

IFF and Subsidiaries

Consolidated Financial Report
December 31, 2019

Contents

Independent auditor's report	1-2
------------------------------	-----

Financial statements	
Consolidated statements of financial position	3
Consolidated statements of activities and changes in net assets	4-5
Consolidated statements of cash flows	6
Notes to consolidated financial statements	7-51

Supplementary information	
Consolidating statements of financial position	52-53
Consolidating statements of activities and changes in net assets	54-57

Independent Auditor's Report

RSM US LLP

Board of Directors
IFF and Subsidiaries

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, 2019 and 2018, the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, financial statements).

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of IFF and Subsidiaries as of December 31, 2019 and 2018, and the changes in their net assets and their 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 financial statements as a whole. The consolidating information as presented as supplementary information is presented for purposes of additional analysis rather than to present the financial position and changes in net assets of the individual subsidiaries and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

RSM US LLP

Chicago, Illinois
April 23, 2020

IFF and Subsidiaries

Consolidated Statements of Financial Position December 31, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	\$ 29,695,715	\$ 42,295,433
Other restricted cash and interest-bearing deposits in banks	6,910,382	7,749,968
Department of Education (DOE) restricted cash and interest-bearing deposits in banks	20,249,423	19,961,088
Total cash and cash equivalents including restricted cash	56,855,520	70,006,489
Grants receivable, other receivables, prepaids and deposits	13,925,599	9,162,519
Loans receivable, net	383,410,058	341,063,653
Accrued interest receivable	1,887,585	1,475,616
Properties owned by IFF and IFF's subsidiaries, net	32,134,772	37,218,376
Federal Home Loan Bank stock, at cost	630,000	315,000
Foreclosed assets, net	2,267,659	2,986,859
Furniture, equipment and leasehold improvements, net	1,212,474	1,037,874
Other assets	229,296	230,281
Capitalized finance costs, net	8,866	10,694
	\$ 492,561,829	\$ 463,507,361
Liabilities and Net Assets		
Liabilities:		
Accrued liabilities	\$ 4,480,370	\$ 4,759,274
Accrued interest payable	2,562,008	2,135,256
Deferred grant revenue	20,350,331	13,626,323
Investor Consortium collateral trust notes, net	161,255,022	140,991,942
Borrowings, net	159,038,378	151,837,255
Equity equivalent borrowings, net	17,085,000	24,827,603
Bond Guarantee Program borrowings, net	22,093,824	22,860,175
Loan participations payable	840,804	323,745
	387,705,737	361,361,573
Commitments and contingencies (Notes 5 and 13)		
Net assets:		
Without donor restrictions	56,040,620	52,366,807
With donor restrictions	48,815,472	49,778,981
	104,856,092	102,145,788
	\$ 492,561,829	\$ 463,507,361

See notes to consolidated financial statements.

IFF and Subsidiaries

Consolidated Statements of Activities and Changes in Net Assets Years Ended December 31, 2019 and 2018

	2019	2018
Net assets without donor restrictions - operating:		
Support and revenue:		
Corporations, foundations and individuals	\$ 225,750	\$ 219,625
Interest on loans	20,021,002	17,748,966
Consulting contract fees	2,655,966	2,619,569
Developer fees	448,565	1,011,629
Management and sponsor fees	1,653,455	1,497,276
Syndication fees	159,192	1,238,384
Loan fees	54,500	12,000
Other interest income	233,608	197,706
Rental income	2,078,166	1,956,660
Reimbursed professional fees	1,089,555	469,667
Realized gains on other assets	41	-
Unrealized gains on other assets	82	175
Forgiveness of debt	233,494	736,453
Net assets released from restrictions	3,157,182	4,435,948
Net assets released from restrictions - pass through grants	6,602,606	4,181,754
	<u>38,613,164</u>	<u>36,325,812</u>
Expenses:		
Salaries and benefits	11,309,805	10,940,563
Professional fees	2,942,727	2,540,095
Occupancy and office	2,381,934	2,199,467
Printing and marketing	165,634	116,751
Interest	10,547,049	10,242,412
Other operating	971,358	882,644
Pass through grants	6,602,606	4,181,754
Meetings and travel	973,566	892,166
Depreciation and amortization	1,482,540	1,386,520
Gain on sale of foreclosed assets	(198,317)	(177,989)
Loss on sale of properties, furniture and equipment	7,151	11,002
Income tax (benefit) expense	(3,920)	22,459
	<u>37,182,133</u>	<u>33,237,844</u>
Increase in net assets without donor restrictions - operating	<u>1,431,031</u>	<u>3,087,968</u>
Net assets without donor restrictions - capital:		
Support and revenue:		
Net assets released from restrictions - loan capital grants	2,242,782	6,094,505
Net assets released from restrictions - capital provision for loan losses	2,666,126	3,316,681
	<u>4,908,908</u>	<u>9,411,186</u>
Expenses:		
Provision for loan losses	2,666,126	3,316,681
	<u>2,666,126</u>	<u>3,316,681</u>
Increase in net assets without donor restrictions - capital	<u>2,242,782</u>	<u>6,094,505</u>
Increase in net assets without donor restrictions	<u>3,673,813</u>	<u>9,182,473</u>

(Continued)

IFF and Subsidiaries

Consolidated Statements of Activities and Changes in Net Assets (Continued) Years Ended December 31, 2019 and 2018

	2019	2018
Net assets with donor restrictions:		
Program and operating grants	\$ 10,923,723	\$ 11,380,639
Loan capital grants	2,492,782	4,006,905
Interest income	288,682	214,199
Net assets released from restrictions - operating	(3,157,182)	(4,435,948)
Net assets released from restrictions - pass through grants	(6,602,606)	(4,181,754)
Net assets released from restrictions - loan capital grants	(2,242,782)	(6,094,505)
Net assets released from restrictions - capital provision for loan losses	(2,666,126)	(3,316,681)
Decrease in net assets with donor restrictions	(963,509)	(2,427,145)
Increase in net assets	2,710,304	6,755,328
Net assets:		
Beginning of year	<u>102,145,788</u>	<u>95,390,460</u>
End of year	<u>\$ 104,856,092</u>	<u>\$ 102,145,788</u>

See notes to consolidated financial statements.

IFF and Subsidiaries

Consolidated Statements of Cash Flows Years Ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Increase in net assets	\$ 2,710,304	\$ 6,755,328
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	1,446,139	1,309,895
Amortization expense for capitalized finance costs	36,401	76,625
Gain on the sale of foreclosed assets	(198,317)	(177,989)
Provision for loan losses	2,666,126	3,316,681
Unrealized gain on other assets	(82)	(175)
Loss on sale of furniture, equipment and leasehold improvements	11,651	11,002
Forgiveness of debt	(233,494)	(736,453)
Changes in assets and liabilities:		
Deferred loan fees	842,817	438,243
Grants receivable, other receivables, prepaids and deposits	(4,763,080)	(511,420)
Accrued interest receivable	(411,969)	(76,056)
Other assets	1,067	(2,858)
Accrued liabilities	(232,087)	72,086
Accrued interest payable	426,752	212,158
Net cash provided by operating activities	2,302,228	10,687,067
Cash flows from investing activities:		
Purchase of Federal Home Loan Bank Stock	(315,000)	-
Loan disbursements	(102,156,025)	(89,263,377)
Loan principal payments received	56,147,377	62,693,668
Sale of foreclosed assets	1,024,000	375,000
Net purchases of equipment and leasehold improvements	(508,503)	(405,220)
Purchase of properties owned by IFF's subsidiaries	(513,405)	(3,739,728)
Sale of properties owned by IFF's subsidiaries	4,474,950	4,641,641
Net cash used in investing activities	(41,846,606)	(25,698,016)
Cash flows from financing activities:		
Proceeds from deferred revenue grants	8,966,790	-
Use of proceeds from deferred revenue grants	(2,242,782)	(529,120)
Proceeds from Investor Consortium collateral trust notes	43,430,058	27,031,693
Repayment of Investor Consortium collateral trust notes	(23,163,466)	(28,694,807)
Proceeds from borrowings, equity equivalent borrowings, bond guarantee borrowings and participations payable	43,179,314	43,968,403
Repayment of borrowings, equity equivalent borrowings, bond guarantee borrowings and participations payable	(43,708,963)	(26,873,277)
Finance costs paid	(67,542)	(42,793)
Net cash provided by financing activities	26,393,409	14,860,099
Decrease in total cash and cash equivalents including restricted cash	(13,150,969)	(150,850)
Total cash and cash equivalents including restricted cash		
Beginning of year	70,006,489	70,157,339
End of year	\$ 56,855,520	\$ 70,006,489
Supplemental disclosure of cash flow information:		
Interest paid on borrowings	\$ 10,120,297	\$ 10,030,254
Supplemental schedule of noncash investing activities:		
Real estate acquired in settlement of loans	\$ 153,300	\$ 719,200

See notes to consolidated financial statements.

IFF and Subsidiaries

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 institution (CDFI) serving nonprofit corporations in Illinois, Indiana, Iowa, Kansas, Kentucky, 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 Columbus (Ohio), Detroit (Michigan), Indianapolis (Indiana), Kansas City (Missouri), Milwaukee (Wisconsin) and St. Louis (Missouri).

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

IFF Real Estate Services, LLC
IFF Housing, LLC (dissolved in 2019)
IFF Development, LLC (created in 2018)
2819 Highland, LLC (created in 2018)
3423 Michigan Ave., LLC (dissolved in 2019)
4731 Delmar LLC (dissolved in 2019)
5326 Hillside, LLC
IFF NMTC Senior Lender, LLC (dissolved in 2018)
Home First Illinois, LLC
IFF CILA Lease Program, LLC
IFF Pay for Success I, LLC
IFF Pay for Success II, LLC
IFF Waukegan Market LLC
IFF Rockford Market LLC
IFF Von Humboldt, LLC (dissolved in 2019)
IFF Quality Seats – Broadway, LLC
IFF Hatchery, LLC
Home First, LLC
Community Living Initiative, LLC
Access Peoria, LLC
Access Housing I MM, LLC
Access West Cook I MM, LLC
Chatham 79th Street, LLC (dissolved in 2019)
Access Southwest Chicago I, LLC (dissolved in 2019)
Access Southwest Chicago I MM, LLC (dissolved in 2019)
Detroit Learning Lab Northwest, LLC (created in 2018)
Neal School Development, LLC (created in 2019)

IFF is the sole corporate member of the subsidiaries. "IFF" as used herein refers to IFF individually and collectively with its subsidiaries, as the context may require.

IFF and Subsidiaries

Notes to Consolidated Financial Statements

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

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

New Markets Tax Credit LLCs:

IFF Capital III LLC
IFF Capital IV LLC (dissolved in 2019)
IFF Capital V LLC
IFF Capital VI LLC
IFF Capital VII LLC
IFF Capital VIII LLC
IFF Capital IX LLC
IFF Capital X LLC
IFF Capital XI LLC
IFF Capital XII LLC
IFF Capital XIII LLC
IFF Capital XIV LLC
IFF Capital XV LLC
IFF Capital XVI LLC
IFF Capital XVII LLC
IFF Capital XVIII LLC
IFF Capital 19 LLC (active in 2018)
IFF Capital 20 LLC
IFF Capital 21 LLC
IFF Capital 22 LLC
IFF Capital 23 LLC
IFF Capital 24 LLC
IFF Capital 25 LLC
IFF Capital 26 LLC (active in 2018)
IFF Capital 27 LLC (active in 2018)
IFF Capital 28 LLC (active in 2018)
IFF Capital 29 LLC (active in 2018)
Chase NMTC Erie Elementary Investment Fund LLC
Access Housing I, LLC
Access West Cook I, LLC (active in 2018)

The accounts and activities of these limited liability companies above are not included in these consolidated financial statements, see Note 20.

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.

IFF and Subsidiaries

Notes to Consolidated Financial Statements

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

For financial reporting purposes, IFF classifies its activities as net assets without donor restrictions, or net assets with donor restrictions based on the existence or absence of donor-imposed restrictions, as follows:

Without donor restrictions: Net assets that are not subject to donor-imposed restrictions are reported as net assets without donor restrictions. Items that affect (increase or decrease) this net asset category include revenue and expenses associated with the core activities of IFF. The consolidated statements of activities presents net assets without donor restrictions' support and revenue and expenses as operating activities.

With donor restrictions: IFF reports gifts of cash, grants and other assets as net assets with donor restrictions if they are received with donor stipulations limiting the use of the donated assets. When a restriction is satisfied, net assets with donor restrictions are transferred to net assets without donor restrictions and are reported in the consolidated statement of activities as increases to net assets released from restrictions.

IFF classifies net assets with donor restrictions into four subcategories:

Department of Education Grant for Credit Enhancement – net assets include grant funds received from the Department of Education restricted for the credit enhancement program activities.

Loan issuance – net assets include capital grants whose purpose is to fund the issuance of loans and to help restore IFF for losses attributable to loans.

Grants for Specific Programs - net assets include amounts restricted for program activities or grant funds with donor-imposed time restrictions.

Perpetual in nature - net assets include grant funds that are to be held in perpetuity. IFF does not have any perpetual in nature net assets with donor restrictions.

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 activities and 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.

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.

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

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. Management believes that IFF is not exposed to significant credit risk on these balances in excess of federally insured limits.

Department of Education (DOE) 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 net assets with donor restrictions. Restricted interest-bearing deposits in banks mature within one year and are generally recorded at cost. Management believes that IFF is not exposed to significant credit risk on these balances in excess of federally insured limits.

Grants receivable, other receivables, prepaids and deposits: Grants receivable are recorded in connection with amounts which are not conditional and are 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. Prepaids are expenditures paid for in one accounting period, but for which the underlying assets will not be consumed until a future period. IFF's prepaids consist of rent, insurance premiums, postage, maintenance contracts, lease commissions, subscriptions, consultants and taxes. Deposits are security deposits IFF has made to landlords for the various office spaces IFF rents per the lease agreements.

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, and any unamortized deferred fees or costs on originated loans. Loan origination fees, net of certain direct origination costs, are deferred and amortized as a level yield adjustment over the respective term of the loan. Interest on loans is accrued over the term of the loan based on the amount of principal outstanding. 32% and 29% of the loans receivable balance at December 31, 2019 and 2018, respectively, consisted of borrowers making monthly interest-only payments.

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 of interest 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, the borrower has made at least six consecutive payments in accordance with terms of its agreement 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.

Allowance for loan losses: The allowance for loan losses is established as losses are estimated to occur 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.

IFF and Subsidiaries

Notes to Consolidated Financial Statements

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

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 specifically identified and 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 borrower's inability to adhere to the terms of the loan agreement. In these instances, IFF grants concessions to the borrower which may include rate reductions, principal forgiveness, extension of maturity date, temporary adjustments for interest-only payments, capitalization of interest and/or 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.

Properties under development or owned by IFF subsidiaries: Aggregate property acquisitions and improvement costs in connection with IFF and IFF's subsidiaries of Home First Illinois, LLC, IFF CILA Lease Program, LLC, IFF Waukegan Market, LLC, IFF Rockford Market, LLC, IFF Von Humboldt, LLC, IFF Quality Seats – Broadway, LLC, IFF Hatchery, LLC, Community Living Initiative, LLC, Access Peoria, LLC, Access West Cook I MM, LLC, Chatham 79th Street, LLC and Neal School Development, LLC are capitalized on the consolidated statements of financial position as an asset. Depreciation is computed using the straight-line method over the estimated useful lives of the properties, when placed in service.

IFF and Subsidiaries

Notes to Consolidated Financial Statements

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

Federal Home Loan Bank Stock: IFF, as a member of the Federal Home Loan Bank of Chicago (FHLBC), is required to maintain an investment in capital stock of the FHLBC. FHLBC stock does not have a readily determinable fair value as ownership is restricted and there is no ready market for sales of this stock. As a result, this stock is 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 FHLBC stock. No impairment was noted as of December 31, 2019 and 2018.

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 operating expenses on the consolidated statements of activities.

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 five year estimated useful lives of the assets 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.

Capitalized finance costs: Capitalized finance costs consist of legal fees and related costs from IFF leases which are amortized using the straight-line method over 5 to 15 years, depending on the term of the related lease. Costs are reported net of accumulated amortization of \$7,584 and \$12,625 at December 31, 2019 and 2018, respectively.

Grant revenue: Government grant revenue is recognized in the period in which services are provided and qualifying expenses are incurred in accordance with Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contribution Made*. ASU 2018-08 clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., contribution) and for distinguishing between conditional and unconditional contributions. The ASU became effective in 2019 and, as a result, timing for recognition of certain grant revenue has changed (Note 6 and 9). Amounts received but not yet expensed in accordance with terms of the government grants or other grant agreements, including the unspent portion of conditional grant funds of \$8,525,000 received in 2019 from the U.S. Department of Treasury – CDFI Funds, are reported as deferred revenue in the statement of financial position.

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

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 grant revenue in net assets with donor restrictions 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 statement of activities in pass through grants.

Support and revenue: Contributions from corporations, foundations and individuals are recorded as increases to net assets with donor restrictions or net assets without donor restriction, depending on the existence or absence of donor restrictions, in the period received. Contributions restricted for use in the loan program are classified as net assets with donor restrictions – loan issuance. When a restriction expires, net assets with donor restrictions are reported as net assets released from restrictions, and reclassified as increases to net assets without donor restrictions. In accordance with ASU 2018-08, conditional contributions are not recognized until the conditions on which they depend are substantially met.

