IFF and Subsidiaries

Consolidated Financial Report
December 31, 2014

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McGladrey

Independent Auditor's Report

To the Board of Directors
IFF and Subsidiaries
Chicago, Illinois

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of IFF and Subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, and the related consolidated statements of activities and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of IFF and its Subsidiaries as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

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

McGladrey LLP

Chicago, Illinois
April 29, 2015

IFF and Subsidiaries

Consolidated Statements of Financial Position
December 31, 2014 and 2013

	2014	2013
Assets		
Cash and cash equivalents	**$ 12,844,524**	$ 18,864,718
Other restricted cash and interest-bearing deposits in banks	**12,696,853**	14,134,789
Department of Education restricted cash and interest-bearing deposits in banks	**18,125,620**	18,262,465
Grants receivable, other receivables, prepaids and deposits	**4,729,582**	9,717,289
Loans receivable, net	**205,303,632**	184,745,993
Accrued interest receivable	**862,466**	788,036
NSP property	**-**	3,158,768
Properties owned by IFF's subsidiaries, net	**16,644,053**	7,456,967
Federal Home Loan Bank stock, at cost	**350,000**	206,900
Foreclosed assets, net	**3,473,312**	1,918,432
Furniture, equipment and leasehold improvements, net	**505,710**	461,810
Capitalized finance costs, net	**329,801**	329,302
Other assets	**7,088**	12,978
	$ 275,872,641	$ 260,058,447
Liabilities and Net Assets		
Liabilities		
Accrued liabilities	**$ 1,996,215**	$ 1,280,507
Accrued interest payable	**823,405**	839,755
Deferred grant revenue	**7,973,204**	4,983,756
Investor Consortium collateral trust notes	**68,099,734**	66,036,912
Borrowings	**100,401,635**	89,511,209
Equity equivalent borrowings	**17,144,000**	17,144,000
Loan participations payable	**1,100,011**	1,593,219
	197,538,204	181,389,358
Commitments and Contingencies (Notes 5 and 13)		
Net Assets		
Unrestricted	**26,159,003**	22,173,176
Temporarily restricted	**52,175,434**	56,495,913
	78,334,437	78,669,089
	$ 275,872,641	$ 260,058,447

See Notes to Consolidated Financial Statements.

IFF and Subsidiaries

Consolidated Statements of Activities
Years Ended December 31, 2014 and 2013

	2014	2013
Unrestricted - Operating		
Support and revenue:		
Corporations, foundations, and individuals	$ 1,849,232	$ 183,300
Interest on loans	9,905,510	9,706,705
Consulting contract fees	1,245,246	1,346,268
Management and sponsor fees	184,275	136,844
Syndication fees	1,040,000	360,000
Loan fees	204,907	104,723
Other interest income	38,816	27,052
Rental income	504,101	188,955
Reimbursed professional fees	205,300	-
Realized gains on other assets	2,539	-
Unrealized gains (losses) on other assets and DOE restricted cash	513	(336)
Net assets released from restrictions	3,159,994	1,567,382
Net assets released from restrictions - NSP property	3,282,072	1,811,216
Net assets released from restrictions - Pass through Grants	6,004,973	4,116,044
	27,627,478	19,548,153
Expenses:		
Salaries and benefits	6,616,230	5,484,567
Professional fees	1,566,757	900,868
Occupancy and office	1,338,435	973,158
Printing and marketing	93,586	75,262
Interest	5,217,834	5,157,819
Other operating	501,945	353,146
Provision for losses on foreclosed assets	51,720	125,000
Pass through NSP property	3,282,072	1,811,216
Pass through grants	4,116,901	4,046,044
Meetings and travel	351,710	300,006
Depreciation and amortization	422,499	290,822
Loss on sale of property	85,450	-
Income taxes	(3,488)	7,300
	23,641,651	19,525,208
Increase in unrestricted net assets - operating	3,985,827	22,945
Unrestricted - Capital		
Support and revenue:		
Net assets released from restrictions - loan capital grants	-	2,022,057
Net assets released from restrictions - capital (provision for loan losses)	2,612,537	1,480,038
Reclassification to temporarily restricted net assets	-	(2,924,943)
	2,612,537	577,152
Expenses:		
Provision for loan losses	2,612,537	1,480,038
Decrease in unrestricted net assets - capital	-	(902,886)
Increase (decrease) in unrestricted net assets	3,985,827	(879,941)

IFF and Subsidiaries

Consolidated Statements of Activities (Continued)
Years Ended December 31, 2014 and 2013

	2014	2013
Temporarily Restricted		
Program and operating grants	**$ 10,507,682**	$ 12,481,996
Loan capital grants	**190,000**	4,517,637
Interest income	**41,415**	42,670
Net assets released from restrictions - operating	**(3,159,994)**	(1,567,382)
Net assets released from restrictions - NSP property	**(3,282,072)**	(1,811,216)
Net assets released from restrictions - Pass through Grants	**(6,004,973)**	(4,116,044)
Net assets released from restrictions - loan capital grants	**-**	(2,022,057)
Net assets released from restrictions - capital (provision for loan losses)	**(2,612,537)**	(1,480,038)
Reclassification to temporary unrestricted net assets	**-**	2,924,943
(Decrease) increase in temporarily restricted net assets	**(4,320,479)**	8,970,509
(Decrease) increase in net assets	**(334,652)**	8,090,568
Net assets:		
Beginning of year	**78,669,089**	70,578,521
End of year	**$ 78,334,437**	$ 78,669,089

See Notes to Consolidated Financial Statements.

IFF and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended December 31, 2014 and 2013

	2014	2013
Cash Flows from Operating Activities		
(Decrease) increase in net assets	**$ (334,652)**	$ 8,090,568
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	**377,853**	250,283
Amortization expense for capitalized finance costs	**44,646**	40,539
Provision for losses on foreclosed asset	**51,720**	125,000
Provision for loan losses	**2,612,537**	1,480,038
Unrealized (gain) loss on other assets and DOE restricted cash	**(513)**	336
Realized gain on other assets	**(2,539)**	-
Pass through NSP property	**3,282,072**	1,811,216
Changes in assets and liabilities:		
Grants receivable, other receivables, prepaids and deposits	**4,987,707**	(7,791,583)
Accrued interest receivable	**(74,430)**	(71,909)
Other assets	**8,483**	100
Accrued liabilities	**715,708**	110,658
Accrued interest payable	**(16,350)**	(9,104)
Net cash provided by operating activities	**11,652,242**	4,036,142
Cash Flows from Investing Activities		
Net change in Department of Education restricted cash and interest-bearing deposits in banks	**137,304**	134,038
Net change in other restricted cash and interest-bearing deposits in banks	**1,437,936**	(1,769,736)
Purchase of foreclosed assets	**(689,088)**	-
Sale of foreclosed assets	**1,150,000**	651,024
Purchases of Federal Home Loan Bank Stock	**(143,100)**	-
Loan disbursements	**(59,600,363)**	(48,903,202)
Loan principal payments received	**34,362,675**	36,137,175
Purchases of equipment	**(240,331)**	(283,026)
Purchase of NSP property	**(123,304)**	(800,125)
Purchase of properties owned by IFF's subsidiaries	**(9,368,508)**	(5,429,094)
Net cash used in investing activities	**(33,076,779)**	(20,262,946)
Cash Flows from Financing Activities		
Proceeds from deferred revenue grants	**3,125,877**	2,983,701
Use of proceeds from deferred revenue grants	**(136,429)**	(27,818)
Proceeds from borrowings, equity equivalent borrowings and participations payable	**28,583,032**	19,372,968
Repayment of borrowings, equity equivalent borrowings and participations payable	**(18,185,814)**	(8,985,483)
Proceeds from Investor Consortium collateral trust notes	**15,195,249**	15,496,065
Repayment of Investor Consortium collateral trust notes	**(13,132,427)**	(11,314,771)
Finance costs paid	**(45,145)**	(74,065)
Net cash provided by financing activities	**15,404,343**	17,450,597
(Decrease) increase in cash and cash equivalents	**(6,020,194)**	1,223,793
Cash and cash equivalents:		
Beginning of year	**18,864,718**	17,640,925
End of year	**$ 12,844,524**	$ 18,864,718
Supplemental Disclosure of Cash Flow Information		
Interest paid on borrowings	**$ 5,234,184**	$ 5,166,923
Supplemental Schedule of Noncash Investing Activities		
Real estate acquired in settlement of loans	**$ 2,067,512**	$ 826,956

See Notes to Consolidated Financial Statements.

Note 1. Nature of Activities and Significant Accounting Policies

IFF and Subsidiaries (IFF), an Illinois nonprofit corporation, is a community development financial institutions (CDFI) serving nonprofit corporations currently in Illinois, Indiana, Iowa, Michigan, Minnesota, Missouri, Ohio and Wisconsin. IFF makes below-market rate loans to nonprofit human service and community development agencies for the acquisition, construction, remodeling, and renovation of facilities. IFF is also engaged in real estate development for nonprofit corporations and provides development planning, financial, and technical assistance. In addition, IFF undertakes research and public policy activities on behalf of the nonprofit corporations in its target market. IFF brings all of its skills, expertise and resources in finance, real estate, research and policy, to a comprehensive community development approach in low-income communities. Activities are primarily conducted from IFF's headquarters in Chicago, Illinois with additional offices in St. Louis (Missouri), Milwaukee (Wisconsin), Detroit (Michigan), and Indianapolis (Indiana). IFF opened its Detroit (Michigan) office in January 2014 and closed its Davenport (Iowa) office in June 2013.

IFF conducts its activities in conjunction with its subsidiaries as follows:

IFF Real Estate Services, LLC
IFF Housing, LLC
IFF NMTC Senior Lender, LLC
Home First Illinois, LLC
IFF CILA Lease Program, LLC
IFF Pay for Success I, LLC (created in 2014)
IFF Waukegan Market, LLC (created in 2014)
IFF Rockford Market, LLC (created in 2014)
Home First, LLC (created in 2013)
Community Living Initiative, LLC (created in 2014)
Access Peoria, LLC (created in 2014)
Access Housing I MM, LLC (created in 2013)
Access Housing I, LLC (created in 2013)

IFF is the sole corporate member. IFF and these subsidiaries included in these consolidated financial statements are referred to individually and collectively as "IFF."

In addition, IFF has ownership interest in the following limited liability companies:

IFF Capital II LLC (dissolved in December 2014)
IFF Capital III LLC
IFF Capital IV LLC
IFF Capital V LLC
IFF Capital VI LLC (active in 2014)
IFF Capital VII LLC (active in 2014)
IFF Capital VIII LLC (active in 2014)
IFF Capital IX LLC (created in 2014)
Chase NMTC II LLC (dissolved in December 2014)
Chase NMTC Erie Elementary Investment Fund LLC

The accounts and activities of these limited liability companies are not included in these consolidated financial statements.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

IFF Pay for Success I, LLC: This subsidiary serves as the program administrator for a Social Impact Bonds (SIBs) program with the City of Chicago to fund early childhood education services at Chicago Public School (CPS) sites. Social Impact Bonds allow government entities to write contracts that only pay out if specified target outcomes are achieved. Under the SIB model, investors provide the upfront capital necessary to operate a preventative intervention, in this case early childhood education services. The government then repays investors based on actual performance and observed success. The amount of the repayment is tied to the savings the government realizes from avoiding a negative or costly long-term outcome, in this case the cost of special education services. IFF will serve as program administrator for the Social Impact Bond with a primary responsibility to oversee the flow of funds from investors to CPS, and coordinate repayment. IFF Pay for Success I will be the borrowing entity that receives funds from the investors and will lend these funds to City of Chicago under a loan and contract agreement. IFF Pay for Success I will also manage the contracts for two third-party firms that will evaluate the success of the program and that will audit performance at each Child Parent Center (CPC) site. As of December 31, 2014, the three investors have lent $1,831,000 of the $17,000,000 committed to the program, which is included in borrowings on the consolidated financial statements. These investors have no recourse to IFF Pay for Success I, only the “success payments” that are paid.

Significant accounting policies are described below.

Basis of accounting: These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Accordingly, revenue and assets are recognized when earned, and expenses and liabilities are recognized when incurred. IFF follows accounting and reporting standards applicable to nonprofit organizations. For financial reporting purposes, IFF classifies its activities as unrestricted, temporarily, or permanently restricted based on the existence or absence of donor-imposed restrictions, as follows:

Unrestricted: Net assets that are not subject to donor-imposed restrictions. Items that affect (increase or decrease) this net asset category include revenue and expenses associated with the core activities of IFF. The statement of activities presents unrestricted support and revenue and expenses as either operating or capital, depending on the nature of the item. Capital activities are primarily related to grants intended or restricted for loans and provisions for loan losses.

Temporarily Restricted: IFF reports gifts of cash, grants, and other assets as temporarily restricted if they are received with donor stipulations limiting the use of the donated assets. When a restriction is satisfied, temporarily restricted net assets are transferred to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

Permanently Restricted: Net assets subject to donor-imposed restrictions which require that they be maintained permanently (in perpetuity) by IFF. IFF does not have any permanently restricted net assets.

Principles of consolidation: Accounting guidance on reporting of related entities requires nonprofit organizations with a controlling and economic interest in other organizations to consolidate those other organizations. Accordingly, the consolidated financial statements include the accounts of the subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Various affiliated limited liability companies do not meet the criteria requiring consolidation and are therefore not included in the consolidated financial statements.

