Local Initiatives Support Corporation
28 Liberty Street, 34th Floor, New York, NY 10005 • (212) 455-9800 • www.lisc.org

LISC Impact Notes

This prospectus supplement no. 1 (this "supplement") supplements and amends the prospectus, dated October 19, 2020 (the "prospectus"), relating to the offer and sale of up to $150,000,000 in aggregate principal amount of LISC Impact Notes.

President and CEO of LISC

LISC's President and CEO, Maurice A. Jones, will resign effective February 28, 2021. LISC will conduct an executive search process to select a replacement for Mr. Jones. Mr. Jones is expected to remain a member of LISC's Board of Directors following his resignation.

Effective March 1, 2021, Lisa Glover, who is currently a member of LISC's Board of Directors, will serve as LISC's Interim President and CEO until such time as LISC hires a replacement for Mr. Jones. Ms. Glover will remain a member of LISC's Board of Directors.

You should read this supplement together with the prospectus, including the more detailed information about LISC and the risk factors discussed in the prospectus. This supplement is qualified in its entirety by reference to the prospectus (including any amendments or supplements to it), except to the extent that the information in this supplement supersedes or amends information set forth in the prospectus.

Lead Agent

Incapital LLC

Prospectus supplement no. 1 dated February 9, 2021

Local Initiatives Support Corporation
28 Liberty Street, 34th Floor, New York, NY 10005 • (212) 455-9800 • www.lisc.org

LISC Impact Notes

Total Aggregate Offering	$150,000,000 in aggregate principal amount of outstanding LISC Impact Notes
Term/Maturity	Various terms of between 1 and 10 years, as set forth in the relevant pricing supplement
Interest Rates	Interest rates will be fixed rate and will be set at the time of issuance, and will be set forth in the relevant pricing supplement
Minimum Investment Requirement	$1,000
Status	Unsecured debt obligations
Offering Expenses	Total expenses of the offering for the annual offering period commencing on the date of this prospectus, excluding sales compensation, will be approximately $265,000. LISC expects to receive net proceeds from sales, after offering expenses and sales compensation to Incapital, ranging from approximately $149,285,000 to $147,035,000 if the total amount of the Notes being offered are sold.

Lead Agent

Incapital LLC

Prospectus dated October 19, 2020

This prospectus, as it may be amended or supplemented from time to time, may be used until the expiration of the periods of time authorized by registration or exemption in the various states or territories where LISC offers the LISC Impact Notes, which typically is 12 months from the date of effectiveness of the registration or exemption in the applicable state or territory.

PRELIMINARY STATEMENTS

This prospectus includes information related to the offer by Local Initiatives Support Corporation ("LISC") for prospective investors to purchase the LISC Impact Notes (the "Notes"). Prospective investors are advised to read this prospectus and all ancillary documents, including any relevant pricing supplement, carefully prior to making any decisions to invest in the Notes. The Notes are issued by LISC, a 501(c)(3) tax-exempt organization and New York not-for-profit corporation certified as a Community Development Financial Institution ("CDFI") by the U.S. Department of the Treasury (the "Treasury"). LISC's principal executive office is located at 28 Liberty Street, 34th Floor, New York, NY 10005. LISC's telephone number is (212) 455-9800. Specific terms of the Notes will be described in a separate pricing supplement. The Notes will be global book-entry notes, which means that they may be purchased electronically through a prospective investor's brokerage account and settled through the Depository Trust Company ("DTC").

LISC will offer the Notes through registered broker-dealers. The Notes may be offered through Incapital LLC ("Incapital") as Lead Agent for resale to other registered broker-dealers. Institutional investors may purchase Notes directly from Incapital. Incapital, or any other agent appointed by LISC, is not required to purchase or sell any specific amount of the Notes but will sell the Notes on a reasonable best-efforts basis. Through this program with Incapital, LISC expects to receive net proceeds from sales after sales compensation to Incapital based on the maturity of the Notes sold, ranging from $997 per $1,000 of 1-year Notes to $982 per $1,000 of 10-year Notes. LISC estimates that the total expenses of the offering for the annual offering period commencing on the date of this prospectus, excluding sales compensation, will be approximately $265,000 or less than 1% of the total aggregate offering. LISC estimates that it will receive net proceeds ranging from approximately $149,285,000 to $147,035,000 if the total amount of the Notes being offered are sold.

Investors are cautioned not to rely on any information not expressly set forth in this prospectus. No person has been authorized to give any information or to make any representation in connection with this offering other than those contained in this prospectus, and if given or made, such information or representations must not be relied upon as having been made by LISC or Incapital. Other than this prospectus itself, information contained in or that can be accessed through the LISC website is not a part of this prospectus.

An investment in the Notes involves various material risks and investors may lose all or part of their investment. Prior to any investment, and in consultation with their financial, tax, and legal advisors, investors should carefully consider, among other matters, the risk factors disclosed in the **"Risk Factors" section of this prospectus beginning on page 10**. There can be no assurance that the list of the risks pertaining to an investment in the Notes is comprehensive. Additional risks not presently known to LISC or that are currently deemed immaterial could also materially and adversely affect LISC's financial condition, results of operations, and/or activities and prospects.

THIS PROSPECTUS SETS FORTH CONCISE INFORMATION ABOUT THE NOTES THAT INVESTORS SHOULD CONSIDER BEFORE INVESTING, AND SHOULD BE RETAINED FOR FUTURE REFERENCE. INVESTORS SHOULD READ THIS PROSPECTUS CAREFULLY BEFORE INVESTING.

THE NOTES ARE BEING OFFERED UNDER AN EXEMPTION FROM FEDERAL REGISTRATION PURSUANT TO SECTION 3(a)(4) OF THE SECURITIES ACT OF 1933, AS AMENDED ("SECURITIES ACT"), AND SECTION 3(c)(10) OF THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED ("INVESTMENT COMPANY ACT"). THE SECURITIES AND EXCHANGE COMMISSION ("SEC") HAS NOT MADE AN INDEPENDENT DETERMINATION THAT THESE SECURITIES ARE EXEMPT FROM REGISTRATION. LISC'S OFFICERS AND EMPLOYEES ARE NOT REGISTERED AS INVESTMENT ADVISORS UNDER THE INVESTMENT ADVISORS ACT

OF 1940, AS AMENDED, OR AS BROKER-DEALERS UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED (“EXCHANGE ACT”).

THE NOTES MAY EITHER BE REGISTERED OR EXEMPT FROM REGISTRATION IN THE VARIOUS STATES OR TERRITORIES IN WHICH THEY ARE OFFERED OR SOLD. THIS PROSPECTUS HAS BEEN FILED WITH THE SECURITIES ADMINISTRATORS IN SUCH STATES OR TERRITORIES AS REQUIRED FOR REGISTRATION OR EXEMPTION.

THE NOTES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL, STATE, OR TERRITORIAL SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT DETERMINED THE ACCURACY, ADEQUACY, TRUTHFULNESS, OR COMPLETENESS OF THIS PROSPECTUS AND HAVE NOT PASSED UPON THE MERIT OR VALUE OF THE NOTES, OR APPROVED, DISAPPROVED, OR ENDORSED THE OFFERING. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THE FOREGOING AUTHORITIES ALSO HAVE NOT PASSED UPON WHETHER THE NOTES CAN BE SOLD TO ANY OR ALL PURCHASERS IN COMPLIANCE WITH EXISTING OR FUTURE SUITABILITY OR CONDUCT STANDARDS APPLICABLE TO BROKER-DEALERS, INCLUDING THE ‘REGULATION BEST INTEREST’ STANDARD.

THIS PROSPECTUS IS INTENDED TO PROVIDE PROSPECTIVE INVESTORS WITH THE INFORMATION NECESSARY FOR AN INFORMED INVESTMENT DECISION. HOWEVER, NOTHING CONTAINED IN THIS PROSPECTUS IS INTENDED AS LEGAL, ACCOUNTING, TAX, OR INVESTMENT ADVICE, AND IT SHOULD NOT BE TAKEN AS SUCH. A PROSPECTIVE INVESTOR SHOULD CONSULT THE INVESTOR’S OWN LEGAL COUNSEL AND/OR FINANCIAL ADVISOR WITH RESPECT TO THE INVESTOR’S INVESTMENT IN THE NOTES. AN INVESTOR MUST RELY ON THE INVESTOR’S OWN EXAMINATIONS OF LISC, THE NOTES, AND THE TERMS OF THIS OFFERING, INCLUDING THE DISCLOSURE, MERITS, AND RISKS INVOLVED. AN INVESTOR SHOULD BE WILLING AND HAVE THE FINANCIAL CAPACITY TO PURCHASE A HIGH-RISK INVESTMENT THAT CANNOT EASILY BE LIQUIDATED.

THE NOTES MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT, THE EXCHANGE ACT, AND APPLICABLE STATE AND TERRITORIAL SECURITIES LAWS, OR PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY ARE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT, INCLUDING THE RISK OF LOSS OF THE ENTIRE AMOUNT INVESTED.

The return of the funds of any prospective investor is dependent upon LISC’s financial condition. From a financial point of view, the Notes should not be a primary investment in relation to the overall size of an investor’s portfolio. An investor in the Notes should be able to lose the investor’s entire investment without suffering financial hardship. Investors are encouraged to consider the concept of investment diversification when determining the amount of Notes that would be appropriate for them in relation to their overall investment portfolio and personal financial needs.

THE NOTES ARE NOT SAVINGS OR DEPOSIT ACCOUNTS OR OTHER OBLIGATIONS OF A BANK AND ARE NOT AND WILL NOT BE INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION (“FDIC”), THE SECURITIES INVESTMENT PROTECTION CORPORATION (“SIPC”), ANY STATE BANK INSURANCE FUND, OR ANY OTHER GOVERNMENTAL AGENCY. THE PAYMENT OF PRINCIPAL AND INTEREST TO AN INVESTOR IN THE NOTES IS DEPENDENT UPON LISC’S FINANCIAL CONDITION AND OPERATIONS AS ISSUER. ANY PROSPECTIVE INVESTOR IS ENTITLED TO REVIEW LISC’S FINANCIAL STATEMENTS,

WHICH SHALL BE FURNISHED UPON REQUEST OR VIEWED ON LISC'S WEBSITE WWW.LISC.ORG.

LISC HAS NOT SET A DATE FOR THE TERMINATION OF ITS OFFERING, THOUGH THE AVAILABILITY OF THE NOTES IN EACH STATE OR TERRITORY IS DEPENDENT UPON THE EFFECTIVENESS OF ITS SECURITIES REGISTRATION OR EXEMPTION IN THAT STATE OR TERRITORY FROM TIME TO TIME.

LISC RESERVES THE RIGHT TO SUSPEND THE SALE OF THE NOTES FOR A PERIOD OF TIME OR TO REJECT ANY SPECIFIC INVESTMENT REQUEST, WITH OR WITHOUT A REASON. LISC MAY ALSO, IN ITS DISCRETION, ELECT TO ACCEPT A SPECIFIC INVESTMENT REQUEST AS A PORTION, BUT NOT ALL, OF THE AMOUNT PROPOSED FOR INVESTMENT. INCAPITAL HAS ADVISED LISC THAT AT ITS DISCRETION, IT MAY PURCHASE AND SELL NOTES, BUT THAT IT IS NOT OBLIGATED TO BUY OR SELL NOTES OR MAKE A MARKET IN THE NOTES AND MAY SUSPEND OR PERMANENTLY CEASE THAT ACTIVITY AT ANY TIME.

THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY FROM ANY PERSON IN ANY STATE, TERRITORY, OR ANY OTHER POLITICAL JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION MAY NOT LAWFULLY BE MADE. FEDERAL AND STATE SECURITIES LAWS MAY AFFECT LISC'S ABILITY TO CONTINUE TO SELL THE NOTES IN CERTAIN STATES OR TERRITORIES. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER BY A BROKER-DEALER IN ANY STATE OR TERRITORY IN WHICH SUCH BROKER-DEALER IS NOT QUALIFIED TO ACT AS A BROKER-DEALER.

STATEMENT REGARDING "PARENT-ONLY" FINANCIAL INFORMATION

Certain financial information provided in this prospectus with respect to LISC is provided on a parent-only basis. "Parent-only" financial information is presented on a nonconsolidated basis. It includes only the assets, liabilities, revenues, expenses, and other financial information of LISC, as the parent corporation, and does not consolidate the financial information of its consolidated affiliates. A not-for-profit entity is permitted to include its interest in net assets of its consolidated affiliates in its parent-only financial statements, but it is not required to do so. LISC includes its interest in net assets of consolidated affiliates as LISC believes it better reflects the operations and financial position of LISC. As of December 31, 2019, LISC's consolidated affiliates consisted of National Equity Fund, Inc.; New Markets Support Company, LLC; Neighborhood Properties, LLC; immito, LLC; LISC Fund Management, LLC; Resilience and Recovery Network, LLC; The Bay's Future Fund LLC; Charlotte Housing Opportunity Investment Fund, LLC; and select CDA Partnerships. All consolidated affiliates are wholly owned or controlled (directly or indirectly) by LISC, except The Bay's Future Fund LLC and Charlotte Housing Opportunity Investment Fund, LLC. The parent-only financial information should be read in conjunction with the consolidated financial statements included at Appendix I to this prospectus. For more information on LISC's consolidated affiliates, please see "Description of the Issuer – History" and Note 1 to LISC's historical audited financial statements as of and for the year ended December 31, 2019, attached to this prospectus at Appendix I.

STATE-SPECIFIC DISCLOSURES

NOTICE TO RESIDENTS OF ALABAMA.

THESE SECURITIES ARE OFFERED PURSUANT TO A CLAIM OF EXEMPTION FROM REGISTRATION UNDER SECTION 37(H) OF THE ALABAMA SECURITIES ACT AND SECTION 3(A)(4) OF THE SECURITIES ACT OF 1933.

NOTICE TO RESIDENTS OF FLORIDA.

THE SECURITIES BEING OFFERED HAVE NOT BEEN REGISTERED IN THE STATE OF FLORIDA. THE SECURITIES WILL BE SOLD PURSUANT TO THE ELEEMOSYNARY EXEMPTION IN FLORIDA STATUTES SECTION 517.051(9).

NOTICE TO RESIDENTS OF GEORGIA.

THESE SECURITIES ARE EXEMPT FROM REGISTRATION WITH THE SECURITIES COMMISSIONER OF THE STATE OF GEORGIA PURSUANT TO RULE 590-4-2-.07. AS REQUIRED BY STATE LAW, ALL RESIDENTS OF GEORGIA HAVE THE OPTION OF RESCINDING THEIR INVESTMENT WITHIN 72 HOURS OF THE EXECUTION OF A WRITTEN AGREEMENT TO PURCHASE OR TO REINVEST A NOTE AT MATURITY.

NOTICE TO RESIDENTS OF INDIANA.

THE INDIANA SECURITIES DIVISION HAS NOT IN ANY WAY PASSED UPON THE MERITS OR QUALIFICATIONS OF OR RECOMMENDED OR GIVEN APPROVAL TO, THE SECURITIES HEREBY OFFERED, OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

NOTICE TO RESIDENTS OF KENTUCKY.

THESE SECURITIES ARE ISSUED PURSUANT TO A CLAIM OF EXEMPTION FROM REGISTRATION UNDER SECTION KRS 292.400(9) OF THE KENTUCKY SECURITIES ACT.

NOTICE TO RESIDENTS OF LOUISIANA.

THESE SECURITIES HAVE BEEN REGISTERED WITH THE SECURITIES COMMISSIONER OF THE STATE OF LOUISIANA UNDER SECTION 51-705(B) OF THE LOUISIANA REVISED STATUTES. THE SECURITIES COMMISSIONER, BY ACCEPTING REGISTRATION, DOES NOT IN ANY WAY ENDORSE OR RECOMMEND THE PURCHASE OF THESE SECURITIES.

NOTICE TO RESIDENTS OF MICHIGAN.

THESE SECURITIES ARE OFFERED PURSUANT TO A REGISTRATION ORDER ISSUED BY THE STATE OF MICHIGAN. THE STATE OF MICHIGAN DOES NOT RECOMMEND OR ENDORSE THE PURCHASE OF ANY SECURITIES, NOR DOES IT PASS UPON THE TRUTH, MERITS, OR COMPLETENESS OF ANY PROSPECTUS OR ANY OTHER

INFORMATION FILED WITH THIS STATE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

NOTICE TO RESIDENTS OF MISSOURI.

THE MISSOURI SECURITIES DIVISION HAS NOT IN ANY WAY PASSED UPON THE MERITS OR QUALIFICATIONS OF THE SECURITIES HEREBY OFFERED, OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE MISSOURI SECURITIES ACT UNDER THE EXEMPTION PROVIDED BY SECTION 409.2-201(7)(B) OF THE REVISED STATUTES OF MISSOURI. NO APPROVAL HAS BEEN GIVEN TO THE ISSUER, THESE SECURITIES, OR THE OFFER OR SALE THEREOF IN CONNECTION TO ANY MISSOURI RESIDENTS.

NOTICE TO RESIDENTS OF PENNSYLVANIA.

A REGISTRATION STATEMENT WITH RESPECT TO THE SECURITIES OFFERED BY THIS PROSPECTUS HAS BEEN FILED IN THE OFFICES OF THE PENNSYLVANIA DEPARTMENT OF BANKING AND SECURITIES IN HARRISBURG, PENNSYLVANIA. SUCH REGISTRATION STATEMENT INCLUDED CERTAIN EXHIBITS ONLY SUMMARIZED OR ALLUDED TO IN THE PROSPECTUS AND ARE AVAILABLE FOR INSPECTION AT THE HARRISBURG OFFICE OF THE DEPARTMENT DURING REGULAR BUSINESS HOURS. THE HARRISBURG OFFICE IS LOCATED IN MARKET SQUARE PLAZA, 17 N SECOND STREET, SUITE 1300, HARRISBURG, PENNSYLVANIA, 17101. REGULAR BUSINESS HOURS ARE MONDAY THROUGH FRIDAY, 8:30 AM TO 5:00 PM.

IF YOU HAVE ACCEPTED AN OFFER TO PURCHASE THESE SECURITIES MADE PURSUANT TO A PROSPECTUS WHICH CONTAINS A WRITTEN NOTICE EXPLAINING YOUR RIGHT TO WITHDRAW YOUR ACCEPTANCE PURSUANT TO SECTION 207(M) OF THE PENNSYLVANIA SECURITIES ACT OF 1972, YOU MAY ELECT, WITHIN TWO BUSINESS DAYS AFTER THE FIRST TIME YOU HAVE RECEIVED THIS NOTICE AND A PROSPECTUS (WHICH IS NOT MATERIALLY DIFFERENT FROM THE FINAL PROSPECTUS) TO WITHDRAW FROM YOUR PURCHASE AGREEMENT AND RECEIVE A FULL REFUND OF ALL MONIES PAID BY YOU. YOUR WITHDRAWAL WILL BE WITHOUT ANY FURTHER LIABILITY TO ANY PERSON. TO ACCOMPLISH THIS WITHDRAWAL, YOU NEED ONLY SEND A WRITTEN NOTICE (INCLUDING ELECTRONIC MAIL) TO THE ISSUER (OR UNDERWRITER IF ONE IS LISTED ON THE FRONT PAGE OF THE PROSPECTUS) INDICATING YOUR INTENTION TO WITHDRAW. IF YOU ARE SENDING A LETTER, IT IS PRUDENT TO SEND IT BY CERTIFIED MAIL, RETURN RECEIPT REQUESTED, TO ENSURE THAT IT IS RECEIVED AND ALSO TO EVIDENCE THE TIME IT WAS MAILED.

IT IS THE POSITION OF THE PENNSYLVANIA DEPARTMENT OF BANKING AND SECURITIES THAT INDEMNIFICATION IN CONNECTION WITH VIOLATION OF SECURITIES LAWS IS AGAINST PUBLIC POLICY AND VOID.

NOTICE TO RESIDENTS OF SOUTH CAROLINA.

IF YOU WERE A RESIDENT OF THE STATE OF SOUTH CAROLINA WHEN YOU PURCHASED A NOTE IN THIS OFFERING PURSUANT TO THIS PROSPECTUS (A

"SOUTH CAROLINA PURCHASER"), YOU MAY DECLARE AN "EVENT OF DEFAULT" ON SUCH NOTE IF ONE OF THE FOLLOWING OCCURS:

- LISC DOES NOT PAY OVERDUE PRINCIPAL AND INTEREST ON YOUR NOTE WITHIN SIXTY DAYS AFTER LISC RECEIVES WRITTEN NOTICE FROM YOU THAT LISC FAILED TO MAKE THE PAYMENT WHEN DUE; OR

- A SOUTH CAROLINA PURCHASER WHO OWNS A NOTE OF THE SAME TYPE, TERM, AND ISSUANCE DATE AS YOUR NOTE (THE "SAME ISSUE") HAS RIGHTFULLY DECLARED AN EVENT OF DEFAULT AS TO HIS OR HER NOTE.

TO DECLARE AN EVENT OF DEFAULT, YOU MUST SUBMIT A WRITTEN DECLARATION TO LISC, INCLUDING IDENTIFYING YOUR NOTE AND SUBMITTING PROOF THAT YOU ARE A SOUTH CAROLINA PURCHASER OF SUCH NOTE. UPON A RIGHTFUL DECLARATION OF AN EVENT OF DEFAULT ON YOUR NOTE:

- YOU HAVE THE RIGHT UPON WRITTEN REQUEST TO RECEIVE THE NAME AND ADDRESS OF THE RECORD HOLDER OF EACH NOTE OF THE SAME ISSUE AS YOUR NOTE; AND

- IF YOU INDIVIDUALLY OR TOGETHER WITH OTHER SOUTH CAROLINA PURCHASERS OWN 25% OR MORE OF THE TOTAL PRINCIPAL AMOUNT OF SUCH ISSUE OUTSTANDING, THEN YOU AND SUCH SOUTH CAROLINA PURCHASERS HAVE THE RIGHT TO DECLARE SUCH ENTIRE ISSUE IN SOUTH CAROLINA DUE AND PAYABLE.

THE FOREGOING IS A BINDING OBLIGATION OF LISC ENFORCEABLE BY EACH SOUTH CAROLINA PURCHASER.

NOTICE TO RESIDENTS OF TENNESSEE.

THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION SET FORTH IN THE SECURITIES ACT OF 1933. THESE SECURITIES HAVE BEEN REGISTERED WITH THE TENNESSEE DEPARTMENT OF COMMERCE AND INSURANCE. SUCH REGISTRATION DOES NOT CONSTITUTE A RECOMMENDATION OR ENDORSEMENT OF ANY SECURITY, NOR HAS THE TENNESSEE DEPARTMENT OF COMMERCE AND INSURANCE PASSED UPON THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED IN THIS OFFERING DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

FORWARD-LOOKING STATEMENTS

Statements contained in this prospectus that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. Also, when LISC uses any of the words "anticipate," "assume," "believe," "estimate," "expect," "intend," or similar words or expressions, it is making forward-looking statements. These forward-looking statements are not guaranteed and are based on LISC's present intentions and on LISC's present expectations and assumptions. These statements, intentions, expectations, and assumptions involve risks and uncertainties, some of which are beyond LISC's control that could cause actual results or events to differ materially from those anticipated or projected. Purchasers of the Notes should not place undue reliance on these forward-looking statements, as events described or implied in such statements may not occur. Except as required by law, LISC undertakes no obligation to update or revise any forward-looking statements as a result of new information, future events, or otherwise.

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OFFERING SUMMARY

This section summarizes the legal and financial terms of the Notes that are described in more detail in the section entitled "Description of the Notes" beginning on page 66. Final terms of any particular Note, including the applicable interest rate, will be determined at the time of sale and will be contained in the relevant pricing supplement relating to those Notes. The terms in that pricing supplement may vary from and supersede the terms contained in the remainder of this prospectus, including the terms contained in this summary section and in the section entitled "Description of the Notes." Before making a decision to purchase a Note, investors are advised to read the more detailed information appearing elsewhere in this prospectus, including the relevant pricing supplement.

Key Investment Terms	
Issuer	LISC, a New York not-for-profit corporation and certified CDFI.
Securities Offered	Up to $150,000,000 of Notes.
Authorized Denominations	Minimum investment of $1,000.
Term of Investments	Notes may be purchased for terms of between one and ten years, as will be set forth in the relevant pricing supplement.
Interest Rates and Payment Options	Interest rates will be fixed rate and will be determined by LISC at the time of issuance based on market conditions, the then-current interest rate environment, and other relevant factors. Interest rates for the Notes will be set forth in the relevant pricing supplement. Interest on each Note will be payable quarterly.
Offering Period	No termination date has been set for this offering. This prospectus is dated October 19, 2020 and, as it may be amended or supplemented from time to time, may be used until the expiration of the periods of time authorized by registration or exemption in the various states or territories where LISC offers the Notes, which typically is 12 months from the date of effectiveness of the registration or exemption in the applicable state or territory.
Note Purchases	The Notes are available for purchase in book-entry form, which means they may be purchased electronically through the investor's brokerage account and settled through the DTC.
Use of Proceeds	LISC will use the proceeds of the offering for general corporate purposes, including to refinance certain of LISC's existing indebtedness and as capital for loans made by LISC and its consolidated affiliates, each in support of LISC's overall mission to encourage the growth of, and provide support to, neighborhood and

	community development organizations and businesses that foster improvement of economic conditions; develop housing and other physical facilities; provide amenities and services; and other activities that help to revitalize disinvested communities. Additionally, LISC is dedicating $10,000,000 of the proceeds from the sale of Notes to support its Project 10X, under which LISC will invest in building equity and wealth for Black, Indigenous, and people of color. For additional information, please see "Use of Proceeds" on page 21.
Distribution of Notes	LISC will offer the Notes through registered broker-dealers. The Notes may be offered by or through Incapital as Lead Agent. Institutional investors may purchase Notes directly from Incapital. Incapital, or any other agent appointed by LISC, is not required to purchase or sell any specific amount of Notes but will sell the Notes on a reasonable best-efforts basis.
Interest Accrual and Interest Periods	Notes begin to accrue interest on the issuance date and mature on the maturity date stated in each Note. Interest accrues on a 360-day year based on twelve 30-day months. Interest on each Note will be paid quarterly and cannot be reinvested in the Notes. The interest accrual period does not include each interest payment date. The interest payment dates for Notes will be the 15th day of every third month, commencing in the third succeeding calendar month following the month in which the Note is issued, unless such day is not a business day, in which case, the interest payment shall be made on the next succeeding business day. The first payment of interest under a Note shall be an amount equal to interest accruing during the period commencing on the issuance date and ending on the day preceding the first interest payment date that follows the issuance date (the "First Interest Period"). Subsequent payments of interest under the Note shall be made on each interest payment date in an amount equal to interest accruing during each period of three calendar months that follows the First Interest Period. The final payment of interest under a Note shall be made on the maturity date in an amount equal to interest accruing during the period commencing on the prior interest payment date and ending on the date preceding the maturity date.
Ranking	The Notes constitute unsecured debt obligations of LISC, and will not be secured by particular loans to specific borrowing entities or any other assets of LISC. LISC has secured obligations that rank senior to the Notes and has other unsecured debt obligations, including previously issued and outstanding notes, which will rank equally with the Notes. Additionally, the Notes will be structurally subordinated to all existing and future obligations of LISC's consolidated affiliates, and the claims of creditors of those consolidated affiliates will have priority as to the assets and cash flows of those consolidated affiliates.

	For additional information, please see “Financing and Operational Activities – Schedule of Liabilities” on page 42.
Redemption	The Notes will not be redeemable at LISC’s option.
Survivor’s Option	In the limited circumstances set forth below, the authorized representative of a beneficial owner of Notes may request repurchase of such Notes from LISC prior to the maturity date. This repurchase option can only be made by the authorized representative of the beneficial owner of the Notes within one year following the death of the beneficial owner of the Notes, so long as the Notes were owned by the beneficial owner or his or her estate at least six months prior to the repurchase request and certain documentation requirements are satisfied. This feature is referred to as a “Survivor’s Option.” The right to exercise the Survivor’s Option is subject to (i) a limit on total exercises by all holders of Notes in any calendar year of the greater of (x) $1,000,000 or (y) 1% of the aggregate principal balance of all Notes outstanding at the end of the most recently completed calendar year, and (ii) a limit on individual exercises by any holder of Notes in any calendar year of $250,000. Additional details on the Survivor’s Option are described in the section entitled “Description of Notes – Survivor’s Option” on page 68.
Options at Maturity/Reinvestments	Principal is required to be repaid at maturity. Investors may re-invest their repaid principal by purchasing new Notes at then-current interest rates and terms as may be offered by LISC from time to time.
Risk Factors	Please refer to “Risk Factors” beginning on page 10.
Tax Consequences	Amounts paid by an investor to purchase the Notes are not deductible for federal tax purposes. Any interest paid on the Notes to an investor is taxable. Please refer to “Description of the Notes - Interest Payments and Tax Considerations” on page 70.

SUMMARY FINANCIAL INFORMATION

The tables below set forth certain financial information regarding LISC as of and for the six-month period ended June 30, 2020 on a parent-only basis, and as of and for the year ended December 31, 2019 on a consolidated and parent-only basis. The parent-only financial information as of and for the six-month period ended June 30, 2020 is derived from LISC's historical unaudited interim financial statements as of and for such period. The consolidated and parent-only financial information as of and for the year ended December 31, 2019 is derived from LISC's historical audited financial statements as of and for such period. The financial information on the following pages should be read in conjunction with the audited annual consolidated financial statements attached to this prospectus as Appendix I and the unaudited interim financial statements attached to this prospectus as Appendix II. Additional selected financial information may be found in "Selected Financial Information" beginning on page 28. Consistent with LISC's audited financial statements, the term "Organization" as used in these financial tables refers to LISC and its consolidated affiliates.

Beginning with its fiscal year ended December 31, 2018, LISC adopted the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* ("ASU 2016-14"). Pursuant to the adoption of ASU 2016-14, what was previously presented and reported as "unrestricted net assets" is now presented and reported as "net assets without donor restrictions" and what was previously presented and reported as "temporarily restricted net assets" is now presented and reported as "net assets with donor restrictions." The adoption of ASU 2016-14 otherwise had no effect on accounting policies applied by LISC prior to its adoption. Accordingly, for the ease of readability and comparability of financial information presented throughout this prospectus, the terminology "net assets without donor restrictions" and "net assets with donor restrictions" is utilized.

STATEMENT OF FINANCIAL POSITION
As of June 30, 2020

		Parent-Only
Assets		
Cash and cash equivalents	$	131,457,479
Restricted cash		-
Investments		151,808,646
Investments in affiliates		107,062,169
Accrued interest receivable		3,558,655
Contributions receivable, net		48,812,171
Government grants and contracts receivable		15,864,150
Notes and other receivables, net		1,829,459
Due from funds		1,176,203
Loan receivable		535,442,529
Allowance for uncollectible loans		(32,035,250)
Total loans, net		503,407,279
Recoverable grants to CDPs, net		9,127,154
Prepaid expenses and other assets		86,936
Temporary investment in Project Partnerships		-
Investment in Funds		-
Investment in Project Partnerships		-
Property and equipment, net		5,041,118
Real estate assets held for sale		-
Deferred Costs		-
Right of Use Asset		53,251,406
Intangible asset		-
Total assets	$	1,032,482,825
Liabilities and Net Assets (Deficits)		
Liabilities:		
Accounts payable and accrued expenses	$	12,751,939
Right of Use Liability		54,554,469
Government contracts and loan-related advances		1,417,529
Grants payable		35,621,580
Due to affiliates		-
Capital contributions due to temporary investment in Project Partnerships		-
Capital contributions due to investment in partnerships		-
Deferred liabilities		-
CDA Partnerships – Long-Term Debt, net		-
CDA Partnerships – Notes Payable to Funds		-
Long-term debt of NEF funds		-
Loans and bond payable, net		538,976,403
Total liabilities		643,321,920
Commitments and contingencies		
Net assets:		
Net assets attributable to the Organization		
Without donor restrictions		160,780,037
With donor restrictions		228,380,868
Total net assets attributable to the Organization		389,160,905
Net assets attributable to the noncontrolling interest in Project Partnerships (without donor restrictions)		-
Total net assets		389,160,905
Total liabilities and net assets	$	1,032,482,825

STATEMENT OF FINANCIAL POSITION

	December 31, 2019	
	Consolidated	Parent Only
Assets		
Cash and cash equivalents	$ 166,082,281	$ 117,255,836
Restricted cash	15,743,445	-
Investments	140,219,892	140,219,892
Investments in affiliates	-	92,154,880
Accrued interest receivable	3,212,876	3,188,545
Contributions receivable, net	51,186,808	51,186,808
Government grants and contracts receivable	29,646,515	29,646,515
Notes and other receivables, net	-	-
Due from funds	8,556,412	4,372,275
Loan receivable	506,308,707	485,384,186
Allowance for uncollectible loans	(29,772,958)	(29,608,715)
Total loans, net	476,535,749	455,775,471
Recoverable grants to CDPs, net	9,749,180	9,749,180
Prepaid expenses and other assets	17,770,190	3,988,667
Temporary investment in Project Partnerships	136,689,662	-
Investment in Funds	1,166,849	-
Investment in Project Partnerships	39,389	-
Property and equipment, net	64,916,881	5,408,964
Real estate assets held for sale	-	-
Deferred Costs	-	-
Right of use asset	58,491,235	55,310,940
Intangible asset	2,670,671	-
Total assets	$ 1,182,678,035	$ 968,257,973
Liabilities and Net Assets (Deficits)		
Liabilities:		
Accounts payable and accrued expenses	$ 48,722,071	$ 16,128,294
Right of use liability	61,420,131	56,803,121
Government contracts and loan-related advances	3,069,562	3,069,562
Grants payable	31,199,415	31,199,415
Due to affiliates	-	-
Capital contributions due to temporary investment in Project Partnerships	112,087,051	-
Capital contributions due to investment in partnerships	-	-
Deferred liabilities	5,736,962	-
CDA Partnerships – Long-Term Debt, net	49,602,839	-
CDA Partnerships – Notes Payable to Funds	4,244,720	-
Long-term debt of NEF funds	-	-
Loans and bond payable, net	486,860,370	486,860,370
Total liabilities	802,943,121	594,060,762
Commitments and contingencies		
Net assets:		
Net assets attributable to the Organization		
Without donor restrictions	157,253,712	157,253,713
With donor restrictions	216,943,498	216,943,498
Total net assets attributable to the Organization	374,197,210	374,197,211
Net assets attributable to the noncontrolling interest in Project Partnerships (without donor restrictions)	5,537,704	
Total net assets	379,734,914	374,197,211
Total liabilities and net assets	$ 1,182,678,035	$ 968,257,973

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Six month period ended June 30, 2020

	Parent-Only
Support and Revenues	
Contributions	$ 65,996,464
Government grants and contracts	13,760,040
Interest income on investments	1,208,524
Interest income on loans to CDPs	13,763,908
Fee income	-
Other income	2,328,229
Equity in earnings of affiliates	13,041,222
Net assets released from restrictions	
Total support and revenues	110,098,387
Expenses	
Program Services:	
Project development and other program activities	24,483,848
Project grants	42,310,233
Project loans:	
Interest	7,628,219
Provision for loss on receivable	
Increase in provision for uncollectible loans to CDPs	2,421,210
Provision for uncollectible recoverable grants to CDPs	400,342
Provision for losses on receivables	-
Impairment in investment in project partnerships	-
Total program services	77,243,852
Supporting Services:	
Management and general	13,510,899
Fund raising	3,513,091
Total supporting services	17,023,990
Total expenses	$ 94,267,842
Change in net assets before gains and losses on investments, derivatives, equity in losses of partnership projects and other noncontrolling interest activities	$ 15,830,545
Transfers: Board designated net assets for loan fund activities	
Realized & unrealized loss on investments and derivatives	(866,850)
Realized & unrealized loss on investment securities and interest rate swaps held by project partnerships	-
Realization of unrealized gain on investment securities available for sale by the operating partnerships	-
Gain on transfer of temporary investments in project partnerships	-
Equity in losses of project partnerships	-
Gain on settlement of bond	-
Gain on transfer of interest in CDA Partnerships	-
Change in net assets before noncontrolling interest activities	14,963,695
Other noncontrolling interest activities:	
Loss on deconsolidation	-
Noncontrolling capital contributions	-
Distribution from Funds	-
Change in control related to previously unconsolidated funds	-
Change in net assets	
Net assets beginning of year	374,197,210
Transfer of net assets upon deconsolidation	-
Assumption of Interest in CDA partnerships	-
Net asset, end of year	$ 389,160,905

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

	Year ended December 31, 2019	
	Consolidated	**Parent Only**
Support and Revenues		
Contributions	$ 95,007,400	$ 95,007,400
Government grants and contracts	43,994,603	43,994,603
Interest income on investments	3,414,413	3,411,283
Interest income on loans to CDPs	29,074,867	26,972,043
Fee income	61,835,808	-
Other income	20,168,769	7,959,025
Equity in earnings of affiliates	-	15,714,445
Net assets released from restrictions	-	-
Total support and revenues	253,495,860	193,058,799
Expenses		
Program Services:		
Project development and other program activities	104,487,466	51,388,105
Project grants	48,693,909	48,405,409
Project loans:		
Interest	14,250,123	12,618,819
Provision for loss on receivable	175,735	
Increase in provision for uncollectible loans to CDPs	7,444,124	5,101,581
Provision for uncollectible recoverable grants to CDPs	1,678,897	1,678,897
Provision for losses on receivables	-	-
Impairment in investment in project partnerships	-	-
Total program services	176,730,254	119,192,811
Supporting Services:		
Management and general	36,730,847	27,283,965
Fund raising	7,075,956	7,075,956
Total supporting services	43,806,803	34,359,921
Total expenses	$ 220,537,057	$ 153,552,732
Change in net assets before gains and losses on investments, derivatives, equity in losses of partnership projects and other noncontrolling interest activities	$ 32,958,803	$ 39,506,067
Transfers: Board designated net assets for loan fund activities	-	-
Realized & unrealized loss on investments and derivatives	2,671,794	2,671,794
Realized & unrealized loss on investment securities and interest rate swaps held by project partnerships	-	-
Realization of unrealized gain on investment securities available for sale by the operating partnerships	9,228	-
Gain on transfer of temporary investments in project partnerships	-	-
Equity in losses of project partnerships	-	-
Equity in income of temporary investment in project partnerships	504,052	-
Gain on settlement of bond	-	-
Gain on transfer of interest in CDA Partnerships	-	-
Change in net assets before noncontrolling interest activities	36,143,877	42,177,861
Other noncontrolling interest activities:		
Loss on deconsolidation		
Noncontrolling capital contributions	10,899,208	-
Distribution from Funds	-	
Change in control related to previously unconsolidated funds	-	-
Change in net assets	47,043,085	42,177,861
Net assets (deficit), beginning of year	332,691,829	332,019,350
Transfer of net assets upon deconsolidation	-	-
Assumption of Interest in CDA partnerships	-	-
Net asset (deficit), end of year	$ 379,734,914	$ 374,197,211

SUPPLEMENTAL FINANCIAL INFORMATION
As of June 30, 2020

	Parent-Only
Unsecured Loans Receivable	$ 32,244,922
Unsecured Loans Receivable as a Percentage of Total Loans(1)	6%
Loans Delinquent 90 Days or More	$ 6,390,427
Loans Delinquent 90 Days or More as a Percentage of Total Loans(1)	1%
Notes Payable(2)	$ 0
Notes Redeemed(2)	$ 0
Long-Term Debt	$ 521,690,642
Net Assets without Donor Restrictions	$ 160,780,037
Net Assets without Donor Restrictions as a Percentage of Net Assets	41%
Net Assets	$ 389,160,905
Total Loans Receivable	$ 535,442,529

(1) Total Loans reflects gross loans receivable. LISC's allowance for uncollectible loans as of June 30, 2020 was $32,035,250.

(2) This is a new offering of the Notes. Accordingly, there are no existing Notes payable, and there have been no prior Note redemptions.

SUPPLEMENTAL FINANCIAL INFORMATION
As of December 31, 2019

	Consolidated	Parent Only
Unsecured Loans Receivable	$ 14,927,075	$ 12,519,619
Unsecured Loans Receivable as a Percentage of Total Loans(1)	3%	3%
Loans Delinquent 90 Days or More	$ 1,666,465	$ 1,666,465
Loans Delinquent 90 Days or More as a Percentage of Total Loans(1)	0%	0%
Notes Payable(2)	$ 0	$ 0
Notes Redeemed(2)	$ 0	$ 0
Long-Term Debt	$ 500,568,725	$ 447,305,251
Net Assets without Donor Restrictions	$ 162,791,416	$ 157,253,713
Net Assets without Donor Restrictions as a Percentage of Net Assets	43%	42%
Net Assets	$ 379,734,914	$ 374,197,211
Total Loans Receivable	$ 506,308,707	$ 485,384,186

(1) Total Loans reflects gross loans receivable. LISC's allowance for uncollectible loans as of December 31, 2019 was $29,772,958 on a consolidated basis and $29,608,715 on a parent-only basis.

(2) This is a new offering of the Notes. Accordingly, there are no existing Notes payable, and there have been no prior Note redemptions.

RISK FACTORS

An investment in the Notes involves various material risks, including the loss of all of an investor's principal. Prior to any investment, and in consultation with their financial, tax, and legal advisors, investors should carefully consider, among other matters, the following risk factors and the other information contained in this prospectus, including the relevant pricing supplement, before deciding whether to purchase Notes. There can be no assurance that the following list of risks associated with an investment in the Notes is comprehensive. Additional risks not presently known to LISC or that are currently deemed immaterial could also materially and adversely affect LISC's financial condition, results of operations, nonprofit activities, and prospects.

Risks associated with the Notes and the Offering

The Notes are not secured by any assets of LISC and will be subordinated to any existing or future secured indebtedness of LISC, and investors will be dependent solely upon the financial condition and operations of LISC for payment of principal and accrued interest on the Notes.