Other sources of revenue: IFF also has the following sources of revenue.

Consulting contract fees and developers fees: IFF provides real estate and research consulting services to other nonprofit organizations. The contracts include multiple promises which management reviews the contracts to determine where they represent multiple performance obligations. This review consists of determining where promises or groups of promises are capable of being distinct and distinct within the context of the contract. Most of IFF's contracts are considered to have a single performance obligation because IFF provides a significant service of integrating a set of tasks and components into a single contract. Revenue is recognized as a series over time as either customer is simultaneously consuming and receiving benefit, enhancing an asset the customer controls or there is no alternative use and IFF has an enforceable right to payment. These fees are recognized either when agree-upon milestones per the contract are achieved or monthly on an expense reimbursement basis not to exceed the contract amount.

Management and sponsor fees and syndication fees: IFF provides normal and routine management functions and coordinates the day-to-day business for various entities. IFF determines that the promise in these contracts is the overall management service and that the service performed each day is distinct and substantially the same. Although the individual activities that comprise the performance obligation vary throughout the day and from day to day, the nature of the overall promise to provide management service is the same from day to day. Therefore, revenue is recognized as a series of daily services that are individually satisfied over time because IFF provides benefits that are simultaneously received and consumed and uses a time-based measure of progress to recognize revenue as the performance obligation is satisfied.

Rental income: IFF also receives rental income on the properties it has developed and owns.

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 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.

IFF and Subsidiaries

Notes to Consolidated Financial Statements

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

Advertising: IFF expenses advertising costs as they are incurred. Advertising expenses, included in printing and marketing, were \$61,043 and \$61,740 for 2019 and 2018, 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 for the reporting periods presented herein.

Access Housing I MM, LLC and Access West Cook I MM, LLC are taxed as a C-corporations and each files forms 1120 in the U.S. federal jurisdiction and the state of Illinois.

Home First Illinois, LLC, IFF CILA Lease Program, LLC, IFF Pay for Success I, LLC, IFF Pay for Success II, LLC, IFF Waukegan Market, LLC, IFF Rockford Market, LLC, IFF Von Humboldt, LLC, IFF Quality Seats – Broadway, LLC, IFF Hatchery, LLC, Home First, LLC, Community Living Initiative, LLC, Access Peoria, LLC, Chatham 79th Street, LLC, Neal School Development, LLC, Access Southwest Chicago I, LLC, Access Southwest Chicago I MM, LLC, Detroit Learning Lab Northwest, LLC, IFF Housing, LLC, IFF Real Estate Services, LLC, IFF Development, LLC, 2819 Highland, LLC, 3423 Michigan Ave., LLC, 4731 Delmar LLC and 5326 Hillside, LLC are disregarded as separate entities for income tax purposes and are, therefore, included within IFF's Internal Revenue Service (IRS) Form 990. IFF files IRS Form 990 in the U.S. federal jurisdiction and Form AG990-IL for the state of Illinois.

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.

Recent accounting pronouncements: In May 2014, the 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 replaced the most existing revenue recognition guidance in U.S. GAAP when it became effective and permitted the use of either a full retrospective or retrospective with cumulative effect transition method. IFF adopted the guidance effective January 1, 2019 using the modified retrospective approach applied to all contracts as of the date of initial application. Under the modified retrospective approach, IFF did not recognize a cumulative effect adjustment to the opening balance of net assets at the date of initial application. This standard did not have material impact on its consolidated financial statements.

In January 2016, the FASB issued ASC 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which updates certain aspects of recognition, measurement, presentation and disclosures of financial instruments. In 2015, the Company elected to early adopt the amendment that no longer requires disclosure of the fair value of financial instruments that are not measured at fair value and as such, these disclosures are not included herein. IFF adopted the remainder of the guidance effective January 1, 2019 and such adoption did not have material impact on its consolidated financial statements.

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

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This ASU requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases. The guidance requires that a lessee recognize in the statement of financial position a liability to make lease payments and the right-of-use asset representing its right to use the underlying asset for the lease term. The liability will be equal to the present value of lease payments. The asset will be based on the liability, subject to adjustment such as initial direct cost. For statement of activity purposes, the guidance still requires leases to be classified as either operating or finance. With the subsequent issuance of ASU 2019-10, *Financial Instruments – Credit Losses (Topic 326), Derivatives and Hedging (Topic 815) and Leases (Topic 842) Effective Dates*, in November 2019, ASU 2016-02 is effective for fiscal years beginning after December 15, 2020. Early adoption is permitted. IFF does not intend to early adopt. IFF is currently evaluating the impact on the adoption of this guidance on its consolidated financial statements.

In November 2016, the FASB issued ASC 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*, which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. IFF adopted the guidance effective January 1, 2019 and such adoption did not have material impact on its consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of activities as the amounts expected to be collected change. With the subsequent issuance of ASU 2019-10, *Financial Instruments – Credit Losses (Topic 326), Derivatives and Hedging (Topic 815) and Leases (Topic 842) Effective Dates*, in November 2019, ASU 2016-13 is effective for fiscal years beginning after December 15, 2022. ASU 2016-13 is effective for IFF's year ending December 31, 2023. Early adoption is permitted for fiscal years beginning after December 15, 2018. IFF does not intend to early adopt. IFF is currently evaluating the impact of adopting this new guidance on its consolidated financial statements.

In July 2018, the FASB issued ASU 2018-09, *Codification Improvements*, which makes changes to clarify the Codification, corrects unintended application of guidance, and makes minor improvements to the Codification that are not expected to have a significant effect on current accounting practice. The transition and effective date guidance in ASU 2018-09 is based on the facts and circumstances of each amendment.

IFF and Subsidiaries

Notes to 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 serves 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, LLC is the borrowing entity that receives funds from the investors and lends these funds to the City of Chicago under a loan and contract agreement. IFF Pay for Success I, LLC also manages 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 and for the years ended December 31, 2019 and 2018, the three investors have lent \$16,349,484, of the \$17,000,000 committed to the program. Loan repayments consisted of \$882,218 and \$857,114 for the years ended December 31, 2019 and 2018, respectively. These amounts are included in borrowings on the consolidated statements of financial condition. These investors have no recourse to IFF Pay for Success I, LLC except for only the “success payments” that are paid by the city.

IFF Pay for Success II, LLC: This subsidiary serves as the program administrator for a Social Impact Bonds (SIBs) program with the Spectrum Health Hospitals and the State of Michigan Department of Health and Human Services to fund the Spectrum Health Strong Beginnings project which is to improve and promote the health and well-being of low income, high-risk mothers and their children, improving parental skills, and overall engagement, thereby reducing the incidences of preterm birth, infant mortality, special education usage and improving the productivity and lifetime earning potential of parents and children. Social Impact Bonds allow government entities to write contracts that only pay out if specified target outcomes are achieved. Under this SIB model, investors and grantors provide the upfront capital necessary to operate a preventative intervention, in this case incidences of preterm births, infant mortality and special education usage. The government then repays investors and Spectrum Health Hospitals 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 health care and special education services. IFF serves as program administrator for the Social Impact Bond with a primary responsibility to oversee the flow of funds from investors and Spectrum Health Hospitals, and coordinate repayment. IFF Pay for Success II, LLC is the borrowing entity that receives funds from the investors and gives these funds to Spectrum Health Hospitals under pay for success agreement. As of December 31, 2019, a \$1,500,000 financing vehicle has been established. There have been no draws on this financing as of December 31, 2019. This investor has no recourse to IFF Pay for Success II, LLC except for only the “success payments” that are paid by the state. There was no financing vehicle available for the year ended December 31, 2018. IFF Pay for Success II, LLC also manages the contracts for a third-party firm that will evaluate the success of the program.

Subsequent events: IFF has evaluated subsequent events for potential recognition and/or disclosure through April 23, 2020, the date these consolidated financial statements were available for issuance.

The World Health Organization declared the coronavirus (COVID-19) to be a public health emergency on January 30, 2020. The spread of COVID-19 is altering the behavior of businesses and people in a manner that is having negative effects on local, regional and global economies. The extent to which COVID-19 impacts IFF in the future will depend on future development, which are highly uncertain and cannot be predicted with confidence, including the duration of the outbreak, new information that may emerge concerning the severity of COVID-19, the actions taken to contain COVID-19 or treat its impact and the impact of each of these items on the economy and financial markets in the United States. In particular, the continued spread of COVID-19 could adversely impact IFF's financial condition and results of activities.

IFF and Subsidiaries

Notes to Consolidated Financial Statements

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, 2019 and 2018:

	2019	2018
Investor Consortium reserves	\$ 3,662,891	\$ 3,120,186
Energy efficient loan loss reserve	16,910	19,882
Bond risk share reserve and collateralization reserve	1,552,244	2,995,879
Home First Illinois, LLC property reserves	1,124,504	1,052,961
Access Peoria, LLC property reserves	506,728	514,671
Community Living Initiative, LLC property reserves	47,105	46,389
Total	\$ 6,910,382	\$ 7,749,968

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. Bond risk share reserve and collateralization reserve relates to the Bond Guarantee Program, which requires overcollateralization in a shared pool and cash collateral when loans' pledges are less than the outstanding borrowings. 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). Access Peoria, LLC property reserves relates to the various reserve accounts maintained for the Access Peoria program with the IHDA. Community Living Initiative, LLC property reserves relates to the various reserve accounts maintained for the Community Living Initiative program with the IHDA. Restricted interest-bearing deposits are held in money market accounts and are carried at cost.

Note 3. Department of Education (DOE) 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 and a \$2,000,000 grant in 2018. 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 2019 and 2018 were \$166 and \$203, 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 \$288,501 and \$176,710 in 2019 and 2018, respectively. The grant funds including interest thereon, as well as pledged amounts, are included in net assets with donor restrictions.

IFF and Subsidiaries

Notes to Consolidated Financial Statements

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

Funds pledged by IFF for credit enhancement are associated with specific financing arrangements and are available to cure charter school payment defaults and delinquencies (if any), reducing the credit risk to the investor of any individual project. Unpledged funds have not yet been assigned to specific financing agreements and are available to be used to credit enhance future qualifying credits. Pledged and unpledged amounts under the grants, the cash for which is maintained in separate accounts, were as follows at December 31, 2019 and 2018:

	2019	2018
Pledged - \$8 million DOE grant	\$ 6,446,599	\$ 6,303,442
Pledged - \$10 million DOE grant	6,516,455	6,927,141
Pledged - \$2 million DOE grant	1,341,008	1,207,128
Total pledged	14,304,062	14,437,711
Unpledged - \$8 million DOE grant	2,032,692	2,056,620
Unpledged - \$10 million DOE grant	3,209,286	2,663,249
Unpledged - \$2 million DOE grant	703,383	803,508
Total unpledged	5,945,361	5,523,377
Total	\$ 20,249,423	\$ 19,961,088

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, 2019, there have not been any payment defaults or delinquencies requiring utilization of the pledged funds.

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

The total grants receivable, other receivables, prepaids and deposits at December 31, 2019 and 2018, consisted of the following:

	2019	2018
Grants receivable	\$ 5,240,119	\$ 1,904,168
Contract and other receivables	7,772,993	6,325,654
Prepaids and deposits	912,487	932,697
	\$ 13,925,599	\$ 9,162,519

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

	2019	2018
Amounts receivable and deposits / realizable in less than one year	\$ 7,288,453	\$ 4,621,620
Amounts receivable and deposits / realizable in one to five years	3,024,680	898,551
Amounts receivable and deposits / realizable in over five years	3,218,712	3,228,384
	13,531,845	8,748,555
Prepaids	393,754	413,964
	\$ 13,925,599	\$ 9,162,519

IFF and Subsidiaries

Notes to Consolidated Financial Statements

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

A foundation grant which provides funding to support construction of a new elementary building for a Lake County, Illinois school district is conditional upon qualifying expenses being incurred. Conditional amounts expected to be received but not yet recognized as grant revenue total approximately \$38,000,000 at December 31, 2019.

Note 5. Loans Receivable

Loans receivable at December 31, 2019 and 2018, were comprised of the following:

	2019	2018
Facility	\$ 253,173,135	\$ 227,505,173
Affordable housing	85,248,106	71,771,894
Equipment and vehicle	3,299,451	3,502,848
Pre-development	7,272,807	7,161,488
Other	47,006,788	42,169,425
	<u>396,000,287</u>	<u>352,110,828</u>
Allowance for loan losses	(11,747,413)	(10,608,932)
Deferred loan fees, net	(842,816)	(438,243)
	<u><u>\$ 383,410,058</u></u>	<u><u>\$ 341,063,653</u></u>

Loans that management has the intent to hold for the foreseeable future or until maturity or pay-off generally are reported at their outstanding unpaid principal balances adjusted for the allowance for loan losses and any unamortized deferred fees or costs on originated loans. For the years ended December 31, 2019 and 2018, loan origination fees totaled \$970,722 and \$851,769, respectively, while the estimated cost to originate the loans was \$408,776 and \$360,294, respectively. IFF accreted \$157,373 and \$53,232, respectively, as a level yield adjustment for the years ended December 31, 2019 and 2018. The yield adjustment is recorded in the consolidated statements of activities in interest on loans.

All loans are underwritten after evaluating 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 and though collateral is obtained to secure the loans, 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. At December 31, 2019, approximately 73% of outstanding facility loans are collateralized with mortgages in a first position lien and 10% are collateralized by mortgages with second position liens and 1% are not secured. The remaining 16% are collateralized by leasehold mortgages, UCCs and other liens. At December 31, 2018, approximately 72% of outstanding facility loans are collateralized with mortgages in a first position lien and 11% are collateralized by mortgages with second position liens and 1% are not secured. The remaining 16% are collateralized by leasehold mortgages, UCCs and other liens.

Note 5. Loans Receivable (Continued)

Affordable housing loan credit is extended for the acquisition, construction, renovation/rehabilitation for single family or multi-family homes. At December 31, 2019, approximately 89% of outstanding affordable housing loans are collateralized with mortgages in a first position lien and 9% are collateralized by mortgages with second position liens. The remaining 2% are collateralized by other liens. At December 31, 2018, approximately 86% of outstanding affordable housing loans are collateralized with mortgages in a first position lien and 11% are collateralized by mortgages with second position liens, and 1% are not secured. The remaining 2% are collateralized by other liens.

Equipment and vehicle loan credit is available for service owned vehicles, computers, furnishings and medical equipment. 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. At December 31, 2019, approximately 58% of outstanding equipment and vehicle loans are collateralized with a UCC or vehicle title, 22% are collateralized with mortgages in a first position lien and 17% are collateralized by mortgages with second position liens. The remaining 3% are collateralized by leasehold mortgage or not secured. At December 31, 2018, approximately 69% of outstanding equipment and vehicle loans are collateralized with a UCC or vehicle title, 5% are collateralized with mortgages in a first position lien and 21% are collateralized by mortgages with second position liens. The remaining 5% 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. At December 31, 2019, approximately 29% of outstanding pre-development loans are collateralized with mortgages in a first position lien and 9% are collateralized by other liens. The remaining 62% are unsecured. At December 31, 2018, approximately 25% of outstanding pre-development loans are collateralized with mortgages in a first position lien and 10% are collateralized by other liens. The remaining 65% are unsecured.

Other loans receivable consists of working capital loans, leverage loans for New Markets Tax Credit transactions and other short-term loans secured by mortgages and vehicles 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. At December 31, 2019, approximately 88% of outstanding other loans are collateralized by other liens, 7% are collateralized by mortgages in a first position lien and the remaining 5% are collateralized by mortgages in second position lien, leasehold mortgages, UCCs or unsecured. At December 31, 2018, approximately 85% of outstanding other loans are collateralized by other liens, 9% are collateralized by mortgages in a first position lien and the remaining 6% are collateralized by mortgages in second position lien, leasehold mortgages, UCCs or unsecured.

IFF and Subsidiaries

Notes to Consolidated Financial Statements

Note 5. Loans Receivable (Continued)

The following tables present the contractual aging of the recorded investment in past due loans by loan segment as of December 31, 2019 and 2018:

	Current	31 - 60 Days Past Due	61 - 90 Days Past Due	90+ Days Past Due	Total	Nonaccruing Loans
December 31, 2019:						
Facility	\$ 250,582,457	\$ 396,902	\$ -	\$ 2,193,776	\$ 253,173,135	\$ 8,486,847
Affordable housing	85,248,106	-	-	-	85,248,106	296,569
Equipment and vehicle	3,239,232	-	-	60,219	3,299,451	236,482
Pre-development	7,016,909	-	-	255,898	7,272,807	186,961
Other	47,006,788	-	-	-	47,006,788	-
	<u>\$ 393,093,492</u>	<u>\$ 396,902</u>	<u>\$ -</u>	<u>\$ 2,509,893</u>	<u>\$ 396,000,287</u>	<u>\$ 9,206,859</u>
Nonaccruing loans	\$ 6,952,864	\$ -	\$ -	\$ 2,253,995	\$ 9,206,859	
December 31, 2018:						
Facility	\$ 224,748,267	\$ 14,088	\$ -	\$ 2,742,818	\$ 227,505,173	\$ 7,725,008
Affordable housing	71,771,894	-	-	-	71,771,894	246,896
Equipment and vehicle	3,199,311	185,995	-	117,542	3,502,848	245,587
Pre-development	7,161,488	-	-	-	7,161,488	210,961
Other	41,981,058	-	-	188,367	42,169,425	188,367
	<u>\$ 348,862,018</u>	<u>\$ 200,083</u>	<u>\$ -</u>	<u>\$ 3,048,727</u>	<u>\$ 352,110,828</u>	<u>\$ 8,616,819</u>
Nonaccruing loans	\$ 5,554,004	\$ 14,088	\$ -	\$ 3,048,727	\$ 8,616,819	

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", "Problem Asset" and "Doubtful".

