PROSPECTUS

Low Income Investment Fund

50 California Street, Suite 2900
San Francisco, California 94111

Low Income Investment Fund (sometimes referred to as "**LIIF**," "**we**," "**our**," or "**us**"), a 501(c)(3) non-profit public benefit corporation organized under the laws of California, is offering up to $35,000,000 of LIIF Impact Notes (sometimes referred to as "**Investment Note(s)**", "**Note(s)**") the proceeds of which will be used primarily to make loans to community-based, not-for-profit organizations, and mission-driven for-profit real estate developers that provide facilities for a range of programs to alleviate poverty and support healthy families and communities, including affordable housing, early childhood education, education, health care, healthy food, and equitable transit-oriented development.

The Investment Notes are offered and sold by LIIF directly and may in the future also be offered and sold online through one or more FINRA members and SEC-registered broker-dealers. Investment Notes offered and sold online through registered broker-dealers are referred to in this prospectus as the "**B-D Investment Platform**." Investment Notes offered and sold directly by LIIF are referred to as the "**Direct Investment Platform**."

As of the date of this prospectus, Investment Notes are offered with the following terms: 6-months, 3-years, 5-years, and 10-years. Interest rates are fixed for the term of each Investment Note. Investment Notes are automatically reinvested at maturity for the same duration as the original term if you do not request repayment at maturity. At the time the maturing Investment Note is automatically reinvested, the interest rate then in effect for new Investment Notes with the same term will become the new fixed interest rate for the reinvestment term. Subsequent interest rate changes will not affect outstanding Investment Notes, whether in their original term or a reinvestment term, prior to their maturity.

The interest rates and minimum investment amounts for Investment Notes on the date this prospectus was delivered to you are set forth on the accompanying Interest Rate Sheet, which is included in and made part of this prospectus. You may obtain our current Interest Rate Sheet by visiting our website at www.liifnote.org, by calling us at 415-489-6131, or e-mailing us at invest@liifund.org.

Not FDIC or SIPC Insured **Not a Bank Deposit**

This prospectus is dated **December 31, 2018** and may be used until the expiration of the periods of time authorized by registration or exemption in the various states in which we offer the Investment Notes, which typically is twelve months.

THIS PROSPECTUS SETS FORTH CONCISE INFORMATION ABOUT THE INVESTMENT NOTES THAT YOU SHOULD KNOW BEFORE INVESTING, AND SHOULD BE RETAINED FOR FUTURE REFERENCE. INVESTORS SHOULD READ THIS PROSPECTUS CAREFULLY BEFORE INVESTING. AN APPLICATION FOR INVESTMENT MAY BE OBTAINED FREE OF CHARGE BY CONTACTING US OR OUR SERVICE PROVIDER USING THE CONTACT INFORMATION AVAILABLE IN THIS PROSPECTUS.

THE INVESTMENT NOTES ARE BEING OFFERED UNDER AN EXEMPTION FROM FEDERAL REGISTRATION PURSUANT TO SECTION 3(a)(4) OF THE SECURITIES ACT OF 1933, AS AMENDED ("SECURITIES ACT") AND SECTION 3(c)(10) OF THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED ("INVESTMENT COMPANY ACT"). THE SECURITIES AND EXCHANGE COMMISSION HAS NOT MADE AN INDEPENDENT DETERMINATION THAT THESE SECURITIES ARE EXEMPT FROM REGISTRATION. OUR OFFICERS AND EMPLOYEES ARE NOT REGISTERED AS INVESTMENT ADVISORS UNDER THE INVESTMENT ADVISORS ACT OF 1940, AS AMENDED, OR AS BROKER-DEALERS UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED ("EXCHANGE ACT").

THE INVESTMENT NOTES MAY EITHER BE REGISTERED OR EXEMPT FROM REGISTRATION IN THE VARIOUS STATES OR JURISDICTIONS IN WHICH THEY ARE OFFERED OR SOLD. THIS PROSPECTUS HAS BEEN FILED WITH THE SECURITIES ADMINISTRATORS IN SUCH STATES OR JURISDICTIONS THAT REQUIRE IT FOR REGISTRATION OR EXEMPTION.

THE INVESTMENT NOTES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT DETERMINED THE ACCURACY, ADEQUACY, TRUTHFULNESS, OR COMPLETENESS OF THIS PROSPECTUS AND HAVE NOT PASSED UPON THE MERIT OR VALUE OF THE INVESTMENT NOTES, OR APPROVED, DISAPPROVED OR ENDORSED THE OFFERING. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This prospectus contains all of our representations concerning this offering. Investors are advised to read this prospectus carefully prior to making any decision to purchase the Investment Notes. Investors are cautioned not to rely on any information not expressly set forth in this prospectus. No person has been authorized to give any information or to make any representation in connection with this offering other than those contained in this prospectus, and if given or made, such information or representations must not be relied upon as having been made by us. Other than our prospectus, information contained in or that can be accessed through our website is not a part of this prospectus.

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

In the future we may offer the Investment Notes through registered broker-dealers, to whom we will pay fees for their services. See "**Distribution**" beginning on page 13. The expenses of this offering, including any fees for broker-dealers, are paid from our operating funds. As a result, 100% of the proceeds from this offering will be used to support our lending operations.

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

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

An investment in the Investment Note involves various material risks and investors may lose all or part of their investment. Prior to any investment, and in consultation with their financial and legal advisors, investors should carefully consider, among other matters, the risk factors disclosed in this prospectus beginning on page 3. There can be no assurance that the list of the risks pertaining to an investment in the Investment Notes is comprehensive. Additional risks not presently known to us or that are currently deemed immaterial could also materially and adversely affect our financial condition, results of operations, and/or activities and prospects.

THE INVESTMENT NOTES ARE NOT SAVINGS OR DEPOSIT ACCOUNTS OR OTHER OBLIGATIONS OF A BANK AND ARE NOT AND WILL NOT BE INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION (**FDIC**), THE SECURITIES INVESTMENT PROTECTION CORPORATION (**SIPC**), ANY STATE BANK INSURANCE FUND OR ANY OTHER GOVERNMENTAL AGENCY. THE PAYMENT OF PRINCIPAL AND INTEREST TO AN INVESTOR IN THE INVESTMENT NOTES IS DEPENDENT UPON OUR FINANCIAL CONDITION AND OPERATIONS AS ISSUER. ANY PROSPECTIVE INVESTOR IS ENTITLED TO REVIEW OUR FINANCIAL STATEMENTS, WHICH SHALL BE FURNISHED UPON REQUEST OR VIEWED ON OUR WEBSITE WWW.LIIFNOTE.ORG.

This prospectus contains summaries of certain agreements and other documents, but all such summaries are qualified in their entirety by reference to the agreements and other documents. Copies of other pertinent documents will be made available to qualified prospective investors upon request.

Following receipt of the prospectus, prospective investors may purchase Investment Notes by contacting LIIF by telephone or e-mailing us to obtain a paper application.

We may accept subscriptions for less than the minimum investment amount specified or reject investment requests at our sole discretion. Payment for an Investment Note will be due from the investor upon our acceptance of the investor's investment request. We have not set a date for the termination of our offering, though the availability of Investment Notes in each state is dependent upon the effectiveness of our securities registration or exemption in that state from time to time.

We reserve the right to suspend the sale of the Investment Notes for a period of time or to reject any specific investment request, with or without a reason. We may also, in our discretion, elect to accept a specific investment request as a portion, but not all, of the amount proposed for investment.

THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY FROM ANY PERSON IN ANY STATE OR ANY OTHER POLITICAL JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION MAY NOT LAWFULLY BE MADE. FEDERAL AND STATE SECURITIES LAWS MAY AFFECT OUR ABILITY TO CONTINUE TO SELL INVESTMENT NOTES IN CERTAIN STATES. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFERING BY A BROKER-DEALER IN ANY STATE IN WHICH SUCH BROKER-DEALER IS NOT QUALIFIED TO ACT AS A BROKER-DEALER. YOU SHOULD CONTACT US OR OUR WEBSITE AT WWW.LIIFNOTE.ORG TO VERIFY WHETHER RESIDENTS IN YOUR STATE ARE ELIGIBLE TO PURCHASE INVESTMENT NOTES.

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ORGANIZATION SUMMARY

Overview and History

LIIF was formed (and began operating) in 1984 as a non-profit public benefit corporation in the State of California. We are a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code of 1986, as amended ("**Code**").

LIIF is a financial intermediary that helps bridge the gap between low income neighborhoods and public and private capital sources. We use that capital to facilitate community development projects that offer access to affordable housing, education, and other community development activities that create pathways of opportunity for low income people and communities. In doing so, LIIF seeks to provide a bridge between private capital markets and low income neighborhoods.

Since inception, LIIF's loan portfolio has achieved a default rate of less than 1% and LIIF has maintained a repayment rate of 100% to all lenders. As a result, LIIF consistently receives the highest possible rating for impact and financial strength of "AAA+/1" from Aeris™, a highly-regarded, third-party rating organization for community development financial institutions (CDFIs).

See "**LIIF's History, Mission and Program Activities**" beginning on page 15 for additional information.

Lending Activities

LIIF is a national community development financial institution ("CDFI") that believes its customer-focused approach, combined with nimbleness and ability to tackle complex transactions with multiple parties and capital sources, will allow its integrated, outcome-driven work to define the next stage of the community development field. LIIF focuses its lending activity in the four geographic areas where LIIF maintains offices: California, New York State (including the New York City metropolitan area), the Washington, DC metropolitan area, and New Jersey. These areas represent LIIF's core markets. In addition to these core markets, LIIF lends in non-core markets where there is a concentration of unmet demand for LIIF products and to support strong customers. Since its founding, LIIF has made loans in 31 states.

LIIF seeks to help alleviate poverty and support healthy families and communities by providing capital at affordable rates and terms to community development projects that serve low-income communities and families. LIIF offers a wide array of financial products that include predevelopment, acquisition, construction, and permanent loans, as well as lines of credit for predevelopment activities. In addition to debt capital, we provide grants, technical assistance and consulting services.

As a CDFI with access to state and federal subsidy sources that mitigate credit risks, LIIF has the capacity to provide more patient, innovative capital solutions than regulated financial institutions. LIIF deploys funds to not for profit and mission-aligned for profit organizations that build affordable housing, educational facilities and other community facilities and programs that support LIIF's mission. See also "**Lending Activities**" beginning on page 16.

Summary Financial Information

Summary Financial Information	30-Jun-18	30-Jun-17	30-Jun-16
Total Assets	$491,367,021	$414,154,042	$357,538,435
Total Liabilities	$378,682,980	$306,531,851	$265,654,137
Net Assets	$112,684,041	$107,622,191	$91,884,298
Revenue & Support	$32,696,644	$37,960,239	$21,931,509
Expenses	$27,634,794	$22,222,346	$21,300,261
Change in Unrestricted Net Assets	$5,053,502	$4,916,581	$7,849,757
Change in Temporarily Restricted Net Assets	$8,348	$10,821,312	($7,218,509)
Change in Net Assets	$5,061,850	$15,737,893	$631,248

Additional selected financial information can be found in "**Selected Financial Information**," beginning on page 23. Consistent with the audited financial statements, all financial information in this prospectus is presented on a consolidated basis. At June 30, 2018, in aggregate, the subsidiaries of LIIF made up less than 3% of the consolidated assets, liabilities, and net assets, respectively of LIIF. None of LIIF's subsidiaries are obligated with respect to repayment of the Investment Notes. See Appendix I for LIIF's audited consolidated financial statements.

Investing Activities
LIIF invests in various securities, including government bonds, corporate bonds, asset-backed securities (including collateralized mortgage obligations "CMOs"), and other corporate equity securities.

Investments as of June 30, 2018	Fair Value	Percentage of Total
Corporate Bonds	$7,654,658	43%
Asset-backed securities (including CMOs)	$6,511,968	37%
U.S. Treasury Investment Notes	$1,300,500	7%
FHLB-SF stock	$964,200	5%
Equity Investments	$818,274	5%
Other	$574,942	3%

*Carried at cost.

See "**Investing Activities**" beginning on page 22.

OFFERING SUMMARY

This section summarizes the legal and financial terms of the Investment Notes that are described in more detail in the section entitled "Description of the Investment Notes" beginning on page 12. Investors should read the more detailed information appearing elsewhere in this prospectus before deciding to purchase any Investment Notes.

Use of Proceeds
100% of the proceeds from the sale of the Investment Notes will provide capital for community facilities that offer affordable housing, education, and other community services that benefit low income communities. See "Use of Proceeds" on page 15.

Description of the Investment Notes
Investment Notes have a range of fixed terms to maturity from which to select at the time of your purchase. Investment Notes are offered with the following terms: 6-months, 3-years, 5-years, and 10-years. Interest rates are fixed for the term of each Investment Note. Interest accrues daily from the date of issuance and compounds quarterly on March 31, June 30, September 30 and December 31 of each year until expiration of the term of the Investment Note, including any reinvestment term upon renewal at maturity.

In the Investment Application, investors may elect to reinvest their interest, receive annual interest payments, or donate interest to LIIF. If an investor selects the annual interest payment option, all unpaid interest earned on the Investment Notes will be paid on June 30, unless that day is not a business day, in which case payment will be made by the following business day. "Business days" are Monday through Friday, except for State of California and federal legal holidays. If an investor chooses to reinvest their interest, the principal and all interest earned on the Investment Note since issuance will be paid to the investor in a single payment at final maturity of the Investment Note following expiration of the original term and all reinvestment terms. Should an investor not provide specific instructions with regard to preference in any given year, interest will be automatically reinvested.

Investment Notes are automatically reinvested at maturity for the same duration as the original term if you do not request repayment at maturity. At the time the maturing Investment Note is automatically reinvested, the interest rate then in effect for new Investment Notes with the same term will become the new fixed interest rate for the reinvestment term. Subsequent interest rate changes will not affect outstanding Investment Notes, whether in their original term or a reinvestment term, prior to their maturity.

The interest rates and minimum investment amounts for Investment Notes on the date this prospectus was delivered to you are set forth on the accompanying Interest Rate Sheet, which is included in and made part of this prospectus. You may obtain our current Interest Rate Sheet by visiting our website at www.liifnote.org, by calling us at 415-489-6131, or e-mailing us at invest@liifund.org.

Distribution and Sale of Investment Notes
As of the date of this prospectus, Investment Notes are available for purchase on the Direct Investment Platform.

Direct Investment Platform: Investment Notes may be purchased directly from us by completing an investment application. The investment application and current Interest Rate Sheet may be obtained by visiting our website at www.liifnote.org, calling us at 415-489-6131, or e-mailing us at invest@liifund.org.

B-D Investment Platform: In the future, we plan to offer our Investment Notes through an online platform made available by one or more FINRA members and SEC-registered broker-dealers.

LIIF, as the issuer of the Investment Notes, is either registered to sell the Investment Notes or is exempt from registration in those jurisdictions where the Investment Notes are offered for sale. Certain of our employees and affiliated persons are authorized to disseminate information about LIIF and the Investment Notes, and are registered or exempt from broker-dealer and agent requirements in those jurisdictions where the Investment Notes are offered for sale.

We are offering Investment Notes in the principal amount of up to $35 million pursuant to this prospectus on a continuous basis without an expected termination date. No underwriting agreement exists for the offer and sale of the Investment Notes. No minimum amount of the overall offering of $35 million must be sold in order for us to accept investments. The purchase price for the Investment Notes is payable in full and in cash upon subscription at 100% of the principal amount of the investment.

It is our policy to send existing investors a new prospectus each year, together with any supplements to the prospectus thereafter.

Other than our prospectus, including the Interest Rate Sheet, information contained in or that can be accessed through our website is not a part of this prospectus.

RISK FACTORS

Prior to any investment, and in consultation with investors' financial and legal advisors, investors should carefully consider, among other matters, the following risk factors. An investment in the Investment Notes involves various material risks and investors may lose all or part of their investment. There can be no assurance that the following list of the risks facing an investment in an Investment Note is comprehensive. Additional risks not presently known to us or that are currently deemed immaterial could also materially and adversely affect our financial condition, results of operations, activities and prospects.

Risks Relating to the Terms of the Investment Notes

The Investment Notes are not bank instruments, are not FDIC or SIPC insured, and are subject to investment risks. **More specifically, the Investment Notes are: not FDIC or SIPC insured or otherwise insured or guaranteed by any governmental agency; not certificates of deposit or deposit accounts with a bank, savings and loan association, credit union or other financial institution regulated by federal or state authorities; and subject to investment risks, including possible loss of the entire principal invested.**

The Investment Notes are unsecured obligations.
The Investment Notes are unsecured debt obligations.

We may have Senior Secured Indebtedness to which the Investment Notes would be subordinated.
We may pledge our assets as collateral for certain Notes Payable and other debt obligations that we issue, incur or guaranty ("**Senior Secured Indebtedness**"), including, without limitation, for loans we receive under the CDFI Bond Guarantee Program, Federal Home Loan Bank, and other government programs. Senior Secured Indebtedness ranks senior to our obligations under the Investment Notes to the extent our assets are pledged to secure the Senior Secured Indebtedness. As of June 30, 2018, Senior Secured Indebtedness was $63,408,575 (approximately 13% of total assets).

The ability to transfer Investments Notes will be restricted; there is no liquid market for the Investment Notes and one is not likely to develop.
The Investment Notes may not be transferred without our written consent. In addition, conditions on transfer of the Investment Notes may be imposed under federal or state securities laws. There is no public or secondary market for the Investment Notes and no market is likely to develop. Accordingly, the Investment Notes are highly illiquid. You should view the purchase of an Investment Note as an investment for its full term.

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

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

LIIF focuses on social issues and as a result the interest rates paid on the Investment Notes may be disproportionately low compared to the potential for loss.

We anticipate that investors will invest in our Investment Notes for the primary purpose of supporting our mission as a non-profit, charitable organization. Interest rates offered for the Investment Notes, therefore, may not be as high as those offered by other financial institutions operating on a for profit basis for similar investments. As a result, the risk of investment and potential risk of loss in the Investment Notes may be greater than implied by their relatively low interest rate.

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

As a result, the Investment Notes may be riskier than Investment Notes for which a sinking fund is established and our ability to repay the principal and interest on the Investment Notes will depend on the success of our operations and the availability of other capital.

We are not presently obligated, and Investors may not require us, to repurchase, in whole or in part, the principal amount of any Investment Note prior to its maturity.

Should we, in our sole discretion, choose to offer to repurchase all or any part of the Investment Notes, the price at which we offer to repurchase the Investment Notes may be less than 100% of the then outstanding principal amount of the Investment Notes. We may also condition any offer to repurchase Investment Notes upon the acceptance of a penalty equal to the interest accrued for up to one year of ownership. Under no circumstances will we be obligated to redeem any Investment Note prior to its maturity. In the event your Investment Note is called for redemption, there can be no assurance that you will be able to reinvest your redemption proceeds in other securities having terms (and associated risks) as favorable as the redeemed Investment Notes, which may result in a decline of income for you. See "**Description of the Investment Notes**" beginning on page 12.

The purchase and holding of the Investment Notes could have tax consequences.