The Notes will be paid from net assets without donor restrictions and cash then available, which may be insufficient to pay the Notes at maturity. Net assets with donor restrictions will not be legally available for payment of investors if use of the assets for that purpose would be inconsistent with the restrictions imposed by donors. While it is anticipated that LISC's financial obligation to pay interest on and the principal of the Notes will be funded by LISC's cash flows, including cash flows generated from the loans LISC makes with the proceeds from the sale of the Notes, there can be no assurance that is the case. Investors in the Notes will be subordinate to LISC's secured creditors and will generally not have any priority over any other of LISC's unsecured creditors. In the event of a bankruptcy, liquidation, dissolution, reorganization, or similar proceeding, LISC's secured creditors have priority over investors in Notes, and will be entitled to recover from the collateral securing such indebtedness prior to any payment being made to holders of Notes. Thus, LISC's assets may be insufficient to fully satisfy LISC's obligations to pay the Notes. Therefore, the relative risk level is higher for the Notes than for LISC's secured indebtedness. For additional information, please see "Financing and Operational Activities – Schedule of Liabilities" on page 42.

The Notes will be structurally subordinated to any existing or future liability of LISC's consolidated affiliates.

LISC's consolidated affiliates are separate and distinct legal entities and have no obligation, contingencies, or otherwise, to pay any amounts due on the Notes or to make funds available to LISC to do so. As a result, the Notes will be structurally subordinated to all existing and future liabilities of LISC's consolidated affiliates, and the claims of creditors of those consolidated affiliates will have priority as to the assets and cash flows of those consolidated affiliates. In the event of a bankruptcy, liquidation, dissolution, reorganization, or similar proceeding with respect to LISC's consolidated affiliates, their creditors will be entitled to payment on their claims from assets of those consolidated affiliates. For additional information, please see "Financing and Operational Activities – Schedule of Liabilities" on page 42.

No sinking fund or other specific allocation of assets or cash flow has been made or will be made to secure payment of the principal of the Notes or to secure payment of accrued interest.

The Notes may be riskier than other notes or debt instruments for which a sinking fund is established, and LISC's ability to pay the principal and interest on the Notes will depend on the cash then available as part of LISC's net assets without donor restrictions.

The Notes are not FDIC or SIPC insured, are not bank instruments, and are subject to investment risks.

The Notes are not FDIC- or SIPC-insured or otherwise insured or guaranteed by any governmental agency and are not certificates of deposit or deposit accounts with a bank, savings and loan association, credit union, or other financial institution regulated by federal, state, or territorial authorities. As a result, investors are at risk of possible total loss of principal invested.

LISC is offering the Notes on a reasonable best-efforts sales basis, and there is no minimum sales requirement.

The offering of the Notes is on a reasonable best-efforts basis. Therefore, there is no minimum sales requirement or minimum amount of proceeds that LISC must receive from the sale of the Notes before LISC will close with investors and have the right to utilize proceeds. Investors' funds will be immediately available for use by LISC as lending capital in its nonprofit activities and operations, or for other general corporate purposes, regardless of whether any threshold of sales is met. Low sales of the Notes will not result in cancellation of the offering or cause LISC to refund any amounts to investors.

The interest rate applicable to a Note is fixed at the time of issue.

Interest rates offered for the Notes may change at LISC's discretion and will be determined by LISC at the time of issuance based on market conditions, the then-current interest rate environment, and other relevant factors. Should interest rates rise, LISC is not legally obligated to pay a higher rate or to redeem the principal of a Note prior to its maturity. Moreover, the value of the Notes may decline in a rising interest rate environment. Risks of investment in the Notes may be greater than implied by a relatively low interest rate on the Notes.

The value of the Notes may be adversely affected by a decrease in the credit ratings assigned to the Notes or LISC.

A credit rating reflects only the view of the rating agency giving such rating. Any explanation of the significance of such rating may only be obtained from the applicable rating agency. Generally, rating agencies base their ratings on information and materials furnished and on investigation, studies, and assumptions by the rating agencies. There is no assurance that a rating will apply for any given period of time or that a rating will not be revised or withdrawn. A revision or withdrawal of a rating may have an adverse effect on the value of and ability to resell the Notes. LISC and Incapital have not undertaken any responsibility to bring to the attention of noteholders any proposed revision or withdrawal of any rating or to oppose any such proposed revision or withdrawal of any rating.

LISC has made only limited covenants in the Notes, which do not include covenants or restrictions with regard to LISC's financial condition and operations.

The Notes contain covenants to pay principal and interest when due but do not contain certain other covenants that are contained in certain of LISC's other debt obligations. For example, the Notes do not contain any "affirmative" covenants relating to LISC's financial condition, such as a threshold net income, debt-to-assets ratio, or income-to-debt ratio or other financial covenants that may appear in debt instruments issued by other financial institutions, companies, or nonprofit entities. In addition, the Notes do not contain any "negative" covenants that restrict LISC's nonprofit operations or capital structure, such as restrictions or prohibitions on the amount or type of loans that LISC may extend, or the amount or type of debt that LISC may incur, or any other types of negative covenants that may appear in notes or indebtedness issued by other financial institutions, companies, or nonprofit entities. As a result, a default may occur in LISC's other debt instruments without triggering a default under the Notes. As such, there are limited contractual protections for investors contained in the Notes.

No trust indenture has been or will be established, and no trustee has been or will be appointed. The Notes are being issued pursuant to an exemption from the Trust Indenture Act, and the provisions of that Act designed to protect debt owners are not applicable to investors in the Notes.

Debt, such as the obligations represented by the Notes, is often issued pursuant to a trust indenture, such as the type required for certain debt offerings by the Trust Indenture Act of 1939. These indentures provide covenants and procedures to protect debt owners and appoint a trustee to act for the benefit of all debt holders, to exercise their remedies collectively, and to protect their interests. However, the Notes issued pursuant to this prospectus are not currently governed by any indenture, and there is no trustee. No trustee monitors LISC's affairs on investors' behalf, no agreement provides for joint action by investors in the event LISC defaults on the Notes, and investors do not have the other protections a trust indenture would provide. Accordingly, the Notes may be riskier than notes for which a trust indenture is established. In the event of a default under the Notes, each holder will have to seek available remedies on an individual basis, which is likely to be expensive and may not be economically practicable.

The Notes are being offered in reliance on exemptions from registration under the federal, state, and territorial securities law in the states and territories in which LISC is offering the Notes. If it is determined that the Notes are not exempt from federal, state, and/or territorial securities laws, LISC may be required to make rescission offers and may be subject to other penalties for which LISC may not have the funds available.

The offering described in this prospectus is being made in reliance upon exemptions from registration under federal, state, and territorial securities laws, including exemptions under Section 3(a)(4) of the Securities Act, and the exemptions from registration of the securities of nonprofit charitable organizations provided by the laws of certain states and territories in which the Notes are offered. Reliance on these exemptions does not, however, constitute a representation or guarantee that such exemptions are indeed available. LISC may seek to qualify, register, or otherwise obtain authorization for the offering in certain other states or territories where LISC believes such qualification, registration, or other authorization is required. If, for any reason, the offering is deemed not to qualify for exemption from registration under the nonprofit securities exemptions referred to above (and if no other exemption from registration is available), and the offering is not registered with the applicable federal, state, or territorial authorities, the sale of the Notes will be deemed to have been made in violation of the applicable laws requiring registration. As a remedy for such a violation, penalties and fines may be assessed against LISC, and investors will typically have the right to rescind their purchase and to have their purchase price returned, together with interest at statutorily prescribed rates. If investors request the return of their investment, funds may not be available to LISC for that purpose, and LISC may be unable to pay all investors in any affected states or territories. Any refunds made would also reduce funds available for LISC's operations. A significant number of requests for rescission could leave LISC without funds sufficient to respond to rescission requests or to successfully proceed with LISC's nonprofit activities.

The Survivor's Option may be limited in amount.

LISC has a discretionary right to limit the aggregate principal amount of Notes subject to the Survivor's Option that may be exercised in any calendar year to an amount equal to the greater of $1,000,000 or 1% of the outstanding principal amount of all Notes outstanding as of the end of the most recent calendar year. LISC also has the discretionary right to limit to $250,000 in any calendar year the aggregate principal amount of Notes subject to the Survivor's Option that may be exercised in such calendar year on behalf of any individual deceased beneficial owner of Notes. Accordingly, no assurance can be given that exercise of the Survivor's Option for the desired amount will be permitted in any single calendar year.

Holders of Notes can only act indirectly through DTC.

Note transactions are settled through DTC. As is standard to facilitate such electronic transactions, DTC represents such Notes with one or more global certificates registered in the nominee name of "Cede & Co.," the nominee of DTC, rather than in the name of the investor or investor's nominee.

Any changes in the federal, state, and territorial securities laws relating to securities offered and sold by nonprofit charitable organizations could adversely affect LISC's ability to sell the Notes or LISC's ability to pay the principal and interest on the Notes.

Pursuant to current federal, state, and territorial exemptions related to certain securities offerings, the Notes will not be registered with the SEC and may not be registered with certain state and territorial securities regulatory bodies. However, these laws are subject to change and frequently do change. Any such change may make it costlier and more difficult for LISC to offer and sell the Notes and could result in a decrease in the amount of Notes ultimately sold, which could affect LISC's operations and ability to pay the principal and interest on the Notes.

SEC Regulation Best Interest imposes obligations related to investment suitability that may limit some potential investments in this offering.

The SEC's Regulation Best Interest establishes a "best interest" standard of conduct for broker-dealers and associated persons when they make a recommendation to a retail customer of any securities transaction or investment strategy involving securities. Depending on individual investor circumstances, this "best interest" standard may limit some potential investments in this offering. For more information, see "How to Invest/Plan of Distribution – Investment Suitability under SEC's Regulation Best Interest" on page 73.

No public market exists for the Notes, and therefore the transfer of the Notes is limited and restricted.

LISC has no obligation, and does not intend, to register the Notes for resale by noteholders. The Notes will not be listed for sale on any securities exchange. Dealers may be liquidity providers, and there may be a secondary market in the Notes. However, there is no assurance that dealers will be liquidity providers. In addition, limitations on the transfer of the Notes may be imposed under applicable federal, state, and territorial securities laws. As a result, there is no trading market for the Notes at present. Investors should therefore consider the Notes as an investment to be held until maturity.

Holders of Notes should be aware of certain tax consequences.

The interest paid or accrued on the Notes will be taxable as ordinary income to the investor in the earlier of the year it is paid or the year it is accrued, depending on the investor's method of accounting. LISC will cause each investor to be provided with a Form 1099-INT or the comparable form by January 31 of each year detailing the interest earned on their investments in the prior year. Investors will not receive a receipt for a charitable contribution and will not be entitled to a charitable deduction for the purchase of the Notes. Investors should consult with their tax advisor regarding any tax treatment of the Notes.

Risks associated with LISC

LISC may not be able to pay its obligations under the Notes if there is a material adverse effect in LISC's financial condition or results of operations.

Payment of the Notes depends on the ability of LISC to generate revenues sufficient to cover debt service on the Notes and all other indebtedness of LISC while meeting its operating expenses and other cash requirements. No representation can be made or assurance given that revenues will be realized by LISC in amounts sufficient to make the payments necessary to meet the obligations of LISC and to make debt service payments on the Notes as they become due. Future revenues and expenses of LISC are subject to, among other things, the capabilities of the management of LISC; future economic conditions; and a variety of non-economic and other conditions, many of which are unpredictable or not within LISC's control. No representation can be made or assurance given that LISC's net assets will not decrease in the future. The payment of principal and interest on the Notes, as well as other obligations of LISC, may be adversely impacted by these factors.

Examples of these factors include, but are not limited to, the following:

- *General lending risks.* Although LISC has established due diligence and payment monitoring procedures, there can be no guarantee that borrowers will repay LISC promptly or at all. While LISC intends to pay holders of the Notes on schedule, defaults or untimely repayments of loans by borrowers may result in LISC having insufficient funds to make timely payments under the Notes. Specific lending risks include:

    - *Changes in interest rates.* LISC's earnings and cash flows depend substantially upon its net interest income. Net interest income is the difference between (x) interest income earned on its loans and other interest-bearing assets and (y) interest expense paid on interest-bearing liabilities, such as borrowed funds. Interest rates are sensitive to many factors that are beyond its control, including general economic conditions, competition and policies of various governmental and regulatory agencies and, in particular, the policies of the Board of Governors of the Federal Reserve System. Interest rate changes could affect: (1) LISC's ability to originate loans; (2) the fair value of LISC's financial assets and liabilities, including its investment portfolio; and (3) the average duration of LISC's interest-earning assets. Any substantial, unexpected, prolonged change in market interest rates could have a material adverse effect on LISC's financial condition and results of operations.

    - *Prepayment and refinancing risk.* Prepayment and refinancing rates may adversely affect the value of LISC's loan portfolio. Prepayment and refinancing rates on loans may be affected by a number of factors including, but not limited to, interest rate levels, the availability of mortgage credit, the relative economic vitality of the area in which the related properties are located, the servicing of the loans, possible changes in tax laws, other opportunities for investment, and other economic, social, geographic, demographic, and legal factors and other factors beyond LISC's control. Consequently, prepayment and refinancing rates cannot be predicted with certainty, and no strategy can completely insulate LISC from prepayment or other such risks. In periods of declining interest rates, prepayment and refinancing rates on loans generally increase. If general interest rates decline at the same time, the proceeds of such prepayments and refinancings received during such periods are likely to be utilized by LISC to make loans yielding less than the yields on the loans that were prepaid or refinanced.

- *Sector concentration risk.* LISC finances commercial real estate, mixed-use real estate, and other projects in affordable housing; health; education; community and recreational facilities; employment; and other projects. If one or more of these sectors experiences a financial downturn, LISC's borrowers may have difficulty making loan payments.

- *Geographic concentration risk.* LISC finances nonprofit organizations, mission-aligned for-profit entities, and small businesses throughout the United States. As of December 31, 2019, 20% of LISC's revenue generating portfolio was concentrated in California, 14% in Washington D.C. and 11% in New York. If one or more of these geographic areas experiences a financial downturn, LISC's borrowers may have difficulty making loan payments.

- *Illiquidity risk.* Loans made by LISC are typically illiquid as there is no secondary market for community development loans. While investment diversification, credit analysis, and limited maturity can reduce the risk of loss, there can be no assurance that LISC will be able to liquidate its position in any particular loan, that borrowers will repay LISC promptly, or that losses will not occur.

- *Charitable purpose.* In furtherance of LISC's charitable purpose, LISC lends money to borrowers that are often unable to obtain financing at competitive market rates from conventional lenders, such as regulated retail or commercial banks. The reasons for this vary, but often relate to the creditworthiness of the borrower and the availability or value of the collateral the borrower is able to offer to support the credit risk represented by a loan to the borrower. As a result, there is a higher risk that LISC's loans may not be repaid.

- *Lack of control.* LISC may not have control over certain of its loans. Examples of loans over which LISC may or may not have control include loans where LISC is a subordinate lender or participated loans where LISC is not the lead lender. LISC's ability to manage its portfolio of loans may be limited by the form in which they are made. LISC's rights to control the process following a borrower default may be subject to the rights of others whose interests may not be aligned with its own.

- *Limits on access to capital.* A significant portion of LISC's revenue is derived from grants obtained through federal programs, private foundations, and other institutions. In addition, LISC relies heavily on allocations of funds from various programs offered by the U.S. Department of Treasury's Community Development Financial Institutions Fund ("CDFI Fund"). Receipt of grants and access to CDFI Fund programs are not guaranteed or renewable. They are also often associated with lengthy and stringent application processes, which can make them difficult to obtain. Periods of economic hardship may cause a decrease in the availability of grant funding as grant funding sources adopt more conservative financial practices. Budgetary constraints or shifts in the programmatic priorities of federal and private funding sources may also cause a decrease in the availability of CDFI Fund allocations and grants that are targeted to LISC's mission. Because of the uncertain nature of grant receipts or allocations from the CDFI Fund, there is a risk that a sudden reduction in funding could occur, which may adversely impact LISC's ability to pay its obligations as they come due. LISC also depends on bank financing and other sources of financing. LISC's inability to access such funding at acceptable interest rates or at all could have a material adverse effect on its results of operations, financial condition, and business.

- *LISC's investment portfolio may decline in value and may incur investment losses.* LISC's investment portfolio is subject to investment risks, including the risks associated with investment in corporate bonds and fixed income funds, U.S. government agency securities, certificates of deposit, and alternative investments. These risks may result in investment losses for LISC if the value of the investment portfolio declines. For information regarding LISC's investments, including investment returns, investment liquidity, and a discussion of applicable investment policies, see "Investing Activities" at page 52. Past performance does not indicate how LISC's investments will perform in the future.

- *New business activities.* LISC may enter into new business ventures or alter its existing business model in order to achieve greater social impact consistent with its charitable purpose. For example, LISC may expand the number and type of loan products or programs it offers; adjust its risk tolerance parameters with respect to new or existing business; change the manner or scope of its asset acquisition strategies, including through loan sales, purchases, and participations; change the manner or scope of its investment management strategies by engaging in joint ventures or establishing investment vehicles with, or by selling or contributing assets to, related or unrelated third parties; expand the industries or geographic areas in which it operates; or offer new forms of technical assistance or other innovative products or services. Although LISC's intention in undertaking new business activities or altering its existing business model may be to increase its social impact, losses related to these activities may adversely impair LISC's financial condition or present a risk of litigation or regulatory oversight not currently present in its existing business model.

The continuing outbreak of the novel coronavirus, COVID-19, could adversely impact LISC's activities, financial condition, results of operations and/or cash flows.

The continuing outbreak of the novel coronavirus disease, COVID-19, is significantly disrupting the economy, financial markets, and societal norms in the United States and across the world. Due to the unprecedented nature of the pandemic and the uncertainty and fluidity of the spread of the virus and the responses from governments, financial markets, businesses, and consumers, it is impossible to predict the ultimate adverse impact it could have on LISC or its borrowers. The COVID-19 outbreak represents a material uncertainty and risk with respect to LISC's activities, financial condition, results of operations, and cash flows. The effects of COVID-19 could, among other risks, result in a material increase in requests from LISC's borrowers for loan deferrals, modifications to the terms of loans from LISC, or other borrower accommodations; have a material adverse impact on the financial condition of LISC's borrowers or their clients, tenants or customers, potentially impacting their ability to make payments to LISC as scheduled and driving an increase in delinquencies and loan losses; result in additional material provisions for loan losses; result in a decreased demand for LISC's loans; force personnel to miss work or conduct operations less productively; negatively impact LISC's ability to access capital on attractive terms or at all; or lead to a decrease in LISC's liquidity. These effects could have a material adverse impact on LISC's business, financial condition, results of operations or cash flows, which could negatively affect LISC's ability to pay the principal and interest on the Notes. For additional information, please see "Description of Issuer – Impacts of COVID-19" beginning on page 26.

Net assets with donor restrictions may not be legally available for payment of investors.

LISC has received a significant quantity of funds with donor-imposed restrictions that limit their use. Funds with donor restrictions amounted to $132,841,926, or approximately 69% of LISC's total support and revenues, for the year ended December 31, 2019 on a parent-only basis. $216,943,498, or 58%, of LISC's net assets on a parent-only basis were subject to donor restrictions as of December 31, 2019. Funds with donor restrictions amounted to $132,841,926, or approximately 52% of LISC's total support and revenues for the year ended December 31, 2019 on a consolidated basis. $216,943,498, or 57%, of LISC's net assets on a consolidated basis were subject to donor restrictions as of December 31, 2019. Donor-imposed restrictions limit the use of funding to a specified purpose, geography, and/or time period. These funds may not legally be available for payment of investors if use of the funds for that purpose would be inconsistent with the restrictions imposed by donors.

LISC's ability to pay the principal and interest on the Notes is dependent on the economic success of its lending activities and other sources of funds without donor restrictions.

While LISC has benefited from historically low interest rates in the marketplace over the last few years, should interest rates rise, there can be no assurance that LISC will be able to pass on those increased rates in the loans LISC makes, which could result in compression of its net interest margin and could lead to a decline in net assets without donor restrictions. Further, LISC's borrowers derive their income from a wide variety of sources, which can include public agency contracts and grants and private donations, as well as private payments for rent and services. Partial reliance on public subsidies and grants and donations may affect the ability of borrowers to repay LISC, especially during challenging economic environments when federal, state, territorial, and local sources may decline, and the volume of grants and donations may decrease. In the event that loans made by LISC, including loans made with the proceeds of the Notes, are not repaid on a timely basis, it may not be able to pay the Notes upon their maturity. While LISC uses a number of underwriting processes and imposes a variety of standards in making loans, there can be no assurance that all of LISC's borrowers will repay LISC on a timely basis or at all, which could impact LISC's liquidity and therefore its ability to pay all outstanding Notes when due or at all.

LISC's ability to pay the principal and interest on the Notes depends on contributions, grants and other uncertain sources of income.

In addition to loan repayments and interest income, LISC is dependent upon contributions and grants for a portion of its revenue and financial support. On a parent-only basis, for the fiscal year ended December 31, 2019, contributions (49%) and government grants (23%) made up 72% of total operating support and revenue, with the remainder coming from lending income (14%), distributions from affiliates (8%), interest income on investments (2%), and income earned on other activities (4%). On a consolidated basis, for the fiscal year ended December 31, 2019, contributions (38%) and government grants (17%) made up 55% of total operating support and revenue, with the remainder coming from lending income (12%), fee income (24%), interest income on investments (1%), and income earned on other activities (8%). These contributions and grants are not guaranteed, and therefore it is possible that sufficient funds will not be available to continue LISC's operations, and LISC could become unable to pay the interest or principal of the Notes when due.

LISC's lending criteria used in determining whether a loan should be made to a borrower may be more lenient than the criteria used by commercial lenders and enforcement of these criteria may not be as rigorous.

As a charitable organization, LISC is willing and able to underwrite certain complex cash flows, often based on federal, state, territorial, and local funding and subsidy programs, with which commercial lenders may have limited experience and which may not meet conventional lending standards. LISC's underwriting is based on knowledge and experience in certain areas. In certain instances, LISC may be willing to modify and extend the terms of its loans to an extent greater than a commercial lender may be willing to do. Thus, repayment of LISC's loans may take longer than the original loan amortization or other repayment schedules, and its portfolio of loans may include loan extensions and other terms and modifications that would not be typical for a commercial lender.

LISC may incur additional debt, which may hinder its ability to pay the principal and interest on the Notes.

LISC may issue secured debt, additional notes, or other unsecured indebtedness without the consent of holders of the Notes. The incurrence by LISC of additional indebtedness may adversely affect its ability to pay the principal and interest on the Notes. Further, if LISC incurs additional indebtedness, the perception of LISC's ability to pay debt service on the Notes, regardless of LISC's actual ability to make such payments, may result in a decrease in the value or price of the Notes. In addition, if LISC incurs significant additional indebtedness, it may negatively impact LISC's ability to increase net assets.

Changes in governmental priorities and regulations may adversely affect LISC.

Some of LISC's operations are subject to regulation by federal, state, territorial, and local governmental authorities. Although LISC believes that its activities are in compliance in all material respects with applicable local, state, territorial, and federal laws, rules, and regulations, there can be no assurance that this is the case or that more restrictive laws, rules, and regulations governing its activities will not be adopted in the future, which could make compliance much more difficult or expensive, restrict its ability to originate loans, further limit or restrict the amount of interest and other charges earned under loans LISC originates, or otherwise adversely affect LISC's operations or prospects, which could adversely affect its ability to operate and to make payments under the Notes. Changes in funding priorities by federal, state, or local governments could have an adverse effect on the sectors where LISC provides financing. This could hinder LISC's ability to make loans or affect the ability of its borrowers to make loan payments. In addition, future changes in federal, state, or territorial laws, rules, or regulations governing the sale of securities by religious, charitable, or other nonprofit organizations may make it more difficult for LISC to offer the Notes. Such an occurrence could result in a decrease in the amount of the Notes sold by LISC, which could potentially affect LISC's operations and its ability to pay the principal and interest on the Notes.

Failure to meet LISC's existing debt obligations on any debt agreement could result in a cross-default under other debt agreements, which could adversely affect LISC's nonprofit activities, operations, and financial condition.

LISC's existing debt is (and any future debt likely will be) structured through debt agreements, many of which contain (or will contain) provisions for financial covenants that LISC must maintain in order to avoid an event of default. If LISC were to fail to maintain a financial covenant in any of the debt agreements, it would trigger an event of default in not only that particular debt agreement, but also in all other debt agreements that contain a cross-default provision. Similarly, LISC's failure to pay interest or principal under the Notes may also trigger defaults under those debt obligations. If LISC defaults on its debt agreements, it would negatively impact LISC's financial position and ability to pay principal and interest on the Notes when due.

Any change to LISC's nonprofit, tax-exempt, or CDFI status could negatively impact its ability to pay principal and interest on the Notes.

Federal authorities have determined that LISC is a CDFI certified by the CDFI Fund, and LISC is exempt from federal and state taxation on the basis of its nonprofit, charitable purpose. These determinations are based on a number of conditions and assumptions that must continue to be met in order for such determinations to be maintained. If LISC fails to satisfy any of those conditions or assumptions, LISC could lose its status as a CDFI, nonprofit, or tax-exempt entity, which could subject LISC to federal and/or state taxation, which would have a negative impact on its cash resources and financial viability and could ultimately negatively impact its ability to pay the principal and interest on the Notes. If LISC loses its CDFI status, it will no longer be able to participate in the various programs that are only available to CDFIs.

LISC's inability to participate in such programs could pose a significant challenge to its ability to operate. The loss of its status as a nonprofit, tax-exempt entity, or CDFI may result in a default under existing arrangements, which would negatively impact LISC's financial condition and ability to pay principal and interest under the Notes when due.

If LISC does not accurately match asset-liability loan maturities with the Notes, LISC may not have sufficient capital available to pay the Notes when due.

While LISC seeks to coordinate the maturities of the loans with the maturities of the debt LISC incurs to fund those loans, there can be no assurance that LISC will be successful in doing so with the Notes, which could impact its liquidity and therefore its ability to have sufficient cash resources available to pay the principal and interest on the Notes when due.

LISC's allowance for uncollectible loans may not be sufficient to cover potential loan losses.

LISC maintains an allowance for uncollectible loans ("Allowance") for its loan portfolio, which is determined by, among other factors, loan portfolio risk analysis, current economic conditions, loss history, and generally accepted accounting principles. While LISC performs an analysis of the adequacy of the Allowance, as do its auditors, there can be no assurance that the Allowance is or will be sufficient to address all potential losses on the loan portfolio.

Holders of Notes are subject to risk associated with bankruptcy or insolvency of LISC.

If LISC, a consolidated affiliate, or another affiliated organization seeks relief under bankruptcy or related laws, a bankruptcy court could attempt to consolidate its assets into the bankruptcy estate, possibly resulting in delayed or reduced payments to noteholders.

If LISC's consolidated affiliates become subject to claims or litigation, LISC could be liable.

LISC is a separate legal entity apart from its consolidated affiliates and believes it may not be liable for claims made against its consolidated affiliates. It is possible, however, that in the event of claims against LISC's consolidated affiliates, the claimants might contend that LISC is also liable. Such claims, if upheld by the courts, could negatively affect LISC's financial condition and ability to pay the principal and interest on the Notes.

LISC depends on the efforts of its senior management and staff, and loss of key personnel could adversely affect its operating performance and ability to pay principal and interest under the Notes when due.

Like most entities, LISC's successful operations are dependent on the efforts of its senior management and staff who are expected to continue to devote substantially all of their time and efforts to LISC's nonprofit activities. Discontinuation of such devotion of time and efforts, coupled with any inability to attract and retain other skilled personnel, could negatively impact LISC's nonprofit activities or its financial condition, which could impair its ability to pay the principal and interest on the Notes. There can be no assurance that LISC will be successful in retaining its current personnel or in replacing any loss of key personnel with equally competent individuals.

LISC, and its vendors, rely on technology and technology-related services.

The majority of LISC's records are stored and processed electronically, including records of its notes receivable and notes payable. LISC relies, to a certain extent, upon third-party vendors for providing hardware, software, and services for processing, storing, and delivering information. LISC's electronic records include confidential customer information and proprietary information of its organization. Electronic processing, storage, and delivery have inherent risks, such as the potential for hardware failure; virus or malware infection; input or programming errors; inability to access data when needed; permanent loss of data; unauthorized access to data; or theft of data. While LISC and its vendors take measures to protect against these risks, it is possible that these measures will not be completely effective and that there may be other risks that have not been identified because they are different or unknown or that may emerge in the future. If LISC were to experience large-scale data inaccuracy, inability to access data for an extended time period, permanent loss of data, data breach, failure of its vendors to perform as contracted, or other significant issues regarding data, it could adversely affect all aspects of its operations. In addition, if investors elect to use LISC's website and related online or mobile services, LISC can offer no assurances and make no warranty as to their accuracy and availability, and such use is subject to the terms, conditions and limitations set forth in applicable usage agreements.

LISC may change its policies and procedures.

This prospectus includes descriptions of policies and procedures of LISC, such as LISC's loan policies and investment policy. The descriptions of these policies and procedures are intended to help investors understand LISC's current operations. LISC's prior policies and procedures differed from the current policies and procedures described in this prospectus. Further, LISC reserves the right to change its policies and procedures in the future at any time. If LISC changes its policies and procedures, there may be an adverse impact on LISC's ability to pay the principal and interest on the Notes.

USE OF PROCEEDS

LISC will use the proceeds of the offering for general corporate purposes, including to refinance certain of LISC's existing indebtedness ("Refinance Purpose") and as capital for loans made by LISC and its consolidated affiliates ("Loan Purpose"), each in support of LISC's overall mission to encourage the growth of, and provide support to, neighborhood and community development organizations and businesses that foster improvement of economic conditions; develop housing and other physical facilities; provide amenities and services; and other activities that help to revitalize disinvested communities.

Additionally, LISC is dedicating $10,000,000 of the proceeds from the sale of Notes to support its Project 10X, under which LISC will invest in building equity and wealth for Black, Indigenous, and People of Color ("BIPOC"). Project 10X may include investments in, among other things, homeownership and small business ownership, investing in community assets and wellbeing, and supporting quality jobs with good wages and benefits ("Project 10X"). LISC expects to use these proceeds, along with grants, partner contributions, loans and other capital raised to support Project 10X to address critical elements to close the racial health, wealth, and opportunity gaps in the United States.

In furtherance of its Refinance Purpose, LISC intends to refinance certain of its higher cost debt, with a focus on fixed rate debt that could either be prepaid without penalty or replaced if it recently matured, and short-term variable rate debt that could be repaid and converted into longer term fixed rate financing, described below:

Type		Amount	Average Interest Rate	Maturities	% of Total
Fixed	$	46,977,891	3.51%	2020 - 2024	61%
Variable		30,000,000	2.12%	2021 – 2023	39%
Total	$	76,977,891			100%

As part of its Loan Purpose, LISC offers a variety of loan products to nonprofit organizations, mission-aligned for-profit businesses, and small businesses operating in or supporting affordable housing, health, education, community and recreational facilities, commercial facilities, the creative economy, employment and other projects that seek to forge resilient and inclusive communities across the United States and/or benefit low-wealth individuals and families.

Expected Proceeds(1)	Proceeds Used for Each Purpose (%)(2)			Proceeds Used for Each Purpose ($)(2)		
	Loan	Refinance	Project 10X	Loan	Refinance	Project 10X
Minimum: $147,035,000	40.85%	52.35%	6.80%	$60,057,109	$76,977,891	$10,000,000
Maximum: $149,285,000	41.74%	51.56%	6.70%	$62,307,109	$76,977,891	$10,000,000

(1) Figures are estimated based on the assumption that the total amount of the Notes being offered ($150,000,000) are sold. LISC expects to receive net proceeds from sales after sales compensation to Incapital based on the maturity of the Notes sold, ranging from $997 per $1,000 of one-year Notes to $982 per $1,000 of 10-year Notes. LISC estimates that the total expenses of the offering excluding sales compensation will be approximately $265,000.

(2) LISC will dedicate $10,000,000 of the proceeds from the sale of Notes to support Project 10X (assuming at least $10,000,000 of Notes are sold). Additionally, over the course of the offering, management will determine from time to time the priority of use of the remaining proceeds for a Loan Purpose or a Refinance Purpose based upon the terms and amount of Notes sold, the terms and amount of existing indebtedness, and the terms and needs of the particular nonprofit, mission-aligned for-profit, and small business borrowers seeking loans from LISC at the time of each use.

DESCRIPTION OF THE ISSUER

Overview

LISC is a New York not-for-profit corporation and is certified as a CDFI by the U.S. Department of the Treasury's CDFI Fund. LISC is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, as amended (the "Code"), and a public charity, as described under Section 509(a)(1) and Section 170(b)(1)(A)(vi) of the Code. LISC's principal executive office is located at 28 Liberty Street, 34th Floor, New York, NY 10005. As of the date of this prospectus, LISC and its consolidated affiliates operate through local offices in 36 cities and through a national rural program in 2,100 counties across 45 states, as well as Guam, Puerto Rico, and the United States Virgin Islands.

Mission

Together with residents and partners, LISC forges resilient and inclusive communities of opportunity across America—great places to live, work, visit, do business, and raise families.

LISC carries out its mission by encouraging growth of, and providing support to, neighborhood and community development organizations that foster improvement of economic conditions; development of housing and other physical facilities; provision of amenities and services; and other activities that help to revitalize distressed communities.

History

LISC was founded in 1979 by a group of Ford Foundation officials. LISC initially concentrated its efforts in the South Bronx, Boston, and Chicago, seeking to revitalize deeply distressed housing in historically underserved areas. In 1996, LISC was among the first community development entities to be certified as a CDFI by the CDFI Fund to provide financial products and services for underserved communities and populations. LISC is among the largest awardees of grants, loans, and investment authority in the CDFI Fund's history, garnering $51 million in grant awards for lending activities since receiving CDFI certification.

Since its inception, and supported by its CDFI status, LISC has served as intermediary and convener of public- and private-sector resources within its communities by providing grant funding and technical assistance to its vast network of community partners. As the field of community development matured, and local community groups adopted a more holistic approach to the revitalization of their communities beyond housing, retail and commercial development, and community facilities, LISC's areas of focus and support have also expanded and evolved to address the needs of local community groups.

LISC has provided training, education, and financial support to organizations leading revitalization efforts in their communities. Over time, LISC has developed partnerships with government and private-sector agencies to provide resources to community organizations. Examples of these partnerships include: providing funding to 1,243 community development corporations through the U.S. Department of Housing and Urban Development's Section 4 program; partnering with the U.S. Department of Justice to provide funding and technical assistance to more than 74 community-police partnerships nationwide; helping build or renovate more than 406 recreation facilities through partnerships with the National Football League Foundation, ESPN, and Under Armour; and leading a network of over 100 financial opportunity centers to assist 14,000 people to improve their credit, 12,150 to improve their net worth, and tens of thousands to find employment.

As new public policies and funding and tax programs emerged, LISC built additional new tools to expand capital access to support its charitable activities. To achieve this purpose, LISC strategically formed consolidated affiliates to support investment activities that fall outside of its core lending and grant making. More detail on LISC's consolidated affiliates is included under the heading "Legal Structure of LISC and its Consolidated Affiliates" starting on page 24.

Strategy

LISC mobilizes corporate, philanthropic, and public and private capital from local and national sources to fund a diverse toolkit of support—including loans, equity (through consolidated affiliates), grants, training, technical assistance, and public policy support—focused on improving the quality of life for historically underserved people and places. LISC takes a double bottom line view of its work, promoting social impact while also requiring strong financial performance of its investments. LISC's community investment model aims to improve conditions in some of America's poorest communities. By focusing on the needs of disadvantaged residents, LISC also seeks to minimize displacement in places where gentrification has taken hold.

LISC believes that an opportunity gap—reflected in disparities in health and well-being, employment, wealth and financial security, and overall quality of life—is increasingly dividing America. This opportunity gap does not stem from any single root. Instead, LISC believes that it arises from imbalanced access to basic needs like safety, housing, and healthcare, as well as inequality of educational and economic opportunities. Addressing such complex problems requires a set of equally multidimensional tools and strategies. LISC's Catalyzing Opportunity framework embraces a full range of activities that support comprehensive community development, health and safety, education, and family financial planning. Catalyzing Opportunity builds off of LISC's place-based development model as a new phase to further equip LISC communities to become great places to live, work, visit, do business, and raise families.

LISC concentrates efforts on raising capital for community investments and providing grants and making loans to nonprofit organizations, mission-aligned for-profit businesses, and small businesses that may not otherwise have access to traditional debt financing or financing at the rates LISC is able to offer.

Impact

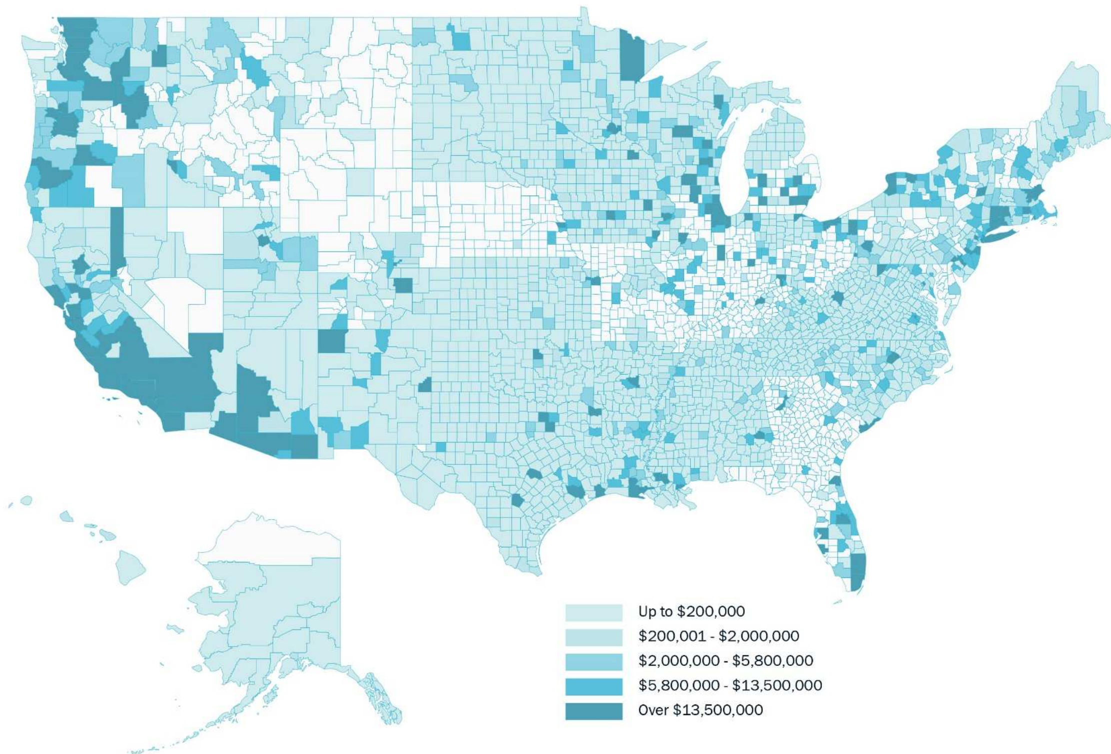
In 2019, LISC and its consolidated affiliates provided a combined $1.8 billion in grants, loans, and equity investments to community development efforts across the country.

Since its inception, LISC and its consolidated affiliates have invested an aggregate of $22 billion in affordable housing, health, education, community and recreational facilities, public safety, employment, and other projects that seek to revitalize and stabilize low-wealth neighborhoods and benefit individuals and families living on low incomes. LISC's and its consolidated affiliates' investments have leveraged an aggregate investment of $64.8 billion in development activity. LISC and its consolidated affiliates have helped finance 419,300 affordable homes and apartments and 70 million square feet of commercial, retail and community space. They have supported 238 early childhood centers serving approximately 24,685 children; 218 schools serving approximately 88,000 youth; over 406 recreational centers and athletic fields serving approximately 745,000 youth; 91 health-related projects; 103 healthy food projects; and 33 theaters and other performance spaces.

Data indicates that as incomes rise, crime falls, property values increase, and local economies become more robust and resilient amid sustained community investments. Communities where LISC has invested intensively have shown a 9% increase in both median income and employment, compared to similar places where LISC has not made significant investments.

Areas of Operation

As of the date of this prospectus, LISC and its consolidated affiliates have 36 locations in: Atlanta, GA; Boston, MA; Buffalo, NY; Charlotte, NC; Chicago, IL; Cincinnati, OH; Denver, CO; Detroit, MI; Duluth, MN; Flint, MI; Greenville, SC; Hartford, CT; Honolulu, HI; Houston, TX; Indianapolis, IN; Jacksonville, FL; Kalamazoo, MI; Kansas City, MO; Los Angeles, CA; Memphis, TN; Milwaukee, WI; Minneapolis/St. Paul, MN; New York, NY; Newark, NJ; Norfolk, VA; Oakland, CA; Peoria, IL; Philadelphia, PA; Phoenix, AZ; Providence, RI; Richmond, VA; San Antonio, TX; San Diego, CA; Seattle, WA; Toledo, OH; and Washington, D.C. In addition, through its national rural program, LISC works in 2,100 counties in 45 states and in Guam, Puerto Rico and the United States Virgin Islands. As indicated in the below map, LISC has made investments in all 50 states.



Legal Structure of LISC and its Consolidated Affiliates

In addition to local program offices, LISC has nine consolidated affiliates, eight of which are actively involved in community development efforts. National Equity Fund, Inc. (“NEF”) and New Markets Support Company (“NMSC”) have ongoing operations that include combined 2019 investments of more than $1.4 billion. LISC created Resilience and Recovery Network, LLC (“RRN”) and immito, LLC (“immito”) in 2018; The Bay’s Future Fund LLC (“BFF”), Charlotte Housing Opportunity Investment Fund LLC (“CHOIF”), and LISC Fund Management, LLC (“LFM”) in 2019; and Detroit AHLF-CDFI Fund, LLC (“AHLF”) in 2020. LISC’s other primary consolidated affiliate, Neighborhood Properties, LLC (“NP”), currently has limited operations and is not a significant source of revenue.

- NEF is an Illinois not-for-profit corporation formed in 1987 to raise equity-like capital for projects under the federal Low Income Housing Tax Credit (“LIHTC”) program, which supports 90% of all affordable rental housing development, generates 150,000 jobs annually, and ensures capital is directed to places that might be overlooked by for-profit market participants. As of December 31, 2019, NEF has syndicated and placed $16.0 billion in investments into LIHTC developments, resulting in the creation or preservation of 136,786 units of affordable rental housing. Based on 2019 activity, NEF upstreamed $13.6 million in income to LISC. NEF had net assets of $80.9 million as of December 31, 2019.