Watch List loans include those characterized by the distinct possibility that IFF will sustain some loss if the deficiencies are not corrected. These loans are in default due to non-payment or other events such as one or more changes in borrower's financial performance, management or programs for which if uncorrected can put the borrower at financial risk. Further, Watch List loans can include a loan past due 30 days or has a history of late payment. Loans classified as Problem Asset have all the weaknesses inherent in those classified as Watch List with the added characteristic that the weaknesses present make collection or liquidation in full, based on currently existing facts, conditions and values, highly questionable and improbable. Loans classified as Doubtful have all the weaknesses inherent in those classified as Problem Asset with added characteristic that loans are 90 days past due or have a history of late payments, full payoff is doubtful and the borrower is not responsive or does not follow an acceptable workout plan which can include the sale of the collateral, deed in lieu or a forbearance agreement.

IFF and Subsidiaries

Notes to Consolidated Financial Statements

Note 5. Loans Receivable (Continued)

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, 2019 and 2018:

	General Portfolio	Watch List	Problem Asset	Doubtful	Total
December 31, 2019:					
Facility	\$ 235,169,508	\$ 3,562,353	\$ 2,533,418	\$ 11,907,856	\$ 253,173,135
Affordable housing	82,746,606	2,204,931	-	296,569	85,248,106
Equipment and vehicle	2,747,741	315,227	-	236,483	3,299,451
Pre-development	5,254,563	993,855	837,428	186,961	7,272,807
Other	46,866,757	-	40,000	100,031	47,006,788
	<u>\$ 372,785,175</u>	<u>\$ 7,076,366</u>	<u>\$ 3,410,846</u>	<u>\$ 12,727,900</u>	<u>\$ 396,000,287</u>
Current	\$ 371,174,972	\$ 7,076,365	\$ 3,410,846	\$ 11,431,309	\$ 393,093,492
Past Due 31-60 Days	396,902	-	-	-	396,902
Past Due 61-90 Days	-	-	-	-	-
Past Due 90 + Days	1,213,302	-	-	1,296,591	2,509,893
	<u>\$ 372,785,176</u>	<u>\$ 7,076,365</u>	<u>\$ 3,410,846</u>	<u>\$ 12,727,900</u>	<u>\$ 396,000,287</u>
	General Portfolio	Watch List	Problem Asset	Doubtful	Total
December 31, 2018:					
Facility	\$ 212,782,054	\$ 1,943,643	\$ 4,179,047	\$ 8,600,429	\$ 227,505,173
Affordable housing	70,245,411	1,224,416	-	302,067	71,771,894
Equipment and vehicle	2,881,791	375,470	-	245,587	3,502,848
Pre-development	6,950,527	-	-	210,961	7,161,488
Other	41,941,058	40,000	-	188,367	42,169,425
	<u>\$ 334,800,841</u>	<u>\$ 3,583,529</u>	<u>\$ 4,179,047</u>	<u>\$ 9,547,411</u>	<u>\$ 352,110,828</u>
Current	\$ 334,715,841	\$ 3,482,534	\$ 4,179,047	\$ 6,484,596	\$ 348,862,018
Past Due 31-60 Days	85,000	100,995	-	14,088	200,083
Past Due 61-90 Days	-	-	-	-	-
Past Due 90 + Days	-	-	-	3,048,727	3,048,727
	<u>\$ 334,800,841</u>	<u>\$ 3,583,529</u>	<u>\$ 4,179,047</u>	<u>\$ 9,547,411</u>	<u>\$ 352,110,828</u>

IFF and Subsidiaries

Notes to Consolidated Financial Statements

Note 5. Loans Receivable (Continued)

Activity in the allowance for loan losses for the years ended December 31, 2019 and 2018, was as follows:

	Facility	Affordable Housing	Equipment and Vehicle	Pre-Development	Other	Total
December 31, 2019:						
Beginning balance	\$ 9,110,872	\$ 345,088	\$ 271,703	\$ 467,536	\$ 413,733	\$ 10,608,932
Provision for loan losses	1,612,613	854,764	76,188	2,930	119,631	2,666,126
Charge-offs	(1,485,650)	-	-	-	(85,067)	(1,570,717)
Recoveries	43,072	-	-	-	-	43,072
Ending balance	\$ 9,280,907	\$ 1,199,852	\$ 347,891	\$ 470,466	\$ 448,297	\$ 11,747,413
Allowance for loan losses:						
Allocated	\$ 3,052,729	\$ 97,747	\$ 206,373	\$ 186,961	\$ -	\$ 3,543,810
General	6,228,178	1,102,105	141,518	283,505	448,297	8,203,603
	\$ 9,280,907	\$ 1,199,852	\$ 347,891	\$ 470,466	\$ 448,297	\$ 11,747,413
Loans:						
Impaired loans	\$ 11,907,856	\$ 296,569	\$ 236,483	\$ 186,961	\$ 100,031	\$ 12,727,900
Non-impaired loans	241,265,279	84,951,537	3,062,968	7,085,846	46,906,757	383,272,387
	\$ 253,173,135	\$ 85,248,106	\$ 3,299,451	\$ 7,272,807	\$ 47,006,788	\$ 396,000,287
December 31, 2018:						
Beginning balance	\$ 8,264,548	\$ 471,571	\$ 155,879	\$ 916,718	\$ 44,296	\$ 9,853,012
Provision for loan losses	3,405,085	(126,483)	115,824	(447,182)	369,437	3,316,681
Charge-offs	(2,624,206)	-	-	(2,000)	-	(2,626,206)
Recoveries	65,445	-	-	-	-	65,445
Ending balance	\$ 9,110,872	\$ 345,088	\$ 271,703	\$ 467,536	\$ 413,733	\$ 10,608,932
Allowance for loan losses:						
Allocated	\$ 4,431,000	\$ 109,915	\$ 191,919	\$ 210,961	\$ 188,367	\$ 5,132,162
General	4,679,872	235,173	79,784	256,575	225,366	5,476,770
	\$ 9,110,872	\$ 345,088	\$ 271,703	\$ 467,536	\$ 413,733	\$ 10,608,932
Loans:						
Impaired loans	\$ 8,600,429	\$ 302,067	\$ 245,587	\$ 210,961	\$ 188,367	\$ 9,547,411
Non-impaired loans	218,904,744	71,469,827	3,257,261	6,950,527	41,981,058	342,563,417
	\$ 227,505,173	\$ 71,771,894	\$ 3,502,848	\$ 7,161,488	\$ 42,169,425	\$ 352,110,828

IFF and Subsidiaries

Notes to Consolidated Financial Statements

Note 5. Loans Receivable (Continued)

Impaired loan information as of December 31, 2019 and 2018, is as follows:

	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated	Average Recorded Investment	Interest Income Recognized	Cash Basis Interest Income Recognized
December 31, 2019:						
With no related allowance recorded:						
Facility	\$ 7,766,533	\$ 7,766,533	\$ -	\$ 4,895,412	\$ 465,023	\$ 444,383
Affordable housing	198,823	198,823	-	167,816	63,127	63,127
Equipment and vehicle	-	-	-	-	6,735	6,735
Pre-development	-	-	-	-	-	-
Other	100,031	100,031	-	8,336	5,823	5,323
	<u>8,065,387</u>	<u>8,065,387</u>	<u>-</u>	<u>5,071,564</u>	<u>540,708</u>	<u>519,568</u>
With an allowance recorded:						
Facility	4,141,322	4,141,322	3,052,729	4,958,666	16,419	16,419
Affordable housing	97,747	97,747	97,747	103,324	-	-
Equipment and vehicle	236,483	236,483	206,373	283,614	10,189	10,189
Pre-development	186,961	186,961	186,961	198,390	-	-
Other	-	-	-	-	-	-
	<u>4,662,513</u>	<u>4,662,513</u>	<u>3,543,810</u>	<u>5,543,994</u>	<u>26,608</u>	<u>26,608</u>
	<u>\$ 12,727,900</u>	<u>\$ 12,727,900</u>	<u>\$ 3,543,810</u>	<u>\$ 10,615,558</u>	<u>\$ 567,316</u>	<u>\$ 546,176</u>
December 31, 2018:						
With no related allowance recorded:						
Facility	\$ 3,029,232	\$ 3,029,232	\$ -	\$ 1,717,907	\$ 267,052	\$ 261,597
Affordable housing	192,152	192,152	-	216,647	3,372	3,142
Equipment and vehicle	-	-	-	196,689	27,220	27,220
Pre-development	-	-	-	7,500	1,342	1,342
Other	-	-	-	-	-	-
	<u>3,221,384</u>	<u>3,221,384</u>	<u>-</u>	<u>2,138,743</u>	<u>298,986</u>	<u>293,301</u>
With an allowance recorded:						
Facility	5,571,197	5,571,197	4,431,000	5,080,911	141,921	141,921
Affordable housing	109,915	109,915	109,915	115,492	-	-
Equipment and vehicle	245,587	245,587	191,919	197,668	4,580	4,580
Pre-development	210,961	210,961	210,961	221,461	-	-
Other	188,367	188,367	188,367	62,789	6,375	6,375
	<u>6,326,027</u>	<u>6,326,027</u>	<u>5,132,162</u>	<u>5,678,321</u>	<u>152,876</u>	<u>152,876</u>
	<u>\$ 9,547,411</u>	<u>\$ 9,547,411</u>	<u>\$ 5,132,162</u>	<u>\$ 7,817,064</u>	<u>\$ 451,862</u>	<u>\$ 446,177</u>

IFF and Subsidiaries

Notes to Consolidated Financial Statements

Note 5. Loans Receivable (Continued)

Seven loans and four loans were modified during the years ended December 31, 2019 and 2018, respectively, which were identified as troubled debt restructurings. These modifications resulted in one or a combination of the following: temporary adjustments for interest-only payments, release of collateral and partial deferral of interest. The pre and post modification balance of the loans modified in 2019 were \$3,133,665 and \$3,164,932, respectively. The pre and post modification balance of the loans modified in 2018 were \$1,415,333 and \$1,432,947, respectively. There were no charge-offs recorded for the years ended December 31, 2019 and 2018, as a result of these modifications.

At December 31, 2019 and 2018, there were \$6,887,046 and \$4,516,828 of loans identified as troubled debt restructurings, respectively. At December 31, 2019 and 2018, the allowance for loan losses allocated for troubled debt restructurings was \$2,161,941 and \$2,211,907, respectively. At December 31, 2019 and 2018, there were \$980,313 and \$786,428, respectively, of these troubled debt restructurings that were 90 days or more delinquent. At December 31, 2019, none of these troubled debt restructurings were 31-60 days delinquent. At December 31, 2018, there were \$14,088 of these troubled debt restructurings that were 31-60 days delinquent.

Loans carried at \$198,981,822 and \$183,250,611 were pledged to secure borrowings as of December 31, 2019 and 2018, respectively.

At December 31, 2019, scheduled loan receipts due in the next year for the entire loan portfolio are expected to be approximately \$38,039,999.

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.

IFF's undisbursed loan commitments as of December 31, 2019 and 2018, were \$62,819,206 and \$49,630,062, respectively. See Notes 10 and 11 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.

IFF and Subsidiaries

Notes to Consolidated Financial Statements

Note 6. Properties Owned by IFF and IFF's Subsidiaries

Properties owned by IFF and IFF's subsidiaries at December 31, 2019 and 2018, were comprised of the following:

	1 - 4 Units	Group Homes	School Campus	Grocery Stores	Other	Total
December 31, 2019:						
Home First Illinois, LLC	\$ 14,476,023	\$ -	\$ -	\$ -	\$ -	\$ 14,476,023
IFF CILA Lease Program, LLC	-	2,062,975	-	-	-	2,062,975
IFF Waukegan Market LLC	-	-	-	3,405,461	-	3,405,461
IFF Rockford Market LLC	-	-	-	3,009,872	-	3,009,872
Community Living Initiative, LLC	-	3,445,917	-	-	-	3,445,917
Access Peoria, LLC	3,409,247	-	-	-	-	3,409,247
IFF Hatchery, LLC	-	-	-	-	328,905	328,905
IFF Quality Seats - Broadway, LLC	-	-	6,116,289	-	-	6,116,289
	<u>17,885,270</u>	<u>5,508,892</u>	<u>6,116,289</u>	<u>6,415,333</u>	<u>328,905</u>	<u>36,254,689</u>
Less accumulated depreciation	(2,525,406)	(472,878)	(431,493)	(690,140)	-	(4,119,917)
	<u>\$ 15,359,864</u>	<u>\$ 5,036,014</u>	<u>\$ 5,684,796</u>	<u>\$ 5,725,193</u>	<u>\$ 328,905</u>	<u>\$ 32,134,772</u>
December 31, 2018:						
Home First Illinois, LLC	\$ 14,505,884	\$ -	\$ -	\$ -	\$ -	\$ 14,505,884
IFF CILA Lease Program, LLC	-	2,062,975	-	-	-	2,062,975
IFF Waukegan Market LLC	-	-	-	3,405,461	-	3,405,461
IFF Rockford Market LLC	-	-	-	3,009,872	-	3,009,872
Community Living Initiative, LLC	-	3,384,206	-	-	-	3,384,206
Access Peoria, LLC	3,409,247	-	-	-	-	3,409,247
IFF Von Humboldt, LLC	-	-	3,608,538	-	-	3,608,538
IFF Hatchery, LLC	-	-	-	-	328,905	328,905
Chatham 79th Street, LLC	-	-	-	-	476,619	476,619
IFF Quality Seats - Broadway, LLC	-	-	6,119,888	-	-	6,119,888
	<u>17,915,131</u>	<u>5,447,181</u>	<u>9,728,426</u>	<u>6,415,333</u>	<u>805,524</u>	<u>40,311,595</u>
Less accumulated depreciation	(1,954,964)	(346,009)	(266,602)	(525,644)	-	(3,093,219)
	<u>\$ 15,960,167</u>	<u>\$ 5,101,172</u>	<u>\$ 9,461,824</u>	<u>\$ 5,889,689</u>	<u>\$ 805,524</u>	<u>\$ 37,218,376</u>

In 2011, Home First Illinois, LLC (LLC) was awarded a \$5,000,000 grant by the IHDA to enable LLC 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, LLC will rent the units to qualified individuals and manage the properties through a management company.

LLC completed the renovations in 2016 and all 70 units were available to be rented. In 2018 and 2019, no properties were acquired or sold. The LLC reduced the cost basis in the properties during 2019 by \$29,861 as rehabbed cost included in the 2018 balance were reimbursed in 2019 to the LLC. The LLC incurred rehabbed cost of \$524,454 during 2018. All of the 70 units were ready to be rented at year-end December 31, 2019 and 2018. For the years ended December 31, 2019 and 2018, 67 units and 68 units, respectively, were rented out. Depreciation expense taken on the units rented for the years ended December 31, 2019 and 2018, was \$483,026 and \$453,568, respectively. As of December 31, 2019 and 2018, net property costs were \$12,300,283 and \$12,813,170, respectively. Accumulated depreciation on the properties for the years ended December 31, 2019 and 2018, was \$2,175,740 and \$1,692,714, respectively.

IFF and Subsidiaries

Notes to Consolidated Financial Statements

Note 6. Properties Owned by IFF and IFF's Subsidiaries (Continued)

IHDA grant funds are secured by a non-interest-bearing mortgage on each property. LLC is required to comply with the terms of the grant and regulatory agreements, and grant amounts are required to be repaid to the IHDA only upon the occurrence of a default, but otherwise are to be forgiven by the IHDA on dates 30 years after property acquisition. LLC 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 30-year period and use the facilities for the disadvantaged; therefore, LLC recognized grant amounts as revenue ratably over the expected life of each property, once placed in service and in proportion to depreciation expense. With the adoption of ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contribution Made*, in 2019, grant revenue will no longer be recognized ratably. Grant revenue will not be recognized until the end of the 30-year forgiveness period. The unamortized grant amounts are therefore recorded as a deferred revenue liability on the consolidated statements of financial position. LLC has recorded grant amounts received, accumulating \$12,614,170, as of both December 31, 2019 and 2018, respectively, as deferred revenue. No amounts were amortized into revenue for 2019. Amounts amortized into revenue for 2018 was \$385,850. LLC recorded no grant revenue with donor restrictions in the year ended December 31, 2019. LLC recorded grant revenue with donor restrictions in the year ended December 31, 2018 totaling \$385,850. These amounts are released from restrictions when utilized for the restricted purpose. For the years ended December 31, 2019 and 2018, \$710,329 and \$405,063, respectively, were released from restrictions.

IFF CILA (Community Integrated Living Arrangement) Lease Program, LLC works 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 had acquired and developed 6 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 will be depreciated over 40 years using the straight-line method. For each of the years ended December 31, 2019 and 2018, total accumulated property costs were \$2,062,975. Depreciation expense taken on the group homes was \$51,623 and \$51,574 for each of the years ended December 31, 2019 and 2018, respectively. As of December 31, 2019 and 2018, net property costs were \$1,754,708 and \$1,806,331, respectively. Accumulated depreciation on the properties for the years ended December 31, 2019 and 2018, was \$308,267 and \$256,644, respectively.

