
Less accumulated depreciation and amortization	(1,461,615)	(517,801)
	$ 1,820,412	$ 1,127,835

In June 2020, LIIF vacated leased office space in San Francisco and wrote off tenant improvements with a net book value of $906,034 and certain office furniture with a net book value of $269,035 and is included in loss on disposal of fixed assets in the consolidated statement of activities for the year ended June 30, 2020.

Depreciation and amortization expense totaled $267,749 and $286,977 for the years ended June 30, 2021 and 2020, respectively.

Note 12 – 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:

	2021	2020
To private foundations, at annual interest rates of 1.0% to 4.6%, notes mature in calendar years 2022 to 2028.	$ 4,521,421	$ 4,020,000
To financial institutions, including lines of credit, at annual interest rates of 0% to 6.7%, notes mature in calendar years 2021 to 2029.	132,866,307	129,222,248
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 1.5% to 3.0%, notes mature in calendar years 2022 to 2023.	3,500,000	3,500,000
To governmental agencies, at annual interest rates of 0% to 3.9%, notes mature in calendar years 2021 to 2045.	140,894,196	126,301,715
To individuals and other organizations, at annual interest rates of 0% to 4.0%, notes mature in calendar years 2021 to 2030.	21,290,906	23,435,434
	403,072,830	386,479,397
Less unamortized debt issuance costs	(1,829,388)	(2,011,248)
Less current portion of notes payable, net of unamortized debt issuance costs	(79,356,350)	(68,158,945)
	$ 321,887,092	$ 316,309,204
Current portion of unamortized debt issuance costs	$ 223,985	$ 222,067
Long-term portion of unamortized debt issuance costs	1,605,403	1,789,181
Total unamortized debt issuance costs	$ 1,829,388	$ 2,011,248

Annual maturities of notes payable are as follows:

Years ending June 30:	
2022	$ 79,580,335
2023	16,119,056
2024	35,715,261
2025	34,370,054
2026	43,373,477
Thereafter	193,914,647
	$ 403,072,830

Note 12 – Notes payable, net (continued)

In July 2019, LIIF issued $25 million 3.386% Serial Bonds and $75 million of 3.711% Term Bonds Series 2019 (Sustainability Bonds), "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.

LIIF has $52,111,204 and $56,563,071 of notes payable from financial institutions, government agencies, and other organizations on the consolidated statements of financial position 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, 2021 and 2020, respectively. An equal amount of notes receivable is also recorded on LIIF's consolidated statements of financial position (see Note 9). 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.

In September 2014 and July 2016, LIIF entered into $65,000,000 and $50,000,000, 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, 2021 and 2020, LIIF has pledged $110,478,030 and $92,484,454, respectively, of notes receivable under this arrangement and has $102,345,299 and $83,947,662, 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 nonfinancial covenants. The financial covenants include covenants related to liquidity, and capital adequacy and are reported to lenders as contractually required. As of June 30, 2021 and 2020, LIIF was in compliance with all covenants.

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 $271,000,000 and $245,000,000 at June 30, 2021 and 2020, respectively, at interest rates that vary with market conditions. At June 30, 2021 and 2020, commitments totaling $168,000,000 and $160,000,000 were available to be drawn on such lines. Lines of credit balances at June 30, 2021 and 2020 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, 2021 and 2020, LIIF has pledged investments of $7,777,000 and $6,366,000, respectively, as collateral under the FHLB-SF line of credit. As of June 30, 2021 and 2020, LIIF had $5,000,000 outstanding under the FHLB-SF line of credit. As of June 30, 2021, LIIF has pledged $16,700,000 of loans receivable to financial institutions under credit agreements held by FPAC and FPAC 2.0. NAHT has $30,000,000 in lines of credit available that require pledging of operating interest or assets of which nothing has been drawn or pledged as of June 30, 2021. All remaining lines of credit are unsecured.