- NMSC is a Delaware limited liability company formed in 2003 to manage LISC's activities under the New Markets Tax Credit ("NMTC") program, a vehicle for financing economic development projects in under-resourced areas. NMSC has successfully applied for and received federal NMTC allocations totaling $1.1 billion and state allocations totaling $17.59 million, making it one of the largest recipients of NMTC allocation in the country. NMSC has made investments in 147 projects in 34 states and Washington D.C. These tax credits have leveraged an additional $1.85 billion in financing; created or retained 21,000 construction and permanent jobs; and built 10.5 million square feet of commercial and community space, bringing schools, medical centers, arts, employers, and service providers to underinvested neighborhoods. NMSC had member equity of $8.4 million as of December 31, 2019.

- RRN is a Texas limited liability company formed in 2018 to develop and operate a program to repair homes occupied by low- and moderate-income people affected by Hurricane Harvey. The activities of RRN are funded by a restricted contribution received by LISC.

- immito is a Delaware limited liability company formed in 2018 to manage LISC's non-bank Small Business Administration 7(a) financing activities. LISC provided immito with a $5.9 million investment to start operations in 2018, including $3.5 million in cash and $2.4 million related to the Small Business Lending Company license that LISC purchased and assigned to immito.

- BFF is a Delaware limited liability company formed in 2019 to promote the creation of affordable housing and the preservation of existing affordable housing in the Bay Area (San Francisco and Oakland, California). BFF, in partnership with the Chan Zuckerberg Initiative Foundation, uses the proceeds of member contributions, grant capital, and debt to: (i) purchase portions of loans from participating CDFIs, including LISC and/or (ii) finance the construction and preservation of mixed-income and affordable housing in the Bay Area. BFF had member-equity of $10.0 million as of December 31, 2019.

- CHOIF is a Delaware limited liability company formed in 2019 to deploy long-term, below-market capital to promote the construction and renovation of affordable housing in Charlotte, North Carolina. CHOIF operates in conjunction with the Foundation For The Carolinas to combine member contributions, grant capital, and debt from both for-profit and charitable institutions. CHOIF had a deficit of $211,954 as of December 31, 2019, as it is still in early formation.

- AHLF is a Delaware limited liability company formed in 2020 to support the preservation and production of affordable housing by providing financing products designed to respond to Detroit, Michigan's local market conditions. LISC is the sole member of AHLF. AHLF combines and deploys proceeds from grants and debt sources to support affordable housing.

- LFM is a Delaware limited liability company formed in 2019 to manage funds in which LISC participates but which are not consolidated affiliates of LISC. LFM is a pass-through entity and is not anticipated to be a significant source of revenue. LFM had equity of $102,645 as of December 31, 2019.

- NP is a Delaware limited liability company formed in 2008 to manage LISC's troubled assets. NP has limited operations and is not a significant source of revenue.

- Other past affiliated entities have included: Local Initiatives Managed Assets Corporation ("LIMAC"), formed to act as a secondary market vehicle to provide liquidity for LISC and other CDFIs; The Retail Initiative, Inc. ("TRI"), formed to support investment in supermarkets in underserved neighborhoods; and LISC Louisiana Loan Fund, LLC ("LLLF"), formed to aid housing recovery in areas impacted by hurricanes Katrina and Rita. LISC dissolved TRI in 2018 and LIMAC and LLLF in 2019.

LISC is the sole owner of each consolidated affiliate described above, with the exception of BFF and CHOIF. The LISC Board of Directors (the "Board") elects members of the board of directors of NEF and the board of managers for each of NMSC, RRN, immito, LFM, and AHLF. LFM serves as the manager of BFF and CHOIF, which do not have separate boards of managers. Oversight of each consolidated affiliate rests with its respective board of directors, board of managers, or manager (in the case of BFF and CHOIF). Representatives of LISC management serve on the NEF board of directors and the NMSC, RRN, immito, LFM, and AHLF board of managers. The NEF board of directors and the NMSC board of managers also include external (non-LISC or affiliate staff) members with relevant expertise. LISC management reports to the LISC Board or Board committees on the activities and finances of the consolidated affiliates.

Consolidated affiliates also include select project partnerships in which one or more wholly-owned or consolidated affiliates of NEF serves as general partner (the "CDA Partnerships"). The CDA Partnerships act as general partners in certain affordable housing project partnerships to facilitate the production or rehabilitation of low-income housing. As of December 31, 2019, there were eight CDA Partnerships.

The foregoing consolidated affiliates are consolidated for financial statement reporting purposes in LISC's audited annual financial statements as of and for the year ended December 31, 2019 included in Appendix I herein. See, however, "Risk Factors – The Notes will be structurally subordinated to any existing or future liability of LISC's consolidated affiliates" at page 10.

Impacts of COVID-19

COVID-19 has put on display the stark disparities in health and economic opportunity for low-wealth communities and communities of color. While COVID-19 has not materially affected LISC's operations or workforce, LISC has made COVID-19 relief efforts a key priority for 2020. As a trusted community development intermediary, LISC has leveraged the community investment model to mobilize support to the people and communities hit hardest by the COVID-19 pandemic, through activities that include: providing grants to small businesses that are the backbone of local economies; providing Paycheck Protection Program ("PPP") loans to nonprofits and small businesses; supporting thousands of community-based organizations that serve clients in need; delivering technical support and infrastructure to help residents and enterprises access work, school, commerce and social connection; and responding to federal and local policy. As of June 30, 2020, LISC's COVID-19 relief efforts have raised over $141 million in new funding and other resources for LISC in the form of grants, loans, and credit enhancement.

As of March 17, 2020, LISC implemented a work-from-home protocol for all employees, except certain employees performing essential functions. LISC has not experienced a material disruption in its operations as a result of this protocol.

LISC has made concessions to borrowers in the form of fee waivers, maturity extensions, and payment relief with proof of COVID-19 impact. As of June 30, 2020, forty-six loans with a total principal amount of $64.9 million were placed on payment deferral, and five of these loans with a principal amount of $6.0

million began making monthly payments. In addition, LISC made temporary changes in underwriting criteria requiring additional due diligence and approval of new funding requests by a subcommittee of the LISC Board's Executive and Finance Committee. LISC has been in close contact with borrowers in an effort to understand their ongoing needs and assess their financial condition. As of June 30, 2020, LISC has not experienced a material increase in delinquencies or loan losses. LISC continues to carefully monitor credit quality trends within its loan portfolio.

As a non-bank 7(a) lender, immito participated as an eligible lender under the PPP, a COVID-19 relief program implemented by the SBA with support from the Department of the Treasury, to provide qualifying organizations forgivable PPP loans of up to $10 million for eligible payroll and non-payroll costs. These loans carry a fixed rate of 1.00% and a term of two years (loans made before June 5, 2020) or five years (loans made on or after June 5, 2020), if not forgiven, in whole or in part. As of June 30, 2020, immito had made 273 loans for $46.6 million.

As of June 30, 2020, LISC's capitalization and funding sources and investment portfolio have not been adversely impacted due to COVID-19.

SELECTED FINANCIAL INFORMATION

The tables below set forth certain financial information regarding LISC as of and for the six-month period ended June 30, 2020 on a parent-only basis, and as of and for the year ended December 31, 2019 on a consolidated and parent-only basis. The parent-only financial information as of and for the six-month period ended June 30, 2020 is derived from LISC's historical unaudited interim financial statements as of and for such period. The consolidated and parent-only financial information as of and for the year ended December 31, 2019 is derived from LISC's historical audited financial statements as of and for such period. The financial information on the following pages should be read in conjunction with the audited annual consolidated financial statements attached to this prospectus as Appendix I and the unaudited interim financial statements attached to this prospectus as Appendix II. Consistent with LISC's audited financial statements, the term "Organization" as used in these financial tables refers to LISC and its consolidated affiliates.

In 2019, NEF adopted ASU 2014-09 which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The adoption of ASU 2014-09 resulted in a change in LISC's Investment in Affiliates and beginning net assets as of December 31, 2018. In addition, for the year ended December 31, 2018, equity in earnings of affiliates, change in net assets and investments in affiliates were increased. In 2019, LISC's consolidated financial statements adopted ASU 2016-02 which requires lessees to recognize on the balance sheet the assets and liabilities for the rights and obligations created by leases with lease terms of more than 12 month. Accordingly, LISC recorded a noncash transitional adjustment to operating lease right of use assets and operating lease liabilities for 2019 and 2018. The adoption of ASU 2016-02 did not materially impact our results of operations, cash flows, or presentation thereof. For more information, see Note 1 to LISC's historical audited financial statements as of and for the year ended December 31, 2019, attached to this prospectus at Appendix I.

STATEMENT OF FINANCIAL POSITION

		June 30, 2020 Parent-Only
Assets		
Cash and cash equivalents	$	131,457,479
Restricted cash		-
Investments		151,808,646
Investments in affiliates		107,062,169
Accrued interest receivable		3,558,655
Contributions receivable, net		48,812,171
Government grants and contracts receivable		15,864,150
Notes and other receivables, net		1,829,459
Due from funds		1,176,203
Loan receivable		535,442,529
Allowance for uncollectible loans		(32,035,250)
Total loans, net		503,407,279
Recoverable grants to CDPs, net		9,127,154
Prepaid expenses and other assets		86,936
Temporary investment in Project Partnerships		-
Investment in Funds		-
Investment in Project Partnerships		-
Property and equipment, net		5,041,118
Real estate assets held for sale		-
Deferred Costs		-
Right of Use Asset		53,251,406
Intangible asset		-
Total assets	$	1,032,482,825
Liabilities and Net Assets (Deficits)		
Liabilities:		
Accounts payable and accrued expenses	$	12,751,939
Right of Use Liability		54,554,469
Government contracts and loan-related advances		1,417,529
Grants payable		35,621,580
Due to affiliates		-
Capital contributions due to temporary investment in Project Partnerships		-
Capital contributions due to investment in partnerships		-
Deferred liabilities		-
CDA Partnerships – Long-Term Debt, net		-
CDA Partnerships – Notes Payable to Funds		-
Long-term debt of NEF funds		-
Loans and bond payable, net		538,976,403
Total liabilities		643,321,920
Commitments and contingencies		
Net assets:		
Net assets attributable to the Organization		
Without donor restrictions		160,780,037
With donor restrictions		228,380,868
Total net assets attributable to the Organization		389,160,905
Net assets attributable to the noncontrolling interest in Project Partnerships (without donor restrictions)		-
Total net assets		389,160,905
Total liabilities and net assets	$	1,032,482,825

STATEMENT OF FINANCIAL POSITION

	December 31, 2019		December 31, 2018		December 31, 2017		December 31, 2016[1]		December 31, 2015	
	Consolidated	Parent Only	Consolidated	Parent Only	Consolidated	Parent Only	Consolidated	Parent Only	Consolidated	Parent Only
Assets										
Cash and cash equivalents	$ 166,082,281	$ 117,255,836	$ 160,670,408	$ 115,401,422	$177,522,976	$113,443,984	$ 211,647,888	$155,013,552	$ 326,718,038	$ 78,100,717
Restricted cash	15,743,445	-	5,005,804	-	3,489,100	-	6,341,873	-	7,928,100	-
Investments	140,219,892	140,219,892	133,496,403	133,496,403	134,045,865	134,045,866	131,617,024	131,617,024	195,076,823	129,696,796
Investments in affiliates	-	92,154,880	-	88,922,828	-	68,290,461	-	65,869,468	-	66,361,791
Accrued interest receivable	3,212,876	3,188,545	2,748,667	2,750,137	2,083,585	2,077,111	1,709,581	1,711,707	1,730,253	1,770,073
Contributions receivable, net	51,186,808	51,186,808	46,636,210	46,636,210	37,412,313	37,412,313	21,838,663	21,838,663	21,078,942	21,078,942
Government grants and contracts receivable	29,646,515	29,646,515	19,127,173	19,127,173	27,820,758	27,820,758	37,908,417	37,908,417	28,984,213	28,984,213
Notes and other receivables, net	-	-	-	597,213	10,306,760	1,745,966	11,135,837	676,508	13,072,745	930,883
Due from funds	8,556,412	4,372,275	6,832,475	2,659,131	5,604,726	4,128,086	8,832,381	2,485,894		2,812,046
Loan receivable	506,308,707	485,384,186	467,862,390	432,059,781	351,510,090	350,689,940	280,778,434	287,823,891	204,880,685	203,917,988
Allowance for uncollectible loans	(29,772,958)	(29,608,715)	(26,511,420)	(25,678,087)	(22,163,439)	(22,015,439)	(18,759,880)	(18,611,880)	(13,605,681)	(13,457,681)
Total loans, net	476,535,749	455,775,471	441,350,970	406,381,694	329,346,651	328,674,501	262,018,554	269,212,011	191,275,004	190,460,307
Recoverable grants to CDPs, net	9,749,180	9,749,180	10,128,554	10,128,554	8,398,768	9,169,126	9,711,936	10,482,294	6,399,301	7,169,659
Prepaid expenses and other assets	17,770,190	3,988,667	15,796,691	1,699,884	7,507,047	903,345	9,355,488	1,840,584	10,306,292	1,981,879
Temporary investment in Project Partnerships	136,689,662	-	57,111,500	-	68,360,264	-	162,024,919	-	69,302,383	-
Investment in Funds	1,166,849	-	2,022,471	-	3,363,455	-	-	-		-
Investment in Project Partnerships	39,389	-	52,824	-	60,288	-	58,437	-	4,110,566,873	-
Property and equipment, net	64,916,881	5,408,964	63,755,640	1,271,025	76,815,306	1,828,679	82,160,861	1,533,641	103,568,972	1,612,043
Real estate assets held for sale	-	-	-	-	-	-	-	-	5,160,293	-
Deferred Costs	-	-	-	-	-	-	-	-	2,748,543	-
Right of use asset	58,491,235	55,310,940	62,004,805	59,644,982	-	-	-	-	-	
Intangible asset	2,670,671	-	2,400,000	-	-	-	-	-	-	-
Total assets	$ 1,182,678,035	$ 968,257,973	$ 1,029,140,595	$ 888,716,656	$892,092,862	$729,540,196	$ 956,361,859	$700,189,763	$5,093,916,775	$ 530,959,349
Liabilities and Net Assets (Deficits)										
Liabilities:										
Accounts payable and accrued expenses	$ 48,722,071	$ 16,128,294	$ 45,797,112	$ 19,628,887	$ 43,158,490	$ 17,166,232	$ 40,814,856	$ 10,131,449	$ 61,509,077	$ 11,994,207
Right of Use Liability	61,420,131	56,803,121	63,568,006	59,644,982	-	-	-	-	-	-
Government contracts and loan-related advances	3,069,562	3,069,562	4,669,779	4,669,779	6,713,668	3,999,840	25,723,960	25,723,957	-	9,225,955
Grants payable	31,199,415	31,199,415	34,994,660	34,994,660	48,387,660	48,387,660	76,008,680	76,008,680	27,715,109	27,715,109
Due to affiliates	-	-	-	-	-	-	-	-	-	-
Capital contributions due to temporary investment in Project Partnerships	112,087,051	-	50,217,469	-	57,616,465	-	139,903,798	-	62,058,875	-
Capital contributions due to investment in partnerships	-	-	-	-	-	-	-	-	1,132,255,540	-
Deferred liabilities	5,736,962	-	6,374,702	-	7,902,638	-	5,520,030	-	1,076,615	-
CDA Partnerships – Long-Term Debt, net	49,602,839	-	49,851,126	-	58,549,149	-	60,563,560	-	-	-
CDA Partnerships –Notes Payable to Funds	4,244,720	-	3,216,914	-	4,828,720	-	5,000,907	-	-	-
Long-term debt of NEF funds	-	-	-	-	-	-	-	-	399,141,610	-
Loans and bond payable, net	486,860,370	486,860,370	437,758,998	437,758,998	372,580,049	372,580,049	317,426,897	309,318,367	221,908,413	221,908,413
Total liabilities	802,943,121	594,060,762	696,448,766	556,697,306	599,736,839	442,133,781	670,962,688	421,182,453	1,905,665,239	270,843,684
Commitments and contingencies										
Net assets:										
Net assets attributable to the Organization										
Without donor restrictions	157,253,712	157,253,713	150,990,809	150,990,809	142,440,903	142,440,903	132,651,925	132,651,925	127,803,644	127,803,644
With donor restrictions	216,943,498	216,943,498	181,028,541	181,028,541	144,965,512	144,965,512	146,355,385	146,355,385	132,312,021	132,312,021

	December 31, 2019		December 31, 2018		December 31, 2017		December 31, 2016[1]		December 31, 2015	
	Consolidated	**Parent Only**	**Consolidated**	**Parent Only**	**Consolidated**	**Parent Only**	**Consolidated**	**Parent Only**	**Consolidated**	**Parent Only**
Total net assets attributable to the Organization	374,197,210	374,197,211	332,019,350	332,019,350	287,406,415	287,406,415	279,007,310	279,007,310	260,115,665	260,115,665
Net assets attributable to the noncontrolling interest in Project Partnerships (without donor restrictions)	5,537,704	-	672,479	-	4,949,608	-	6,391,861	-	2,928,135,871	-
Total net assets	379,734,914	374,197,211	332,691,829	332,019,350	292,356,023	287,406,415	285,399,171	279,007,310	3,188,251,536	260,115,665
Total liabilities and net assets	$ 1,182,678,035	$ 968,257,973	$ 1,029,140,595	$ 888,716,656	$892,092,862	$729,540,196	$ 956,361,859	$700,189,763	$5,093,916,775	$ 530,959,349

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

		June 30, 2020 Parent-Only
Support and Revenues		
Contributions	$	65,996,464
Government grants & contracts		13,760,040
Interest income on investments		1,208,524
Interest income on loans to CDPs		13,763,908
Fee income		-
Other income		2,328,229
Equity in earnings of affiliates		13,041,222
Net assets released from restrictions		-
Total support and revenues		110,098,387
Expenses		
Program Services:		
Project development and other program activities		24,483,848
Project grants		42,310,233
Project loans:		
Interest		7,628,219
Provision for loss on receivable		
Increase in provision for uncollectible loans to CDPs		2,421,210
Provision for uncollectible recoverable grants to CDPs		400,342
Provision for losses on receivables		-
Impairment in investment in project partnerships		-
Total program services		77,243,852
Supporting Services:		
Management and general		13,510,899
Fund raising		3,513,091
Total supporting services		17,023,990
Total expenses	$	94,267,842

Change in net assets before gains and losses on investments, derivatives, equity in losses of partnership projects and other noncontrolling interest activities	$	15,830,545
Transfers: Board designated net assets for loan fund activities		
Realized & unrealized loss on investments and derivatives		(866,850)
Realized & unrealized loss on investment securities and interest rate swaps held by project partnerships		-
Realization of unrealized gain on investment securities available for sale by the operating partnerships		-
Gain on transfer of temporary investments in project partnerships		-
Equity in losses of project partnerships		-
Gain on settlement of bond		-
Gain on transfer of interest in CDA Partnerships		-
Change in net assets before noncontrolling interest activities		14,963,695
Other noncontrolling interest activities:		
Loss on deconsolidation		-
Noncontrolling capital contributions		-
Distribution from Funds		-
Change in control related to previously unconsolidated funds		-
Change in net assets		-
Net assets (deficit), beginning of year		374,197,210
Transfer of net assets upon deconsolidation		-
Assumption of Interest in CDA partnerships		-
Net asset (deficit), end of year	$	389,160,905

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended:

	December 31, 2019		December 31, 2018		December 31, 2017		December 31, 2016[1]		December 31, 2015	
	Consolidated	**Parent Only**	**Consolidated**	**Parent Only**	**Consolidated**	**Parent Only**	**Consolidated**	**Parent Only**	**Consolidated**	**Parent Only**
Support and Revenues										
Contributions	$ 95,007,400	$ 95,007,400	$ 97,247,236	$ 97,247,236	$ 68,021,953	$ 68,021,953	$120,819,984	$120,819,984	$ 58,961,626	$ 58,961,626
Government grants & contracts	43,994,603	43,994,603	37,927,712	37,927,712	38,705,461	38,705,461	42,158,378	42,158,378	39,679,355	39,679,355
Interest income on investments	3,414,413	3,411,283	4,303,585	2,841,699	1,938,733	1,877,085	1,587,965	1,319,245	1,861,519	1,106,657
Interest income on loans to CDPs	29,074,867	26,972,043	23,370,571	23,191,831	17,877,900	17,820,588	14,221,646	14,178,431	11,439,685	11,341,743
Fee income	61,835,808	-	54,715,090	-	52,262,155	-	53,160,318	-	11,680,657	-
Other income	20,168,769	7,959,025	18,533,560	6,648,798	20,106,479	7,612,234	16,544,132	6,512,982	17,831,167	5,406,715
Equity in earnings of affiliates	-	15,714,445	-	17,670,970	-	15,259,340	-	10,729,299	-	11,912,674
Net assets released from restrictions	-	-	-	-	-	-	-	-	-	-
Total support and revenues	253,495,860	193,058,799	236,097,754	185,528,246	198,912,681	149,296,661	248,492,423	195,718,319	141,454,009	128,408,770
Expenses										
Program Services:										
Project development and other program activities	104,487,466	51,388,105	91,627,832	46,043,188	96,361,644	45,367,938	92,685,943	45,545,778	100,063,655	41,864,764
Project grants	48,693,909	48,405,409	48,927,179	48,808,630	51,483,766	51,476,266	95,206,106	95,047,838	42,311,508	42,113,508
Project loans:										
Interest	14,250,123	12,618,819	16,521,641	14,539,226	9,930,920	10,006,450	9,063,428	6,825,192	30,787,542	5,554,290
Provision for loss on receivable	175,735		1,039,093	-	713,510	-	-	-	-	-
Increase in provision for uncollectible loans to CDPs	7,444,124	5,101,581	5,241,758	5,241,758	4,265,106	4,265,106	5,445,091	5,445,091	2,305,562	2,305,562
Provision for uncollectible recoverable grants to CDPs	1,678,897	1,678,897	2,526,383	2,526,383	867,558	867,558	3,381,364	3,381,364	1,073,337	1,073,337
Provision for losses on receivables	-	-	-	-	-	-	597,605	-	1,453,059	-
Impairment in investment in project partnerships	-	-	-	-	-	-	1,507,098	-	135,383,727	-
Total program services	176,730,254	119,192,811	165,883,886	117,159,185	163,622,504	111,983,318	207,886,635	156,245,263	313,378,390	92,911,461
Supporting Services:										
Management and general	36,730,847	27,283,965	33,939,303	24,481,311	26,352,879	23,036,988	18,632,395	14,759,157	17,241,259	13,718,472
Fund raising	7,075,956	7,075,956	6,297,761	6,297,761	5,806,004	5,806,004	6,526,733	6,526,733	6,203,899	6,203,899
Total supporting services	43,806,803	34,359,921	40,237,064	30,779,072	32,158,883	28,842,992	25,159,128	21,285,890	23,445,158	19,922,371
Total expenses	$ 220,537,057	$153,552,732	$ 206,120,950	$147,938,257	$195,781,387	$140,826,310	$233,045,763	$177,531,153	$336,823,548	$112,833,832

	December 31, 2019		December 31, 2018		December 31, 2017		December 31, 2016[1]		December 31, 2015	
	Consolidated	Parent Only	Consolidated	Parent Only	Consolidated	Parent Only	Consolidated	Parent Only	Consolidated	Parent Only
Change in net assets before gains and losses on investments, derivatives, equity in losses of partnership projects and other non-controlling interest activities	$ 32,958,803	$ 39,506,067	$ 29,976,804	$ 37,589,989	$ 3,131,294	$ 8,470,351	$ 15,446,660	$ 18,187,166	$ (195,369,539)	$ 15,574,938
Transfers: Board designated net assets for loan fund activities	-	-	-	-	-	-	-	-	-	-
Realized & unrealized loss on investments and derivatives	2,671,794	2,671,794	(720,557)	(720,557)	(71,246)	(71,246)	772,068	704,479	(850,370)	(850,370)
Realized & unrealized loss on investment securities and interest rate swaps held by project partnerships	-	-	-	-	-	-	-	-	(1,993,589)	-
Realization of unrealized gain on investment securities available for sale by the operating partnerships	9,228	-	67,063	-	78,808	-	-	-		-
Gain on transfer of temporary investments in project partnerships	-	-	-	-	241,794	-	-	-		-
Equity in losses of project partnerships		-		-	359,888	-	(241,794)	-	(285,601,109)	-
Equity in income of temporary investment in project partnerships	504,052		28,115	-	-	-	-		-	
Gain on settlement of bond	-	--		-		-	-	-	2,235,273	-
Gain on transfer of interest in CDA Partnerships	-	-	3,179,358	-	3,095,989	-	-	-		-
Change in net assets before noncontrolling interest activities	36,143,877	42,177,861	32,530,783	36,869,432	6,836,527	8,399,105	15,976,934		(481,579,334)	14,724,568
Other noncontrolling interest activities:	-	-								
Loss on deconsolidation	-	-	-	-	-	-	(14,561,284)	-	-	-
Noncontrolling capital contributions	10,899,208	-	61,520	-	120,325	-	-	-	788,816,396	-
Distribution from Funds	-	-	-	-	-	-	-	-	(62,049,305)	-
Change in control related to previously unconsolidated funds	-	-	-	-	-	-	-	-	153,821,486	-
Change in net assets	47,043,085	42,177,861	32,592,303	36,869,432	6,956,852	8,399,105	1,415,650	18,891,645	399,009,243	14,724,568
Net assets (deficit), beginning of year	332,691,829	332,019,350	300,099,526	295,149,918	285,399,171	279,007,310	3,188,251,536	260,115,665	2,789,242,293	245,391,097
Transfer of net assets upon deconsolidation	-	-	-	-	-	-	(2,899,515,059)	-	-	-
Assumption of Interest in CDA Partnerships	-	-	-	-	-	-	(4,752,956)	-	-	-
Net asset (deficit), end of year	$379,734,914	$374,197,211	$332,691,829	$332,019,350	$ 292,356,023	$287,406,415	$ 285,399,171	$279,007,310	$3,188,251,536	$260,115,665

SUPPLEMENTAL FINANCIAL INFORMATION

	As of June 30, 2020 Parent-Only	
Unsecured Loans Receivable	$	32,244,922
Unsecured Loans Receivable as a Percentage of Total Loans(i)		6%
Loans Delinquent 90 Days or More	$	6,390,427
Loans Delinquent 90 Days or More as a Percentage of Total Loans(i)		1%
Notes Payable(ii)	$	0
Notes Redeemed(ii)	$	0
Long-Term Debt	$	521,690,642
Net Assets without Donor Restrictions	$	160,780,037
Net Assets without Donor Restrictions as a Percentage of Net Assets		41%
Net Assets	$	389,160,905
Total Loans Receivable	$	535,442,529

(i) Total Loans reflects gross loans receivable. LISC's allowance for uncollectible loans as of June 30, 2020 was $32,035,250.

(ii) This is a new offering of the Notes. Accordingly, there are no existing Notes payable, and there have been no prior Note redemptions.

SUPPLEMENTAL FINANCIAL INFORMATION

	December 31, 2019		December 31, 2018		December 31, 2017		December 31, 2016(1)		December 31, 2015	
	Consolidated	Parent Only	Consolidated	Parent Only	Consolidated	Parent Only	Consolidated	Parent Only	Consolidated	Parent Only
Unsecured Loans Receivable	$ 14,927,075	$ 12,519,619	$ 23,173,488	$ 8,946,368	$ 9,597,183	$ 8,930,104	$ 10,518,932	$ 5,464,571	$ 19,802,421	$ 7,318,555
Unsecured Loans Receivable as a Percentage of Total Loans(2)	3%	3%	5%	2%	3%	3%	4%	2%	9%	4%
Loans Delinquent 90 Days or More	1,666,465	1,666,465	1,249,990	1,249,990	5,520,772	5,520,772	2,040,786	2,040,786	399,352	399,352
Loans Delinquent 90 Days or More as a Percentage of Total Loans(2)	0%	0%	0%	0%	2%	2%	1%	1%	0%	0%
Notes Payable(3)	0	0	0	0	0	0	0	0	0	0
Notes Redeemed(3)	0	0	0	0	0	0	0	0	0	0
Long-Term Debt	500,568,725	447,305,251	437,494,183	384,995,127	412,234,323	349,560,569	340,287,910	267,581,399	512,546,651	193,414,116
Net Assets without Donor Restrictions	162,791,416	157,253,713	151,663,288	150,990,809	147,390,511	142,440,903	139,043,786	132,651,925	3,055,939,515	127,803,644
Net Assets without Donor Restrictions as a Percentage of Net Assets	43%	42%	46%	45%	50%	50%	49%	48%	96%	49%
Net Assets	379,734,914	374,197,211	332,691,829	332,019,350	292,356,023	287,406,415	285,399,171	279,007,310	3,188,251,536	260,115,665
Total Loans Receivable	506,308,707	485,384,186	470,462,255	432,059,781	364,211,879	350,689,940	294,421,161	287,823,891	226,624,373	203,917,988

(1) Starting in fiscal year 2016, LISC's consolidated financial statements no longer include the Funds in which NEF and its subsidiaries serve as the general partner or managing member (as prescribed by FASB ASC 810-20). NEF determined that the limited partners' or members' substantive participating rights precludes NEF from controlling the limited partnership or limited liability company. NEF accounts for these investments using the equity method of accounting. Accordingly, the statement of changes in net assets reflects the net transfer out of $2,899,515,059 due to the deconsolidation of these Funds.

(2) Total Loans reflects gross loans receivable. LISC's allowance for uncollectible loans as of December 31, 2019 was $29,772,958 on a consolidated basis and $29,608,715 on a parent-only basis.

(3) This is a new offering of the Notes. Accordingly, there are no existing Notes payable, and there have been no prior Note redemptions.

FINANCING AND OPERATIONAL ACTIVITIES

Some of the following information with respect to financing and operational activities is presented on a parent-only basis. See "Statement Regarding Parent-Only Financial Information" on page iii.

Capitalization – *Parent-Only*

LISC's parent-only capitalization as of June 30, 2020

Debt		
Financial institutions and insurance companies	$	406,467,938
Foundations		76,162,807
Public agencies/entities and retirement funds		53,971,218
Nonprofit and other institutions		3,032,448
Less amortized discount and deferred costs		(658,008)
Total Debt	$	538,976,403
Net Assets		
Without donor restrictions[1]	$	160,780,037
With donor restrictions[2]		228,380,868
Total Net Assets		389,160,905
Total Capitalization	$	928,137,308

(1) Net assets without donor restrictions have no external restrictions regarding their use or function.

(2) Net assets with donor restrictions have donor-imposed restrictions, such as fulfilling a specified purpose. For additional information on donor-imposed restrictions, please see Notes 1 and 2 to the historical unaudited interim financial statements as and for the period ended June 30, 2020, attached to this prospectus as Appendix II.

Additional information on LISC's parent-only Net Assets as of June 30, 2020 is shown below:

Purpose	Portion of Net Assets	Restriction(s) and Possible Uses
Without donor restrictions	41%	Unrestricted
With donor restrictions		
Charter School Financing	15%	Credit Enhancement
Special project funds	10%	General Operating/Financing Activities
General operating and programmatic support	34%	General Operating
Total	100%	

LISC's parent-only capitalization as of December 31, 2019

Debt		
Financial institutions and insurance companies	$	376,139,132
Foundations		53,092,482
Public agencies/entities and retirement funds		54,733,193
Nonprofit and other institutions		3,585,194
Less amortized discount and deferred costs		(689,631)
Total Debt	$	486,860,370
Net Assets		
Without donor restrictions[1]	$	157,253,713
With donor restrictions[2]		216,943,498
Total Net Assets	$	374,197,211
Total Capitalization	$	861,057,581

(1) Net assets without donor restrictions have no external restrictions regarding their use or function.

(2) Net assets with donor restrictions have donor-imposed restrictions, such as fulfilling a specified purpose. For additional information on donor-imposed restrictions, please see Notes 1 and 2 to the historical audited financial statements as and for the year ended December 31, 2019, attached to this prospectus as Appendix I.

Additional information on LISC's parent-only Net Assets as of December 31, 2019 is shown below:

Purpose	Portion of Net Assets	Restriction(s) and Possible Uses
Without donor restrictions	42%	Unrestricted
With donor restrictions		
Charter School Financing	17%	Credit Enhancement
Special project funds	13%	General Operating/Financing Activities
General operating and programmatic support	28%	General Operating
Total	100%	

Capitalization – *Consolidated*

Consolidated capitalization as of December 31, 2019

Debt		
Financial institutions and insurance companies	$	426,365,321
Foundations		53,092,482
Public agencies/entities and retirement funds		54,733,193
Nonprofit and other institutions		7,829,914
Less amortized discount and deferred costs		(1,312,981)
Total Debt	$	540,707,929
Net Assets		
Without donor restrictions(1)	$	162,791,416
With donor restrictions(2)		216,943,498
Total Net Assets	$	379,734,914
Total Capitalization	$	920,442,843

(1) Net assets without donor restrictions have no external restrictions regarding their use or function.

(2) Net assets with donor restrictions have donor-imposed restrictions, such as fulfilling a specified purpose. For additional information on donor-imposed restrictions, please see Notes 1 and 2 to the historical audited financial statements as and for the year ended December 31, 2019, attached to this prospectus as Appendix I.

Additional information on LISC's Consolidated Net Assets as of December 31, 2019 is shown below:

Purpose	Portion of Net Assets	Restriction(s) and Possible Uses
Without donor restrictions	43%	Unrestricted
With donor restrictions		
Charter School Financing	17%	Credit Enhancement
Special project funds	12%	General Operating/Financing Activities
General operating and programmatic support	28%	General Operating
Total	100%	

As of June 30, 2020, LISC's capitalization and funding sources have not been adversely impacted due to COVID-19.

Debt Composition and Sources

Sources of Parent-Only Debt as of June 30, 2020

	Maturities	Interest rates	Amount	% of Total
Financial institutions and insurance companies[1]	2020-2037	0.00%-5.00%	$ 406,467,938[1]	75%
Foundations	2020-2025	0.00%-4.50%	76,162,807	14%
Public agencies/entities and retirement funds	2020-2043	0.00%-4.00%	53,971,218	10%
Nonprofit and other institutions	2020-2026	0.00%-2.50%	3,032,448	1%
Less amortized discount and deferred costs			(658,008)	
Total			$ 538,976,403	

[1] Includes $49.3 million of outstanding floating rate debt held at interest rates of LIBOR + 1.4% to 1.875% and $5 million of outstanding floating rate debt held at interest rates of PRIME - 1.50%, which, depending on market fluctuations, could exceed the stated interest rate of 5%.

Sources of Parent-Only Debt as of December 31, 2019

	Maturities	Interest rates	Amount	% of Total
Financial institutions and insurance companies[1]	2020-2037	0.00%-5.00%	$ 376,139,132	77%
Foundations	2020-2025	0.00%-4.50%	53,092,482	11%
Public agencies/entities and retirement funds	2020-2043	0.00%-4.00%	54,733,193	11%
Nonprofit and other institutions	2020-2026	0.00%-2.50%	3,585,194	1%
Less amortized discount and deferred costs			(689,631)	
Total			$ 486,860,370	100%

[1] Includes $29.3 million of outstanding floating rate debt held at interest rates of LIBOR + 1.4% to 2.15% and $5 million of outstanding floating rate debt held at interest rates of PRIME - 1.50% which, depending on market fluctuations, could exceed the stated interest rate of 5%.

Sources of Consolidated Debt as of December 31, 2019

	Maturities	Interest rates	Amount	% of Total
Financial institutions and insurance companies[1]	2020-2057	0.00%–7.72%	$ 426,365,321	79%
Foundations	2020-2025	0.00%–4.50%	53,092,482	10%
Public agencies/entities and retirement funds	2020-2043	0.00%–4.00%	54,733,193	10%
Nonprofit and other institutions	2020-2026	0.00%–2.50%	7,829,914	1%
Less amortized discount and deferred costs			(1,312,981)	
Total			$ 540,707,929	100%

[1] Includes $29.3 million of outstanding floating rate debt held at interest rates of LIBOR + 1.4% to 2.15% and $5 million of outstanding floating rate debt held at interest rates of PRIME – 1.50% which, depending on market fluctuations, could exceed the maximum stated interest rate of 7.72%.

The majority of LISC's debt carries a fixed rate.

Although many of LISC's lenders are financial institutions motivated by the Community Reinvestment Act, other lending sources include foundations, nonprofit organizations, insurance companies, retirement funds, and public agencies. LISC has repaid all of its debt obligations on time and in full. The majority of LISC's debt is full recourse, unsecured obligations. As of December 31, 2019, however, LISC's debt obligation to the CDFI Fund's Bond Guarantee Program ("BGP") was full recourse and fully secured. LISC has a $50 million bond allocation under the BGP with $45,545,987 outstanding as of December 31, 2019.

Remaining Term on Parent-Only Debt as of June 30, 2020

Year of Debt Maturity	Total Debt Maturing	% of Total Debt
2020	$ 17,285,761	3%
2021	80,057,226	15%
2022	96,233,982	18%
2023	79,655,997	15%
2024	44,943,305	8%
Thereafter	221,458,140	41%
	$ 539,634,411 (1)	100%

(1) Includes unamortized discount and deferred costs of $658,008 related to LISC's $100,000,000 in taxable bonds, Series 2017A.

Remaining Term on Parent-Only Debt as of December 31, 2019

Year of Debt Maturity	Total Debt Maturing	% of Total Debt
2020	$ 39,555,119	8%
2021	58,557,226	12%
2022	64,433,978	13%
2023	73,655,997	15%
2024	41,943,305	9%
Thereafter	209,404,376	43%
	$ 487,550,001 (1)	100%

(1) Includes unamortized discount and deferred costs of $689,631 related to LISC's $100,000,000 in taxable bonds, Series 2017A.

Remaining Term on Consolidated Debt as of December 31, 2019

Year of Debt Maturity	Total Debt Maturing	% of Total Debt
2020	$ 40,139,204	7%
2021	58,869,965	11%
2022	65,463,776	12%
2023	75,168,694	14%
2024	43,556,256	8%
Thereafter	258,823,015	48%
	$ 542,020,910 (1)	100%

(1) Includes unamortized discount and deferred costs of $689,631 related to LISC's $100,000,000 in taxable bonds, Series 2017A and unamortized debt issuances costs of $623,350 related to CDA Partnership debt.

Largest Debt Investors and Lenders as of December 31, 2019

Five Largest Investors	Amount Outstanding	% of Total Debt	Maturity	Characteristics	Secured or Unsecured
LISC Taxable Bond Series 2017A	$100,000,000	21%	March 2022, March 2027, and March 2037	Institutional Investors	Unsecured
CDFI Bond Guarantee Program	$45,545,987	9%	December 2043	Public Agency	Secured
US Bank	$30,000,000	6%	August 2021, November 2021, April 2022 and July 2024	Bank	Unsecured
Prudential	$28,841,196	6%	September 2021 and June 2028	Insurance Company	Unsecured
HSBC	$25,000,000	5%	December 2023	Bank	Unsecured
	$229,387,183	47%			

Schedule of Liabilities

Below is a schedule of LISC's secured liabilities, total liabilities of LISC's consolidated affiliates, and LISC's unsecured liabilities as of December 31, 2019:

Type of Liability	Amount
Secured Liabilities of LISC	$45,545,987
Total Liabilities of Consolidated Affiliates	$208,882,359
Unsecured Liabilities of LISC	$549,204,406

LENDING ACTIVITIES

Some of the following information with respect to lending activities is presented on a parent-only basis. See "Statement Regarding Parent-Only Financial Information" on page iii of this prospectus.

LISC earns a margin on lending activity based on the spread between the interest rate charged to borrowers and the interest rate paid to capital providers. By exercising fiscally responsible underwriting practices and closely monitoring its loan portfolio, LISC seeks to earn a yield on its loan portfolio. During each of the five fiscal years ending December 31, 2015 through 2019, LISC's lending operations have been self-sustaining in that interest income earned from the loan portfolio has exceeded interest expense of related borrowing and bad debt expense.

Loan Products

LISC offers the following loan products to nonprofit organizations, mission-aligned for-profit developers, and small businesses operating in or supporting affordable housing, health, education, community and recreational facilities, commercial facilities, the creative economy, economic development, and other projects that seek to forge resilient and inclusive communities across America and/or benefit historically underserved individuals and families:

- Predevelopment loans
- Acquisition loans
- Construction loans
- Bridge financing
- Mini-permanent and permanent financing
- Revolving lines of credit and working capital financing
- Equipment and leasehold improvement for small businesses

Lending and Impact Criteria

LISC's loan underwriting and management policies reflect the needs of communities, LISC's charitable mission and purpose, and LISC's responsibilities to lenders and investors. LISC has broad experience with loans made to nonprofit organizations, mission-aligned for-profit developers, and small businesses engaged in community and economic development projects, and has fostered an underwriting approach tailored to a wide diversity of loan requests.

Staff in LISC's local offices and national program originate loan requests. At the beginning of due diligence, a national underwriter from LISC's credit team and an intake committee also staffed by the lending team review potential loan requests and provide guidance on risks and mitigants, loan structure, and conformance to LISC's underwriting policy. After satisfactory review, the national underwriter notifies program staff to move to underwriting.

After underwriting, loan requests come to LISC's internal Credit Committee for formal approval to ensure the loan meets LISC's underwriting criteria. The Credit Committee is made up of six voting members from LISC's national Lending, Finance, and Legal departments. The Credit Committee evaluates loans on criteria that includes, but is not limited to, the financial strength and organizational capacity of the borrower, the ability of the borrower to repay the loan, the potential project risks and mitigating factors, and the strength of underlying collateral. LISC also reviews project and product risks based on experience with the borrower and market and analysis of historical and projected performance.

LISC local offices maintain advisory boards, comprised of private and public leaders rooted in the relevant market, to ensure that loans meet the needs of local communities. When evaluating mission alignment, LISC considers how financing businesses, housing, and other community infrastructure will catalyze economic, health, safety, and educational mobility for individuals and communities. Factors include whether the project will be located in a low- to moderate-income community, provide goods and services that benefit an underserved community, provide quality job opportunities to underserved populations, develop partnerships with other community-based organizations, or develop needed infrastructure. LISC's mission-driven focus in loan transactions differentiates its approach from that of commercial banks, and may result in the extension of credit to higher-risk borrowers in alignment with this mission.