IFF Waukegan Market, LLC financed and developed a full-service grocery store to provide access to healthy food in Waukegan, Illinois. It used 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 lease and manage the grocery store. For each of the years ended December 31, 2019 and 2018, total accumulated property costs were \$3,405,461. This property is depreciated over 39 years using the straight-line method. Depreciation expense taken on the grocery store for each of the years ended December 31, 2019 and 2018, was \$87,320. As of December 31, 2019 and 2018, net property costs were \$3,056,183 and \$3,143,503, respectively. Accumulated depreciation on the property for the years ended December 31, 2019 and 2018, was \$349,278 and \$261,958, respectively.

IFF and Subsidiaries

Notes to Consolidated Financial Statements

Note 6. Properties Owned by IFF and IFF's Subsidiaries (Continued)

IFF Rockford Market LLC financed and developed a full-service grocery store to provide access to healthy food in Rockford, Illinois. It used financing from IFF and grant funds received from the DCEO for the IFFF program and from the City of Rockford. Save-A-Lot and Save-A-Lot Licensee lease and manage the grocery store. For each of the years ended December 31, 2019 and 2018, total accumulated property costs were \$3,009,872. This property is depreciated over 39 years using the straight-line method. Depreciation expense taken for each of the years ended December 31, 2019 and 2018, was \$77,176. As of December 31, 2019 and 2018, net property costs were \$2,669,010 and \$2,746,186, respectively. Accumulated depreciation on the property for the years ended December 31, 2019 and 2018, was \$340,862 and \$263,686, respectively.

Community Living Initiative, LLC is financing, developing and owning group homes throughout Illinois to lease them to State selected and monitored service providers. The first phase of this project will consist of 7 homes and will be funded from a loan from IHDA and loans from IFF. For the years ended December 31, 2019 and 2018, total accumulated property costs were \$3,445,917 and \$3,384,206, respectively. Community Living Initiative, LLC incurred rehab costs of \$61,711 and \$329,085 for the years ended December 31, 2019 and 2018, respectively. As of December 31, 2019 and 2018, seven homes and five homes, respectively, have been rented out. The properties are depreciated over 39 years using the straight-line method. Depreciation expense taken for the years ended December 31, 2019 and 2018, was \$75,246 and \$89,365, respectively. As of December 31, 2019 and 2018, net property costs were \$3,281,306 and \$3,294,841, respectively. Accumulated depreciation on the property for the years ended December 31, 2019 and 2018, was \$164,611 and \$89,365, respectively.

Access Peoria, LLC developed eight accessible duplexes on vacant lots in Peoria, Illinois. Funding for this program came from Local Initiatives Support Corporation (LISC) using National Foreclosure Settlement funds from the Illinois Attorney General, a Community Development Block Grant from the IHDA, City of Peoria, and several other funders. IHDA grant funds are secured by a non-interest-bearing mortgage on each property. Access Peoria, LLC 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, LLC 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. The unamortized grant amounts are therefore recorded as a deferred revenue liability on the consolidated statements of financial position. Access Peoria, LLC records grant amounts received, accumulating \$2,577,638, as of December 31, 2019 and 2018, respectively, as deferred revenue and amortized amounts to revenue ratably over the expected life of the properties, once placed in service through 2018. With the adoption of ASU 2018-08 in 2019, grant revenue will no longer be recognized ratably. Grant revenue will not be recognized until the end of the 30-year forgiveness period. The unamortized grant amounts are therefore recorded as a deferred revenue liability on the consolidated statements of financial position. No amount was amortized into revenue for 2019. For 2018, \$66,094 was amortized into revenue. All sixteen units are available to be rented by the end of December 31, 2019 and 2018. For the years ended December 31, 2019 and 2018, 15 units and 16 units, respectively, were rented out. Access Peoria, LLC recorded no grant revenue with donor restrictions in the years ended December 31, 2019. Access Peoria, LLC recorded grant revenue with donor restrictions in the year ended December 31, 2018 totaling \$66,094. These amounts are released from restriction when utilized for the restricted purpose. For the years ended December 31, 2019, no amounts were released from restrictions and for the year ended December 31, 2018, \$1,443,618 were released from restrictions. The properties are depreciated over 39 years using the straight-line method. Depreciation expense taken for the years ended December 31, 2019 and 2018, was \$87,416 and \$87,417, respectively. As of December 31, 2019 and 2018, net property costs were \$3,059,581 and \$3,146,997, respectively. Accumulated depreciation on the properties for the years ended December 31, 2019 and 2018, was \$349,666 and \$262,250, respectively.

IFF and Subsidiaries

Notes to Consolidated Financial Statements

Note 6. Properties Owned by IFF and IFF's Subsidiaries (Continued)

IFF Von Humboldt, LLC is financing, developing and owning and repurposing the former DeDuprey/Von Humboldt main school building site in Chicago. A partner was identified in late 2018 who took ownership on February 28, 2019. IFF Von Humboldt, LLC incurred acquisition and rehab costs of \$366,412 and \$152,115 for the years ended December 31, 2019 and 2018, respectively. As of December 31, 2019 and 2018, total accumulated acquisition and development costs were \$3,974,950 and \$3,608,538, respectively. The property was sold at cost for \$3,974,950 in February 2019 and the entity was dissolved in 2019.

IFF Hatchery, LLC is to develop and build a new food business incubator with two partners in Chicago's East Garfield Park community. Called the Hatchery, the 100,000-square-foot facility will be designed to serve 50-75 young or growing food and beverage companies in need of food-grade, flexible space. Funding sources will include its partners' equity, New Markets Tax Credits (NMTCs), Tax Increment Financing (TIF) money, debt and donations. IFF will serve as developer for the three-year project. The public-private partnership, which brings together government, corporate and nonprofit resources, will create jobs and provide tax revenue for the community. In 2018, all but 2 parcels of land were sold at cost for \$2,357,497 to the controlling entity. No additional costs were incurred for the year ended December 31, 2019. IFF Hatchery, LLC incurred acquisition and rehab costs of \$538,233 for the year ended December 31, 2018. As of December 31, 2019 and 2018, total accumulated acquisition and development costs were \$328,905. No depreciation expense has been taken for the years ended December 31, 2019 and 2018, as the properties are land.

Chatham 79th Street, LLC was created in 2018 to acquire and redevelop a vacant commercial building at 630-640 E. 79th Street in Chicago, Illinois on behalf of the Chicago Cook Workforce Partnership (CCWP). IFF acted as developer and interim owner acquiring the property, structuring the financing, procuring professional services and overseeing design. As anticipated, the property was acquired by the project partner(s) on March 6, 2019 at cost. This entity was dissolved in 2019. IFF continued to play the role of developer through the project completion. As of December 31, 2019 and 2018, total accumulated acquisition and development costs were \$500,000 and \$476,619, respectively. No depreciation expense has been taken for the years ended December 31, 2019 and 2018.

IFF Quality Seats – Broadway, LLC was created in 2016 to finance and own a former office building that it rehabbed into a charter school located in Kansas City, Missouri. The 38,750 square foot building was built in 1954 as a three story office building with a finished lower level. The building is leased to a charter school operator and is currently serving students in the K-5 grades. For the years ended December 31, 2019 and 2018, property costs incurred were \$91,762 and \$867,281, respectively. Costs of \$95,361 that were included in the December 31, 2018 balance were transferred and included in furniture, equipment and leasehold improvements, net on the consolidated statements of financial position as of December 31, 2019. As of December 31, 2019 and 2018, total accumulated acquisition and development costs were \$6,116,289 and \$6,119,888, respectively. This property is depreciated over 39 years using the straight-line method. Depreciation expense taken for the years ended December 31, 2019 and 2018, was \$164,891 and \$110,316, respectively. As of December 31, 2019 and 2018, net property costs were \$5,684,796 and \$5,853,285, respectively. Accumulated depreciation on the property for the years ended December 31, 2019 and 2018, was \$431,493 and \$266,602, respectively. The school opened in the fall of 2016.

IFF and Subsidiaries

Notes to Consolidated Financial Statements

Note 7. Foreclosed Assets

An analysis of foreclosed assets as of December 31, 2019 and 2018, was as follows:

	2019	2018
Foreclosed assets, beginning	\$ 2,986,859	\$ 2,507,659
Acquired through or in lieu of foreclosure	153,300	719,200
Sale proceeds of foreclosed assets not financed by IFF	(1,024,000)	(375,000)
Gain on sales	151,500	135,000
Foreclosed assets, ending	<u>\$ 2,267,659</u>	<u>\$ 2,986,859</u>

One and two properties make up the balances as of ended December 31, 2019 and 2018, respectively. Two and one new properties were added each year during 2019 and 2018, respectively, into foreclosed assets. Three and one properties were sold during each of the years 2019 and 2018, respectively. IFF recorded a net gain of \$151,500 and \$135,000 on the sale of foreclosed properties in 2019 and 2018, respectively. The gain is recorded in the consolidated statements of activities in gain on sale of foreclosed assets. IFF recognized \$46,817 and \$42,989 in 2019 and 2018, respectively, from the deferred gains recorded. The gain is recorded in the consolidated statements of activities in gain on sale of foreclosed assets.

Rent collected on foreclosed assets for 2019 and 2018 was \$114,000 and \$174,000, 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, were \$102,798 and \$78,795 for 2019 and 2018, respectively.

Note 8. Furniture, Equipment and Leasehold Improvements

Furniture, equipment and leasehold improvements at December 31, 2019 and 2018, were comprised as follows:

	2019	2018
Furniture, equipment and software	\$ 2,200,589	\$ 4,065,180
Leasehold improvements	457,113	754,924
	2,657,702	4,820,104
Less accumulated depreciation and amortization	(1,445,228)	(3,782,230)
	<u>\$ 1,212,474</u>	<u>\$ 1,037,874</u>

Depreciation and amortization expenses for 2019 and 2018 were \$417,613 and \$351,332, respectively. IFF retired furniture and leasehold improvements in 2019 totaling \$2,411,793 and \$354,473, respectively. In 2019, IFF recorded a gain of \$4,500 on the sale of furniture and a loss of \$11,651 on the retired lease improvements. IFF retired furniture and leasehold improvements in 2018 totaling \$26,150 and \$2,798, respectively. IFF recorded a loss of \$9,929 and \$1,073 in 2018 on the retired furniture and lease improvements, respectively. These losses and gain are recorded in the consolidated statements of activities in loss on sale of properties, furniture and equipment. New additions in 2019 and 2018 consisted of furniture and equipment of \$547,202 and \$405,220, respectively. New additions in 2019 of leasehold improvements was \$56,662. There were no new additions of leasehold improvements in 2018.

IFF and Subsidiaries

Notes to Consolidated Financial Statements

Note 9. Deferred Grant Revenue

IFF's subsidiaries have received grant funds from the Illinois Housing Development Authority (IHDA) and the City of Rockford to help finance various properties. Grant and regulatory agreements restrict the use of the funds, set objectives and requirements for the projects. Grant funds are secured by a non-interest bearing mortgage on each property. IFF's subsidiaries are required to comply with the terms of the grant and regulatory agreements, and grant amounts are required to be repaid to IHDA or the City of Rockford only upon the occurrence of a default, but otherwise are to be forgiven by IHDA or the City of Rockford on dates 30 years and 5 years, respectively, after property acquisition. IFF's subsidiaries intend to hold and manage the properties for the 30-year term and 5-year term and believes there is reasonable assurance that they will meet the terms of the forgiveness which is to hold the properties for the 30-year period and 5-year period and use the facilities for the purpose intended, IFF's subsidiaries recognized grant amounts as revenue ratably over the expected life of each property, once placed in service and in proportion to depreciation expense through 2018. In 2019, with the adoption of ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contribution Made*, grant revenue is no longer recognized ratably over the expected life of each property, but instead will be recognized at the end of the 5-year or 30-year forgiveness period. Grants received in connection with the program are in effect forgivable loans. The unamortized grant amounts are therefore recorded as a deferred revenue liability on the consolidated statements of financial position. This accounting change in 2019 resulted in IFF's subsidiaries no longer being able to amortize and recognize grant revenue, which under the previous accounting methodology would have totalled \$577,563 for 2019, which in effect would have covered the corresponding proportional depreciation expense.

In 2019, IFF received conditional grant funds of \$8,525,000 from the US Department of Treasury - CDFI Fund and \$441,790 from one other grantor in which the grant agreements contained conditions and barriers that must be met before the grant can be recognized as revenue. The unrecognized grant amounts are therefore recorded as a deferred revenue liability on the consolidated statements of financial position. In 2019, IFF recognized \$2,242,782 as grant revenue as qualifying expenses were incurred. This recognition of grant revenue is recorded in the consolidated statements of activities in loan capital grants.

Deferred grant revenue at December 31, 2019 and 2018, was comprised of the following:

	IFF	Home First Illinois, LLC	IFF Rockford Market, LLC	Access Peoria, LLC	Total
December 31, 2019:					
IHDA deferred grant revenue	\$ -	\$ 12,614,170	\$ -	\$ 2,577,638	\$ 15,191,808
City of Rockford deferred grant revenue	-	-	500,000	-	500,000
U.S. Treasury - CDFI Fund deferred grant revenue	8,525,000	-	-	-	8,525,000
Other grantors deferred grant revenue	441,790	-	-	-	441,790
	8,966,790	12,614,170	500,000	2,577,638	24,658,598
Less accumulated amounts recognized as revenue	(2,242,782)	(1,603,520)	(263,685)	(198,280)	(4,308,267)
	<u>\$ 6,724,008</u>	<u>\$ 11,010,650</u>	<u>\$ 236,315</u>	<u>\$ 2,379,358</u>	<u>\$ 20,350,331</u>
December 31, 2018:					
IHDA deferred grant revenue	\$ -	\$ 12,614,170	\$ -	\$ 2,577,638	\$ 15,191,808
City of Rockford deferred grant revenue	-	-	500,000	-	500,000
	-	12,614,170	500,000	2,577,638	15,691,808
Less accumulated amounts recognized as revenue	-	(1,603,520)	(263,685)	(198,280)	(2,065,485)
	<u>\$ -</u>	<u>\$ 11,010,650</u>	<u>\$ 236,315</u>	<u>\$ 2,379,358</u>	<u>\$ 13,626,323</u>

IFF and Subsidiaries

Notes to Consolidated Financial Statements

Note 10. Borrowings, Equity Equivalent Borrowings and Bond Guarantee Program Borrowings

Borrowings and bond guarantee program borrowings indicated with an * are secured by loans and/or other assets of IFF. All other borrowings are unsecured. Equity equivalent borrowings are subordinated to IFF's other borrowings. The interest rate as of December 31, 2019, is listed for borrowings where the Annual Rate is a variable. Per the borrowing agreements, if the interest payment date or maturity date is on a Saturday, Sunday, or public holiday, then such payment may be made on the next succeeding business day.

Capitalized finance costs, which is a contra liability amount, consist of legal fees and related costs incurred in acquiring the loans payable. These costs are amortized using the straight-line method over 3 to 25 years, depending on the term of the related loans payable. Borrowings are reported net of the net cost of the financing fees of \$126,208 and \$98,579 at December 31, 2019 and 2018, respectively. Amortization expense for the years ended December 31, 2019 and 2018, was \$12,468 and \$54,649, respectively. New finance costs incurred for the years ended December 31, 2019 and 2018 was \$40,097 and \$10,553, respectively. IFF retired \$20,823 and \$172,734 of capitalized finance cost in 2019 and 2018, respectively, as the corresponding loans payable were paid off. Cumulative totals of finance costs, which are those not net of accumulated amortization, are \$186,615 and \$167,341 for the years ended December 31, 2019 and 2018, respectively.