Note 12 – Notes payable, net (continued)

Available credit, continued

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

	2021	2020
Lines of credit, excluding Bond Guarantee Program	$ 85,000,000	$ 85,000,000
Bond Guarantee Program	102,345,299	83,947,662
Sustainability bonds	100,000,000	100,000,000
Term loans	93,732,368	89,689,632
Participation loans not meeting sale criteria, net of allowance	50,204,709	54,521,723
Subordinated notes payable	(28,209,546)	(26,679,620)
	$ 403,072,830	$ 386,479,397

Note 13 – Subordinated notes payable

Subordinated notes payable include notes payable to financial institutions in the amount of $28,209,546 and $26,679,620 at June 30, 2021 and 2020, respectively, with maturities in 2022 through 2029, with some facilities permitting renewals in perpetuity. 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, 2021 are as follows:

Years ending June 30:	
2022	$ 1,055,851
2023	474,075
2024	-
2025	4,000,000
2026	-
Thereafter	22,679,620
	$ 28,209,546

Note 14 – Funds held in trust

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

	2021	2020
Funds received from borrowers and funders	$ 5,486,973	$ 5,267,867
Funds received from City of New York	4,609,139	2,164,341
	$ 10,096,112	$ 7,432,208

Note 15 – Investment return, net

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

	2021	2020
Interest income, net of bank fees	$ 159,986	$ 880,453
Income from equity investments	130,475	123,133
Gain on related-party equity investments	21,389	58,963
Net realized and unrealized gains and losses	(343,890)	272,702
	$ (32,040)	$ 1,335,251

Note 16 – Net assets with donor restrictions

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

	2021	2020
Purpose restrictions:		
Program operations	$ 4,309,386	$ 5,144,906
Time and purpose restrictions:		
Revolving Loan Fund	13,633,455	11,584,209
Education Fund	15,751,485	16,672,843
Healthy Foods Fund	7,970,727	16,162,223
SPARCC	3,564,784	6,626,010
Healthy Communities Innovation Fund	4,450,000	2,800,000
Child care operating support	3,113,873	1,071,756
Total time and purpose restrictions	48,484,324	54,917,041
Total donor restricted net assets	$ 52,793,710	$ 60,061,947

Note 16 – Net assets with donor restrictions (continued)

LIIF has received a number of capital grants available for use in support of loan funds with donor time and purpose restrictions, including loan capital, loan loss reserves and credit enhancement. 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) SPARCC represents grants from foundations to support LIIF new infrastructure investments lead to equitable and healthy opportunities for all; (5) Healthy Communities Innovation Fund represents a contribution restricted for higher risk, high mission and high social return loans and are time and purpose restricted; (6) 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.

Note 17 – 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:

	2021	2020
Qualified program expenses	$ 3,974,200	$ 4,192,701
Provision for loan losses, commitments and credit enhancements	348,074	1,677,930
Capital grants	28,679,341	4,192,118
	$ 33,001,615	$ 10,062,749

Note 18 – Leases

LIIF leases office space in San Francisco, Los Angeles, New York City, Washington, D.C., Columbus, OH, and Atlanta under operating leases expiring on various dates through 2030. Future minimum annual lease payments are as follows:

Years ending June 30:		
2022	$	1,444,581
2023		1,273,077
2024		1,161,497
2025		1,184,200
2026		1,236,604
Thereafter		5,423,578
Total lease payments		11,723,537
Less interest		(1,519,756)
Less future payments on leases below capitalization policy		(50,658)
Present value of operating lease liabilities	$	10,153,123

Total lease costs for the year ended June 30, 2021 are as follows:

Operating lease costs	$	1,293,984
Short-term lease costs		225,991
Variable lease costs		75,491
Sublease income		(87,169)
Total lease costs	$	1,508,297

Operating cash flows from operating leases was $414,476 in the year ended June 30, 2021.

In November 2014, LIIF entered into a 10-year lease agreement for office space for its San Francisco, California, corporate offices. The lease required monthly payments with annual increases over the term and rent commencing in April 2015. In June 2020, LIIF and the property owner of this office space mutually agreed to terminate the lease agreement.