Affiliate Lending

In addition to the LISC loan fund, consolidated affiliates will, from time to time, engage in lending activity. NEF predominately funds developers with predevelopment or pre-credit loans as bridge financing to help LIHTC projects with paying for the costs of meeting the 10% carryover requirements of the LIHTC program, acquiring land, or other predevelopment costs. Loans made by NEF are secured and reserved for based upon an analysis of the borrower's creditworthiness. Additionally, NEF provides construction or bridge financing to workforce housing and LIHTC projects, and bridge financing to meet cash needs of LIHTC funds in which NEF is the general partner. These investments are made from NEF's cash.

NMSC provides loans from its net assets and a line of credit from LISC to support its fund management business. This lending includes short-term bridge loans to projects and seven-year loans to funds in which NMSC is the general partner. The funds that NMSC manages typically include NMTC equity as credit enhancement and provide financing for small businesses and commercial real estate. Loans made by NMSC are approved by the NMSC board of managers and follow documented lending policies and procedures.

immito is authorized to provide commercial loans under the United States Small Business Administration ("SBA") 7(a) program in all 50 states and U.S. territories. immito's loan policies and process ensure loans meet the eligibility requirements of the SBA 7(a) program, and risk is assessed and approved by immito's credit committee in compliance with its underwriting standards. As of December 31, 2019, immito had closed on loans with a principal balance of over $7 million under the SBA 7(a) program. LISC provides a line of credit to immito to support its small business lending activity.

As a non-bank 7(a) lender, immito participated as an eligible lender under the PPP, a COVID-19 relief program implemented by the SBA with support from the Department of the Treasury, to provide qualifying organizations forgivable PPP loans of up to $10 million for eligible payroll and non-payroll costs. These loans carry a fixed rate of 1.00% and a term of two years (loans made before June 5, 2020) or five years (loans made on or after June 5, 2020), if not forgiven, in whole or in part. As of June 30, 2020, immito had made 273 loans for $46.5 million.

BFF purchases portions of loans from participating CDFIs, including LISC. As of June 30, 2020, BFF had purchased loans with a principal balance of $1.6 million.

Loan Portfolio

LISC's portfolio is diverse in loan product composition and financed asset type. As LISC's portfolio has grown over the past several years, its composition has evolved. While traditionally an early-stage, short-term lender, LISC has increased the share of longer term mini-permanent and permanent loans as a percentage of its portfolio to 25% as of December 31, 2019.

Below is a breakdown by loan product on a parent-only basis as of June 30, 2020:

Product		Total	% of Total
Acquisition	$	161,340,167	30%
Construction		142,050,180	27%
Mini-Permanent		60,606,927	11%
Permanent		57,481,929	11%
Bridge		33,643,400	6%
Predevelopment		35,121,967	7%
Other[(1)]		45,197,959	8%
Loans and Notes and Other Receivables, Gross	$	535,442,529	
Allowance for Uncollectible Loans		(32,035,250)	
Loans and Notes and Other Receivables, Net	$	503,407,279	

(1) "Other" includes refinancing existing debt ($23.4 million), small business loans ($1.8 million) and immito's line of credit ($12.9 million).

Below is a breakdown by loan product on a parent-only basis as of December 31, 2019:

Product		Total	% of Total
Acquisition	$	152,188,882	31%
Construction		129,580,944	27%
Mini-Permanent		67,728,259	14%
Permanent		54,607,096	11%
Bridge		16,816,419	3%
Predevelopment		29,463,298	6%
Other[(1)]		34,999,288	7%
Loans and Notes and Other Receivables, Gross	$	485,384,186	
Allowance for Uncollectible Loans		29,608,715	
Loans and Notes and Other Receivables, Net	$	455,775,471	

(1) "Other" includes refinancing existing debt ($23.4 million), revolving lines of credit and working capital ($7.3 million), immito's line of credit ($2.6 million), and small business loans ($1.6 million).

Below is a breakdown by loan product on a consolidated basis as of December 31, 2019:

Product		Total	% of Total
Acquisition	$	154,565,023	31%
Construction		136,220,592	27%
Mini-Permanent		67,728,259	13%
Permanent		54,607,096	11%
Bridge		18,078,182	4%
Predevelopment		32,505,632	6%
Other[(1)]		42,603,923	8%
Loans and Notes and Other Receivables, Gross		506,308,707	
Allowance for Uncollectible Loans		29,772,958	
Loans and Notes and Other Receivables, Net	$	476,535,749	

(1) "Other" includes refinancing existing debt ($23.4 million), short-term investments to NEF Funds ($3.5 million), revolving lines of credit and working capital ($7.9 million), miscellaneous NEF lending activity ($1.5 million), small business loans ($1.6 million), NMSC lending activity ($1.0 million), BFF lending activity ($1.7 million), and immito 7a lending activity ($2.4 million).

LISC loan financed asset types include multifamily rental housing, charter schools, mixed-use (housing and commercial/community facilities), commercial/industrial projects, community facilities, and single-family housing. Multifamily rental housing and charter schools have represented approximately two-thirds of LISC's portfolio over the past five years, with multifamily rental housing growing at a faster rate as the portfolio has grown, increasing from $64 million at December 31, 2015, to $195 million at December 31, 2019. Charter school financing has grown from $58 million to $67 million during the same period. LISC has been awarded $58.1 million in credit enhancement funds from the U.S. Department of Education, which serves as credit enhancement for LISC's own charter school portfolio and as third-party guarantees for other charter school lenders. Since 2015, LISC has been awarded $23.4 million in credit enhancement from the CDFI Fund's Financial Assistance, Healthy Food Financing Initiative, and Capital Magnet Fund programs. This serves as credit enhancement for a variety of LISC projects, including loans to multifamily rental housing for extremely low- to moderate-income individuals; healthy food retailers and production spaces; investments in creative placemaking spaces; and economic development lending.

Below is a breakdown of asset types on a parent-only basis as of June 30, 2020:

Asset Class		Total	% of Total
Multifamily Rental	$	225,237,940	42%
Charter School		67,447,777	13%
Mixed-Use		67,894,686	13%
Commercial/Industrial		91,641,618	17%
Community Facility		36,549,641	7%
Single-Family Housing		21,911,629	4%
Economic Development		19,684,241	4%
Other[(1)]		5,074,998	1%
Loans and Notes and Other Receivables, Gross	$	535,442,529	
Allowance for Uncollectible Loans		(32,035,250)	
Loans and Notes and Other Receivables, Net	$	503,407,279	

(1) "Other" includes projects that do not fit in LISC's six primary asset types, such as organizational working capital, bridge loans, and immito's line of credit.

Below is a breakdown of asset types on a parent-only basis as of December 31, 2019:

Asset Class		Total	% of Total
Multifamily Rental	$	195,228,623	40%
Charter School		66,699,947	14%
Mixed-Use		72,126,608	15%
Commercial/Industrial		81,310,755	17%
Community Facility		35,289,048	7%
Single-Family Housing		21,335,466	4%
Economic Development		8,161,099	2%
Other[(1)]		5,232,640	1%
Loans and Notes and Other Receivables, Gross	$	485,384,186	
Allowance for Uncollectible Loans		29,608,715	
Loans and Notes and Other Receivables, Net	$	455,775,471	

(1) "Other" includes projects that do not fit in LISC's six primary asset types, such as organizational working capital and bridge loans, and immito's line of credit.

Below is a breakdown of asset types on a consolidated basis as of December 31, 2019:

Asset Class	Total	% of Total
Multifamily Rental	$ 196,900,506	39%
Charter School	66,699,947	13%
Mixed-Use	72,126,608	14%
Commercial/Industrial	81,310,755	16%
Community Facility	36,246,939	7%
Single-Family Housing	21,335,466	4%
Economic Development	10,651,087	2%
Other[1]	21,037,399	4%
Loans and Notes and Other Receivables, Gross	506,308,707	
Allowance for Uncollectible Loans	29,772,958	
Loans and Notes and Other Receivables, Net	$ 476,535,749	

[1] "Other" includes projects that do not fit in LISC's six primary asset types, such as economic development lending, organizational working capital, bridge loans, and immito's line of credit.

Below is a summary of the approximate annual maturities of loans receivable in LISC's parent-only loan portfolio as of June 30, 2020:

Maturity Schedule	2020	2021	2022	2023	2024	Thereafter
Loans Receivable	$82,062,462	$134,852,927	$85,068,250	$62,522,205	$35,718,347	$135,218,338

Below is a summary of the approximate annual maturities of loans receivable in LISC's parent-only loan portfolio as of December 31, 2019:

Maturity Schedule	2020	2021	2022	2023	2024	Thereafter
Loans Receivable	$131,136,569	$114,696,930	$53,771,608	$50,568,006	$30,286,575	$104,924,499

Below is a summary of the approximate annual maturities of loans receivable in LISC's consolidated loan portfolio as of December 31, 2019:

Maturity Schedule	2020	2021	2022	2023	2024	Thereafter
Loans Receivable	$144,161,839	$115,052,269	$55,058,088	$53,609,006	$29,880,556	$108,546,950

LISC makes loans to nonprofit organizations, mission-aligned for-profit entities, and small businesses throughout the United States that are primarily engaged in residential, commercial, and community facility real estate development. LISC's portfolio is diversified as to location of borrower. Additionally, as further described under "Credit Approval Procedures" on page 49, LISC has exposure limits to individual projects and project sponsors.

Portfolio Risk Management

The risks in LISC's lending activity include the possibility that LISC may suffer a loss of invested principal or fail to receive the expected return on investments, or that principal and interest may not be received in a timely manner. Ultimately, the performance of the LISC loan portfolio depends largely on underwriting and loan monitoring efforts.

LISC strives to mitigate its financial and programmatic risks in a number of ways. LISC maintains a strong net asset position and strives to borrow only as needed. As of December 31, 2019, LISC had $374 million of net assets and a debt-to-covenant net assets ratio of 1.9:1. LISC has a successful track record of raising grant funds, low-cost capital, and credit enhancement funds for its lending activities.

LISC employs a rigorous risk rating system to improve the application of underwriting guidelines at origination and to monitor portfolio quality once loans are closed. LISC further mitigates risk through loan monitoring efforts that combine local relationships and market knowledge with centralized oversight of the portfolio by LISC's Lending department and loan monitoring committees. All loans are subject to annual or more frequent review, with late, delinquent, or lower-rated loans subject to closer scrutiny and quarterly review.

Delinquencies and Loan Losses

LISC's loan portfolio has demonstrated strong performance over the past three years while growing from $351 million as of December 31, 2017, to $485 million as of December 31, 2019, an increase of 38% over the period. The delinquency rate fell from 1.57% as of December 31, 2017, to 0.34% as of December 31, 2019. Net write-offs have shown a similar trend, with net write-offs of 0.25%, 0.37%, and 0.24% in 2017, 2018, and 2019, respectively. As of June 30, 2020, LISC has not experienced a material increase in delinquencies or loan losses and has not made any material increases in its provision for loan losses due to COVID-19.

The activity in the Allowance on a parent-only basis for the period ended June 30, 2020 is as follows:

	June 30, 2020
Allowance for Uncollectible Loans as of the beginning of the year	$ (29,608,715)
Write-offs	0
Recoveries	(5,325)
Provision	(2,421,211)
Allowance for Uncollectible Loans as of the end of the year	$ (32,035,250)

The activity in the Allowance on a parent-only basis for the years ended December 31, 2017, 2018 and 2019 is as follows:

	2019	2018	2017
Allowance for Uncollectible Loans as of the beginning of the year	$ (25,678,087)	$ (22,015,439)	$ (18,611,880)
Write-offs	1,230,991	1,677,628	996,817
Recoveries	(60,038)	(98,518)	(135,270)
Provision	(5,101,581)	(5,241,758)	(4,265,106)
Allowance for Uncollectible Loans as of the end of the year	$ (29,608,715)	$ (25,678,087)	$ (22,015,439)

The activity in the Allowance on a consolidated basis for the years ended December 31, 2017, 2018, and 2019 is as follows:

	2019	2018	2017
Allowance for Uncollectible Loans as of the beginning of the year	$ (25,678,087)	$ (22,015,439)	$ (18,759,880)
Write-offs	1,230,991	1,677,628	996,817
Recoveries	(224,281)	(931,851)	(135,270)
Provision	(5,101,581)	(5,241,758)	(4,265,106)
Allowance for Uncollectible Loans as of the end of the year	$ (29,772,958)	$ (26,511,420)	$ (22,163,439)

As of June 30, 2020, LISC's delinquency rate was 1.25% which is line with previous years. LISC has made concessions to borrowers in the form of fee waivers, maturity extensions, and payment relief with proof of COVID-19 impact. As of June 30, 2020, forty-six loans with a total principal amount of $64.9 million were placed on payment deferral, and five of these loans with a principal amount of $6.0 million began making monthly payments.

Credit Approval Procedures

In addition to the approval of the local advisory committee of the LISC local program originating the financing request, loans are subject to additional review by LISC's Chief Credit Officer, an internal Credit Committee, a committee of the Board, or the full Board, depending on loan size. Additionally, LISC assigns a peer underwriter to review loans as part of the Credit Committee. The Chief Credit Officer has authority to approve all loans of $100,000 or less. Credit Committee review is required for all loans above $100,000. All loans above $5 million require the additional approval of the Portfolio Review Committee, a Board committee, and all loans above $8 million require approval of the full Board. Loan ratings are determined by the Credit Committee, utilizing the methodology described further below under "Risk Assessment."

Loans to individual projects are limited to 5% of adjusted net assets, and loans to individual sponsors are limited to 10% of adjusted net assets. Adjusted net assets are defined as total net assets less investment in affiliates. Senior management has also developed additional portfolio management guidelines relating to concentration by asset class, product type, and program area.

In response to COVID-19, LISC made temporary changes in underwriting criteria requiring additional due diligence and approval of new funding requests by a subcommittee of the LISC Board's Executive and Finance Committee. LISC has been in close contact with borrowers to understand their ongoing needs. Effective as of April 30, 2020, COVID-19 lending guidelines include additional screens for approval based on strength of collateral, commitment and source of takeout, and adequate debt service coverage. In addition to these screens, underwriting guidelines have been tightened to include a 12-month stress-tested cash flow forecast; committed borrower equity; and a hiatus on waiver requests on equity requirements, guarantees, financial ratios, take-out requirements, collateral requirements, standard construction conditions, and debt service coverage requirements until further notice, except that loans supported by significant credit enhancement, grant dollars, or non-recourse debt may be granted exceptions.

Portfolio Monitoring

Each closed and funded loan undergoes a periodic internal review that includes an update to the risk rating analysis. The Portfolio Monitoring Committee ("PMC"), consisting of staff from LISC's Lending, Finance, and Legal departments, reviews all performing loans of $1 million or more semi-annually and all other performing loans annually. Loans designated as "watch list" loans (those whose risk ratings place them in

"Close Follow," "Substandard," and "Doubtful" risk categories), are reviewed quarterly by the Loan Watch Committee ("LWC") comprised of staff from the same three departments.

The loan monitoring officer preparing monitoring reports employs the initial risk rating found in the credit approval system, as determined by the Credit Committee, as the basis for subsequent updates. The Director of Asset Management reviews the rating assessment prepared by the loan monitoring officer to ensure all categories have been rated appropriately. Changes to risk ratings are formally approved during PMC and LWC meetings. At each review, depending on loan performance and any changes from underwriting, the rating may be upgraded or downgraded with the approval of the relevant committee. The upgrades or downgrades are documented in committee notes and updated in the loan monitoring system.

In addition, all late and delinquent loans are reviewed monthly by a committee of Lending and Finance staff.

Risk Assessment

LISC has assessed and evaluated the differing risks associated with its current lending model and captures them through two risk rating methodologies: (1) a loan risk rating system that assigns an individual reserve amount to each loan, based on risk rating; and (2) a calculation based upon the historical performance of the loan portfolio, with adjustments for identified risk factors. The loan loss reserve is calculated monthly and reported quarterly on LISC's financial statements. On a quarterly basis, the difference between the findings of the two methodologies is reviewed to ensure that portfolio risk is adequately recorded.

The purpose of LISC's rating system is to provide an objective format to consistently evaluate the application of LISC's underwriting guidelines at origination and to monitor portfolio quality once loans are closed. The ratings allow LISC to capture risk trends, establish appropriate frequency for loan monitoring, and assist in the establishment of appropriate loan loss reserves. LISC employs the following seven risk rating categories: (I) Excellent, (II) Strong, (III) Good, (IV) Acceptable, and (V) Close Follow, and during PMC review, loans can be downgraded to (VI) Substandard and (VII) Doubtful.

The table below shows the breakdown of the LISC portfolio by risk rating. As of December 31, 2019, 93% of the portfolio was rated "Acceptable" or higher:

	As of December 31,					
	2019		2018		2017	
Rating	**Total**	**% of Total**	**Total**	**% of Total**	**Total**	**% of Total**
I Excellent	$ 201,409	0%	$ 251,659	0%	$ 448,354	0%
II Strong	51,320,072	10%	60,428,378	14%	46,203,989	13%
III Good	163,879,987	34%	167,781,820	39%	159,063,575	46%
IV Acceptable	233,631,221	48%	178,378,528	41%	121,836,082	35%
V Close Follow	32,472,820	7%	22,321,232	5%	21,947,105	6%
VI Substandard	3,878,678	1%	2,875,611	1%	1,010,696	0%
VII Doubtful	0	0%	22,554	0%	180,139	0%
Total	$ 485,384,186	100%	$ 432,059,781	100%	$ 350,689,940	100%

LISC's monthly Allowance calculation, consistent with generally accepted accounting principles, is based on historical loan loss experience and management's evaluation of the ability to collect on the loans, taking into consideration project characteristics and trends. Currently, the portfolio is divided by loan product type, since each loan product type has a different risk profile, which has been determined based on historic delinquency rates, loans on watch list, write-offs, and loans vulnerable to write-off. Specifically, acquisition loans, followed by predevelopment and then construction loans, carry a higher risk of loss than LISC's other product types, and as a result, the reserve amounts for these loans are higher. These loss rates are evaluated quarterly, based on product performance as well as changes in the overall economic environment. The above ratings are on a parent-only basis, as LISC does not rate the loan portfolios of its consolidated affiliates, and the loan portfolios of consolidated affiliates are classified as Acceptable for purposes of the consolidated audit

INVESTING ACTIVITIES

Some of the following information with respect to investing activities is presented on a parent-only basis. See "Statement Regarding Parent-Only Financial Information" on page iii.

LISC's investment goal is to provide consistent, above-average rates of return, while controlling investment risk. Emphasis is placed on the preservation of capital through an appropriate risk-adjusted allocation among asset classes, based upon LISC's liquidity and return targets. LISC's investments are managed monthly by its Treasurer. LISC's Chief Financial Officer and Treasurer present a report to the Board on a quarterly basis, and the Investment Committee generally meets on an annual basis to review investment performance, approve any investment policy changes, and appoint/replace investment managers as needed.

	June 30, 2020	
Investments – *Parent-Only*	**Amount**	**%**
Cash and cash equivalents held for investment	$ 47,999,009	31%
Corporate bonds and fixed-income funds	39,173,431	26%
U.S. government agencies	39,082,197	26%
Certificates of deposit	4,592,019	3%
Alternative Investments:		
Real estate investment trust	3,114,764	2%
Hedge funds	13,249,625	9%
Private Equity Funds	4,597,601	3%
Total	$ 151,808,646	100%
Realized & Unrealized Gains on investments and derivatives (Losses)	$ (866,850)	

	As of and for the year ended December 31,					
	2019		2018		2017	
Investments – *Parent-Only*	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Cash and cash equivalents held for investment	$ 36,147,455	26%	$ 35,362,595	27%	$ 37,383,193	28%
Corporate bonds and fixed-income funds	39,604,491	28%	37,936,096	28%	37,737,817	28%
U.S. government agencies	37,989,184	27%	36,624,418	27%	36,158,343	27%
Certificates of deposit	4,553,892	3%	5,232,689	4%	5,192,116	4%
Alternative Investments:						
Real estate investment trust	3,114,764	2%	3,114,764	2%	2,619,071	2%
Hedge funds	14,948,068	11%	13,622,255	11%	13,955,325	10%
Private equity funds	3,862,038	3%	1,603,586	1%	1,000,000	1%
Total	$ 140,219,892	100%	$ 133,496,403	100%	$ 134,045,866	100%
Realized & Unrealized Gains on investments and derivatives (Losses)	$ 2,671,794		$ (720,557)		$ (71,246)	

Investments – *Consolidated*	As of and for the year ended December 31, 2019 Amount	%	2018 Amount	%	2017 Amount	%
Cash and cash equivalents held for investment	$ 36,147,455	26%	$ 35,362,595	27%	$ 37,383,193	28%
Corporate bonds and fixed-income funds	39,604,491	28%	37,936,096	28%	37,737,817	28%
U.S. government agencies	37,989,184	27%	36,624,418	27%	36,158,343	27%
Certificates of deposit	4,553,892	3%	5,232,689	4%	5,192,116	4%
Alternative Investments:						
Real estate investment trust	3,114,764	2%	3,114,764	2%	2,619,071	2%
Hedge funds	14,948,068	11%	13,622,255	11%	13,955,325	10%
Private Equity funds	3,862,038	3%	1,603,586	1%	1,000,000	1%
Total	$ 140,219,892	100%	$ 133,496,403	100%	$ 134,045,865	100%
Realized & Unrealized Gains on investments (Losses)	$ 2,671,794		$ (720,577)		$ (71,246)	

LISC's investment portfolio returned 2.5% during the period January 1, 2019 through December 31, 2019. As of December 31, 2019, LISC had a total of 12 active managers managing the portfolio: GS High Quality Floating Rate Fund, GS Enhanced Income Fund, Vanguard Short-Term Federal Fund, BlackRock Floating Rate Income Fund, GS Princeton Fund, Liberty Harbor Corporate Credit Strategies, Cambridge Ventures, HCAP Partners IV, SustainVC Impact Fund II, LaunchNY Seed Fund I, MLK Gateway Partners, and Blue Orchid SPV.

As of June 30, 2020, LISC's investment portfolio and investing activities have not been adversely impacted due to COVID-19.

LISC's investable assets are allocated according to the organization's investment policy guidelines. Given that the overwhelming majority of the assets underlying the portfolio are either designated for use in the near-term (12 months or less) or subject to donor-imposed investment restrictions, the portfolio is predominantly comprised of cash and short-duration investments. The remaining investments (e.g., hedge funds and private equity funds) provide diversification for the portfolio at an acceptable level of risk, and the exposure to such potentially higher yielding investments is capped at $30 million. In June 2017, the Investment Committee approved a $15 million carve-out for investments in funds focused on impact investing.

NEF and NMSC invest cash and cash equivalents in short-term investments and money market funds or marketable securities with original maturities of 90 days or less when purchased. immito has cash held in separate accounts that is restricted for lending activities.

A schedule of the liquidity of LISC’s cash, cash equivalents, and investments on a parent-only basis as of June 30, 2020 is set forth below:

Liquidity	Fair Value	Percentage of Portfolio
< 30 days	$ 262,304,134	93%
Quarterly	13,208,100	4%
> One Year	7,753,890	3%
Total	**$ 283,266,124**	**100%**

A schedule of the liquidity of LISC’s cash, cash equivalents, and investments on a parent-only basis as of December 31, 2019 is set forth below:

Liquidity	Fair Value	Percentage of Portfolio
< 30 days	$ 235,550,858	91%
Quarterly	14,856,875	6%
> One Year	7,067,995	3%
Total	**$ 257,475,728**	**100%**

A schedule of the liquidity of LISC’s consolidated cash, cash equivalents, restricted cash, and investments as of December 31, 2019 is set forth below:

Liquidity	Fair Value	Percentage of Portfolio
< 30 days	$ 284,377,303	88%
Quarterly	14,856,875	5%
> One Year	7,067,995	2%
Restricted Cash[(1)]	15,743,445	5%
Total	**$ 322,045,618**	**100%**

(1) Restricted Cash is held in designated accounts pursuant to agreement

BOARD OF DIRECTORS

The Board is responsible for oversight of the day-to-day management of LISC. In accordance with LISC's bylaws, the Board may consist of not less than 18 or more than 30 directors, and the number of directors may fluctuate from time to time. As of the date of this prospectus, LISC had 27 directors made up of representatives from the private and community sectors, including some of LISC's major partners and stakeholders. Board members represent a variety of business sectors and geographic locations and contribute a wide range of knowledge, skills, and experiences to LISC's operations.

The Board meets quarterly in March, June, September, and January (for the quarter ended December 31). The Board Chairperson, President and CEO, or any two directors may also call a special meeting of the Board. In order to allow the Board to carry out its oversight of LISC, prior to each meeting, LISC management provides the Board with comprehensive materials regarding LISC activities and finances, affiliate matters, national and local programs, and other matters for Board approval or consideration.

The Board is divided into three classes, approximately equal in number, with each class of directors serving a staggered three-year term such that the term of one class of directors expires at each annual meeting. The directors of such class are elected by a majority vote of remaining then-current directors at such annual meeting. There is no limit on the number of terms each director may serve. If a director resigns, retires, or is removed, a replacement director may be elected by a majority vote of remaining then-current directors to serve the remainder of the departing director's term.

Board Committees

The Board has established four standing committees with the authority to review and approve certain corporate matters: the Audit Committee, Executive and Finance Committee, Investment Committee, and Portfolio Review Committee. A description of each committee's duties and powers follows below. From time to time, the Board also establishes special committees to address certain corporate matters. The committees meet periodically throughout the year as needed to review, address, and approve matters under their authority.

Executive and Finance Committee

The Executive and Finance Committee exercises all the powers of the Board during intervals between Board meetings, except as limited by law, LISC's articles and bylaws, or resolutions adopted by the Board. The full Board handles most duties delegated to the Executive and Finance Committee at its regular quarterly meetings. However, the Executive and Finance Committee meets on an ad hoc basis between Board meetings, as needed, to review and approve certain corporate, financial, human resources, affiliate, and program matters. The Executive and Finance Committee may also meet in connection with regular quarterly meetings to handle more complex corporate, financial, and other matters that the Board, Executive and Finance Committee Chair, or management determines are more appropriately considered by a smaller committee; in such cases, the Executive and Finance Committee may approve the matters at issue itself or may recommend such matters to the full Board for approval.

Audit Committee

The Audit Committee monitors the integrity of LISC's financial statements, LISC's compliance with legal and regulatory requirements, and the independence, qualifications, and performance of LISC's independent auditors. The Audit Committee also has oversight over LISC's whistleblower and conflict-of-interest policies and LISC's internal audit and compliance function.. The Audit Committee meets several times per year to: review and approve the financial statements for LISC (parent-only) and its consolidated entities, and LISC's IRS Form 990; review the performance of and appoint LISC's external auditors; and consider financial and other affairs of LISC within its charter or as the committee determines appropriate. The Audit Committee Chair reports to the full Board on matters handled at the meeting and any risks or other issues it may identify.

Investment Committee

The Investment Committee oversees and reviews the performance of LISC's investment portfolio; approves and reviews LISC's adherence to a sound and consistent investment policy; and approves, monitors, and replaces, as appropriate, LISC's investment managers. Given the stability and conservative nature of LISC's investment portfolio, the Investment Committee generally meets one time per year. However, management engages the Investment Committee Chair as needed to determine when changes are appropriate and presents a report on LISC's investment results to the full Board quarterly.

Portfolio Review Committee

The Portfolio Review Committee reviews and approves loans made by LISC that exceed delegated staff approval authority (greater than $5 million); approves for recommendation to the full Board loans made by LISC that exceed the Portfolio Review Committee's authority (greater than $8 million); approves changes in delegated authority levels for management, LISC's internal Credit Committee, and the Portfolio Review Committee; and reviews LISC's program activity against goals, overall performance of the loan portfolio, and portfolio risks and diversification. The Portfolio Review Committee meets quarterly to review program activity, portfolio performance, and requests for loans by LISC and holds several other meetings per year to review and approve requests for loans by LISC. The Portfolio Review Committee Chair, along with LISC's Senior Vice President for Lending and its Chief Credit Officer, report to the full Board on the portfolio performance and risks at each quarterly meeting.

Board Members

The individuals currently serving on LISC's Board of Directors, including the committee(s) on which each individual serves, are as follows:

Name	Business Title	Business Affiliation	Original Election Date	Current Term End Date	Committee*
Robert E. Rubin (Board Chair)	Chairman; Former Secretary; Co-Chairman Emeritus	LISC; U.S. Treasury; Council on Foreign Relations	9/15/1999	3/31/2023	Aud (ex officio), E&F (ex officio), Inv, PRC (ex officio)
Lisa Cashin (Vice Chair)	Vice Chair	LISC	9/1/2007	3/31/2021	E&F (Chair), PRC
Lisa Glover	Former Executive Vice President, Contact Center Solutions and Support	U.S. Bank	6/17/2010	3/31/2022	Aud (Chair), E&F
David Hess	Partner	Centerview Partners	1/17/2019	3/31/2023	Inv (Chair)

Name	Business Title	Business Affiliation	Original Election Date	Current Term End Date	Committee*
Nilda Ruiz	President and CEO	Asociación Puertorriqueños en Marcha	9/20/2012	3/31/2022	PRC (Chair)
Nicole Arnaboldi	Asset Management Senior Executive and Senior Advisor	Credit Suisse	6/18/2020	3/31/2023	NA**
Greg Belinfanti	Senior Managing Director	One Equity Partners	1/14/2010	3/31/2021	E&F, Inv
Zack Boyers	Chairman and CEO	U.S. Bancorp Community Development Corp.	6/18/2020	3/31/2023	NA**
Alisahah J. Cole	System Vice President, Population Health Innovation and Policy	CommonSpirit Health	9/17/2020	3/31/2022	NA**
Audrey Choi	Chief Marketing Officer and Chief Sustainability Officer	Morgan Stanley	6/16/2011	3/31/2022	E&F
Michelle de la Uz	Executive Director	Fifth Avenue Committee	3/17/2011	3/31/2021	PRC
Sally Durdan	Former Executive Vice President and Head of Strategy, Consumer and Community Banking	JPMorgan Chase	3/28/2013	3/31/2023	Aud
Tom Espinoza	President and CEO	Raza Development Fund	9/22/2011	3/31/2021	PRC
Dean Esserman	Senior Counselor	Police Foundation	3/17/2011	3/31/2021	PRC
Gregory Fairchild	Isidore Horween Research Associate Professor of Business	University of Virginia Darden School of Business	6/21/2018	3/31/2021	NA**
Ellen Gilligan	President and CEO	Greater Milwaukee Foundation	9/12/2013	3/31/2023	PRC
Colvin W. Grannum	President and CEO	Bedford Stuyvesant Restoration Corporation	3/27/2001	3/31/2023	Aud

Name	Business Title	Business Affiliation	Original Election Date	Current Term End Date	Committee*
Lisa Hasegawa	Regional Vice President, Western Region	NeighborWorks America	1/22/2015	3/31/2022	Aud, PRC
Christopher Hollins	Managing Director, GM Cash Management	Chase Business Banking	6/18/2020	3/31/2023	NA**
Maurice A. Jones	President and CEO	LISC	9/22/2016	3/31/2021	E&F (ex officio), Inv (ex officio), PRC (ex officio)
Kathryn E. Merchant	Principal	Kathy Merchant LLC	9/20/2012	3/31/2022	Aud
Randy Oostra, DM, FACHE	President and CEO	ProMedica Health System	1/18/2018	3/31/2022	E&F
Rey Ramsey	CEO	Centri Capital	12/5/2002	3/31/2023	Inv
Rip Rapson	President and CEO	The Kresge Foundation	9/22/2006	3/31/2023	NA**
Jerry Rickett	President and CEO	Kentucky Highlands Investment Corporation	6/16/2016	3/31/2022	PRC
Ommeed Sathe	Head of Impact & Responsible Investments	Prudential Financial	3/14/2019	3/31/2022	E&F, PRC
Dennis White	President and CEO	MetLife Foundation	9/12/2013	3/31/2023	PRC

* Aud = Audit, E&F = Executive and Finance, Inv = Investment, PRC = Portfolio Review

** These persons are not currently appointed to a committee.

Following are brief biographies of LISC's Board members:

Robert Rubin (Board Chair), *former Secretary, U.S. Treasury; Co-Chairman Emeritus, Council on Foreign Relations*. Mr. Rubin is a former Secretary of the U.S. Treasury and is Co-Chairman Emeritus of the Council on Foreign Relations, after concluding his 10-year term as Co-Chairman. He joined the Clinton administration in 1993, serving as Assistant to the President for Economic Policy and the first Director of the National Economic Council. He was named Treasury Secretary in 1995 and served until 1999. Mr. Rubin joined Goldman, Sachs & Company in 1966 and served as Co-Chairman from 1990 to 1992. From 1999 to 2009, he served on the board at Citigroup and as a senior advisor. In 2010, he joined Centerview Partners as senior counselor of the firm. He serves on the board of Mount Sinai Health System and, in June 2014, completed a 12-year term as a member of the Harvard Corporation and is now a member of its Finance Committee. He is one of the founders of The Hamilton Project, an economic policy project housed at the Brookings Institution, and is author of *In an Uncertain World: Tough Choices from Wall Street to Washington.* Mr. Rubin graduated with an AB in Economics from Harvard College and received an LLB from Yale Law School. Term ends on March 31, 2023.

Lisa Cashin (Board Vice Chair; Chair of Executive and Finance Committee), *former Chief Credit Officer, LISC*. Ms. Cashin is the former Chief Credit Officer at LISC, a position she held for 19 years before retiring in 2007 and joining the Board. Previously, she was a Vice President at Citigroup Investment Bank and a loan officer with the real estate division of Chemical Bank. She has worked at the Boston Redevelopment Authority, Gammon Properties in Hong Kong, and the United Nations Center for Housing, Building and Planning. She also serves as Board Chair for Prep for Prep, a leadership development and gifted education program that places high-achieving minority students from New York City at top independent and boarding schools. Ms. Cashin received a BA in Urban Anthropology from Harvard College and an MCP from the University of California at Berkeley, College of Environmental Design. Term ends on March 31, 2021.

Lisa Glover (Chair of Audit Committee), *former Executive Vice President, Contact Center Solutions and Support, U.S. Bank*. Ms. Glover is the former Executive Vice President at U.S. Bank, retiring in March, 2020. Ms. Glover joined U.S. Bank in 1986 and held a variety of first line operational roles, including management positions in commercial, consumer and trust operations and key leadership positions in corporate compliance and internal audit. Ms. Glover is a certified risk professional, a chartered bank auditor, and a certified internal auditor. She is an active leader in both community and industry groups and previously served as Chair of LISC Milwaukee's local advisory committee from 2013 to 2016 and is past Chair of the Consumer Bankers Association's Community Reinvestment Committee. Ms. Glover holds a BBA in Corporate Finance from Iowa State University and an MLIS from University of Wisconsin. Term ends on March 31, 2022.

David Hess (Chair of Investment Committee), *Partner, Centerview Partners*. Mr. Hess is a Partner at Centerview Partners and member of the firm's technology investment banking team. Prior to joining Centerview, Mr. Hess spent 12 years at Goldman Sachs, most recently as a Managing Director with responsibility for the firm's software and IT services investment banking practice, and began his career at Schroder & Co. He is President of the board of trustees of the Abraham Joshua Heschel School and is a board member of Wharton's McNulty Leadership Program. Mr. Hess received a BS from the Wharton School of the University of Pennsylvania. Term ends March 31, 2023.

Nilda Ruiz (Chair of Portfolio Review Committee), *President and CEO, Asociación Puertorriqueños en Marcha*. Since 2005, Ms. Ruiz has served as President and CEO of Asociación Puertorriqueños en Marcha, Inc. ("APM"), a prominent Latino-founded agency committed to helping thousands of seniors and families lift themselves from poverty. From 1999 to 2005, Ms. Ruiz served as Senior Community Development Director for the East Coast for UnidosUS (formerly National Council of La Raza), the largest national constituency-based Hispanic organization. She serves on the board of the Urban Affairs Coalition and PNC Advisory Committee; previously served as a mayoral appointee to the Philadelphia Planning Commission, the Temple University Economic Opportunities Advisory Committee, and Pennsylvania Governor Tom Wolf's Steering Committee; and was appointed by Philadelphia Mayor Jim Kenney to serve on the Vision Zero Taskforce. She is also President of the National Puerto Rican Agenda and serves on the Affordable Housing Advisory Council for the Federal Home Loan Bank of Pittsburgh. Ms. Ruiz received a BS from Temple University and an MBA from Easter College. Term ends on March 31, 2022.

Nicole Arnaboldi, *Asset Management Senior Executive, Senior Advisor, Credit Suisse*. Ms. Arnaboldi formerly served as the Vice Chairman of Credit Suisse Asset Management, and has had a long career in the private investment field, including overseeing the firm's private equity and related activities. She served as a Senior Advisor to Credit Suisse until June 2020, and now serves as a board member for Manulife (parent of John Hancock), Commonfund, Merit Hill Capital, Prep for Prep, and the Dean's Advisory Board at Harvard Law School, and recently has served on the Harvard University Task Force on Skills and Employability. Ms. Arnaboldi received a BA from Harvard College, MBA from Harvard Business School, and a JD from Harvard Law School. Term ends on March 31, 2023.

Greg Belinfanti, *Senior Managing Director, One Equity Partners*. Mr. Belinfanti is a Senior Managing Director and Investment Committee member at One Equity Partners, focusing on healthcare and business service industries. Prior to joining One Equity Partners in 2006, Mr. Belinfanti served as Vice President in the Investment Banking division of Lehman Brothers. He formerly served on boards for Celltrion and EGS and currently serves on the boards of PS Logistics, Ernest Health, Simplura, The Results Companies, and One Link. Mr. Belinfanti received a BA in Politics from New York University and a JD from Harvard Law School. Term ends on March 31, 2021.

Zack Boyers, *Chairman & Chief Executive Officer, US Bancorp Community Development Corporation.* Mr. Boyers is the Chairman and Chief Executive Officer of US Bancorp Community Development Corporation, providing leadership and strategic direction to a team of more than 400 people who manage tax credit and lending opportunities in the community development arena nationwide. Mr. Boyers serves on the boards of Urban Strategies, St. Louis Regional Chamber, Forward Through Ferguson, and Invest STL, and serves on the National Advisory Council of the Brown School of Social Work at Washington University and on the Regional Advisory Council of IFF. Mr. Boyers received a BA from Harvard College and an MBA from Washington University. Term ends on March 31, 2023.

Alisahah Cole, *System Vice President, Population Health Innovation and Policy, CommonSpirit Health*. Dr. Cole is the System Vice President of Population Health and Innovation Policy at CommonSpirit Health, providing leadership on health equity for the largest Catholic health system, and the second-largest nonprofit hospital chain, in the United States. Prior to this role, Dr. Cole held several senior positions at Atrium Health. Dr. Cole received an undergraduate degree from Case Western Reserve, an MD from the Boonshoft School of Medicine at Wright State University, and was a Fellow of the University of North Carolina at Chapel Hill School of Medicine. Term ends on March 31, 2022.

Audrey Choi, *Chief Marketing Officer and Chief Sustainability Officer, Morgan Stanley.* Ms. Choi is the Chief Marketing Officer and Chief Sustainability Officer of Morgan Stanley, overseeing the firm's brand values and global sustainability efforts, and serves as the founding CEO of Morgan Stanley's Institute for Sustainable Investing. Prior to Morgan Stanley, Ms. Choi held senior policy positions in the Clinton administration and was a foreign correspondent for The Wall Street Journal. Ms. Choi serves on the boards of several nonprofits focused on sustainability and social justice, including the Sustainability Accounting Standards Board (SASB), the US Impact Investing Alliance, StoryCorps, and New York Cares. Ms. Choi received an undergraduate degree from Harvard College and an MBA from Harvard Business School. Term ends March 31, 2022.

Michelle de la Uz, *Executive Director, Fifth Avenue Committee.* Ms. de la Uz has served as Executive Director of Fifth Avenue Committee ("FAC") since 2004, overseeing the organization's mission and comprehensive programs serving more than 5,500 low- and moderate-income people. Prior to her work at FAC, Ms. de la Uz was a Program Director at the Center for Urban Community Services and served as Congresswoman Nydia Velázquez's first Director of Constituent Services. Ms. de la Uz serves on the board of the Association for Neighborhood and Housing Development Inc., the New York Housing Conference and, since 2012, has been appointed to serve on the NYC Planning Commission. Ms. de la Uz is an alumna of Connecticut College, Columbia University, and Harvard Kennedy School's Executive Education program. Term ends March 31, 2021.

Sally Durdan, *former Executive Vice President and Head of Strategy, Consumer and Community Banking, JP Morgan Chase.* Ms. Durdan retired from her role as Executive Vice President and Head of Strategy for Chase Consumer and Community Banking. Prior to joining Chase in 2004, Ms. Durdan spent 10 years at Citigroup and began her career as a strategy consultant for McKinsey & Company. Ms. Durdan serves on the board of Graham Windham and is a trustee of Mount Holyoke College. Ms. Durdan received an undergraduate degree from Mount Holyoke College, an MBA from Harvard Business School, and pursued doctoral studies in Economics at Harvard. Term ends March 31, 2023.

Tom Espinoza, *President and CEO, Raza Development Fund.* Mr. Espinoza is the President, CEO, and Co-Founder of Raza Development Fund ("RDF"), overseeing the largest Latino CDFI loan fund in the nation with more than $500 million in assets under management. Prior to co-founding RDF in 1998, Mr.

Espinoza served as Vice President at National Council of La Raza, now UnidosUS, and was President and CEO of Chicanos Por La Causa. Mr. Espinoza received an undergraduate degree from Phoenix College. Term ends March 31, 2021.

Dean Esserman, *Senior Counselor, Police Foundation.* Mr. Esserman is a Senior Counselor at the Police Foundation. Prior to this role, Mr. Esserman served as Chief of Police in New Haven, CT; Providence, RI; and Stamford, CT, as well as for the New York State MTA-Metro North Police Department. He started his career as an Assistant District Attorney in Brooklyn, NY. He currently holds a lecturers appointment at Yale University and the Yale Law School. Mr. Esserman received a BA from Dartmouth College and a JD from New York University School of Law. Term ends March 31, 2021.