IFF borrowings consisted of the following:

Lender	Maturity Date	Scheduled Repayments				Principal Balance at December 31, 2019	Principal Balance at December 31, 2018
		Principal		Interest			
		Amount	Due	Annual Rate	Due		
ARC Chicago, LLC (Benefit Chicago)	8/3/2027	\$ 1,650,000	8/3/2025	3.000%	Quarterly	\$ 5,000,000	\$ 5,000,000
		1,650,000	8/3/2026				
		1,700,000	8/3/2027				
ARC Chicago, LLC (Benefit Chicago)	11/1/2029	\$ 3,300,000	11/1/2027	3.000%	Quarterly	10,000,000	-
		3,300,000	11/1/2028				
		3,400,000	11/1/2029				
Bank of America	12/15/2023	\$ 2,000,000	12/15/20	1.000%	Quarterly	4,625,820	4,625,820
		1,500,000	12/15/22				
		1,125,820	12/15/23				
Basilian Fathers of Toronto	4/1/2020	Balance	Maturity	3.000%	Annual	100,000	100,000
The Blowitz- Ridgeway Foundation	7/31/2019	\$ 5,000	Quarterly	2.750%	Quarterly	-	10,000
The Blowitz- Ridgeway Foundation	6/1/2020	\$ 5,000	Quarterly	2.750%	Quarterly	5,000	25,000
The Blowitz- Ridgeway Foundation	6/1/2021	\$ 5,000	Quarterly	2.750%	Quarterly	30,000	50,000
Total carried forward						19,760,820	9,810,820

IFF and Subsidiaries

Notes to Consolidated Financial Statements

Note 10. Borrowings, Equity Equivalent Borrowings and Bond Guarantee Program Borrowings (Continued)

Lender	Maturity Date	Scheduled Repayments				Principal Balance at December 31, 2019	Principal Balance at December 31, 2018
		Principal		Interest			
		Amount	Due	Annual Rate	Due		
Total brought forward						\$ 19,760,820	\$ 9,810,820
The Blowitz-Ridgeway Foundation	6/30/2022	\$ 5,000	Quarterly	2.750%	Quarterly	50,000	70,000
The Blowitz-Ridgeway Foundation	9/30/2023	\$ 5,000	Quarterly	2.750%	Quarterly	75,000	95,000
The Blowitz-Ridgeway Foundation	8/31/2024	\$ 5,000	Quarterly	2.750%	Quarterly	90,000	-
Calvert Impact Capital	6/19/2020	Balance	Maturity	2.750%	Quarterly	6,700,000	6,700,000
JPMorgan Chase Bank	12/6/2021	\$ 555,557	Monthly starting 1/1/2019	4.053%	Monthly	12,777,778	19,444,444
JPMorgan Chase Bank	7/18/2023	\$ 277,778	Monthly starting 8/1/2020	4.9375%	Monthly	10,000,000	10,000,000
Circle of Service Foundation	9/30/2020	Amortized over fifteen years	Quarterly	3.000%	Quarterly	76,716	176,365
Circle of Service Foundation	3/31/2021	Amortized over fifteen years	Quarterly	3.000%	Quarterly	126,871	225,010
Community First Fund Federal Home Loan Bank	10/8/2024	Balance	Maturity	2.350%	Monthly	10,000,000	10,000,000
Deaconess Foundation	1/31/2021	Balance	Maturity	3.000%	Quarterly	400,000	400,000
*Federal Home Loan Bank	5/30/2023	Balance	Maturity	2.640%	Monthly	2,000,000	2,000,000
*Federal Home Loan Bank	8/25/2031	Balance	Maturity	2.570%	Monthly	5,000,000	5,000,000
*Federal Home Loan Bank	7/23/2024	Balance	Maturity	2.050%	Monthly	3,500,000	-
*Federal Home Loan Bank	7/24/2034	Balance	Maturity	2.870%	Monthly	3,500,000	-
Goldman Sachs Social Impact Fund, LP	12/31/2027	Per schedule	Maturity	5.000%	Per schedule	5,605,689	6,061,024
BMO Harris Bank	10/1/2019	\$ 31,250	Quarterly	3.250%	Quarterly	-	93,750
Total carried forward						79,662,874	70,076,413

IFF and Subsidiaries

Notes to Consolidated Financial Statements

Note 10. Borrowings, Equity Equivalent Borrowings and Bond Guarantee Program Borrowings (Continued)

Lender	Maturity Date	Scheduled Repayments				Principal Balance at December 31, 2019	Principal Balance at December 31, 2018
		Principal		Interest			
		Amount	Due	Annual Rate	Due		
Total brought forward						\$ 79,662,874	\$ 70,076,413
Illinois Housing Development Authority	4/1/2033	To be forgiven	1/15 of Balance Annually starting 4/1/2019	None	NA	1,867,949	1,947,129
The Kresge Foundation	4/30/2022	Per schedule	Quarterly	3.000%	Quarterly	1,511,648	2,085,090
The Kresge Foundation	9/27/2026	Per schedule	Quarterly	2.000%	Quarterly	3,000,000	3,000,000
Ann & Robert H. Lurie Children's Hospital of Chicago	12/13/2023	Balance	Maturity	2.500%	Quarterly	130,000	130,000
Mercy Investment Services, Inc.	12/31/2023	Balance	Maturity	3.500%	Quarterly	1,500,000	1,500,000
The Northern Trust Company	12/31/2027	Per schedule	Maturity	2.000%	Per schedule	4,082,795	4,509,678
The Northern Trust Company	5/12/2021	Balance	Maturity	2.000%	Semi-annually	4,500,000	4,500,000
The Northern Trust Company	11/4/2021	Balance	Maturity	2.000%	Semi-annually	5,000,000	5,000,000
Opportunity Finance Network	3/29/2019	Balance	Maturity	3.000%	Quarterly	-	5,000,000
Opportunity Finance Network	3/1/2022	Balance	Maturity	3.000%	Quarterly	3,750,000	-
PNC Bank	11/8/2021	Balance	Maturity	2.775%	Monthly	4,000,000	4,000,000
Portico Benefit Services	11/1/2020	Balance	Maturity	2.750%	Quarterly	1,000,000	1,000,000
Pritzker Family Foundation	12/31/2027	Per schedule	Maturity	5.000%	Per schedule	3,924,020	3,924,020
Religious Communities Impact Fund, Inc.	3/15/2023	Balance	Maturity	3.000%	Quarterly	300,000	300,000
Rotary Charities of Traverse City	6/25/2023	Balance	Maturity	2.000%	Semi-annually	500,000	500,000
Rush University Medical Center	8/22/2020	Balance	Maturity	2.500%	Quarterly	1,000,000	1,000,000
Rush University Medical Center	12/13/2023	Balance	Maturity	2.500%	Quarterly	130,000	130,000
Total carried forward						115,859,286	108,602,330

IFF and Subsidiaries

Notes to Consolidated Financial Statements

Note 10. Borrowings, Equity Equivalent Borrowings and Bond Guarantee Program Borrowings (Continued)

Lender	Maturity Date	Scheduled Repayments				Principal Balance at December 31, 2019	Principal Balance at December 31, 2018
		Principal		Interest			
		Amount	Due	Annual Rate	Due		
Total brought forward						\$ 115,859,286	\$ 108,602,330
Seton Enablement Fund	4/1/2023	Per schedule	Semi-annually	3.000%	Semi-annually	89,271	113,114
Sinsinawa Dominicans Inc.	6/30/2021	Balance	Maturity	2.000%	Annually	30,000	30,000
Sisters of Saint Dominic, Congregation of the Most Holy Rosary of Adrian, MI	8/15/2023	Balance	Maturity	3.000%	Quarterly	250,000	250,000
TIAA-CREF Trust Company, FSB	5/28/2019	Balance	Maturity	4.250%	Monthly	-	10,000,000
Trinity Health	6/30/2019	Balance	Maturity	2.500%	Quarterly	-	1,000,000
Trinity Health	6/14/2020	Balance	Maturity	2.500%	Quarterly	1,000,000	1,000,000
Trinity Health	6/30/2024	Balance	Maturity	2.500%	Quarterly	1,000,000	-
Twain XX LLC	3/20/2020	Balance	Maturity	3.25%	Quarterly	250,000	250,000
Twain XX LLC	3/20/2020	Balance	Maturity	3.25%	Quarterly	250,000	250,000
U.S. Bank N.A.	10/5/2023	\$ 119,048	Monthly starting 11/1/2021	4.750%	Monthly	10,000,000	10,000,000
U.S. Bank N.A.	8/2/2024	\$ 119,048	Monthly starting 11/1/2021	3.620%	Monthly	10,000,000	-
Walton Family Foundation	12/31/2025	\$ 4,000,000	Maturity	None	N/A	4,000,000	4,000,000
Walton Family Foundation	12/31/2025	\$ 3,000,000	Maturity	None	N/A	3,000,000	3,000,000
Walton Family Foundation	12/31/2025	\$ 1,000,000	Maturity	None	N/A	1,000,000	1,000,000
Wells Fargo Bank, N.A.	6/5/2021	\$ 10,000,000	Maturity	4.25563%	Monthly	10,000,000	10,000,000
Wisconsin Preservation Fund	10/1/2024	Balance	Maturity	None	N/A	75,000	75,000
Woodforest National Bank	6/5/2020	Balance	Maturity	2.750%	Quarterly	2,300,000	2,300,000
Total borrowings						159,103,557	151,870,444
Less accumulated unamortized financing fees						(65,179)	(33,189)
Total borrowings, net						\$ 159,038,378	\$ 151,837,255

IFF and Subsidiaries

Notes to Consolidated Financial Statements

Note 10. Borrowings, Equity Equivalent Borrowings and Bond Guarantee Program Borrowings (Continued)

IFF equity equivalent borrowings consisted of the following:

Lender	Maturity Date	Scheduled Repayments				Principal Balance at December 31, 2019	Principal Balance at December 31, 2018
		Principal		Interest			
		Amount	Due	Annual Rate	Due		
The Benedictine Sisters of Chicago	3/17/2024	Balance	Maturity	3.000%	Quarterly	\$ 100,000	\$ 50,000
Benedictine Sisters of the Sacred Heart	8/15/2023	Balance	Maturity	3.000%	Quarterly	50,000	50,000
Cathay Bank	10/14/2021	Balance	Maturity	3.250%	Quarterly	500,000	500,000
Congregation of the Sisters of St. Joseph, Inc.	7/1/2023	Balance	Maturity	3.000%	Quarterly	100,000	100,000
Evergreen Bank Group	3/8/2022	Balance	Maturity	3.000%	Quarterly	500,000	500,000
Goldman Family Foundation	12/31/2024	Balance	Maturity	2.000%	Quarterly	500,000	200,000
BMO Harris Bank	12/15/2020	Balance	Maturity	3.250%	Quarterly	1,250,000	1,250,000
BMO Harris Bank	6/30/2020	Balance	Maturity	2.000%	Quarterly	500,000	500,000
First Savings Bank of Hegewisch	8/30/2024	Balance	Maturity	3.000%	Quarterly	400,000	200,000
Institute of the Blessed Virgin Mary	4/30/2023	Balance	Maturity	3.000%	Quarterly	100,000	100,000
MacArthur Foundation	1/1/2022	Balance	Maturity	3.000%	Quarterly	250,000	250,000
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
Marquette Bank	5/31/2021	Balance	Maturity	2.000%	Quarterly	200,000	200,000
Mount St. Scholastica	12/22/2020	Balance	Maturity	3.000%	Quarterly	50,000	50,000
Nazareth Literacy Benevolent Institution/ dba Sisters of Charity of Nazareth	11/6/2023	Balance	Maturity	0.500%	Quarterly	150,000	150,000
North Shore Bank FSB	5/1/2023	Balance	Maturity	3.000%	Quarterly	50,000	50,000
St. Viator High School	4/27/2022	Balance	Maturity	3.000%	Quarterly	150,000	150,000
St. Viator High School	6/15/2023	Balance	Maturity	3.000%	Quarterly	150,000	150,000
Total carried forward						7,000,000	6,450,000

IFF and Subsidiaries

Notes to Consolidated Financial Statements

Note 10. Borrowings, Equity Equivalent Borrowings and Bond Guarantee Program Borrowings (Continued)

Lender	Maturity Date	Scheduled Repayments				Principal Balance at December 31, 2019	Principal Balance at December 31, 2018
		Principal		Interest			
		Amount	Due	Annual Rate	Due		
Total brought forward						\$ 7,000,000	\$ 6,450,000
Sisters of Charity of Leavenworth	1/16/2023	Balance	Maturity	3.000%	Quarterly	50,000	50,000
Sisters of Most Precious Blood/St. Mary's Institute of O'Fallon	9/27/2023	Balance	Maturity	3.000%	Quarterly	50,000	50,000
Sisters of Most Precious Blood/St. Mary's Institute of O'Fallon	1/20/2022	Balance	Maturity	3.000%	Quarterly	50,000	50,000
Sisters of St. Dominic - Racine Dominicans	3/1/2023	Balance	Maturity	2.000%	Quarterly	60,000	60,000
Sisters of St. Francis Clinton, Iowa	6/1/2022	Balance	Maturity	3.000%	Quarterly	100,000	100,000
Sisters of St. Francis Clinton, Iowa	1/1/2023	Balance	Maturity	3.000%	Quarterly	150,000	150,000
Sisters of St. Francis Clinton, Iowa	6/5/2023	Balance	Maturity	3.000%	Quarterly	50,000	50,000
Sisters of St. Joseph of Carondelet	6/30/2024	Balance	Maturity	3.000%	Quarterly	50,000	50,000
Sisters of the Holy Names of Jesus and Mary U.S. - Ontario Province Corporation	4/27/2020	Balance	Maturity	3.000%	Quarterly	250,000	250,000
Sisters of the Resurrection	5/1/2022	Balance	Maturity	3.000%	Quarterly	250,000	250,000
Sisters, Servants of the Immaculate Heart of Mary	3/3/2021	Balance	Maturity	3.000%	Quarterly	25,000	25,000
Total carried forward						<u>8,085,000</u>	<u>7,535,000</u>

IFF and Subsidiaries

Notes to Consolidated Financial Statements

Note 10. Borrowings, Equity Equivalent Borrowings and Bond Guarantee Program Borrowings (Continued)

Lender	Maturity Date	Scheduled Repayments				Principal Balance at December 31, 2019	Principal Balance at December 31, 2018
		Principal		Interest			
		Amount	Due	Annual Rate	Due		
Total brought forward						\$ 8,085,000	\$ 7,535,000
Small Business Lending Fund US Treasury	9/15/2019	Balance	Maturity	2.000%	Quarterly	-	8,294,000
U.S. Bancorp CDC	10/4/2021	Balance	Maturity	3.000%	Quarterly	2,000,000	2,000,000
Village Bank & Trust	9/19/2022	Balance	Maturity	3.250%	Quarterly	1,000,000	1,000,000
Wells Fargo Community Investment Holdings, LLC	6/19/2030	\$ 125,000	Quarterly starting 10/1/2028	2.000%	Quarterly	1,000,000	1,000,000
Wells Fargo Community Investment Holdings, LLC	12/24/2025	Balance	Maturity	2.500%	Quarterly	5,000,000	5,000,000
Total equity equivalent borrowings						17,085,000	24,829,000
Less accumulated unamortized financing fees						-	(1,397)
Total equity equivalent borrowings, net						\$ 17,085,000	\$ 24,827,603
IFF Bond Guarantee Program borrowings consist of:							
*U.S. Treasury CDFI Fund	6/15/2040	Per schedule	Quarterly	2.829%	Quarterly	\$ 4,745,470	\$ 4,914,516
*U.S. Treasury CDFI Fund	9/17/2040	Per schedule	Quarterly	2.720%	Quarterly	5,576,869	5,774,889
*U.S. Treasury CDFI Fund	3/15/2041	Per schedule	Quarterly	2.110%	Quarterly	2,859,018	2,964,790
*U.S. Treasury CDFI Fund	9/16/2041	Per schedule	Quarterly	2.381%	Quarterly	2,943,619	3,046,018
*U.S. Treasury CDFI Fund	9/16/2041	Per schedule	Quarterly	2.950%	Quarterly	4,539,051	4,686,356
*U.S. Treasury CDFI Fund	9/15/2042	Per schedule	Quarterly	2.738%	Quarterly	1,490,826	1,537,599
Total Bond Guarantee Program borrowings						22,154,853	22,924,168
Less accumulated unamortized financing fees						(61,029)	(63,993)
Total Bond Guarantee Program borrowings, net						\$ 22,093,824	\$ 22,860,175

IFF and Subsidiaries

Notes to Consolidated Financial Statements

Note 10. Borrowings, Equity Equivalent Borrowings and Bond Guarantee Program 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, 2019 and 2018.

As of December 31, 2019, the required principal reduction of all the above borrowings is as follows:

2020	\$ 25,323,300
2021	35,099,199
2022	19,480,763
2023	14,262,744
2024	26,922,630
Thereafter	37,949,742
	<u>\$ 159,038,378</u>

Included in this amount is \$1,867,949 of borrowings from Illinois Housing Development Authority (IHDA) who provided financing for the Community Living Initiatives, LLC's group homes. These interest-free loans will be forgiven at various times through April 2034.

Undrawn commitments at December 31, 2019 and 2018, were \$4,731,199 and \$8,633,693, respectively.

Note 11. Investor Consortium Collateral Trust Notes

IFF entered into borrowing agreements (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, 2019.

Capitalized finance costs, which is a contra-liability amount, consist of legal fees and related costs incurred in acquiring the loans payable. These costs are amortized using the straight-line method over 15 years, which is the term of each Investor Consortium Trust Note. Notes are reported net of the net cost of the financing fees of \$180,045 and \$176,533 at December 31, 2019 and 2018, respectively. Amortization expense for the years ended December 31, 2019 and 2018, was \$23,933 and \$21,976, respectively. New finance costs incurred for the years ended December 31, 2019 and 2018, were \$27,445 and \$32,240, respectively. Cumulative totals of finance costs, which are those not net of accumulated amortization, are \$380,980 and \$353,535 for the years ended December 31, 2019 and 2018, respectively.