Accounting policies: IFF follows accounting standards established by the Financial Accounting Standards Board (FASB) to ensure consistent reporting of financial position, results of activities, and cash flows. References to generally accepted accounting principles in these disclosures are to the *FASB Accounting Standards Codification*™, sometimes referred to as the Codification or ASC.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Fair value of financial instruments: The carrying amounts of financial instruments, including cash and cash equivalents, restricted cash and interest-bearing deposits in banks, grants and other receivables, and accrued interest receivable and payable approximate fair value due to the short-term duration of these instruments. Loans receivable, which might carry a variable rate, are approximately equivalent to net realizable value because the allowance for loan losses is included in the carrying amount. Borrowings, which carry current interest rates, are approximately equivalent to fair value.

Cash and cash equivalents: IFF considers all highly liquid deposit accounts in banks, including interest-bearing accounts with original maturities of three months or less at date of acquisition, to be cash and cash equivalents. IFF maintains bank deposit accounts that, at times, may exceed federally insured limits. IFF has not experienced any losses in such accounts. Management believes that IFF is not exposed to significant credit risk on cash and cash equivalents.

Department of Education restricted cash and interest-bearing deposits in banks: Restricted cash and interest-bearing deposits in banks related to the Department of Education Grant for Credit Enhancement are restricted for use in a certain program and are, therefore, included in temporarily restricted net assets. Restricted interest-bearing deposits in banks mature within two years and are generally recorded at cost, with the exception of certain certificates of deposit held that are recorded at fair market value.

Other restricted cash and interest-bearing deposits: Several grant and loan agreements require cash to be held in separate interest bearing accounts. This cash is restricted in its use and for those accounts that are from grant agreements, the interest earned on the cash becomes part of the restricted grant funds.

Grants and other receivables: Grants receivable are recorded in connection with amounts due from individuals, foundations, and governmental agencies. Other receivables are generally recorded in connection with consulting contract fees due from unaffiliated nonprofit corporations. No allowance for uncollected receivables has been established because management considers all grants and other receivables to be fully collectible.

Loans receivable: IFF makes below-market rate loans to nonprofit agencies for capital projects. The loan portfolio consists principally of first and second mortgages on real property. Loan maturities are generally up to 15 years. Loans are secured, when possible, by a mortgage and are repaid on a monthly basis based on a repayment schedule, which includes principal and/or interest. Loans are stated at the amount of unpaid principal, reduced by an allowance for loan losses. Interest on loans is accrued over the term of the loan based on the amount of principal outstanding.

The accrual of interest on loans is discontinued at the time the loan is 90 days past due unless the credit is well-secured and in the process of collection. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash basis or cost recovery method, until qualifying for return to accrual status. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured. Loans renegotiated in troubled debt restructurings are those loans on which concessions in terms have been granted because of a borrower’s financial difficulty.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Allowance for loan losses: The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loans are charged against the allowance for loan losses when management believes the uncollectibility of the principal is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of allocated and general components. The allocated component relates to loans that are classified as impaired. For those loans that are classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers nonclassified loans and is based on historical charge-off experience and expected loss given default derived from IFF's internal risk rating process. Other adjustments may be made to the allowance for pools of loans after an assessment of internal or external influences on credit quality that are not fully reflected in the historical loss or risk rating data.

Loans are considered impaired when, based on current information and events, it is probable that IFF will not be able to collect all amounts due according to the contractual terms of the agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. The impairment is measured based on the present value of expected future cash flows or, alternatively, the observable market price of the loans or the fair value of the collateral. However, for those loans that are collateral-dependent and for which management has determined foreclosure is probable, the measure of impairment of those loans is to be based on the fair value of the collateral. The amount of impairment, if any, and any subsequent changes are included in the allowance for loan losses.

Troubled debt restructurings: A loan is classified as a troubled debt restructuring when a borrower is experiencing financial difficulties that leads to a restructuring of the loan, and the IFF grants concessions to the borrower in the restructuring that it would not otherwise consider. These concessions may include rate reductions, principal forgiveness, extension of maturity date, temporary adjustments for interest-only payments and other actions intended to minimize potential losses. Performance prior to the restructuring is considered when assessing whether the borrower can meet the new terms and may result in the loan being returned to accrual at the time of the restructuring or after a shorter performance period.

Transfers of financial assets: Transfers of financial assets are accounted for as sales only when the control over the financial assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from IFF - put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership, (2) the transferee obtains the right, free of conditions that constrain it from taking advantage of the right, to pledge or exchange the transferred assets, and (3) IFF does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity or the ability to unilaterally cause the holder to return specific assets.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

NSP property and grant revenue: Aggregate property acquisitions and improvement costs in connection with the Neighborhood Stabilization Program (NSP) are capitalized on the consolidated statements of financial position as an asset. IFF accounts for these costs by specific property and, upon transferring a property to the end-user, reduces the asset account and records an expense for the cost basis of the transferred property. Grantors fund the costs of the acquisition and improvements, and IFF records temporarily restricted grant revenue as acquisition and improvement costs are incurred. Amounts are released from restrictions when the property is transferred to the end-user. All properties were transferred by the end of 2014.

Properties owned by IFF subsidiaries: Aggregate property acquisitions and improvement costs in connection with IFF’s subsidiaries of Home First Illinois, LLC, IFF CILA Lease Program, LLC, IFF Waukegan Market, LLC, IFF Rockford Market, LLC, Community Living Initiative, LLC , Access Peoria, LLC, and Access Housing I, LLC are capitalized on the consolidated statements of financial position as an asset. Depreciation will be computed using the straight-line method over the estimated useful lives of the properties, when placed in service.

Federal Home Loan Bank Stock: IFF, as a member of the Federal Home Loan Bank of Chicago (FHLB), is required to maintain an investment in capital stock of the FHLB. FHLB stock does not have a readily determinable fair value as ownership is restricted and there is no ready market for this stock. As a result, these stocks are carried at cost and evaluated periodically by management for impairment. Management reviews for impairment based on the ultimate recoverability of the cost basis in the FHLB stock. No impairment was noted as of December 31, 2014 and 2013.

Foreclosed assets: Assets acquired through or in lieu of loan foreclosure are held for sale and are initially recorded at fair value less cost to sell at the date of foreclosure establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in other operating expenses.

Furniture, equipment, and leasehold improvements: Furniture, equipment and leasehold improvements are recorded at cost. Disbursements for additions and improvements to existing property in amounts over $1,500 are capitalized, while general maintenance and repairs are charged to expense. The cost and accumulated depreciation of items sold or retired are removed from the property and equipment account and any gain or loss upon disposition is recognized at that time. Provisions for depreciation are computed using the straight-line method over the estimated useful lives of the assets of five years for furniture, equipment and software. The provision for depreciation of leasehold improvements has been computed using the lesser of the estimated useful life of the asset or the life of the lease.

Other assets: Capital contributions paid in exchange for managing member interests in certain limited liability companies are included in other assets on the consolidated statements of financial position, and are evaluated each quarter to adjust to IFF’s equity balance in which IFF's share of the net income of the affiliates is recognized as income in IFF's consolidated statements of activities and added to the investment account, and distributions, if any, received from the affiliates are treated as a reduction of the investment account. IFF does not control these limited liability companies, due to various rights held by other members.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Capitalized finance costs: Capitalized finance costs consist of loan fees and related costs from IFF borrowings which are amortized using the straight-line method over 2 to 22 years, depending on the term of the related loan. Costs are reported net of accumulated amortization of $291,172 and $246,526 at December 31, 2014 and 2013, respectively.

Sources of revenue: IFF receives a majority of its revenue from interest income on loans and from corporate, foundation and government grants. In accordance with the terms of the government grants, revenue is recognized as income in the contract period in which services are provided. IFF also receives consulting contract fees, which are in connection with providing real estate and research consulting services to nonprofits. These fees are recognized either when agreed-upon milestones per the contract are achieved or monthly on an expense reimbursement basis not to exceed the contract amount.

Unrestricted and restricted support and revenue: Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions, in the period promises are made by the donor. Contributions restricted for use in the loan program are classified as temporarily restricted. When a restriction expires, temporarily restricted net assets are reported as net assets released from restrictions, and reclassified to unrestricted net assets.

Pass through grant revenue and expense: IFF has received several grants in which a portion of the grant proceeds have been passed through to developers or other agencies for acquisition and improvement costs or other professional fees. Grantors fund the costs of the acquisition and improvements and budgeted professional fees, and IFF records temporarily restricted grant revenue when proceeds are received from the grantors. Amounts are released from restrictions when disbursements are made to the developers or agencies and a corresponding expense is recorded on the consolidated statements of activities in Pass through Grants.

Functional expenses: Operating expenses directly identified with a functional area are charged to that area and, where these expenses affect more than one area, they are allocated on the basis of ratios estimated by management.

Rentals and expenses: Base rentals due under the IFF's leased facilities, net of rental incentives received, are recognized as rental expense on a ratable or straight-line basis over the lease term. The deferred rent liability, included in accrued liabilities on the consolidated statements of financial position, includes rental incentives received and is being amortized over the term of the lease as a reduction of rental expense.

Advertising: IFF expenses advertising costs as they are incurred. Advertising expenses, included in printing and marketing, were $45,072 and $40,263 for 2014 and 2013, respectively.

Income taxes: IFF is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and applicable state law, except for taxes pertaining to unrelated business income, if any.

In accordance with the accounting standard on *Accounting for Uncertainty in Income Taxes*, IFF addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the consolidated financial statements. Under this guidance, IFF may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of IFF and various positions related to the potential sources of unrelated business taxable income. There were no unrecognized unrelated business tax benefits identified or recorded as liabilities during 2014 or 2013. IFF is generally no longer subject to examination by the Internal Revenue Service for years before 2011.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

IFF files forms 990 in the U.S. federal jurisdiction and the state of Illinois. Access Peoria, LLC, Community Living Initiative, LLC, Home First, LLC, Home First Illinois, LLC, IFF CILA Lease Program, LLC, IFF Housing, LLC, IFF Pay for Success I, LLC, IFF Real Estate Services, LLC, IFF Rockford Market, LLC and IFF Waukegan Market, LLC, are disregarded as separate entities for income tax purposes and are, therefore, included within IFF's forms 990.

IFF NMTC Senior Lender is taxed as a C-corporation and files forms 1120 in the U.S. federal jurisdiction and the state of Missouri and form E-234 in the city of St. Louis. Access Housing I MM, LLC is taxed as a C-corporation and files forms 1120 in the U.S. federal jurisdiction and the state of Illinois. Access Housing I, LLC, 100% owned by Access Housing I MM, LLC is consolidated and included on Access Housing I MM, LLC tax returns.

Estimates: In preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions affecting the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The determination of the allowance for loan losses and fair value of foreclosed assets are material estimates that are particularly susceptible to significant change in the near term.

Reclassification: Certain amounts in the 2013 consolidated financial statements have been reclassified to conform to the 2014 presentation, with no impact on changes in net assets. For the year end December 31, 2013, management identified certain restrictions on grants and reclassified $2,924,943 to temporarily restricted net assets.

Recent accounting pronouncement: In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606),* requiring 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 updated standard will replace the most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. Early adoption is not permitted. The updated standard will be effective for annual reporting periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018. IFF has not yet selected a transition method and the adoption of 2014-09 is not expected to have a material effect on IFF's consolidated financial statements or disclosures.

In February 2015, the FASB issued ASU 2015-02, *Amendments to the Consolidation Analysis (Topic 810),* intending to improve targeted areas of consolidation guidance for legal entities such as limited partnerships, limited liability corporations, and securitization structures (collateralized debt obligations, collateralized loan obligations, and mortgage-backed security transactions). Effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. For all other entities, the requirements are effective for fiscal years beginning after December 15, 2016, and interim periods within fiscal years beginning December 15, 2017. Early adoption is permitted, including adoption in an interim period. ASU 2015-02 may be applied retrospectively in previously issued financial statements for one or more years with a cumulative-effect adjustment to retained earnings as of beginning of the first year restated. The adoption of 2015-02 is not expected to have a material effect on IFF's consolidated financial statements or disclosures.

Subsequent events: IFF has evaluated subsequent events for potential recognition and/or disclosure through April 29, 2015, the date these consolidated financial statements were available for issuance.

Note 2. Other Restricted Cash and Interest-Bearing Deposits

Several grant and loan agreements require cash to be held in separate interest bearing accounts. This cash is restricted in its use and maintained in separate accounts, which were as follows at December 31, 2014 and 2013:

	2014	2013
Investor consortium reserves	$ 1,381,710	$ 1,403,305
Energy efficient loan loss reserve	209,438	238,107
Home First Illinois, LLC property reserves	943,546	743,010
Illinois Fresh Food Fund (IFFF)	8,123,299	9,705,978
Transit-Oriented Development Loan Fund (TOD)	2,038,860	2,044,389
Total within other restricted cash and interest-bearing deposits in banks	$ 12,696,853	$ 14,134,789

Investor consortium reserves relates to Investor Consortium collateral trust notes, which are restricted for use as loss reserve in accordance with the Investor Consortium loan sales. Energy efficient loan loss reserve relates to the Chicago Metropolitan Agency for Planning (CMAP) Energy Efficiency program with IFF, which is restricted for loan loss reserves on qualified energy efficient loans made by IFF. Home First Illinois, LLC property reserves relates to the various reserve accounts maintained for the Illinois Accessible Housing Initiative Program with the Illinois Housing Development Authority (IHDA). Illinois Fresh Food Fund (IFFF) includes proceeds received from the Illinois Department of Commerce and Economic Opportunity (DCEO) for this program. Transit-Oriented Development (TOD) Loan Fund relates to proceeds received from the Village of Oak Park and Housing and Urban Development (HUD) for establishing this fund. Restricted interest-bearing deposits are held in money market accounts and are carried at cost.