Gregory Fairchild, *Isidore Horween Research Professor of Business Administration, University of Virginia Darden School of Business.* Mr. Fairchild is the Isidore Horween Research Professor of Business Administration at the University of Virginia's Darden School of Business; the Associate Dean for Washington D.C., Area Initiatives; Academic Director of Public Policy and Entrepreneurship; and Academic Director for Darden's Institute for Business in Society. Mr. Fairchild has also worked in the private sector for Kraft General Foods, Procter & Gamble, and Saks Fifth Avenue. Mr. Fairchild received a BS from Virginia Commonwealth University, an MBA from the University of Virginia Darden School of Business, and a PhD from Columbia University. Term ends March 31, 2021.

Ellen Gilligan, *President and CEO, Greater Milwaukee Foundation.* Ms. Gilligan is the President and CEO of the Greater Milwaukee Foundation, the region's largest community foundation, which has awarded more than $800 million in grants since establishment in 1915. Prior to joining the Foundation in 2010, Ms. Gilligan was Vice President of Community Investment at the Greater Cincinnati Foundation and President of HealthPath Foundation. Ms. Gilligan is board chair of CFLeads, is a board member of the Greater Milwaukee Committee and a mayoral appointee to the City of Milwaukee's Black Male Achievement Advisory Council. Ms. Gilligan received a BA from University of Colorado at Boulder. Term ends March 31, 2023.

Colvin W. Grannum, *President and CEO, Bedford Stuyvesant Restoration Corporation.* Mr. Grannum has served as President and CEO of Bedford Stuyvesant Restoration Corporation ("Restoration") since 2001. Prior to joining Restoration, Mr. Grannum was the founding President and CEO of Bridge Street Development Corporation and practiced law for more than 17 years in the public and private sectors. Mr. Grannum serves on the boards of the Carver Federal Savings Bank, New York City Workforce Investment Board, Center for New York City Neighborhoods, Brooklyn Chamber of Commerce, and Bedford Stuyvesant Early Childhood Development Center, Inc. among others, and is on numerous advisory boards and public commissions, including as a trustee at Metropolitan Museum of Art. Mr. Grannum received an undergraduate degree from the University of Pennsylvania and a JD from Georgetown University Law Center. Term ends March 31, 2023.

Lisa Hasegawa, *Regional Vice President, Western Region, NeighborWorks America.* Ms. Hasegawa is the Regional Vice President for the Western Region of NeighborWorks America. Ms. Hasegawa previously served as the Executive Director of the National Coalition for Asian Pacific American Community Development and also has experience in government and academia. Ms. Hasegawa received a BA from University of California Los Angeles and a SM in Public Health from Harvard University. Term ends March 31, 2022.

Christopher Hollins, *Managing Director, GM Cash Management, Chase Business Banking.* Mr. Hollins is Managing Director of GM Cash Management for Chase Business Banking. Prior to this role, Mr. Hollins served as President of Worldpay and Senior Vice President of Global Merchant Services at American Express. Mr. Hollins serves on the board of Sickle Cell Disease Association of America and the Donald & Winfred Wilson Center for Innovation and Leadership at Grinnell College. Mr. Hollins received a BA from Grinnell College and MBA from the Wharton School of the University of Pennsylvania. Term ends March 31, 2023.

Maurice A. Jones, *President and CEO, LISC.* Please refer to “Management Team and Key Employees” starting on page 63. Term ends March 31, 2021.

Kathryn E. Merchant, *Principal, Kathy Merchant LLC.* In May 2015, Ms. Merchant stepped down after 18 years as President/CEO of the Greater Cincinnati Foundation. During 2015-19 she returned to strategic philanthropy consulting and executive coaching. Ms. Merchant was previously director of The Pew Charitable Trusts’ Neighborhood Preservation Initiative and a partner at consulting firm Holt, Wexler & Merchant. She is editor of the book “Imagineers • Impresarios • Inventors: Cincinnati’s Arts and the POWER OF HER,” published in 2020. Ms. Merchant received a BA from Indiana University and an MSW from University of Connecticut. Term ends March 31, 2022.

Randy Oostra, DM, FACHE, *President and CEO, ProMedica Health System.* Mr. Oostra is President and CEO of ProMedica, overseeing the nonprofit mission-based, integrated healthcare organization serving communities in 30 states. Prior to this role, he served as President and COO of ProMedica. Mr. Oostra received a BS from Northwestern College, an MS from University of Wisconsin, an MHA from University of Minnesota, and a PhD from Case Western Reserve University. Term ends March 31, 2022.

Rey Ramsey, *CEO, Centri Capital.* Rey Ramsey is the CEO of Centri Capital, an impact asset management firm focused on investments in sustainable, affordable housing. He was also founder and served as CEO of One Economy Corporation, a nonprofit organization providing internet service to the homes of underserved individuals and also served as President and COO of Enterprise Community Partners, a national nonprofit, and chairman of Habitat for Humanity International. He received a BA from Rutgers University and a JD from University of Virginia School of Law. Term ends March 31, 2023.

Rip Rapson, *President and CEO, The Kresge Foundation.* Mr. Rapson is President and CEO of The Kresge Foundation, which invests more than $160 million annually to foster economic and social change. Mr. Rapson began his career as a legislative assistant to U.S. Representative Don Fraser and has also served as a partner at Leonard, Street & Deinard, where he represented several Minnesota nonprofit organizations, and as Deputy Mayor of Minneapolis and President of the McKnight Foundation. Mr. Rapson received his BA from Pomona College and JD from Columbia Law School. Term ends March 31, 2023.

Jerry Rickett, *President and CEO, Kentucky Highlands Investment Corporation.* Since 1989, Mr. Rickett has served as the President and CEO of Kentucky Highlands Investment Corporation (“KHIC”), a nonprofit community development corporation and rural CDFI serving 22 counties in southeastern Kentucky. He also held the positions of Vice President and Marketing Manager for KHIC. Mr. Rickett is a graduate of Cumberland College and holds two master’s degrees from Eastern Kentucky University. Term ends March 31, 2022.

Ommeed Sathe, *Head of Impact & Responsible Investments, Prudential Financial.* Mr. Sathe is Head of Impact & Responsible Investments within the Inclusive Solutions department at Prudential, where he oversees all underwriting, origination, pipeline development, and portfolio management activities for the group. He serves on the boards of B-Lab and The Community Development Trust. Mr. Sathe has a BS from Columbia University, an MCP from Massachusetts Institute of Technology, and a JD from Harvard Law School. Term ends March 31, 2022.

Dennis White, *President and CEO, MetLife Foundation.* Mr. White is the President and CEO of the MetLife Foundation and is responsible for managing global foundation and corporate contributions, company volunteer activities, and foundation social investments. Mr. White joined MetLife in 1990 to manage the foundation’s program-related investments and also served as part of MetLife’s investment department where he managed social and community investments and housing tax credit activities. Prior to joining MetLife, he worked for the Association on American Indian Affairs, a private, nonprofit group working with tribal governments, and for PaineWebber. Mr. White received a BA from Rutgers University and an MBA from Rutgers Business School. Term ends March 31, 2023.

MANAGEMENT TEAM AND KEY EMPLOYEES

The following individuals serve as LISC's executive officers, and will continue to serve in such capacities until their resignation or replacement by the Board:

Maurice A. Jones, *President and CEO, LISC*. Mr. Jones has served as LISC's President and CEO since September 2016. Immediately prior to joining LISC, he served as the Secretary of Commerce and Trade for the Commonwealth of Virginia from 2014 to 2016, overseeing 13 state agencies focused on the economic needs in his native state of Virginia. He previously served as Deputy Secretary for the U.S. Department of Housing and Urban Development from 2012 to 2014, overseeing operations for the agency's 8,900 staff. Prior to that, he was Commissioner of Virginia's Department of Social Services and Deputy Chief of Staff to former Virginia Governor Mark Warner from 2002 to 2005. Trained as an attorney, Mr. Jones worked during the Clinton Administration on legal, policy, and program issues at the U.S. Department of the Treasury, where he also helped manage a then-new initiative called the CDFI Fund. Mr. Jones earned a master's degree in International Relations from Oxford University. In 1992, he graduated with a JD from the University of Virginia School of Law.

Annie Donovan, *Executive Vice President and Chief Operating Officer, LISC.* Ms. Donovan joined LISC in May 2019 as LISC's Executive Vice President and Chief Operating Officer. Ms. Donovan served as Director of the U.S. Department of the Treasury's CDFI Fund from 2014 to 2019. During her tenure at the CDFI Fund, Ms. Donovan guided CDFI Fund programs and strategies, including New Markets Tax Credits, the CDFI Bond Guarantee Program, the Capital Magnet Fund, and the Healthy Food Financing Initiative. She brings extensive management experience in both the private and public sectors, including 20 years at Capital Impact Partners, a CDFI partner, where she served as Chief Operating Officer in addition to other roles. Ms. Donovan received a BA in Economics from Allegheny College and an MBA from the University of Maryland's Smith School of Business.

Michael Hearne, *Executive Vice President and Chief Financial Officer, LISC*. Mr. Hearne joined LISC in 2014 after a distinguished career as an entrepreneur and lending expert with more than 25 years of experience in nonprofit, for-profit, and government financial management. From 2008 to 2013, he was managing director of M&H Properties in Annapolis, MD, where he bought, sold, and launched a wide range of commercial enterprises. From 2004 to 2007, he was President and CEO of Lafayette Federal, a $350 million Federal Credit Union in Washington, D.C. He also co-founded Business Data Source, a financial consulting firm specializing in emerging capital markets. Mr. Hearne's background encompasses a broad range of experience, from loan syndication and securitization to navigating a complex array of federal regulations. He developed risk management models based on loans made by the U.S. Department of Housing and Urban Development and the Small Business Administration, where he served as Budget Director during the Clinton administration. Mr. Hearne received his BA in Political Science from the University of Rochester on an NROTC scholarship and thereafter spent four years as a Naval Officer, receiving a Navy Achievement Medal for navigating Minesweeper Squadron 3 through the Persian Gulf.

Denise Scott, *Executive Vice President for Programs, LISC.* Ms. Scott has served as Executive Vice President in charge of LISC's local and national programs since 2014. Ms. Scott leads LISC's neighborhood investment efforts in 35 cities and rural areas in 45 states. She previously managed LISC's flagship program in New York City, focusing on affordable housing, commercial corridors, education, health, and jobs in some of the city's most underserved neighborhoods. Prior to joining LISC, Ms. Scott spearheaded a range of public and nonprofit initiatives with the U.S. Department of Housing and Urban Development, the Upper Manhattan Empowerment Zone Development Corporation, the New York City Urban Coalition, the New York City Mayor's Office of Housing Coordination, and the New York City Department of Housing Preservation and Development. Ms. Scott is the Chair of the Board of Directors of the Federal Reserve Bank of New York. Ms. Scott holds a BA from Hunter College and an MS from Columbia University.

DIRECTOR AND EXECUTIVE COMPENSATION

LISC's directors do not receive any remuneration for their service as directors of LISC, but the board of directors may, in the future, provide for such remuneration. The table below provides the direct and indirect remuneration paid by LISC during 2019 (a) to each executive officer receiving in excess of $150,000 during 2019 and (b) to LISC's executive officers in the aggregate.

Name	Position	Salary	Bonus and Other Compensation	Health and Other Insurance	Contributions to Retirement Plan
Maurice Jones	President & CEO	$ 578,945	$ 54,384	$ 33,251	$ 25,000
Annie Donovan	Executive Vice President and Chief Operating Officer	$ 155,974	$ 0	$ 17,904	$ 13,650
Michael Hearne	Executive Vice President & Chief Financial Officer	$ 317,568	$ 47,314	$ 544	$ 24,516
Denise Scott	Executive Vice President	$ 337,778	$ 52,069	$ 11,577	$ 20,114
Aggregate of Executive Officers and Directors		$ 1,390,265	$ 153,767	$ 63,276	$ 83,280

RELATED PARTY TRANSACTIONS

LISC has entered into various loans, as lender or borrower, with unaffiliated third parties. Certain directors of LISC serve as either officers or directors of such third parties. All such loans were made in the ordinary course of business, on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with persons not related to the LISC, and did not involve more than a normal risk of collectability or present other unfavorable features. Similar transactions may be expected to take place in the ordinary course of business in the future.

LEGAL PROCEEDINGS

There are no material legal proceedings presently pending against LISC or any of its directors, officers, or employees acting in their capacity as representatives of LISC.

DESCRIPTION OF THE NOTES

This section provides detail on the legal and financial terms of the Notes. Final terms of any particular Note will be determined at the time of sale and will be set forth in the relevant pricing supplement relating to those Notes, and may vary from and supersede the terms set forth in this prospectus. Before deciding to purchase any Notes, investors should read the more detailed information appearing in the relevant pricing supplement or elsewhere in this document. For additional information, please also see "State-Specific Disclosures" on page iv.

What is a LISC Impact Note?

The Notes are notes issued by LISC that help to encourage growth of and provide support to neighborhood and community development organizations, mission-aligned for-profits, and small businesses that seek to foster improvement of economic conditions, housing and other physical facilities, improvement of amenities and services, and other improvements to revitalize communities. The Notes pay a fixed interest rate that is determined by market conditions at issuance and can be purchased with a term of one to ten years.

Seniority; Security

The Notes are unsecured general obligations of LISC. LISC has other outstanding unsecured general obligations and secured obligations. Moreover, LISC may incur additional indebtedness. Such additional indebtedness, if issued, may be either secured or unsecured and may be entitled to payment prior to payment on the Notes. Finally, LISC's consolidated affiliates have outstanding obligations, and the Notes will be effectively subordinated to such obligations. For additional information, please see "Financing and Operational Activities – Schedule of Liabilities" on page 42.

Who Can Invest?

The Notes are offered for investment by both individual and institutional investors.

Minimum Investment

The minimum investment for the Notes is $1,000.

Distribution

LISC will offer the Notes through registered broker-dealers. The Notes may be offered through Incapital, as Lead Agent, for resale to other registered broker-dealers. Institutional investors may purchase Notes directly from Incapital. Incapital, or any other Agent appointed by LISC, is not required to purchase or sell any specific amount of Notes but will sell the Notes on a reasonable best-efforts basis.

How to Invest/Purchase Method

The Notes are available for purchase in book-entry form, which means they may be purchased through the investor's brokerage account and settled through DTC. Interest rates will be fixed rate and will be determined by LISC at the time of issuance based on market conditions, the then-current interest rate environment, and other relevant factors. Interest rates for the Notes will be set forth in the relevant pricing supplement relating to those Notes. The DTC arrangement is described below in the section entitled "Book-Entry Notes and DTC" on page 71. U.S. Bank will serve as the paying agent of the global book-entry Notes. LISC has appointed Incapital as the Lead Agent, which in turn has established a selling group of registered broker-dealers. Notes may be purchased through any broker-dealer participating in the Incapital selling group. Investors must consult the relevant pricing supplement, available from participating brokerages, in addition to this prospectus for applicable Note terms. To purchase Notes, please contact your financial advisor or brokerage firm. Institutional investors may purchase Notes directly from Incapital.

The purchase price for the Notes is payable in full and in cash upon subscription at 100% of the principal amount of the investment.

CUSIP Numbers

LISC will assign CUSIP numbers at the time the Notes are offered for sale. "CUSIP" is an acronym that refers to Committee on Uniform Security Identification Procedures. Nine-digit, alphanumeric CUSIP numbers are used to identify securities such as the Notes. A CUSIP number, similar to a serial number, is assigned to each maturity of a security issue. For more information regarding CUSIP numbers, please see the relevant pricing supplement or visit LISC's website www.lisc.org/invest.

Interest Accrual and Interest Periods

Notes begin to accrue interest on the issuance date and mature on the maturity date stated in each Note. Interest accrues on a 360-day year based on twelve 30-day months. Interest payments will be made quarterly and cannot be reinvested. Interest rates on the Notes will be fixed.

The interest payment dates for a Note will be the 15th day of every third month, commencing in the third succeeding calendar month following the month in which the Note is issued, unless such day is not a business day, in which case the interest payment shall be made on the next succeeding business day. The first payment of interest under a Note shall be an amount equal to interest accruing during the period commencing on the issuance date and ending on the day preceding the first interest payment date that follows the issuance date (the "First Interest Period"). Subsequent payments of interest under the Note shall be made on each interest payment date in an amount equal to interest accruing during each period of three calendar months that follows the First Interest Period. The final payment of interest under a Note shall be made on the maturity date in an amount equal to interest accruing during the period commencing on the prior interest payment date and ending on the date preceding the maturity date.

Interest will be payable to the person in whose name a Note is registered at the close of business on the regular record date before each interest payment date. The first payment of interest on any Note originally issued between a regular record date and an interest payment date will be made on the interest payment date following the next succeeding regular record date to the registered owner of the Note on such next succeeding regular record date. The unpaid principal balance, and all accrued and unpaid interest under a Note, will be due and payable on the maturity date. The principal and interest payable at maturity will be paid to the person in whose name the Note is registered at the time of payment. The regular record date for an interest payment date will be the first calendar day of the month in which the interest payment date falls.

Options at Maturity/Reinvestments

Principal will be repaid at maturity for each Note, but investors have the option to re-invest their repaid principal by purchasing new Notes at then-current interest rates and terms offered by LISC.

Redemption

Notes will not be redeemable at LISC's option.

Survivor's Option

Subject to the limitations described below, the "Survivor's Option" is a provision in the Notes pursuant to which LISC agrees, if requested by the authorized representative of the beneficial owner of those Notes, following the death of the beneficial owner of the Notes, to repurchase such Notes so long as the Notes were owned by that beneficial owner or the estate of that beneficial owner at least six months prior to the request and certain documentation requirements are satisfied.

Upon the valid exercise of the Survivor's Option and the proper tender of the Notes for repurchase, subject to the limitations described below, LISC will repurchase the Notes, in whole or in part, at a price equal to 100% of the principal amount of the deceased beneficial owner's interest in the Notes plus unpaid interest accrued up to, but not including, the date of repurchase.

In order for a Survivor's Option to be validly exercised with respect to the Notes, the deceased beneficial owner's authorized representative must provide the following items to the broker or other entity through which the beneficial interest in the Notes is held by the deceased beneficial owner within one year of the date of death of the beneficial owner:

- a written instruction to such broker or other entity to notify DTC of the authorized representative's desire to obtain repurchase of the Notes pursuant to exercise of the Survivor's Option;

- tender of the Notes to be repurchased;

- appropriate evidence satisfactory to the paying agent (a) that the deceased was the beneficial owner of the Notes at the time of death and his or her interest in the Notes was owned by the deceased beneficial owner or his or her estate at least six (6) months prior to the request for repurchase, (b) that the death of the beneficial owner has occurred, (c) of the date of death of the beneficial owner, and (d) that the authorized representative has authority to act on behalf of the deceased beneficial owner;

- if the interest in the Notes is held by a nominee of the deceased beneficial owner, a certificate or letter satisfactory to the paying agent from the nominee attesting to the deceased's beneficial ownership of such Notes;

- a written request for repurchase signed by the authorized representative of the deceased beneficial owner with the signature guaranteed by a member firm of a registered national securities exchange or of the Financial Industry Regulatory Authority, Inc. or a commercial bank or trust company having an office or correspondent in the United States;

- if applicable, a properly executed assignment or endorsement;

- tax waivers and any other instruments or documents that the paying agent or LISC reasonably require in order to establish the validity of the beneficial ownership of the Notes and the claimant's entitlement to repurchase; and

- any additional information the paying agent or LISC reasonably require to evidence satisfaction of any conditions to the exercise of the Survivor's Option or to document beneficial ownership or authority to make the election and to cause the repurchase of the Notes.

In turn, the broker or other entity will deliver each of these items to the paying agent, together with evidence satisfactory to the paying agent from the broker or other entity stating that it represents the deceased beneficial owner.

A beneficial owner of a Note is a person who has the right, immediately prior to such person's death, to receive the proceeds from the disposition of that Note as well as the right to receive payment of the Note.

The death of a person holding a beneficial ownership interest in a Note as a joint tenant or tenant by the entirety with another person, or as a tenant in common with the deceased holder's spouse, will be deemed the death of a beneficial owner of that Note, and the entire principal amount of the Note held in this manner will be subject to repurchase by LISC upon exercise of the Survivor's Option. However, the death of a person holding a beneficial ownership interest in a Note as tenant in common with a person other than such deceased holder's spouse will be deemed the death of a beneficial owner only with respect to such deceased person's interest in the Note, and only the deceased beneficial owner's percentage interest in the principal amount of the Note will be subject to repurchase.

The death of a person who, during his or her lifetime, was entitled to substantially all of the beneficial ownership interests in a Note will be deemed the death of the beneficial owner of that Note for purposes of the Survivor's Option, regardless of whether that beneficial owner was the registered holder of the Note, if the beneficial ownership interest can be established to the satisfaction of the paying agent and LISC. A beneficial ownership interest will be deemed to exist in typical cases of nominee ownership, ownership under the Uniform Transfers to Minors Act or Uniform Gifts to Minors Act, community property or other joint ownership arrangements between a husband and wife. In addition, the beneficial ownership interest in a Note will be deemed to exist in custodial and trust arrangements where one person has all of the beneficial ownership interest in that Note during his or her lifetime.

LISC has the discretionary right to limit the aggregate principal amount of Notes as to which exercises of the Survivor's Option shall be accepted from authorized representatives of all deceased beneficial owners in any calendar year to an amount equal to the greater of $1,000,000 or 1% of the aggregate principal amount of all Notes outstanding as of the end of the most recent calendar year. LISC also has the discretionary right to limit to $250,000 in any calendar year the aggregate principal amount of Notes as to which exercises of the Survivor's Option shall be accepted by LISC from the authorized representative of any individual deceased beneficial owner of Notes in such calendar year. In addition, LISC will not permit the exercise of the Survivor's Option except in principal amounts of $1,000 and multiples of $1,000 and, in the event that the limitations described in this paragraph would result in the partial repurchase of any Note, the principal amount of such Note remaining outstanding after repurchase must be at least $1,000.

An otherwise valid election to exercise the Survivor's Option may not be withdrawn. Each election to exercise the Survivor's Option will be accepted in the order that elections are received by the paying agent, except for any Note the acceptance of which would contravene any of the limitations described in the preceding paragraph. Notes accepted for repurchase through the exercise of the Survivor's Option normally will be repaid on the first interest payment date that occurs 20 or more calendar days after the date of the acceptance. Each tendered Note that is not accepted in any calendar year due to the application of any of the limitations described in the preceding paragraph will be deemed to be tendered in the following calendar year in the order in which all such Notes were originally tendered. If a Note tendered through a valid exercise of the Survivor's Option is not accepted, the paying agent will deliver a notice by first-class mail to the authorized representative of the deceased beneficial owner that states the reason that Note has not been accepted for repurchase

All other questions regarding the eligibility or validity of any exercise of the Survivor's Option will be determined by LISC, in its sole discretion, which determination will be final and binding on all parties.

For assistance with the exercise of the Survivor's Option, please contact the paying agent by email at david.safer@usbank.com or call (212) 951-8531.

Events of Default

Except in certain states under specific circumstances, the following events of nonpayment on any Note will constitute a default by LISC, but only as to that Note: (i) failure to pay the full amount of interest payable on any Note on the interest payment date provided in such Note, which failure continues unremediated for 20 or more calendar days after such payment date; or (ii) failure to pay the principal amount on any Note on its maturity date, which failure continues unremediated for 20 or more calendar days after such maturity date.

Secondary Market

The nature of this program does not presently afford the opportunity of a secondary market. The Lead Agent and any other agents appointed by LISC may make secondary market transactions, but are not obligated to do so. Dealers may be liquidity providers, but there is no assurance of such. Consequently, the purchase of a Note should be viewed as an investment to be held to maturity.

Interest Payments and Tax Considerations

This discussion of federal income tax consequences was written to support the promotion or marketing of the Notes and is not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding tax penalties. Investors are advised to consult their own tax counsel or advisors to determine the particular federal, state, local or foreign income or other tax consequences particular to their investment in the Notes.

By purchasing a Note, investors may be subject to certain income tax provisions of the Code. Some of the significant federal income tax consequences of purchasing a Note include the following:

- Although LISC is a 501(c)(3) organization, investors will not be entitled to a charitable deduction for Notes purchased by such investors. If an investor elects to donate earned interest or principal, LISC will provide an acknowledgement to the investor of the donation in accordance with Code Section 501(c)(3) charitable contribution requirements. However, an investor may not be eligible to utilize a charitable contribution tax deduction depending on their individual tax circumstances.
- Unless an investor holds the investor's Note through an IRA or other tax deferred account, any interest on such investor's Note will be taxed as ordinary income in the year it accrues regardless of whether interest is paid or compounded.
- Notes purchased in an IRA or other tax deferred account will be subject to the tax rules applicable to such an account, and consultation with a competent financial and tax adviser is recommended.
- Unless an investor holds the investor's Note through an IRA or other tax deferred account, LISC will cause the investor to be provided with a Form 1099-INT or the comparable form by January 31 of each year, as required by the Code, indicating the interest paid on the investor's Note(s) during the previous year.
- Investors will not be taxed on the return of any principal amount of their Notes or on the payment of interest that was previously taxed.
- Payments of interest may be subject to "backup withholding" of federal income tax (currently at the rate of 24%) if an investor fails to furnish LISC, Incapital, or its agents with a correct social security number or other tax identification number, or if an investor or the IRS have informed LISC, Incapital, or its agents the investor is subject to backup withholding.

In addition, if an investor has (or an investor and the investor's spouse together have) invested or loaned more than $250,000 in the aggregate with or to LISC and other organizations that control, are consolidated by, or under common control with LISC, the investor may be deemed to receive additional taxable interest under Code Section 7872 if the interest paid to the investor is below the applicable federal rate ("AFR"). In that situation, the IRS may impute income up to that AFR. If an investor believes this applies to such investor, the investor should consult the investor's tax advisor.

If the law creating the tax consequences described in this summary changes, this summary could become inaccurate. This summary is based on the Code, the Treasury Regulations promulgated by the U.S. Treasury Department under the Code, and administrative interpretations and court decisions existing as of the date of this prospectus. These authorities could be changed either prospectively or retroactively by future legislation, regulations, administrative interpretations, or court decisions. Accordingly, this summary may not accurately reflect the tax consequences of an investment in the Notes after the date of this prospectus.

Finally, this summary does not address every aspect of tax law that may be significant to an investor's particular circumstances. For instance, it does not address special rules that may apply if an investor is a financial institution or tax-exempt organization, or if an investor is not a citizen or resident of the United States. It also does not address any aspect of state, territorial, or local tax law that may apply to an investor.

Book-Entry Notes and DTC

LISC will issue the Notes in the form of one or more permanent global book-entry notes fully registered and deposited with or on behalf of DTC and registered in the name of Cede & Co., as nominee of DTC.

DTC has advised LISC as follows:

- DTC is a limited-purpose trust company under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered under Section 17A of the Securities Exchange Act.
- DTC holds securities that its participants deposit and facilitates the settlement among participants of securities transactions, such as transfers and pledges, in deposited securities, through electronic computerized book-entry changes in participants' accounts, thereby eliminating the need for physical movement of securities certificates.
- Direct participants include securities brokers and dealers, trust companies, clearing corporations, and other organizations.
- DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is owned by the users of its regulated consolidated affiliates.
- Access to the DTC system is also available to others, such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a direct participant, either directly or indirectly.
- The rules applicable to DTC and its participants are on file with the SEC.

LISC has provided the following descriptions of the operations and procedures of DTC solely as a matter of convenience. These operations and procedures are solely within the control of DTC and may be subject to change. LISC does not take any responsibility for these operations or procedures, and investors are urged to contact DTC or its participants directly to discuss these matters.

LISC expects that under procedures established by DTC:

- Upon deposit of the global Notes with DTC or its custodian, DTC will credit through its internal system the accounts of its direct participants with portions of the principal amounts of the global book-entry Notes.

- Ownership of the Notes will be shown on, and the transfer of ownership thereof will be effected only through, records maintained by DTC or its nominee, with respect to interests of direct participants, and the records of direct and indirect participants, with respect to interests of persons other than participants.

The laws of some jurisdictions require purchasers of securities to take physical delivery in definitive form. Accordingly, the ability to transfer interests in the book-entry Notes represented by a global book-entry Note to those persons may be limited. In addition, because DTC can act only on behalf of its participants, who in turn act on behalf of persons who hold interests through participants, the ability of a person having an interest in Notes represented by a global book-entry Note to pledge or transfer those interests to persons or entities that do not participate in DTC's system, or otherwise to take actions in respect of such interest, may be affected by the lack of a physical definitive security in respect of such interest.

So long as DTC or its nominee is the registered owner of a global book-entry Note, DTC or that nominee will be considered the sole owner or holder of the Notes represented by that global book-entry Note for all purposes under the Notes. Except as provided below, owners of beneficial interests in a global book-entry Note will not be entitled to have Notes represented by that global book-entry Note registered in their names, will not receive or be entitled to receive physical delivery of a certificated Note and will not be considered the owners or holders thereof under the Notes for any purpose. Accordingly, each beneficial holder owning a beneficial interest in a global book-entry Note must rely on the procedures of DTC and, if that beneficial holder is not a direct or indirect participant, on the procedures of the participant through which that beneficial holder owns its interest, to exercise any rights of a holder of Notes under the global book-entry Notes.

LISC will not have any responsibility or liability for any aspect of the records relating to or payments made on account of the Notes by DTC, or for maintaining, supervising, or reviewing any records of DTC relating to the Notes.

Payments on the Notes represented by the global book-entry Notes will be made to DTC or its nominee, as the case may be, as the registered owner thereof. LISC expects that DTC or its nominee, upon receipt of any payment on the Notes represented by a global book-entry Note, will credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the global book-entry Note as shown in the records of DTC or its nominee. LISC also expects that payments by participants to owners of beneficial interests in the global book-entry Notes held through such participants will be governed by standing instructions and customary practice, as is now the case with Notes held for the accounts of customers registered in the names of nominees for such customers. The participants will be responsible for those payments.

Payments on the Notes represented by the global book-entry Note will be made in immediately available funds. Transfers between participants in DTC will be effected in accordance with DTC rules and will be settled in immediately available funds.

HOW TO INVEST/PLAN OF DISTRIBUTION

General

Investors must consult the relevant pricing supplement, available from participating broker-dealers, in addition to this prospectus for applicable Note terms. The applicable interest rate for the Notes will be set forth in the relevant pricing supplement.

LISC has entered into a Selling Agent Agreement with Incapital, as the Lead Agent, and Incapital may resell the Notes to certain broker-dealers (the "selected dealers"). Notes may be purchased by retail investors through any selected dealer participating in the Incapital selling group. Institutional investors may purchase Notes directly from Incapital or a selected dealer. Selected dealers who effect transactions have agreed to sell Notes in accordance with the terms of this prospectus. Through this program with Incapital, LISC receives net proceeds from sales after sales compensation to Incapital and broker-dealers based on the maturity of the Notes sold, ranging from $997 per $1,000 of 1-year Notes to $982 per $1,000 of 10-year Notes. While LISC receives net proceeds after sales of less than the full par value, it uses operating funds to cover the discount such that each investor receives the full par value of a Note.

Except for Notes sold to level-fee accounts, Notes offered to the public will be offered at the public offering price set forth in the relevant pricing supplement. Selected dealers purchasing Notes on an agency basis for non-level fee client accounts shall purchase Notes at the public offering price. Notes purchased by the selected dealers for their own account may be purchased at the public offering price less the applicable concession. Notes purchased by the selected dealers on behalf of level-fee fiduciary accounts may be sold to such accounts at the public offering price less the applicable concession, in which case, such selected dealers will not retain any portion of the sales price as compensation.

Investment Suitability under the SEC's Regulation Best Interest

The SEC's Regulation Best Interest ("Regulation BI") under the Securities Exchange Act of 1934 establishes a "best interest" standard of conduct for broker-dealers and associated persons when they make a recommendation to a retail customer of any securities transaction or investment strategy involving securities. A broker-dealer must act in the best interest of the retail customer at the time the recommendation is made, without placing its own financial or other interest ahead of the retail customer's interest. This general obligation is satisfied only if a broker-dealer complies with four component obligations. (1) The Disclosure Obligation requires a broker-dealer, prior to or at the time of the recommendation, to provide a retail customer, in writing, full and fair disclosure of all material facts relating to the scope and terms of the relationship with the retail customer and all material facts relating to conflicts of interest that are associated with the recommendation. (2) The Care Obligation requires a broker-dealer to exercise reasonable diligence, care, and skill when making a recommendation to a retail customer. (3) The Conflict of Interest Obligation requires a broker-dealer to establish, maintain, and enforce written policies and procedures reasonably designed to address conflicts of interest associated with its recommendations to retail customers. (4) The Compliance Obligation requires a broker-dealer to establish, maintain, and enforce written policies and procedures reasonably designed to achieve compliance with Regulation Best Interest as a whole. Depending on individual investor circumstances, the obligations under Regulation BI may limit some potential investments in this offering.

FINANCIAL REPORTING

Within 180 days of its fiscal year-end, LISC will cause the audited financial statements for the most recent fiscal year to be made available to all current investors in the Notes. The most recent financial statements are also available on the LISC website by clicking the "Financial Statements" link on the "About" page of the LISC website at www.lisc.org/about-us/, or upon written request to LISC.

APPENDIX I

AUDITED FINANCIAL STATEMENTS OF LOCAL INITIATIVES SUPPORT CORPORATION AND AFFILIATES AS OF AND FOR THE FISCAL YEARS ENDED DECEMBER 31, 2019, DECEMBER 31, 2018 AND DECEMBER 31, 2017

Local Initiatives Support Corporation and Affiliates

Consolidating and Consolidated Financial Statements and Independent Auditor's Report

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

CohnReznick
ADVISORY • ASSURANCE • TAX

Local Initiatives Support Corporation and Affiliates

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Independent Auditor's Report

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

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidating and consolidated financial statements based on our audit. We did not audit the financial statements of certain consolidated partnerships, which statements reflect total assets of $31,187,960 as of December 31, 2019, and change in net assets of $(2,409,349) for the year then ended. Those statements were audited by other auditors whose reports have been furnished to us and our opinion, insofar as it relates to those amounts included for the consolidated partnerships, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidating and consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, based on our audit and the reports of the other auditors, the consolidating and consolidated financial statements referred to above present fairly, in all material respects, the financial position of Local Initiatives Support Corporation and Affiliates as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Standard

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

Report on Summarized Comparative Information

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

CohnReznick LLP

Bethesda, Maryland
June 30, 2020

Local Initiatives Support Corporation and Affiliates

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

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

See Notes to Consolidating and Consolidated Financial Statements.

Local Initiatives Support Corporation and Affiliates

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

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

See Notes to Consolidating and Consolidated Financial Statements.

Local Initiatives Support Corporation and Affiliates

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

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

See Notes to Consolidating and Consolidated Financial Statements.

Local Initiatives Support Corporation and Affiliates

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

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

Local Initiatives Support Corporation and Affiliates

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

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

See Notes to Consolidating and Consolidated Financial Statements.

Local Initiatives Support Corporation and Affiliates

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

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

Local Initiatives Support Corporation and Affiliates

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

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

See Notes to Consolidating and Consolidated Financial Statements.

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

Description of organization

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Summary of significant accounting policies

Consolidation

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

Financial statement presentation

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

Without Donor Restrictions

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

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

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

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

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

With Donor Restrictions

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

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

Estimates

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

Fair value

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that a reporting entity has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly and certain alternative investments that can be redeemed at or near balance sheet date (within 90 days).
- Level 3 inputs are unobservable inputs for the asset or liability and certain alternative investments that are not redeemable at or near balance sheet date (within 90 days).

Revenue recognition

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Secondary market loan sales

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

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

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

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

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

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

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

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

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

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

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

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

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

Contract-related assets

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

Investment in funds

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

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

Risks and uncertainties

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

Loans receivable and the allowance for uncollectible loans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Income taxes

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Note 2 - Net assets with donor restrictions

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

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

Note 3 - Availability and liquidity

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Note 5 - Contributions receivable

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

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

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

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

Note 6 - Government grants and contracts

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

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

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

Program loans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Recoverable grants to CDPs-sponsored projects

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

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

Note 8 - Grants payable

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

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

Note 9 - Temporary investments in Project Partnerships

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

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

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

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

Note 10 - Acquisitions

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

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

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

Note 11 - Property and equipment

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

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

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

Note 12 - Loans and bond payable

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

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

Loans and bonds payable maturities

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

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

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

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

Pledged assets

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

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

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

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

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

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

Note 13 - Pension and thrift plans

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

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

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

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

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

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

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

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

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

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

Fair values

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

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

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

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

Note 15 - Concentration of credit risk

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

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

Note 16 - Commitments and contingencies

Project Partnership guarantees and purchase commitments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Note 18 - Due from funds

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

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

Note 19 - Project Partnerships

Investment in Project Partnerships

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

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

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

Assignment of Project Partnership interests

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

Interest rate swaps held by CDA Partnerships

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

Note 20 - NMTC award administered

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

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

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

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

Note 21 - Subsequent events

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

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

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Local Initiatives Support Corporation and Affiliates

Consolidating and Consolidated Financial Statements and Independent Auditor's Report

December 31, 2018
(with Comparative Financial Information as of and for the Year Ended December 31, 2017)

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Accounting • Tax • Advisory

Local Initiatives Support Corporation and Affiliates

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Independent Auditor's Report

The Board of Directors
Local Initiatives Support Corporation

We have audited the accompanying consolidating and consolidated financial statements of Local Initiatives Support Corporation and Affiliates (the "Organization"), which comprise the consolidating and consolidated statement of financial position as of December 31, 2018, and the related consolidating and consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended and the related notes to the consolidating and consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidating and consolidated financial statements based on our audit. We did not audit the financial statements of certain consolidated partnerships, which statements reflect total assets of $22,506,648 as of December 31, 2018, and change in net assets of $(22,648) for the year then ended. Those statements were audited by other auditors whose reports have been furnished to us and our opinion, insofar as it relates to those amounts included for the consolidated partnerships, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidating and consolidated financial statements are free from material misstatement.

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

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

CohnReznick

Opinion

In our opinion, based on our audit and the reports of the other auditors, the consolidating and consolidated financial statements referred to above present fairly, in all material respects, the financial position of Local Initiatives Support Corporation and Affiliates as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Standard

As discussed in Note 1 of the consolidating and consolidated financial statements, Local Initiatives Support Corporation and Affiliates adopted the Financial Accounting Standards Board's (the "FASB") Accounting Standards Update ("ASU") No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* ("ASU 2016-14"), an amendment to FASB Accounting Standards Codification ("ASC") Topic 958 *Not-for-Profit Entities* (the "standard"), as of and for the year ended December 31, 2018. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Organization's 2017 consolidating and consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidating and consolidated financial statements in our report dated June 28, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited consolidating and consolidated financial statements from which it has been derived.

CohnReznick LLP

Bethesda, Maryland
June 27, 2019

Local Initiatives Support Corporation and Affiliates

Consolidating and Consolidated Statement of Financial Position
December 31, 2018
(With summarized comparative financial information as of December 31, 2017)

	LISC Parent Only								LISC Consolidated			
	Operating Funds		Loan Fund									
Assets	**Without Donor Restrictions**	**With Donor Restrictions**	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**	**LISC Affiliates**	**CDA Partnerships**	**Eliminations**	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**	**LISC Consolidated 2017 Total**
Cash and cash equivalents (Note 3 and 14)	$ 11,425,942	$ 71,995,990	$ 3,476,982	$ 28,502,508	$ 115,401,422	$ 45,014,862	$ 254,124	$ -	$ 60,171,910	$ 100,498,498	$ 160,670,408	$ 177,522,976
Restricted cash (Note 3 and 14)	-	-	-	-	-	2,740,658	2,265,146	-	5,005,804	-	5,005,804	3,489,100
Investments (Note 3 and 14)	77,638,861	-	13,461,097	42,396,445	133,496,403	-	-	-	91,099,958	42,396,445	133,496,403	134,045,865
Investments in affiliates	79,957,417	-	-	-	79,957,417	-	-	(79,957,417)	-	-	-	-
Accrued interest receivable	2,750,137	-	-	-	2,750,137	26,664	-	(28,134)	2,748,667	-	2,748,667	2,038,585
Contributions receivable, net (Note 5)	387,564	41,548,646	-	4,700,000	46,636,210	-	-	-	387,564	46,248,646	46,636,210	37,412,313
Government grants and contracts receivable (Note 6)	409,773	17,967,162	-	750,238	19,127,173	-	-	-	409,773	18,717,400	19,127,173	27,820,758
Notes and other receivables	597,213	-	-	-	597,213	35,776,365	325,046	(2,150,290)	34,548,334	-	34,548,334	10,306,760
Due from funds (Note 18)	2,659,131	-	-	-	2,659,131	6,919,407	-	(2,746,063)	6,832,475	-	6,832,475	5,604,726
Loan receivable (Note 7)	-	-	425,920,919	6,138,862	432,059,781	1,459,990	-	(205,715)	427,175,194	6,138,862	433,314,056	351,510,090
Allowance for uncollectible loans	-	-	(25,678,087)	-	(25,678,087)	(833,333)	-	-	(26,511,420)	-	(26,511,420)	(22,163,439)
Total loans, net	-	-	400,242,832	6,138,862	406,381,694	626,657	-	(205,715)	400,663,774	6,138,862	406,802,636	329,346,651
Recoverable grants to CDPs, net (Note 7)	7,483,281	2,435,883	-	209,390	10,128,554	-	-		7,483,281	2,645,273	10,128,554	8,398,768
Prepaid expenses and other assets	1,079,252	620,632	-	-	1,699,884	3,888,048	1,328,373	(85,025)	6,210,648	620,632	6,831,280	7,507,047
Temporary investment in Project Partnerships (Note 9)	-	-	-	-	-	57,111,500	-	-	57,111,500	-	57,111,500	68,360,264
Investment in Funds	-	-	-	-	-	2,022,471			2,022,471	-	2,022,471	3,363,455
Investment in Project Partnerships (Note 19)	-	-	-	-	-	52,824	-	-	52,824	-	52,824	60,288
Property and equipment, net (Note 11)	1,271,025	-	-	-	1,271,025	2,203,848	60,280,767	-	63,755,640	-	63,755,640	76,815,306
Intangible asset						2,400,000			2,400,000		2,400,000	-
Total assets	$ 185,659,596	$ 134,568,313	$ 417,180,911	$ 82,697,443	$ 820,106,263	$ 158,783,304	$ 64,453,456	$ (85,172,644)	$ 740,904,623	$ 217,265,756	$ 958,170,379	$ 892,092,862
Liabilities and Net Assets (Deficits)												
Liabilities:												
Accounts payable and accrued expenses (Note 16)	$ 18,398,848	$ 1,230,039	$ -	$ -	$ 19,628,887	$ 17,085,911	$ 12,191,707	$ (1,546,192)	$ 46,130,274	$ 1,230,039	$ 47,360,313	$ 43,158,490
Government contracts and loan-related advances	4,657,263	12,516	-	-	4,669,779	-	-	-	4,657,263	12,516	4,669,779	6,713,668
Grants payable (Note 8)	-	34,994,660	-	-	34,994,660	2,010,000	-	(2,010,000)	-	34,994,660	34,994,660	48,387,660
Due to affiliates	-	-	-	-	-	3,667,614	-	(3,667,614)	-	-	-	-
Capital contributions due to temporary investment in Project Partnerships (Note 9)	-	-	-	-	-	50,217,469	-	-	50,217,469	-	50,217,469	57,616,465
Deferred liabilities	-	-	-	-	-	6,319,090	55,612	-	6,374,702	-	6,374,702	7,902,638
CDA Partnerships - Long-Term Debt, net (Note 17)	-	-	-	-	-	-	49,851,126		49,851,126	-	49,851,126	58,549,149
CDA Partnerships - Notes Payable to Funds	-	-	-	-	-	-	3,216,914		3,216,914	-	3,216,914	4,828,720
Loans and bond payable, net (Note 12)	4,900,000	-	432,858,998	-	437,758,998	438,741		(438,741)	437,758,998	-	437,758,998	372,580,049
Total liabilities	27,956,111	36,237,215	432,858,998	-	497,052,324	79,738,825	65,315,359	(7,662,547)	598,206,746	36,237,215	634,443,961	599,736,839
Commitments and contingencies (Note 16)												
Net assets:												
Net assets attributable to the Organization (Note 2)	157,703,485	98,331,098	(15,678,087)	82,697,443	323,053,939	79,044,479	-	(79,044,479)	142,025,398	181,028,541	323,053,939	287,406,415
Net assets attributable to the noncontrolling in Project Partnerships	-	-	-	-	-	-	(861,903)	1,534,382	672,479	-	672,479	4,949,608
Total net assets (deficit)	157,703,485	98,331,098	(15,678,087)	82,697,443	323,053,939	79,044,479	(861,903)	(77,510,097)	142,697,877	181,028,541	323,726,418	292,356,023
Total liabilities and net assets	$ 185,659,596	$ 134,568,313	$ 417,180,911	$ 82,697,443	$ 820,106,263	$ 158,783,304	$ 64,453,456	$ (85,172,644)	$ 740,904,623	$ 217,265,756	$ 958,170,379	$ 892,092,862

See Notes to Consolidating and Consolidated Financial Statements.