IFF and Subsidiaries

Notes to Consolidated Financial Statements

Note 11. Investor Consortium Collateral Trust Notes (Continued)

Investor Consortium Collateral Trust Notes consisted of the following:

Investor Consortium Series ^(a)	Maturity Date	Interest Rate	Principal Balance at December 31, 2019	Principal Balance at December 31, 2018
Sale 2004-1	1/15/2020	3.000%	\$ -	\$ 307,459
Sale 2005-1	10/15/2020	3.000%	-	282,161
Sale 2006-1	10/15/2021	3.000%	522,869	907,930
Sale 2007-1	10/15/2022	3.000%	718,900	1,257,122
Sale 2008-1	10/15/2023	3.000%	735,336	964,894
Sale 2009-1	10/15/2024	3.011%	2,118,131	2,556,280
Sale 2010-1	7/15/2025	3.455%	690,817	887,358
Sale 2011-1	7/15/2026	3.581%	1,651,707	2,194,568
Sale 2012-1	10/15/2027	3.229%	4,323,469	5,650,581
Sale 2013-1	1/15/2029	3.335%	5,185,883	5,744,387
Sale 2014-1	1/15/2030	3.381%	4,016,899	6,816,568
Sale 2015-1	4/15/2030	3.196%	8,623,279	9,929,779
Sale 2015-2	7/15/2030	3.190%	9,951,881	10,986,320
Sale 2016-1	4/15/2031	3.275%	10,131,829	13,038,247
Sale 2016-2	10/15/2031	3.462%	6,658,266	7,052,276
Sale 2016-3	1/15/2032	3.424%	7,081,546	7,993,462
Sale 2017-1	7/15/2032	3.279%	12,751,216	16,011,508
Sale 2017-2	1/15/2033	3.538%	11,621,310	13,825,380
Sale 2018-1	4/15/2033	3.563%	5,693,859	6,271,310
Sale 2018-2	10/15/2033	3.642%	17,527,618	19,200,623
Sale 2019-1	7/15/2034	3.838%	16,452,954	-
Sale 2019-2	1/15/2035	3.837%	19,697,403	-
Single member Sale 2017-1	11/10/2031	3.227%	8,361,418	9,290,262
Single member Sale 2019-1	7/15/2026	3.108%	6,918,477	-
Total Investor Consortium collateral trust notes			161,435,067	141,168,475
Less accumulated unamortized financing fees			(180,045)	(176,533)
Total Investor Consortium collateral trust notes, net			\$ 161,255,022	\$ 140,991,942

- (a) Participating banks in the Investor Consortium are Advantage National Bank, American Chartered Bank, Associated Community Development Bank, Bank of America, Barrington Bank and Trust, Beverly Bank and Trust, Busey Bank, BMO Harris Bank, Byline Bank, CIBC Bank N.A., Citizens Bank, Commerce Bank, Crystal Lake Bank and Trust, Evergreen Bank Group, Fifth Third Bank CDC, First Bank, First Bank and Trust, First Bank of Highland Park, First Eagle Bank, First Midwest Bank, First Savings Bank of Hegewisch, Hinsdale Bank and Trust, The Huntington Community Development Corporation, Jacksonville Savings Bank, Lake Forest Bank and Trust, Lakeside Bank, Libertyville Bank and Trust, Midwest BankCentre, Mission Investment Fund of the Evangelical Lutheran Church in America, Northbrook Bank and Trust, The Northern Trust Bank, North Shore Community Bank and Trust, Old Plank Trail Community Bank and Trust, PNC Bank, Providence Bank & Trust, TD Bank, N.A., St. Charles Bank and Trust, Simmons Bank, State Bank of the Lakes, State Farm Bank FSB, Stifel Bank & Trust, TIAA-CREF Trust Company FSB, Town Bank, Twain XX LLC, US Bank, Village Bank and Trust, Wheaton Bank and Trust, and Wintrust Financial.

IFF and Subsidiaries

Notes to Consolidated Financial Statements

Note 11. Investor Consortium Collateral Trust Notes (Continued)

Quarterly contractual repayment of each trust note series is limited to the proceeds of payments on the collateralized IFF loans and a 2% cash reserve held, for each series, by the trustee. A 3% cash reserve is held by the investor in the single member note sale 2017-1. If the balance of the cash reserve falls below 2% for any series or 3% in the single member note sale 2017-1, IFF is required to contribute a portion of its servicing fees to the reserve each quarter until the reserve again reaches the 2% or 3%. As of December 31, 2019 and 2018, all of the reserves were at the required 2 or 3%. 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, 2019 and 2018, was \$3,662,891 and \$3,120,186 at cost, respectively, which represents fair value. Included in this amount at December 31, 2019, was \$343,224 for loans that were bought out of the consortium and paid to the investors subsequent to December 31, 2019. Included in this amount at December 31, 2018, was \$190,397 for loans that were bought out of the consortium and paid to the investors subsequent to December 31, 2018.

There were no charge-offs and no losses recorded by the investors for the years ended December 31, 2019 and 2018.

As of December 31, 2019, the scheduled principal reduction of Investor Consortium collateral trust notes is as follows:

2020	\$ 17,407,096
2021	12,363,107
2022	17,340,697
2023	13,972,643
2024	12,071,585
Thereafter	88,279,939
	<u>\$ 161,435,067</u>

Undrawn commitments in the Investor Consortium Program at December 31, 2019 and 2018, were \$4,159,366 and \$25,639,423, respectively.

IFF and Subsidiaries

Notes to Consolidated Financial Statements

Note 12. Loan Participations Payable

IFF entered into participation agreements with Nonprofits Assistance Fund (NAF), Cincinnati Development Fund (CDF), Partners for the Common Good (PCG), and Chicago Community Loan Fund (CCLF) with respect to underlying notes, in which one of the partners 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 the partners participation interest in the loan. The current balance of the loans receivable as of December 31, 2019 and 2018, was \$1,991,068 and \$1,473,533, respectively. IFF loan participations payable consisted of the following:

Lender	Maturity Date	Scheduled Repayments				Principal Balance at December 31, 2019	Principal Balance at December 31, 2018
		Principal		Interest			
		Amount	Due	Annual Rate	Due		
Nonprofits Assistance Fund	5/1/2021	Per schedule & Balance at Maturity	Monthly	6.000%	Monthly	\$ 84,040	\$ 139,214
Cincinnati Development Fund	1/1/2022	Per schedule & Balance at Maturity	Monthly	5.375%	Monthly	39,771	57,600
Cincinnati Development Fund	5/1/2022	Per schedule & Balance at Maturity	Monthly	5.375%	Monthly	91,993	126,931
Partners for the Common Good	1/1/2023	Per schedule & Balance at Maturity	Quarterly	7.000%	Quarterly	250,000	-
Chicago Community Loan Fund	1/1/2023	Per schedule & Balance at Maturity	Quarterly	7.125%	Quarterly	375,000	-
Total loan participations payable						\$ 840,804	\$ 323,745

As of December 31, 2019, the scheduled principal reduction of loan participations payable is as follows:

2020	\$ 114,544
2021	83,556
2022	17,704
2023	625,000
	<u>\$ 840,804</u>

IFF and Subsidiaries

Notes to Consolidated Financial Statements

Note 13. Operating Leases

IFF is obligated under leases for its Chicago office space (through September 2030), its old Chicago office space (through June 2020), Detroit office space (through August 2027), Columbus office space (through April 2022), Indianapolis office space (through May 2024), Kansas City office space (through March 2020), Milwaukee office space (through December 2021) and St. Louis office space (through June 2024), which provides for base rentals (recognized on a straight-line basis) plus a prorated share of real estate taxes and operating expenses. IFF terminated its Minneapolis office space lease in November 2018. A deferred rent liability, representing the cumulative amount by which rental expense recognized exceeds cash paid, totaled \$1,421,337 and \$1,530,968 at December 31, 2019 and 2018, respectively, and is included in accrued liabilities on the consolidated statements of financial position.

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

2020	\$ 1,304,467
2021	1,183,803
2022	1,174,352
2023	1,188,776
2024	1,161,132
Thereafter	5,994,725
	<u>\$ 12,007,255</u>

The total rent expense for the years ended December 31, 2019 and 2018, were as follows:

	<u>2019</u>	<u>2018</u>
Chicago, net of sub-lease revenue	\$ 1,016,402	\$ 988,842
Columbus	27,167	22,814
Detroit	172,894	83,107
Indianapolis	46,249	18,263
Kansas City	18,105	14,720
Milwaukee	28,218	26,123
Minneapolis, net of sub-lease revenue	(1,387)	8,020
St. Louis	21,647	20,702
	<u>\$ 1,329,295</u>	<u>\$ 1,182,591</u>

IFF and Subsidiaries

Notes to Consolidated Financial Statements

Note 14. Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, 2019 and 2018, were available for the following purposes:

	2019	2018
Department of Education Grant for Credit Enhancement	\$ 20,249,423	\$ 19,961,088
Loan issuance	15,629,838	18,045,964
Grants for Specific Programs	12,936,211	11,771,929
	<u>\$ 48,815,472</u>	<u>\$ 49,778,981</u>

Department of Education Grant for Credit Enhancement involves those funds received from the Department of Education restricted for the credit enhancement program activities, see Note 3.

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 revenue with donor restrictions, and are released from restrictions when IFF records loan provisions (allowance for loan losses) or disburses qualified loans, depending on the specific grant. Release from restrictions are reversed when there are recoveries or reductions in loan provisions. Grant amounts received which are not yet utilized are included in net assets with donor restrictions, listed above as Loan issuance.

Grants for specific programs are restricted to cover program delivery expenses and general operating functions of IFF, which could include salary and benefits, program costs, overhead and other expenses. These net assets may be restricted for the program delivery expenses of a particular program or may be general operating support which carries a time restriction. Grant for Specific Programs are as follows at December 31, 2019 and 2018:

	2019	2018
Net assets with donor restrictions for specific programs:		
Core Business Solutions		
Capital Solution Programs	\$ 1,576,975	\$ 2,417,434
Core Business Executive	167,414	-
Real Estate Solutions Programs	2,894,559	1,530,488
Social Impact Accelerator (SIA)		
Development	3,208,175	4,162,293
Early Childhood Services	3,141,932	3,044,145
Research and Evaluation	189,700	399,523
School Services	65,200	30,618
SIA Executive	-	2,800
Universal Access	1,612,706	-
Corporate Communications	61,120	23,904
Management and General	18,430	160,724
	<u>\$ 12,936,211</u>	<u>\$ 11,771,929</u>

IFF and Subsidiaries

Notes to Consolidated Financial Statements

Note 14. Net Assets with Donor Restrictions (Continued)

In 2019 and 2018, net assets were released from donor restrictions by incurring expenses satisfying the purpose or expiration of time restrictions as follows:

	2019	2018
Net assets released from restrictions:		
Time and performance restrictions (operating)	\$ 3,157,182	\$ 4,435,948
Performance restrictions - Pass through Grants (operating)	6,602,606	4,181,754
Loan capital grants (capital)	2,242,782	6,094,505
Increase to provision for loan losses (capital)	2,666,126	3,316,681
	<u>\$ 14,668,696</u>	<u>\$ 18,028,888</u>

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 contributions for the years ended December 31, 2019 and 2018, was \$403,169 and \$336,329, respectively.

Note 16. Functional Expense Classifications

The costs of providing program and other activities have been summarized below on a functional basis. The schedule below presents the natural classification of expenses by function, including supporting services. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that cannot be directly attributed to a specific program area are charged to individual program areas based on the most appropriate allocation base. IFF bases the allocation of these expenses on a full time equivalent (FTE) count and for personnel costs, on the basis of the employee's time dedicated to each program. Core Business Solutions programs include Capital Solutions Executive, Capital Solutions (lending) and Real Estate Solutions (consulting). Social Impact Accelerator (SIA) programs include Development, Early Childhood Services, Research and Evaluation, School Services, SIA Executive and Universal Access.

IFF and Subsidiaries

Notes to Consolidated Financial Statements

Note 16. Functional Expense Classifications (Continued)

IFF's expenses without donor restrictions for the years ended December 31, 2019 and 2018, reported on a functional basis are as follows:

	Program Services				Support Services			Total
	Core Business Solutions	SIA	Policy and Corporate Communication	Total Program Services	Management and General	Resource Development (fundraising)	Total Support Services	
December 31, 2019								
Salaries and benefits	\$ 7,110,255	\$ 2,357,412	\$ 494,539	\$ 9,962,206	\$ 1,109,895	\$ 237,704	\$ 1,347,599	\$ 11,309,805
Professional fees	2,346,700	434,140	26,206	2,807,046	124,468	11,213	135,681	2,942,727
Occupancy and office	834,286	1,007,584	63,189	1,905,059	430,185	46,690	476,875	2,381,934
Printing and marketing	32,385	57,071	59,372	148,828	10,589	6,217	16,806	165,634
Interest	10,547,049	-	-	10,547,049	-	-	-	10,547,049
Other operating	473,937	320,037	32,600	826,574	131,078	13,706	144,784	971,358
Pass through grants	2,600,492	4,002,114	-	6,602,606	-	-	-	6,602,606
Meetings and travel	461,215	311,672	27,533	800,420	146,304	26,842	173,146	973,566
Depreciation and amortization	210,509	1,152,054	13,567	1,376,130	96,235	10,175	106,410	1,482,540
Gain on sale of foreclosed assets	(198,317)	-	-	(198,317)	-	-	-	(198,317)
Loss on sale of properties, furniture and equipment	-	-	-	-	7,151	-	7,151	7,151
Income tax benefit	-	-	-	-	(3,920)	-	(3,920)	(3,920)
Provision for loan losses	2,666,126	-	-	2,666,126	-	-	-	2,666,126
Total expenses	\$ 27,084,637	\$ 9,642,084	\$ 717,006	\$ 37,443,727	\$ 2,051,985	\$ 352,547	\$ 2,404,532	\$ 39,848,259
December 31, 2018								
Salaries and benefits	\$ 6,790,476	\$ 2,566,382	\$ 433,192	\$ 9,790,050	\$ 948,386	\$ 202,127	\$ 1,150,513	\$ 10,940,563
Professional fees	1,838,129	445,826	88,743	2,372,698	131,389	36,008	167,397	2,540,095
Occupancy and office	775,629	952,736	59,944	1,788,309	366,261	44,897	411,158	2,199,467
Printing and marketing	34,570	40,386	33,313	108,269	6,831	1,651	8,482	116,751
Interest	10,242,412	-	-	10,242,412	-	-	-	10,242,412
Other operating	467,054	251,987	29,489	748,530	118,974	15,140	134,114	882,644
Pass through grants	2,996,393	1,185,361	-	4,181,754	-	-	-	4,181,754
Meetings and travel	443,032	296,890	65,171	805,093	67,717	19,356	87,073	892,166
Depreciation and amortization	235,980	1,045,315	12,611	1,293,906	83,155	9,459	92,614	1,386,520
Gain on sale of foreclosed assets	(177,989)	-	-	(177,989)	-	-	-	(177,989)
Loss on sale of properties, furniture and equipment	-	-	-	-	11,002	-	11,002	11,002
Income tax (benefit) expense	(141)	-	-	(141)	22,600	-	22,600	22,459
Release of provision for loan losses	3,316,681	-	-	3,316,681	-	-	-	3,316,681
Total expenses	\$ 26,962,226	\$ 6,784,883	\$ 722,463	\$ 34,469,572	\$ 1,756,315	\$ 328,638	\$ 2,084,953	\$ 36,554,525

IFF and Subsidiaries

Notes to Consolidated Financial Statements

Note 17. Liquidity and Availability of Financial Resources

Financial assets available for general operating use without donor or other restrictions limiting their use within one year of the statement of financial position date, comprise the following for fiscal years ended December 31, 2019 and 2018:

	2019	2018
Cash and cash equivalents	\$ 29,695,715	\$ 42,295,433
Current portion of grants receivable, other receivables, prepaids and deposits	7,288,453	4,621,620
Current portion of loans receivable	38,039,999	31,281,130
Accrued interest receivable	1,887,585	1,475,616
	<u>\$ 76,911,752</u>	<u>\$ 79,673,799</u>

As part of IFF's internal cash management process, IFF aims to maintain operating liquidity balances of at least three months of operating expenses. In addition, IFF regularly monitors the availability of resources required to manage liquidity, using a rolling six-month cash reconciliation and forecast model encompassing, but not limited to, operating expenses, loan disbursements projections, debt servicing requirements, including maturing borrowings, and incoming loan principal and interest payments.

The cash reconciliation and forecasting model helps to support the management of the timing and use of commitments available to IFF, including its Investor Consortium note issuance program. This report is reviewed bi-monthly by management to manage liquidity judiciously.

This is further supported by IFFs annual budgeting process and five year forecast which project financing activity with detailed deployment and capital assumptions.

To supplement liquidity for mission related financing, IFF currently has available undrawn commitments totaling \$8,890,564 as of December 31, 2019, see Notes 10 and 11.

Other sources of liquidity include a participation strategy when considering larger loans, IFF will engage other CDFIs and organizations to participate in co-lending arrangements.

Note 18. 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.

IFF and Subsidiaries

Notes to Consolidated Financial Statements

Note 18. Fair Value of Financial Instruments (Continued)

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.

IFF values 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:

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, 2019			
	Totals	Level 1	Level 2	Level 3
Investment in limited liability companies	\$ 228,283	\$ -	\$ -	\$ 228,284
	<u>\$ 228,283</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 228,284</u>

	Fair Value Measurements at December 31, 2018			
	Totals	Level 1	Level 2	Level 3
Investment in limited liability companies	\$ 229,269	\$ -	\$ -	\$ 229,269
	<u>\$ 229,269</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 229,269</u>

As of December 31, 2019 and 2018, there were no transfers between the levels.

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 Level 3 in the fair value hierarchy.