Note 3. Department of Education Restricted Cash and Interest-Bearing Deposits in Banks

In 2005, IFF was awarded an $8,000,000 grant by the United States Department of Education (DOE) to enable IFF to facilitate long-term financing for charter schools. It also received a similar $10,000,000 grant in 2007. Grant funds are restricted for the purpose of providing credit enhancement support to bond or loan financing obligations of qualified charter schools. Performance agreements govern the use of the grants, set goals and objectives for the project, and permit IFF to recover certain personnel and administrative costs. Recoverable expenses for these grant projects in 2014 and 2013 were $155,711 and $154,262, respectively. Grant proceeds are maintained in DOE-permitted bank accounts. Interest earned on the grant proceeds are to be reinvested for future credit support. Interest earned was $18,866 and $19,888 in 2014 and 2013, respectively. The grant funds including interest thereon, as well as pledged amounts, are included in temporarily restricted net assets.

Funds pledged by IFF for credit enhancement are available to cure charter school payment defaults and delinquencies (if any), reducing the credit risk to the bond investor of any individual project. Pledged and unpledged amounts under the grants, the cash for which is maintained in separate accounts, were as follows at December 31, 2014 and 2013:

Note 3. Department of Education Restricted Cash and Interest-Bearing Deposits in Banks (Continued)

	2014	2013
Pledged - $8 million DOE grant	$ 7,946,382	$ 7,946,725
Pledged - $10 million DOE grant	7,731,105	7,786,498
Total pledged	15,677,487	15,733,223
Unpledged - $8 million DOE grant	385,641	450,608
Unpledged - $10 million DOE grant	2,062,492	2,078,634
Total unpledged	2,448,133	2,529,242
Total within restricted cash and interest-bearing deposits in banks	$ 18,125,620	$ 18,262,465

Recourse to IFF with regard to any bonds or loan financing issued is limited to the grant funds pledged in support of individual or pooled bond issues or loan financing (bonds or the loan financing are not an obligation of IFF). As of December 31, 2014, there have not been any payment defaults or delinquencies requiring utilization of the pledged funds.

Six and four certificates of deposit held as part of the DOE restricted cash and interest bearing deposits are recorded at fair value for the years ended December 31, 2014 and 2013, respectively. All of the certificates mature within one year. For the year ended December 31, 2014, the cost basis of the six certificates of deposit was $1,294,341 and the fair market value was $1,294,523. For the year ended December 31, 2013, the cost basis of the four certificates of deposit was $818,601 and the fair market value was $818,265.

Note 4. Grants Receivable, Other Receivables, Prepaids and Deposits

The total grants receivable, other receivables, prepaids and deposits at December 31, 2014 and 2013, consisted of the following:

	2014	2013
Grants receivable	$ 3,412,468	$ 8,356,337
Contract and other receivables	813,954	1,159,745
Prepaids and deposits	503,160	201,207
	$ 4,729,582	$ 9,717,289

Note 4. Grants Receivable, Other Receivables, Prepaids and Deposits (Continued)

The anticipated collection or realization of receivables, prepaids, and deposits were as follows:

	2014	2013
Amounts receivable / realizable in less than one year	$ 4,424,140	$ 9,396,396
Amounts receivable / realizable in one to five years	250,961	266,412
Amounts receivable / realizable in over five years	54,481	54,481
	$ 4,729,582	$ 9,717,289

Note 5. Loans Receivable

Loans receivable at December 31, 2014 and 2013, were comprised of the following:

	2014	2013
Facility	$ 148,803,094	$ 138,443,985
Affordable housing	39,623,847	27,608,590
Equipment and vehicle	4,564,559	5,383,955
Pre-development	4,692,649	4,049,852
Other	17,732,850	18,844,286
	215,416,999	194,330,668
Allowance for loan losses	(10,113,367)	(9,584,675)
Loans receivable, net	$ 205,303,632	$ 184,745,993

All loans are underwritten after evaluating and understanding the borrower's operations. As part of the underwriting process IFF examines current and projected cash flows to determine the ability of the borrower to repay its obligations as agreed. All loans are primarily based on the identified cash flows of the borrower. Collateral is obtained to secure the loans; however, it is not a primary factor in the underwriting decision. The cash flows of the borrower, however, may not be as expected, and the collateral securing these loans may fluctuate in value. Most loans are secured by the assets being financed or other business assets such as accounts receivable or inventory. However, some short-term loans may be made on an unsecured basis.

Facility related loan credit is extended to borrowers for facility acquisition, construction, renovation/ rehabilitation, leased improvements and refinancing to expand programming. This also can be for facility improvement for major maintenance and repairs. Approximately 66 percent of outstanding facility loans are collateralized with mortgages in a first position lien and 16 percent are collateralized by mortgages with second position liens. The remaining 18 percent are collateralized by leasehold mortgages, UCCs and other liens.

Affordable housing loan credit is extended for the acquisition, construction, renovation/rehabilitation for single family or multi-family homes. Approximately 88 percent of outstanding affordable housing loans are collateralized with mortgages in a first position lien and 6 percent are collateralized by mortgages with second position liens. The remaining 6 percent are collateralized by other liens.

Equipment and vehicle loan credit is available for service owned vehicles, computers, furnishings, and medical equipments. IFF generally requires the borrower to have an existing loan relationship with IFF. These loans are often cross-collateralized with the other existing loans of the borrower held by IFF.

Note 5. Loans Receivable (Continued)

Approximately 88 percent outstanding equipment and vehicle housing loans are collateralized with a UCC or vehicle title, 4 percent are collateralized with mortgages in a first position lien and 5 percent are collateralized by mortgages with second position liens. The remaining 3 percent are collateralized by leasehold mortgage or not secured.

Pre-development credit is provided to affordable housing developers to finance up-front project requirements such as site control, architectural, legal, and financing costs. Approximately 32 percent of outstanding pre-development loans are collateralized with mortgages in a first position lien and 10 percent are collateralized by mortgages with second position liens. The remaining 58 percent are collateralized by other liens.

Other loans receivable consist of working capital loans and other short-term loans secured by mortgages and vehicle or other assets. IFF generally requires the borrower to have an existing loan relationship with IFF. These loans are often cross-collateralized with the other existing loans of the borrower held by IFF. Approximately 73 percent of outstanding other loans are collateralized by other liens and the remaining 27 percent are collateralized by first position liens.

The following table presents the contractual aging of the recorded investment in past due loans by loan segment as of December 31, 2014 and 2013:

	Current	31 - 60 Days Past Due	61 - 90 Days Past Due	90+ Days Past Due	Total	Nonaccruing Loans
December 31, 2014						
Facility	$ 145,682,213	$ 1,100,139	$ -	$ 2,020,742	$ 148,803,094	$ 2,981,363
Affordable housing	39,557,566	-	-	66,281	39,623,847	66,281
Equipment and vehicle	4,222,044	24,360	-	318,155	4,564,559	342,515
Pre-development	4,069,416	-	330,000	293,233	4,692,649	623,233
Other	17,627,944	-	-	104,906	17,732,850	104,906
	$ 211,159,183	$ 1,124,499	$ 330,000	$ 2,803,317	$ 215,416,999	$ 4,118,298
Nonaccruing loans	$ -	$ 984,981	$ 330,000	$ 2,803,317	$ 4,118,298	

	Current	31 - 60 Days Past Due	61 - 90 Days Past Due	90+ Days Past Due	Total	Nonaccruing Loans
December 31, 2013						
Facility	$ 132,335,466	$ 1,632,191	$ -	$ 4,476,328	$ 138,443,985	$ 5,614,555
Affordable housing	26,948,983	-	-	659,607	27,608,590	998,084
Equipment and vehicle	5,333,968	36,760	-	13,227	5,383,955	79,702
Pre-development	3,756,619	-	-	293,233	4,049,852	293,233
Other	18,725,146	-	-	119,140	18,844,286	418,313
	$ 187,100,182	$ 1,668,951	$ -	$ 5,561,535	$ 194,330,668	$ 7,403,887
Nonaccruing loans	$ 1,544,768	$ 504,301	$ -	$ 5,354,818	$ 7,403,887	

Note 5. Loans Receivable (Continued)

IFF utilizes an internal asset classification system as a means of reporting problem and potential problem loans. Under its risk rating system, IFF classifies problem and potential problem loans as "Watch List," "Substandard," and "Doubtful" which correspond to risk ratings 4+, 4- and 5, respectively.

Substandard loans include those characterized by the distinct possibility that IFF will sustain some loss if the deficiencies are not corrected. Loans classified as Doubtful, or risk rating 5, have all the weaknesses inherent in those classified as Substandard with the added characteristic that the weaknesses present make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable.

Loans that do not currently expose IFF to sufficient risk to warrant classification in one of the aforementioned categories, but possess an element of weakness that deserve management's close attention are deemed to be Watch List, or risk rating 4+. Risk ratings are updated any time the situation warrants.

The following tables present the risk category of loan segment based on the most recent analysis performed and the contractual aging as of December 31, 2014 and 2013:

	General Portfolio	Watch List (4+)	Substandard (4-)	Doubtful (5)	Total
December 31, 2014					
Facility	$ 131,658,374	$ 10,683,080	$ 3,700,619	$ 2,761,021	$ 148,803,094
Affordable housing	36,196,329	2,820,775	606,743	-	39,623,847
Equipment and vehicle	3,627,345	594,698	24,361	318,155	4,564,559
Pre-development	4,069,416	-	-	623,233	4,692,649
Other	17,627,944	-	-	104,906	17,732,850
	$ 193,179,408	$ 14,098,553	$ 4,331,723	$ 3,807,315	$ 215,416,999
Current	$ 193,179,408	$ 14,098,553	$ 3,008,669	$ 872,553	$ 211,159,183
Past Due 31-60 Days	-	-	507,733	616,766	1,124,499
Past Due 61-90 Days	-	-	-	330,000	330,000
Past Due 90 + Days	-	-	815,321	1,987,996	2,803,317
	$ 193,179,408	$ 14,098,553	$ 4,331,723	$ 3,807,315	$ 215,416,999

Note 5. Loans Receivable (Continued)

	General Portfolio	Watch List (4+)	Substandard (4-)	Doubtful (5)	Total
December 31, 2013					
Facility	$ 121,619,993	$ 8,520,644	$ 3,975,758	$ 4,327,590	$ 138,443,985
Affordable housing	26,610,506	-	72,217	925,867	27,608,590
Equipment and vehicle	4,388,869	937,279	42,224	15,583	5,383,955
Pre-development	3,756,619	-	-	293,233	4,049,852
Other	18,578,111	147,035	-	119,140	18,844,286
	$ 174,954,098	$ 9,604,958	$ 4,090,199	$ 5,681,413	$ 194,330,668
Current	$ 173,561,080	$ 9,604,958	$ 3,568,881	$ 365,263	$ 187,100,182
Past Due 31-60 Days	1,164,650	-	212,236	292,065	1,668,951
Past Due 61-90 Days	-	-	-	-	-
Past Due 90 + Days	228,368	-	309,082	5,024,085	5,561,535
	$ 174,954,098	$ 9,604,958	$ 4,090,199	$ 5,681,413	$ 194,330,668

Activity in the allowance for loan losses for the years ended December 31, 2014 and 2013, was as follows:

	Facility	Affordable Housing	Equipment and Vehicle	Pre-Development	Other	Total
December 31, 2014						
Beginning balance	$ 7,375,876	$ 1,206,487	$ 221,037	$ 609,470	$ 171,805	$ 9,584,675
Provision for loan losses	2,285,763	(216,765)	126,048	533,109	(115,618)	2,612,537
Charge-offs	(1,929,133)	(194,109)	-	-	-	(2,123,242)
Recoveries	39,397	-	-	-	-	39,397
Ending balance	$ 7,771,903	$ 795,613	$ 347,085	$ 1,142,579	$ 56,187	$ 10,113,367
Allowance for loan losses:						
Allocated	$ 1,707,886	$ 8,968	$ 159,078	$ 623,233	$ 7,906	$ 2,507,071
General	6,064,017	786,645	188,007	519,346	48,281	7,606,296
	$ 7,771,903	$ 795,613	$ 347,085	$ 1,142,579	$ 56,187	$ 10,113,367
Loans:						
Impaired loans	$ 3,322,961	$ 446,396	$ 318,155	$ 623,233	$ 104,906	$ 4,815,651
Non-impaired loans	145,480,133	39,177,451	4,246,404	4,069,416	17,627,944	210,601,348
	$ 148,803,094	$ 39,623,847	$ 4,564,559	$ 4,692,649	$ 17,732,850	$ 215,416,999

Note 5. Loans Receivable (Continued)

	Facility	Affordable Housing	Equipment and Vehicle	Pre-Development	Other	Total
December 31, 2013						
Beginning balance	$ 7,922,433	$ 1,561,697	$ 228,474	$ 491,206	$ 225,301	$ 10,429,111
Provision for loan losses	1,354,251	68,456	(7,437)	118,264	(53,496)	1,480,038
Charge-offs	(1,933,394)	(423,666)	-	-	-	(2,357,060)
Recoveries	32,586	-	-	-	-	32,586
Ending balance	$ 7,375,876	$ 1,206,487	$ 221,037	$ 609,470	$ 171,805	$ 9,584,675
Allowance for loan losses:						
Allocated	$ 2,045,262	$ 439,316	$ 15,583	$ 293,233	$ -	$ 2,793,394
General	5,330,614	767,171	205,454	316,237	171,805	6,791,281
	$ 7,375,876	$ 1,206,487	$ 221,037	$ 609,470	$ 171,805	$ 9,584,675
Loans:						
Impaired loans	$ 5,179,989	$ 1,072,901	$ 15,583	$ 293,233	$ 119,141	$ 6,680,847
Non-impaired loans	133,263,996	26,535,689	5,368,372	3,756,619	18,725,145	187,649,821
	$ 138,443,985	$ 27,608,590	$ 5,383,955	$ 4,049,852	$ 18,844,286	$ 194,330,668

Impaired loan information as of December 31, 2014 and 2013, is as follows:

	Unpaid Principal Balance	Recorded Investment	Partial Charge-Offs	Allowance for Loan Losses Allocated	Average Recorded Investment	Interest Income Recognized	Cash Basis Interest Income Recognized
December 31, 2014							
With no related allowance recorded:							
Facility	$ 144,290	$ 144,290	$ -	$ -	$ 570,416	$ 3,172	$ 3,172
Affordable housing	-	-	-	-	-	-	-
Equipment and vehicle	-	-	-	-	-	-	-
Pre-development	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
	144,290	144,290	-	-	570,416	3,172	3,172
With an allowance recorded:							
Facility	3,178,671	3,178,671	-	1,707,886	3,639,628	111,574	102,205
Affordable housing	446,396	446,396	-	8,968	857,772	10,060	10,060
Equipment and vehicle	318,155	318,155	-	159,078	34,697	21,507	21,507
Pre-development	623,233	623,233	-	623,233	320,733	8,097	8,097
Other	104,906	104,906	-	7,906	112,023	-	-
	4,671,361	4,671,361	-	2,507,071	4,964,853	151,238	141,869
	$ 4,815,651	$ 4,815,651	$ -	$ 2,507,071	$ 5,535,269	$ 154,410	$ 145,041

Note 5. Loans Receivable (Continued)

	Unpaid Principal Balance	Recorded Investment	Partial Charge-Offs	Allowance for Loan Losses Allocated	Average Recorded Investment	Interest Income Recognized	Cash Basis Interest Income Recognized
December 31, 2013							
With no related allowance recorded:							
Facility	$ 1,208,518	$ 1,208,518	$ -	$ -	$ 1,266,291	$ 2,456	$ 2,456
Affordable housing	72,384	72,384	-	-	72,384	-	-
Equipment and vehicle	-	-	-	-	-	-	-
Pre-development	-	-	-	-	-	-	-
Other	119,141	119,141	-	-	122,581	-	-
	1,400,043	1,400,043	-	-	1,461,256	2,456	2,456
With an allowance recorded:							
Facility	4,104,166	3,971,471	132,695	2,045,262	5,578,187	70,155	70,155
Affordable housing	1,000,517	1,000,517	-	439,316	1,208,740	1,856	1,856
Equipment and vehicle	15,583	15,583	-	15,583	18,850	1,263	1,263
Pre-development	293,233	293,233	-	293,233	293,233	-	-
Other	-	-	-	-	-	-	-
	5,413,499	5,280,804	132,695	2,793,394	7,099,010	73,274	73,274
	$ 6,813,542	$ 6,680,847	$ 132,695	$ 2,793,394	$ 8,560,266	$ 75,730	$ 75,730

Four loans and three loans were modified during the years ended December 31, 2014 and 2013, respectively, which were identified as troubled debt restructurings. These modifications resulted in one or a combination of the following: reduction of interest rates, temporary adjustments for interest-only payments, partial deferral of interest and partial charge-offs. The pre and post modification balance of the loans modified in 2014 were $576,614 and $577,057, respectively. The pre and post modification balance of the loans modified in 2013 were $844,634 and $711,939, respectively. There were no charge –offs recorded for the year ended December 31, 2014 as a result of these modifications while $132,695 was charged-off during the year ended December 31, 2013 as a result of these modifications.

At December 31, 2014 and 2013, there were $2,565,555 and $2,599,714 of loans identified as troubled debt restructurings, respectively.

Loans carried at $79,365,530 and $78,533,753 were pledged to secure borrowings as of December 31, 2014 and 2013, respectively.

Scheduled loan receipts for the year ended December 31, 2014, are expected to be approximately $12,203,969.

IFF is party to financial instruments with off-balance-sheet risk in the normal course of operations to meet the financing needs of its borrowers. These financial instruments include commitments to extend credit. They involve, to varying degrees, elements of credit risk in excess of the amount recognized in the consolidated statements of financial condition. IFF's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contractual amount of those instruments. IFF uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

Note 5. Loans Receivable (Continued)

IFF's undisbursed loan commitments as of December 31, 2014 and 2013 were $63,237,537 and $28,999,389, respectively. See Note 10 for a summary of undrawn debt commitments that would be used to fund undisbursed loans

Commitments to extend credit are agreements to lend to a borrower as long as there is no violation of any condition established in the loan contract. IFF evaluates each borrower’s creditworthiness on a case-by-case basis. The amount of collateral obtained is based on management's credit evaluation of the borrower.

Note 6. Neighborhood Stabilization Program (NSP)

In 2011, IFF was awarded a $3,471,781 grant by the City of Chicago and Mercy Housing. In 2010, IFF was awarded a $5,133,000 grant by the Illinois Housing Development Authority (IHDA) and a $7,241,649 grant by Cook County, Illinois. These grants enable IFF to purchase, rehabilitate, demolish and/or redevelop various foreclosed, abandoned and vacant properties under the Neighborhood Stabilization Program (NSP). Performance or Developer Agreements restrict the use of the funds, set objectives and requirements for the projects, and provides IFF with funds for its indirect costs, referred to as the fee portion of the grant. When improvements are complete, IFF transfers the property to a third-party nonprofit which IFF identified prior to the time of purchase.

Additional costs incurred in 2014 and 2013 totaled $123,304 and $800,125, respectively. As of December 31, 2014 and 2013, IFF recorded temporarily restricted grants revenue of $103,249 and $876,537, including fees granted of $2,845 and $53,512, respectively.

Two properties with an aggregate value of $3,282,072 and two properties with an aggregate value of $1,811,216 were transferred to the end-users during 2014 and 2013, respectively. This reduced the basis of the asset, and resulted in an expense in the consolidated statements of activities. An amount equivalent to the property transfer is also separately reflected as net assets released from restrictions (NSP property). Net assets released from restrictions include an amount equivalent to the fees granted.

All of the properties have been transferred as of December 31, 2014 and the consolidated statements of financial position reflects the aggregate costs of the NSP property of $3,158,768 at December 31, 2013.

Note 7. Properties Owned by IFF’s Subsidiaries

Properties owned by IFF’s subsidiaries at December 31, 2014 and 2013, were comprised of the following:

	1 - 4 Units	Group Homes	Grocery Stores	Total
December 31, 2014				
Home First Illinois, LLC	$ 9,954,683	$ -	$ -	$ 9,954,683
IFF CILA Lease Program, LLC	-	2,062,975	-	2,062,975
IFF Waukegan Market, LLC	-	-	1,048,417	1,048,417
IFF Rockford Market, LLC	-	-	283,442	283,442
Community Living Initiative, LLC	-	24,188	-	24,188
Access Peoria, LLC	224,366	-	-	224,366
Access Housing I, LLC	3,260,576	-	-	3,260,576
	13,439,625	2,087,163	1,331,859	16,858,647
Less accumulated depreciation	(164,247)	(50,347)	-	(214,594)
	$ 13,275,378	$ 2,036,816	$ 1,331,859	$ 16,644,053

Note 7. Properties Owned by IFF's Subsidiaries (Continued)

December 31, 2013	1 - 4 Units	Group Homes	Grocery Stores	Total
Home First Illinois, LLC	$ 5,123,524	$ -	$ -	$ 5,123,524
IFF CILA Lease Program, LLC	-	1,600,435	-	1,600,435
Access Housing I, LLC	766,180	-	-	766,180
	5,889,704	1,600,435	-	7,490,139
Less accumulated depreciation	(27,818)	(5,354)	-	(33,172)
	$ 5,861,886	$ 1,595,081	$ -	$ 7,456,967

In 2011, Home First Illinois, LLC was awarded a $5,000,000 grant by IHDA to enable Home First Illinois to purchase and rehabilitate 20 properties under the Illinois Accessible Housing Initiative program. In 2013, it was awarded another $10,000,000 to purchase and rehabilitate 50 properties. Grant and regulatory agreements restrict the use of the funds, set objectives and requirements for the projects, and provide IFF with funds for its holding costs and direct costs. When improvements are complete, Home First Illinois will rent the units to qualified individuals and manage the properties through a management company.

Home First Illinois purchased 36 properties during 2014, bringing the total number of units purchased to 65. During 2014, 16 units were completed and rented while 11 units were rented during 2013. Depreciation expense taken on the units rented for the years ended December 31, 2014 and 2013 were $136,249 and $27,818, respectively.

IHDA grant funds are secured by a non-interest bearing mortgage on each property. Home First Illinois is required to comply with the terms of the grant and regulatory agreements, and grant amounts are required to be repaid to IHDA only upon the occurrence of a default, but otherwise are to be forgiven by IHDA on dates 30 years after property acquisition. Home First Illinois intends to hold and manage the properties for the 30-year term and believes there is reasonable assurance that it will meet the terms of the forgiveness which is to hold the properties for the thirty year period and use the facilities for the disadvantaged; therefore will recognize grant amounts as revenue ratably over the expected life of each property, once placed in service and in proportion to depreciation expense. The unamortized grant amounts are therefore recorded as a deferred revenue liability on the consolidated statements of financial position. Home First Illinois records grant amounts received, accumulating $7,913,085 and $4,787,208, as of December 31, 2014 and 2013, respectively, as deferred revenue and amortizes amounts to revenue ratably over the expected life of the properties, once placed in service. Amounts amortized into revenue for 2014 and 2013 were $136,429 and $27,818, respectively. Home First Illinois recorded temporarily restricted grant revenue in the years ended December 31, 2014 and 2013, totaling $483,395 and $1,024,114, respectively, for developing the properties, establishing reserves, and for other certain property and project costs. These amounts are released from restriction when utilized for the restricted purpose. For the years ended December 31, 2014 and 2013, $372,400 and $643,096, respectively, were released from restrictions.

Note 7. Properties Owned by IFF's Subsidiaries (Continued)

IFF CILA (Community Integrated Living Arrangement) Lease Program, LLC is working with a third party to acquire property to be used as group homes for people with developmental disabilities. An agreement to purchase up to 10 homes has been made. IFF Real Estate Services, LLC purchases and develops the homes and then sells them to IFF CILA Lease Program, LLC, who leases them to the third party, whose intent is to purchase the facilities when economically feasible. The affiliate is typically able to secure State of Illinois funding for all clients prior to beginning operations in a newly-purchased and renovated home. From the point of site purchase, the average time to securing funding and occupying a home is 90 days. Individuals receive assistance for all their activities of daily living from a professional in-home support team on a 24/7 basis. Clients living in the affiliate's residential homes receive funding from the State of Illinois Department of Human Services. This funding, combined with the client's public aid and social security income, comprises the affiliate's support for site operations and maintenance. Individuals utilizing the homes in this program experience the responsibilities of community living and enjoy ample opportunities for personal growth. Services and supports are tailored to meet each individual's specific needs and wishes.

IFF Real Estate Services Department has acquired and developed six group homes by the end of 2014, and these houses have been sold to IFF CILA Lease Program, LLC and leased to a third party, the group home operator. These properties are depreciated over 40 years using the straight-line method. Depreciation expense taken on the group homes for the years ended December 31, 2014 and 2013 were $50,347 and $5,354, respectively. For the years ended December 31, 2014 and 2013, net property costs were $2,012,628 and $1,595,081, respectively.

IFF Waukegan Market, LLC is financing and developing a full service grocery store to provide access to healthy food in Waukegan, Illinois. It is using financing from IFF and grant funds received from the Illinois Department of Commerce and Economic Opportunity (DCEO) for the Illinois Fresh Food Fund (IFFF) program. Save-A-Lot and Save-A-Lot Licensee will lease and manage the grocery store. For the year ended December 31, 2014, property costs incurred were $1,048,417. The store is still under development.

IFF Rockford Market, LLC is financing and developing a full service grocery store to provide access to healthy food in Rockford, Illinois. It is using financing from IFF and grant funds received from the Illinois Department of Commerce and Economic Opportunity (DCEO) for the Illinois Fresh Food Fund (IFFF) program. Save-A-Lot and Save-A-Lot Licensee will lease and manage the grocery store. For the year ended December 31, 2014, property costs incurred was $283,442. The store is still under development.

Community Living Initiative LLC, is financing, developing, and owning group homes throughout Illinois and to lease them to State selected and monitored service providers. The first phase of this project will consist of 10 homes and will be funded from a grant from the Illinois Housing Development Authority and loans from IFF. For the year ended December 31, 2014, property costs incurred were $24,188 and homes are still under development.

Access Peoria, LLC is to develop eight accessible duplexes on vacant lots in Peoria, Illinois. Funding for this program will come from Local Initiatives Support Corporation (LISC) using National Foreclosure Settlement funds from the Illinois Attorney General, a Community Development Block Grant from the Illinois Housing Development Authority (IHDA), City of Peoria, and several other funders. IHDA grant funds are secured by a non-interest bearing mortgage on each property. Access Peoria is required to comply with the terms of the grant and regulatory agreements, and grant amounts are required to be repaid to IHDA only upon the occurrence of a default, but otherwise are to be forgiven by IHDA on dates 30 years after property acquisition. IHDA grants received in connection with the program are in effect forgivable loans. Access Peoria intends to hold and manage the properties for the 30-year term and believes there is reasonable assurance that it will meet the terms of the forgiveness; therefore, Access Peoria records grant amounts received of $224,366 for the year ended December 31, 2014, as deferred revenue and amortizes amounts to revenue ratably over the expected life of the properties, once placed in service. The unamortized grant amounts are therefore recorded as a deferred revenue liability on the consolidated statements of financial position. All duplexes are still under development. For the year ended December 31, 2014, property costs incurred were $224,366.