The principal amount invested upon purchase of an Investment Note is not deductible by the investor as a charitable contribution for purpose of federal or state income taxes and interest on the Investment Notes will be taxable income to the investor unless the interest is donated in accordance with IRS requirements applicable to charitable donations. The investor will receive acknowledgement of any interest donated to us. Investors with Investment Notes or other indebtedness with LIIF greater than $250,000 in the aggregate may be taxed on imputed income if the interest paid is below the applicable federal rate. All potential investors are encouraged to consult a tax professional regarding the tax treatment of the Investment Notes. See "**Description of the Investment Notes**" on page 12 and "**Tax Aspects**" on page 14.

The sale of the Investment Notes is a best efforts offering and there is no minimum sales requirement.

A low sales volume will not prompt cancellation of the offering or cause us to refund Investment Note purchases to existing investors. No assurance can be given as to the principal amount of Investment Notes that will be sold and whether the proceeds will be sufficient to accomplish the purposes of the offering.

LIIF's offering of Investment Notes may compete with offerings of other institutions.
Other institutions may offer notes or other securities with a higher rate of return and/or notes or other securities that provide greater security and less risk than our Investment Notes.

Financial and Operational Risks

Investment Notes are a high risk investment due to the characteristics of the Investment Notes and the nature of our activities.
An investor in the Investment Notes should be able to lose up to the investor's entire investment without suffering financial hardship. Given the nature of our investments, the use to which loan proceeds will be put by the entity receiving them, the low interest rates being offered on the Investment Notes, and other factors, the Investment Notes are high-risk investments. From a financial point of view, the Investment Notes should not be a primary investment in relation to the overall size of an investor's portfolio.

Our borrowers often rely on public subsidies and revenue streams as well as philanthropy to support their activities and operations which may increase LIIF's repayment risk.
Proceeds from the sale of the Investment Notes will support our financing of community development real estate. Our borrowers derive their income from a wide variety of sources, which can include public agency contracts and grants, private philanthropy, as well as private payments for rent and services. For example, a charter school tenant relies on per student revenue streams derived largely from state and local sources to make its lease payments. An affordable housing developer may rely on per resident housing subsidies from federal, state or local agencies. Partial reliance on public subsidies and grants and donations may affect the ability of loan recipients to repay us, especially during challenging economic environments when federal, state, and local sources may decline, and the volume of grants and donations may decrease.

The loans we expect to make are expected to be illiquid and we may not be able to access the funds necessary to repay the Investment Notes when due or at all.
An easily accessed secondary market does not exist to provide liquidity to our portfolio of real estate-secured loans. While investment diversification, credit analysis of borrower capacity and project repayment sources, a mix of maturities in the portfolio, and credit enhancement supporting certain loans can lessen the illiquidity through timely loan repayments, there can be no assurance that borrowers will repay us, that we will be able to collect on collateral, if any, or that losses will not occur. This may negatively affect our ability to repay investors in a timely manner.

The loans we make may not be repaid in a timely manner or ever. As a result, we may be unable to repay the Investment Notes when due or at all.
We rely upon the principal and interest received on our outstanding loans to fund the repayment of principal and payment of interest on our Investment Notes. There can be no assurance that borrowers will repay us promptly, particularly in a difficult economic environment in which borrower's income from public subsidies, and grants and contributions may be adversely affected, or the ability to liquidate the real estate collateral on our loans slows or stops. Therefore, there can be no assurance that we will be able to make payments to investors in the Investment Notes as scheduled. There is a risk that defaulted or delinquent loans may result in insufficient liquidity or assets to satisfy all outstanding Investment Notes. If we have insufficient liquid assets to repay your Investment Note when it matures, you will not be repaid unless and until we have sufficient cash to do so.

Generally, the projects we finance do not or cannot meet conventional lending standards. Our ability to make payments on the Investment Notes is dependent upon the economic success of our lending activities; however, we are not driven by pure profit or economic motives.
As a community based lender we have deep knowledge of our markets and sponsors which allows us to offer more innovative financing solutions with flexible terms that meet the needs of our borrowers. As a result, LIIF frequently relies on subsidy and credit enhancement from private philanthropy and the public sector not available to regulated lenders to mitigate this risk. This allows us to stretch and take on more project based risk. There is a risk that our loans may not be repaid in part or in full, and that we may not be able to repay the Investment Notes as a result. The risk of loss is higher than normal because factors other than financial risk and return on investment will be considered in determining how the offering proceeds are invested. These other factors include primarily the extent to which prospective investments will provide effective support for low income people and communities.

As of the date of this prospectus, our loans are mainly targeted to the markets of California, New York State (including the New York City metropolitan area), the Washington, D.C. metropolitan area, and New Jersey. Concentration in any one geographic area may result in higher credit risk due to the disproportionate impact of unfavorable economic, political and business conditions on borrowers in that area, and consequently on our loans in that area. Those impacts could, in turn, negatively impact our ability to repay the Investment Notes when due or at all. We make loans nationwide and loans outstanding in other cities and regions are reflected in the "Other" category in the chart below. As of June 30, 2018, we had the following geographic loan portfolio concentrations:

Portfolio Composition By Geography	30-Jun-18	30-Jun-17	30-Jun-16
California	$133,489,945	$107,503,861	$98,095,081
New York (including the New York City Metropolitan Area)	$127,960,333	$108,796,244	$126,981,598
Washington, D.C. Metropolitan Area	$71,931,185	$43,455,366	$20,321,351
New Jersey	$42,154,507	$38,620,275	N/A
Other	$48,415,401	$30,826,011	$38,855,823

As of the date of our prospectus, up to 30% of our loan portfolio can be outside of our target markets of California, New York State (including the New York City metropolitan area), the Washington, D.C. metropolitan area, and New Jersey.
Making loans outside of our target geographic markets can increase credit risk due to having less familiarity with the economic, political, and business conditions in that area. As of June 30, 2018, 11.4% of our loan portfolio was outside of our target markets.

The entities to which we expect to loan proceeds of the Investment Notes may be engaged in activities that may increase the possibility that they will be unable to repay us.
We provide funds to entities engaged in providing affordable housing, early childhood education, education, health, transit-orientated development, and other community development activities. The financial capability and performance of these borrowers to repay us impacts our ability to pay interest on the Investment Notes and to repay the principal of the Investment Notes upon maturity. Adverse financial results or events at any of these entities could have a significant impact on the repayment performance of these types of borrowers and on our ability to pay the interest and principal due under the Investment Notes.

Our lending criteria used in determining whether a loan should be made to a borrower may be more lenient than the criteria used by commercial lenders and enforcement of these criteria may not be as rigorous.
As a mission-based lender, we are willing and able to underwrite certain complex cash flows, often based on federal, state and local programs, which regulated lenders have limited experience with. Our underwriting is based on deep knowledge and experience in certain domain areas, such as education and affordable housing. In certain instances in the past, in view of the relationship we have with our borrowers and their missions, we have been willing to modify and extend the terms of our loans to an extent greater than a commercial lender may be willing to do. We may continue to do so in the future. Thus, repayment of our loans may take longer than the original loan amortization schedules and our portfolio of loans will include loan extensions and other terms and modifications that would not be typical for a commercial lender.

General economic conditions may make borrowers to which we lend unable to repay the amounts due on our loans.
The risk of losses on our investments will vary with, among other things, general economic conditions, such as events that affect global, national and local credit markets in general, the types of loans, the creditworthiness of the borrowers over the term of the loans and the value and marketability of the real estate collateral for the loans. During a period of economic slowdown or recession, our borrowers may experience increased difficulty in making timely payments of principal and interest on our loans, particularly if the period is prolonged. Depending on these and other factors, we may be unable to collect some or all of the interest income due on our investments or to recover the principal when due. This could result in a need to restructure some loans to provide more flexible payment terms to our borrowers or to rely upon the collateral for repayment, which may not be sufficient to satisfy all amounts owed. This could also result in a need to provide for loan losses, which would negatively impact our profitability. While we maintain a loan loss reserve that is reviewed periodically by our management (see "**Allowance for Loan Losses**" on page 18), there can be no assurance that the loan loss reserve will be sufficient to meet all potential losses. To the extent this occurs, it may be difficult or impossible for us to meet our interest and principal repayment obligations under the Investment Notes.

Our statement of financial position as of June 30, 2018, included in this prospectus, includes a loan loss allowance of $12,652,523 or 3% of gross loans outstanding as of that same date. The cumulative loss ratio over LIIF's lifetime is 0.43%. The values of our assets and liabilities could change, resulting in future adjustments in asset values, the allowance for loan losses, or net assets. At June 30, 2018, we had no loans on which principal and/or interest were delinquent for over 90 days. Within the last five fiscal years, five transactions (six loans) were written off. After accounting for recoveries in the same period, LIIF had a net principal loan loss of $467,440.

We may alter our operations and such alterations may adversely impact our ability to repay the Investment Notes upon maturity or at all.

We are not obligated to continue offering the Investment Notes, to continue our current operations, or to maintain our existence as a not-for-profit entity and we may alter our operations in a way that could adversely impact our ability to repay the Investment Notes when due or at all. Any change in our operations or status could have a negative impact on our ability to make payments of interest and principal to investors in the Investment Notes. As of the date of this prospectus, however, we have no plans to discontinue our offering of the Investment Notes, our lending program, or the maintenance of our nonprofit status.

We are dependent upon key personnel to maintain our ongoing operations. If key personnel were to leave we may be unable to continue our activities and may be unable to repay the Investment Notes.

Our operations are dependent in part on the efforts of our management personnel, who are expected to continue to devote their time to our activities. If any of these executives were to leave, or become unable or unwilling to continue their activities for us, or if we are unable to attract and retain other skilled management personnel, our activities, results of operations, and ability to repay the Investment Notes could be adversely affected. Further, we do not maintain key man insurance on any of our employees. There can be no assurance of continuity in our key personnel or the impact of their actions on our ability to meet our obligations under the Investment Notes.

If a substantial portion of our repayment obligations under the Investment Notes were to come due in a limited period of time or if the maturities of the Investment Notes are not staggered, our ability to repay Investment Notes that come due during any given period could be adversely impacted.

The Investment Notes may be sold with maturities between 6-months and 10-years. We are not obligated to limit the amount of debt that may mature in any given year or period.

In addition to the Investment Notes offered by this prospectus, we may issue additional debt securities or promissory notes, or incur other debt obligations in the future, which debt securities, promissory notes or indebtedness may be pari passu in right of payment to the Investment Notes, which could adversely impact our ability to repay the Investment Notes upon maturity or at all.

The total amount of $35 million in Investment Notes to be sold in this offering is not a limitation on the amount of Investment Notes we may sell in this and other offerings we may conduct at any time. We anticipate that we will continue to sell additional Investment Notes as part of a continuous offering process. The Investment Notes do not limit the total indebtedness that we may incur. Accordingly, our ability to pay amounts due under the Investment Notes may be impaired by our future indebtedness obligations.

We are dependent upon grants and other sources of funds which are uncertain, in addition to the receipt of proceeds from the repayment of loans from our borrowers.

We are dependent upon grants and contributions for a portion of our total support and revenue. See "**Funding Support and Financing** – **Support, Revenues and Financing Income**" on page 17. Since we are dependent on income sources, including interest, grants and contributions, which are inherently uncertain, sufficient funds may not be available to continue operations. If this occurs, the risk of nonpayment of the interest and principal due under the Investment Notes would increase.

The investments we may make with our liquid assets will involve a degree of risk and the value of these investments may decline.

A portion of our liquid assets are invested in readily marketable securities and subject to various degrees of market risks that may result in losses, including loss of the full amount invested, if the market value of those investments declines. Disruptions in the markets for these investments or in financial markets, generally, could result in an inability to sell or otherwise liquidate these assets. Adverse changes in our ability to liquidate our investments could temporarily or permanently affect our ability to make payments of principal and interest on the Investment Notes. For information regarding our investment results and a general discussion of our investment policy, see "**Investing Activities**" beginning on page 22. Our past investment performance does not indicate how our investments are expected to perform in the future.

From time to time, we may become involved in litigation in the ordinary course of our activities.

Litigation can be time consuming and costly, and there can be no assurance that we will not become involved in litigation that could have a material adverse effect on our activities or our ability to repay the Investment Notes when due or at all.

We are subject to contingent liabilities associated with our New Markets Tax Credits (NMTC) business which, although considered remote, are significant in amount and if recognized could impair our ability to repay the Investment Notes.

As part of LIIF's NMTC business, LIIF has a contingent liability if LIIF acted in bad faith and was found guilty of negligence in structuring or servicing NMTC transactions or certain other conditions. Management of LIIF believes this liability is remote as LIIF is an experienced NMTC beneficiary, receives high quality external legal advice when structuring transactions and has regular third party reviews and audits of all NMTC transactions. The amount of this contingent liability was $138,076,000 as of June 30, 2018. In addition, if LIIF was unable to redeploy qualified low income investments that are repaid during the seven year NMTC compliance period and caused the tax credit investor to lose all tax credits claimed and available to be claimed, LIIF would have a liability for the present value of these failed tax credits which is estimated to be $17,065,400 as of June 30, 2018. None of the qualified low income investments made as part of these NMTC deals has repaid during the tax credit compliance period and in the unlikely event that one does repay, LIIF expects that the investment would be redeployed during the allowable redeployment period. Contingent liabilities related to LIIF NMTC transactions are therefore considered remote. Nevertheless, if these contingent liabilities were recognized, in whole or in significant part, it could have a material adverse impact on LIIF's ability to repay the Investment Notes.

We are subject to contingent liabilities associated with grants we receive.

LIIF has received federal funds for specific purposes that are subject to review and audit by grantor agencies. Although such audits could result in expenditure disallowances under terms of grants, it is management's opinion that any required reimbursements or future revenue offsets subsequently determined are remote and would not have a material effect on LIIF's financial position, results of operations or cash flows.

As of June 30, 2018, LIIF had allocated $2,187,723 of temporarily restricted Department of Education grant funds as first dollar loss credit enhancement to certain charter school loans owned wholly or partially by third party investors. These are performing as expected and a loss in the grant funds allocated to third party investors is deemed to be remote.

If our subsidiaries become subject to claims or litigation we could be liable.

We have taken legal steps to be a separately incorporated and a separate legal entity apart from our affiliates, and we should not be liable for claims made against them or other affiliated organizations. It is possible, however, that in the event of claims against our affiliated organizations, the claimants might contend that we are also liable. Such claims, if upheld by the courts, could negatively affect our financial condition and ability to repay the Investment Notes.

If we foreclose on a loan we have made, the borrower's collateral underlying that loan may not be of sufficient value to cover the outstanding amount owed.

Our loans are typically secured by a mortgage on the property financed and limited to a specific percentage of an appraised value of the property. In the event of a loan default and mortgage foreclosure, the collateral securing our loans may not be adequate and there is no assurance that we could successfully recover an amount equal to the amount of the defaulted loan. A declining commercial real estate market could further depress the value of our loan collateral or delay or limit our ability to dispose of the loan collateral and increase the possibility of a loss following a foreclosure. Furthermore, real property values may decline due to general and local economic conditions, increases in operating expenses, changes in zoning laws, casualty or condemnation losses, regulatory limitations on rents, changes in neighborhoods and in demographics, increases in market interest rates, or other factors. Factors such as these may adversely affect the value of property financed. Therefore, if the property needs to be sold to repay a loan in default, the proceeds may not necessarily be sufficient to satisfy the full amount of the loan.

The activities of our borrowers could subject them to risks related to construction.

Our borrowers often use our loans to construct new facilities or renovate existing facilities. Construction projects are typically riskier than loans made to finance vacant properties or operating properties. If any of the unique risks associated with construction and renovation are realized, they could adversely affect a borrower's ability to repay its loan by increasing construction costs or delaying or preventing completion of the project, and their failure to repay their loan could adversely affect our ability to repay the Investment Notes. Completion may be delayed due to, among other things, shortages of materials, strikes, acts of nature, delays in obtaining necessary building permits or architectural certificates, environmental regulations, fuel or energy shortages, the effects of economic slowdowns, service interruptions, or legal challenges due to environmental, operational or other mishaps.

The collateral underlying our loans could be adversely impacted due to liabilities associated with environmental pollution or contamination.

Under various environmental laws and regulations, an owner or operator of real estate may be required to investigate and clean up hazardous or toxic substances or petroleum products released at the property, and may be held liable for property damage and for investigation and clean-up costs which may be substantial. This may adversely affect the owner's ability to sell or rent the property or to borrow using the property as collateral. In addition, some environmental laws create a lien on the contaminated site in favor of the government for damages and costs incurred in connection with the contamination. Persons who arrange for disposal or treatment of hazardous or toxic substances may also be liable for the costs of removal or remediation of these substances at the disposal or treatment facility. The owner of a site may be subject to common law claims by third parties based on damages and costs resulting from environmental contamination emanating from a site. Furthermore, changes in environmental regulations could require the borrower to incur substantial unexpected expenses to comply with such regulations, and this could impair both the value of the collateral and the borrower's ability to repay us and therefore our ability to repay our Investment Notes. If environmental pollution or other contamination is found on or near property securing a loan, our security for the loan could be impaired. If we are deemed to have participated in management of the property at issue, failed to conduct all appropriate inquiry prior to a foreclosure, or do not fall within certain statutory safe harbors following a foreclosure, we could be subject to lender liability for these same things.

Fluctuations in interest rates may have an adverse effect on our ability to repay Investment Notes when due or at all.
In general, interest rates are subject to significant fluctuations depending upon various economic and market factors over which we have no control and which could affect our ability to repay the Investment Notes. Interest rate fluctuations will adversely affect our profitability if we are unable to maintain a sufficient spread between the interest rates we pay on our Investment Notes and other borrowed funds and the interest rates we receive on our outstanding loans and investments. In particular, rapid increases in interest rates can significantly and adversely affect our profitability. Generally, interest rates are at or near historically low levels.

We may change our products and procedures.
At various points in this prospectus we describe our products and procedures, such as our loan policies described beginning on page 16, and our investment policy statement described beginning on page 22. These descriptions are intended to help you understand our current operations. We reserve the right to change our products and procedures at any time. If we change our products or procedures, including our loan guidelines or investment policy, there may be an adverse impact on our ability to repay your Investment Note.

Our participation in the CDFI Bond Guarantee Program creates Senior Secured Indebtedness and helps fund a risk sharing pool under the program that is not available for repayment of the Investment Notes.
As part of the CDFI Bond Guarantee Program of the U.S. Department of Treasury, LIIF has entered into two bond loan agreements allowing LIIF to receive up to $115 million of bond proceeds. Under these agreements, LIIF is required to pledge eligible collateral to the lender equal to 103% of the amount borrowed by LIIF and to fund an additional three percent of the amount borrowed to a risk share pool account. As a result, the amounts we borrow under this program represent Senior Secured Indebtedness that has first priority in payment from the pledged assets. In addition, the amounts we fund for the risk sharing pool under this program will not be available for repayment of the Investment Notes. As of June 30, 2018, LIIF has pledged $70,307,565 of notes receivable under this arrangement and has $63,408,575 of outstanding debt.