IFF and Subsidiaries

Notes to Consolidated Financial Statements

Note 18. 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, 2019			
	Totals	Level 1	Level 2	Level 3
Assets				
Impaired loans	\$ 9,271,592	\$ -	\$ -	\$ 9,271,592
Foreclosed assets	2,267,659	-	-	2,267,659
	<u>\$ 11,539,251</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,539,251</u>

	Fair Value Measurements at December 31, 2018			
	Totals	Level 1	Level 2	Level 3
Assets				
Impaired loans	\$ 4,529,594	\$ -	\$ -	\$ 4,529,594
Foreclosed assets	2,986,859	-	-	2,986,859
	<u>\$ 7,516,453</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,516,453</u>

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, 2019 and 2018, 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 and 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 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 19. Concentration of Credit Risk

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

IFF and Subsidiaries

Notes to Consolidated Financial Statements

Note 19. Concentration of Credit Risk (Continued)

Approximately 37% and 39% of IFF's borrowers are located in the Chicago metropolitan area as of December 31, 2019 and 2018, respectively. A breakdown of the sector of borrowers at December 31, 2019 and 2018, were comprised of the following:

	2019		2018	
Affordable housing	\$ 93,905,717	24%	\$ 80,199,994	23%
Charter school	72,164,955	18%	62,769,011	18%
Health care	40,842,274	10%	38,912,081	11%
Other	29,403,846	8%	25,977,903	7%
Multi-service	25,427,253	6%	18,301,744	5%
Education - other	21,186,633	5%	20,594,269	6%
Community development	20,145,483	5%	16,582,248	5%
Youth services	19,757,787	5%	21,043,178	6%
Universal access services	16,542,453	4%	17,045,016	5%
Early childhood education (child care)	15,618,204	4%	11,621,956	3%
Arts and culture	12,376,407	3%	10,817,336	3%
Housing (other)	10,872,596	3%	10,868,158	3%
Workforce development (job training)	8,005,002	2%	5,074,818	1%
Healthy foods	6,115,890	2%	6,372,845	2%
Education - private (non charter)	3,635,787	1%	5,930,271	2%
	<u>\$ 396,000,287</u>	<u>100%</u>	<u>\$ 352,110,828</u>	<u>100%</u>

Note 20. Limited Liability Companies

New Markets Tax Credit LLCs:

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, \$43,000,000 allocation in 2014, \$50,000,000 allocation in 2015, and an \$80,000,000 allocation in 2016. IFF also received a \$5,000,000 Illinois New Markets Tax Credit in 2015. Upon receiving these allocations, various for-profit limited liability companies (New Markets Tax Credit LLCs) were established to facilitate the New Markets Tax Credit Program. As of December 31, 2018, all the allocations have been allocated.

IFF is the managing member and has a stated ownership interest of .01% to .10% in these New Markets Tax Credit LLCs. IFF's investment in these LLCs are recorded in the consolidated statements of financial position in other assets. As of December 31, 2019 and 2018, IFF's ownership value in these New Markets Tax Credit LLCs was \$19,696 and \$20,594, respectively.

IFF provides certain asset management and compliance oversight services to the New Markets Tax Credit LLCs, as provided in the respective operating agreements. IFF receives management fees from these New Markets Tax Credit LLCs and are recorded on the consolidated statements of activities in management and sponsor fees. The total of this revenue for 2019 and 2018 was \$1,176,139 and \$1,108,261, respectively.

IFF and Subsidiaries

Notes to Consolidated Financial Statements

Note 20. Limited Liability Companies (Continued)

As managing member in the New Markets Tax Credit 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, 2019 and 2018, no liability is recorded because of such event.

Access Housing I, LLC:

In 2015, Access Housing I, LLC (LLC) closed on the Low-Income Housing Tax Credit (LIHTC) deal with PNC Bank, National Association. This project assembled low-income housing tax credits, grants and loans to develop 25 two- to four-flats for people with all types of disabilities, referred via the State Referral Network. The project combines new construction and rehabilitation on foreclosed sites.

IFF is the managing member and has a stated ownership interest of .01% in Access Housing I, LLC. IFF's investment is recorded in the consolidated statements of financial position in other assets. As of December 31, 2019 and 2018, IFF's ownership value in this LLC was \$208,587 and \$208,675, respectively.

IFF provides certain services to the LLC, as provided in the operating agreement. IFF did not receive a developer fee in 2019. IFF did receive a developer fee of \$635,085 in 2018 from this LLC. This fee income is recorded on the consolidated statements of activities in developer fees.

As managing member in this LLC, 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 member against all recapture liability and any other economic losses incurred by the member as a result of any such recapture event. As of December 31, 2019 and 2018, no liability is recorded because of such event.

Access West Cook I, LLC:

In 2018, Access Housing I, LLC (LLC) closed on the Low-Income Housing Tax Credit (LIHTC) deal with PNC Bank, National Association. This project assembled low-income housing tax credits, grants and loans to develop 50 units of integrated rental housing for people with disabilities, referred via the State Referral Network. The project combines new construction and rehabilitation on foreclosed sites.

IFF is the managing member and has a stated ownership interest of .01% in Access West Cook I, LLC. As of December 31, 2019, IFF has not made an equity investment in this entity.

IFF provides certain services to the LLC, as provided in the operating agreement. IFF did not receive a developer fee in 2019. IFF did receive a developer fee of \$195,020 in 2018 from this LLC. This fee income is recorded on the consolidated statements of activities in developer fees.

As managing member in this LLC, 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 member against all recapture liability and any other economic losses incurred by the member as a result of any such recapture event. As of December 31, 2019, no liability is recorded because of such event.

Supplementary Information

IFF and Subsidiaries

Consolidating Statement of Financial Position
December 31, 2019
(See Independent Auditor's Report)

	IFF*	Home First Illinois, LLC	IFF CILA Lease Program, LLC	IFF Pay for Success I, LLC	IFF Pay for Success II, LLC	IFF Waukegan Market LLC	IFF Rockford Market LLC	IFF Von Humboldt, LLC	IFF Quality Seats - Broadway, LLC	IFF Hatchery, LLC	Home First, LLC	Community Living Initiative, LLC	Access Peoria, LLC	Access Housing I MM, LLC	Access West Cook I MM, LLC	Chatham 79th Street, LLC	Neal School Development LLC	Eliminations	Consolidated
Assets																			
Cash and cash equivalents	\$ 27,150,985	\$ 52,247	\$ 247,142	\$ 366,915	\$ 75,532	\$ 337,164	\$ 138,580	\$ -	\$ 222,723	\$ 1,865	\$ 1,000,170	\$ 86,865	\$ 12,515	\$ 371	\$ 1,683	\$ -	\$ 958	\$ -	\$ 29,695,715
Other restricted cash and interest-bearing deposits in banks	5,232,045	1,124,504	-	-	-	-	-	-	-	-	-	47,105	506,728	-	-	-	-	-	6,910,382
Department of Education restricted cash and interest-bearing deposits in banks	20,249,423	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	20,249,423
Grants receivable, other receivables, prepaids and deposits	15,202,475	59,537	4,931	1,002,962	656,029	85,634	98,526	-	91,000	-	-	14,554	7,248	-	1,497,215	-	48,400	(4,842,912)	13,925,599
Loans receivable, net	377,255,237	-	-	13,612,504	-	-	-	-	-	-	-	-	-	-	-	-	-	(7,457,683)	383,410,058
Accrued interest receivable	1,922,288	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(34,703)	1,887,585
Properties owned by IFF and IFF's subsidiaries, net	-	12,300,283	1,754,708	-	-	3,056,183	2,669,010	-	5,684,796	328,905	-	3,281,306	3,059,581	-	-	-	-	-	32,134,772
Federal Home Loan Bank stock, at cost	630,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	630,000
Foreclosed assets, net	2,267,659	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,267,659
Furniture, equipment and leasehold improvements, net	1,114,371	-	-	-	-	-	-	-	98,103	-	-	-	-	-	-	-	-	-	1,212,474
Capitalized finance costs, net	8,866	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,866
Other assets	2,069,691	-	-	-	-	-	-	-	-	-	232,043	-	-	208,587	-	-	-	(2,281,025)	229,296
	<u>\$ 453,103,040</u>	<u>\$ 13,536,571</u>	<u>\$ 2,006,781</u>	<u>\$ 14,982,381</u>	<u>\$ 731,561</u>	<u>\$ 3,478,981</u>	<u>\$ 2,906,116</u>	<u>\$ -</u>	<u>\$ 6,096,622</u>	<u>\$ 330,770</u>	<u>\$ 1,232,213</u>	<u>\$ 3,429,830</u>	<u>\$ 3,586,072</u>	<u>\$ 208,958</u>	<u>\$ 1,498,898</u>	<u>\$ -</u>	<u>\$ 49,358</u>	<u>\$ (14,616,323)</u>	<u>\$ 492,561,829</u>
Liabilities and Net Assets																			
Liabilities:																			
Accrued liabilities	\$ 3,100,989	\$ 128,829	\$ 89,033	\$ 366,915	\$ 731,561	\$ 77,983	\$ 59,939	\$ -	\$ 52	\$ 340,011	\$ -	\$ 552,470	\$ 48,232	\$ 992	\$ 1,495,898	\$ -	\$ 48,524	\$ (2,561,058)	\$ 4,480,370
Accrued interest payable	1,559,046	-	6,163	1,002,962	-	-	4,154	-	20,146	-	-	4,240	-	-	-	-	-	(34,703)	2,562,008
Deferred grant revenue	6,724,008	11,010,650	-	-	-	-	236,315	-	-	-	-	-	2,379,358	-	-	-	-	-	20,350,331
Investor Consortium collateral trust notes, net	161,255,022	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	161,255,022
Borrowings, net	143,557,925	1,281,853	1,788,760	13,612,504	-	-	952,996	-	3,866,026	-	1,000,000	2,715,851	-	-	-	-	-	(9,739,537)	159,038,378
Equity equivalent borrowings, net	17,085,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	17,085,000
Bond Guarantee Program borrowings, net	22,093,824	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	22,093,824
Loan participations payable	840,804	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	840,804
	<u>356,216,618</u>	<u>12,421,332</u>	<u>1,883,956</u>	<u>14,982,381</u>	<u>731,561</u>	<u>77,983</u>	<u>1,253,404</u>	<u>-</u>	<u>3,886,224</u>	<u>340,011</u>	<u>1,000,000</u>	<u>3,272,561</u>	<u>2,427,590</u>	<u>992</u>	<u>1,495,898</u>	<u>-</u>	<u>48,524</u>	<u>(12,335,298)</u>	<u>387,705,737</u>
Net assets (deficit):																			
Without donor restrictions	48,071,784	1,115,239	122,825	-	-	3,399,998	1,651,712	-	190,166	(11,241)	205,463	154,769	1,155,482	(15,577)	-	-	-	-	56,040,620
With donor restrictions	48,814,638	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	834	-	48,815,472
Member's equity:																			
Capital contributions	-	-	-	-	-	1,000	1,000	-	2,018,232	2,000	26,750	2,500	3,000	223,543	3,000	-	-	(2,281,025)	-
	<u>96,886,422</u>	<u>1,115,239</u>	<u>122,825</u>	<u>-</u>	<u>-</u>	<u>3,400,998</u>	<u>1,652,712</u>	<u>-</u>	<u>2,208,398</u>	<u>(9,241)</u>	<u>232,213</u>	<u>157,269</u>	<u>1,158,482</u>	<u>207,966</u>	<u>3,000</u>	<u>-</u>	<u>834</u>	<u>(2,281,025)</u>	<u>104,856,092</u>
	<u>\$ 453,103,040</u>	<u>\$ 13,536,571</u>	<u>\$ 2,006,781</u>	<u>\$ 14,982,381</u>	<u>\$ 731,561</u>	<u>\$ 3,478,981</u>	<u>\$ 2,906,116</u>	<u>\$ -</u>	<u>\$ 6,096,622</u>	<u>\$ 330,770</u>	<u>\$ 1,232,213</u>	<u>\$ 3,429,830</u>	<u>\$ 3,586,072</u>	<u>\$ 208,958</u>	<u>\$ 1,498,898</u>	<u>\$ -</u>	<u>\$ 49,358</u>	<u>\$ (14,616,323)</u>	<u>\$ 492,561,829</u>

* Includes IFF Real Estate Services, LLC, IFF Housing, LLC, IFF Development, LLC, 4731 Delmar LLC, 5326 Hillside, LLC, 2819 Highland, LLC and 3423 Michigan Ave., LLC
1 - There has been no activity in Access Southwest Chicago I, LLC, Access Southwest Chicago I MM, LLC, and Detroit Learning Lab Northwest, LLC, thus not shown on this statement.

IFF and Subsidiaries

Consolidating Statement of Financial Position
December 31, 2018
(See Independent Auditor's Report)

	IFF*	IFF NMTC Senior Lender, LLC	Home First Illinois, LLC	IFF CILA Lease Program, LLC	IFF Pay for Success I, LLC	IFF Pay for Success II, LLC	IFF Waukegan Market LLC	IFF Rockford Market LLC	IFF Von Humboldt, LLC	IFF Quality Seats - Broadway, LLC	IFF Hatchery, LLC	Home First, LLC	Community Living Initiative, LLC	Access Peoria, LLC	Access Housing I MM, LLC	Access West Cook I MM, LLC	Chatham 79th Street, LLC	Eliminations	Consolidated	
Assets																				
Cash and cash equivalents	\$ 39,598,416	\$ -	\$ 106,326	\$ 229,888	\$ 383,317	\$ 45,261	\$ 249,965	\$ 115,857	\$ 250,000	\$ 259,793	\$ 2,000	\$ 1,000,245	\$ 19,631	\$ 8,309	\$ 980	\$ 1,664	\$ 23,781	\$ -	\$ 42,295,433	
Other restricted cash and interest-bearing deposits in banks	6,135,947	-	1,052,961	-	-	-	-	-	-	-	-	-	46,389	514,671	-	-	-	-	7,749,968	
Department of Education restricted cash and interest-bearing deposits in banks	19,961,088	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	19,961,088	
Grants receivable, other receivables, prepaids and deposits	15,026,117	-	46,936	5,119	884,652	49,351	80,460	135,331	-	73,508	-	-	6,815	11,330	-	1,280,593	-	(8,437,693)	9,162,519	
Loans receivable, net	334,272,941	-	-	-	14,494,722	-	-	-	-	-	-	-	-	-	-	-	-	-	(7,704,010)	341,063,653
Accrued interest receivable	1,511,694	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(36,078)	1,475,616
Properties owned by IFF and IFF's subsidiaries, net	-	-	12,813,170	1,806,331	-	-	3,143,503	2,746,186	3,608,538	5,853,286	328,905	-	3,294,841	3,146,997	-	-	476,619	-	37,218,376	
Federal Home Loan Bank stock, at cost	315,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	315,000	
Foreclosed assets, net	2,986,859	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,986,859	
Furniture, equipment and leasehold improvements, net	978,943	-	-	-	-	-	-	-	-	58,931	-	-	-	-	-	-	-	-	1,037,874	
Capitalized finance costs, net	10,694	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,694	
Other assets	2,561,510	-	-	-	-	-	-	-	-	-	-	231,043	-	-	208,675	-	-	(2,770,947)	230,281	
	<u>\$ 423,359,209</u>	<u>\$ -</u>	<u>\$ 14,019,393</u>	<u>\$ 2,041,338</u>	<u>\$ 15,762,691</u>	<u>\$ 94,612</u>	<u>\$ 3,473,928</u>	<u>\$ 2,997,374</u>	<u>\$ 3,858,538</u>	<u>\$ 6,245,518</u>	<u>\$ 330,905</u>	<u>\$ 1,231,288</u>	<u>\$ 3,367,676</u>	<u>\$ 3,681,307</u>	<u>\$ 209,655</u>	<u>\$ 1,282,257</u>	<u>\$ 500,400</u>	<u>\$ (18,948,728)</u>	<u>\$ 463,507,361</u>	
Liabilities and Net Assets																				
Liabilities:																				
Accrued liabilities	\$ 3,759,899	\$ -	\$ 258,810	\$ 89,282	\$ 395,798	\$ 94,612	\$ 73,459	\$ 61,263	\$ 3,858,538	\$ 29,620	\$ 329,051	\$ -	\$ 589,160	\$ 46,738	\$ 508	\$ 1,279,257	\$ 400	\$ (6,107,121)	\$ 4,759,274	
Accrued interest payable	1,263,085	-	-	6,309	872,171	-	-	4,604	-	20,748	-	-	4,417	-	-	-	-	(36,078)	2,135,256	
Deferred grant revenue	-	-	11,010,650	-	-	-	-	236,315	-	-	-	-	-	2,379,358	-	-	-	-	13,628,323	
Investor Consortium collateral trust notes, net	140,991,942	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	140,991,942	
Borrowings, net	135,395,405	-	1,330,573	1,831,010	14,494,722	-	-	1,018,978	-	3,983,535	-	1,000,000	2,817,614	-	-	-	-	(10,034,582)	151,837,255	
Equity equivalent borrowings, net	24,827,603	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	24,827,603	
Bond Guarantee Program borrowings, net	22,860,175	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	22,860,175	
Loan participations payable	323,745	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	323,745	
	<u>329,421,854</u>	<u>-</u>	<u>12,600,033</u>	<u>1,926,601</u>	<u>15,762,691</u>	<u>94,612</u>	<u>73,459</u>	<u>1,321,160</u>	<u>3,858,538</u>	<u>4,033,903</u>	<u>329,051</u>	<u>1,000,000</u>	<u>3,411,191</u>	<u>2,426,096</u>	<u>508</u>	<u>1,279,257</u>	<u>400</u>	<u>(16,177,781)</u>	<u>361,361,573</u>	
Net assets (deficit):																				
Without donor restrictions	44,869,599	-	709,031	114,737	-	-	3,399,469	1,675,214	-	201,461	(146)	205,538	(46,911)	1,252,211	-	-	-	(13,396)	52,366,807	
With donor restrictions	49,067,756	-	710,329	-	-	-	-	-	-	-	-	-	896	-	-	-	-	-	49,778,981	
Member's equity:																				
Capital contributions	-	-	-	-	-	-	1,000	1,000	-	2,010,154	2,000	25,750	2,500	3,000	222,543	3,000	500,000	(2,770,947)	-	
Retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(13,396)	-	-	13,396	-	
	<u>93,937,355</u>	<u>-</u>	<u>1,419,360</u>	<u>114,737</u>	<u>-</u>	<u>-</u>	<u>3,400,469</u>	<u>1,676,214</u>	<u>-</u>	<u>2,211,615</u>	<u>1,854</u>	<u>231,288</u>	<u>(43,515)</u>	<u>1,255,211</u>	<u>209,147</u>	<u>3,000</u>	<u>500,000</u>	<u>(2,770,947)</u>	<u>102,145,788</u>	
	<u>\$ 423,359,209</u>	<u>\$ -</u>	<u>\$ 14,019,393</u>	<u>\$ 2,041,338</u>	<u>\$ 15,762,691</u>	<u>\$ 94,612</u>	<u>\$ 3,473,928</u>	<u>\$ 2,997,374</u>	<u>\$ 3,858,538</u>	<u>\$ 6,245,518</u>	<u>\$ 330,905</u>	<u>\$ 1,231,288</u>	<u>\$ 3,367,676</u>	<u>\$ 3,681,307</u>	<u>\$ 209,655</u>	<u>\$ 1,282,257</u>	<u>\$ 500,400</u>	<u>\$ (18,948,728)</u>	<u>\$ 463,507,361</u>	

* Includes IFF Real Estate Services, LLC, IFF Housing, LLC, IFF Development, LLC, 4731 Delmar LLC, 5326 Hillside, LLC, 2819 Highland, LLC and 3423 Michigan Ave., LLC
 1 - There has been no activity in Access Southwest Chicago I, LLC, Access Southwest Chicago I MM, LLC, and Detroit Learning Lab Northwest, LLC, thus not shown on this statement.