Note 7. Properties Owned by IFF's Subsidiaries (Continued)

Access Housing I, LLC was created when Home First, LLC was awarded an allocation of Low-Income Housing Tax Credits from IHDA to acquire and develop two- to four-flats for people with all types of disabilities. The project combines construction of approximately 10 new 2-unit or 3-unit buildings on vacant lots, and acquisition/rehabilitation of approximately 15 foreclosed 2-unit to 4-unit buildings. At least ten percent of units will be accessible for wheelchair users, and all units will incorporate energy star appliances and other features to promote energy efficiency. At the end of December 31, 2014, twenty-seven properties had been purchased or under contract. For the year ended December 31, 2014 and 2013, property costs incurred were $3,260,576 and $766,180, respectively. All of the properties are still under development.

Note 8. Foreclosed Assets

An analysis of foreclosed assets as of December 31, 2014 and 2013, was as follows:

	2014	2013
Foreclosed assets, beginning	$ 1,918,432	$ 1,867,500
Transfer of Loans	2,067,512	826,956
Purchase of foreclosed assets	689,088	-
Provision for losses on foreclosed assets	(51,720)	(125,000)
Proceeds on sale	(1,150,000)	(651,024)
Foreclosed assets, ending	$ 3,473,312	$ 1,918,432

Five properties make up the balances for the years ended December 31, 2014 and 2013. Three new properties were added each year into foreclosed assets. Three and five properties were sold during 2014 and 2013, respectively. In 2014, IFF purchased the remaining 49% interest from a lender for one of the properties it holds, with the intent to sell the property in 2015. The cost of this purchase was $689,088.

Activity in the valuation allowance as of December 31, 2014 and 2013 consisted of:

	2014	2013
Beginning balance	$ 615,000	$ 611,000
Provision for losses on foreclosed assets charged to expense	51,720	125,000
Reductions from sales	(545,000)	(121,000)
Ending balance	$ 121,720	$ 615,000

The provision for losses on foreclosed assets involved two properties in 2014 and one property in 2013. Rent collected on foreclosed assets for 2014 and 2013 was $131,527 and $120,512, respectively. These amounts are recorded in the consolidated statements of activities as rental income. Foreclosed asset expenses, which are recorded in the consolidated statements of activities in other operating expenses, was $141,840 and $91,494 for 2014 and 2013, respectively.

Note 9. Furniture, Equipment and Leasehold Improvements

Furniture, equipment, and leasehold improvements at December 31, 2014 and 2013, were comprised as follows:

	2014	2013
Furniture, equipment, and software	$ 2,802,128	$ 2,566,947
Leasehold improvements	441,706	436,556
	3,243,834	3,003,503
Less accumulated depreciation and amortization	(2,738,124)	(2,541,693)
	$ 505,710	$ 461,810

Depreciation and amortization expenses for 2014 and 2013 were $196,431 and $217,111, respectively.

Note 10. Borrowings and Equity Equivalent Borrowings

Borrowings indicated with an * are secured by loans and/or other assets of IFF. All other borrowings are unsecured. Borrowings indicated with an ** are Equity Equivalent Investments and are subordinated to IFF's other borrowings. The interest rate as of December 31, 2014, is provided for borrowings where the Annual Rate is indicated as Variable. IFF borrowings consisted of the following:

		Scheduled Repayments				Principal	Principal
		Principal		Interest		Balance at	Balance at
Lender	Maturity Date	Amount	Due	Annual Rate	Due	December 31, 2014	December 31, 2013
*Allstate Insurance Company	1/1/2015	Amortized over ten years	Quarterly starting 1/1/2005	3.000%	Quarterly	$ -	$ 400,000
*Allstate Insurance Company	1/1/2015	Amortized over ten years	Quarterly starting 1/1/2005	3.000%	Quarterly	-	100,000
Bank of America	11/7/2018	$ 2,500,000 2,500,000 3,000,000	11/07/16 11/07/17 11/07/18	3.750%	Quarterly	8,000,000	8,000,000
Bank of America	12/15/2020	$ 2,000,000 1,500,000 1,500,000	12/15/20 12/15/22 12/15/23	1.000%	Quarterly	5,000,000	2,000,000
		Total carried forward				13,000,000	10,500,000

Note 10. Borrowings and Equity Equivalent Borrowings (Continued)

		Scheduled Repayments				Principal Balance at December 31, 2014	Principal Balance at December 31, 2013
		Principal		Interest			
Lender	Maturity Date	Amount	Due	Annual Rate	Due		
		Total brought forward				$ 13,000,000	$ 10,500,000
The Blowitz-Ridgeway Foundation	10/1/2015	$ 5,000	Quarterly	2.750%	Quarterly	15,000	35,000
The Blowitz-Ridgeway Foundation	7/1/2016	$ 5,000	Quarterly	2.750%	Quarterly	30,000	50,000
The Blowitz-Ridgeway Foundation	7/1/2017	$ 5,000	Quarterly	2.750%	Quarterly	50,000	70,000
The Blowitz-Ridgeway Foundation	7/1/2018	$ 5,000	Quarterly	2.750%	Quarterly	70,000	90,000
The Blowitz-Ridgeway Foundation	7/31/2019	$ 5,000	Quarterly	2.750%	Quarterly	90,000	-
Calvert Social Investment Foundation	6/19/2020	Balance	Maturity	2.750%	Quarterly	6,700,000	6,700,000
Catholic Health Initiatives	4/1/2014	$ 100,000	Annually starting 04/01/10	3.000%	Annually	-	600,000
Central Bank of Kansas City CDE VIII, LLC	11/30/2033	Per schedule	Annually starting 12/1/18	5.10937%	Annually	7,767,096	7,767,096
Chase New Markets Corporation	4/28/2018	Balance	Maturity	4.000%	Monthly	9,500,000	9,500,000
Circle of Service Foundation	9/30/2020	Amortized over fifteen years	Quarterly	3.000%	Quarterly	546,470	632,287
Circle of Service Foundation	3/31/2021	Amortized over fifteen years	Quarterly	3.000%	Quarterly	589,505	674,021
Communities at Work Fund, L.P.	9/9/2017	Balance	Maturity	4.300%	Monthly	-	15,000,000
Community First Fund Federal Home Loan Bank	10/8/2024	Balance	Maturity	2.350%	Monthly	5,000,000	-
Everence Community Investments, Inc.	8/15/2016	Balance	Maturity	3.000%	Quarterly	500,000	500,000
		Total carried forward				43,858,071	52,118,404

Note 10. Borrowings and Equity Equivalent Borrowings (Continued)

		Scheduled Repayments				Principal Balance at	Principal Balance at
		Principal		Interest			
Lender	Maturity Date	Amount	Due	Annual Rate	Due	December 31, 2014	December 31, 2013
		Total brought forward				$ 43,858,071	$ 52,118,404
Federal Home Loan Bank	11/6/2014	Per schedule	Quarterly starting 01/15/10	None	N/A	-	73,580
*Federal Home Loan Bank	5/30/2023	Balance	Maturity	2.640%	Monthly	2,000,000	2,000,000
*Federal Home Loan Bank	1/16/2015	Balance	Maturity	1.700%	Monthly	5,000,000	-
Goldman Sachs Bank USA	4/30/2019	Per schedule	Quarterly starting 01/01/15	4.000%	Quarterly	5,000,000	2,597,968
Goldman Sachs Social Impact Fund, LP	12/31/2027	Per schedule	Maturity	5.000%	Per schedule	805,640	-
Harris Trust and Savings Bank (BMO Harris)	10/1/2019	$ 31,250	Quarterly starting 01/01/10	3.250%	Quarterly	625,000	750,000
Helen Bader Foundation	9/30/2015	$ 6,250	Quarterly starting 09/01/09	None	N/A	12,500	37,500
The Kresge Foundation	4/30/2022	Per Schedule	Quarterly	3.000%	Quarterly	4,214,914	4,708,757
Living Cities Catalyst Fund LLC	3/15/2018	$ 1,500,000 1,500,000	3/15/2017 3/15/2018	3.500%	Quarterly	3,000,000	3,000,000
Mercy Investment Services, Inc.	12/31/2018	Balance	Maturity	3.000%	Quarterly	1,000,000	1,000,000
The Northern Trust Company	1/3/2016	Balance	Maturity	2.000%	Quarterly	2,500,000	2,500,000
The Northern Trust Company	1/2/2017	Balance	Maturity	3.000%	Semi-annually	2,000,000	2,000,000
The Northern Trust Company	12/31/2027	Per schedule	Maturity	2.000%	Per schedule	585,920	-
Opportunity Finance Network	3/29/2019	Balance	Maturity	3.000%	Quarterly	5,000,000	5,000,000
PNC Bank	11/3/2021	Balance	Maturity	2.775%	Quarterly	4,000,000	4,000,000
Pritzker Family Foundation	12/31/2027	Per schedule	Maturity	5.000%	Per schedule	439,440	-
		Total carried forward				80,041,485	79,786,209

Note 10. Borrowings and Equity Equivalent Borrowings (Continued)

Lender	Maturity Date	Scheduled Repayments – Principal – Amount	Scheduled Repayments – Principal – Due	Scheduled Repayments – Interest – Annual Rate	Scheduled Repayments – Interest – Due	Principal Balance at December 31, 2014	Principal Balance at December 31, 2013
		Total brought forward				$ 80,041,485	$ 79,786,209
Religious Communities Investment Fund, Inc.	3/15/2018	Balance	Maturity	3.000%	Quarterly	300,000	300,000
Seton Enablement Fund	4/1/2018	Per Schedule	Semi-annually starting 10/1/14	3.000%	Semi-annually	235,150	250,000
Sisters of Saint Dominic, Congregation of the Most Holy Rosary of Adrian, MI	8/15/2018	Balance	Maturity	3.000%	Quarterly	100,000	100,000
Sisters of Saint Dominic, Congregation of the Most Holy Rosary of Adrian, MI	9/30/2019	Balance	Maturity	3.000%	Quarterly	150,000	-
TIAA-CREF Trust Company, FSB	5/28/2017	Balance	Maturity	2.9375%	Monthly	10,000,000	-
Trinity Health	6/30/2014	Balance	Maturity	3.000%	Quarterly	-	500,000
Trinity Health	6/30/2015	Balance	Maturity	3.000%	Quarterly	500,000	500,000
Trinity Health	6/30/2019	Balance	Maturity	3.000%	Quarterly	1,000,000	-
Walton Family Foundation	12/17/2019	$ 1,000,000 2,000,000 2,000,000	12/31/17 12/31/18 12/31/19	None	N/A	5,000,000	5,000,000
Walton Family Foundation	11/30/2021	$ 1,000,000 2,000,000	11/30/20 11/30/21	None	N/A	3,000,000	3,000,000
Wisconsin Preservation Fund	10/1/2024	Balance	Maturity	None	N/A	75,000	75,000
Total borrowings:						$ 100,401,635	$ 89,511,209
**The Benedictine Sisters of Chicago	3/17/2019	Balance	Maturity	3.000%	Quarterly	$ 50,000	$ -
**Cathay Bank	10/14/2021	Balance	Maturity	3.250%	Quarterly	500,000	500,000
**Evergreen Bank Group	3/8/2017	Balance	Maturity	3.000%	Quarterly	500,000	500,000
** Guaranty Bank	3/1/2017	Balance	Maturity	3.000%	Quarterly	250,000	250,000
** Guaranty Bank	3/1/2017	Balance	Maturity	3.000%	Quarterly	250,000	250,000
**Harris Trust and Savings Bank (BMO Harris)	12/15/2019	Balance	Maturity	3.250%	Quarterly	1,250,000	1,250,000
		Total carried forward				2,800,000	2,750,000

Note 10. Borrowings and Equity Equivalent Borrowings (Continued)

Lender	Maturity Date	Scheduled Repayments – Principal – Amount	Scheduled Repayments – Principal – Due	Scheduled Repayments – Interest – Annual Rate	Scheduled Repayments – Interest – Due	Principal Balance at December 31, 2014	Principal Balance at December 31, 2013
		Total brought forward				$ 2,800,000	$ 2,750,000
**Harris Trust and Savings Bank (BMO Harris)	6/30/2020	Balance	Maturity	2.000%	Quarterly	500,000	500,000
**Institute of the Blessed Virgin Mary	6/24/2018	Balance	Maturity	3.000%	Quarterly	50,000	50,000
**MacArthur Foundation	1/1/2022	Balance	Maturity	3.000%	Quarterly	750,000	750,000
**MacArthur Foundation	1/1/2022	Balance	Maturity	3.000%	Quarterly	1,000,000	1,000,000
**MacArthur Foundation	1/1/2022	Balance	Maturity	3.000%	Quarterly	1,000,000	1,000,000
**M & I Community Development Corp. (BMO Harris)	4/9/2015	$ 25,000	Quarterly starting 4/1/2013	4.000%	Quarterly	325,000	425,000
**Nazareth Literacy Benevolent Institution/ dba Sisters of Charity of Nazareth	11/6/2018	$ 100,000	Maturity	3.000%	Quarterly	100,000	100,000
**North Shore Bank FSB	5/9/2018	Balance	Maturity	3.000%	Quarterly	50,000	50,000
**Our Lady of Victory Missionary Sisters, Inc.	12/2/2018	Balance	Maturity	3.000%	Annually	25,000	25,000
**Sisters of Most Precious Blood/St. Mary's Institute of O'Fallon	9/27/2018	Balance	Maturity	3.000%	Quarterly	50,000	50,000
**Sisters of St. Francis Clinton, Iowa	6/1/2017	Balance	Maturity	3.000%	Quarterly	100,000	100,000
**Sisters of St. Francis Clinton, Iowa	6/5/2018	Balance	Maturity	3.000%	Quarterly	50,000	50,000
**Sisters of St. Joseph of Carondelet	6/30/2019	Balance	Maturity	3.000%	Quarterly	50,000	-
**Small Business Lending Fund US Treasury	9/15/2019	Balance	Maturity	2.000%	Quarterly	8,294,000	8,294,000
**Village Bank & Trust	9/19/2017	Balance	Maturity	3.250%	Quarterly	1,000,000	1,000,000
**Wells Fargo Bank	4/1/2018	Balance	Maturity	2.000%	Quarterly	1,000,000	1,000,000
Total equity equivalent borrowings:						$ 17,144,000	$ 17,144,000

Note 10. Borrowings and Equity Equivalent Borrowings (Continued)

IFF is subject to several loan covenants, which among other items, require minimum net asset, liquidity, allowance for loan losses, leverage, and collateral levels. IFF is in compliance with these covenants as of December 31, 2014.