Restricted net assets may not be legally available for repayment of investors.
LIIF has received a number of capital grants available for use in support of loan funds with donor time and purpose restrictions, including loan capital, loan loss reserves and credit enhancement. LIIF accounts for these funds as temporarily restricted net assets, which amounted to $50,570,929 as of June 30, 2018. These funds may not be legally available for repayment of investors if use of the funds for that purpose would be inconsistent with the restrictions imposed by the donors.

We participate in loans originated by other lenders, which exposes us to operational risk of the lender as well as credit risk of the borrower.
We have entered into certain loan participation agreements with other lenders. Under these loan participation agreements, LIIF purchases a share of a loan originated by another lender ("the Originating Lender"). These loan participation agreements typically will result in LIIF having a contractual relationship only with the Originating Lender, not the borrower. As a result, we are exposed to operational risk of the Originating Lender as well as the credit risk of the borrower. We will have the right to receive payments of principal, interest and any fees only from the Originating Lender, and only upon receipt by the Originating Lender of the payments from the borrower. In the event of an operational error, or insolvency or bankruptcy on the part of the Originating Lender, there may be delays in the receipt of principal, interest, and fee payments, or those payments may not be received at all. In addition, we may not be able to control the exercise of any remedies that the Origination Lender has under the loan agreement if the borrower defaults.

We, and our vendors, rely on technology and technology-related services.

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

Legal and Regulatory Risks

It is our view that the Investment Notes we offer are exempt from registration under the federal and/or state securities law in the states in which we are offering our Investment Notes. If it is determined that the Investment Notes are not exempt from federal and/or state securities laws, we may be required to make rescission offers and/or be subject to other penalties for which we may not have the funds available to repay investors in such states.

The offering described in this prospectus is being made in reliance upon exemptions from registration provided by Section 3(a)(4) of the Securities Act, Section 3(c)(10) of the Investment Company Act, and the exemptions from registration of the securities of non-profit charitable organizations provided by the laws of certain states in which the Investment Notes are offered. Reliance on these exemptions does not, however, constitute a representation or guarantee that such exemptions are indeed available. We may seek to qualify, register or otherwise obtain authorization for the offering in certain other states where we believe such qualification, registration or other authorization is required.

In addition, we have no obligation, and do not intend, to register the Investment Notes for resale. As a result, there is no trading market for the Investment Notes at present and no trading market is expected to develop in the future. Investors should therefore consider the Investment Notes as an investment to be held until maturity.

If for any reason the offering is deemed not to qualify for exemption from registration under the nonprofit securities exemptions referred to above (and if no other exemption from registration is available), and the offering is not registered with the applicable federal or state authorities, the sale of the Investment Notes will be deemed to have been made in violation of the applicable laws requiring registration. As a remedy for such a violation, penalties and fines may be assessed against us, and investors will typically have the right to rescind their purchase and to have their purchase price returned, together with interest at statutorily prescribed rates. If investors request the return of their investment, funds may not be available for that purpose and we may be unable to repay all investors in those states. Any refunds made would also reduce funds available for our operations. A significant number of requests for rescission could leave us without funds sufficient to respond to rescission requests or to successfully proceed with our activities.

See "**Description of the Investment Notes**" on page 12.

Changes in federal and state securities laws could negatively impact the sale of, and/or the ability to repay amounts owed on, the Investment Notes, specifically as related to securities offered and sold by non-profit charitable organizations.

Pursuant to current federal and state exemptions relating to certain securities offered and sold by non-profit charitable organizations, the Investment Notes will not be registered with the Securities and Exchange Commission and may not be registered with any state securities regulatory body in certain states. Federal and state securities laws are subject to change and frequently do change. Future changes in federal or state laws, rules or regulations regarding the sale of securities by charitable or other non-profit organizations may make it more costly and difficult for us to offer and adversely affect our ability to sell the Investment Notes. Such an occurrence could result in a decrease in the amount of Investment Notes we sell, which could affect our operations and our ability to meet our obligations under the Investment Notes. If we do not continue to qualify our Investment Notes in any particular state, you along with other investors in that state may not be able to reinvest at maturity.

A Change in our operations, non-profit or tax exempt status could have a negative impact on our ability to repay our obligations under the Investment Notes.

Federal, and California and New York state authorities have determined that we are exempt from federal and state taxation on the basis of our charitable purpose. This determination rests upon a number of conditions and assumptions that must continue to be met on an ongoing basis. If we fail to comply with any of these conditions or assumptions, we could lose our non-profit, tax exempt status and be subjected to federal and/or state taxation. In addition, we are not obligated to continue our current operations or existence as a non-profit entity. If we became subject to federal or state taxation, this could negatively impact our financial viability and cash flow, and our ability to sell Investment Notes pursuant to exemptions for non-profit charitable securities, all of which could ultimately negatively impact our ability to meet our obligations under the Investment Notes.

Changes in the regulations to which we are subject, including those related to our lending activities could have an adverse impact on our operations and our ability to make payments on the Investment Notes.

We are not currently subject to regulation as a bank, but some of our operations are subject to regulation by federal, state and local governmental authorities. Although we believe that our activities are in compliance in all material respects with applicable local, state and federal laws, rules and regulations, there can be no assurance that this is the case or that more restrictive laws, rules and regulations governing our lending activities will not be adopted in the future which could make compliance much more difficult or expensive, restrict our ability to originate loans, further limit or restrict the amount of interest and other charges earned under loans we originate, or otherwise adversely affect our operations or prospects, which could adversely affect our ability to operate and to make payments under the Investment Notes and potentially lead to the termination of the offering of Investment Notes or termination, winding-up or liquidation of LIIF.

Bankruptcy and other laws may place limitations on the remedies we have as a lender, and may provide additional protections for our borrowers.

Our remedies as a creditor upon default by any of our borrowers will be subject to various laws, regulations and legal principles that provide protections to borrowers. Under existing laws (including, without limitation, the Federal Bankruptcy Code), the remedies specified by our loan agreements and collateral documents may not be readily available or may be limited. Furthermore, the laws of a particular jurisdiction may change or make it impractical or impossible to enforce specific covenants in the loan agreements and collateral documents. In addition, our legal and contractual remedies, including those specified in our loan agreements and collateral documents, typically require judicial actions, which are often subject to discretion and delay. A court may refuse to order the specific performance of the covenants contained in the loan agreements and collateral documents.

The collateral underlying our loans may become impaired.

The various security interests established under our loans may be subject to other claims and interests. Examples of these claims and interests are statutory liens; rights arising in favor of the United States or any agency thereof; constructive trusts or equitable liens imposed or conferred by any state or federal court; and bankruptcy or receivership laws affecting amounts earned by the borrower after institution of bankruptcy or receivership proceedings by or against the borrower.

Revenue from Grants and Contracts.

We recognize some revenue from grants and contracts from government agencies based on actual costs incurred and reimbursable expenses from the granting agencies. These costs are subject to audit by the Office of the Inspector General and ultimate realization of revenue recognized is contingent upon the outcome of those audits.

We also recognize revenue as grants from foundations. These grant agreements typically include provisions that require us to repay the grant if we fall out of compliance with the agreement.

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements, and additional written or oral forward-looking statements may be made by us from time to time. The words “believe,” “expect,” “intend,” “anticipate,” “estimate,” “project,” and similar expressions identify forward-looking statements, which speak only as of the date the statement was made. Forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified. Future events and actual results could differ materially from those set forth in, contemplated by, or underlying the forward-looking statements. Statements in this prospectus, including those contained in the section entitled “**Risk Factors**” beginning on page 12, describe some factors, among others, that could contribute to or cause such differences. Further, no independent examiner has passed on the reasonableness of our forward looking projections.

DESCRIPTION OF THE INVESTMENT NOTES

General

Investment Notes represent our promise to pay you the principal amount invested plus interest at a fixed rate for a fixed period of time selected by you at the time of your investment.

Investment Notes are offered with the following terms: 6-months, 3-years, 5-years, and 10-years. The interest rates and minimum investment amounts for Investment Notes on the date this prospectus was delivered to you are set forth on the accompanying Interest Rate Sheet, which is included in and made part of this prospectus. At any time, you may obtain our current interest rates and minimum investment amounts for the Investment Notes by visiting our website at www.liifnote.org, by calling us at 415-489-6131, or e-mailing us at invest@liifund.org.

The Investment Notes are not secured by a pledge or mortgage of any of our assets, and there is no sinking fund or similar provision for payment of the Investment Notes at maturity.

The purchase price for the Investment Notes is payable in full and in cash upon subscription.

Who Can Invest?

The Notes are available to any individual or institutional investor residing in states in which the Notes are registered or exempt from registration. As a general rule, your total Note holdings should not represent a primary investment in relation to the overall size of your investment portfolio.

Interest

Interest accrues daily from the date of issuance and compounds quarterly on March 31, June 30, September 30 and December 31 of each year until expiration of the term of the Investment Note, including any reinvestment term upon renewal at maturity.

If an investor selects the annual interest payment option, all unpaid interest earned on the Investment Notes will be paid on June 30, unless that day is not a business day, in which case payment will be made by the following business day. If an investor chooses to reinvest their interest, the principal and all interest earned on the Investment Note since issuance will be paid to the investor in a single payment at final maturity of the Investment Note following expiration of the original term and all reinvestment terms. Interest on the Investment Notes will be calculated on the basis of a 365 day year and charged for the actual number of days elapsed in an interest period; that is, by applying the ratio of the interest rate over a year of 365 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding during the interest period. All interest payable under the Investment Notes is computed using this method.

Early Redemption by Investors

Notes should be viewed as an investment held to maturity. However, LIIF may allow early redemption on a case-by-case basis subject to a penalty equal to one year's interest on the Note.

Redemption or Reinvestment at Maturity

At least 30 days prior to maturity you will receive notification informing you that your Note is maturing. You will have the option to redeem the Note partially or in full, donate your Note to LIIF, or to reinvest in another Note pursuant to the then current prospectus and Interest Rate Sheet.

Investment Notes are automatically reinvested at maturity for the same duration as the original term if you do not request payment at maturity. At the time the maturing Investment Note is automatically reinvested, the interest rate then in effect for new Investment Notes with the same term will become the new fixed interest rate for the reinvestment term. Subsequent interest rate changes will not affect outstanding Investment Notes, whether in their original term or a reinvestment term, prior to their maturity.

LIIF Redemption Right

LIIF reserves the right to redeem any Note at any given time. If we exercise this right, we will pay you the principal amount of your Note plus all accrued and unpaid interest.

Book Entry System

We use a book entry system to record ownership and invested balances for all Investment Notes. Under this system, we keep an electronic record of your investments in Investment Notes. Instead of a paper Investment Note, we will send you a confirmation of your investment. We also send periodic statements showing the amount of principal and accrued but unpaid interest you have invested in our Investment Notes. Please contact us if a paper certificate for the Investment Note is preferred.

Fees and Payments
Investors pay no fees whatsoever. LIIF pays all applicable fees out of our general operating budget.

Investment Note administration, including delivery of correspondence and reports to investors and the facilitation of principal and interest payments, may be handled by us or by vendors with whom we contract.

Not Available in All States; We Reserve the Right to Accept or Reject Investment Requests
The Investment Notes are not available for sale in all states. We reserve the right to accept or reject each proposed investment in our sole and absolute discretion, and we will not accept an investment from an investor that does not reside within a state in which the Investment Notes are registered or exempt from registration.

LIIF is either registered to sell the Investment Notes or is exempt from registration in those jurisdictions where the Investment Notes are offered by it for sale. Certain of LIIF's employees and affiliated persons are authorized to disseminate information about us and the Investment Notes, and are registered or exempt from broker-dealer and agent requirements in those jurisdictions where the Investment Notes are offered for sale by LIIF. These issuer-agents are employees of LIIF and do not receive a commission or any sales related compensation above their salary.

Taxpayer ID
For Investment Notes bearing interest, if we lack the correct Social Security or Taxpayer Identification Number (TIN) and are unable to verify that the prospective investor is not subject to backup withholding by the IRS, we will withhold 28% of the interest and the investor may be subject to a fine. Investors may also be prohibited from purchasing another Investment Note. If the TIN information is not received within 60 days after an investment is made, the investment may be returned with an interest penalty. We reserve the right to reject any new investment or any investment request for failure to supply a certified TIN.

DISTRIBUTION

We are offering Investment Notes in the principal amount of up to $35 million pursuant to this prospectus, which are expected to be offered on a continuous basis without an expected termination date. No underwriting agreement exists for the offer and sale of the Investment Notes. No minimum amount of the overall offering of $35 million must be sold in order for us to accept investments. We may offer the Investment Notes directly or through registered broker-dealers.

Investment Notes may be purchased directly from us or through any broker-dealer with whom we have a sales and compensation agreement. LIIF, as the issuer of the Investment Notes, serves as the distributor of the Investment Notes along with certain authorized broker-dealer(s). Proceeds from the sale of the Investment Notes are not used to pay commissions or any other costs related to the sale of the Investment Notes; all fees and related costs are paid from our operating budget and will therefore not be charged to investors.

Investment Notes can be purchased by completing an investment request or the online investment process. As detailed in "**Description of the Investment Notes**" on page 12, an investor selects the term and interest rate of the Investment Note from among the available options at the time of purchase. The purchase price for the Investment Notes is payable in full and in cash upon subscription at 100% of the principal amount of the investment.

We may impose the minimum investment requirement then in effect on each new purchase of an Investment Note by you at the time an outstanding Investment Note matures and is reinvested. For purposes of meeting the minimum investment requirement, you may not count monies invested in any other outstanding Investment Notes. We may waive the minimum investment requirement in our sole discretion. We reserve the right in our sole discretion not to accept a particular subscription, to give priority to one subscription over another, to accept less than the minimum subscription amount or to impose a maximum subscription amount.

We may advertise the Investment Notes for sale. We currently intend to advertise the Investment Notes on our website, by mailings to potential investors, by hard copy or electronic mailings to LIIF supporters, and by brochures available to persons who receive a prospectus and those persons attending CDFI, impact investing, or socially responsible investing focused conferences.

TAX ASPECTS

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

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

- Although we are a 501(c)(3) organization, you will not be entitled to a charitable deduction for the Investment Note you purchase. If an investor elects to donate earned interest or principal, we will provide an acknowledgement to the investor of the donation in accordance with IRS 501(c)(3) charitable contribution requirements. However, an investor may not be eligible to utilize a charitable contribution tax deduction depending on their individual tax circumstances.
- Unless you hold your Investment Note through an IRA or other tax deferred account, any interest on your Investment Note will be taxed as ordinary income in the year it accrues regardless of whether interest is paid or compounded.
- Investment Notes purchased in an IRA or other tax deferred account will be subject to the tax rules applicable to the account, and consultation with a competent financial and tax adviser is recommended.
- Unless you hold your Investment Note through an IRA or other tax deferred account, we will provide you with a Federal Income Tax Form 1099-INT or the comparable form by January 31st of each year indicating the interest paid on your Investment Note(s) during the previous year.
- You will not be taxed on the return of any principal amount of your Investment Note or on the payment of interest that was previously taxed.
- Payments of interest may be subject to "backup withholding" of federal income tax (currently at the rate of 28%) if you fail to furnish us with a correct social security number or other tax identification number, or if you or the IRS have informed us you are subject to backup withholding.

In addition, if you (or you and your spouse together) have invested or loaned more than $250,000 in the aggregate with or to us and other organizations that control, are controlled by or under common control with us, you may be deemed to receive additional taxable interest under Section 7872 of the Code if the interest paid to you is below the applicable federal rate. In that situation, the Internal Revenue Service may impute income up to that applicable federal rate. If you believe this applies to you, you should consult your tax advisor.

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

Finally, this summary does not address every aspect of tax law that may be significant to your particular circumstances. For instance, it does not address special rules that may apply if you are a financial institution or tax-exempt organization, or if you are not a citizen or resident of the United States. Nor does it address any aspect of state or local tax law that may apply to you.

USE OF PROCEEDS

Proceeds from the sale of the Investment Notes are intended to be used primarily as loan capital for our loans to community-based, non-profit, and mission-aligned for-profit, developers for community facilities that build affordable housing, child care centers, charter schools and other educational facilities, healthcare and healthy foods facilities, and other community facilities and programs that support LIIF's mission.

LIIF'S HISTORY, MISSION AND PROGRAM ACTIVITIES

History and Mission

LIIF was formed and began operations in 1984 as a nonprofit public benefit corporation in the State of California. We are tax-exempt under section 501(c)(3) of the Code. LIIF became a certified Community Development Finance

Institution (CDFI) in 1996 and was recertified in March of 2016. Our principal office is located at 50 California St., Suite 2900, San Francisco, CA 94111.

LIIF facilitates community development by financing affordable housing, education, healthcare services, and other community development activities.

LIIF is dedicated to creating pathways of opportunity for low income people and communities. Serving the poorest of the poor, LIIF aims to be a steward for capital invested in community-building initiatives. In doing so, LIIF seeks to provide a bridge between private capital markets and low income neighborhoods with the aim of promoting economic advancement and self-sufficiency for the very poor.

LIIF is a leading, national nonprofit CDFI with access to more than $1 billion in capital for community development projects. To date, LIIF has invested more than $2.4 billion in community projects, serving more than 2 million people. LIIF's investments have leveraged $12 billion in private capital for distressed communities, generating over $60 billion in social benefits.

LIIF operates with offices in four locations: San Francisco, Los Angeles, New York City, and the District of Columbia. Regional offices enable us to be more responsive to the distinct financial and technical assistance requirements of our borrowers. LIIF's administrative operations remain centralized in the headquarters office in San Francisco, freeing our regional offices to focus on our program activities.

Program Activities
LIIF's activities are focused upon five program areas - housing, child care, education, health and equitable transit-oriented development. We believe that these are key levers in addressing poverty that require our core competence, *i.e.*, capital and finance. The following is a summary of LIIF's program priorities and how they address our mission of poverty alleviation.

Housing. Accessing affordable housing eases acute cost burdens that low-income families typically face in LIIF's core markets, enabling them spend more on necessities such as food, transportation, child enrichment, and health care. In addition to affordability, factors such as stability, location, quality and linkage with services can influence a range of social outcomes for low income populations. Similarly, housing insecurity and lack of affordability severely impacts child health and development. Safe, affordable housing also reduces family moves, which in turn improves child performance in schools.

Child Care. A considerable body of research has demonstrated that, over time, high-quality child care improves the lives of poor children, facilitates financial savings, and fosters economic growth. Long-term benefits have been shown in the areas of employment, education, health, and crime and welfare dependency. Early learning is one of the most powerful interventions for poverty alleviation.

Education. Similarly, quality education is core to our prosperity and to poverty alleviation. A quality education helps to lift low income families out of poverty by creating opportunities for economic mobility and asset growth. It is hard to overstate the value of education in creating pathways of opportunity for low income people.

Health. Health is inextricably linked to poverty. Indeed the places of highest poverty are also the hot spots of poor health. Addressing health holistically through key levers of poverty alleviation, as described above, is crucial. Healthy food and nutrition is essential to child development and to adult health, and access to primary health care is also essential.

Equitable Transit-Oriented Development. Finally, at the core of family well-being is having a decent, living-wage job. As a result, transportation policy may be the most important jobs policy of all. The economy has shifted enormously in the past several decades, with more jobs produced at the regional level than in urban centers. However, when low-income families move to the outer reaches of metropolitan areas in search of lower housing costs and proximity to jobs, they often face higher transportation costs. LIIF recognizes this challenge and responds with its focus on equitable transit-oriented development.