Local Initiatives Support Corporation and Affiliates

Consolidating and Consolidated Statement of Activities and Changes in Net Assets
Year Ended December 31, 2018
(With summarized comparative financial information for the year ended December 31, 2017)

	LISC Parent Only								LISC Consolidated 2018			
	Operating Funds		Loan Fund									
SUPPORT AND REVENUES	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	LISC Parent Only	LISC Affiliates	CDA Partnerships	Eliminations	Without Donor Restrictions	With Donor Restrictions	Total	LISC Consolidated 2017 Total
Contributions (Note 5)	$ 503,428	$ 90,743,808	$ -	$ 6,000,000	$ 97,247,236	$ 625,000	$ -	$ (625,000)	$ 503,428	$ 96,743,808	$ 97,247,236	$ 68,021,953
Government grants & contracts (Note 6)	4,471,945	20,955,767	-	12,500,000	37,927,712	-	-	-	4,471,945	33,455,767	37,927,712	38,705,461
Interest income on investments	2,189,103	-	-	652,596	2,841,699	1,457,525	4,361	-	3,650,989	652,596	4,303,585	1,938,733
Interest income on loans to CDPs (Note 7)	23,191,831	-	-	-	23,191,831	178,740	-	-	23,370,571	-	23,370,571	17,877,900
Fee income	-	-	-	-	-	53,756,031	-	(262,849)	53,493,182	-	53,493,182	52,262,155
Other income	6,573,363	75,435	-	-	6,648,798	10,103,761	6,648,016	(4,867,015)	18,458,125	75,435	18,533,560	20,106,479
Equity in earnings of affiliates	16,449,062	-	-	-	16,449,062	-	-	(16,449,062)	-	-	-	-
Net assets released from restrictions	94,864,577	(90,586,480)	-	(4,278,097)	-	-	-	-	94,864,577	(94,864,577)	-	-
Total support and revenues	148,243,309	21,188,530	-	14,874,499	184,306,338	66,121,057	6,652,377	(22,203,926)	198,812,817	36,063,029	234,875,846	198,912,681
EXPENSES												
Program Services:												
Project development and other program activities	46,043,188	-	-	-	46,043,188	42,103,245	8,282,037	(4,800,638)	91,627,832	-	91,627,832	96,361,644
Project grants (Note 8)	48,808,630	-	-	-	48,808,630	11,123,549	-	(11,005,000)	48,927,179	-	48,927,179	51,483,766
Project loans:												
Interest	14,539,226	-	-	-	14,539,226	6,514	2,140,371	(164,470)	16,521,641	-	16,521,641	9,930,920
Provision for loss on receivable	-	-	-	-	-	1,057,152	21,945	(40,004)	1,039,093	-	1,039,093	713,510
Increase in provision for uncollectible loans to CDPs (Note 7)	1,579,110	-	3,662,648	-	5,241,758	-	-	-	5,241,758	-	5,241,758	4,265,106
Provision for uncollectible recoverable grants to CDPs (Note 7)	2,526,383	-	-	-	2,526,383	-	-	-	2,526,383	-	2,526,383	867,558
Total program services	113,496,537	-	3,662,648	-	117,159,185	54,290,460	10,444,353	(16,010,112)	165,883,886	-	165,883,886	163,622,504
Supporting Services:												
Management and general	24,481,311	-	-	-	24,481,311	9,725,918	-	(267,926)	33,939,303	-	33,939,303	26,352,879
Fund raising	6,297,761	-	-	-	6,297,761	-	-	-	6,297,761	-	6,297,761	5,806,004
Total supporting services	30,779,072	-	-	-	30,779,072	9,725,918	-	(267,926)	40,237,064	-	40,237,064	32,158,883
Total expenses	144,275,609	-	3,662,648	-	147,938,257	64,016,378	10,444,353	(16,278,038)	206,120,950	-	206,120,950	195,781,387
Change in net assets before gains and losses on investments derivatives, equity in losses of partnership projects and other noncontrolling interest activities	3,967,700	21,188,530	(3,662,648)	14,874,499	36,368,081	2,104,679	(3,791,976)	(5,925,888)	(7,308,133)	36,063,029	28,754,896	3,131,294
Transfers: Board designated net assets for loan fund activities	1,000,000	-	(1,000,000)	-	-							
Realized & unrealized loss on investments	(720,557)	-	-	-	(720,557)	-	-	-	(720,557)	-	(720,557)	(71,246)
Realization of unrealized gain on investment securities available for sale by the operating partnerships	-	-	-	-	-	-	67,063	-	67,063	-	67,063	78,808
Gain on transfer of temporary investments in project partnerships	-	-	-	-	-	-	-	-	-	-	-	241,794
Equity in losses of project partnerships	-	-	-	-	-	-	234,275	(206,160)	28,115	-	28,115	359,888
Capital contributions	-	-	-	-	-	5,900,000	-	(5,900,000)	-	-	-	-
Gain on transfer of interest in CDA Partnerships (Note 19)	-	-	-	-	-	-	4,561,842	(1,382,484)	3,179,358	-	3,179,358	3,095,989
Change in net assets before noncontrolling interest activities	4,247,143	21,188,530	(4,662,648)	14,874,499	35,647,524	8,004,679	1,071,204	(13,414,532)	(4,754,154)	36,063,029	31,308,875	6,836,527
Other noncontrolling interest activities:												
Noncontrolling capital contributions	-	-	-	-	-	-	370,935	(309,415)	61,520	-	61,520	120,325
Change in net assets	4,247,143	21,188,530	(4,662,648)	14,874,499	35,647,524	8,004,679	1,442,139	(13,723,947)	(4,692,634)	36,063,029	31,370,395	6,956,852
Net assets (deficit), beginning of year	153,456,342	77,142,568	(11,015,439)	67,822,944	287,406,415	71,039,800	(2,304,042)	(63,786,150)	147,390,511	144,965,512	292,356,023	285,399,171
Net asset (deficit), end of year	$157,703,485	$ 98,331,098	$ (15,678,087)	$ 82,697,443	$323,053,939	$ 79,044,479	$ (861,903)	$ (77,510,097)	$142,697,877	$ 181,028,541	$323,726,418	$292,356,023

See Notes to Consolidating and Consolidated Financial Statements.

Local Initiatives Support Corporation and Affiliates

Consolidating and Consolidated Statement of Functional Expenses
Year Ended December 31, 2018

	LISC Parent Only				LISC Affiliates			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and fringe benefits	$ 27,497,268	$ 18,554,281	$ 4,963,790	$ 51,015,339	$ 26,729,703	$ 6,996,883	$ -	$ 33,726,586
Staff travel and related expenses	1,154,843	779,251	208,472	2,142,566	1,073,716	288,601	-	1,362,317
Professional services, consulting and legal	11,507,329	240,710	74,569	11,822,608	5,095,865	267,867	-	5,363,732
Office and administrative	-	-	-	-	-	105,752	-	105,752
CDA Partnerships - property expense	-	-	-	-	-	-	-	-
NMSC reimbursable costs	-	-	-	-	4,498,281	-	-	4,498,281
Depreciation and amortization	423,885	286,024	76,519	786,428	661,012	140,344	-	801,356
Service fees	-	-	-	-	100,000	-	-	100,000
Rent and utilities	2,305,222	1,555,490	416,138	4,276,850	1,332,697	283,711	-	1,616,408
Office supplies, postage and messenger	873,513	589,418	157,686	1,620,617	519,070	379,463	-	898,533
Bank fees and other financial expenses	-	518,140	-	518,140	-	182,559	-	182,559
Accounting and auditing fees	-	420,950	-	420,950	-	355,787	-	355,787
Conference and meeting	612,308	413,166	110,534	1,136,008	231,168	65,710	-	296,878
Telephone	497,544	335,727	89,816	923,087	389,101	91,271	-	480,372
Insurance	235,437	158,865	42,501	436,803	384,742	120,806	-	505,548
Equipment rental	141,832	95,703	25,603	263,138	70,771	16,600	-	87,371
Board expenses	-	39,684	-	39,684	-	-	-	-
Printing, annual report and publications	77,916	52,575	14,065	144,556	620,727	145,603	-	766,330
Project grants	48,808,630	-	-	48,808,630	11,123,549	-	-	11,123,549
Interest	14,539,226	-	-	14,539,226	6,514	-	-	6,514
Provision for loss on receivables	-	-	-	-	1,057,152	-	-	1,057,152
Provision for uncollectible recoverable grants to CDCs	2,526,383	-	-	2,526,383	-	-	-	-
Provision for uncollectible loans to CDCs	5,241,758	-	-	5,241,758	-	-	-	-
Miscellaneous	716,091	441,327	118,068	1,275,486	396,392	284,961	-	681,353
Total	$ 117,159,185	$ 24,481,311	$ 6,297,761	$ 147,938,257	$ 54,290,460	$ 9,725,918	$ -	$ 64,016,378

Local Initiatives Support Corporation and Affiliates

Consolidating and Consolidated Statement of Functional Expenses
Year Ended December 31, 2018

	CDA Partnerships				Eliminations			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and fringe benefits	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Staff travel and related expenses	-	-	-	-	-	-	-	-
Professional services, consulting and legal	-	-	-	-	-	-	-	-
Office and administrative	-	-	-	-	(302,357)	(122,569)	-	(424,926)
CDA Partnerships - property expense	5,265,940	-	-	5,265,940	(40,004)	-	-	(40,004)
NMSC reimbursable costs	-	-	-		(4,498,281)	-	-	(4,498,281)
Depreciation and amortization	3,016,097	-	-	3,016,097	-	-	-	-
Service fees	-	-	-	-	-	-	-	-
Rent and utilities	-	-	-	-	-	(138,774)	-	(138,774)
Office supplies, postage and messenger	-	-	-	-	-	-	-	-
Bank fees and other financial expenses	-	-	-	-	-	-	-	-
Accounting and auditing fees	-	-	-	-	-	-	-	-
Conference and meeting	-	-	-	-	-	-	-	-
Telephone	-	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-	-
Equipment rental	-	-	-	-	-	-	-	-
Board expenses	-	-	-	-	-	-	-	-
Printing, annual report and publications	-	-	-	-	-	-	-	-
Project grants	-	-	-	-	(11,005,000)	-	-	(11,005,000)
Interest	2,140,371	-	-	2,140,371	(164,470)	-	-	(164,470)
Provision for loss on receivables	21,945	-	-	21,945	-	-	-	-
Provision for uncollectible recoverable grants to CDCs	-	-	-	-	-	-	-	-
Provision for uncollectible loans to CDCs	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	(6,583)	-	(6,583)
Total	$ 10,444,353	$ -	$ -	$10,444,353	$ (16,010,112)	$ (267,926)	$ -	$ (16,278,038)

Local Initiatives Support Corporation and Affiliates

Consolidating and Consolidated Statement of Functional Expenses
Year Ended December 31, 2018

	LISC Consolidated 2018			
	Program Services	Management and General	Fundraising	Total
Salaries and fringe benefits	$ 54,226,971	$ 25,551,164	$ 4,963,790	$ 84,741,925
Staff travel and related expenses	2,228,559	1,067,852	208,472	3,504,883
Professional services, consulting and legal	16,603,194	508,577	74,569	17,186,340
Office and administrative	(302,357)	(16,817)	-	(319,174)
CDA Partnerships - property expense	5,225,936	-	-	5,225,936
NMSC reimbursable costs	-	-	-	-
Depreciation and amortization	4,100,994	426,368	76,519	4,603,881
Service fees	100,000	-	-	100,000
Rent and utilities	3,637,919	1,700,427	416,138	5,754,484
Office supplies, postage and messenger	1,392,583	968,881	157,686	2,519,150
Bank fees and other financial expenses	-	700,699	-	700,699
Accounting and auditing fees	-	776,737	-	776,737
Conference and meeting	843,476	478,876	110,534	1,432,886
Telephone	886,645	426,998	89,816	1,403,459
Insurance	620,179	279,671	42,501	942,351
Equipment rental	212,603	112,303	25,603	350,509
Board expenses	-	39,684	-	39,684
Printing, annual report and publications	698,643	198,178	14,065	910,886
Project grants	48,927,179	-	-	48,927,179
Interest	16,521,641	-	-	16,521,641
Provision for loss on receivables	1,079,097	-	-	1,079,097
Provision for uncollectible recoverable grants to CDCs	2,526,383	-	-	2,526,383
Provision for uncollectible loans to CDCs	5,241,758	-	-	5,241,758
Miscellaneous	1,112,483	719,705	118,068	1,950,256
Total	$ 165,883,886	$ 33,939,303	$ 6,297,761	$ 206,120,950

See Notes to Consolidating and Consolidated Financial Statements.

Local Initiatives Support Corporation and Affiliates

Consolidating and Consolidated Statement of Cash Flows
Year Ended December 31, 2018
(With comparative financial information for the year ended December 31, 2017)

	LISC Parent Only	LISC Affiliates	CDA Partnerships	Eliminations	2018	2017
Cash flows from operating activities:						
Change in net assets	$ 35,647,524	$ 8,004,679	$ 1,442,139	$ (13,723,947)	$ 31,370,395	$ 6,836,527
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:						
Equity in earnings of affiliate	(16,449,062)	-	-	16,449,062	-	-
Distributions from investment in affiliates	4,782,106	-	-	(4,782,106)	-	-
Recovery of loan losses	-	(380,376)	-	258,602	(121,774)	(135,270)
Gain on transfer of temporary investments in Project Partnerships	-	-	-	-	-	(241,794)
Gain on sale of investment in real estate company	-	(2,645)	-	2,645	-	-
Gain on forgiveness of debt	-	-	(234,275)	206,162	(28,113)	(359,888)
Gain on sale of limited partnership interest in Fund	-	(18,642)	-	-	(18,642)	-
Loss on transfer of interest in CDA partnerships	-	-	-	(3,179,358)	(3,179,358)	(3,095,989)
Amortization of discounts and issuance costs	63,247	-	36,566	-	99,813	731,516
Depreciation and amortization	786,428	801,356	3,016,097	-	4,603,881	4,984,732
Realized and unrealized loss (gain) on investments	720,557	-	-	-	720,557	71,246
Unrealized gain on interest rate swaps held by Project Partnerships	-	-	(67,063)	-	(67,063)	(78,808)
Equity in income	-	(65,384)	-	-	(65,384)	(11,341)
(Decrease) increase in allowance for loans to CDPs, net	5,241,758	685,333	-	(685,333)	5,241,758	4,265,106
Provision for loss on receivables	-	1,057,152	21,945	-	1,079,097	713,510
Provision for uncollectible recoverable grants	2,526,383	-	-	-	2,526,383	867,558
Change in operating assets and liabilities						
Accrued interest receivable	(673,026)	(5,367)	-	(31,689)	(710,082)	(433,742)
Contributions receivable	(8,647,299)	-	-	-	(8,647,299)	(15,573,650)
Government contracts receivable	8,693,585	-	-	-	8,693,585	10,087,659
Notes and other receivables	-	(7,872,132)	63,656	(379,823)	(8,188,299)	306,954
Prepaid expenses and other assets	(224,384)	(536,039)	40,821	-	(719,602)	164,123
Accounts payable and accrued expenses	2,432,300	(407,368)	856,628	72,850	2,954,410	11,183,326
Government contracts and loan-related advances	669,939	-	-	-	669,939	(19,010,289)
Due from affiliate	1,468,955	(1,361,684)	-	(107,271)	-	-
Due from funds	-	(1,264,836)	-	-	(1,264,836)	3,183,655
Grants payable	(13,393,000)	(350,000)	-	350,000	(13,393,000)	(27,621,020)
Deferred liabilities	-	(1,364,939)	(150,247)	2,645	(1,512,541)	2,078,712
Net cash provided by (used in) operating activities	23,646,011	(3,080,892)	5,026,267	(5,547,561)	20,043,825	(21,087,167)
Cash flows from investing activities:						
Purchase of investments	(3,075,831)	-	-	-	(3,075,831)	(3,870,134)
Proceeds from sale and maturities of investments	2,904,737	-	-	-	2,904,737	1,370,046
Recoverable grants to CDPs	(6,646,031)	-	-	(770,359)	(7,416,390)	(2,798,574)
Repayments received on recoverable grants to CDPs	3,160,220	-	-	-	3,160,220	3,244,184
Loans to CDPs	(197,329,453)	-	-	233,968	(197,095,485)	(209,271,163)
Repayments of loans to CDPs	114,380,502	17,240	-	-	114,397,742	136,363,800
(Increase) in note receivable	-	(16,580,604)	-	(56,000)	(16,636,604)	43,228
Contributions to temporary investments in Project Partnerships and Funds	-	(58,010,558)	-	-	(58,010,558)	(49,291,830)
Distributions from investments in Funds	-	3,460,921	-	-	3,460,921	972,482
Proceeds from sale of temporary investment in Project Partnerships and Funds	-	61,860,326	-	-	- 61,860,326	62,418,044
Contributions to investments in Funds		(1,980,947)	-	-	(1,980,947)	(2,705,820)
Investment in Project Partnerships	-	7,464	-	-	7,464	(1,851)
Transfer of interest in CDA partnerships	-	-	(5,533,625)	5,169,916	(363,709)	(90,217)
Net proceeds from sale of real estate property	-	2,645	-	(2,645)	-	-
Restricted cash escrow	-	78,790	267,375	-	346,165	(610,721)
Sale of computer software	-	103,899	-	-	103,899	-
Purchase of property and equipment	(198,419)	(200,792)	(816,710)	-	(1,215,921)	(2,596,279)
Net cash used in investing activities	(86,804,275)	(11,241,616)	(6,082,960)	4,574,880	(99,553,971)	(66,824,805)

Local Initiatives Support Corporation and Affiliates

Consolidating and Consolidated Statement of Cash Flows
Year Ended December 31, 2018
(With comparative financial information for the year ended December 31, 2017)

	LISC Parent Only	LISC Affiliates	CDA Partnerships	Eliminations	2018	2017
Cash flows from financing activities:						
Debt issuance costs paid	-	-	-	-	-	(304,814)
Proceeds from loans payable	99,919,612	16,944,551	157,000	(157,000)	116,864,163	278,545,108
Repayment of loans payable	(34,803,910)	(16,944,551)	-	-	(51,748,461)	(223,198,779)
Proceeds from long-term debt	-	-	-	-	-	29,240,350
Repayment of long-term debt	-	-	(270,078)	-	(270,078)	(31,631,280)
Proceeds from notes payable - NEF Funds	-	-	211,954	-	211,954	1,016,150
Due to affiliate	-	(1,129,681)	-	1,129,681	-	-
CDA capital contribution	-	-	-	-	-	120,325
Capital contribution	-	(2,400,000)	-	2,400,000	-	-
Intangible asset	-	-	-	(2,400,000)	(2,400,000)	-
Distribution to noncontrolling interests	-	-	-	-	-	-
Net cash provided by (used in) financing activities	65,115,702	(3,529,681)	98,876	972,681	62,657,578	53,787,060
Net increase (decrease) in cash and cash equivalents	1,957,438	(17,852,189)	(957,817)	-	(16,852,568)	(34,124,912)
Cash and cash equivalents, beginning of year	113,443,984	62,867,051	1,211,941	-	177,522,976	211,647,888
Cash and cash equivalents, end of year	$ 115,401,422	$ 45,014,862	$ 254,124	$ -	$ 160,670,408	$ 177,522,976
Cash paid during the year for:						
Interest on indebtedness	$ 12,227,702	$ 96,520	$ 1,315,915	$ -	$ 13,640,137	$ 9,813,713
Supplemental disclosures of noncash investing activities:						
Disposal of fully appreciated fixed assets	$ 18,010	$ -	$ -	$ -	$ 18,010	$ 188,851
Fixed assets inclued in accounts payable and accrued expenses	$ 30,355	$ -	$ -	$ -	$ 30,355	$ -
Capital contributions via assignment of SBA's 7(a) lender license	$ -	$ 2,400,000	$ -	$ (2,400,000)	$ -	$ -
Increase in temporary investments in Project Partnerships: and capital contributions due to temporary investments in Project Partnerships for the acquisition of Project Partnerships	$ -	$ 440,875,071	$ -	$ -	$ 440,875,071	$ 303,636,518
Decrease in temporary investments in Project Partnerships and capital contributions due to temporary investments in Project Partnerships for the assignment of Project Partnerships to limited partnerships	$ -	$ 390,263,509	$ -	$ -	$ 390,263,509	$ 336,632,021
Supplemental disclosure of cash and noncash investing activities related to deconsolidation of CDA Partnerships:						
Assets transferred	$ -	$ -	$ (10,074,836)	$ -	$ (10,074,836)	$ (3,740,836)
Liabilities transferred	-	-	13,467,555	-	13,467,555	6,473,412
Noncontrolling interest	-	-	(3,029,010)	-	(3,029,010)	(2,642,359)
Cash paid	$ -	$ -	$ 363,709	$ -	$ 363,709	$ 90,217

See Notes to Consolidating and Consolidated Financial Statements.

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

Description of organization

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

National Equity Fund, Inc. ("NEF") was organized as an Illinois not-for-profit corporation to create a national investment pool to aggregate and channel corporate equity investments into affordable housing developments. Since 1987, NEF has sponsored over 210 separate limited partnerships and limited liability companies (the "Funds") in which investments are made in affordable housing projects (the "Project Partnerships"). Generally, NEF's activities include obtaining commitments from investors, identifying and investing in affordable housing properties to be constructed or rehabilitated through partnerships with nonprofit organizations and private developers, and then monitoring the performance of such properties after completion. Benefits to fund investors are derived principally from Low-Income Housing Tax Credits ("LIHTC").

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

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

	2018		2017	
	Unaudited		Unaudited	
	Assets	Liabilities	Assets	Liabilities
Special-purpose entity manager:				
NEF 2009 LLC	$ 3,948,907	$ 2,698,908	$ 3,830,975	$ 2,603,206
National Equity Fund 2011 LLC	9,207,965	4,361,627	9,027,810	4,203,802
NEF 2011 Fund Manager LLC	4,181,720	3,010,595	4,047,635	2,898,435
NEF 2012 Fund Manager LLC	5,358,091	4,516,008	5,204,705	4,379,664
NEF 2013 Fund Manager LLC	4,537,760	4,228,694	4,031,317	4,127,793
NEF 2014 Fund Manager LLC*	4,977,950	6,274,400	4,603,569	6,118,388

* It is expected that assets will exceed liabilities once all syndication revenues and asset management fees have been earned.

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

In 2018 and 2017, NEFCI managed and invested in the NEF Preservation Fund I LP, NEF Preservation Fund II LP, and NEF Mortgage Loan Fund I LP (collectively "NEF Preservation Funds"). The NEF Preservation Funds' purpose is to provide debt and/or equity financing to develop and preserve investments that meet the community development needs of low-income communities, including (but not limited to), affordable housing projects at or near the end of the low-income housing tax credit compliance period under Section 42 of the federal code. During 2018, NEFCI sold its limited partnership interest in NEF Preservation Mortgage Loan Fund I LP to an unrelated third party at a gain of $18,642, which is included in Other Income in the accompanying consolidating and consolidated statement of activities and changes in net assets.

NEFCI also manages and invests in the NYC Distressed Multifamily Housing Fund I LP and NYC Distressed Multifamily Housing Fund II LP (collectively "NYC Distressed Funds"), whose purpose is to provide financing to develop and preserve distressed multifamily rental housing for low and moderate-income households and for other related community development projects.

Community Development Advocates, Inc. or its sister companies (collectively referred to as "CDA"), subsidiaries of NEF, acts as general partners in certain Project Partnerships to facilitate the promotion or rehabilitation of low-income housing. As of December 31, 2018 and 2017, CDA was the general partner of eight and twelve Project Partnerships, respectively. The Project Partnerships where CDA acts as the general partner are collectively referred to as the "CDA Partnerships". The Funds are the limited partners of the CDA Partnerships.

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

New Markets Support Company, LLC ("NMSC") is a Delaware limited liability company formed in 2003 to manage the New Markets Tax Credit ("NMTC") activities of LISC. As of December 31, 2018 and 2017, LISC, the sole member of NMSC, has received $993 million of NMTC investment authority from the Community Development Financial Institutions Fund of the U.S. Department of the Treasury ("CDFI Fund").

The NMTC program provides investors with credits against federal income taxes they incur. NMTCs are passed through to an investor for each Qualified Equity Investment ("QEI") made in a Community Development Entity ("CDE") certified as such by the CDFI Fund. The investor receives credits over a seven-year period for each QEI, equal to 39% of the QEI amount (5% during each of years one through three and 6% during each of years four through seven). The CDE uses the QEI proceeds to make Qualified Low-Income Community Investments ("QLICIs") to Qualified Active Low-Income Community Businesses ("QALICBs"). QLICIs include loans to or equity investments in QALICBs or other CDEs. CDEs must comply with various federal requirements or investors risk recapture of tax credits plus penalties and interest thereon.

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

NMSC also provides NMTC transaction related consulting, administration, accounting, reporting, loan servicing, compliance and software services to unrelated third parties. These services are generally provided to organizations with similar community development missions and investing objectives as LISC. NMSC also provided management services to LISC for set-up and administration of its Small Business Lender programs. NMSC has discontinued providing services specific to LISC's Small Business Lending programs and as of December 31, 2018, NMSC has no further obligations with regard to these programs.

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

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

At December 31, 2018, immito LLC has not closed any loan transactions, which is considered as its main business operating activity.

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

LISC is also the sole member of Local Initiatives Managed Assets Corporation ("LIMAC"), The Retail Initiative Inc. ("TRI"), LISC Louisiana Loan Fund LLC ("LLLF"), and Neighborhood Properties, LLC ("NP"). LIMAC, TRI, LLLF, and NP have limited activity. LIMAC was originally established in 1986 to create a national secondary market for affordable housing and community development loans. TRI was formed to attract, invest, and manage pools of equity and debt capital, which are to be invested in neighborhood retail centers and other related commercial projects in low- and moderate-income communities. LLLF was formed to serve as the vehicle through which LISC provides acquisition and predevelopment financings to support development of affordable and mixed-income housing in hurricane impacted parishes of Louisiana. NP was formed to take title on collateral property foreclosed by LISC where LISC is the highest bidder at public auction.

Summary of significant accounting policies

Consolidation

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

Financial statement presentation

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

Without Donor Restrictions

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

The "Loan Funds - Without Donor Restrictions" is used to record loans and bonds payable proceeds mainly provided to the Organization by financial institutions, insurance companies, foundations, government agencies, and other nonprofits with lender-imposed restrictions that may include making loans to Community Development Projects ("CDPs") in certain geographic areas.

In some instances, loans payable proceeds are provided to fund recoverable grants to CDPs. These funds as well as the related recoverable grant activities are recorded in the "Operating Funds Without Donor Restrictions."

As of December 31, 2018, and 2017, Loan Funds - Without Donor Restrictions consist of $10 million and $11 million of board-designated net assets, respectively.

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

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

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

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

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

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

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

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

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

Revenue recognition
NEF (or its subsidiaries) earns its revenues by providing syndication services, including organization, acquisition, construction monitoring services, asset management, disposition and other services to the Funds. The deferred revenue balance in the accompanying consolidating and consolidated financial statement represents fees contractually due from or prepaid by the Funds in accordance with terms of the Funds' agreements in excess of revenue recognized during 2018 and 2017.

Pursuant to NEF's policy, 25% of the syndication fee is recognized as a reimbursement of Fund offering and organization costs incurred by NEF, 45% is recognized as an acquisition fee upon closings of Funds' Project Partnerships, and the last 30% is recognized as a construction management fee during the construction period of those Project Partnerships. An annual project asset management fee is assessed for each Project Partnership in a particular fund. Annual project asset management fees are recognized as services are provided over the 15-year compliance period, after the project has reached qualified occupancy. In addition, NEF is reimbursed for legal closing costs associated with the acquisition of the Project Partnerships.

In addition, NEF may earn additional contingent fees on certain Funds based upon certain events, as defined. Contingent fees are recognized after the related contingencies have been satisfied and were $232,428 and $3,045,141 in 2018 and 2017, respectively. The contingent fees are included in fee income in the accompanying consolidating and consolidated statement of activities and changes in net assets.

NEF recognizes rental income as rentals become due. Rental payments received in advance are deferred until earned. All leases between the partnership and the tenants of the property are operating leases.

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

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

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

Restricted cash
As of December 31, 2018 and 2017, NEF had total restricted cash of $2,466,153 and $0, respectively, which is included within Net Assets Without Donor Restrictions in the accompanying consolidating and consolidated statements of financial position and has been designated for distributions to investors for Funds.

As of December 31, 2018, and 2017, NEF had restricted cash of $67,101 and $249,258, respectively, associated with NEF Preservation Fund I LP. Pursuant to the terms of the limited partnership agreement, this money is to be used to provide support services at the Project Partnership level. In addition, as of December 31, 2018 and 2017, NEF also has restricted cash of $2,416,199 and $3,089,831, respectively, pursuant to terms of certain agreements.

As of December 31, 2018, and 2017, NEF had restricted cash of $0 and $14,870, respectively, associated with the sale of one Project Partnership during 2017.

NMSC acts as a fiduciary agent and collects debt service payments from borrowers on behalf of related or third party lenders. Debt service payments received are deposited into restricted cash accounts and are disbursed monthly to the related or third party lenders. As the agent, NMSC recognizes a liability to the related or third party lenders concurrent with its receipt of the debt service payments. As of December 31, 2018, and 2017, restricted cash includes debt service payments of $47,810 and $135,141, respectively, and certain CDE distributions of $2,234 and $0, respectively, held by NMSC on behalf of certain Investment Funds.

immito, LLC's restricted cash includes cash amounts held in separate accounts and restricted for use. Restricted cash at December 31, 2018 was $6,307.

Investments
Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value in the consolidating and consolidated statement of financial position. Fair value of equity securities is based on quoted market prices. Fair values of fixed maturity securities, other than those based on quoted market prices, are based on prices provided by the Organization's custodian bank. The custodian bank uses a variety of pricing sources to determine market valuations. Each designates specific pricing services or indexes for each sector of the market upon the provider's expertise. The fair values of alternative investments are based on the net asset value, a practical expedient provided by the investment managers or general partners. Those estimated net asset values may differ significantly from the values that would have been used had a ready market for these securities existed.

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

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

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

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

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

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

Allowance for uncollectible loans/provision for loss on receivables
LISC's allowance for uncollectible loans is maintained at a level that, in management's judgment, is adequate to provide for potential losses. The amount of the allowance is based on management's evaluation of the collectability of the loans. Large loans are evaluated individually for impairment and an allowance for impairment is established using the methodology under the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 310, *Accounting by Creditors for Impairment of a Loan*. An allowance is established when the discounted cash flows of an impaired loan are lower than the carrying value of the loan. For the remainder of the portfolio, an allowance is established based on historical loan loss experience and management's evaluation of the collectability of the loans, taking into consideration project characteristics and trends.

NEF's provision for loss on receivables is NEF's best estimate of the amount of credit losses in NEF's existing receivables. The amount of the allowance is based on management's evaluation of the collectability of the loans, taking into account general economic conditions, specific project characteristics (including the level of impairment), and trends in historical loss experience. The allowance for loss on receivables is maintained at a level which, in management's judgment, is adequate to absorb potential losses. A receivable is impaired if it is probable that NEF will not collect all principal and interest contractually due. The allowance is increased by a provision for loss on receivables, which is charged to expense and reduced by write-offs or recoveries. Receivables are written off against the allowance when the potential for recovery is considered remote. Changes in the allowance relating to impaired loans are charged or credited to the provision for loss on receivables. Because of uncertainties inherent in the estimation process, management's estimate of credit losses and the related allowance may change in the near term. However, the amount of the change that is reasonably possible cannot be estimated. Interest income on impaired loans is recognized on the cash basis of accounting.

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

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

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

Discounts and issuance costs on debt issuance
Discounts and issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the long-term debt to which such costs relate. Amortization of debt discount issuance costs is reported as a component of interest expense and is computed using an imputed interest rate on the related loan.

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

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

over 27.5 to 40 years. Maintenance and repairs are charged to operations when incurred. Betterments and renewals are capitalized.

Intangible assets

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

Engagement deposits

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

Accounting for the impairment of real estate assets

The Organization records an impairment loss on its real estate assets (land, building, and improvements) whenever their carrying value cannot be fully recovered through estimated undiscounted future cash flows from their operations, sale, and low income housing tax credits. The amount of the impairment loss to be recognized would be the difference between the Organization's carrying value and the estimated fair value. Adjustments for impairment loss for such real estate assets are made in each period as necessary to report these investments at the lower of carrying value or fair market value less cost to sell. However, there can be no assurance that any estimated fair value of these real estate assets would ultimately be realized by the Organization in any future sale or disposition transaction. Impairment losses have no impact on the cash flow of the Organization. No impairment loss on real estate assets was recorded in 2018 and 2017.

Functional expenses

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

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

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

Income taxes

The Organization recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Income generated from activities unrelated to the Organization's exempt purpose is subject to tax under the Code, Section 511. As a result of the Tax Cuts and Jobs Act, qualified transportation fringe benefits provided to employees are now treated as unrelated business income. Unrelated business income tax liabilities for the years ended December 31, 2018 and 2017 was immaterial.

Income tax returns filed by the Organization are subject to examination by the Internal Revenue Service for a period of three years. While no income tax returns are currently being examined by the Internal Revenue Service, tax years since 2015 remain open.

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

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

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

NMSC, LLLF, NP, immito, LLC and RRN are LLCs and are considered disregarded entities for income tax purposes.

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

Consolidation

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

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

Reclassifications

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

Recent accounting pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606) ("ASU 2014-09"), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 replaces most existing revenue recognition guidance in U.S. GAAP when it becomes effective. Additionally, ASU No. 2015-14, Revenue from Contracts with Customers, Deferral of the Effective Date ("ASU 2015-14"), was issued by the FASB in August 2015. ASU 2015-14 amended the effective date of ASU 2014-09. Early adoption is permitted, but not before the original effective date for private business entities (i.e. January 2018). The provisions of ASU 2014-09 were effective for the Organization on January 1, 2018 and did not have a significant impact on its consolidating and consolidated financial statements. ASU 2014-09 has been applied retrospectively.

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

In August 2016, the FASB issued ASU No. 2016-14, Not-for-Profit Entities (Topic 958) ("ASU 2016-14"), which improves the presentation of financial statements of not-for-profit entities. The change is intended to provide more useful information to donors, grantors and other users. The ASU impacts all not-for-profit entities within the scope of Topic 958. The ASU addresses the following key qualitative and quantitative matters: 1) net asset classes, 2) investment return, 3) expenses, 4) liquidity and 5) availability of resources and presentation of operating cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. The Organization has adjusted the presentation of its consolidating and consolidated financial statements. ASU 2016-14 has been applied retrospectively to all periods presented.

Note 2 - Net assets with donor restrictions

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

As of December 31, 2018, net assets with donor restrictions were $181,028,541 ($98,331,098 donor restricted operating funds and $82,697,443 donor restricted loan funds and included the following components: (1) *Charter School Financing* - approximately $46 million of donor-restricted funds are available to support quality public charter and alternative schools in low-income neighborhoods. Included in this amount is $45 million related to grants awarded by the U.S. Department of Education to LISC to provide credit enhancement on loans made by financial institutions to stimulate the financing of charter schools (2) *Specific Project Funds* - approximately $120 million of donor-restricted funds available to support a multitude of specifically defined projects in the local/regional offices and national programs (of which $38 million is specifically for lending activities), and (3) *General operating and programmatic support* - approximately $15 million of donor-restricted funds that are for use by specific local/regional offices and national programs for both general operating and programmatic support.

Note 3 - Availability and liquidity

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

Financial assets at period end	
Cash and cash equivalents	$ 128,690,918
Restricted cash	5,005,804
Investments	77,638,861
Accrued interest receivable	2,748,667
Contributions receivables, gross	42,683,407
Government grants and contracts receivable	18,376,935
Notes and other receivables	33,951,121
Due from funds	6,832,475
Temporary investments in project partnerships	6,894,031
Total financial assets	322,822,219
Less amounts not available to be used within one year	
Cash and cash equivalents	(11,304,208)
Restricted cash	(56,351)
Investments	(4,828,311)
Contributions receivables, gross	(11,350,334)
Notes and other receivables	(11,074,096)
Government grants and contracts receivable	(17,172,021)
Financial assets not available to be used within one year	(55,785,321)
Financial assets available to meet operating fund expenditures over the next 12 months	$ 267,036,898

Also, LISC has financial covenants with certain LISC lenders, some of which address adequate liquidity to cover operating costs and debt service requirements. Specifically, at the end of each quarter, unrestricted operating cash, cash equivalents, and investments must be able to cover at least six months of unrestricted operating expense as defined in the terms of the loan agreements with certain LISC lenders. With regard to debt service, liquid assets must exceed six months of interest and notes payable (as defined in the terms of the loan agreements with certain LISC lenders). At December 31, 2018 and 2017, LISC was in compliance with its financial covenants.

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

At December 31, 2018 and 2017, the Organization's total portfolio of cash, cash equivalents, restricted cash, and investments consisted of the following:

	Fair value 2018	Fair value 2017
Cash, cash equivalents, and restricted cash	$ 165,676,212	$ 181,012,076
Investments:		
Cash held for investment	35,362,595	37,383,193
Corporate bonds and fixed income funds	37,936,096	37,737,817
U.S. government agencies	36,624,418	36,158,343
Certificates of deposit	5,232,689	5,192,116
Alternative investments:		
Real estate investment trust	3,114,764	2,619,071
Hedge funds	13,622,255	13,955,325
Private equity funds	1,603,586	1,000,000
	133,496,403	134,045,865
Total cash, cash equivalents, restricted cash, and investments	$ 299,172,615	$ 315,057,941

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

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

At December 31, 2017, cash and cash equivalents included approximately $2.6 million held in escrow-like arrangements with loan participants and $254,780 in loss reserves required by specific programs.

The limitations and restrictions on the Organization's ability to redeem or sell its alternative investments vary by investment. As of December 31, 2018, the following table summarizes the composition of such investments by the various redemption provisions:

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

As of December 31, 2018 and 2017, the Organization had $4,396,414 and $0 unfunded commitments on its alternative investments.

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

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

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

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

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

Note 5 - Contributions receivable

At December 31, 2018 and 2017, the Organization had contributions receivable with expected receipts as follows:

	2018	2017
Due within one year	$ 36,324,496	$ 30,588,984
Due in one to five years	11,350,334	7,614,119
	47,674,830	38,203,103
Less discount (0.12%–5.00%)	(389,620)	(141,790)
Less allowance for uncollectible contributions receivable	(649,000)	(649,000)
Total contributions receivable, net	$ 46,636,210	$ 37,412,313

At December 31, 2018 and 2017, approximately 17.8% and 13%, respectively, of the Organization's contribution receivable was from one donor.

At December 31, 2018 and 2017, approximately 55% and 29%, respectively, of the Organization's contribution revenue were from five donors.

Note 6 - Government grants and contracts

At December 31, 2018 and 2017, the Organization had grant commitments from various government agencies of approximately $29.3 million and $43.6 million, respectively, with expiring term dates ranging from 2019 to 2022. These grant commitments will be recognized in the accompanying consolidating and consolidated financial statements when it is probable that the conditions surrounding the terms of the grants will be met.