As of December 31, 2014, the required principal reduction of borrowings is as follows:

2015	$ 7,658,352
2016	8,142,533
2017	19,744,872
2018	22,484,507
2019	20,657,830
Thereafter	38,857,541
	$ 117,545,635

Undrawn commitments at December 31, 2014 and 2013, were $45,617,025 and $11,039,891, respectively.

Note 11. Investor Consortium Collateral Trust Notes

IFF entered into a borrowing agreement (the Investor Consortium Program) whereby investors purchase participation in trust notes collateralized by IFF loans which, in turn, are usually secured by a first or second mortgage on the underlying collateral. The interest rate is the blended interest rate as of December 31, 2014.

Investor Consortium [(a)] Series	Maturity Date	Interest Rate	Principal Balance at December 31, 2014	Principal Balance at December 31, 2013
Sale 2004-1	1/15/2020	3.000%	$ 1,290,455	$ 1,622,631
Sale 2005-1	10/15/2020	3.412%	2,608,938	3,111,080
Sale 2006-1	10/15/2021	3.000%	4,184,627	6,124,833
Sale 2007-1	10/15/2022	3.000%	3,551,849	5,042,889
Sale 2008-1	10/15/2023	3.000%	4,224,787	4,958,330
Sale 2009-1	10/15/2024	3.216%	6,201,776	7,627,986
Sale 2010-1	7/15/2025	4.063%	2,255,054	2,448,525
Sale 2011-1	7/15/2026	4.033%	6,671,999	7,486,537
Sale 2012-1	10/15/2027	3.124%	10,343,661	12,118,036
Sale 2013-1	1/15/2029	3.345%	11,571,339	15,496,065
Sale 2014-1	1/15/2029	3.393%	15,195,249	-
Total Investor Consortium collateral trust notes:			$ 68,099,734	$ 66,036,912

Note 11. Investor Consortium Collateral Trust Notes (Continued)

[a] Participating banks in the Investor Consortium are Advantage National Bank, American Chartered Bank, Bank of America, Barrington Bank and Trust, Beverly Bank and Trust, Busey Bank, Charter One Bank (acquired by RBS Citizens), Cole Taylor Bank (acquired by MB Financial), Crystal Lake Bank and Trust, Evergreen Bank, First Bank, First Bank and Trust, First Eagle Bank, First Midwest Bank, First Savings Bank of Hegewisch, Harris Trust & Savings Bank (BMO Harris), Hinsdale Bank and Trust, Jacksonville Savings Bank, Lake Forest Bank and Trust, Libertyville Bank and Trust, M&I Community Development Corporation (acquired by BMO Harris), MB Financial, Midwest Bank and Trust Company (assumed by FDIC), The Northern Trust Bank, North Shore Community Bank and Trust, Northbrook Bank and Trust, Old Plank Trail Community Bank and Trust, Park National Bank and Trust (assumed by FDIC), PNC Bank, PrivateBank, RBS Citizens, St. Charles Bank and Trust, State Bank of the Lakes, State Farm Bank, TIAA-CREF Trust Company FSB, Town Bank, US Bank, Village Bank and Trust, and Wheaton Bank and Trust.

Quarterly contractual repayment of each trust note series is limited to the proceeds of payments on IFF loans and a 2 percent cash reserve held, for each series, by the trustee. If the balance of the cash reserve falls below 2 percent for any series, IFF is required to contribute a portion of its servicing fees to the reserve each quarter until the reserve again reaches 2 percent. The reserve funds are maintained in money market accounts. The balance of the reserves for the collateral trust notes, included in other restricted cash and interest-bearing deposits, at December 31, 2014 and 2013, was $1,381,710 and $1,403,305 at cost, respectively, which represents fair value. Included in this amount at December 31, 2013 was $73,189 for loans that were bought out of the consortium and paid to the investors subsequent to December 31, 2013.

As of December 31, 2014, the scheduled principal reduction of Investor Consortium collateral trust notes is as follows:

2015	$ 6,068,733
2016	6,155,700
2017	6,037,169
2018	5,749,487
2019	5,912,600
Thereafter	38,176,045
	$ 68,099,734

Undrawn commitments in the Investor Consortium Program at December 31, 2014 and 2013, were $32,748,907 and $4,541,400, respectively.

IFF is also in the process of establishing an Investor Consortium Collateral Trust Note program for originated Healthy Food Access Loans. Unfunded pledges for this program were $14,250,000 at December 31, 2014 and 2013.

Note 12. Loan Participations Payable

IFF entered into participation agreements with Partners for the Common Good, Inc. (PCG) with respect to underlying notes, in which PCG purchased an interest in each loan. IFF has the obligation to pass through payments with respect to interest at various rates and all principal payments pursuant to such participation interest during the life of the agreements. Provided that no event of default exists on the underlying loan at the maturity of the agreement, IFF has a further obligation to purchase PCG's participation interest in the loan. The current balance of the loans receivable as of December 31, 2014 and 2013, was $2,806,118 and $3,823,313, respectively. IFF loan participations payable consisted of the following:

		Scheduled Repayments				Principal Balance at	Principal Balance at
		Principal		Interest			
Lender	Maturity Date	Amount	Due	Annual Rate	Due	December 31, 2014	December 31, 2013
Partners for the Common Good	8/28/2014*	Per Schedule & Balance at Maturity	Monthly	6.000%	Monthly	$ -	$ 414,760
Partners for the Common Good	7/26/2015	Per Schedule & Balance at Maturity	Monthly	5.875%	Monthly	56,368	82,893
Partners for the Common Good	2/17/2016	Per Schedule & Balance at Maturity	Monthly	5.875%	Monthly	419,721	447,324
Partners for the Common Good	9/23/2016	Per Schedule & Balance at Maturity	Monthly	6.000%	Monthly	175,675	185,585
Partners for the Common Good	9/28/2016	Per Schedule & Balance at Maturity	Monthly	6.375%	Monthly	448,247	462,657
Total loan participations payable:						$ 1,100,011	$ 1,593,219

* loan paid off on this date. Original maturity date was 7/23/2015.

As of December 31, 2014, the scheduled principal reduction of loan participations payable is as follows:

2015	$ 88,338
2016	1,011,673
	$ 1,100,011

Note 13. Operating Leases

IFF is obligated under a lease for its Chicago office space (through June 2020) which provides for base rentals (recognized on a straight-line basis) plus a prorated share of real estate taxes and operating expenses. A deferred rent liability, representing the cumulative amount by which rental expense recognized exceeds cash paid, totaled $231,286 and $221,976 at December 31, 2014 and 2013, respectively, and is included in accrued liabilities. IFF is also obligated under office leases in St. Louis (through December 2017), Detroit (through August 2022), Milwaukee (through December 2016), and Indianapolis (through October 2017). IFF also has a storage lease in the Chicago office building (through June 2015).

In April 2015, IFF entered into a 15 year lease to relocate its main office to another location in Chicago, Illinois. IFF plans to sub-lease its current location. It is expected that the new location will be ready for occupancy in the fall of 2015. Base rent less abatement amounts for this 15 year lease is $11,346,174 and is not included in the amounts below, as the payment commencement date is uncertain as of the report date.

Future minimum lease payments (base rentals) by year are as follows:

2015	$	548,227
2016		563,500
2017		544,984
2018		525,737
2019		535,763
Thereafter		380,892
	$	3,099,103

The total rent expense for the years ended December 31, 2014 and 2013, were as follows:

		2014		2013
Chicago	$	479,393	$	467,389
St. Louis		19,875		19,875
Milwaukee		27,569		26,723
Davenport (closed in June 2013)		-		4,350
Indianapolis		12,809		13,026
Detroit (opened in Janauary 2014)		27,707		-
	$	567,353	$	531,363

Note 14. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2014 and 2013, were available for the following purposes:

	2014	2013
Department of Education Grant for Credit Enhancement	$ 18,125,620	$ 18,262,465
Loan Issuance	18,626,970	22,549,507
NSP Property	-	3,158,768
Grants for Specific Programs	15,422,844	12,525,173
	$ 52,175,434	$ 56,495,913

IFF receives certain capital grants whose purpose is to fund the issuance of loans and to help restore IFF for losses attributable to loans. Amounts received are recorded as temporarily restricted revenue, and are released from restrictions when IFF records loan provisions or disburses qualified loans. Grant amounts received which are not yet utilized are included in temporarily restricted net assets, listed above as Loan Issuance.

In 2014 and 2013, net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions as follows:

	2014	2013
Net assets released from restrictions:		
Time and performance restrictions (operating)	$ 3,159,994	$ 1,567,382
Performance restrictions - NSP property (operating)	3,282,072	1,811,216
Performance restrictions - Pass through Grants (operating)	6,004,973	4,116,044
Loan capital grants (capital)	-	2,022,057
Provision for loan losses (capital)	2,612,537	1,480,038
	$ 15,059,576	$ 10,996,737

Note 15. Employee Benefit Plan

The IFF 401(k) Profit Sharing Plan is a defined contribution retirement plan for the benefit of IFF's employees. Full-time eligible employees may make discretionary contributions to the Plan, and IFF may make discretionary or matching contributions. IFF's contribution for the years ended December 31, 2014 and 2013, was $254,804 and $218,312, respectively.

Note 16. Functional Expense Classifications

IFF's unrestricted expenses for the years ended December 31, 2014 and 2013, reported on a functional basis are as follows:

	2014	2013
Program expenses:		
Capital Solutions (Lending)	$ 12,936,780	$ 10,801,245
Real Estate Services	10,135,388	7,903,942
Corporate Communications and Public Affairs	619,323	487,760
Community Strategies	583,525	482,767
Research	439,710	340,650
School Services	160,461	-
	24,875,187	20,016,364
Supporting services	1,379,001	988,882
	$ 26,254,188	$ 21,005,246

Note 17. Fair Value of Financial Instruments

The accounting guidance on fair value measurements and disclosures defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined under the guidance as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy under the guidance are described below:

Level 1. Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 assets primarily include equities and money market funds. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2. Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3. Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment’s level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. IFF’s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

For the year ended December 31, 2014, IFF started to value the investments in the limited liability companies it has an ownership interest in. The following is a description of the valuation methodologies used for instruments at fair value:

Note 17. Fair Value of Financial Instruments (Continued)

Assets and liabilities recorded at fair value on a recurring basis: IFF measures certain assets and liabilities at fair value on a recurring basis in accordance with U.S. generally accepted accounting principles. These include assets that are measured at the fair market value at the end of the period. Assets measured at fair value on a recurring basis are included in the table below.

	Fair Value Measurements at December 31, 2014			
	Totals	Level 1	Level 2	Level 3
DOE restricted cash and interest-bearing deposits in banks	$ 1,294,523	$ -	$ 1,294,523	$ -
Investment in limited liability companies	6,057	-	-	6,057
	$ 1,300,580	$ -	$ 1,294,523	$ 6,057

	Fair Value Measurements at December 31, 2013			
	Totals	Level 1	Level 2	Level 3
DOE restricted cash and interest-bearing deposits in banks	$ 818,265	$ -	$ 818,265	$ -
Investment in limited liability companies	11,947	-	-	11,947
	$ 830,212	$ -	$ 818,264	$ 11,947

As of December 31, 2014 and 2013, there were no transfers between the Levels.

DOE restricted cash and interest-bearing deposits in banks: Certain certificates of deposit in DOE restricted cash and interest-bearing deposits in banks are evaluated each month to adjust to the bank statements ending account balance. Fair value is measured based on the market value of certificate of deposit account statement provided by the bank and classified as a Level 2 in the fair value hierarchy.

Investments in Limited Liability Companies: Investments in limited liability companies are evaluated each quarter to adjust to IFF's equity balance, including other significant assumptions. Fair value is measured based on the value of IFF's equity percentage and classified as a Level 3 in the fair value hierarchy.

Note 17. Fair Value of Financial Instruments (Continued)

Assets and liabilities recorded at fair value on a nonrecurring basis: IFF may be required from time to time to measure certain assets and liabilities at fair value on a nonrecurring basis in accordance with U.S. generally accepted accounting principles. These include assets that are measured at the lower of cost or market that were recognized at fair value below cost at the end of the period. Assets measured at fair value on a nonrecurring basis are included in the table below.

	Fair Value Measurements at December 31, 2014			
	Totals	Level 1	Level 2	Level 3
Assets				
Impaired loans	$ 2,308,580	$ -	$ -	$ 2,308,580
Foreclosed assets	3,473,312	-	-	3,473,312
	$ 5,781,892	$ -	$ -	$ 5,781,892

	Fair Value Measurements at December 31, 2013			
	Totals	Level 1	Level 2	Level 3
Assets				
Impaired loans	$ 3,887,453	$ -	$ -	$ 3,887,453
Foreclosed assets	1,918,432	-	-	1,918,432
	$ 5,805,885	$ -	$ -	$ 5,805,885

Impaired loans: Impaired loans are evaluated and valued at the time the loan is identified as impaired, at the lower of cost or fair value. Impaired loans measured at fair value at December 31, 2014 and 2013, on the consolidated statements of financial position and included above represent those impaired loans where fair value was measured to be lower than the cost of the loan which represents impaired loans for which an allowance has been provided less the related allowance for loan losses or impaired loans that have been charged down to fair value. Fair value is measured based on the value of the collateral securing these loans or management's discounted cash flow analysis and is classified as a Level 3 in the fair value hierarchy.