LIIF also leverages lessons from our practical experience to advance sound policies, public programs and legislation that bear upon our mission.

LENDING ACTIVITIES

Our Niche

LIIF occupies a specific niche within the CDFI industry and primarily provides loans to entities that provide facilities for affordable housing, early childhood education, education, health, equitable transit oriented development, and other community facilities that provide services for low- and very low-income households and communities. Projects financed by LIIF may have public subsidy and/or single purpose entity borrowers created to carry out innovative programs across all phases of a development project. As a community development financial institution, LIIF often accepts levels of risks that traditional lenders may find unacceptable.

Our Geographic Lending Areas

We focus our lending activities in the four geographic areas where LIIF maintains offices: California, New York (including the New York City metropolitan area), the Washington, DC metropolitan area, and New Jersey. These areas are strategically chosen and, together, they encompass 21% of the nation's poor. In these core markets, low income people face housing cost burdens and costs of living among the highest in the nation, with wages that have not, and cannot, keep pace. Thus, LIIF chooses to serve the hardest to reach populations—with 97% of families supported by LIIF-financed projects defined as low income, and 59% classified as very low income. LIIF believes that its customer-focused approach, combined with nimbleness and ability to tackle complex transactions with multiple parties and capital sources, will allow its integrated, outcome-driven work to define the next stage of the community development field. In addition to these core markets, LIIF lends in non-core markets where there is a concentration of unmet demand for LIIF products, and has worked in 31 states.

Our Due Diligence

For most loans LIIF will conduct due diligence on the project (and borrower sponsor/parent). Generally this due diligence will require an appraisal of the real estate collateral securing a loan; the insurance coverages currently in place for the borrower; an environmental assessment; and borrower sponsor/parent and project financial projections (the financials required are based on the nature of the loan and entity). All due diligence is reviewed by our lending team and/or outside counsel as appropriate.

Loan Underwriting

The market based production teams led by our SVP of National Markets and Capital Solutions perform our loan underwriting. This effort is supported by a team of Asset Managers led by the Manager of Asset Management and Underwriting. The organizations to which LIIF makes loans are typically community-based, non-profit, and mission-aligned for-profit real estate developers. They each in their own way seek to improve the communities they serve, and by so doing revitalize these communities. The types of loans made by LIIF are higher risk than traditional bank loans and often require creative underwriting, structuring and monitoring.

Each loan request is evaluated in accordance with our lending manual. Depending upon loan type and amount, each loan is approved either by LIIF staff or by the Loan Committee. The Loan Committee is composed of five LIIF Board members. All members possess numerous years of lending and/or pertinent community development experience. The committee provides oversight for LIIF's lending operations and portfolio performance. The committee meets at least monthly to approve loans that exceed staff approval limits, and three times a year for Portfolio Review.

Secured Real Estate Loans and Unsecured Loans

The loans we make can be categorized in two segments - Secured Real Estate Loans and Unsecured Loans – both of which finance the development of affordable housing and community facilities.

Secured Real Estate Loans – These loans are secured by liens on commercial real estate and related collateral and rely primarily on the income produced at the property to support debt service. The income may come from the leasing of the property to third-party tenants, such as rent paid by tenants in a multi-family rental building or mission-oriented tenants in an office building or retail property, some of whom may depend on public revenue streams for their operations and/or the ability to pay rent, or from the operation of the borrower's business at the property, such as a charter school or health clinic. The degree of risk in commercial real estate lending depends primarily on the loan amount in relation to the real estate value of the collateral in addition to the borrower's ability to repay in an orderly fashion. The ability to repay may be impacted by the capacity of the borrower/sponsor; general economic trends, including status of federal, state, and local government subsidies; real estate values; interest rate environments; and other key economic indicators. These loans generally possess a lower inherent risk of loss than Unsecured Loans, described below. As of June 30, 2018, 98.6% of LIIF's portfolio consisted of Secured Real Estate Loans.

Unsecured Loans – This type of loan is made primarily to strong mission-aligned real estate developers to finance a portion of predevelopment costs incurred to bring an identified real estate development project to fruition. The borrower does not typically provide collateral to support its obligations to repay, and the degree of risk in Unsecured Loans depends primarily on the financial viability of the borrower's underlying business and the ultimately ability to generate future resources to repay in an orderly fashion. These loans generally possess a higher inherent risk of loss than secured portfolio segments, though they are limited in dollar amount and as a percentage of the portfolio. As of June 30, 2018, 1.4% of LIIF's portfolio consisted of Unsecured Loans.

Interest Rates
Interest rates are established by our management and may vary depending on the type of loan, risk level, term, and cost of borrowing. At June 30, 2018, interest rates ranged from 2.0% to 8.1%.

Historical Lending Activities
The following tables summarize our lending activities in the past five fiscal years:

Loan Production	2018	2017	2016	2015	2014
Loans Closed	56	47	43	31	38
Average Loan Size	$3,624,112	$2,579,591	$2,651,537	$2,464,189	$1,743,380

Loans	2018	2017	2016	2015	2014
Loans Made	$176,151,277	$115,957,707	$124,062,940	$74,018,377	$99,202,567
Collections on Loans	$81,768,869	$71,480,095	$69,803,966	$45,447,878	$36,456,265

Our Loan Portfolio
The following table summarizes our outstanding loan portfolio as of the fiscal year ended 2014 through 2018.

Total Loan Portfolio	30-Jun-18	30-Jun-17	30-Jun-16	30-Jun-15	30-Jun-14
Gross Notes Receivable[1]	$423,951,371	$329,201,757	$284,253,853	$229,994,872	$201,424,373
Portfolio Composition By Segment					
Commercial Real Estate	$414,158,085	$320,340,459	$273,720,579	$227,254,482	$198,459,523
% Notes Receivable	98%	97%	96%	99%	99%
Commercial	$9,793,286	$8,861,298	$10,533,274	$2,740,390	$2,964,850
% Notes Receivable	2%	3%	4%	1%	1%
Portfolio Composition By Type					
Acquisition	25.88%	20.90%	20.10%	12.60%	18.20%
Construction	7.47%	16.70%	16.10%	20.60%	14.90%
Construction/Term	29.00%	24.40%	26.70%	31.60%	34.90%
Term	29.78%	34.20%	32.30%	32.80%	30.80%
Predevelopment	1.75%	1.50%	2.20%	2.40%	0.10%
Other	6.12%	2.30%	2.60%	0.00%	1.1%

Approximate annual maturities of notes receivable in our loan portfolio as of June 30, 2018 are shown in the table below. The amounts presented below are before taking out loan loss allowance and credit enhancement. As of June 2018, net current notes receivable totaled $124,706,978, and long term notes receivables totaled $285,885,127.

[1] Throughout this prospectus and our financial statements the terms "Notes Receivable" and "Notes Payable" refer, respectively, to the loans we make as lender and the loans and other indebtedness on which we borrow from other lenders. These terms do not refer to the Investment Notes offered by this prospectus.

Maturity Schedule	2019	2020	2021	2022	2023	Thereafter
Gross Notes Receivable	$132,429,353	$46,755,044	$41,493,139	$25,201,181	$24,375,088	$153,697,565

Loan Security
As of June 30, 2018, approximately 97% of our portfolio was secured by a lien on real property (86% by a first lien and 11% by a subordinated lien). Of the remaining 3%, 1.6% was secured by cash or other collateral, and 1.4% was unsecured. In total 98.6% of the loan portfolio is secured with real state and cash or other collateral, and 1.4% is unsecured.

Loan Commitments
Amounts related to undisbursed closed loans at June 30, 2018 totaled $33,903,251 and amounts related to loan approvals and/or loan commitments at June 30, 2018 totaled approximately $36,785,628.

Loan Monitoring
All loans are given an initial review by LIIF's Chief Credit Officer in consultation with lending staff. Loans are assigned for review to specific months throughout the year on a cycle of every six months, annually, or bi-annually depending on the risk factors of the loan. Generally, performing loans will be reviewed annually; however, construction loans will generally be reviewed every six months, with each monthly calculation draw requiring a separate review. If a loan has been downgraded or has other performance issues, the Chief Credit Officer will determine the level and frequency of review.

Allowance for Loan Losses
The allowance for loan losses and credit enhancements (collectively referred to as allowance for loan losses) is an estimate of loan losses inherent in LIIF's notes receivable portfolio. The allowance is established through a provision for loan losses which is charged to expense. Additions to the allowance are expected to maintain the adequacy of the total allowance after loan losses and loan portfolio growth. Loan exposures determined to be uncollectible are charged against the allowance. Cash received on previously charged off amounts is recorded as a recovery to the allowance. For each fiscal year in which the provision for loan losses is expensed, net assets are released from temporarily restricted to unrestricted to cover the net annual expenditure for the provision. These temporarily restricted net assets represent third party grants which have been made over the years to LIIF's loan funds. These loan funds issue new loans and cover the capital costs of such lending, including establishing loss reserves upon making new loans, increasing loan loss reserves as necessary during the life of existing loans and covering losses incurred as a result of defaulted loans.

LIIF assigns a risk rating to all loans upon initial approval. All loans are subject to a review on a schedule based on type (pre-development, acquisition, or term loan), amount of loan and risk rating. Risk ratings are affirmed or modified with these reviews.

LIIF determines an allowance for each portfolio segment. The allowance for loan losses attributed to each portfolio segment is combined to determine LIIF's overall allowance, which is included on the statement of financial position and available for all loss exposures. The overall loan loss allowance consists of two primary components, specific reserves related to impaired loans and general reserves for inherent losses related to loans that are evaluated collectively for impairment.

The allowance for loan losses as of the fiscal year ended 2014 through 2018 are set forth in the table below.

Allowance for Loan Losses	30-Jun-18	30-Jun-17	30-Jun-16	30-Jun-15	30-Jun-14
Beginning balance	$9,956,112	$8,738,553	$7,642,972	$6,908,466	$6,945,404
Provision (benefit) for loan losses	$2,611,347	$1,016,832	$1,273,613	$756,794	($783,785)
Additions (reductions) to credit enhancements	$85,064	$104,353	$446,173	($22,288)	$746,847
Net recoveries (write-offs)	$0	$96,374	($624,205)	-	-
Ending balance	$12,652,523	$9,956,112	$8,738,553	$7,642,972	$6,908,466

Although LIIF's management believes the allowance to be adequate, ultimate losses may vary from its estimates. On a routine basis the adequacy of the allowance, including consideration of the relative risks in the portfolio, current economic conditions and other factors are reviewed by management and an independent third party. If management determines that changes are warranted based on those reviews, the allowance is adjusted.

A credit enhancement reduces credit risk by providing assurance that LIIF will be compensated up to the amount of the credit enhancement if the borrower were to default.

Delinquencies and Loan Losses
The following table sets forth various performance and quality metrics regarding our loan portfolio.

On Balance Delinquencies	30-Jun-18	30-Jun-17	30-Jun-16	30-Jun-15	30-Jun-14
30 to 90 Days	0.00%	0.00%	0.00%	0.00%	0.00%
90+ days[2]	0.00%	0.00%	0.00%	0.00%	0.00%
Gross Write-offs[3]	0.00%	0.00%	0.26%	0.00%	0.00%
Cumulative Losses[4]	$4,322,822	$4,322,822	$4,419,196	$3,794,991	$3,855,382
% Loaned Capital Lost[5]	0.43%	0.49%	0.57%	0.57%	0.64%

There were no notes receivable modified as troubled debt restructurings for which there was a payment default within 12 months following the modification during the year ended June 30, 2018. The terms of certain other notes receivable were modified during the year ended June 30, 2016 that did not meet the definition of a troubled debt restructuring. The modification of these loans involved either a modification of the terms of a note agreement to borrowers who were not experiencing financial difficulties or a delay in a payment that was considered to be insignificant.

FUNDING SUPPORT AND FINANCING

We are supported primarily by interest income on our loan portfolio, funding obtained from contracts and grants from federal, state, and local governments, fee-based services provided to subsidiaries, affiliates and third parties, and grants and contributions. LIIF receives loans from various non-profit organizations and financial institutions to support our lending activities. As of June 30, 2018, LIIF had total assets of $491,367,021 on a consolidated basis, with total gross notes receivable constituting 86% of the balance as of that same date.

Support, Revenues and Financing Income
The table below sets forth the significant sources of support and revenues in the form of fees for services and contributions, including contributed services, for fiscal years 2014-2018:

Support Revenues	30-Jun-18	30-Jun-17	30-Jun-16	30-Jun-15	30-Jun-14
Contributions	$13,993,547	$20,362,659	$4,919,153	$13,127,122	$7,003,378
Loan packaging/servicing	$3,532,410	$3,837,621	$4,413,694	$3,686,647	$3,722,804
Technical assistance / consulting	$4,632,954	$3,337,175	$2,250,678	$1,759,998	$1,794,107

The table below sets forth our net financing income for fiscal years 2014-2018:

[2] The 90-day delinquency rate captures the percentage of loans outstanding where a scheduled interest or principal payment is outstanding more than 90 days past the payment due date.
[3] Write-offs are a percentage representation of the losses associated with loans receivable for each of the respective fiscal years.
[4] Cumulative Losses represent loan losses associated with on-balance loans receivable on a cumulative basis since inception in 1984.
[5] % Loaned Capital Lost measures loan losses, on a cumulative basis since inception in 1984, as a percentage of the dollars lent to borrowers during the same time period.

Financing Income	30-Jun-18	30-Jun-17	30-Jun-16	30-Jun-15	30-Jun-14
Interest and investment income	$20,559,608	$16,702,309	$14,832,475	$12,081,533	$10,536,637
Less: interest expense	($6,863,073)	($4,499,271)	($3,246,429)	($2,681,780)	($1,889,532)
Less: (provision) relief for loan losses and undrawn loan losses	($2,791,828)	($1,362,842)	($1,164,020)	($623,046)	$603,608
Net financing income	$10,904,707	$10,840,196	$10,422,026	$8,776,707	$9,250,713

Significant Grantors
A portion of our annual operating budget is supplied in the form of grants. During the fiscal years ending June 30, 2018, 2017 and 2016, grants from the six largest grantors totaled $1,485,128, $6,401,643, and $1,112,945 respectively. In addition, during the fiscal years ending June 30, 2018, 2017 and 2016, grants from the CDFI Fund of the U.S. Department of Treasury totaled $6,799,139, $4,347,000 and $1,653,000, respectively. In September 2018, we received notice of grants from the CDFI Fund totaling $4,525,000. These grants are generally used to support our lending activities rather than operating costs.

Contributions Receivable
Our contributions receivable totaled $9,757,219 and $10,894,955 at June 30, 2018 and 2017, respectively. The contributions receivable at June 30, 2018 is comprised of grants receivable from nine grantors. The largest contribution receivable, in the amount of $4,650,809, is from a private foundation to support our SPARCC program and represents 48% of the total at June 30, 2018.

FHLBSF Program
LIIF has been a member of the Federal Home Loan Bank of San Francisco (FHLBSF) since 2012 which accords us access to funding in an amount up to $30,000,000 for a wide variety of funding advance structures. The FHLSB credit facilities require pledging assets in order to draw down on the lines available. As of June 30, 2018, no advances have been taken from the FHLBSF and as a result, LIIF has not pledged any assets as security under this program.

CDFI Bond Guarantee Program
We have received a commitment that allows us to borrow funds for the support of our lending activities as part of the CDFI Bond Guarantee Program. That program is an arrangement by which the U.S. Department of Treasury is authorized to guarantee bonds issued by qualified issuers, the proceeds of which must be used to finance loans to eligible CDFIs for specified community development purposes. Our agreements allow us to borrow up to $115 million for terms of 29.5 years or less. As noted in the above risk factors, we are required to fund 3% of the amount we borrow through this program into a risk sharing pool that acts as a first loss position for our loans as well as those of other CDFIs that will receive loans from the same bond issuance. We also are required to pledge collateral equal to at least 103% of the loan proceeds we receive, and to comply with other underwriting terms.

We currently have $115 million committed to be funded through this program. As of June 30, 2018, LIIF has pledged $70,307,565 of notes receivable under this arrangement and has $63,408,575 of outstanding debt. We anticipate that we will be able to lend these Bond Guarantee Program proceeds at a higher interest rate than the rate we anticipate paying to the qualified issuer, though there can be no guarantee of our ability to do so.

Notes Payable
The table below sets forth the material sources and amounts of outstanding debt obligations that were used to fund LIIF's operations in the past five years.[6]

[6] Included in notes payable in the table above, LIIF had lines of credit with financial institutions which, in aggregate, had maximum borrowings that amounted to $348,230,243 and $311,563,577 at June 30, 2018 and 2017, respectively. As of June 30, 2018, 27.6% of LIIF's outstanding debt was set at interest rates which vary with market conditions. At June 30, 2018 and 2017, $96,080,718 and $128,172,304 were available to be drawn on such lines. Lines of credit balances at June 30, 2018 include $30,000,000 with the Federal Home Loan Bank of San Francisco and $63,408,575 as part of a federal bond guarantee program with the Treasury Department. Both of these are collateral based credit facilities which require pledging of assets in order to draw down on the lines.

§ Throughout this prospectus and our financial statements the terms "Notes Receivable" and "Notes Payable" refer, respectively, to the loans we make as lender and the loans and other indebtedness resulting from borrowing from other lenders. These terms do not refer to the Investment Notes offered by this prospectus.

Notes Payable §	30-Jun-18	30-Jun-17	30-Jun-16	30-Jun-15	30-Jun-14
Private Foundations	$675,000	$728,850	$8,608,892	$6,606,885	$6,769,706
Financial Institutions	$219,641,014	$146,517,110	$163,558,152	$97,055,044	$96,070,850
Religious Organizations	$3,500,000	$3,000,000	$3,000,000	$3,000,000	$2,500,000
Governmental Agencies	$106,552,415	$100,493,065	$34,497,225	$43,520,470	$31,181,157
Other Organizations	$9,298,461	$5,000,000	$15,714,639	$11,000,000	$6,000,000

LIIF had $63,408,575 and $58,765,003 and $34,497,225 of notes payable under Governmental Agencies related to CDFI Bond Guarantee Program for June 30, 2018 and 2017 and 2016, respectively.
Approximate annual maturities of notes payable for each of the next five years and thereafter are shown in the table below as of June 30, 2018.

Maturity Schedule	2019	2020	2021	2022	2023	Thereafter
Notes Payable	$53,234,159	$56,837,575	$91,214,217	$54,469,933	$4,665,991	$79,245,015

Funds Held In Trust
In addition, certain of LIIF's funds are held in trust, including cash provided by borrowers and funds to cover anticipated draws and certain operations expenses associated with loan participations. These funds are held in trust for the benefit of the trust beneficiaries and would not be available for repayment of creditors, including investors in the Investment Notes.