On July 1, 2020, LIIF entered into a 10-year lease agreement with a new property owner for its San Francisco office.

In October 2019, LIIF agreed to a substitution of leased space within the same building of its current 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.

In June 2013, LIIF entered into a 10-year lease agreement for its Los Angeles office.

Note 18 – Leases (continued)

Rent expense, net of sublease receipts, for the years ended June 30, 2021 and 2020, was $1,508,297 and $1,671,913, respectively, and is included in occupancy costs on the consolidated statements of functional expenses.

Upon adoption of ASC 842 effective July 1, 2020, LIIF recognized right-of-use assets and corresponding lease liability in the amount of $7.1 million. For the year ended June 30, 2021, LIIF obtained right-of-use assets in the amount of $3.5 million, tenant improvement fixed asset in the amount of $107,000 and corresponding lease liability of $3.6 million; and recognized $963,000 of accumulated right-of-use asset amortization. As of June 30, 2021, the weighted-average remaining lease term for operating leases was 9.1 years. LIIF does not know the implicit rates used in the operating leases and, therefore, uses its incremental borrowing rate of 3% as the discount rate.

Note 19 – Other commitments and contingencies

Cash, cash equivalents and investments

Demand deposits held in banks are insured by the FDIC. At June 30, 2021, LIIF had insured balances, which totaled $2,250,000 and uninsured balances, which totaled $89,331,274. At June 30, 2020, LIIF had insured balances, which totaled $1,250,000, and uninsured balances, which totaled $79,739,476.

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, 2021, LIIF had deposits and securities with insured balances, which totaled $794,198 and uninsured balances, which totaled $16,422,520. Another $4,613,162 of investments are not held by a broker and are also uninsured. At June 30, 2020, LIIF had deposits and securities with insured balances, which totaled $670,831, and uninsured balances, which totaled $15,666,601. Another $2,723,765 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 45% and 33%, respectively, of notes receivable as of June 30, 2021. Loans related to affordable housing projects and education facilities represented 47% and 29%, respectively, of notes receivable as of June 30, 2020.

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.

Note 19 – Other commitments and contingencies (continued)

Contingencies - continued

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, 2021, LIIF has assumed a contingent liability of approximately $106,300,000 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.

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 $14,100,000 as of June 30, 2021. None of the qualified low income investments made as part of these NMTC deals has 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, 2021 and 2020 totaled $41,684,000 and $28,060,667, respectively. Amounts related to loan approvals and/or loan commitments at June 30, 2021 and 2020 totaled $8,533,000 and $19,278,587, respectively.

Note 20 – 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 403(b) plan for eligible employees. LIIF contributed $629,914 and $370,439 to the plans in 2021 and 2020, respectively. LIIF terminated a 457(b) deferred compensation plan for certain employees in the year ended June 30, 2021.

Note 21 – 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.

The following table presents information about LIIF's assets measured at fair value on a recurring and nonrecurring basis as of June 30, 2021 and 2020:

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

	2021			
Description	Fair Value	Level 1	Level 2	Level 3
U.S. Treasury notes	$ 559,430	$ 559,430	$ -	$ -
Corporate bonds	3,944,991	-	3,944,991	-
Asset-backed securities (including CMOs)	12,418,098	-	12,418,098	-
Real estate partnership	491,327	-	-	491,327
Equity investments	282,784	-	282,784	-
	$ 17,696,630	$ 559,430	$ 16,645,873	$ 491,327

Note 21 – Fair value measurements (continued)

	2020			
Description	Fair Value	Level 1	Level 2	Level 3
U.S. Treasury notes	$ 786,743	$ 786,743	$ -	$ -
Corporate bonds	5,778,910	-	5,778,910	-
Asset-backed securities (including CMOs)	9,600,949	-	9,600,949	-
Equity investments	162,365	-	162,365	-
	$ 16,328,967	$ 786,743	$ 15,542,224	$ -

Level 1 securities are classified as U.S. government obligations. Debt securities of U.S. governmental agencies, municipal bonds and corporate bonds are grouped as Level 2. Fair values for certificates of deposit, debt securities of U.S. governmental agencies and corporate bonds are based on quoted market prices for similar securities.