Collateral is mostly real estate and is determined based on appraisals by qualified licensed appraisers or through other valuation sources. Appraised and reported values may be discounted based on management's historical knowledge, changes in market conditions from the time of valuation, and/or management's expertise and knowledge of the client and client's business.

Foreclosed assets: Foreclosed assets, upon initial recognition, are measured and reported at fair value less estimated costs to sell through a charge-off to the allowance for loan losses based upon the fair value of the foreclosed asset. The fair value of foreclosed assets less estimated costs to sell, upon initial recognition, is estimated using Level 3 inputs based on customized discounting criteria.

Note 18. Concentration of Credit Risk

IFF holds cash equivalents and investments in money market funds, certificates of deposit, and Treasury funds, which management believes subject IFF to limited credit risk. No collateral or other security has been pledged to support these cash equivalents and investments.

Approximately 36 percent of IFF's borrowers are located in the Chicago metropolitan area as of December 31, 2014 and 2013. A breakdown of the sector of borrowers at December 31, 2014 and 2013, were comprised of the following:

	2014		2013	
Charter school	$ 42,359,592	20%	$ 40,438,580	21%
Affordable housing	36,242,337	17%	31,025,562	16%
Multi-service	22,098,846	10%	15,795,342	8%
Health care	20,101,238	9%	17,154,911	9%
Supportive housing/Homeless services	16,487,004	8%	14,498,100	8%
Other	14,146,611	6%	14,397,553	7%
Special needs services	13,774,733	6%	14,218,161	7%
Youth services	10,538,055	5%	9,642,140	5%
Training and professional development	8,418,388	4%	5,726,889	3%
Child care	7,899,646	4%	8,666,406	4%
Community development	6,576,589	3%	3,822,592	2%
Sectors grouped together*	16,773,960	8%	18,944,432	10%
	$ 215,416,999	100%	$ 194,330,668	100%

*Includes arts and culture, healthy foods, job training, school (non-charter), and substance abuse

Note 19. Limited Liability Companies

In 2002, IFF was awarded $10,000,000 of federal tax credits from the New Markets Tax Credit Program of the U.S. Department of Treasury. It also received a $25,000,000 allocation in 2012 and a $43,000,000 allocation in 2014. Upon receiving these allocations, various for profit limited liability companies (LLCs) were established to facilitate the New Markets Tax Credit Program. As of December 31, 2014, all of the allocations have been allocated except for $11,000,000 from the $43,000,000 award received in 2014. The remaining $11,000,000 has been allocated in 2015.

IFF is the managing member and has a stated ownership interest of .01% to .10% in these LLCs. IFF’s investment in these LLCs are recorded in the consolidated statements of financial position in other assets. As of December 31, 2014 and 2013, IFF’s ownership value in these LLCs was $6,057 and $11,947, respectively.

IFF provides certain asset management and compliance oversight services to the LLCs, as provided in the respective operating agreements. IFF receives management fees from these LLCs and are recorded on the consolidated statements of activities in management and sponsor fees. The total of this revenue for 2014 and 2013 was $184,275 and $136,844, respectively.

As managing member in the LLCs, IFF is responsible for compliance with various regulations. Failure to comply could result in the recapture or loss of unallocated tax credits, as provided for in the Internal Revenue Code. IFF has indemnified the other investor members against all recapture liability and any other economic losses incurred by the members as a result of any such recapture event.
As of December 31, 2014 and 2013, no liability is recorded because of such event.

Supplementary Information

IFF and Subsidiaries

Consolidating Statement of Financial Position
December 31, 2014
(See Independent Auditor's Report)

	IFF*	IFF NMTC Senior Lender	Home First Illinois, LLC	IFF CILA Lease Program, LLC	IFF Pay for Success I, LLC	IFF Waukegan Market, LLC	IFF Rockford Market, LLC	Home First, LLC	Community Living Initiative, LLC	Access Peoria, LLC	Access Housing I MM, LLC	Access Housing I, LLC	Eliminations	Consolidated
Assets														
Cash and cash equivalents	$ 11,563,320	$ 4,926	$ 160,849	$ 118,489	$ 253,295	$ 38,132	$ 37,481	$ 639	$ 419	$ 438,547	$ 423	$ 228,004	$ -	$ 12,844,524
Other restricted cash and														
interest-bearing deposits in banks	11,753,307	-	943,546	-	-	-	-	-	-	-	-	-	-	12,696,853
Department of Education restricted cash														
and interest-bearing deposits in banks	18,125,620	-	-	-	-	-	-	-	-	-	-	-	-	18,125,620
Grants receivable, other receivables,														
prepaids and deposits	13,698,017	3,489	170,862	15,498	433,541	35,040	18,352	-	-	863,108	-	312,388	(10,820,713)	4,729,582
Loans receivable, net	198,673,465	6,782,788	-	-	1,831,000	-	-	-	-	-	-	-	(1,983,621)	205,303,632
Accrued interest receivable	871,881	26,643	-	-	-	-	-	-	-	-	-	-	(36,058)	862,466
Properties owned by IFF's subsidiaries, net	-	-	9,790,436	2,012,628	-	1,048,417	283,442	-	24,188	224,366	-	3,260,576	-	16,644,053
Federal Home Loan Bank stock, at cost	350,000	-	-	-	-	-	-	-	-	-	-	-	-	350,000
Foreclosed assets, net	3,473,312	-	-	-	-	-	-	-	-	-	-	-	-	3,473,312
Furniture, equipment and leasehold improvements, net	505,710	-	-	-	-	-	-	-	-	-	-	-	-	505,710
Capitalized finance costs, net	329,801	-	-	-	-	-	-	-	-	-	-	-	-	329,801
Other assets	2,733,134	-	-	-	-	-	-	9,750	-	-	500	-	(2,736,296)	7,088
	$ 262,077,567	$ 6,817,846	$ 11,065,693	$ 2,146,615	$ 2,517,836	$ 1,121,589	$ 339,275	$ 10,389	$ 24,607	$ 1,526,021	$ 923	$ 3,800,968	$ (15,576,688)	$ 275,872,641
Liabilities and Net Assets														
Liabilities														
Accrued liabilities	$ 1,612,748	$ 2,560	$ 2,029,295	$ 54,364	$ 323,812	$ 66,447	$ 50,075	$ 86	$ 24,271	$ 138,488	$ 2,583	$ 34,899	$ (2,343,413)	$ 1,996,215
Accrued interest payable	817,240	29,225	-	6,834	6,164	-	-	-	-	-	-	-	(36,058)	823,405
Deferred grant revenue	-	-	7,748,838	-	-	-	-	-	-	224,366	-	-	-	7,973,204
Investor Consortium collateral trust notes	68,099,734	-	-	-	-	-	-	-	-	-	-	-	-	68,099,734
Borrowings	98,570,635	4,073,306	502,304	1,983,621	1,831,000	-	-	-	-	134,982	-	3,766,708	(10,460,921)	100,401,635
Equity equivalent borrowings	17,144,000	-	-	-	-	-	-	-	-	-	-	-	-	17,144,000
Loan participations payable	1,100,011	-	-	-	-	-	-	-	-	-	-	-	-	1,100,011
	187,344,368	4,105,091	10,280,437	2,044,819	2,160,976	66,447	50,075	86	24,271	497,836	2,583	3,801,607	(12,840,392)	197,538,204
Net Assets (deficit)														
Unrestricted	22,963,839	-	(64,748)	101,796	-	1,048,759	286,573	(1,947)	(1,164)	4,913	-	-	1,820,982	26,159,003
Temporarily restricted	51,769,360	-	850,004	-	356,860	5,383	1,627	-	-	1,020,272	-	-	(1,828,072)	52,175,434
Member's Equity														
Capital contributions	-	2,711,796	-	-	-	1,000	1,000	12,250	1,500	3,000	5,250	500	(2,736,296)	-
Retained earnings	-	959	-	-	-	-	-	-	-	-	(6,910)	(1,139)	7,090	-
	74,733,199	2,712,755	785,256	101,796	356,860	1,055,142	289,200	10,303	336	1,028,185	(1,660)	(639)	(2,736,296)	78,334,437
	$ 262,077,567	$ 6,817,846	$ 11,065,693	$ 2,146,615	$ 2,517,836	$ 1,121,589	$ 339,275	$ 10,389	$ 24,607	$ 1,526,021	$ 923	$ 3,800,968	$ (15,576,688)	$ 275,872,641

* Includes IFF Real Estate Services, LLC and IFF Housing, LLC

IFF and Subsidiaries

Consolidating Statement of Financial Position
December 31, 2013
(See Independent Auditor's Report)

	IFF*	IFF NMTC Senior Lender	Home First Illinois, LLC	IFF CILA Lease Program, LLC	IFF Pay for Success I, LLC	IFF Waukegan Market, LLC	IFF Rockford Market, LLC	Home First, LLC	Community Living Initiative, LLC	Access Peoria, LLC	Access Housing I MM, LLC	Access Housing I, LLC	Eliminations	Consolidated
Assets														
Cash and cash equivalents	$ 18,841,108	$ 2,834	$ 18,276	$ -	$ -	$ -	$ -	$ 1,500	$ -	$ -	$ 500	$ 500	$ -	$ 18,864,718
Other restricted cash and interest-bearing deposits in banks	13,391,780	-	743,009	-	-	-	-	-	-	-	-	-	-	18,262,465
Department of Education restricted cash and interest-bearing deposits in banks	18,262,465	-	-	-	-	-	-	-	-	-	-	-	-	14,134,789
Grants receivable, other receivables,					-	-	-	-	-	-	-	-	-	
prepaids and deposits	14,658,148	-	196,332	62,482	-	-	-	-	-	-	-	141,545	(5,341,218)	9,717,289
Loans receivable, net	179,258,052	6,757,642	-	-	-	-	-	-	-	-	-	-	(1,269,701)	184,745,993
Accrued interest receivable	793,884	25,146	-		-	-	-	-	-	-	-	-	(30,994)	788,036
NSP property	3,158,768	-	-	-	-	-	-	-	-	-	-	-	-	3,158,768
Properties owned by IFF's subsidiaries, net	315,438	-	5,095,706	1,279,643	-	-	-	-	-	-	-	766,180	-	7,456,967
Federal Home Loan Bank stock, at cost	206,900	-	-	-	-	-	-	-	-	-	-	-	-	206,900
Foreclosed assets, net	1,918,432	-	-	-	-	-	-	-	-	-	-	-	-	1,918,432
Furniture, equipment and leasehold improvements, net	461,810	-	-	-	-	-	-	-	-	-	-	-	-	461,810
Capitalized finance costs, net	329,302	-	-	-	-	-	-	-	-	-	-	-	-	329,302
Other assets	2,727,275	-	-	-	-	-	-	1,000	-	-	500	-	(2,715,797)	12,978
	$ 254,323,362	$ 6,785,622	$ 6,053,323	$ 1,342,125	$ -	$ -	$ -	$ 2,500	$ -	$ -	$ 1,000	$ 908,225	$ (9,357,710)	$ 260,058,447
Liabilities and Net Assets														
Liabilities														
Accrued liabilities	$ 1,264,454	$ 2,750	$ 378,655	$ 21,527	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (386,879)	$ 1,280,507
Accrued interest payable	839,755	26,692	-	4,302	-	-	-	-	-	-	-	-	(30,994)	839,755
Deferred grant revenue	-	-	4,983,756	-	-	-	-	-	-	-	-	-	-	4,983,756
Investor Consortium collateral trust notes	66,036,912	-	-	-	-	-	-	-	-	-	-	-	-	66,036,912
Borrowings	89,511,209	4,046,614	-	1,269,701	-	-	-	-	-	-	-	907,725	(6,224,040)	89,511,209
Equity equivalent borrowings	17,144,000	-	-	-	-	-	-	-	-	-	-	-	-	17,144,000
Loan participations payable	1,593,219	-	-	-	-	-	-	-	-	-	-	-	-	1,593,219
	176,389,549	4,076,056	5,362,411	1,295,530	-	-	-	-	-	-	-	907,725	(6,641,913)	181,389,358
Net Assets														
Unrestricted	22,176,902	-	(48,090)	46,595	-	-	-	-	-	-	-	-	(2,231)	22,173,176
Temporarily restricted	55,756,911	-	739,002	-	-	-	-	-	-	-	-	-	-	56,495,913
Member's Equity														
Capital contributions	-	2,711,797	-	-	-	-	-	2,500	-	-	1,000	500	(2,715,797)	-
Retained earnings	-	(2,231)	-	-	-	-	-	-	-	-			2,231	-
	77,933,813	2,709,566	690,912	46,595				2,500			1,000	500	(2,715,797)	78,669,089
	$ 254,323,362	$ 6,785,622	$ 6,053,323	$ 1,342,125	$ -	$ -	$ -	$ 2,500	$ -	$ -	$ 1,000	$ 908,225	$ (9,357,710)	$ 260,058,447

* Includes IFF Real Estate Services, LLC and IFF Housing, LLC

IFF and Subsidiaries

Consolidating Statement of Activities
Year Ended December 31, 2014
(See Independent Auditor's Report)