The table below sets forth the amount of LIIF's funds held in trust in the last five years:

Funds Held in Trust	30-Jun-18	30-Jun-17	30-Jun-16	30-Jun-15	30-Jun-14
Funds received from borrowers and funders	$5,243,791	$7,332,598	$5,415,756	$5,611,424	$7,806,590
Funds received from City of New York	$5,028,947	$8,669,107	$9,660,624	$4,391,562	$9,522,759
Total	$10,272,738	$16,001,705	$15,076,380	$10,002,986	$17,329,349

INVESTING ACTIVITIES

We may invest a portion of our cash and reserves in investment instruments according to our Investment Policy Statement (available upon request). The table below lists all of our investments by type.

LIIF's funds are invested with the objective of managing liquidity in a way that enables LIIF to fund commitments to borrowers in a timely fashion and to support ongoing operations; preserve capital and to repay all investors in full; minimize risk to principal; manage liquidity for interest and principal payments on borrowed capital; comply with all investor covenants; and maximize total return on investments within prudent risk management guidelines in order to support self-sufficiency and to promote efficient operations. Investments are made after a detailed review of current and projected financial requirements, market returns and risks as well as special requirements of LIIF, including anticipated future cash flow needs and tolerance for volatility.

The Board is responsible for overseeing and monitoring LIIF's investment program. The Board retains responsibility for monitoring these investments, through regular reports and meetings, and the qualitative and quantitative results achieved by the investment managers engaged by LIIF and the President and/or Chief Financial Officer in fulfilling LIIF's investment objectives. The Board has delegated its responsibility to the Finance Committee to meet with the investment managers. The Finance Committee reviews the progress of each investment manager, monitors the operations of the investment portfolios, and recommends any changes in policy and/or procedures to the Board. It is also the responsibility of the Finance Committee to review and recommend the selection or termination of investment managers to the Board. This information is reviewed quarterly. The Finance Committee also reviews the Investment Policy Statement annually and proposes revisions to the Board as needed.

Investments	30-Jun-18	% of total	30-Jun-17	% of total	30-Jun-16	% of total
U.S. Treasury notes	$1,300,500	7.30%	$1,334,228	8.03%	$1,418,812	9.23%
Corporate Bonds	$7,654,658	42.94%	$8,144,470	49.01%	$6,747,201	43.88%
Asset-backed securities (including CMOs)	$6,511,968	36.53%	$5,541,769	33.35%	$5,596,701	36.40%
Equity Investments	$818,274	4.59%	$617,643	3.72%	$621,371	4.04%
FHLB-SF Stock	$964,200	5.41%	$533,900	3.21%	$659,400	4.29%
Other	$574,942	3.23%	$444,705	2.68%	$333,563	2.17%
Total	$17,824,542	100.00%	$16,616,715	100.00%	$15,377,048	100.00%
Realized/Unrealized Gains (Losses)	($437,570)		($485,071)		($151,627)	

SELECTED FINANCIAL INFORMATION

The tables below set forth selected financial information as of and for the years ended June 30, 2018 through 2014. This information is based on our historical financial statements and should be read in conjunction with the financial statements attached to this prospectus as Appendix I. **Past performance is not indicative of future results.**

Balance Sheet Information	30-Jun-18	30-Jun-17	30-Jun-16	30-Jun-15	30-Jun-14
Unrestricted Cash, Cash Equivalents and Investments	$35,468,369	$34,795,691	$42,894,761	$21,877,891	$27,532,439
Notes Receivable, Net	$410,592,105	$319,303,149	$275,716,071	$222,193,906	$194,572,151
Total Assets	$491,367,021	$414,154,042	$357,538,435	$280,623,263	$259,073,526
Notes Payable	$339,666,890	$255,739,025	$225,378,908	$161,182,399	$142,521,713
Total Liabilities	$378,682,980	$306,531,851	$265,654,137	$189,370,213	$177,587,664
Net Assets	$112,684,041	$107,622,191	$91,884,298	$91,253,050	$81,485,862

Income Statement Information	30-Jun-18	30-Jun-17	30-Jun-16	30-Jun-15	30-Jun-14
Support Revenue and Investment Gains (Losses)	$32,696,644	$37,960,239	$21,931,509	$26,757,286	$21,599,145
Expenses	$27,634,794	$22,222,346	$21,300,261	$16,990,098	$19,078,133
Change in Unrestricted Net Assets	$5,053,502	$4,916,581	$7,849,757	$2,484,341	$6,387,418
Change in Temporarily Restricted Net Assets	$8,348	$10,821,312	($7,218,509)	$7,282,847	($3,866,406)
Change in Net Assets	$5,061,850	$15,737,893	$631,248	$9,767,188	$2,521,012

Cash Flow Information	30-Jun-18	30-Jun-17	30-Jun-16	30-Jun-15	30-Jun-14
Cash and Cash Equivalents at Beginning of Year	$18,178,976	$27,517,713	$5,495,616	$10,981,661	$5,836,399
Net Cash Provided by (Used in) Operating	$11,396,206	$2,874,125	$2,275,903	$7,976,940	$10,790,609
Net Cash Provided by (Used in) Investing	($95,921,025)	($46,207,851)	($53,656,927)	($31,551,383)	($62,871,079)
Net Cash Provided by (Used in) Financing	$83,989,670	$33,994,989	$73,403,121	$18,088,398	$57,225,732
Cash and Cash Equivalents at End of Year	$17,643,827	$18,178,976	$27,517,713	$5,495,616	$10,981,661

Net Increase (Decrease) Cash and Cash Equivalents	($535,149)	($9,338,737)	$22,022,097	($5,486,045)	$5,145,262

Our cash and cash equivalents consist of cash on hand, cash in demand deposit and money market accounts, highly liquid investments that are readily convertible to known amounts of cash and investments so near their maturity that the risk of changes in value due to changes in interest rates is negligible, including investments with maturity dates within three months of their acquisition date. We invest excess cash according to the Investment Policy Statement discussed in the above "Investing Activities" section.

Related Party Transactions

LIIF has entered into various loans with borrowers and notes payable from lenders where senior level employees of the borrower or lender serves on LIIF's Board of Directors. These related party loans were made on substantially the same terms, including interest rates and collateral requirements that were prevailing at the date those loans were made.

LIIF is also an active syndicator of NMTCs, whereby LIIF creates, serves as the managing member and owns a negligible interest (0.01%) in certain Community Development Entities (CDEs). In connection with its services to these CDEs, LIIF may receive certain fees. By virtue of its negligible holdings, LIIF is limited from potential upside and downside exposure in the CDEs.

LIIF has originated loans for and made loans to the San Francisco Bay Area Transit-Oriented Affordable Housing Fund (BATOAH). LIIF retains a minority interest in BATOAH and is the fund manager. See Note 8 and Note 22 to our financial statements for details on BATOAH.

LIIF has entered into partnerships in MATCH LLC and LIIF Housing Preservation Fund, LLC, pursuant to which LIIF has earned management, loan origination and loan servicing fees.

See Note 22 to our financial statements for details on these and other related party transactions.

LITIGATION AND OTHER MATERIAL TRANSACTIONS

As of the date of this prospectus, we are not subject to any adverse order, judgment or decree of any court, governmental authority or administrative body, and we are not a defendant in any present, pending or (to our knowledge) threatened material legal proceedings. None of our officers or directors has, during the last ten years, been convicted in any criminal proceeding, is the subject of any pending criminal proceedings, or was the subject of any order, judgment or decree of any court enjoining them from any activities associated with the offer or sale of securities.

MANAGEMENT

Board of Directors

LIIF's Board of Directors is drawn nationally from the financial services industry and the community development field. Our Board of Directors currently has 13 members, 12 of whom are from outside LIIF. Our Bylaws provide for directors to serve for a term not to exceed three years and no director may serve more than two consecutive three-year terms. Each Director's current term expiration along with a brief biography is set forth below. The Board meets quarterly to discuss and assess progress towards strategic goals, risk tolerance levels, financial and operating performance as well as new initiatives.

Name	Term	Principal Occupation Held During the Past Five Years
Derek Douglas, Chair	June 30, 2019 (Second)	Vice President for Civic Engagement and External Affairs, University of Chicago
Carol Naughton, Vice Chair	June 30, 2020 (First)	President, Purpose Built Communities
Reymundo Ocanas, Secretary	June 30, 2020 (First)	Executive VP, Director, Corporate Responsibility and Reputation, BBVA Compass
Russell Bruemmer, Treasurer	June 30, 2019 (First)	Retired Partner, Wilmer Cutler, Pickering, Hale and Dorr

Laksiri Abeysekera	June 30, 2020 (First)	Director Corporate Services, International Center for Biosaline Agriculture
Daniel A. Nissenbaum	Term of service to LIIF	President & CEO, Low Income Investment Fund
Janis Bowdler	June 30, 2020 (First)	President, JPMorgan Chase Foundation
Phyllis Caldwell	June 30, 2019 (Second)	Founder, Wroxton Civic Ventures, LLC. Formerly, Chief Homeownership Officer, U.S. Department of Treasury, Obama Administration
David Fleming, MD	June 30, 2019 (First)	Vice President, Public Health, PATH
Donna Gambrell	June 30, 2021 (First)	President & CEO, Appalachian Community Capital; Former Director, CDFI Fund
Pam Johnson	June 30, 2020 (Second)	Formerly Senior Vice President and Chief Credit Officer, Fannie Mae
William Kelly, Jr.	June 30, 2019 (First)	Founder, Stewards of Affordable Housing for the Future
Roy Swan	June 30, 2021 (First)	Director, Mission Investments of Ford Foundation

Key Personnel
As of the date of this prospectus, we are undertaking an executive search for a Chief Financial Officer. In the interim, our Controller, Roxanne Huey, will maintain the primary responsibility for LIIF's financial statements and financial reporting, and our VP for Financial Planning, Christina Travers, will maintain responsibility for capital raising, investor relations and financial planning, both working closely with the CEO. Our executive officers are as follows:

Daniel A. Nissenbaum, President and Chief Executive Officer. Mr. Nissenbaum is President and Chief Executive Officer of LIIF. Prior to LIIF, Mr. Nissenbaum was a Managing Director at Goldman Sachs, where he oversaw Community Reinvestment Act compliance for the firm's Urban Investment Group and capital investment for the 10,000 Small Businesses program. Previously, he has also held real estate and community development finance positions at Chemical Bank, Chase Manhattan Bank Community Development Corporation (CDC), JPMorgan CDC and HSBC Bank. In addition, Mr. Nissenbaum served as an Investment Officer with the Merrill Lynch Community Development Company, where he was actively involved in debt financings, including construction lending, revolving credit facilities and other community development financings to for-profit and non-profit intermediaries.

Roxanne Huey, Vice President Finance, and Corporate Controller. Ms. Huey is acting as LIIF's co-interim CFO and is responsible for LIIF's financial statements and financial reporting. Additionally, she manages accounting for LIIF lending programs, including its current CMF program. Huey has 25 years of accounting and finance experience in the financial services, nonprofit, real estate and investment advisory fields. This includes seven years as an Auditor with Deloitte & Touche, and 15 years as a Controller in the financial services, real estate and investment advisory fields. She has been a controller for both public and privately held companies. Ms. Huey graduated with a B.S. in Accounting from California State University in Sacramento.

Christina Travers Vice President, Finance & Capital Strategies. Ms. Travers is acting as LIIF's co-interim CFO and is responsible for capital raising, investor relations, and financial planning. Additionally, she manages LIIF's budget process, financial forecasting, investment portfolio management, cash management and treasury services. Prior to joining LIIF, she spent ten years at Local Initiatives Support Corporation (LISC) as its Senior Vice President for Finance & Capital Strategies. In this role, she oversaw LISC's financial planning and analysis, maintained relationships with LISC lenders, and supervised the loan servicing of LISC's loan portfolio. Prior to joining LISC, Ms. Travers worked as a Policy Analyst at New York City's Department of Health and Mental Hygiene. She is also a Returned Peace Corps Volunteer, completing her service in Zambia, Africa. Ms. Travers earned her B.S. in Biology from Duke University and her M.S. in Urban Policy and Management, with a concentration in Community Development Finance, from The New School in New York City.

Kimberly Latimer-Nelligan, Chief Operating Officer & Executive Vice President, Community Investment Programs. Ms. Latimer-Nelligan is LIIF's COO & EVP, Community Investment Programs and is responsible for oversight of LIIF's Community Investment Programs (CIP) which includes the national lending and New Markets Tax Credit business, programs and risk management. Ms. Latimer-Nelligan's background in community development is extensive. Before joining LIIF in July 2008, she was with Citibank for over 20 years. Most recently, Ms. Latimer-Nelligan served as the Managing Director of National Lending and Investments, overseeing a $3 billion business within Citibank Community Development. During Ms. Latimer-Nelligan's tenure at Citibank, Citi's national lending, structured finance and equity investments for community development were consolidated under her leadership. In addition, she successfully organized and established Citi's program in charter schools. Ms. Latimer-Nelligan serves as the Board Chair of the Community Reinvestment Fund. She also serves on the Boards of Raza Development Fund and the National Affordable Housing Trust. She received her B.A. from Hobart and William Smith Colleges and her M.B.A. from Columbia University.

Patricia GoPaul, General Counsel. In her role as LIIF's General Counsel, Ms. GoPaul oversees the organization's legal matters, enterprise risk and compliance. Prior to LIIF, she was Counsel and Chief Compliance Officer at Impact Community Capital. Ms. GoPaul has worked as a real estate finance attorney at prominent international law firms including Dechert LLP, Winston & Strawn LLP and Orrick, Herrington & Sutcliffe LLP. Ms. GoPaul is currently a member of the California Organized Investment Network Advisory Board, and Northern California Community Loan Funds' Board of Directors.

Remuneration

None of the members of our Board of Directors was paid any remuneration for serving as a director; however, we may reimburse our directors for reasonable actual expenses incurred in attending meetings.

The table below provides the direct and indirect remuneration paid to any executive officer in excess of $150,000 and to our five executive officers in the aggregate for our executive officers. Remuneration is expected to be generally the same for the next 12 months.

	Salary	Bonus and other Compensation	Health and Other Insurance	Contributions to Retirement Plan
Aggregate of Executive Officers	$1,561,326	$531,432	$127,490	$52,376
Daniel Nissenbaum (April 1 – June 30)	$120,549	$120,000	$10,048	$0
Nancy Andrews (July 1 – March 31)	$350,777	$138,450	$33,431	$10,800
Patricia GoPaul	$218,000	$39,074	$24,251	$9,436
Kimberly Latimer-Nelligan	$332,000	$89,200	$12,791	$10,800
Kathryn Rock	$289,000	$81,200	$11,856	$10,800
Brian Prater	$251,000	$63,508	$35,113	$10,540

We awarded bonus compensation to our executive officers based on a number of criteria, which include, among other things, the achievement of goals and objectives and our financial performance. No staff member receives sales-related commissions.

FINANCIAL REPORTING

Our consolidated financial statements for the years ended June 30, 2018 and 2017, and the related notes thereto are attached as Appendix I to this prospectus. The financial statements for the years ended June 30, 2018 and 2017 were audited by RSM US LLP. It is our policy to deliver our annual audited financial statements to investors within 120 days after our fiscal year end.

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SUPPLEMENTS TO PROSPECTUS FOR

Low Income Investment Fund

50 California Street, Suite 2900
San Francisco, California 94111

Up to $35,000,000 of LIIF Impact Notes

This document includes supplements dated May 23, 2019 and August 15,2019, each of which supplement and amend our prospectus dated December 31, 2018, relating to our offering for sale of up to $35,000,000 of LIIF Impact Notes. Capitalized terms used in these supplements but not defined in the supplements have the meanings given to them in the prospectus.

You should read these supplements with the prospectus dated December 31, 2018. The supplements are not complete without, and should only be considered in conjunction with, the prospectus. The supplements are qualified in their entirety by reference to the prospectus, except to the extent that the information provided by these supplements supersede or supplement the information contained in the prospectus.

Investing in the Notes involves risks. Please read and consider carefully the discussion entitled "Risk Factors" beginning on Page 3 of the prospectus.

May 23, 2019 Supplement
Key Personnel Changes

We announce the following changes to our Key Personnel:

Kimberly Latimer-Nelligan has been named as President of LIIF, having served previously as Chief Operating Officer & Executive Vice President, Community Investment Programs.

Daniel Nissenbaum continues as Chief Executive Officer of LIIF, having served previously as President & Chief Executive Officer of LIIF.

See "Key Personnel" at page 24 of our Prospectus for information with respect to Ms. Latimer-Nelligan and Mr. Nissenbaum.

Giles Coates has been named as Chief Financial Officer of LIIF. Mr. Coates brings over 17 years of finance and accounting experience in the financial services industry in the U.S. and globally.

Most recently, Mr. Coates was the global head of Finance & Accounting at FINCA Impact Finance (FIF) a Washington D.C. based microfinance institution with a $1 billion balance sheet and regulated subsidiaries in 20 countries on five continents. FIF provides responsible financial solutions to over one million customers globally.

Prior to FIF, Mr. Coates was a vice president and CFO for the Commercial Real Estate and Community Development Finance businesses at Capital One N.A.

Mr. Coates started his financial services career as a credit underwriter and portfolio manager at CapitalSource, a commercial finance lender based in Washington, D.C., before his appointment as the director of treasury and risk management where he was responsible for raising over $12 billion in secured and unsecured borrowings with multiple leading global financial institutions to finance the growth of the company.

Prior to financial services, Mr. Coates was an auditor at Grant Thornton and worked in venture capital in the U.K. He is a member of the Institute of Chartered Accountants in England and Wales, a CPA (inactive) and holds a Bachelor's degree in Law & Accounting from the University of Wales, Cardiff, U.K.

August 15, 2019 Supplement
Sustainability Bonds

On July 25, 2019, LIIF issued $100,000,000 in Taxable Bonds, Series 2019 (Sustainability Bonds).

Description of Bonds

The Sustainability Bonds consist of $25,000,000 of 3.386% Serial Bonds due July 1, 2026 and $75,000,000 of 3.711% Term Bonds due July 1, 2029 (the Bonds). Morgan Stanley & Co. LLC served as senior underwriter and J.P Morgan Securities LLC served as co-manager in the Bond offering. The Bonds were issued pursuant to a Bond Indenture, with U.S. Bank National Association serving as the Bond Trustee. The Bonds were issued in authorized denominations of $5,000 and any integral multiple thereof and were delivered solely in registered form under a book-entry system through the facilities of DTC. Interest on the Bonds accrues from the date of issuance and is payable on January 1 and July 1, commencing January 1, 2020.

The Bonds are subject to optional redemption by LIIF, in whole or in part at any time, (a) with respect to the Bonds maturing July 1, 2026, (i) prior to April 1, 2026, at the Make-Whole Redemption Price (as defined in the Bond Indenture), and (ii) on or after April 1, 2026, at a Redemption Price (as defined in the Bond Indenture) equal to the principal amount of such Bonds to be redeemed, and (b) with respect to the Bonds maturing July 1, 2029, (i) prior to April 1, 2029, at the Make-Whole Redemption Price, and (ii) on or after April 1, 2029, at a Redemption Price equal to the principal amount of such Bonds to be redeemed in each case, together with accrued interest to the date fixed for redemption, as discussed more fully herein. The Bonds are also subject to mandatory redemption from sinking fund installments at the principal amount thereof on the dates and in the amounts described in the Bond Indenture. In addition, LIIF has the option to purchase any Bonds called for optional redemption.