The following table presents 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 Level 3 category may include changes in fair value that were attributable to both observable and unobservable inputs.

Nonrecurring basis – The following table presents 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, 2021 and 2020. See Note 2, Allowance for loan losses and credit enhancements, for measurement of impaired loans.

	2021			
Description	Fair Value	Level 1	Level 2	Level 3
Real estate partnership	$ 491,327	$ -	$ -	$ 491,327
Impaired loans:				
Term	4,286,448	-	-	4,286,448
Total assets measured at fair value on a nonrecurring basis	$ 4,777,775	$ -	$ -	$ 4,777,775

	2020			
Description	Fair Value	Level 1	Level 2	Level 3
Real estate partnership	$ -	$ -	$ -	$ -
Impaired loans:				
Term	8,271,416	-	-	8,271,416
Total assets measured at fair value on a nonrecurring basis	$ 8,271,416	$ -	$ -	$ 8,271,416

Note 21 – Fair value measurements (continued)

Changes in Level 3 assets measured at fair value for the year ended June 30, 2021 were as follows:

Fair Value Measurements Using Significant Unobservable Inputs	2021 Real Estate Partnership	2021 Impaired Loans	2020 Real Estate Partnership	2020 Impaired Loans
Beginning balance as of June 30, 2020	$ -	$ 8,271,416	$ -	$ 8,594,378
Deterioration of credit quality	-	-	-	8,450,631
Acquired through business combination	491,327	-	-	-
Less collections of principal	-	(3,984,968)	-	(8,773,593)
Ending balance as of June 30, 2021	$ 491,327	$ 4,286,448	$ -	$ 8,271,416

Note 22 – 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 where a senior level employee is on LIIF's Board.

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 and $754,621 at June 30, 2021 and 2020, respectively, to BATAOH. 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, 2021 and 2020, LIIF earned management and loan servicing fees from BATOAH totaling $30,272 and $27,991, respectively. As of June 30, 2021 and 2020, BATOAH owed LIIF $2,266 and $3,344 respectively. Additionally, BATOAH is a variable interest entity under the guidance in ASC 810, Consolidation. As of June 30, 2021, BATOAH's statement of financial position included approximately $6,500,000 in cash and cash equivalents, $4,200,000 in notes receivable and total assets of $10,800,000. In addition, there was $10,000,000 in notes payable while members' equity was approximately $750,000. Total liabilities and members' equity was approximately $10,800,000. As of June 30, 2020, BATOAH's statement of financial position included approximately $7,200,000 in cash and cash equivalents, $3,600,000 in notes receivable and total assets of $10,700,000. In addition, there was $10,000,000 in notes payable while members' equity was approximately $730,000. Total liabilities and members' equity was approximately $10,700,000.

LIIF entered into a partnership in GSAF, LLC on March 5, 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. Loans totaled $6,504,416 and $7,433,019 as of June 30, 2021 and 2020, respectively. LIIF receives a management fee from GSAF, LLC. For the years ended June 30, 2021 and 2020, LIIF earned a management fee totaling $190,269 and $205,048, respectively. As of June 30, 2021 and 2020, GSAF, LLC owed LIIF $31,623 and $3,082 respectively.

Note 22 – Related-party transactions (continued)

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, 2021 and 2020, LIIF earned administrative and loan servicing fees totaling $1,347,291 and $1,611,890, respectively.

LIIF entered into a partnership in MATCH, LLC, on April 12, 2017. LIIF receives a management fee from MATCH, LLC. For the years ended June 30, 2021 and 2020, LIIF earned management fees totaling $39,203 and $29,929, respectively. As of June 30, 2021 and 2020, MATCH, LLC owed LIIF $4,456 and $16,551 respectively. As of June 30, 2021 and 2020, LIIF owed MATCH, LLC $6,774 and $0, respectively related to participation loan fundings.