At December 31, 2018 and 2017, government grants and contracts receivable were $19,127,173 and $27,820,758, respectively. Approximately $8.4 million and $13.5 million of government grants receivable at December 31, 2018 and 2017, and approximately $13.4 million and $15.4 million of government grants and contracts revenue for the year ended December 31, 2018 and 2017, respectively, were from one government agency.

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

Program Loans

In furtherance of its charitable purposes, LISC makes loans directly to CDPs and also to its affiliates, to benefit affiliate projects. In general, interest rates on loans to CDPs range from 0% to 9% and repayment terms range from six months to 29.1 years. Delinquent loans, measured as those loans whose payment is 90 days past due, totaled $1,249,990 and $5,520,772, respectively, at December 31, 2018 and 2017. The portion of the allowance dedicated to the delinquent loans totaled $221,827 and $924,526 at December 31, 2018 and 2017, respectively. At December 31, 2018, loan principal of $116,487,929 is due to LISC within one year.

Loans to CDPs and affiliates' projects as of December 31, 2018 and 2017 comprised the following:

Loan type:	2018	2017
Acquisition loans (1)	$ 123,846,031	$ 108,476,637
Predevelopment loans (2)	24,117,316	19,844,127
Construction loans (3)	123,651,956	101,331,454
Other (4)	161,698,753	121,857,872
Total	$ 433,314,056	$ 351,510,090

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

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

(2) Predevelopment loans - to pay project predevelopment expenses

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

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

The following tables provide an analysis of the aging of loan receivables as of December 31, 2018 and 2017:

2018	31–60 days past due	61–90 days past due	Greater than 90 days	Total past due	Current	Total gross loans receivable
Acquisition	$ 500,000	$ -	$ 820,892	$ 1,320,892	$ 122,525,139	$ 123,846,031
Predevelopment	-	-	233,249	233,249	23,884,067	24,117,316
Construction	1,069,206	-	195,849	1,265,055	122,386,901	123,651,956
Other	3,086,074	-	-	3,086,074	158,612,679	161,698,753
Total	$ 4,655,280	$ -	$1,249,990	$ 5,905,270	$ 427,408,786	$ 433,314,056

2017	31–60 days past due	61–90 days past due	Greater than 90 days	Total past due	Current	Total gross loans receivable
Acquisition	$ 422,365	$ -	$ 845,213	$ 1,267,578	$ 107,209,059	$ 108,476,637
Predevelopment	2,401,354	-	3,471,704	5,873,058	95,458,396	101,331,454
Construction	265,249	-	217,579	482,828	19,361,299	19,844,127
Other	-	-	986,276	986,276	120,871,596	121,857,872
Total	$ 3,088,968	$ -	$5,520,772	$ 8,609,740	$ 342,900,350	$ 351,510,090

The activity in the allowance for uncollectible loans for the year ended December 31, 2018 and 2017 is as follows:

2018	Acquisition	Predevelopment	Construction	Other	Total
Allowance for uncollectible loans, beginning of the year	$ (10,455,006)	$ (2,881,055)	$ (5,932,421)	$ (2,894,957)	$(22,163,439)
Write-offs		-	1,117,370	560,258	1,677,628
Recoveries	(23,256)	-	(36,971)	(61,547)	(121,774)
Provision	(3,364,810)	(686,168)	(851,649)	(1,001,208)	(5,903,835)
Allowance for uncollectible loans, end of the year	$ (13,843,072)	$ (3,567,223)	$ (5,703,671)	$ (3,397,454)	$(26,511,420)

2017	Acquisition	Predevelopment	Construction	Other	Total
Allowance for uncollectible loans, beginning of the year	$ (8,477,822)	$ (2,581,053)	$ (4,711,793)	$ (2,989,212)	$(18,759,880)
Write-offs	-	-	-	996,817	996,817
Recoveries	(109,107)	(21,952)	(4,211)	-	(135,270)
Provision	(1,868,077)	(278,050)	(1,216,417)	(902,562)	(4,265,106)
Allowance for uncollectible loans, end of the year	$ (10,455,006)	$ (2,881,055)	$ (5,932,421)	$ (2,894,957)	$(22,163,439)

Recoverable grants to CDPs-sponsored projects

In furtherance of its charitable purposes, the Organization makes recoverable grants directly to CDPs. Recoverable grant activity for 2018 and 2017 is summarized as follows:

	2018	2017
Gross recoverable grants beginning of year	$ 17,235,089	$ 18,225,849
New recoverable grants made	7,416,390	2,798,574
Write-offs	(1)	(545,150)
Repayments	(3,160,220)	(3,244,184)
Gross recoverable grants end of year	21,491,258	17,235,089
Allowance for uncollectible recoverable grants, end of year	(11,362,704)	(8,836,321)
Recoverable grants receivable, net, end of year	$ 10,128,554	$ 8,398,768

Notes and other receivables

December 31, 2018 and 2017, the following notes and other receivables were due to NEF and NMSC:

	2018	2017
Pre-development and pre-credit loans, net	$ 3,869,473	$ 2,038,902
Construction loans, net	1,483,391	1,471,571
Enclave at Firewheel loan	5,967,327	2,914,108
Short-term unsecured loans to Funds	10,029,696	256,250
Project workout loans and advances, net	144,485	274,735
Bridge loans to Funds and projects	8,073,203	-
Grow Indianapolis Fund, LLC (GIF)	-	920,417
Opportunity Zone loan	2,242,367	-
Good Jobs Investment Funds, LLC	160,918	-
Other receivables	2,577,474	2,430,777
Total	$ 34,548,334	$ 10,306,760

Pre-development, pre-credit, and construction loans

From time to time, NEF funds developers with "pre-development" or "pre-credit" loans as bridge financing to primarily allow for the developers to pay for the costs of meeting the 10% carryover requirements of the tax credit program, acquiring land, or other pre-development costs. These loans are secured by one or more of the following: assignment of the developer's general partnership interest, assignment of the low-income housing tax credits reserved for the developer in conjunction with the project, a mortgage and assignment of rents and leases on the property, a lien and encumbrance upon the property and improvements, and/or a guarantee from the borrower and its principals. NEF reserves for these loans at the time of the advance based upon an analysis of the borrower's creditworthiness. NEF had $3,719,012, and $2,265,622 of loans before allowance for loan losses of $262,559 and $274,704 as of December 31, 2018 and 2017, respectively. The loans outstanding at December 31, 2018 have stated interest rates ranging from 0% to 12.0% and maturity dates ranging from April 1, 2019 to June 30, 2021. As of and for the years ended December 31, 2018 and 2017, NEF recognized interest income in the amount of $198,294, and $88,511 and received interest payments of $84,211 and $40,723 in 2018 and 2017, respectively. Accrued interest outstanding as of December 31, 2018 and 2017 was $162,067 and $47,984, respectively.

During 2018, LISC provided a pre-credit loan to a limited liability company in the principal amount of $750,000, an interest rate of 6.25% per annum, and a maturity date of September 1, 2020 to finance the costs of developing affordable housing and other community development projects in the New

York metropolitan area. On August 15, 2018 LISC sold to NEF an undivided, unfunded 50% participation interest in the loan, collateral, and any rights existing under the loan documents. Pursuant to the terms of the participation agreement, NEF's obligations to participate in the loan shall not exceed $375,000. As of December 31, 2018, NEF had funded $257,333 and recorded an allowance for loan loss in the amount of $7,720 in 2018. Additionally, as of and for the year ended December 31, 2018, NEF recognized interest income in the amount of $3,971 and received interest payments of $2,631. Accrued interest outstanding as of December 31, 2018 was $1,340.

Construction loans, net

During 2015, LISC provided a recourse construction loan to a limited partnership in the principal amount of $6,625,976, an interest rate of 6% per annum, and a maturity date of August 5, 2019 to finance the costs of construction of the real property and improvement located in New York, New York. On February 6, 2015 LISC sold to NEF an undivided, unfunded 25% participation interest in the loan, collateral, and any rights existing under the loan documents. Pursuant to the terms of the participation agreement, NEF's obligations to participate in the loan shall not exceed $1,625,976. As of December 31, 2018 and 2017, NEF had funded $1,541,665 and recorded an allowance for loan loss in the amount of $70,094 in 2018 and 2017. Additionally, as of and for the years ended December 31, 2018 and 2017, NEF recognized interest income in the amount of $99,962 and $76,180, respectively and received interest payments of $88,142 and $0 in 2018 and 2017, respectively. Accrued interest outstanding as of December 31, 2018 was $11,820. The 2017 interest income was capitalized and included in the loan balance.

Enclave at Firewheel Loan and Enclave at Park Loans

During 2018, NEF Development Corporation, a subsidiary of NEF, entered into a loan agreement with Enclave Park, LP to provide construction financing to a mixed-income non-LIHTC workforce housing project partnership located in Fort Worth, Texas. NEF Development Corporation committed a maximum of $3,000,000 in debt financing, which was outstanding as of December 31, 2018. The loan has an interest rate of 6% and matures in June 2023. For the year ended December 31, 2018, NEF Development Corporation accrued interest income in the amount of $76,650 and received interest payments of $22,103.

During 2017, NEF Development Corporation, a subsidiary of NEF, entered into loan agreements with Enclave Firewheel MKT, LP, Enclave Firewheel, WF-I, LP, and Enclave Firewheel WF-II, LP (collectively "Enclave at Firewheel") to provide construction financing to a non-LIHTC workforce housing project partnership located in Garland, Texas. NEF Development Corporation committed a maximum of $3,500,000 in debt financing. As of December 31, 2018 and 2017, the outstanding principal balance on the loan was $2,871,148. The loan has an interest rate of 6% and matures in May 2022. For the year ended December 31, 2018 and 2017, NEF Development Corporation accrued interest income in the amount of $172,269 and $42,960, respectively, and received interest payments of $173,597 and $0 in 2018 and 2017, respectively. Accrued interest outstanding as of December 31, 2018 and 2017 was $41,632 and $42,960, respectively.

Short-term unsecured loans to Funds

Notes and other receivables, also includes short-term unsecured loans provided to certain Funds in which NEF is a general partner or manager. As of December 31, 2018 and 2017 the outstanding loan balance was $10,029,696 and $256,250, respectively. The outstanding loans are due in 2019 and have an interest rate of 0%; $7,353,464 of the outstanding balance was repaid in the first quarter of 2019.

Project workout loans and advances, net
During 2018 and 2017, NEF made a new unsecured project workout loans and advances in the amount of $1,048,313 and $372,053 respectively, to Project Partnerships in which the Funds invest. As of December 31, 2018 and 2017, NEF had reserved $3,770,869 against $3,915,354 and $3,390,905 against $3,665,640 of loans, respectively. The Corporation recovered $371,677 and $0 in 2018 and 2017. Interest income related to the recovery of project workout loans is $17,139 for the year ended December 31, 2018 and is recognized on a cash basis.

Bridge loans to Projects and Funds
During 2018, NEF entered into loan agreements with four Project Partnerships to bridge equity payments and satisfy the immediate cash needs of the Project Partnerships. These loans are secured by the following: assignment of developer fees and a guarantee from the borrower and its principals. Additionally, one of these loans is secured by a pledge of a Project Partnership's rights to recover under a surety bond in accordance with the underlying loan documents. The interest rates on these loans ranges from 0% to 6%. As of December 31, 2018, the outstanding balance was $4,091,445. No provision for loss was recorded on the receivable as amounts are expected to be fully recoverable. For the year ended December 31, 2018, NEF accrued interest income in the amount of $47,908.

During 2017, NEF entered into a loan agreement with a Project Partnership to bridge equity payments during construction at 0% interest rate. During 2017, draws on the loan totaled $297,000, and the loan was repaid in full in 2017.

On May 17, 2018, NEF closed on a revolving line of credit to provide loans to a Fund. NEF committed a maximum of $6,901,491 with a stated interest rate of 0% and a maturity date of July 31, 2019. The funds are to bridge the limited partners' capital contributions to the Fund. The outstanding balance of the line is $3,933,850 as of December 31, 2018. This loan was subsequently repaid in January 2019.

Opportunity Zone Loan
During 2018, NEF entered into a loan agreement with a Project Partnership to finance acquisition related costs and acquire land in an area designated as an "Opportunity Zone," as defined by the Tax Cuts and Jobs Act, in Redmond, Oregon. This loan is secured by the following: assignment of the borrower's general partnership and limited partnership interests, assignment of project related documents as appropriate, first mortgage lien on the land, and a guarantee from the borrower and its principals. NEF committed a maximum of $2,400,000 in debt financing. As of December 31, 2018, the outstanding principal balance on the loan was $2,242,367. The loan has a floating interest rate equal to the prime rate plus 0.50% and matures in October, 2019. For the year ended December 31, 2018, the NEF accrued interest income in the amount of $24,913, all of which was paid in 2018.

Grow Indianapolis Fund, LLC ("GIF")
NMSC has a $3,100,000 promissory note with Grow Indianapolis Fund, LLC ("GIF"), an affiliate, dated November 9, 2017. The original maturity date of the note was November 9, 2027 and the note accrued interest at a floating rate per annum equal to the prime rate plus 2%. Commencing December 15, 2017 and monthly thereafter, interest-only payments were receivable through November 15, 2024. The loan was secured by a Credit Agreement. The note was fully repaid and cancelled as of July 31, 2018. As of December 31, 2018 and 2017, the total amount outstanding was $0 and $842,417, respectively.

NMSC also has a promissory note with GIF dated December 15, 2017. The note matures March 31, 2019 and accrues interest at an annual rate equal to prime rate. At maturity, the remaining unpaid principal and any unpaid accrued interest thereon are due and payable in full to NMSC. As of December 31, 2018 and 2017, the total amount outstanding was $0 and $78,000, respectively.

Good Jobs Investment Fund, LLC ("Good Jobs Fund")
NMSC has a $1,286,000 promissory note with Good Jobs Investment Fund, LLC ("Good Jobs Fund"), an affiliate, dated April 24, 2018. The note matures on the date that is seven months after the seventh anniversary of the date of the last advance of funds made under this note. The note accrues interest at a rate of 8.0% per annum. Interest-only payments are made on the tenth calendar day of each month, commencing on the tenth of the month following the first advance, through the maturity date. At maturity, the remaining unpaid principal and unpaid accrued interest thereon are due and payable in full to NMSC. The note is secured by a Security Agreement. As of December 31, 2018, the total amount outstanding was $160,918.

For the year ended December 31, 2018, NMSC earned $38,911 and $7,962, respectively, of interest income on the related party loans. As of December 31, 2018 and 2017, interest receivable was $1,109 and $2,691, respectively.

Note 8 - Grants payable

In furtherance of its charitable purposes, the Organization makes grants to CDPs. The Organization's grant activity for the years ended December 31, 2018 and 2017 is summarized below:

	2018	2017
Grants payable, beginning of year	$ 48,387,660	$ 76,008,680
New project grants made	48,808,630	51,476,266
Disbursements on commitments	(62,201,630)	(79,097,286)
Grants payable, end of year	$ 34,994,660	$ 48,387,660

Note 9 - Temporary investments in Project Partnerships

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

As of December 31, 2018 and 2017, NEF was holding temporary investments in Project Partnerships of $48,998,629 and $68,360,264, in which NEF contributed $6,039,954 and $10,085,448 to the Project Partnerships and entered into promissory notes for future contributions of $42,348,041 and $57,616,465, respectively, in temporary investments in Project Partnerships. Also in 2017, NEF recorded a $241,794 gain on transfer of temporary investments in four Project Partnerships. In 2018 and 2017, NEF recorded equity in losses of $0 related to temporary investments. As of December 31, 2018 and 2017, NEF also includes preacquisition costs of $610,634 and $658,351, respectively, in Temporary Investments in Project Partnerships. In 2018 and 2017, NEF recorded equity in losses of $0 related to temporary investments.

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

Note 10 - Acquisitions

Acquisitions are accounted for in accordance with the FASB ASC Topic 958-805, Not-for-Profit Entities - Business Combinations. On September 27, 2010, NEF acquired Homestead Capital for the purpose of expanding NEF's presence in the northwest region of the United States. Upon acquisition, NEF allocated the purchase price based on the fair value of the acquired assets, including other identifiable intangible assets such as acquired in-place contracts and customer relationship value, and assumed liabilities. NEF estimated fair value based on discounted cash flow analyses and other valuation techniques. As a result, determining the fair value involved assumptions and estimates, including discount rates, expense growth rates and collectability. NEF allocated $644,012 of the purchase price to certain other intangibles including acquired in-place contract value and customer relationship value. The portions of the purchase price allocated to in-place contracts and customer relationship value are amortized on a straight-line basis over periods ranging from 6 to 18 years. NEF recorded accumulated amortization of $395,938 and $346,079 as of December 31, 2018 and 2017, respectively. Such amounts are included in other assets in the accompanying consolidating and consolidated statements of financial position. NEF incurred amortization expense pertaining to acquired in-place intangibles of $49,859 and $56,291 for the years ended December 31, 2018 and 2017, respectively.

The following table presents the amortization during the next five years and thereafter related to the acquired in-place intangibles for NEF as of December 31, 2018:

	In-place contracts	Customer relationship	Total
Year:			
2019	$ 45,771	$ 2,646	$ 48,417
2020	42,967	2,646	45,613
2021	38,020	2,646	40,666
2022	30,574	2,646	33,220
2023	24,044	2,646	26,690
Thereafter	45,530	7,938	53,468
	$ 226,906	$ 21,168	$ 248,074

Note 11 - Property and equipment

Property and equipment consist of the following at December 31, 2018 and 2017:

	2018	2017
Furniture, equipment, computer software, and leasehold improvements	$ 16,369,291	$ 16,673,479
Land, buildings, and improvements	92,782,489	107,221,125
Gross property and equipment	109,151,780	123,894,604
Less accumulated depreciation and amortization	(45,396,140)	(47,079,298)
Total property and equipment, net	$ 63,755,640	$ 76,815,306

Related to the CDA entities, as of December 31, 2018 and 2017, the consolidating and consolidated financial statements include $92,782,489 and $107,221,125 in Land, Buildings and Improvements and $2,744,062 and $3,346,908 in Furniture, Equipment, and Leasehold Improvements. Accumulated depreciation was $35,345,784 and $38,439,859 as of December 31, 2018 and 2017.

Note 12 - Loans and bond payable

At December 31, 2018 and 2017, loans and bond payable consisted of the following:

	Maturities	Interest rates	2018	2017
Financial institutions and insurance companies	2017–2037	0.00%–5.00%	$ 330,998,790	$ 289,679,069
Foundations	2017–2025	0.00%–4.50%	47,760,313	32,001,711
Public agencies/entities and retirement funds	2017–2043	0.00%–4.00%	55,139,348	46,094,047
Nonprofit and other institutions	2017–2026	0.00%–2.50%	4,613,425	5,621,347
Total			438,511,876	373,396,174
Less: Unamortized Discount and deferred costs (*)			(752,878)	(816,125)
Loans and Bonds Payable, net			$ 437,758,998	$ 372,580,049

Loans and bond payable maturities

Loans payable are scheduled to be repaid as of December 31, 2018 as follows:

	Principal
2019	$ 52,763,871
2020	19,783,117
2021	58,641,644
2022	55,805,350
2023	43,218,850
Thereafter	208,299,044
Total	$ 438,511,876

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

At December 31, 2018, LISC had $92,821,795 of available undrawn sources of funding with maturities ranging from 2019 to 2028. Interest rates range from 0% to 3.75% fixed rate ($76,221,795) and floating rate range from LIBOR + 1.50% to LIBOR + 2.50% ($16,600,000). In addition, during 2014, LISC was awarded available bond loan financing in the amount of $50 million (Community Development Financial Institution Bond Guarantee Program (CDFI BGP) Bond Loan) by the United States Department of Treasury through the qualified issuer, the Bank of America CDFI Funding Corporation. The CDFI BGP Bond Loan proceeds are used to fund community or economic development activity in low-income or underserved urban and rural areas. CDFI BGP Bond Loan can be drawn on until August 14, 2019. The rate of each advance will be based on the current average Treasury rate for the related comparable duration of the advance +.375%. Payments of principal and interest are due quarterly with final maturity on December 15, 2043. Cumulative drawdowns as of

December 31, 2018 was $50,000,000. As of December 31, 2018, the outstanding balance was $46,934,808 and $0 was available for drawdown.

Pledged assets
LISC had certain assets as collateral to lenders to secure (1) nonrecourse indebtedness to LISC totaling $1,324,243 as of December 31, 2018 and 2017, and (2) $49,364,181 and $37,417,024 was collateral assets for the recourse indebtedness under the CDFI BGP Loan totaling $46,934,808 and $34,929,337, as of December 31, 2018 and 2017, respectively.

Subordinated debt
At December 31, 2018, LISC has subordinated debt in loans and bonds payable totaling $25.5 million in the form of ten equity equivalent investments from five financial institutions. At December 31, 2017, LISC had subordinated debt included in loans and bonds payable totaling $19 million in the form of five equity equivalent investments from three financial institutions.

Lines of credit
At December 31, 2018, LISC had available bank lines of credit of $65,000,000, which expire between February 10, 2019 and December 17, 2021 with interest rates ranging from LIBOR + 1.50% to LIBOR + 2.15%. At December 31, 2018 and 2017, the outstanding balance included in loans and bond payable was $10,000,000 and $12,000,000. The available undrawn balance at December 31, 2018 was $55,000,000.

A subsidiary of NEF has a $10,000,000 revolving credit facility with a bank to provide a portion of the equity needed to temporarily invest in Project Partnerships. The current maturity date is May 31, 2020. The limited partnership interests in the Project Partnerships will secure any funds advanced. Interest on any outstanding amounts is due monthly at the greater of prime plus 25 basis points or 4%. The interest rate was 5.25% to 5.75% in 2018 and was 4.75% at December 31, 2017. The outstanding balance at December 31, 2018 and 2017 was $0.

Covenants
In accordance with the terms of loan agreements with certain lenders, LISC is required to meet several financial covenants. LISC was in compliance with its financial covenants at December 31, 2018.

Note 13 - Pension and thrift plans

LISC has a Code Section 403(b) defined-contribution pension plan covering all eligible employees. Plan contributions are computed based on formulas defined in the plan. Total pension expense for the years ended December 31, 2018 and 2017, was $2,441,379 and $2,219,289, respectively.

LISC, NEF and immito maintain thrift plans under Section 401(k) of the Code covering all eligible employees. Under the plans, employee contributions are partially matched by LISC, NEF and immito, respectively. Total thrift plan expense for the years ended December 31, 2018 and 2017 was $2,249,985 and $2,168,962, respectively.

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

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

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

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

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

	2018 Contract amount	2017 Contract amount
Financial instruments whose contract amounts represent credit risk:		
Financial guarantees	$ 6,120,139	$ 5,224,565
Loan commitments outstanding	234,677,386	196,868,364
Total	$ 240,797,525	$ 202,092,929

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

At December 31, 2018 and 2017, LISC had interest rate swap agreements with notional amounts aggregately of $0 and $5,000,000. The fair value of the interest rate swaps were immaterial to the consolidating and consolidated financial statements as of December 31, 2018.

Fair values

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

The following tables present the Organization's fair value hierarchy for those assets and liabilities measured at fair value on an annual basis as of December 31, 2018 and 2017.

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

	December 31, 2017		
	Total	Level 1	Level 2
Cash and cash equivalents, and restricted cash escrow	$ 181,012,076	$ 181,012,076	$ -
Investments:			
Cash held for investment	$ 37,383,193	$ 37,383,193	$ -
Corporate bonds and fixed income funds	37,737,817	37,274,094	463,723
U.S. government agencies	36,158,343	28,505,913	7,652,430
Certificates of deposit	5,192,116	-	5,192,116
	$ 116,471,469	$ 103,163,200	$ 13,308,269
Alternative investments:			
Real estate investment trust	$ 2,619,071		
Hedge funds	13,955,325		
Private equity funds	1,000,000		
	17,574,396		
Total investments	$ 134,045,865		
Interest rate swap held by LISC	$ 14,488	$ -	$ 14,488
Interest rate swap held by NEF Project Partnership	246,794	-	246,794
Total interest rate swaps	$ 261,282	$ -	$ 261,282
Loan guarantee - LISC	$ (298,902)	$ -	$ (298,902)

Note 15 - Concentration of credit risk

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

Note 16 - Commitments and contingencies

Project Partnership guarantees

In connections with the placement of a Project Partnership into a Fund in 2014, a subsidiary of NEF entered into a put agreement with the investor of the Fund. Under the agreement, the fund investor could put, assign and transfer the Project Partnership to the subsidiary or it designee at any time after expiration of the credit period and before expiration of the credit compliance period of the Project Partnership, which is anticipated to be 2025 and 2030, respectively (Put Period). If the option is exercised, the subsidiary would be responsible for paying the tax credit recapture to the fund investor if a catastrophic event occurs during the Put Period and the Project Partnership was unable to rebuild the lost units due to zoning reconstruction restrictions. NEF has not accrued any contingent liability as a loss is neither probable nor estimable as of December 31, 2018.

During 2015, NEF entered into a guaranty agreement with a Fund related to a Project Partnership in the fund whereby NEF serves as a backstop to cover the project general partner's obligations if the Project Partnerships reserves are depleted and the project partnership guarantor fails to cover its obligations. NEF's guarantee is currently $250,000 as the project reached stabilized occupancy in 2017. The guaranty period expires at the end of the operating deficit guaranty. NEF has not accrued any contingent liability as a loss is neither probable nor estimable as of December 31, 2018.

During 2017, NEF entered into a guaranty agreement with a Fund related to a Project Partnership in the Fund. NEF has agreed to provide additional back-up construction guaranty funding in the event of construction cost overruns and the project's general partner, as guarantor, is unable to fulfill the development completion guaranty obligations. NEF's maximum exposure is $2,000,000. NEF has not accrued any contingent liability as a loss is neither probable nor estimable as of December 31, 2018.

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

During 2018, NEF, as general partner of a Fund, entered into a tax credit purchase and transfer agreement with two Project Partnerships. NEF agreed to purchase the state tax credits associated with the Project Partnerships for a purchase price of $4,366,385. As of December 31, 2018, NEF is the sole member of this Fund as third-party investors are not expected to close into this Fund until 2019.

In 2018 and 2017, NEF has guaranty obligations as a backup guarantor for operating deficits for various Project Partnerships with a maximum exposure of $867,511 and $642,511, respectively. NEF has not accrued any contingent liability as a loss is neither probable nor estimable as of December 31, 2018.

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

Guaranty payable
As of December 31, 2017, a subsidiary of NEF has a $1,250,000 guaranty payable to one Fund. This Fund was underwritten at a 25% corporate tax rate, and, in order for the Fund investor to approve the transfer of five Project Partnerships to the Fund, NEF agreed to guaranty the Fund yield in the event that corporate tax reform reduced the corporate tax rate below the underwritten rate of 25% but not below a floor of a 20% corporate tax rate. The termination date of the guaranty was the earlier of June 30, 2019 or the date at which corporate tax reform was passed. Corporate tax reform was passed into law in December 2017, which terminated the guaranty and reduced the corporate tax rate to 21%. Resolution of the guaranty resulted in the recognition of a $1,250,000 guaranty liability. Settlement of such liability occurred in 2018 through the funding of a loan to the Fund in the amount of $1,250,000. NEF does not expect the Fund to repay this loan.

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

Lease commitments
Minimum rental commitments under noncancelable operating real estate leases in effect at December 31, 2018 totaled $72,612,285. These amounts exclude future escalation for real estate taxes and building operating expenses.

Minimum future rental commitments as of December 31, 2018 are as follows:

2019	$	4,797,728
2020		6,310,098
2021		5,560,037
2022		5,366,504
2023		4,572,539
Thereafter		46,005,379
Total	$	72,612,285

Rental expense, inclusive of real estate taxes and operating costs, for the year ended December 31, 2018 and 2017, totaled $5,754,484 and $5,612,683, respectively.

In 2009, LISC entered into a lease agreement for office space expiring August 19, 2019. In connection with the lease agreement, LISC received certain periods of free rent and other rent concessions. LISC records the lease expense on a straight-line basis. At December 31, 2018 and 2017, accounts payable and accrued expenses include $678,148 and $1,006,704, respectively, of deferred rent obligations related to the lease. In connection with the lease agreement, LISC issued a letter of credit in the amount $750,000, which is renewed annually and has a current expiration date of November 30, 2019. A certificate of deposit in the amount of $750,000 is being used as collateral for the line of credit.

On December 12, 2018, LISC entered into a lease agreement for new office space commencing on September 1, 2019 and expiring October 31, 2034. In connection with this lease agreement, LISC will receive certain periods of free rent and other rent concessions.

Government contracting

Grant and contract revenue recognized from government agencies are based on actual costs incurred and reimbursable expenses from the respective government agencies. These costs are subject to audit by the Office of the Inspector General or the respective granting agencies and the ultimate revenue recognized is contingent upon the outcome of any such audits. Accordingly, the accompanying consolidating and consolidated financial statements are subject to reflecting provisions for adjustments, if any, which may result from an audit. For the December 31, 2018, no such provisions was necessary.

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

As of December 31, 2018 and 2017, the CDA Partnerships had an outstanding long-term debt balance of $50,510,722 and $59,454,002, respectively, which consists of mortgage notes held by banks and other lenders. Maturity dates range from 2019 to 2057 and interest rates range from 0% to 7.72% as of December 31, 2018 and 2017. Unamortized debt issuance costs were $659,596 and $904,853 as of December 31, 2018 and 2017, respectively, and are presented net in long-term debt on the consolidating and consolidated statement of financial position.

As of December 31, 2018 and 2017, one CDA Partnership is in technical default on their long-term debt in the amount of $278,374. For these CDA Partnerships, management is working with the lenders and does not expect an unfavorable outcome.

Annual maturities on long-term debt at December 31, 2018 are as follows:

2019	$	568,984
2020		294,722
2021		308,685
2022		1,023,598
2023		1,506,801
Thereafter		46,807,932
Total	$	50,510,722

Note 18 - Due from funds

Due from funds includes the syndication and asset management fees billed but not received as of December 31, 2018 and 2017. At December 31, 2018 and 2017, the following fees are due to NEF:

	2018	2017
ACD Midwest Fund	$ 109,612	$ 11,791
Banc of America Community Housing Investment Fund X	-	564,976
California Equity Fund 2016	-	110,200
California Equity Fund 2018	1,199,082	-
Capital One 2012	119,654	-
Four Eight-One Housing Investment Fund IV	148,408	-
Hawaii Affordable Housing Fund I	-	120,770
Homestead Equity Fund XIII	-	128,490
Homestead Equity Fund XIV	515,131	844,428
Homestead Equity Fund XV	942,065	-
NDC Corporate Equity Fund SP I	-	134,866
National Equity Fund 2018	294,552	-
NEF Chicago West Town Fund	55,467	491,414
NEF Compass Shared Investment Fund I	126,221	100,217
NEF FRE Affordable Housing Fund LP	731,907	-
NEF Friendship Village Fund	96,144	47,854
NEF New York Regional Fund I	599,216	-
NEF New York Special Tax Credit Fund 2016	131,482	-
NEF Preservation Fund I	-	353,444
NEF Regional Fund IV - Northeast	13,990	254,322
NEF Regional Fund VIII - Chicago	481,364	1,651,811
NEF Regional Secondary - California	371,845	391,546
NEF Texas Regional Fund	219,963	-
NY Distressed	63,465	25,000
Other Funds	612,907	373,597
Total	$ 6,832,475	$ 5,604,726

Note 19 - Project Partnerships

Investment in Project Partnerships

NEF (or its subsidiaries) has nominal (generally 1% or less) general partner or managing member interests in the Funds and other ventures and partnerships. At December 31, 2018 NEF's investment balance in the Funds and other ventures and partnerships was $13,730 and $13,830, respectively, and is included in other assets, in the accompanying consolidating and consolidated statement of financial position. NEF accounts for its investments in Funds and other ventures and partnerships using the equity method of accounting, to the extent of its investment plus unrecovered advances. At December 31, 2018 and 2017, deficit balances related to certain of its investments in Funds and other ventures and partnerships were $867,598 and $812,634, respectively, and are included in accounts payable and accrued expenses in the accompanying consolidating and consolidated statement of financial position. NEF recorded $54,964 and $22,122 of equity in losses as of December 31, 2018 and 2017, respectively.

NEF holds limited partner interests in NYC Distressed Funds, the NEF Preservation Funds, Enclave at Firewheel, and certain Funds in which it manages and accounts for these interests using the equity method of accounting. The investment balance of these interests are $2,008,741 and $3,349,625 as of December 31, 2018 and 2017, respectively. NEF recorded $120,348 and $33,463 of equity in income as of December 31, 2018 and 2017, respectively.

The CDA entities discussed in note 1 hold generally a 1.00% or 0.01% general partnership interest in the CDA Partnerships. Pursuant to U.S. GAAP, CDA is deemed to control the limited partnerships and has, therefore, consolidated all entities in which it served as a general partner or managing member if the limited partners do not overcome the presumption of control. CDA did not assume any general partner interests in 2018 and 2017. CDA transferred its general partner interests in four and three CDA Partnerships to an unrelated third party in 2018 and 2017, resulting in a $3,179,358 and $3,095,989 gain on disposition in 2018 and 2017, respectively.

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

Interest rate swaps held by Project Partnerships
One Project Partnership is party to a derivative financial instrument to limit its exposure to interest rate fluctuations through the use of interest rate swaps. These instruments are held only for the purpose of hedging or limiting such risks, not for speculation. As of December 31, 2018 and 2017, the fair value of the interest rate swap was $179,731 and $246,794, respectively, and is included in accounts payable and other liabilities in the companying consolidating and consolidated statement of financial position. As the Project Partnership's derivative financial instrument does not qualify for hedge accounting, the Project Partnership recorded a $67,063 and $78,808 gain on interest rate swap in 2018 and 2017, respectively, and is valued within Level 2 of the fair value hierarchy.

Note 20 - NMTC award administered

As of December 31, 2018 and 2017, approximately $987 million and $969 million, respectively, of the $993 million total NMTC authority awarded to LISC had been closed. The following tables show the total allocation received, total QEIs closed, and total allocation remaining by round for the years ended December 31, 2018 and 2017:

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

	Projects	Allocation received	QEIs closed before 2017	QEIs closed during 2017	Total QEIs closed through December 31, 2017	Allocation remaining as of December 31, 2017
Round 1–9	89	$ 778,000,000	$ 778,000,000	$ -	$ 778,000,000	$ -
Round 11	10	60,000,000	58,000,000	2,000,000	60,000,000	-
Round 12	18	70,000,000	59,421,944	3,653,222	63,075,166	6,924,834
Round 13	8	85,000,000	-	67,550,000	67,550,000	17,450,000
Total	125	$ 993,000,000	$ 895,421,944	$ 73,203,222	$ 968,625,166	$ 24,374,834

As of December 31, 2018 and 2017, 48 and 49 projects, reached the end of their compliance periods, respectively. As of December 31, 2018 and 2017, two of these CDEs has not exited. During 2018 and 2017, NMSC recognized $627,476 and $626,499 in exit fee revenue from nine and seven CDEs related to these projects, respectively.

Note 21 - Subsequent events

In connection with the preparation of the consolidating and consolidated financial statements, the Organization evaluated subsequent events after the balance sheet date of December 31, 2018 through June 27, 2019, which was the date the consolidating and consolidated financial statements were available to be issued, and concluded the following subsequent event has occurred and requires disclosure:

On January 15, 2019, LISC filed for the dissolution of LIMAC with the New York State Department of State.

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APPENDIX II

UNAUDITED INTERIM FINANCIAL STATEMENTS OF LOCAL INITIATIVES SUPPORT CORPORATION AS OF AND FOR THE SIX MONTHS ENDED JUNE 30, 2020

Local Initiatives Support Corporation
(Parent Only)

Interim Financial Statements

June 30, 2020
(With Comparative Financial Information as of and for the Period Ended June 30, 2019)

Local Initiatives Support Corporation
(Parent Only)

Interim Financial Statements

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LOCAL INITIATIVES SUPPORT CORPORATION
(Parent-Only)
Interim Statement of Financial Position
June 30, 2020
(With summarized comparative financial information as of June 30, 2019)

	Operating funds		Loan funds			
Assets	Without donor restrictions	With donor restrictions	Without donor restrictions	With donor restrictions	2020 Total	2019 Total
Cash and cash equivalents (Note 4 and 12)	$ 9,501,654	$ 79,334,517	$ 23,337,667	$ 19,283,641	$ 131,457,479	$ 101,908,467
Investments (Note 4 and 12)	68,940,005	25,000,000	-	57,868,641	151,808,646	137,661,406
Investment in affiliates (Notes 1, 15, and 16)	107,062,169	-	-	-	107,062,169	97,078,551
Accrued interest receivable	3,558,655	-	-	-	3,558,655	3,041,215
Contributions receivable, net (Note 5)	391,940	47,792,825	-	627,406	48,812,171	36,292,029
Government grants and contracts receivable (Note 6)	21,808	15,392,104	-	450,238	15,864,150	18,302,799
Other assets	664,172	3,174	1,162,113	-	1,829,459	440,398
Due (to)/from affiliates (Note 16)	1,176,203	-	-	-	1,176,203	(604,950)
Loans to Community Development Projects (CDPs) and affiliates projects (Notes 7, 10, and 16)	-	-	518,772,479	16,670,050	535,442,529	485,086,873
Allowance for uncollectible loans (Note 7)	-	-	(32,035,250)	-	(32,035,250)	(28,553,716)
Total loans, net	-	-	486,737,229	16,670,050	503,407,279	456,533,157
Recoverable grants to CDPs, net (Note 7 and 16)	6,468,222	2,355,542	144,000	159,390	9,127,154	8,658,284
Prepaid expenses and deposits	(81,758)	168,694	-	-	86,936	859,041
Right of use asset	53,251,406	-			53,251,406	59,190,150
Fixed assets, net	5,041,118	-	-	-	5,041,118	3,164,957
Total assets	$ 255,995,594	$ 170,046,856	$ 511,381,009	$ 95,059,366	$ 1,032,482,825	$ 922,525,504
Liabilities and Net Assets						
Accounts payable and accrued expenses (Note 14)	$ 12,504,499	$ 238,555	$ -	$ 8,885	$ 12,751,939	$ 12,926,998
Right of use liability	54,554,469	-	-	-	54,554,469	59,190,150
Government contracts and loan-related advances (Note 1)	561,195	856,334	-	-	1,417,529	3,569,103
Grants payable (Note 8)	-	35,621,580	-	-	35,621,580	28,413,608
Loans and bonds payable (Note 10)	5,541,251	-	533,435,152	-	538,976,403	485,093,852
Total liabilities	73,161,414	36,716,469	533,435,152	8,885	643,321,920	589,193,711
Board designated net assets for loan fund activity	-	-	10,000,000		10,000,000	10,000,000
Net assets not board designated	182,834,180	133,330,387	(32,054,143)	95,050,481	379,160,905	323,331,793
Total net assets	182,834,180	133,330,387	(22,054,143)	95,050,481	389,160,905	333,331,793
Total liabilities and net assets	$ 255,995,594	$ 170,046,856	$ 511,381,009	$ 95,059,366	$ 1,032,482,825	$ 922,525,504

See accompanying Notes to interim financial statements

LOCAL INITIATIVES SUPPORT CORPORATION
(Parent Only)
Interim Statement of Activities and Changes in Net Assets
For the Period Ended June 30, 2020
(With summarized comparative financial information for the period ended June 30, 2019)

	Operating funds		Loan funds			
	Without donor restrictions	With donor restrictions	Without donor restrictions	With donor restrictions	2020 Total	2019 Total
Support and revenues						
Contributions	$ 1,478,201	$ 64,518,263	$ -	$ -	$ 65,996,464	$ 33,433,253
Government grants and contracts (Note 6)	878,088	9,548,619	-	3,333,333	13,760,040	18,751,898
Interest income on investments	932,640	61	-	275,823	1,208,524	1,833,214
Interest income on loans to CDPs (Note 7)	13,763,908	-	-	-	13,763,908	13,166,608
Other income	2,246,180	82,049	-	-	2,328,229	2,603,692
Equity in earnings of affiliates (Note 1, 15 and 16)	13,041,222	-	-	-	13,041,222	7,321,449
Net assets released from restrictions	66,339,671	(52,190,290)	(18,893)	(14,130,488)	-	-
Total support and revenues	98,679,910	21,958,702	(18,893)	(10,521,332)	110,098,387	77,110,114
Expenses						
Program services						
Project development and other program activities	24,483,848	-	-	-	24,483,848	24,266,251
Project grants (Note 8)	42,310,233	-	-	-	42,310,233	27,545,155
Project loans						
Interest on loans and bonds payable	7,628,219	-	-	-	7,628,219	6,088,090
Increase in allowance for uncollectible loans to CDPs (Note 7)	(5,325)	-	2,426,535	-	2,421,210	2,821,464
Provision for uncollectible recoverable grants to CDPs	400,342	-	-	-	400,342	515,431
Total program services	74,817,317	-	2,426,535	-	77,243,852	61,236,391
Supporting services						
Management and general	13,510,899	-	-	-	13,510,899	13,030,631
Fund-raising	3,513,091	-	-	-	3,513,091	3,383,507
Total supporting services	17,023,990	-	-	-	17,023,990	16,414,138
Total expenses	91,841,307	-	2,426,535	-	94,267,842	77,650,529
Changes in net assets before transfers, and realized and unrealized gain(loss) on investments	6,838,603	21,958,702	(2,445,428)	(10,521,332)	15,830,545	(540,415)
Realized (loss) gain on investments and derivatives	587,294	-	-	-	587,294	(10,725)
Unrealized gain(loss) on investments and derivatives	(1,454,144)	-	-	-	(1,454,144)	1,863,583
Net realized and unrealized (loss) on investments and derivatives	(866,850)	-	-	-	(866,850)	1,852,858
Change in net assets	5,971,753	21,958,702	(2,445,428)	(10,521,332)	14,963,695	1,312,443
Net assets (deficit), beginning of year, as restated	176,862,427	111,371,685	(19,608,715)	105,571,813	374,197,210	332,019,350
Net assets (deficit), end of period	$ 182,834,180	$ 133,330,387	$ (22,054,143)	$ 95,050,481	$ 389,160,905	$ 333,331,793

See accompanying Notes to interim financial statements

LOCAL INITIATIVES SUPPORT CORPORATION

(Parent Only)

Interim Statement of Functional Expenses

Period ended June, 2020

(With comparative financial information for the period ended June 30, 2019)

	2020				2019			
	Program services	Management and general	Fundraising	Total	Program services	Management and general	Fundraising	Total
Salaries and fringe benefits	$ 15,788,760	$ 10,653,751	$ 2,850,179	$ 29,292,690	$ 15,028,431	$ 10,140,706	$ 2,712,925	$ 27,882,062
Staff travel and related expenses	176,805	119,302	31,917	328,024	488,604	329,694	88,202	906,500
Consulting and legal	5,164,682	117,123	35,393	5,317,198	5,780,786	169,400	54,725	6,004,911
Depreciation and amortization	287,463	193,971	51,893	533,327	204,432	137,944	36,904	379,280
Rent and utilities	1,643,606	1,109,053	296,703	3,049,362	1,024,302	691,166	184,906	1,900,374
Office supplies, postage and messenger	408,368	275,554	73,718	757,640	359,099	242,309	64,824	666,232
Bank fees and other financial expenses	-	351,860	-	351,860	-	208,932	-	208,932
Accounting and auditing fees	-	26,875	-	26,875	-	186,100	-	186,100
Conference and meeting	158,978	107,273	28,699	294,950	441,211	297,715	79,647	818,573
Telephone	264,412	178,417	47,732	490,561	245,277	165,505	44,277	455,059
Insurance	154,091	103,976	27,816	285,883	131,590	88,793	23,755	244,138
Equipment rental	54,106	36,509	9,767	100,382	59,945	40,449	10,821	111,215
Board expenses	-	15,672	-	15,672	-	23,465	-	23,465
Printing, annual report and publications	22,133	14,934	3,995	41,062	43,919	29,635	7,928	81,482
Project grants	42,310,233	-	-	42,310,233	27,545,155	-	-	27,545,155
Interest	7,628,219	-	-	7,628,219	6,088,090	-	-	6,088,090
Provision for uncollectible recoverable grants to CDCs	400,342	-	-	400,342	515,431	-	-	515,431
Provision for uncollectible loans to CDCs	2,421,211	-	-	2,421,211	2,821,464	-	-	2,821,464
Miscellaneous	360,443	206,629	55,279	622,351	458,655	278,818	74,593	812,066
	$ 77,243,852	$ 13,510,899	$ 3,513,091	$ 94,267,842	$ 61,236,391	$ 13,030,631	$ 3,383,507	$ 77,650,529

LOCAL INITIATIVES SUPPORT CORPORATION

(Parent Only)

Interim Statement of Cash Flows

June 30, 2020
(With summarized comparative financial information for the period ended June 30, 2019)

	2020	2019
Cash flows from operating activities		
Change in net assets	$ 14,963,695	$ 1,312,443
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Equity in earnings of affiliates	(13,041,222)	(7,321,449)
Distributions from affiliates	(1,866,067)	(834,274)
Realized and unrealized loss on investments and derivatives	866,850	(1,852,858)
Depreciation and amortization	533,327	379,280
Amortization of discounts and issuance costs	31,626	31,625
Increase in allowance for uncollectible loans to CDPs	2,421,210	2,821,464
Provision for uncollectible recoverable grants to CDPs	400,342	515,431
Change in operating assets and liabilities		
Accrued interest receivable	(370,110)	(291,078)
Contributions receivable	2,374,637	10,344,181
Government grants receivable	13,782,365	824,374
Other assets	462,077	156,815
Due to/from affiliates	3,196,072	3,264,081
Right of use asset/liability	(189,118)	-
Prepaid expenses and deposits	978,153	243,592
Accounts payable and accrued expenses	(3,376,361)	(6,701,892)
Government contracts and loan-related advances	(1,652,033)	(1,100,676)
Grants payable	4,422,165	(6,581,052)
Net cash provided by (used in) operating activities	23,937,608	(4,789,993)
Cash flows from investing activities		
Purchases of investments	(15,319,189)	(2,355,129)
Proceeds from sale and maturities of investments	3,495,630	640,236
Purchases of fixed assets	(165,481)	(2,273,212)
Recoverable grants made to CDPs	(1,291,425)	(1,662,681)
Repayments received on recoverable grants to CDPs	1,513,109	2,617,519
Loans to CDPs and affiliated projects	(106,207,860)	(118,354,184)
Repayments received on loans to CDPs and affiliated projects	56,154,842	65,381,257
Net cash (used in) investing activities	(61,820,374)	(56,006,194)
Cash flows from financing activities		
Return of capital from investment in affiliate	-	-
Proceeds from loans and bonds payable	58,100,000	60,723,000
Repayments of loans and bonds payable	(6,015,591)	(13,419,769)
Net cash provided by financing activities	52,084,409	47,303,231
Net increase (decrease) in cash and cash equivalents	14,201,643	(13,492,956)
Cash and cash equivalents, beginning of year	117,255,836	115,401,422
See accompanying Notes to interim financial statements	$ 131,457,479	$ 101,908,466
Supplemental disclosure of cash flow information		
Cash paid during the period for		
Interest on indebtedness	$ 7,622,745	$ 8,281,072

Note 1 - Organization and summary of significant accounting policies

Corporate purposes

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

Basis of accounting

In accordance with LISC's Loan or Interim Report Agreements between the Organization and certain lenders (the "Agreements"), these Interim Financial Statements include the assets, liabilities, revenues, and expenses of LISC parent-only. A not--for--profit entity is permitted to include its interest in net assets of its controlled affiliates in its parent-only financial statements, but it is not required. LISC includes its interest in net assets of controlled affiliates, as LISC believes it better reflects the operations and financial position of LISC. LISC's controlled affiliates consist of National Equity Fund, Inc. ("NEF"), New Markets Support Company, LLC ("NMSC"), Neighborhood Properties, LLC ("NP"), LISC Louisiana Loan Fund, LLC ("LLLF"), immito, LLC, Resilience and Recovery Network, LLC ("RRN"), and LISC Fund Management, LLC ("LFM").