The Bonds constitute unsecured general obligations of LIIF, and no specific LIIF assets or revenues, other than amounts held in certain accounts established under the Bond Indenture, are pledged by the Bond Indenture for the payment of Bond debt service when due. LIIF's temporarily restricted assets are subject to legal restrictions and are not an anticipated source of payment of Bond debt service. Certain of LIIF's existing obligations under certain federal programs and under the U.S. Treasury Department's Bond Guarantee Program are fully secured. No reserve fund is established for the Bonds.

S&P Global Ratings (S&P) assigned a long-term rating of "A-" to the Bonds.

Use of Proceeds of Sustainability Bonds

The proceeds of the Bonds were applied to: (i) refinance existing debt obligations and (ii) pay all or a portion of the costs of issuance of the Bonds. This use of proceed is shown below:

Par Amount of the Bonds	$100,000,000.00
Uses of Funds:	
Repayment of existing debt obligations	$98,836,728.22
Underwriters' discount	883,521.78
Costs of Issuance(1)	279,750.00
Total Uses	$100,000,000.00

(1)Certain other costs of issuance were paid by LIIF from Bond proceeds and other available funds.

Repayment of Existing Debt Obligations

To achieve its impact goals, LIIF used the proceeds of the Bonds primarily to refinance loan capital for its direct loans to community-based, not-for-profit organizations, and mission-driven for-profit real estate developers. The loan types themselves vary in both type and stage of project development, including acquisition, construction, mini-perm, permanent and predevelopment. The existing indebtedness of LIIF refinanced by the Bonds included fixed and floating debt obligations of LIIF. These obligations were issued to finance community development loans of several asset classes. The estimated use of proceeds for repayment of existing debt obligations as of July 1, 2019 is shown in the tables below demonstrating asset type and geographic diversity:

Asset Type	# of Loans	Book Value	% of Refinanced Loans
Affordable Housing	26	$49,679,769	50.2%
Education	8	26,362,484	26.7
Healthy Food	1	6,378,049	6.5
Child Care	2	3,512,525	3.6
Health Clinic	1	3,215,502	3.3
Mixed Use	2	9,733,135	9.8
Totals	**40**	**$98,881,463**	**100%**

State	# of Loans	Book Value	% of Refinanced Loans
Washington D.C.	12	$47,012,488	47.5%
California	10	15,403,967	15.6
New York	5	12,883,833	13.0
New Jersey	1	6,859,981	6.9
Maryland	2	3,984,894	4.0
Louisiana	1	3,215,502	3.3
Illinois	1	2,765,452	2.8
Hawaii	1	2,467,372	2.5
Oregon	2	1,964,996	2.0
North Carolina	1	1,480,000	1.5
Washington	2	620,381	0.6
Virginia	1	189,826	0.2
Rhode Island	1	32,770	0.03
Totals	**40**	**$98,881,463**	**100%**

Estimated Debt Service Requirements for Sustainability Bonds

The following table sets forth the projected amounts required to be paid by LIIF, as principal of, interest on and total debt service on the Bonds during each twelve-month fiscal year ending June 30 through the last scheduled maturity of the Bonds. Columns may not add to total due to rounding.

Fiscal Year Ending June 30,	Principal on Bonds	Interest on Bonds	Total Debt Service on Bonds
2020		$1,572,891.67	$1,572,891.67
2021		3,629,750.00	3,629,750.00
2022		3,629,750.00	3,629,750.00
2023		3,629,750.00	3,629,750.00
2024		3,629,750.00	3,629,750.00
2025		3,629,750.00	3,629,750.00
2026		3,629,750.00	3,629,750.00
2027	$25,000,000.00	3,206,500.00	28,206,500.00
2028	25,000,000.00	2,319,375.00	27,319,375.00
2029	25,000,000.00	1,391,625.00	26,391,625.00
2030	25,000,000.00	463,875.00	25,463,875.00

Appendix I

LIIF Audited Consolidated Financial Statement

Consolidated Financial Statements and Independent Auditor's Report

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

June 30, 2018 and 2017

Contents

RSM US LLP

Independent Auditor's Report

To the Board of Directors
Low Income Investment Fund and Subsidiaries

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of Low Income Investment Fund and Subsidiaries (the Organization), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

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

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Low Income Investment Fund and Subsidiaries as of June 30, 2018 and 2017, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

San Francisco, California
October 26, 2018

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

Consolidated Statements of Financial Position
June 30, 2018 and 2017

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	$ 17,643,827	$ 18,178,976
Restricted cash and cash equivalents	26,998,260	42,484,893
Current portion of investments	1,107,115	929,597
Accounts receivable, net	3,982,633	2,143,270
Current portion of contributions receivable	9,734,609	3,626,530
Accrued interest receivable	1,832,590	1,494,308
Prepaid expenses and deposits	858,528	835,992
Current portion of notes receivable, net	124,706,978	106,432,629
Total current assets	186,864,540	176,126,195
Investments, net of current	16,717,427	15,687,118
Contributions receivable, net of current	22,610	7,268,425
Notes receivable, net	285,885,127	212,870,520
Equipment and leasehold improvements, net	1,877,317	2,201,784
Total assets	$ 491,367,021	$ 414,154,042
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$ 6,843,099	$ 10,019,023
Accrued interest payable	414,263	318,152
Deferred revenue	1,146,325	4,180,545
Funds held in trust	10,272,738	16,001,705
Current portion of notes payable, net	53,234,159	52,247,470
Total current liabilities	71,910,584	82,766,895
Notes payable, net of current	285,402,776	202,395,336
Subordinated notes payable	21,369,620	21,369,620
Total liabilities	378,682,980	306,531,851
Net assets:		
Unrestricted	62,113,112	57,059,610
Temporarily restricted	50,570,929	50,562,581
Total net assets	112,684,041	107,622,191
Total liabilities and net assets	$ 491,367,021	$ 414,154,042

See notes to consolidated financial statements.

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

Consolidated Statement of Activities
Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Total
Support, revenues and investment gains (losses):			
Net financing income:			
Interest and investment income	$ 20,475,708	$ 83,900	$ 20,559,608
Less interest expense	(6,863,073)	-	(6,863,073)
Less provision for loan losses and commitments	(2,791,828)	-	(2,791,828)
Total net financing income	10,820,807	83,900	10,904,707
Fees:			
Loan packaging and servicing	3,532,410	-	3,532,410
Technical assistance and consulting	4,632,954	-	4,632,954
Other	70,596	-	70,596
Total fees	8,235,960	-	8,235,960
Contributions	32,044	13,961,503	13,993,547
Net assets released from restrictions	14,037,055	(14,037,055)	-
Net losses on investments	(437,570)	-	(437,570)
Total support, revenues and investment gains (losses)	32,688,296	8,348	32,696,644
Expenses:			
Program services:			
Lending production	3,964,969	-	3,964,969
Asset management and servicing	4,234,659	-	4,234,659
Child care development services	5,076,800	-	5,076,800
Strong, Prosperous, and Resilient Communities Challenge (SPARCC)	5,227,002	-	5,227,002
Other development services	508,771	-	508,771
National policy	776,732	-	776,732
Total program services	19,788,933	-	19,788,933
Supporting services:			
Management and general	6,096,260	-	6,096,260
Fundraising	1,749,601	-	1,749,601
Total supporting services	7,845,861	-	7,845,861
Total expenses	27,634,794	-	27,634,794
Change in net assets	5,053,502	8,348	5,061,850
Net assets, beginning of year	57,059,610	50,562,581	107,622,191
Net assets, end of year	$ 62,113,112	$ 50,570,929	$ 112,684,041

See notes to consolidated financial statements.

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

Consolidated Statement of Activities
Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Total
Support, revenues and investment gains (losses):			
Net financing income:			
Interest and investment income	$ 16,672,759	$ 29,550	$ 16,702,309
Less interest expense	(4,499,271)	-	(4,499,271)
Less provision for loan losses and commitments	(1,362,842)	-	(1,362,842)
Total net financing income	10,810,646	29,550	10,840,196
Fees:			
Loan packaging and servicing	3,837,621	-	3,837,621
Technical assistance and consulting	3,337,175	-	3,337,175
Other	67,659	-	67,659
Total fees	7,242,455	-	7,242,455
Contributions	166,750	20,195,909	20,362,659
Net assets released from restrictions	6,404,653	(6,404,653)	-
Net assets released from restrictions (available for release in the prior year) (Note 23)	3,000,000	(3,000,000)	-
Net (losses) gains on investments	(485,577)	506	(485,071)
Total support, revenues and investment gains (losses)	27,138,927	10,821,312	37,960,239
Expenses:			
Program services:			
Lending production	3,523,968	-	3,523,968
Asset management and servicing	3,995,662	-	3,995,662
Child care development services	3,718,551	-	3,718,551
Strong, Prosperous, and Resilient Communities Challenge (SPARCC)	2,543,051	-	2,543,051
Other development services	526,043	-	526,043
National policy	837,487	-	837,487
Total program services	15,144,762	-	15,144,762
Supporting services:			
Management and general	5,558,876	-	5,558,876
Fundraising	1,518,708	-	1,518,708
Total supporting services	7,077,584	-	7,077,584
Total expenses	22,222,346	-	22,222,346
Change in net assets	4,916,581	10,821,312	15,737,893
Net assets, beginning of year	52,143,029	39,741,269	91,884,298
Net assets, end of year	$ 57,059,610	$ 50,562,581	$ 107,622,191

See notes to consolidated financial statements.

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

Consolidated Statement of Functional Expenses
Year Ended June 30, 2018

	Lending Production	Asset Management and Servicing	Child Care Development Services	SPARCC	Other Development Services	National Policy	Management and General	Fundraising	Total
Expenses:									
Personnel	$ 2,545,545	$ 2,967,985	$ 928,763	$ 529,396	$ 352,119	$ 471,879	$ 3,880,660	$ 1,169,771	$ 12,846,118
Consultants and legal	259,603	334,402	80,913	233,198	53,720	146,658	627,717	176,337	1,912,548
Travel	126,469	180,518	30,283	54,366	28,352	19,926	296,661	43,483	780,058
Conferences	17,266	11,244	488	1,125	50	1,723	7,253	5,502	44,651
Rent	243,678	432,073	170,021	76,983	45,094	52,788	429,595	209,431	1,659,663
Insurances, licenses and fees	61,976	49,461	10,912	6,153	4,194	5,672	319,025	14,505	471,898
Telephone	24,595	26,561	6,866	2,099	5,666	2,308	11,973	5,245	85,313
Memberships and publications	28,027	9,275	1,634	31,733	538	47,834	53,101	19,604	191,746
Office	93,185	143,399	43,774	33,391	14,645	17,513	141,944	52,544	540,395
Audit and annual report	-	-	-	-	-	-	187,200	700	187,900
Depreciation and amortization	31,818	71,492	39,701	18,092	4,359	5,384	103,451	50,170	324,467
Provision (relief) for bad debt	-	-	-	-	-	-	(9,891)	-	(9,891)
Grants	516,863	-	3,763,350	4,240,350	-	-	-	-	8,520,563
Miscellaneous	15,944	8,249	95	116	34	5,047	47,571	2,309	79,365
Total expenses	$ 3,964,969	$ 4,234,659	$ 5,076,800	$ 5,227,002	$ 508,771	$ 776,732	$ 6,096,260	$ 1,749,601	$ 27,634,794

See notes to consolidated financial statements.

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

Consolidated Statement of Functional Expenses
Year Ended June 30, 2017

	Lending Production	Asset Management and Servicing	Child Care Development Services	SPARCC	Other Development Services	National Policy	Management and General	Fundraising	Total
Expenses:									
Personnel	$ 2,497,945	$ 2,761,770	$ 887,322	$ 454,298	$ 302,449	$ 456,658	$ 3,286,910	$ 946,426	$ 11,593,778
Consultants and legal	333,359	349,337	60,068	450,688	34,923	200,724	618,016	205,030	2,252,145
Travel	132,229	134,961	17,235	69,935	17,726	31,093	185,417	27,473	616,069
Conferences	11,276	11,269	511	1,588	411	4,229	15,213	7,636	52,133
Rent	274,181	423,703	190,334	79,926	39,495	59,147	405,324	172,650	1,644,760
Insurances, licenses and fees	48,640	24,089	9,264	5,635	2,861	5,329	391,487	9,816	497,121
Telephone	20,523	25,274	6,767	2,742	3,153	2,457	14,391	5,713	81,020
Memberships and publications	23,600	5,521	2,768	16,116	1,409	42,301	39,351	8,835	139,901
Office	110,042	138,901	53,235	40,379	18,003	27,386	140,397	61,604	589,947
Audit and annual report	-	-	-	-	-	-	200,667	29,470	230,137
Depreciation and amortization	46,203	78,337	47,872	17,701	5,613	8,163	103,847	43,907	351,643
Provision (relief) for bad debt	-	-	-	-	-	-	66,513	-	66,513
Grants	-	40,000	2,443,050	1,404,043	100,000	-	-	-	3,987,093
Miscellaneous	25,970	2,500	125	-	-	-	91,343	148	120,086
Total expenses	$ 3,523,968	$ 3,995,662	$ 3,718,551	$ 2,543,051	$ 526,043	$ 837,487	$ 5,558,876	$ 1,518,708	$ 22,222,346

See notes to consolidated financial statements.

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

Consolidated Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	$ 5,061,850	$ 15,737,893
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	324,467	351,643
Amortization of debt issuance costs	89,525	92,279
Change in deferred fees and costs	764,245	143,267
Change in discount on loans	(183,603)	(171,591)
Provision for loan losses, loan commitments and bad debt	2,781,937	1,350,330
Loss on investments	330,788	485,071
Noncash interest income	(183,602)	(202,333)
Changes in operating assets and liabilities:		
Restricted cash and cash equivalents	15,486,633	(10,715,232)
Accounts and contributions receivable	(691,736)	(10,166,982)
Accrued interest receivable	(338,282)	(395,590)
Prepaid expenses and deposits	(22,536)	(183,419)
Accounts payable and accrued expenses	(3,356,404)	5,611,241
Accrued interest payable	96,111	12,223
Funds held in trust	(5,728,967)	925,325
Deferred revenue	(3,034,220)	-
Net cash provided by operating activities	11,396,206	2,874,125
Cash flows from investing activities:		
Purchases of investments	(3,269,530)	(7,057,878)
Proceeds from sales of investments	284,736	1,574,200
Proceeds from prepayments of investments	1,446,177	3,758,939
Loans made	(176,151,277)	(115,957,707)
Collections on loans	81,768,869	71,480,095
Acquisition of equipment and leasehold improvements	-	(5,500)
Net cash used in investing activities	(95,921,025)	(46,207,851)
Cash flows from financing activities:		
Proceeds from notes payable	110,571,450	86,976,972
Repayments of notes payable	(26,558,519)	(56,512,502)
Proceeds from subordinated notes payable	-	3,879,620
Debt issuance costs	(23,261)	(349,101)
Net cash provided by financing activities	83,989,670	33,994,989
Net decrease in cash and cash equivalents	(535,149)	(9,338,737)
Cash and cash equivalents at beginning of year	18,178,976	27,517,713
Cash and cash equivalents at end of year	$ 17,643,827	$ 18,178,976
Supplemental cash flow disclosure:		
Cash paid for interest	$ 6,556,950	$ 4,247,001
Noncash investing and financing transactions:		
Decrease in notes payable for increase in credit enhancement	$ 85,064	$ 104,354

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Note 1 – Organization and nature of business

Low Income Investment Fund and Subsidiaries (LIIF), a California nonprofit public benefit corporation, is a community development financial institution (CDFI) which provides a comprehensive range of programs to alleviate poverty and support healthy families and communities by increasing the availability of capital in low-income communities at affordable rates and terms. LIIF's primary program pathways include affordable housing, education, childcare, healthcare, healthy food, transit oriented development (TOD), and national policy. Created in 1984 in response to needs in low-income housing, LIIF provides a crucial link between community-based, development organizations and capital markets and other sources of financing and support.

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

The following program and supporting services are included in the accompanying consolidated financial statements:

Lending production – RLF, FCC, HFHC, and HCIF loan funds

Includes all of the activities involved with marketing, underwriting, committing and closing community development loans.

LIIF lends its capital on a secured basis to commercial real estate development projects and unsecured commercial loans in six financial product/services clusters — Affordable Housing, Education, Health Care, Transit Oriented Development, Healthy Food Commerce and Community Facilities— utilizing four loan funds: the RLF; the $10 million FCC; the $30 million HFHC and HCIF. Through the RLF, LIIF underwrites projects in each program area. The FCC is solely dedicated to financing childcare facilities. All loans and associated debt raised for FCC have been repaid as of June 30, 2018. HFHC is solely dedicated to financing grocery and small food stores that sell fresh and healthy food. The HCIF provides capital to higher risk, high-mission and high social return transactions. The HCIF is expected to incur higher than average loan losses. From these funds, LIIF makes loans to support: (1) costs associated with predevelopment activities, including environmental assessments, inspections, architectural services, permits, and legal fees; (2) short-term capital for land or existing building acquisition; (3) short-term capital for construction, renovation, mini-perm or bridge financing; (4) new permanent financing or refinancing of existing debt; and (5) leveraged lending for New Market Tax Credit (NMTC) projects.

Note 1 – Organization and nature of business (continued)

These loan types span LIIF's program pathways with varied product offerings, terms and conditions for each product/service cluster:

Affordable housing – LIIF lends to multifamily rental and co-ops, and supportive/special needs development projects. LIIF extends direct loans to developers of affordable housing projects with loan products for predevelopment, acquisition, construction and permanent financing.

Education – LIIF lends to charter school projects, offering a range of loan products including predevelopment, acquisition, construction, permanent financing and NMTC leveraged loans.

Health care – LIIF lends to federally qualified health care centers offering a range of loan products including predevelopment, acquisition, construction and permanent financing.

Transit oriented development – LIIF lends to transit oriented development projects including housing and retail space in conjunction with the project. LIIF offers a range of loan products including predevelopment, acquisition, construction and permanent financing.

Food commerce – LIIF lends to food markets and grocery stores that sell healthy and fresh foods offering predevelopment, acquisition, construction and permanent financing

Community facilities –LIIF's lending activities support a variety of commercial projects and nonprofit office space. LIIF's loan products in this area include predevelopment, acquisition, construction, permanent, and NMTC leveraged loans.

In conjunction with these lending activities, from time to time LIIF partners with other organizations to create independent Limited Liability Companies (LLCs) to jointly lend to projects and borrowers. LIIF maintains a minority interest in these entities but often is under contract to provide administrative and accounting services for a fee. Significant LLCs include the Bay Area Transit Oriented Affordable Housing Fund (BATOAH), the Golden State Acquisition Fund (GSAF), HealthCo Participant (HealthCo), MATCH, and LIIF Housing Preservation Fund (LHPF). LIIF uses the equity method of accounting for its investment in and earnings or losses of these LLCs (see Note 2).

Asset management and servicing

Includes all the activities involved with monitoring and servicing community development loans funded from LIIF's loan funds as well as for third-party lenders, including CDFIs and conventional financial institutions.