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:

	2021	2020
Notes payable	$ 54,051,155	$ 64,018,913
Cash deposits	9,425,283	9,364,477
Notes receivable	64,662,717	86,942,255
Accounts receivable	490,268	678,653
Investments	716,950	691,302

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:

	2021	2020
Interest income	$ 3,739,134	$ 3,835,070
Contributions	2,455,625	300,750
Administrative and support services income	1,633,702	1,948,705
Interest expense	1,843,554	2,085,812
Rent income	9,350	10,200

Note 23 – COVID-19

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it a pandemic. Actions taken around the world to help mitigate the spread of the novel coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the United States of America where LIIF operates. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic.

It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to LIIF. The impact of this on LIIF, its borrowers, grantors, funding sources, and other constituents cannot be determined at this time. These impacts may include, but are not limited to, the ability of borrowers to repay their outstanding balances as they become due as well as the ability of others such as lenders, investors, grantors or grantees in any of the sectors in which LIIF operates to honor their commitments. To date LIIF has not had a significant impact to their operations or loan quality as a result of the pandemic. Depending on how long the coronavirus pandemic lasts, LIIF could in the future see increased delinquencies and loan losses, which could have negative implications over net income.

Additionally, it is reasonably possible that estimates made in the consolidated financial statements, such as the allowance for loan losses and bad debts and the fair value of investments may materially differ in the near term as a result of these conditions. The consolidated financial statements do not include any adjustments that may a result from these conditions.

Note 24 – Subsequent events

All events occurring from June 30, 2021 through October 28, 2021, the date the consolidated financial statements were available to be issued, have been reviewed.

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

Consolidating Statement of Financial Position
June 30, 2021

	LIIF and Wholly Owned Subsidiaries	FPAC and FPAC 2.0	NAHT	Elimination Entries	Total
Assets					
Current assets:					
Cash and cash equivalents	$ 29,813,268	$ 45,776	$ 10,286,128	$ -	$ 40,145,172
Restricted cash and cash equivalents	49,754,014	1,682,088	-	-	51,436,102
Current portion of investments	4,223,344	-	-	(3,940,560)	282,784
Accounts receivable, net	1,179,498	300	2,472,180	(681,940)	2,970,038
Current portion of contributions receivable	11,410,578	-	-	-	11,410,578
Accrued interest receivable	2,283,649	95,738	-	(37,977)	2,341,410
Prepaid expenses and deposits	1,009,723	-	-	-	1,009,723
Current portion of notes receivable, net	170,520,255	21,106,763	(50,000)	(7,521,826)	184,055,192
Total current assets	270,194,329	22,930,665	12,708,308	(12,182,303)	293,650,999
Investments, net of current	20,499,929	-	1,047,167	-	21,547,096
Contributions receivable, net of current	233,888	-	-	-	233,888
Right of use asset	9,540,588	-	74,679	-	9,615,267
Notes receivable, net of current	309,700,826	4,514,242	354,083	(1,599,194)	312,969,957
Equipment and leasehold improvements, net	1,766,519	-	53,893	-	1,820,412
Total assets	$ 611,936,079	$ 27,444,907	$ 14,238,130	$ (13,781,497)	$ 639,837,619
Liabilities and Net Assets					
Current liabilities:					
Accounts payable and accrued expenses	$ 6,757,289	$ 32,190	$ 3,578,330	$ (1,101,940)	$ 9,265,869
Accrued interest payable	2,410,247	110,094	-	(37,977)	2,482,364
Conditional contributions	9,888,811	-	-	-	9,888,811
Deferred revenue	-	-	1,026,336	-	1,026,336
Funds held in trust	10,096,112	-	-	-	10,096,112
Other liabilities	5,751,758	-	-	-	5,751,758
Right of use liability	956,335	-	-	-	956,335
Current portion of notes payable, net	65,383,228	13,721,700	251,422		79,356,350
Current portion of subordinated notes payable	-	8,844,946	-	(7,789,095)	1,055,851
Total current liabilities	101,243,780	22,708,930	4,856,088	(8,929,012)	119,879,786
Other liabilities, net of current	4,161,188	-	-	-	4,161,188
Right of use liability, net of current	9,196,788	-	-	-	9,196,788
Notes payable, net of current	318,952,342	2,934,750	-	-	321,887,092
Subordinated notes payable	26,679,620	1,806,000	-	(1,331,925)	27,153,695
Total liabilities	460,233,718	27,449,680	4,856,088	(10,260,937)	482,278,549
Commitments and contingencies					
Net assets:					
Without donor restrictions	98,908,651	(4,773)	9,382,042	(7,269,086)	101,016,834
Noncontrolling interest in subsidiaries	-	-	-	3,748,526	3,748,526
Total without donor restriction	98,908,651	(4,773)	9,382,042	(3,520,560)	104,765,360
With donor restrictions	52,793,710	-	-	-	52,793,710
Total net assets	151,702,361	(4,773)	9,382,042	(3,520,560)	157,559,070
Total liabilities and net assets	$ 611,936,079	$ 27,444,907	$ 14,238,130	$ (13,781,497)	$ 639,837,619