IFF and Subsidiaries

Consolidating Statement of Activities and Changes in Net Assets
Year Ended December 31, 2019
(See Independent Auditor's Report)

	IFF*	Home First Illinois, LLC	IFF CILA Lease Program, LLC	IFF Pay for Success I, LLC	IFF Pay for Success II, LLC	IFF Waukegan Market LLC	IFF Rockford Market LLC	IFF Von Humboldt, LLC	IFF Quality Seats - Broadway, LLC	IFF Hatchery, LLC	Home First, LLC	Community Living Initiative, LLC	Access Peoria, LLC	Access Housing I MM, LLC	Access West Cook I MM, LLC	Chatham 79th Street, LLC	Neal School Development LLC	Eliminations	Consolidated
Net assets without donor restrictions - operating:																			
Support and revenue:																			
Corporations, foundations and individuals	\$ 225,750	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 225,750
Interest on loans	20,442,103	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(421,101)	20,021,002
Consulting contract fees	1,808,825	-	-	620,582	687,695	-	-	-	-	-	-	-	-	-	-	-	-	(461,136)	2,655,966
Developer fees	448,565	-	-	-	-	-	-	191,860	-	-	-	-	-	-	-	10,333	-	(202,193)	448,565
Management and sponsor fees	1,775,909	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(122,454)	1,653,455
Syndication fees	159,192	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	159,192
Loan fees	54,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	54,500
Other interest income	219,752	6,220	-	-	-	-	3,173	-	-	-	-	716	3,747	-	-	-	-	-	233,608
Rental income	114,000	890,800	168,018	-	-	117,000	117,000	-	469,074	-	-	103,588	98,888	-	-	-	-	-	2,078,166
Reimbursed professional fees	-	-	-	20,181	914,476	85,821	53,273	-	-	-	-	15,804	-	-	-	-	-	-	1,089,555
Unrealized gains (losses) on other assets	170	-	-	-	-	-	-	-	-	-	-	-	-	(88)	-	-	-	-	82
Realized gains on other assets	41	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	41
Forgiveness of debt	-	48,720	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(48,720)	233,494
Net assets released from restrictions	2,445,371	710,329	-	-	-	-	-	-	-	-	-	233,494	896	-	-	-	586	-	3,157,182
Net assets released from restrictions - pass through grants	5,378,258	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,224,348	-	6,602,606
	33,072,436	1,656,069	168,018	640,763	1,602,171	202,821	173,446	191,860	469,074	-	-	354,296	102,635	(88)	-	10,333	1,224,934	(1,255,604)	38,613,164
Expenses:																			
Salaries and benefits	11,783,356	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(473,551)	11,309,805
Professional fees	1,203,313	179,653	21,238	48,730	1,601,172	14,000	14,000	191,860	14,000	-	-	509	16,821	465	-	10,333	-	(373,367)	2,942,727
Occupancy and office	1,690,424	459,571	11,670	-	-	95,340	54,407	-	-	6,239	-	8,880	55,403	-	-	-	-	-	2,381,934
Printing and marketing	165,634	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	165,634
Interest	9,961,467	-	74,763	585,582	-	-	49,175	-	245,098	-	-	39,650	-	-	-	-	-	(408,686)	10,547,049
Other operating	752,447	127,611	636	6,451	999	5,632	2,190	-	192	4,856	75	28,331	39,724	1,628	-	-	586	-	971,358
Pass through grants	5,378,258	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,224,348	-	6,602,606
Meetings and travel	973,566	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	973,566
Depreciation and amortization	399,654	483,026	51,623	-	-	87,320	77,176	-	221,079	-	-	75,246	87,416	-	-	-	-	-	1,482,540
Gain on sale of foreclosed assets	(198,317)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(198,317)
Loss on sale of properties, furniture and equipment	7,151	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,151
Income tax benefit	(3,920)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,920)
	32,113,033	1,249,861	159,930	640,763	1,602,171	202,292	196,948	191,860	480,369	11,095	75	152,616	199,364	2,093	-	10,333	1,224,934	(1,255,604)	37,182,133
Increase (decrease) in net assets without donor restrictions - operating	959,403	406,208	8,088	-	-	529	(23,502)	-	(11,295)	(11,095)	(75)	201,680	(96,729)	(2,181)	-	-	-	-	1,431,031
Net assets without donor restrictions - capital:																			
Support and revenue:																			
Net assets released from restrictions - loan capital grants	2,242,782	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,242,782
Net assets released from restrictions - capital provision for loan losses	2,666,126	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,666,126
	4,908,908	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,908,908
Expenses:																			
Provision for loan losses	2,666,126	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,666,126
	2,666,126	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,666,126
Increase in net assets without donor restrictions - capital	2,242,782	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,242,782
Increase (decrease) in net assets without donor restrictions	3,202,185	406,208	8,088	-	-	529	(23,502)	-	(11,295)	(11,095)	(75)	201,680	(96,729)	(2,181)	-	-	-	-	3,673,813

(Continued)

IFF and Subsidiaries

Consolidating Statement of Activities and Changes in Net Assets (Continued)
 Year Ended December 31, 2019
 (See Independent Auditor's Report)

	IFF*	Home First Illinois, LLC	IFF CILA Lease Program, LLC	IFF Pay for Success I, LLC	IFF Pay for Success II, LLC	IFF Waukegan Market LLC	IFF Rockford Market LLC	IFF Von Humboldt, LLC	IFF Quality Seats - Broadway, LLC	IFF Hatchery, LLC	Home First, LLC	Community Living Initiative, LLC	Access Peoria, LLC	Access Housing I MM, LLC	Access West Cook I MM, LLC	Chatham 79th Street, LLC	Neal School Development LLC	Eliminations	Consolidated
Net assets with donor restrictions:																			
Program and operating grants	\$ 9,697,955	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,225,768	\$ -	\$ 10,923,723
Loan capital grants	2,492,782	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,492,782
Interest income	288,682	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	288,682
Net assets released from restrictions - operating	(2,445,371)	(710,329)	-	-	-	-	-	-	-	-	-	(896)	-	-	-	-	(586)	-	(3,157,182)
Net assets released from restrictions - pass through grants	(5,378,258)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,224,348)	-	(6,602,606)
Net assets released from restrictions - loan capital grants	(2,242,782)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,242,782)
Net assets released from restrictions - capital provision for loan losses	(2,666,126)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,666,126)
(Decrease) increase in net assets with donor restrictions	(253,118)	(710,329)	-	-	-	-	-	-	-	-	-	(896)	-	-	-	-	834	-	(963,509)
Increase (decrease) in net assets	2,949,067	(304,121)	8,088	-	-	529	(23,502)	-	(11,295)	(11,095)	(75)	200,784	(96,729)	(2,181)	-	-	834	-	2,710,304
Net assets/retained earnings (deficit):																			
Beginning of year	93,937,355	1,419,360	114,737	-	-	3,399,469	1,675,214	-	201,461	(146)	205,538	(46,015)	1,252,211	(13,396)	-	-	-	-	102,145,788
End of year	\$ 96,886,422	\$ 1,115,239	\$ 122,825	\$ -	\$ -	\$ 3,399,998	\$ 1,651,712	\$ -	\$ 190,166	\$ (11,241)	\$ 205,463	\$ 154,769	\$ 1,155,482	\$ (15,577)	\$ -	\$ -	\$ 834	\$ -	\$ 104,856,092

* Includes IFF Real Estate Services, LLC, IFF Housing, LLC, IFF Development, LLC, 4731 Delmar LLC, 5326 Hillside, LLC, 2819 Highland, LLC and 3423 Michigan Ave., LLC
 1 - There has been no activity in Access Southwest Chicago I, LLC, Access Southwest Chicago I MM, LLC, and Detroit Learning Lab Northwest, LLC, thus not shown on this statement.

IFF and Subsidiaries

Consolidating Statement of Activities and Changes in Net Assets
 Year Ended December 31, 2018
 (See Independent Auditor's Report)

	IFF*	IFF NMTC Senior Lender, LLC	Home First Illinois, LLC	IFF CILA Lease Program, LLC	IFF Pay for Success I, LLC	IFF Pay for Success II, LLC	IFF Waukegan Market LLC	IFF Rockford Market LLC	IFF Von Humboldt, LLC	IFF Quality Seats - Broadway, LLC	IFF Hatchery, LLC	Home First, LLC	Community Living Initiative, LLC	Access Peoria, LLC	Access Housing I MM, LLC	Access West Cook I MM, LLC	Chatham 79th Street, LLC	Eliminations	Consolidated
Net assets without donor restrictions - operating:																			
Support and revenue:																			
Corporations, foundations and individuals	\$ 219,625	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 219,625
Interest on loans	18,168,958	382,818	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(802,810)	17,748,966
Consulting contract fees	1,940,752	-	-	-	638,817	40,000	-	-	-	-	-	-	-	-	-	-	-	-	2,619,569
Developer fees	903,997	-	-	-	-	-	-	-	-	-	-	830,105	-	-	-	-	-	(722,473)	1,011,629
Management and sponsor fees	1,643,265	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(145,989)	1,497,276
Syndication fees	1,238,384	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,238,384
Loan fees	12,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12,000
Other interest income	183,805	-	133	-	-	-	5,223	-	-	-	-	-	-	-	-	-	-	-	197,706
Rental income	174,000	-	801,154	167,578	-	-	117,000	117,000	-	423,823	-	-	75,347	80,758	-	-	-	-	1,956,660
Reimbursed professional fees	-	-	-	-	260,332	62,017	83,069	55,107	-	-	-	-	9,142	-	-	-	-	-	469,667
Unrealized gains (losses) on other assets	201	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(26)	-	-	175
Realized (losses) gains on other assets	(16,682)	16,682	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Forgiveness of debt	736,453	-	48,720	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(48,720)	736,453
Net assets released from restrictions	2,510,091	-	405,063	-	-	-	-	77,176	-	-	31,805	-	-	1,443,618	-	-	-	(31,805)	4,435,948
Net assets released from restrictions - Pass through Grants	4,181,754	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,181,754
	31,896,603	399,500	1,255,070	167,578	899,149	102,017	200,069	254,506	-	423,823	31,805	830,105	84,489	1,532,921	(26)	-	-	(1,751,797)	36,325,812
Expenses:																			
Salaries and benefits	10,962,542	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(21,979)	10,940,563
Professional fees	2,094,772	17,782	151,109	21,592	288,979	100,769	14,000	14,000	-	14,000	(2,247)	722,474	3,604	21,344	(4,901)	-	-	(917,182)	2,540,095
Occupancy and office	1,550,656	-	428,638	10,984	-	239	83,068	55,207	-	3,913	-	-	16,492	50,270	-	-	-	-	2,199,467
Printing and marketing	116,751	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	116,751
Interest	9,638,595	370,840	-	76,475	603,817	-	-	52,400	-	252,115	-	-	29,001	-	-	-	-	(780,831)	10,242,412
Other operating	726,262	822	71,686	459	6,353	1,009	4,483	2,973	-	82	719	75	36,706	29,618	1,397	-	-	-	882,644
Pass through grants	4,181,754	-	-	-	-	-	-	-	-	-	31,805	-	-	-	-	-	-	(31,805)	4,181,754
Meetings and travel	892,166	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	892,166
Depreciation and amortization	406,970	-	453,568	51,574	-	-	87,320	77,176	-	133,130	-	-	89,365	87,417	-	-	-	-	1,386,520
Gain on sale of foreclosed assets	(177,989)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(177,989)
Loss on sale of properties, furniture and equipment	11,002	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11,002
Income tax expense (benefit)	22,600	(141)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	22,459
	30,426,081	389,303	1,105,001	161,084	899,149	102,017	188,871	201,756	-	403,240	30,277	722,549	175,168	188,649	(3,504)	-	-	(1,751,797)	33,237,844
Increase (decrease) in net assets without donor restrictions - operating	1,470,522	10,197	150,069	6,494	-	-	11,198	52,750	-	20,583	1,528	107,556	(90,679)	1,344,272	3,478	-	-	-	3,087,968
Net assets without donor restrictions - capital:																			
Support and revenue:																			
Net assets released from restrictions - loan capital grants	6,094,505	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,094,505
Net assets released from restrictions - capital provision for loan losses	3,316,681	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,316,681
	9,411,186	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,411,186
Expenses:																			
Provision for loan losses	3,316,681	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,316,681
	3,316,681	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,316,681
Increase in net assets without donor restrictions - capital	6,094,505	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,094,505
Increase (decrease) in net assets without donor restrictions	7,565,027	10,197	150,069	6,494	-	-	11,198	52,750	-	20,583	1,528	107,556	(90,679)	1,344,272	3,478	-	-	-	9,182,473

(Continued)

IFF and Subsidiaries

Consolidating Statement of Activities and Changes in Net Assets (Continued)
 Year Ended December 31, 2018
 (See Independent Auditor's Report)

	IFF*	IFF NMTC Senior Lender, LLC	Home First Illinois, LLC	IFF CILA Lease Program, LLC	IFF Pay for Success I, LLC	IFF Pay for Success II, LLC	IFF Waukegan Market LLC	IFF Rockford Market LLC	IFF Von Humboldt, LLC	IFF Quality Seats - Broadway, LLC	IFF Hatchery, LLC	Home First, LLC	Community Living Initiative, LLC	Access Peoria, LLC	Access Housing I MM, LLC	Access West Cook I MM, LLC	Chatham 79th Street, LLC	Eliminations	Consolidated
Net assets with donor restrictions:																			
Program and operating grants	\$ 10,851,519	\$ -	\$ 385,850	\$ -	\$ -	\$ -	\$ -	\$ 77,176	\$ -	\$ -	\$ 31,805	\$ -	\$ -	\$ 66,094	\$ -	\$ -	\$ -	\$ (31,805)	\$ 11,380,639
Loan capital grants	4,006,905	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,006,905
Interest income	196,720	-	16,735	-	-	-	-	-	-	-	-	-	744	-	-	-	-	-	214,199
Net assets released from restrictions - operating	(2,510,091)	-	(405,063)	-	-	-	-	(77,176)	-	-	(31,805)	-	-	(1,443,618)	-	-	-	31,805	(4,435,948)
Net assets released from restrictions - Pass through grants	(4,181,754)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,181,754)
Net assets released from restrictions - loan capital grants	(6,094,505)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(6,094,505)
Net assets released from restrictions - capital provision for loan losses	(3,316,681)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,316,681)
(Decrease) increase in net assets with donor restrictions	(1,047,887)	-	(2,478)	-	-	-	-	-	-	-	-	-	744	(1,377,524)	-	-	-	-	(2,427,145)
Increase (decrease) in net assets	6,517,140	10,197	147,591	6,494	-	-	11,198	52,750	-	20,583	1,528	107,556	(89,935)	(33,252)	3,478	-	-	-	6,755,328
Net assets/retained earnings (deficit):																			
Beginning of year	87,420,215	(10,197)	1,271,769	108,243	-	-	3,388,271	1,622,464	-	180,878	(1,674)	97,982	43,920	1,285,463	(16,874)	-	-	-	95,390,460
End of year	\$ 93,937,355	\$ -	\$ 1,419,360	\$ 114,737	\$ -	\$ -	\$ 3,399,469	\$ 1,675,214	\$ -	\$ 201,461	\$ (146)	\$ 205,538	\$ (46,015)	\$ 1,252,211	\$ (13,396)	\$ -	\$ -	\$ -	\$ 102,145,788

* Includes IFF Real Estate Services, LLC, IFF Housing, LLC, IFF Development, LLC, 4731 Delmar LLC, 5326 Hillside, LLC, 2819 Highland, LLC and 3423 Michigan Ave., LLC

1 - There has been no activity in Access Southwest Chicago I, LLC, Access Southwest Chicago I MM, LLC, and Detroit Learning Lab Northwest, LLC, thus not shown on this statement.