Note 1 – Organization and nature of business (continued)

Child care development services

Includes activities related to providing grants and recoverable grants to center-based and family child care providers, financial assistance to nonprofit child care centers and technical assistance to child care providers to address key planning and business issues related to their facilities. Activities include research, analysis, underwriting, consulting and other technical assistance on financial organizational issues. LIIF accomplishes this through a variety of programs, including the San Francisco Child Care Facilities (CCFF) Fund.

SPARCC

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

Other development services

Includes non-lending activities associated with new program initiatives including grants, technical assistance and other program work supporting the development of healthy food and healthy communities; childcare facilities and other community facilities; community development and transit oriented development initiatives.

National policy

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

Management and general

Includes general managerial and administrative functions of LIIF, comprised of staff time and expense associated with general management, financial operations and reporting, administrative, and other similar activities.

Fundraising

Includes the activities necessary to encourage and secure financial support from public sources (e.g., CDFI Fund, Department of Education (DOE), etc.) and from individuals, foundations and corporations for operations and capital for the RLF, CCFF, HFHC, HCIF, BGP and other initiatives.

Note 2 – Summary of significant accounting policies

Basis of consolidation

Accounting guidance on reporting of related entities requires nonprofit organizations with a controlling and economic interest in other organizations to consolidate those other organizations. Accordingly, the accompanying consolidated financial statements include the accounts of LIIF and its wholly owned subsidiaries, Fund for Children and Communities, LLC; LIIF REO I, LLC; FoodCo, LLC; LIIF TOAH Member, LLC; LIIF NMTC Holdings, LLC; LIIF New Markets, LLC; and LIIF New Markets I through XII, LLC (collectively referred to as "LIIF"). All significant intercompany transactions have been eliminated in consolidation.

Over the past ten years, LIIF has been awarded New Market Tax Credit allocations from the United States Department of Treasury. In order to utilize the NMTC allocations, LIIF establishes Sub-CDE LLCs (LLCs) for the purpose of expanding lending for community facility projects in economically distressed communities in the United States. LIIF generally retains a .01 percent managing member ownership interest in each LLC established. LIIF does not consolidate these LLCs as the operating agreements limit LIIF's control to administrative functions that overcome the presumption of control of the managing member. The established LLCs operate under an agreement with LIIF for administrative and accounting services. In exchange, LIIF receives a 0.5 percent operating service fee on LLC activity.

Basis of accounting

LIIF's consolidated financial statements have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Net asset accounting – For financial statement purposes, all financial transactions are reported by the following net asset categories as prescribed for nonprofit organizations by the Financial Accounting Standards Board (FASB).

Unrestricted – Unrestricted net assets consist of all resources of LIIF that have not been specifically restricted by a donor.

Temporarily restricted – Temporarily restricted net assets consist of assets received with donor stipulations that limit the use of the donated assets. When a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported on the statements of activities as net assets released from restrictions.

LIIF had no permanently restricted net assets at June 30, 2018 and 2017.

Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and revenues and expenses. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant changes in the near term relate to the determination of the allowance for loan losses.

Note 2 – Summary of significant accounting policies (continued)

Cash and cash equivalents

Cash is defined as cash in demand deposit and money market accounts. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and investments so near their maturity that the risk of changes in value due to changes in interest rates is negligible. These include investments with maturity dates within three months of their acquisition date. The Federal Deposit Insurance Corporation (FDIC) provides coverage for certain accounts up to $250,000. LIIF places its cash and cash equivalents in deposits with financial institutions and, at times, some deposits may be in excess of the FDIC insured limit.

Restricted cash and cash equivalents

Restricted cash and cash equivalents includes funds held in trust, amounts restricted by donors and grantors and cash and cash equivalents held as security for certain loans.

Investments

LIIF carries its investments at estimated fair value, with the exception of Federal Home Loan Bank of San Francisco (FHLB-SF) stock that is carried at par value per U.S. GAAP. Estimated fair value is based on estimated market value for fixed income securities and current share values for mutual funds. Equity securities are presented at estimated fair value using a net asset valuation and discounted for the lack of marketability. Investments held by LIIF include government bonds, corporate bonds, asset-backed securities, including collateralized mortgage obligations (CMOs), and other corporate equity securities.

Changes in estimated fair values are recognized as gains or losses on investments in the statement of activities and changes in net assets as part of unrealized gains or losses on investments.

Accounts receivable, net

Accounts receivable consist of amounts due from contracts, borrowers, related parties or receivables generated from the normal course of business. An allowance for doubtful accounts is established by management based on estimated losses related to specific receivables and aging of amounts owed to LIIF. The allowance for doubtful accounts was $41,778 and $99,554 as of June 30, 2018 and 2017, respectively.

Notes receivable, net

LIIF makes Program Related Investments ("PRIs") to other organizations to achieve charitable purposes in alignment with LIIF's mission to alleviate poverty. These PRIs are comprised of unsecured loans bearing below market interest rates. The fair value of PRI loans is evaluated at inception to determine if a contribution element exists as a discount on the loan. Discounts are amortized over the life of the loan as an adjustment to interest income.

Notes receivable are presented at their outstanding unpaid principal balances net of deferred loan origination fees and an allowance for loan losses and credit enhancements. LIIF provides funding in the form of notes receivables, or loans, to other nonprofit organizations, developers and other borrowers, in fulfillment of its mission. Notes receivable are comprised of acquisition/predevelopment, construction, and term notes. The majority of these notes have been made to borrowers in California and New York.

Note 2 – Summary of significant accounting policies (continued)

Notes receivable, net, continued

The ability of LIIF's debtors to honor their contracts is dependent upon many factors, including general economic conditions, government actions, and their ability to arrange for subsequent financing to repay LIIF. When underwriting these notes, in most cases, LIIF obtains a collateral interest in the real estate projects.

Interest income is accrued on the unpaid principal balance at the notes' stated rate. The accrual of interest on notes is discontinued at the time the note is more than 90 days delinquent. Notes are placed on nonaccrual status or charged-off at an earlier date if collection of principal and interest is considered doubtful.

Notes are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Origination fees are deferred and amortized using the effective interest method over the term of the note as an adjustment to interest income. Costs associated with the origination of notes are capitalized as initial direct costs and are amortized to expense over the term of the note as an adjustment to interest income. The net amount of deferred origination fees and unamortized initial direct costs is reported as part of the notes receivable balance to which it relates on the accompanying consolidated statements of financial position.

Allowance for loan losses and credit enhancements

The allowance for loan losses and credit enhancements (collectively referred to as allowance for loan losses) is an estimate of loan losses inherent in LIIF's notes receivable portfolio as of the date of the statement of financial position. The allowance is established through a provision for loan losses that is charged to expense.

Additions to the allowance are expected to maintain the adequacy of the total allowance after loan losses and loan growth. Loan exposures determined to be uncollectible are charged against the allowance. Cash received on previously charged off amounts is recorded as a recovery to the allowance. For each period in which the provision for loan losses is expensed, net assets, to the extent available, are released from temporarily restricted to unrestricted to cover the net expenditure for the provision. These temporarily restricted net assets represent third party grants that have been made over the years to LIIF's loan funds. These loan funds issue new loans and cover the capital costs of such lending, including establishing loss reserves upon making new loans, increasing loan loss reserves as necessary during the life of existing loans and covering losses incurred as a result of defaulted loans. The overall allowance consists of two primary components, specific reserves related to impaired loans and general reserves for inherent losses related to loans that are evaluated collectively for impairment.

All or a portion of a loan is considered impaired when, based on current information and events, it is probable that LIIF will be unable to collect all amounts due, including principal and interest, according to the contractual terms of the original agreement. Loans determined to be impaired are individually evaluated for impairment. Factors considered by management in determining likelihood of collectability include primary repayment source, payment status, collateral value, and the probability of collecting

Note 2 – Summary of significant accounting policies (continued)

Allowance for loan losses and credit enhancements, continued

scheduled principal and interest payments when due. Loans that experience insignificant payment delays, insignificant loan extensions, or that do not reflect any deterioration in performance, are not classified as impaired. The significance of payment delays or payment shortfalls are determined on a case-by-case basis by management, and take into consideration all facts and circumstances surrounding the loan and borrower, including the length of the delay, reason for the delay, and the borrower's prior payment record.

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

LIIF determines a separate allowance for each portfolio segment. These portfolio segments include Affordable Housing, Education, Health Care, Transit Oriented Development, Food Commerce and Community Facilities. The allowance for loan losses attributed to each portfolio segment is combined to determine LIIF's overall allowance, which is included on the consolidated statements of financial position and available for all loss exposures.

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

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

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

Note 2 – Summary of significant accounting policies (continued)

Allowance for loan losses and credit enhancements, continued

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

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

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

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

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

The general reserve component of the allowance for loan losses also consists of reserve factors that are based on management's assessment of the following for each portfolio segment: (1) historical losses and (2) other qualitative factors. These reserve factors are inherently subjective and are driven by the repayment risk associated with each portfolio segment described below:

All of LIIF's portfolio segments, Affordable Housing, Education, Health Care, Transit Oriented Development, Healthy Food Commerce and Community Facilities represent lending, secured by real estate or other assets, typically to non-profit entities. The degree of risk in commercial real estate lending depends primarily on the loan amount in relation to collateral value, the interest rate and the borrower's ability to repay in an orderly fashion. These loans generally possess a lower inherent risk of loss than other portfolio segments. Economic trends determined by federal, state, and local governments and related subsidies; real estate values; interest rate environments; and other key economic indicators are closely correlated to the credit quality of these loans. Weak economic trends may indicate that the borrower's capacity to repay their obligations may be deteriorating.

LIIF also makes unsecured loans, typically to non–profit real estate developers. The degree of risk in commercial unsecured lending depends primarily on the financial viability of the borrower's underlying business, and ultimate ability to repay in an orderly fashion. These loans generally possess a higher inherent risk of loss than secured loans.

Note 2 – Summary of significant accounting policies (continued)

Allowance for loan losses and credit enhancements, continued

Although management believes the allowance to be adequate, ultimate losses may vary from its estimates. On a routine basis the adequacy of the allowance, including consideration of the relative risks in the portfolio, current economic conditions and other factors are reviewed. If management determines that changes are warranted based on those reviews, the allowance is adjusted.

A credit enhancement reduces credit risk by providing assurance that LIIF will be compensated up to the amount of the credit enhancement if the borrower were to default. LIIF has been awarded funding from the U.S. Department of Education to provide for credit enhancements for certain loans made to charter schools.

Sale of notes receivable

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from LIIF, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets and (3) LIIF does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity or the ability to unilaterally cause the holder to return specific assets. In addition, for transfers of a portion of financial assets (for example, participations of loans receivable), the transfer must meet the definition of a "participating interest" in order to account for the transfer as a sale. LIIF accounts for transfers and servicing of financial assets by recognizing the financial and servicing assets it controls and the liabilities it has incurred, derecognizes financial assets when control has been surrendered, and derecognizes liabilities when extinguished.

For notes receivable sold in which LIIF has retained the servicing rights, no servicing asset or liability has been reported as of June 30, 2018 and 2017, as the benefits of future servicing rights approximate adequate compensation.

Equipment and leasehold improvements, net

Equipment and leasehold improvement acquisitions of $5,000 or more are recorded at cost if purchased, or at fair value if donated.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from three to ten years. The cost of leasehold improvements is amortized using the straight-line method over the lesser of the useful life or the terms of the related leases. When assets are sold or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in change in net assets for the period. LIIF evaluates equipment and leasehold improvements for financial impairment as events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. No impairments were recognized in the years ended June 30, 2018 or 2017.

Deferred revenue

Deferred revenue includes amounts prepaid under certain contracts that will be earned in future periods and conditional contributions received in advance.

Note 2 – Summary of significant accounting policies (continued)

Funds held in trust

Funds held in trust represent cash provided by borrowers and funders to cover anticipated draws and certain other expenses related to loans receivable. These amounts are generally held in escrow accounts in the borrower or funders name. Amounts are released from funds held in trust as participant loan fundings are incurred or as expenses are paid on behalf of the borrower.

Contributions

Contributions, which were received from donations and grants, are recognized as revenue when they are received or unconditionally promised.

LIIF reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor-stipulated time restriction ends or the purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions. Donor-restricted contributions, whose restrictions are met in the same reporting period as the contribution is recorded, are reported as temporarily restricted contributions and net assets released from restrictions in the same reporting period.

Contributions receivable consist of unconditional promises to give. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. An allowance for uncollectible contributions receivable is established based upon estimated losses related to specific accounts and is recorded through a provision for bad debt that is charged to expense. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using rates commensurate with risk applicable in the years in which those promises are received.

Fees, interest and other revenue

Loan origination fees, loan packaging and servicing fees, technical assistance fees and consulting fees, interest and investment income, and other revenue are recognized as earned.

Expense allocation

The costs of providing LIIF's various programs, as described in Note 1, have been summarized on a functional basis on the consolidated statements of activities and functional expenses. Certain costs have been allocated among programs and supporting services benefited based on management estimates of facility usage and time spent.

Income taxes

LIIF is a nonprofit organization that has been recognized by the Internal Revenue Service and the Franchise Tax Board as an organization that is exempt from federal income tax on its income other than unrelated business income under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) under the California Revenue and Taxation Code, respectively. In addition, LIIF has been recognized by the Internal Revenue Service under Section 170 of the Internal Revenue Code as an organization that is eligible to receive tax-deductible contributions.

Note 2 – Summary of significant accounting policies (continued)

Income taxes, continued

LIIF has accounted for the uncertainty in income taxes as required by the Accounting for Uncertainty in Income Taxes topic of the FASB Accounting Standards Codification (ASC). LIIF uses a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements tax positions taken or expected to be taken on a tax return. A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50 percent likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. The effect of applying this model and the resulting identification of uncertain tax positions, if any, were not considered significant for financial reporting purposes and are not anticipated to change in the 12 months following June 30, 2018.

During the years ended June 30, 2018 and 2017, LIIF recognized no interest or penalties associated with unrecognized tax benefits. LIIF is subject to the filing of U.S. federal, New York, and California informational returns. Federal and New York returns for years ended June 30, 2015 through June 30, 2018, and California returns for years ended June 30, 2014 through June 30, 2018, are currently open for potential federal and state examination.

LIIF has for-profit subsidiary entities that are subject to the filing of limited liability corporation tax returns which may include U.S. federal, New York, and California jurisdictions. During the years ended June 30, 2018 and 2017, these subsidiary entities recognized no interest or penalties associated with unrecognized tax benefits. Federal and New York returns for years ended June 30, 2015 through June 30, 2018, and California returns for years ended June 30, 2014 through June 30, 2018, are currently open for potential federal and state examination.

Reclassifications

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

Recent accounting pronouncements – adopted

In April 2015, the FASB issued ASU 2015-03, *Interest— Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. This ASU requires that debt issuance costs related to a recognized debt liability be presented in the statement of financial position as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. ASU 2015-03 is effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. LIIF adopted this guidance for the year ending June 30, 2017. The impact of adopting this guidance is reflected on the accompanying consolidated statements of financial position and Note 12.

In January 2016, the FASB issued ASU 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 disclosure of financial instruments. ASU 2016-01 will be effective for LIIF for fiscal year ending June 30, 2020. LIIF has 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

Note 2 – Summary of significant accounting policies (continued)

such, these disclosures are not included herein. LIIF is currently evaluating the impact of adoption of the remainder of this standard on its consolidated financial statements.

In February 2015, the FASB issued ASU 2015-02, *Consolidation (Topic 810), Amendments to the Consolidation Analysis,* which amends the guidance that reporting entities apply when evaluating whether certain legal entities should be consolidated. LIIF has adopted this ASU in the fiscal year ending June 30, 2018 which did not have a material impact on the LIIF's consolidated financial statements.

In October 2016, the FASB issued ASU 2016-17, *Consolidation (Topic 810): Interests Held through Related Parties That Are under Common Control.* ASU 2016-17 modifies existing guidance with respect to how a decision maker that holds an indirect interest in a VIE through a related party under common control determines whether it is the primary beneficiary of the VIE as part of the analysis of whether the VIE would need to be consolidated. Under ASU 2016-17, a decision maker would need to consider only its proportionate indirect interest in the VIE held through a related party under common control. As a result of ASU 2016-17, in certain cases, previous consolidation conclusions may change. ASU 2016-17 is effective for LIIF's fiscal year ending June 30, 2018. LIIF has adopted this ASU in the fiscal year ending June 30, 2018 which did not have a material impact on the LIIF's consolidated financial statements.

In January 2017, the FASB issued ASU 2017-02, *Not-for-Profit Entities—Consolidation (Subtopic 958-810): Clarifying When a Not-for-Profit Entity That Is a General Partner or a Limited Partner Should Consolidate a For-Profit Limited Partnership or Similar Entity*, to amend the consolidation guidance in ASC 958-810, Not-for-Profit Entities—Consolidation, to clarify when a not-for-profit entity (NFP) that is a general partner or a limited partner should consolidate a for-profit limited partnership or similar legal entity once the amendments in ASU 2015-02, *Consolidation (Topic 810): Amendments to the Consolidation Analysis*, become effective. ASU 2017-02 retains the consolidation guidance that was in ASC 810-20 for NFPs by including it within ASC 958-810. Therefore, under the amendments, NFPs that are general partners continue to be presumed to control a for-profit limited partnership, regardless of the extent of their ownership interest, unless that presumption is overcome. The ASU also adds guidance to ASC 958-810 on when an NFP limited partner should consolidate a for-profit limited partnership. The adoption of this guidance effective July 1, 2017 did not have a material impact on the consolidated financial statements.

Recent accounting pronouncements – not yet adopted

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 will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for LIIF for the fiscal year ending June 30, 2019. LIIF has not yet selected a transition method and adoption of ASU 2014-09 is not expected to have a material impact on the LIIF's consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842):* The guidance in this ASU requires lessees to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the

Note 2 – Summary of significant accounting policies (continued)

Recent accounting pronouncements – not yet adopted, continued

pattern of expense recognition in the income statement. ASU 2016-2 is effective for LIIF with the fiscal year ending June 30, 2020. LIIF is currently evaluating the impact the adoption of this guidance will have on its consolidated financial statements.

In June 2016, the FASB issues ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of income as the amounts expected to be collected change. ASU 2016-13 is effective for LIIF beginning with the fiscal year ended June 30, 2021 with early adoption permitted. LIIF is currently evaluating the impact of adopting this guidance on its consolidated financial statements and does not plan to early adopt.

In August 2016, the FASB issued ASU 2016-14, *Nonprofit Entities (Topic 958): Presentation of Financial Statements of Nonprofit Entities*, which simplifies and improves how a nonprofit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, "net assets with donor restrictions" and "net assets without donor restrictions", and expands disclosures about the nature and amount of any donor restrictions. ASU 2016-14 is effective for LIIF's fiscal year ending June 30, 2019, with early adoption permitted. LIIF is currently evaluating the impact the adoption of this guidance will have on its consolidated financial statements.