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, 2021

	LIIF and Wholly Owned Subsidiaries	FPAC and FPAC 2.0	NAHT	Elimination Entries	Total
Support, revenues and investment gains (losses):					
Net financial income:					
Interest income - lending	$ 27,488,332	$ 1,086,786	$ 8,385	$ (363,285)	$ 28,220,218
Less interest expense	(10,782,766)	(1,015,523)	(67,970)	363,285	(11,502,974)
Less provision for loan losses and commitments	(348,074)	-	-	-	(348,074)
Total net financial income	16,357,492	71,263	(59,585)	-	16,369,170
Fees:					
Loan packaging and servicing	465,593	-	77,452	-	543,045
Syndication fees	-	-	4,896,000	-	4,896,000
Asset management fees	1,662,709	-	1,816,519	(44,578)	3,434,650
Technical assistance and consulting	144,805	-	659,525	-	804,330
Other	122,819	45	18,748	-	141,612
Total fees	2,395,926	45	7,468,244	(44,578)	9,819,637
Investment income, net	(54,888)	-	22,848	-	(32,040)
Contributions	55,012,696	-	575,900	-	55,588,596
Total	54,957,808	-	598,748	-	55,556,556
Total support, revenues and investment gains (losses)	73,711,226	71,308	8,007,407	(44,578)	81,745,363
Expenses:					
Program services:					
Lending production, asset management and servicing	7,784,136	63,683	-	(44,578)	7,803,241
Affordable housing syndication services	-	-	3,610,386	-	3,610,386
Child care development services	34,680,916	-	-	-	34,680,916
Strong, Prosperous, and Resilient Communities				-	-
Challenge (SPARCC)	5,603,411	-	-	-	5,603,411
Other development services	322,857	-	-	-	322,857
National policy	561,457	-	-	-	561,457
Total program services	48,952,777	63,683	3,610,386	(44,578)	52,582,268
Supporting services:					
Management and general	8,168,363	-	882,577	-	9,050,940
Fundraising	2,027,089	-	-	-	2,027,089
Total supporting services	10,195,452	-	882,577	-	11,078,029
Total expenses	59,148,229	63,683	4,492,963	(44,578)	63,660,297
Change in net assets before noncontrolling interest	14,562,997	7,625	3,514,444	-	18,085,066
Net assets acquired	-	(12,398)	6,567,598	(6,555,200)	-
Noncontrolling interest acquired	-	-	-	2,614,640	2,614,640
Distributions	-	-	(700,000)	420,000	(280,000)
Change in net assets	14,562,997	(4,773)	9,382,042	(3,520,560)	20,419,706
Net assets, beginning of year	137,139,364	-	-	-	137,139,364
Net assets, end of year	$ 151,702,361	$ (4,773)	$ 9,382,042	$ (3,520,560)	$ 157,559,070