NEF and NMSC are the controlled affiliates who have significant activity. NEF was organized as an Illinois not--for--profit corporation to create a national investment pool to aggregate and channel Low Income Housing Tax Credit equity investments into affordable housing developments. NMSC, a Delaware limited liability company, was formed in 2003 to manage the New Markets Tax Credit ("NMTC") activities of LISC.

LISC formed the wholly owned subsidiary immito, LLC to make SBA-guaranteed small business loans pursuant to section 7(a) of the Small Business Act ("7(a) loan program").

RRN, a Texas limited liability company, was formed in March 2018 to implement and operate a program to repair homes occupied by low and moderate income households that were affected by Hurricane Harvey.

LFM, a Delaware limited liability company, was formed in June 2019 to act as Fund Manager to various loan funds.

All interaffiliate transactions in the statement of activities have been eliminated.

These Interim Financial Statements are not intended to present the financial position and change in net assets of LISC in conformity with U.S. generally accepted accounting principles, as the accounts of the controlled affiliates have not been consolidated.

Tax status

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

The Organization recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Income generated from activities unrelated to the Organization's exempt purpose is subject to tax under the Code Section 511. The Organization did not recognize any unrelated business income tax liabilities for the periods ended June 30, 2020 and 2019. Income tax returns filed by the Organization are subject to examination by the Internal Revenue Service (the "IRS") for a period of three years. While no income tax returns are currently being examined by the IRS, tax years since 2016 remain open.

Financial statement presentation

The accompanying Interim Financial Statements are prepared on the accrual basis of accounting. The Organization reports its financial information in the following categories:

Without Donor Restrictions

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

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

As of June 30, 2020 and 2019, Loan Funds - net assets without donor restrictions consist of $10 million of board-designated net assets.

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

With Donor Restrictions

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

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

Fixed assets

Fixed assets consist of software, equipment, and leasehold improvements and are stated at cost less accumulated depreciation or amortization, computed using the straight--line method. Furniture, software, and equipment are depreciated over their estimated useful lives of three to five years. Leasehold improvements are amortized over the lease term or the life of the asset, whichever is shorter.

Cash and cash equivalents

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

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value in the statement of financial position. Fair value of such equity securities is based on quoted market prices. Fair values of fixed maturity securities, other than those based on quoted market prices, are based on prices provided by the Organization's custodian banks. The custodian banks use a variety of pricing sources to determine market valuations. Each designates specific pricing services or indexes for each sector of the market upon the provider's expertise. The fair values of alternative investments are based on the net asset value, a practical expedient provided by the investment managers or general partners. Those estimated net asset values may differ significantly from the values that would have been used had a ready market for these securities existed.

Contributions and government grants and contracts

Contributions, including unconditional promises to give (pledges), are recorded as revenue on the date received or pledged. Contributions are recorded as net assets with donor restrictions if they are received with donor stipulations that limit their use as to purpose or time. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions receivable due to be collected greater than one year from the date of the statement of financial position are discounted using a risk--adjusted rate commensurate with the duration of the donor's payment plan. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor--imposed restrictions, if any, on the contributions.

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

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

Risks and uncertainties

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

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

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

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

- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

- Level 3 inputs are unobservable inputs for the asset or liability.

Estimates
The preparation of the Interim Financial Statements in conformity with the Agreements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Interim Financial Statements and the reported amounts of revenues and expenses during the reporting period. The significant estimates made in the preparation of these Interim Financial Statements include the fair value of alternative investments, the allowance for uncollectible loans, the allowance for uncollectible recoverable grants, and the allowance for uncollectible contributions receivable. Actual results could differ from those estimates.

Loans receivable and the allowance for uncollectible loans
Loans receivable are carried at their unpaid principal balance less an allowance to reflect potentially uncollectible loan balances. The allowance for uncollectible loans is maintained at a level that, in management's judgment, is adequate to provide for potential losses. The amount of the allowance is based on management's evaluation of the collectability of the loans. Large loans are evaluated individually for impairment and an allowance is established when the discounted cash flows of an impaired loan are lower than the carrying value of the loan. For the remainder of the portfolio, an allowance is established based on historical loan loss experience and management's evaluation of the collectability of the loans, taking into consideration project characteristics and trends. The accrual of interest income is discontinued on loans that are delinquent for over 90 days. Loans are written off when repayment is not expected to occur.

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

I. Excellent – The loan is a very strong credit, and sound in every respect. The prospect for repayment is excellent.
II. Strong – The loan is a strong credit and sound in most respects. The prospect for repayment is strong.

III. Good – The loan is a sound credit with reasonable risk for the Organization and with good repayment prospects.
IV. Acceptable – The loan is credit worthy, but contains heightened risks from the outset. A number of developments that would reduce LISC's repayment risk have yet to occur, but no material problems have developed.
V. Close Follow – The loan has more significant risks than an "Acceptable" loan, but it is still credit worthy.
VI. Substandard – Conditions seriously jeopardizing loan repayment have developed, and it is likely some loss of loan principal will occur.
VII. Doubtful – The loan has been partially written down but in work out in the hopes of receiving partial payment.

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

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

Discounts and issuance costs on debt issuance
Discounts and issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the loans and bonds payable to which such costs relate. Amortization of debt discount and issuance costs are reported as a component of interest expense and is computed using an imputed interest rate on the related loans and bonds payable.

Functional expenses
The costs of providing program services and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among program services, management and general and fundraising expenses. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

Expenses	Method of allocation
Salaries and fringe benefits	Time and effort
Consultant and legal	Direct allocation based on services/time and effort
Rent and utilities	Time and effort
Project grants	Direct allocation
Interest	Direct allocation
Provision for uncollectible recoverable grants to CDCs	Direct allocation
Provision for uncollectibe loans to CDCs	Direct allocation
Bank fees and other financial expenses; accounting and auditing fees; board expenses	Direct allocation
All other expenses	Time and effort

Comparative financial information
The accompanying statement of activities is presented with prior year summarized financial information in total, but not by net asset class. Such information does not include sufficient detail to constitute a complete presentation; accordingly, such information should be read in conjunction with the Organization's June 30, 2019 Interim Financial Statements, from which the summarized information was derived.

Recent accounting pronouncements
In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606) ("ASU 2014-09"), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 replaces most existing revenue recognition guidance in U.S. GAAP when it becomes effective. Additionally, ASU No. 2015-14, Revenue from Contracts with Customers, Deferral of the Effective Date ("ASU 2015-14"), was issued by the FASB in August 2015. ASU 2015-14 amended the effective date of ASU 2014-09. Early adoption is permitted, but not before the original effective date for private business entities (i.e. January 2019). The provisions of ASU 2014-09 were effective for LISC on January 1, 2018 and did not have a significant impact on the Interim Financial Statements. NEF adopted ASU 2014-09 in 2019 using the full retrospective method.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842) ("ASU 2016-02"), which requires lessees to recognize on the balance sheet the assets and liabilities for the rights and obligations created by leases with lease terms of more than 12 months. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee will continue to primarily depend on its classification as a finance or operating lease. However, unlike former guidance from U.S. GAAP, which required only capital leases to be recognized on the balance sheet, ASU 2016-02 requires both types of leases to be recognized on the balance sheet. ASU 2016-02 also requires disclosures about the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements, providing additional information about the amounts recorded in the financial statements. ASU 2016-02 is effective for fiscal years beginning after March 15, 2020 with early adoption permitted.

The Organization adopted ASU 2016-02 using the modified retrospective approach at the beginning of the earliest period presented. ASU 2016-02 requires that lessees recognize right of use assets and lease liabilities calculated based on the present value of lease payments for all lease agreements with terms that are greater than 12 months using the rate implicit of the lessee's incremental borrowing rate. The adoption of ASU 2016-02 did not materially impact our results of operations, cash flows, or presentation thereof.

In June 2018, FASB issued ASU 2019-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Organization has implemented the provisions of ASU 2019-08 applicable to both contributions received and to contributions made in the accompanying Interim Financial Statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the implementation of ASU 2019-08.

Note 2 - Net assets with donor restrictions

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

As of June 30, 2020, net assets with donor restrictions were $228,380,868 ($133,330,387 donor restricted operating funds and $95,050,481 donor restricted loan funds), and included the following components: (1) *Charter School Financing* - approximately $59.5 million of donor-restricted funds are available to support quality public charter and alternative schools in low-income neighborhoods. Included in this amount is $58.4 million related to grants awarded by the U.S. Department of Education ("DOE") to LISC to provide credit enhancement on loans made by financial institutions to stimulate the financing of charter schools (2) Lending Activities (excluding DOE funds) - in local and regional offices is approximately $36.6 million (3) *Operating and Programmatic Support* - approximately $132.2 million of donor-restricted funds available to support operating and a multitude of specifically defined projects in the local/regional offices and national programs.

Note 3 - Availability and liquidity

The table below represents financial assets available for operating funds expenditures within one year at June 30, 2020 and 2019. Financial assets in the "Loan Funds - Without Donor Restrictions" and "Loan Funds - With Donor Restrictions" are not included in the table below. As explained further in Note 1, these loan funds are for lending and/or credit enhancement activities and are not available for operating funds expenditures. LISC also has undrawn lines of credit as further described in Note

10. As of June 30, 2020 and 2019, $15,000,000 and $15,000,000, respectively, of the undrawn line of credit can be used for operating funds expenditures:

	2020	2019
Financial assets at period end		
Cash and cash equivalents	$ 88,836,171	57,527,300
Investments	93,940,005	92,207,426
Accrued interest receivable	3,558,655	3,041,215
Contributions receivables, gross	50,021,925	31,330,649
Government grants and contracts receivable	15,413,912	17,552,561
Due (to)/from affiliates	1,176,203	-
Recoverable grants to CDPs, gross	10,258,897	9,830,647
Total financial assets	$ 263,205,768	$ 211,489,798
Less amounts not available to be used within one year		
Cash and cash equivalents	(9,175,602)	(8,307,943)
Investments	(7,753,890)	(5,578,422)
Contributions receivables, gross	(42,160,841)	(10,801,666)
Government grants and contracts receivable	(14,157,258)	(17,172,021)
Recoverable grants to CDPs, gross	(10,258,897)	(9,830,647)
Financial assets not available to be used within one year	(66,576,995)	(37,804,334)
Financial assets available to meet operating fund expenditures over the next 12 months	$ 196,628,772	$ 173,685,464

Also, LISC has financial covenants with certain LISC lenders, some of which address adequate liquidity to cover operating costs and debt service requirements. Specifically, at the end of each quarter, unrestricted operating cash, cash equivalents, and investments must be able to cover at least six months of unrestricted operating expense as defined in the terms of the loan agreements with certain LISC lenders. With regard to debt service, liquid assets must exceed six months of interest and notes payable (as defined in the terms of the loan agreements with certain LISC lenders). At June 30, 2020 and 2019, LISC was in compliance with its financial covenants.

Note 4 - Cash, cash equivalents, and investments

At June 30, 2020 and 2019, the Organization's total portfolio of cash, cash equivalents, and investments consisted of the following:

	Fair value	
	2020	2019
Cash and cash equivalents	$ 131,457,478	$ 101,908,467
Investments		
Cash and cash equivalents held for investment	47,999,009	35,803,531
Corporate bonds and fixed-income funds	39,173,431	38,974,033
U.S. government agencies	39,082,197	37,536,453
Certificates of deposit	4,592,019	5,270,073
Alternative investments		
Real estate investment trust	3,114,764	3,114,764
Hedge funds	13,249,625	14,591,287
Private equity funds	4,597,601	2,371,265
	151,808,646	137,661,406
Total cash, cash equivalents and investments	$ 283,266,124	$ 239,569,873

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

At June 30, 2020 and 2019, cash and cash equivalents include approximately $0.6 million and $1.9 million, respectively, held in escrow-like arrangements with loan participants and $8.6 million and $6.4 million, respectively, in loss reserves required by specific programs.

The limitations and restrictions on the Organization's ability to redeem or sell its alternative investments vary by investment. As of June 30, 2020 and 2019, the following table summarizes the composition of such investments by the various redemption provisions:

	Fair value 2020	Fair value 2019	Redemption frequency	Redemption notice period
Alternative investments				
Real estate investment trust (A)	$ 3,114,764	3,114,764	Lock-up	Not applicable
Multi-strategy hedge funds (B)	13,208,100	14,498,894	Quarterly	61 calendar days
Credit-focused hedge funds (C)	41,525	92,393	Lock-up	Not applicable
Private equity funds (D)	4,597,601	2,371,265	Lock-up	Not applicable
	$ 20,961,990	$ 20,077,316		

As of June 30, 2020, and 2019, the Organization had $3,491,634 and $4,615,528 unfunded commitments on its alternative investments.

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

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

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

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

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

Note 5 - Contributions receivable

At June 30, 2020 and 2019, the Organization had contributions receivable with expected receipts as follows:

	2020	2019
Due within one year	$ 37,859,778	$ 26,528,983
Due in one to five years	12,789,553	10,801,666
	50,649,331	37,330,649
Less discount (0.12%-5.00%)	(1,188,160)	(389,620)
Less allowance for uncollectible contributions receivable	(649,000)	(649,000)
Total contributions receivable, net	$ 48,812,171	$ 36,292,029

At June 30, 2020 and 2019, approximately 13.44% and 25%, respectively, of the Organization's contributions receivable was from one donor.

At June 30, 2020 and 2019, approximately 49.17% and 50%, respectively, of the Organization's contributions revenue were from five donors.

Note 6 - Government grants and contracts

At June 30, 2020 and 2019, LISC had grant commitments from various government agencies of approximately $38.8 million and $39.3 million, respectively, with expiring term dates ranging from 2020 to 2023. These grant commitments will be recognized in the accompanying Interim Financial Statements when it is probable that the conditions surrounding the terms of the grants will be met.

At June 30, 2020 and 2019, government grants and contracts receivable were $15.9 million and $18.3 million, respectively. Approximately $7.5 million and $7.6 million of government grants receivable at June 30, 2020 and 2019, respectively, and approximately $5.8 million of government grants and contracts revenue for the periods ended June 30, 2020 and 2019, respectively, were from one government agency.

Note 7 - Program loans and recoverable grants to community development projects

Program loans

In furtherance of its charitable purposes, LISC makes loans directly to CDPs and also to its affiliates, to benefit affiliate projects. In general, interest rates on loans to CDPs range from 0% to 9% and repayment terms range from 13 months to 39 years. Delinquent loans, measured as those loans whose payment is greater than 90 days past due, totaled $6,390,427 and $4,289,397, respectively, at June 30, 2020 and 2019. The portion of the allowance dedicated to the delinquent loans totaled $931,287 and $782,293 at June 30, 2020 and 2019, respectively. At June 30, 2020, loan principal of $158,319,003 is due to LISC within one year, of which $76,401,714 is due to LISC within the next six months.

Loans to CDPs and affiliates' projects as of June 30, 2020 and 2019 are comprised of the following:

	2020	2019
Loan type		
Acquisition loans	$ 161,340,167	$141,031,385
Predevelopment loans	35,121,967	25,946,151
Construction loans	142,050,180	121,826,681
Other	196,930,215	196,282,656
Total	$ 535,442,529	$ 485,086,873

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

1. Acquisition loans - to pay purchase and closing costs of a property
2. Predevelopment loans - to pay project predevelopment expenses
3. Construction loans - to pay hard and soft costs of new or rehabilitation projects
4. Other - includes mainly semi--permanent and permanent financing for projects, bridge loans (financing the remaining gap between projects or program costs and cash from committed or anticipated sources not yet available), and working capital line of credits to provide flexible capital to meet organizational cash flow needs.

The following tables provide an analysis of the aging of loan receivables as of June 30, 2020 and 2019:

	2020					
	31–60 days past due	61–90 days past due	Greater than 90 days past due	Total past due	Current	Total gross loans receivable
Acquisition	$ 1,191,061	$ -	$ 2,751,974	$ 3,943,035	$ 157,397,132	$ 161,340,167
Predevelopment	-	-	1,099,579	1,099,579	34,022,388	35,121,967
Construction	6,932,281	-	1,090,773	8,023,054	134,027,126	142,050,180
Other	3,041,401	1,235,120	1,448,101	5,724,622	191,205,593	196,930,215
Total	$ 11,164,743	$ 1,235,120	$ 6,390,427	$ 18,790,290	$ 516,652,239	$ 535,442,529

	2019					
	31–60 days past due	61–90 days past due	Greater than 90 days past due	Total past due	Current	Total gross loans receivable
Acquisition	$ 199,665	$-	$ 823,435	$ 1,023,100	$ 140,008,285	$ 141,031,385
Predevelopment	1,249,176	-	233,249	1,482,425	24,463,726	25,946,151
Construction	-	599,349	2,375,227	2,974,576	118,852,105	121,826,681
Other	536,183	1,157,141	857,486	2,550,810	193,731,846	196,282,656
Total	$ 1,985,024	$ 1,756,490	$ 4,289,397	$ 8,030,911	$ 477,055,962	$ 485,086,873

The activity in the allowance for uncollectible loans for the years ended June 30, 2020 and 2019 is as follows:

	2020				
	Acquisition	Pre-development	Construction	Other	Total
Allowance for uncollectible loans, beginning of year	$ (16,413,131)	$ (3,660,524)	$ (5,794,823)	$ (3,740,237)	$ (29,608,715)
Write-offs	-	-	-	-	-
Recoveries	-	-	(2,350)	(2,975)	(5,325)
Provision	(1,278,435)	(315,105)	105,395	(933,065)	(2,421,211)
Allowance for uncollectible loans, end of period	$ (17,691,566)	$ (3,975,629)	$ (5,691,778)	$ (4,676,277)	$ (32,035,250)

	2019				
	Acquisition	Pre-development	Construction	Other	Total
Allowance for uncollectible loans, beginning of year	$ (12,709,740)	$ (3,567,222)	$ (5,703,669)	$ (3,697,455)	$ (25,678,086)
Write-offs	-	-	-	-	-
Recoveries	(20,000)	-	(2,258)	(31,907)	(54,165)
Provision	(1,885,312)	(19,594)	(81,410)	(835,149)	(2,821,465)
Allowance for uncollectible loans, end of period	$ (14,615,052)	$ (3,586,816)	$ (5,787,337)	$ (4,564,511)	$ (28,553,716)

Loans receivable, by class and credit quality category, as of June 30, 2020 and 2019, are as follows:

	2020							
	Excellent	Strong	Good	Acceptable	Close Follow	Substandard	Doubtful	Total
Acquisition	-	4,889,999	21,454,077	127,161,491	7,625,719	208,880	-	161,340,166
Construction	-	-	57,790,459	68,273,220	14,071,042	1,915,459	-	142,050,180
Predevelopment	-	-	12,432,966	21,766,809	772,480	149,712	-	35,121,967
Other	175,550	49,006,604	86,636,798	43,440,699	15,341,466	2,329,099	-	196,930,216
Total	175,550	53,896,603	178,314,300	260,642,219	37,810,707	4,603,150	-	535,442,529

	2019							
	Excellent	Strong	Good	Acceptable	Close Follow	Substandard	Doubtful	Total
Acquisition	-	9,221,820	34,640,071	90,904,461	5,843,898	421,135	-	141,031,385
Construction	-	-	50,011,027	65,475,199	3,895,034	2,445,421	-	121,826,681
Predevelopment	-	525,000	5,077,640	19,619,368	701,589	-	22,554	25,946,151
Other	239,273	47,225,171	78,659,054	56,948,277	11,457,548	1,753,333	-	196,282,656
Total	239,273	56,971,991	168,387,792	232,947,305	21,898,069	4,619,889	22,554	485,086,873

LISC did not have any loan modifications that were considered troubled debt restructurings or impaired loans for the years ended June 30, 2020 and 2019.

Recoverable grants

In furtherance of its charitable purposes, LISC makes recoverable grants directly to CDPs. Recoverable grant activity for 2020 and 2019 is summarized as follows:

	2020	2019
Gross recoverable grants receivable, beginning of year	$ 20,733,077	$ 20,720,694
New recoverable grants made	1,291,425	1,662,681
Write-offs	(488,884)	(1,189,206)
Repayments	(1,513,109)	(2,617,519)
Gross recoverable grants receivable, end of period	20,022,509	18,576,650
Allowance for uncollectible recoverable grants, end of period	(10,895,355)	(9,918,366)
Recoverable grants receivable, net, end of period	$ 9,127,154	$ 8,658,284

Note 8 - Grants payable

In furtherance of its charitable purposes, LISC makes grants to CDPs. Grant expense is recorded as an expense when the grant is approved by the Organization. Grants are generally awarded for a six-month to three-year period. The Organization's grant activity for the periods ended June 30, 2020 and 2019 is summarized below:

	2020	2019
Grants payable, beginning of year	$ 31,199,415	$ 34,994,660
New project grants made	42,310,233	27,545,155
Disbursements on commitments	(37,888,068)	(34,126,207)
Grants payable, end of period	$ 35,621,580	$ 28,413,608

Note 9 - Fixed assets

Fixed assets consist of the following at June 30, 2020 and 2019:

	2020	2019
Software	$ 946,705	$ 1,151,180
Equipment	410,141	79,805
Furniture & Fixtures	2,101,471	815,631
Leasehold improvements	3,097,896	5,973,159
Gross fixed assets	6,556,212	8,019,775
Less accumulated depreciation and amortization	(1,515,094)	(4,854,818)
Fixed assets, net	$ 5,041,118	$ 3,164,957

Note 10 - Loans and bonds payable

At June 30, 2020 and 2019, loans and bonds payable consisted of the following:

	Maturities	Interest rates	2020	2019
Financial institutions and insurance companies	2020-2037	0.00%-5.00%	$ 406,467,938	$ 370,742,867
Foundations	2020-2025	0.00%-4.50%	76,162,807	55,520,461
Public agencies/entities and retirement funds	2020-2043	0.00%-4.00%	53,971,218	55,449,905
Nonprofit and other institutions	2020-2026	0.00%-2.50%	3,032,448	4,101,874
Total			539,634,411	485,815,107
Less unamortized discount and deferred costs (**)			(658,008)	(721,255)
Loans and bonds payable, net			$ 538,976,403	$ 485,093,852

As of June 30, 2020 and 2019, accrued interest was $2,725,993 and $2,722,478, respectively, and is included as a component of accounts payable and accrued expenses on the accompanying statement of financial position.

Loans and bonds principal and future interest payments as of June 30, 2020 are scheduled to be repaid as follows:

	Principal	Interest	Total
2020 *	$ 17,285,761	$ 6,940,623	$ 24,226,384
2021	80,057,226	12,990,366	93,047,592
2022	96,233,982	11,299,212	107,533,194
2023	79,655,997	9,965,932	89,621,929
2024	44,943,305	8,162,954	53,106,259
Thereafter	221,458,140	40,784,737	262,242,877
Total	$ 539,634,411	$ 90,143,824	$ 629,778,235

* As of June 30, 2020, loans outstanding of $17,285,761 and scheduled interest payments of $6,940,623 are due in the next six months.

** In April 2017, LISC issued $100,000,000 in Taxable Bonds, Series 2017A (Sustainability Bonds) ($25,000,000, 3.005% term bonds due March 1, 2022; $25,000,000, 3.782% term bonds due March 1, 2027; $50,000,000, 4.649% term bonds due March 1, 2037). The proceeds of the Sustainability Bonds were used to finance then existing loans payable and pay a portion of the debt issuance costs. The Sustainability Bonds were issued at a discount of $731,478, and LISC incurred debt issuance costs of $126,811. As of June 30, 2020 and 2019, the unamortized discount and deferred costs were $658,008 and $721,255, respectively.

At June 30, 2020, LISC had $147,050,000 of available undrawn sources of funding with maturities ranging from 2020 to 2029. Interest rates range from 0.75% to 4% fixed rate ($124,050,000) and floating rate range from LIBOR + 1.95% to LIBOR + 2.15% ($23,000,000).

Pledged assets
LISC has pledged certain assets as collateral to lenders to secure (1) non-recourse indebtedness to LISC totaling of $0 as of June 30, 2020 and 2019 and (2) $47,169,903 and $48,739,099 of collateral assets for the recourse indebtedness under the Community Development Financial Institution Bond Guarantee Program (CDFI BGP Loan) totaling $44,836,076 and $46,245,366 as of June 30, 2020 and 2019, respectively.

Subordinated debt
At June 30, 2020, LISC has subordinated debt included in loans and bonds payable totaling $34 million in the form of thirteen equity equivalent investments from seven financial institutions. At June 30, 2019, LISC had subordinated debt included in loans and bonds payable totaling $25.5 million in the form of ten equity equivalent investments from five financial institutions.

Lines of credit
At June 30, 2020 and 2019, LISC had available bank lines of credit of $65,000,000, which expire between December 22, 2020 and March 28, 2023, with interest rates ranging from LIBOR + 1.75% to LIBOR + 1.875%. At June 30, 2020 and 2019, the outstanding balance included in loans and bond payable was $30,000,000 and $26,150,000, respectively.

Covenants
In accordance with the terms of loan agreements with certain LISC lenders, LISC is required to meet several financial covenants. LISC was in compliance with its financial covenants at June 30, 2020.

Note 11 - Pension and thrift plans

LISC has a Code Section 403(b) defined -contribution pension plan covering all eligible employees. Plan contributions are computed based on formulas defined in the plan. Total pension expense for the periods ended June 30, 2020 and 2019 was $1,405,563 and $1,577,876, respectively.

LISC also maintains a thrift plan under Section 401(k) of the Code covering all eligible employees. Under the plan, employee contributions are partially matched by LISC. Total thrift plan expense for the periods ended June 30, 2020 and 2019 was $234,207 and $254,523, respectively.

Note 12 - Financial instruments with off-balance sheet risk and fair values

Off-balance sheet risk
LISC is a party to certain financial instruments with off-balance sheet risk to meet the financing needs of community development organizations across the United States. These financial instruments and arrangements include financial guarantees and loan commitments. These transactions and arrangements involve elements of credit risk. LISC uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

Loan commitments are agreements to lend as long as there is no violation of any condition established in the contract.

The following represents the composition of financial instruments whose contract amounts represent off-balance sheet credit risk:

	2020 Contract amount	2019 Contract amount
Financial instruments whose contract amounts represent off-balance-sheet credit risk		
Financial guarantees	$ 5,940,642	$ 7,570,140
Loan commitments outstanding	169,810,945	212,242,034
Total	$ 175,751,587	$ 219,812,174

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

At June 30, 2020 and 2019, LISC has interest rate swap agreements with notional amounts in the aggregate of $10,000,000 and $0, respectively. At June 30, 2020 and 2019, the fair value of the interest rate swaps was ($637,652), and $0, respectively.

Fair values

The following tables present the Organization's fair value hierarchy for those assets and liabilities measured at fair value on an annual basis as of June 30, 2020 and 2019:

	June 30, 2020		
	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
Cash and cash equivalents	$ 131,457,478	$ 131,457,478	$ -
Investments			
Cash and cash equivalents held for investment	$ 47,999,009	47,999,009	$ -
Corporate bonds and fixed-income funds	39,173,430	38,963,777	209,653
U.S. government agencies	39,082,197	31,182,159	7,900,038
Certificates of deposit	4,592,019		4,592,019
	$ 130,846,656	$ 118,144,946	$ 12,701,710
Investments reported at net asset value or its equivalent			
Real estate investment trust	3,114,764		
Hedge funds	13,249,625		
Private equity funds	4,597,601		
	20,961,990		
Total investments	$ 151,808,646		
Interest rate swaps	(637,652)	-	$ (637,652)
Loan guarantee	(298,902)	-	(298,902)

	June 30, 2019		
	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
Cash and cash equivalents	$ 101,908,467	$ 101,908,467	$ -
Investments			
Cash and cash equivalents held for investment	$ 35,803,531	$ 35,803,531	$ -
Corporate bonds and fixed-income funds	38,974,033	38,678,247	295,786
U.S. government agencies	37,536,453	29,728,682	7,807,771
Certificates of deposit	5,270,073	-	5,270,073
	$ 117,584,090	$ 104,210,460	$ 13,373,630
Investments reported at net asset value or its equivalent			
Real estate investment trust	3,114,764		
Hedge funds	14,591,287		
Private equity funds	2,371,265		
	20,077,316		
Total investments	$ 137,661,406		
Interest rate swaps	$ -	$ -	$ -
Loan guarantee	(298,902)	-	(298,902)

Note 13 - Concentration of credit risk

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

Note 14 - Commitments and contingencies

Litigation

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

Operating lease, right of use asset and liability

The Organization's leased assets include office leases with remaining terms from less than one year up to 15 years. Any renewal options are excluded from the calculation of lease liabilities unless exercising the renewal option is reasonably assured. The lease agreements do not contain residual value guarantees or material restrictive covenants. Operating leases are reflected on the statement of financial position as a right of use asset and a related right of use liability. Right of use assets represent the right to use an underlying asset for the lease term and were $53,251,406 and $59,190,150 as of June 30, 2020 and 2019, respectively, and right of use liability represents the obligation to make lease payments arising from the lease agreement which are discounted using the Organization's incremental borrowing rate, rates ranging from 1.72% to 2.88%, as of June 30, 2020 and 2019, respectively. Operating lease right of use assets and liabilities are recognized at the commencement date, or the date on which the lessor makes the underlying asset available for use, based upon the present value of the lease payments over the respective lease term. Lease expense is recognized on a straight-line basis over the lease term. Variable lease costs such as common area maintenance and property taxes are expensed as incurred.

Minimum rental commitments under non-cancelable operating real estate leases in effect at June 30, 2020 and expiring at various dates through February 2035 totaled $65,880,279. These amounts exclude future escalation for real estate taxes and building operating expenses. Minimum future rental commitments as of June 30, 2020 are as follows:

2020	$	2,035,159
2021		5,001,514
2022		4,811,031
2023		4,419,101
2024		3,049,238
Thereafter		46,564,236
Subtotal	$	65,880,279
Less: Effect of Discounting		(11,325,810)
	$	54,554,469

Rental expense, inclusive of real estate taxes and operating costs, for the periods ended June 30, 2020 and 2019 totaled $3,041,211 and $1,900,374, respectively.

Government contracting

Grant and contract revenue recognized from government agencies are based on actual costs incurred and reimbursable expenses from the respective government agencies. These costs are subject to audit by the Office of Inspector General or the respective granting agencies, and the ultimate revenue recognized is contingent upon the outcome of any such audits. Accordingly, the accompanying Interim Financial Statements are subject to reflecting provisions for adjustments, if any, which may result from an audit. For the period ended June 30, 2020 and 2019, no such provisions were necessary.

Note 15 - Investments in affiliates

Investments in affiliates as of June 30, 2020 and 2019 consist of the following:

Affiliates	2020	2019
NEF	$ 96,203,868	$ 85,769,775
NMSC	8,864,210	6,817,320
NP	100,000	971,154
LLLF	-	193,730
immito, LLC	2,096,165	3,114,584
RRN, LLC (a)	129,693	211,988
LFM, LLC	(331,767)	-
	$ 107,062,169	$ 97,078,551

At June 30, 2020 and 2019, NP did not hold any real estate assets.

The activities of RRN are funded by a restricted contribution received by LISC. As of June 30, 2020 and 2019, LISC has received contributions totaling $4,375,000 and $1,875,000, respectively, in support of RRN.

The following table presents the summary of net income/change in net assets of affiliates, interaffiliate eliminations, and other adjustments, and equity in earnings of affiliates:

	2020			2019		
Affiliates	Change in net assets of/members' equity in affiliates	Interaffiliate elimination and other adjustments (Note 16)	LISC's equity in earnings of affiliates	Change in net assets of/members' equity in affiliates	Interaffiliate elimination and other adjustments (Note 16)	LISC's equity in earnings of affiliates
NEF	$ 15,262,145	$ 119,193	$ 15,381,338	$ 8,866,946	$ 158,539	$ 9,025,485
NMSC	431,736	(293,075)	138,661	399,687	30,650	430,337
NP	-	-	-	40,850	2,296	43,146
LLLF	-	-	-	(383)	39,351	38,968
immito, LLC (1)	(279,009)	(958,859)	(1,237,868)	(1,308,655)	-	(1,308,655)
RRN, LLC	(73,170)	(1,763,080)	(1,836,250)	157,278	5,093	162,371
LFM, LLC	(434,413)	1,029,754	595,341	-	(1,070,203)	(1,070,203)
	$ 14,907,289	$ (1,866,067)	$ 13,041,222	$ 8,155,723	$ (834,274)	$ 7,321,449

(1) Includes a $1,000,000 investment in immito

Interaffiliate elimination and other adjustments includes a $1,000,000 investment in immito for the year ended June 30, 2020.

Note 16 - Related-party transactions

LISC provides various services to its affiliates. LISC earns a service fee from NEF for providing project--related services, which include project selection assistance, assistance to project partnerships, and closing and monitoring of project investments. LISC also provides office space to NEF. NEF is charged a pro rata share of the monthly lease costs, inclusive of operation costs and real estate tax escalations. In addition, LISC earns a management fee for technical and management assistance provided to LLLF and NP. Furthermore, certain shared expenses are reimbursed to LISC pursuant to an allocation agreement between parties.

Interaffiliate revenue and expenses

The following table represents revenues and expenses from affiliates, net at June 30, 2020 and 2019:

	2020	2019
NEF service fee	$ 10,820	$ 7,215
NEF interest income	21,129	-
NEF rental income	62,244	76,324
NEF line of credit fee	-	62,500
NEF grant	25,000	12,500
NMSC closing fee	-	30,650
NMSC consulting fee	(370,485)	-
NMSC service fee	77,410	-
NP interest income	-	2,296
LLLF management fee	-	39,247
LLLF interest income	-	104
immito interest income	41,141	5,093
immito investment	(1,000,000)	-
RRN service fee	111,920	179,797
RRN grant from LISC	(1,875,000)	(1,250,000)
LFM management fee	87,683	-
LFM service fee	942,071	-
	$ (1,866,067)	$ (834,274)

Due (to) from affiliates

Due (to) from affiliates consisted of the following at June 30, 2020 and 2019:

	2020	2019
NEF	$ (29,974)	$ 26,878
NMSC	(459,636)	1,093
LLLF, net	-	(89,665)
NP	44,060	(831,117)
immito, LLC	3,321	2,312
RRN, LLC	588,678	285,549
LISC Fund Management, LLC	1,029,754	-
Total	$ 1,176,203	$ (604,950)

As of June 30, 2020 and 2019, due from NEF included, ($29,974) and $26,878 in shared expenses, respectively.

On March 1, 2019, LISC received full payment of principal and related accrued interest for the 3% interaffiliate loan to NP.

Other related-party activities
LISC provided NEF and NEF--related entities a $15,000,000 revolving line of credit to borrow monies to provide short--term secured loans to facilitate the acquisitions of project partnership investments. The maturity date is December 31, 2020. There was an outstanding balance as of $10,000,000 and $0, respectively, as of June 30, 2020 and 2019. For the periods ended June 30, 2020 and 2019, LISC earned $21,129 and $0 in interest income on the revolving line of credit, respectively. The loans are secured by assignments of investor notes and/or interests in project investments. LISC also provided a $5 million working capital line of credit with a maturity date of June 30, 2020. There was no outstanding balance as of June 30, 2020 and 2019.

On November 15, 2017, LISC provided NMSC a $10,000,000 revolving line of credit. The line of credit may be prepaid and is secured by the underlying project loans. The maturity date is December 1, 2027. There was no outstanding balance as of June 30, 2020 and 2019.

LISC has provided LLLF with a $1 million revolving bridge loan, which matured on July 1, 2019. The proceeds of the loan were to be used only to bridge advances of loans secured by LLLF to fund acquisition and predevelopment loans to developers in the Gulf Opportunity Zone in the State of Louisiana for the rehabilitation and development of affordable and mixed--income housing. In 2019, the LLLF received payment of the underlying project loan with sufficient funds to repay LISC the net balance.

LISC has provided a $10,000,000 working capital line of credit to immito, LLC, maturing February 1, 2024, to fund program eligible Small Business Administration 7(a) small business loans. As of June 30, 2020 and 2019 respectively, $2,938,466 and $1,555,000 was outstanding.

LISC has also provided a $10,000,000 line of credit to immito, LLC, maturing October 20, 2022, to fund loans related to the Paycheck Protection Program. As of June 30, 2020, $10,000,000 was outstanding.

Note 17 - Subsequent events

In connection with the preparation of the Interim Financial Statements, the Organization evaluated subsequent events after the balance sheet date of June 30, 2020 through August 14, 2020 which was the date the Interim Financial Statements were available to be issued, and concluded that no additional matters have occurred that would require recognition or disclosure in the Interim Financial Statements.