	IFF*	IFF NMTC Senior Lender	Home First Illinois, LLC	IFF CILA Lease Program, LLC	IFF Pay for Success I, LLC	IFF Waukegan Market, LLC	IFF Rockford Market, LLC	Home First, LLC	Community Living Initiative, LLC	Access Peoria, LLC	Access Housing I MM, LLC	Access Housing I, LLC	Eliminations	Consolidated
Unrestricted - Operating														
Support and revenue:														
Corporations, foundations, and individuals	$ 1,849,232	$ -	$ -	$ 60,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (60,000)	$ 1,849,232
Interest on loans	9,958,996	404,023	-	-	-	-	-	-	-	-	-	-	(457,509)	9,905,510
Consulting contract fees	1,724,046	-	-	-	81,164	-	-	-	-	-	-	-	(559,964)	1,245,246
Management and sponsor fee	199,275	-	-	-	-	-	-	-	-	-	-	-	(15,000)	184,275
Syndication fees	1,040,000	-	-	-	-	-	-	-	-	-	-	-	-	1,040,000
Loan fees	204,907	-	-	-	-	-	-	-	-	-	-	-	-	204,907
Other interest income	38,802	-	14	-	-	-	-	-	-	-	-	-	-	38,816
Rental income	131,528	-	231,786	139,394	-	-	743	-	-	-	-	650	-	504,101
Reimbursed Professional Fees	-	-	-	11,270	38,572	-	-	-	-	-	-	155,458	-	205,300
Realized gaines on investments	2,539	-	-	-	-	-	-	-	-	-	-	-	-	2,539
Unrealized gaines on investments	513	-	-	-	-	-	-	-	-	-	-	-	-	513
Net assets released from restrictions	1,293,686	-	372,400	-	31,818	1,134,732	297,652	-	-	29,706	-	-	-	3,159,994
Net assets released from restrictions - NSP property	3,282,072	-	-	-	-	-	-	-	-	-	-	-	-	3,282,072
Net assets released from restrictions - Pass through Grants	6,004,973	-	-	-	-	-	-	-	-	-	-	-	-	6,004,973
	25,730,569	404,023	604,200	210,664	151,554	1,134,732	298,395	-	-	29,706	-	156,108	(1,092,473)	27,627,478
Expenses:														
Salaries and benefits	7,085,768	-	-	-	-	-	-	-	-	-	-	-	(469,538)	6,616,230
Professional fees	1,309,493	17,500	66,149	22,994	143,379	82,214	4,500	605	-	17,170	5,250	2,929	(105,426)	1,566,757
Occupancy and office	800,482	-	371,388	15,559	250	2,303	1,478	288	289	6,502	287	139,609	-	1,338,435
Printing and marketing	93,586	-	-	-	-	-	-	-	-	-	-	-	-	93,586
Interest	5,211,671	386,498	-	71,010	6,164	-	-	-	-	-	-	-	(457,509)	5,217,834
Other operating expenses	425,959	323	46,892	907	1,761	1,127	5,844	1,054	875	1,121	1,373	14,709	-	501,945
Provision for losses on foreclosed assets	51,720	-	-	-	-	-	-	-	-	-	-	-	-	51,720
Pass through NSP property	3,282,072	-	-	-	-	-	-	-	-	-	-	-	-	3,282,072
Pass through Grants	6,004,973	-	-	-	-	-	-	-	-	-	-	-	(1,888,072)	4,116,901
Meetings and travel	351,381	-	-	-	-	329	-	-	-	-	-	-	-	351,710
Depreciation and amortization	241,077	-	136,429	44,993	-	-	-	-	-	-	-	-	-	422,499
Loss on sale of property	85,450	-	-	-	-	-	-	-	-	-	-	-	-	85,450
Income taxes	-	(3,488)	-	-	-	-	-	-	-	-	-	-	-	(3,488)
	24,943,632	400,833	620,858	155,463	151,554	85,973	11,822	1,947	1,164	24,793	6,910	157,247	(2,920,545)	23,641,651
Increase (decrease) in unrestricted net assets - operating	786,937	3,190	(16,658)	55,201	-	1,048,759	286,573	(1,947)	(1,164)	4,913	(6,910)	(1,139)	1,828,072	3,985,827
Unrestricted - Capital														
Support and revenue:														
Net assets released from restrictions - capital (provision for loan losses)	2,612,537	-	-	-	-	-	-	-	-	-	-	-	-	2,612,537
	2,612,537	-	-	-	-	-	-	-	-	-	-	-	-	2,612,537
Expenses:														
Provision for loan losses	2,612,537	-	-	-	-	-	-	-	-	-	-	-	-	2,612,537
Decrease in unrestricted net assets - capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in unrestricted net assets	786,937	3,190	(16,658)	55,201	-	1,048,759	286,573	(1,947)	(1,164)	4,913	(6,910)	(1,139)	1,828,072	3,985,827

IFF and Subsidiaries

Consolidating Statement of Activities (Continued)
Year Ended December 31, 2014
(See Independent Auditor's Report)

	IFF*	IFF NMTC Senior Lender	Home First Illinois, LLC	IFF CILA Lease Program, LLC	IFF Pay for Success I, LLC	IFF Waukegan Market, LLC	IFF Rockford Market, LLC	Home First, LLC	Community Living Initiative, LLC	Access Peoria, LLC	Access Housing I MM, LLC	Access Housing I, LLC	Eliminations	Consolidated
Temporarily Restricted														
Program and operating grants	$ 8,974,309	$ -	$ 483,395	$ -	$ 388,678	$ 1,140,115	$ 299,279	$ -	$ -	$ 1,049,978	$ -	$ -	$ (1,828,072)	$ 10,507,682
Loan capital grants	190,000	-	-	-	-	-	-	-	-	-	-	-	-	190,000
Interest income	41,408	-	7	-	-	-	-	-	-	-	-	-	-	41,415
Net assets released from restrictions - operating	(1,293,686)	-	(372,400)	-	(31,818)	(1,134,732)	(297,652)	-	-	(29,706)	-	-	-	(3,159,994)
Net assets released from restrictions - NSP property	(3,282,072)	-	-	-	-	-	-	-	-	-	-	-	-	(3,282,072)
Net assets released from restrictions - Pass through Grants	(6,004,973)	-	-	-	-	-	-	-	-	-	-	-	-	(6,004,973)
Net assets released from restrictions - capital (provision for loan losses)	(2,612,537)	-	-	-	-	-	-	-	-	-	-	-	-	(2,612,537)
Increase in temporarily restricted net assets	(3,987,551)	-	111,002	-	356,860	5,383	1,627	-	-	1,020,272	-	-	(1,828,072)	(4,320,479)
Increase (decrease) in net assets	(3,200,614)	3,190	94,344	55,201	356,860	1,054,142	288,200	(1,947)	(1,164)	1,025,185	(6,910)	(1,139)	-	(334,652)
Net assets/retained earnings (deficit):														
Beginning of year	77,933,813	(2,231)	690,912	46,595	-	-	-	-	-	-	-	-	-	78,669,089
End of year	$ 74,733,199	$ 959	$ 785,256	$ 101,796	$ 356,860	$ 1,054,142	$ 288,200	$ (1,947)	$ (1,164)	$ 1,025,185	$ (6,910)	$ (1,139)	$ -	$ 78,334,437

* Includes IFF Real Estate Services, LLC and IFF Housing, LLC

IFF and Subsidiaries

Consolidating Statement of Activities
Year Ended December 31, 2013
(See Independent Auditor's Report)

	IFF*	IFF NMTC Senior Lender	Home First Illinois, LLC	IFF CILA Lease Program, LLC	IFF Pay for Success I, LLC	IFF Waukegan Market, LLC	IFF Rockford Market, LLC	Home First, LLC	Community Living Initiative, LLC	Access Peoria, LLC	Access Housing I MM, LLC	Access Housing I, LLC	Eliminations	Consolidated
Unrestricted - Operating														
Support and revenue:														
Corporations, foundations, and individuals	$ 183,300	$ -	$ -	$ 70,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (70,000)	$ 183,300
Interest on loans	9,693,672	402,526	-	-	-	-	-	-	-	-	-	-	(389,493)	9,706,705
Consulting contract fees	1,614,404	-	-	-	-	-	-	-	-	-	-	-	(268,136)	1,346,268
Management and sponsor fee	151,844	-	-	-	-	-	-	-	-	-	-	-	(15,000)	136,844
Syndication fees	360,000	-	-	-	-	-	-	-	-	-	-	-	-	360,000
Loan fees	104,723	-	-	-	-	-	-	-	-	-	-	-	-	104,723
Other interest income	27,044	5	3	-	-	-	-	-	-	-	-	-	-	27,052
Rental income	120,512	-	61,884	6,559	-	-	-	-	-	-	-	-	-	188,955
Unrealized losses on investments	(336)	-	-	-	-	-	-	-	-	-	-	-	-	(336)
Net assets released from restrictions	1,424,286	-	143,096	-	-	-	-	-	-	-	-	-	-	1,567,382
Net assets released from restrictions - NSP property	1,811,216	-	-	-	-	-	-	-	-	-	-	-	-	1,811,216
Net assets released from restrictions - Pass through Grants	3,616,044	-	500,000	-	-	-	-	-	-	-	-	-	-	4,116,044
	19,106,709	402,531	704,983	76,559	-	-	-	-	-	-	-	-	(742,629)	19,548,153
Expenses:														
Salaries and benefits	5,752,703	-	-	-	-	-	-	-	-	-	-	-	(268,136)	5,484,567
Professional fees	844,612	17,750	41,106	12,400	-	-	-	-	-	-	-	-	(15,000)	900,868
Occupancy and office	788,230	-	178,245	6,683	-	-	-	-	-	-	-	-	-	973,158
Printing and marketing	75,262	-	-	-	-	-	-	-	-	-	-	-	-	75,262
Interest	5,157,819	383,966	-	5,527	-	-	-	-	-	-	-	-	(389,493)	5,157,819
Other operating expenses	347,788	6	5,352	-	-	-	-	-	-	-	-	-	-	353,146
Provision for losses on foreclosed assets	125,000	-	-	-	-	-	-	-	-	-	-	-	-	125,000
Pass through NSP property	1,811,216	-	-	-	-	-	-	-	-	-	-	-	-	1,811,216
Pass through Grants	3,616,044	-	500,000	-	-	-	-	-	-	-	-	-	(70,000)	4,046,044
Meetings and travel	299,959	-	47	-	-	-	-	-	-	-	-	-	-	300,006
Depreciation and amortization	257,650	-	27,818	5,354	-	-	-	-	-	-	-	-	-	290,822
Income taxes	-	7,300	-	-	-	-	-	-	-	-	-	-	-	7,300
	19,076,283	409,022	752,568	29,964	-	-	-	-	-	-	-	-	(742,629)	19,525,208
Increase in unrestricted net assets - operating	30,426	(6,491)	(47,585)	46,595	-	-	-	-	-	-	-	-	-	22,945
Unrestricted - Capital														
Support and revenue:														
Reclassification to temporary restricted net assets	(2,924,943)	-	-	-	-	-	-	-	-	-	-	-	-	(2,924,943)
Net assets released from restrictions - loan capital grants	2,022,057	-	-	-	-	-	-	-	-	-	-	-	-	2,022,057
Net assets released from restrictions - capital (provision for loan losses)	1,480,038	-	-	-	-	-	-	-	-	-	-	-	-	1,480,038
	577,152	-	-	-	-	-	-	-	-	-	-	-	-	577,152
Expenses:														
Provision for loan losses	1,480,038	-	-	-	-	-	-	-	-	-	-	-	-	1,480,038
Decrease in unrestricted net assets - capital	(902,886)	-	-	-	-	-	-	-	-	-	-	-	-	(902,886)
Increase (decrease) in unrestricted net assets	(872,460)	(6,491)	(47,585)	46,595	-	-	-	-	-	-	-	-	-	(879,941)

IFF and Subsidiaries

Consolidating Statement of Activities (Continued)
Year Ended December 31, 2013
(See Independent Auditor's Report)

	IFF*	IFF NMTC Senior Lender	Home First Illinois, LLC	IFF CILA Lease Program, LLC	IFF Pay for Success I, LLC	IFF Waukegan Market, LLC	IFF Rockford Market, LLC	Home First, LLC	Community Living Initiative, LLC	Access Peoria, LLC	Access Housing I MM, LLC	Access Housing I, LLC	Eliminations	Consolidated
Temporarily Restricted														
Program and operating grants	$ 11,457,882	$ -	$ 1,024,114	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 12,481,996
Loan capital grants	4,517,637	-	-	-	-	-	-	-	-	-	-	-	-	4,517,637
Reclassification to temporary restricteed net assets	2,924,943	-	-	-	-	-	-	-	-	-	-	-	-	2,924,943
Interest income	42,666	-	4	-	-	-	-	-	-	-	-	-	-	42,670
Net assets released from restrictions - loan capital grants	(2,022,057)	-	-	-	-	-	-	-	-	-	-	-	-	(2,022,057)
Net assets released from restrictions - operating	(1,424,286)	-	(143,096)	-	-	-	-	-	-	-	-	-	-	(1,567,382)
Net assets released from restrictions - NSP property	(1,811,216)	-	-	-	-	-	-	-	-	-	-	-	-	(1,811,216)
Net assets released from restrictions - Pass through Grants	(3,616,044)	-	(500,000)	-	-	-	-	-	-	-	-	-	-	(4,116,044)
Net assets released from restrictions - capital (provision for loan losses)	(1,480,038)	-	-	-	-	-	-	-	-	-	-	-	-	(1,480,038)
Increase in temporarily restricted net assets	8,589,487	-	381,022	-	-	-	-	-	-	-	-	-	-	8,970,509
Increase (decrease) in net assets	7,717,027	(6,491)	333,437	46,595	-	-	-	-	-	-	-	-	-	8,090,568
Net assets/retained earnings:														
Beginning of year	70,216,786	4,260	357,475	-	-	-	-	-	-	-	-	-	-	70,578,521
End of year	$ 77,933,813	$ (2,231)	$ 690,912	$ 46,595	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 78,669,089

* Includes IFF Real Estate Services, LLC and IFF Housing, LLC