In November 2016, the FASB issued ASU 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. ASU 2016-18 will be effective for LIIF beginning with the fiscal year ended June 30, 2019. ASU 2016-18 must be applied using a retrospective transition method with early adoption permitted. LIIF does not intend to early adopt. LIIF is currently evaluating the impact of the adoption of this guidance on its consolidated financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The ASU has different effective dates for resource recipients and resource providers. Additionally, the ASU provides for earlier effective dates for public business entities (PBE). As LIIF is a PBE, the ASU is applicable to contributions received for annual periods beginning after December 15, 2017. Management is evaluating the impact that the adoption of ASU 2018-08 will have on LIIF's consolidated financial statements.

Note 3 – Cash and cash equivalents, restricted cash and equivalents, and investments

Cash and cash equivalents, restricted cash and cash equivalents, and investments consist of the following as of June 30:

	2018	2017
Cash and cash equivalents	$ 17,643,827	$ 18,178,976
Restricted cash and cash equivalents (Note 4)	26,998,260	42,484,893
Investments (Note 5)	17,824,542	16,616,715
	$ 62,466,629	$ 77,280,584

Cash and cash equivalents, restricted cash and cash equivalents, and investments are designated or restricted for the following purposes as of June 30:

	2018	2017
Loan funds	$ 37,006,937	$ 38,531,344
Secured loan funds	3,494,271	9,833,512
Education fund	7,408,091	7,334,475
Child care facilities fund	1,421,615	1,827,263
Healthy foods fund	-	1,683,848
SPARCC	2,862,977	2,068,437
Funds held in trust (Note 14)	10,272,738	16,001,705
	$ 62,466,629	$ 77,280,584

The amount designated for Loan Funds includes amounts related to undisbursed closed loans, approved and/or committed loans (see Note 19) and the amount required to meet liquidity covenants. Liquid assets, as defined in investor agreements, required to meet liquidity covenants at June 30, 2018 and 2017 totaled $61,637,846 and $66,765,190, respectively.

Note 4 – Restricted cash and cash equivalents

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

	2018	2017
Funds held in trust (Note 14)	$ 10,272,738	$ 16,001,705
Program restricted	11,692,683	12,914,023
Loan funds	1,538,568	3,735,653
Secured loan funds	3,494,271	9,833,512
	$ 26,998,260	$ 42,484,893

Note 5 – Investments

Investments consist of the following at June 30:

	2018		2017	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
U.S. Treasury notes	$ 1,376,683	$ 1,300,500	$ 1,376,683	$ 1,334,228
Corporate bonds	8,071,741	7,654,658	8,446,743	8,144,470
Asset-backed securities (including CMOs)	6,779,876	6,511,968	5,599,067	5,541,769
Equity investments	749,582	818,274	639,582	617,643
Other	574,942	574,942	444,705	444,705
	$ 17,552,824	16,860,342	$ 16,506,780	16,082,815
Plus investments at cost:				
FHLB-SF stock		964,200		533,900
		$ 17,824,542		$ 16,616,715

Equity investments include 30,000 shares of Urban Partnership Bank (UPB), a CDFI based in Chicago. Of the total shares held by LIIF, 15,000 were donated by the John D. & Catherine T. MacArthur Foundation in 2011, and 15,000 were donated by Morgan Stanley in 2012. During the year ended June 30, 2018, LIIF recorded a valuation adjustment on the UPB shares to reflect an increase in the fair value of the shares of $110,000. During the year ended June 30, 2017, LIIF recorded a valuation adjustment on the UPB shares to reflect the decline in the fair value of the shares of $20,000. The fair value of the UPB shares was $590,000 and $480,000 at June 30, 2018 and 2017, respectively.

The amortized cost and fair value of investment securities at June 30, 2018 by contractual maturity are shown below. Actual maturities may differ from contractual maturities because issuers of the securities may have the right to call or prepay obligations with or without call or prepayment penalties.

Note 5 – Investments (continued)

	Amortized Cost	Fair Value
Within one year	$ 1,216,371	$ 1,107,115
After one year through five years	5,576,978	5,350,393
After five years through ten years	2,655,075	2,497,650
Total	9,448,424	8,955,158
Investment securities not due at a single maturity date:		
Asset-backed securities (including CMOs)	6,779,876	6,511,968
Equity investments	749,582	818,274
Other	574,942	574,942
	$ 17,552,824	16,860,342
Plus investments at cost:		
FHLB-SF stock		964,200
		$ 17,824,542

Included in the investments balance are 9,642 shares and 5,339 shares, respectively, at June 30, 2018 and 2017 of Federal Home Loan Bank of San Francisco (FHLB-SF) stock, which was required to be purchased by LIIF to initiate transactions with FHLB-SF. This stock is classified as a restricted investment security carried at cost and can be sold back only at its par value of $100 per share.

Note 6 – Accounts receivable, net

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

	2018	2017
Accounts receivable - contracts	$ 3,493,094	$ 1,862,161
Accounts receivable - borrowers	412,469	346,117
Accounts receivable - other	118,848	34,546
Less allowance for doubtful accounts	(41,778)	(99,554)
	$ 3,982,633	$ 2,143,270

Note 7 – Contributions receivable

Contributions receivable consist of grants and pledges awarded, less the allowance for uncollectible pledges. At June 30, 2018 and 2017, the allowance for uncollectible pledges was $0 and $60,000, respectively. Contributions receivable totaled $9,757,219 and $10,894,955 at June 30, 2018 and 2017, respectively. The contributions receivable balance at June 30, 2018 is comprised of grants receivable from nine grantors. The largest contribution receivable, in the amount of $4,650,809, is from a private foundation to support LIIF's SPARCC program and represents 48 percent of the total at June 30, 2018.

Note 7 – Contributions receivable (continued)

As of June 30, 2018 and 2017, contributions receivable are due to be collected as follows:

	2018	2017
Receivable in one year or less	$ 9,734,609	$ 3,626,530
Receivable in 1 to 5 years	22,610	7,268,425
	$ 9,757,219	$ 10,894,955

Note 8 – Notes receivable, net

Notes receivable consist of secured and unsecured notes with interest rates ranging from 2.0 percent to 8.1 percent at June 30 as follows:

	2018	2017
Affordable housing	$164,452,874	$119,304,944
Education	159,206,669	119,886,886
Heath care	28,944,402	21,244,537
Transit oriented development	16,923,193	16,957,405
Food commerce	14,012,508	14,337,145
Community facilities	40,411,725	37,470,840
Total notes receivable	423,951,371	329,201,757
(Less) add deferred loan origination costs, net	(706,743)	57,504
Less allowance for loan losses and credit enhancements (Note 10)	(12,652,523)	(9,956,112)
Total notes receivable,net	410,592,105	319,303,149
Less current portion	(124,706,978)	(106,432,629)
Total long-term notes receivable	$285,885,127	$212,870,520

In fiscal year 2011, LIIF, in conjunction with several banks, foundations, CDFIs and the Metropolitan Transportation Commission (MTC), launched the $50,000,000 San Francisco Bay Area Transit Oriented Affordable Housing Fund (BATOAH). LIIF retains a minority interest in BATOAH and is the fund manager. The MTC provided an initial commitment of $10,000,000 in first loss, subordinated capital to BATOAH.

To facilitate the transaction and as fund manager, LIIF agreed to receive the funds from MTC and loan the proceeds to BATOAH. Both the receivable from BATOAH and the notes payable obligation to MTC are at a 0 percent interest rate, mature in fiscal year 2021, and are forgivable in the event BATOAH incurs principal losses and is unable to repay the full amount of the loan. As of June 30, 2012, the full $10,000,000 was paid to LIIF from the MTC, and loaned to BATOAH. BATOAH has incurred no principal losses through June 30, 2018.

LIIF has $41,381,864 and $41,830,345 at June 30, 2018 and 2017, respectively, of notes receivable on the consolidated statements of financial position related to certain loan participation agreements with third-party investors that did not meet the characteristics of a participating interest in accordance with

Note 8 – Notes receivable, net (continued)

accounting rules governing the sale of a financial asset. An equal amount of notes payable is also recorded on LIIF's statement of financial position (see Note 12.) At June 30, 2018, approximately $440,000 of the correspondingnotes receivable are in food commerce and the remainder in affordable housing. At June 30, 2017, all related notes receivable are in affordable housing.

During the year ended June 30, 2016, LIIF originated and funded three program related investment (PRI) loans with a combined face value of $6,000,000. Each loan was determined to have a contribution element due to below market interest rates of 2 percent due December 2025 and June 2026, which is recorded as a discount to the loan. The total discount recorded on PRIs at June 30, 2018 and 2017 was $1,471,283 and $1,654,886, respectively. There were no PRI loans originated in the years ended June 30, 2018 or 2017.

Note 9 –- Transfer of loans, servicing assets and liabilities

LIIF has retained the servicing rights on participations recorded as sales. LIIF has also entered into agreements with other organizations where it provides servicing of certain loans held by these organizations. LIIF has not recorded a servicing asset or servicing liability at June 30, 2018 and 2017, as the fees LIIF earns approximates adequate compensation and the costs associated with servicing loans.

Note 10 – Allowance for loan losses and credit enhancements

Changes in the allowance for loan losses and credit enhancements are summarized as follows:

	2018	2017
Balance, beginning of year	$ 9,956,112	$ 8,738,553
Add provision for loan loss	2,611,347	1,016,832
Add (less) additions to credit enhancements	85,064	104,353
Less write-offs, net of recoveries	-	96,374
Balance, end of year	$ 12,652,523	$ 9,956,112

LIIF has received a total of $8,000,000 in grants from the U.S. Department of Education to provide credit enhancements for loans made to charter schools. In accordance with the grant agreement, total investment earnings in the amount of $641,091 have been reinvested in the reserve account and are to be used in accordance with the provisions of the grant agreement.

During the years ended June 30, 2018 and 2017, LIIF was awarded grants totaling $4,096,905 and $5,047,000, respectively, from the CDFI Fund in support of making loans, to credit enhance loans, to cover loan losses, and for LIIF's Food Commerce lending activities.

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

The following tables show the allocation of the allowance for loan losses as of and for the years ended June 30, 2018 and 2017 by portfolio segment and by impairment methodology:

2018	Affordable Housing	Education	Health Care	Transit Oriented Development	Food Commerce	Community Facilities	Total
Allowance for loan losses:							
Beginning of balance	$ 4,489,327	$ 3,227,572	$ 526,192	$ 160,716	$ 345,666	$ 1,206,639	$ 9,956,112
Provision for loan losses	1,510,300	678,069	180,536	213,969	(7,499)	35,972	2,611,347
Additions to credit enhancements	10,332	60,561	-	16,241	-	(2,070)	85,064
Recoveries, net of charge-offs	-	-	-	-	-	-	-
Ending balance	6,009,959	3,966,202	706,728	390,926	338,167	1,240,541	12,652,523
Ending balance: individually evaluated for impairment	13,721	-	-	-	-	-	13,721
Ending balance: collectively evaluated for impairment	$ 5,996,238	$ 3,966,202	$ 706,728	$ 390,926	$ 338,167	$ 1,240,541	$ 12,638,802
Notes receivable:							
Ending balance: collectively evaluated for impairment	$ 164,315,661	$ 159,206,669	$ 28,944,402	$ 16,923,193	$ 14,012,508	$ 40,411,725	$ 423,814,158
Ending balance: individually evaluated for impairment	137,213	-	-	-	-	-	137,213
Ending balance	$ 164,452,874	$ 159,206,669	$ 28,944,402	$ 16,923,193	$ 14,012,508	$ 40,411,725	$ 423,951,371

2017	Affordable Housing	Education	Health Care	Transit Oriented Development	Food Commerce	Community Facilities	Total
Allowance for loan losses:							
Beginning of balance	$ 3,372,178	$ 3,166,369	$ 586,606	$ 451,098	$ 562,303	$ 599,999	$ 8,738,553
Provision for loan losses	1,141,800	(96,204)	(60,414)	(318,960)	(216,637)	567,247	1,016,832
Additions to credit enhancements	(24,651)	61,033	-	28,578	-	39,393	104,353
Recoveries, net of charge-offs	-	96,374	-	-	-	-	96,374
Ending balance	4,489,327	3,227,572	526,192	160,716	345,666	1,206,639	9,956,112
Ending balance: individually evaluated for impairment	63,524	-	-	-	-	-	63,524
Ending balance: collectively evaluated for impairment	$ 4,425,803	$ 3,227,572	$ 526,192	$ 160,716	$ 345,666	$ 1,206,639	$ 9,892,588
Notes receivable:							
Ending balance: collectively evaluated for impairment	$ 118,675,016	$ 119,886,886	$ 21,244,537	$ 16,957,405	$ 14,337,145	$ 37,470,840	$ 328,571,829
Ending balance: individually evaluated for impairment	629,928	-	-	-	-	-	629,928
Ending balance	$ 119,304,944	$ 119,886,886	$ 21,244,537	$ 16,957,405	$ 14,337,145	$ 37,470,840	$ 329,201,757

LIIF considers the performance of the notes receivable portfolio and its impact on the allowance for loan losses. For all of the notes receivable portfolio segments, management evaluates credit quality of individual loans based on payment activity, borrower financial condition and other factors in order to assign individual internal risk ratings. The following table shows the portfolio segments as allocated by management's internal risk ratings as of June 30, 2018 and 2017:

2018	Affordable Housing	Education	Health Care	Transit Oriented Development	Food Commerce	Community Facilities	Total
Pass	$ 147,830,040	$ 154,226,601	$ 28,944,402	$ 16,923,193	$ 14,012,508	$ 38,659,266	$ 400,596,010
Below expectation	16,485,621	4,980,068	-	-	-	1,752,459	23,218,148
Substandard	137,213	-	-	-	-	-	137,213
Total	$ 164,452,874	$ 159,206,669	$ 28,944,402	$ 16,923,193	$ 14,012,508	$ 40,411,725	$ 423,951,371

2017	Affordable Housing	Education	Health Care	Transit Oriented Development	Food Commerce	Community Facilities	Total
Pass	$ 103,220,766	$ 105,497,884	$ 21,244,537	$ 16,957,405	$ 14,337,145	$ 35,384,190	$ 296,641,927
Below expectation	15,454,250	14,389,002	-	-	-	2,086,650	31,929,902
Substandard	629,928	-	-	-	-	-	629,928
Total	$ 119,304,944	$ 119,886,886	$ 21,244,537	$ 16,957,405	$ 14,337,145	$ 37,470,840	$ 329,201,757

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

The following table shows an aging analysis of the notes receivable portfolio by segment of loan by the time past due at June 30, 2018 and 2017:

2018						
Description	30-90 days Past Due	Past Due Greater Than 90 Days	Total Past Due	Current	Total Loans	Past Due Greater Than 90 Days Accruing
Affordable housing	$ -	$ -	$ -	$ 164,452,874	$ 164,452,874	$ -
Education	-	-	-	159,206,669	159,206,669	-
Heath care	-	-	-	28,944,402	28,944,402	-
Transit oriented development	-	-	-	16,923,193	16,923,193	-
Food commerce	-	-	-	14,012,508	14,012,508	-
Community facilities	-	-	-	40,411,725	40,411,725	-
	$ -	$ -	$ -	$ 423,951,371	$ 423,951,371	$ -

2017						
Description	30-90 days Past Due	Past Due Greater Than 90 Days	Total Past Due	Current	Total Loans	Past Due Greater Than 90 Days Accruing
Affordable housing	$ -	$ -	$ -	$ 119,304,944	$ 119,304,944	$ -
Education	-	-	-	119,886,886	119,886,886	-
Heath care	-	-	-	21,244,537	21,244,537	-
Transit oriented development	-	-	-	16,957,405	16,957,405	-
Food commerce	-	-	-	14,337,145	14,337,145	-
Community facilities	-	-	-	37,470,840	37,470,840	-
	$ -	$ -	$ -	$ 329,201,757	$ 329,201,757	$ -

The following tables show information related to impaired notes receivable at and for the years ended June 30, 2018 and 2017:

2018					
Description	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With an allowance recorded:					
Affordable housing	$ 137,213	$ 137,213	$ 13,721	$ 262,812	$ 10,874

2017					
Description	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With an allowance recorded:					
Affordable housing	$ 629,928	$ 629,928	$ 63,524	$ 703,359	$ 41,620

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

Nonaccrual loans totaled $0 at June 30, 2018 and 2017, respectively. There were no accruing loans past due greater than 90 days at June 30, 2018 or 2017. Nonaccrual cash basis interest recognized for the years ended June 30, 2018 and 2017 was $0 and $30,350, respectively. Interest foregone on nonaccrual loans for the both years ended June 30, 2018 and 2017 was $0. At June 30, 2018 and 2017, specific reserves of $13,721 and $63,524, respectively, were recorded on investment in impaired loans totaling $137,213 and $629,928, respectively.

Troubled debt restructurings

No loans receivable were modified during the years ended June 30, 2018 and 2017 as a TDR. For the years ended June 30, 2018 and 2017, LIIF had loans of $25,050 and $41,750 identified as TDRs, respectively. LIIF has allocated $1,954 and $3,257 of specific reserves to loans whose notes receivable terms have been modified in TDRs as of June 30, 2018 and 2017, respectively. LIIF has not committed to lend any additional amounts to customers with outstanding notes receivable that are classified as TDRs as of June 30, 2018 and 2017. There were no notes receivable modified as TDRs for which there was a payment default within 12 months following the modification during the years ended June 30, 2018 and 2017.

The terms of certain other notes receivable were modified during the years ended June 30, 2018 and 2017, that did not meet the definition of a TDR. The modification of these loans involved either a modification of the terms of a note agreement to borrowers who were not experiencing financial difficulties or a delay in a payment that was considered to be insignificant.

Note 11 – Equipment and leasehold improvements, net

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

	2018	2017
Equipment and leasehold improvements	$ 3,593,629	$ 3,638,421
Less accumulated depreciation and amortization	(1,716,312)	(1,436,637)
	$ 1,877,317	$ 2,201,784

Depreciation and amortization expense totaled $324,467 and $351,643 for the years ended June 30, 2018 and 2017, respectively.

Note 12 – Notes payable, net

Notes payable, with the exception of the Bond Guarantee Program (BGP) debt and recourse notes payable for loans that did not meet true sales criteria, represent full recourse unsecured obligations of LIIF to repay borrowed money. Notes payable at June 30 are as follows:

	2018	2017
To private foundations, at annual interest rates of 1.75% to 2.5%, notes mature in calendar years 2018 to 2022.	$ 675,000	$ 728,850
To financial institutions, including lines of credit, at annual interest rates of 0% to 5.5%, notes mature in calendar years 2018 to 2028.	219,641,014	146,517,110
To religious organizations, at annual interest rates of 1.5% to 3.0%, notes mature in calendar years 2020 to 2023.	3,500,000	3,000,000
To governmental agencies; at annual interest rates of 0% to 3.84%, notes mature in calendar years 2019 to 2045.	106,552,415	100,493,065
To individuals and other organizations, at annual interest rates of 0% to 2.25%, notes mature in calendar years 2019 to 2023.	9,298,461	5,000,000
	339,666,890	255,739,025
Less unamortized debt issuance costs	(1,029,955)	(1,096,219)
Less current portion of notes payable, net of unamortized debt issuance costs	(53,234,159)	(52,247,470)
	$ 285,402,776	$ 202,395,336

	2018	2017
Current portion of unamortized debt issuance costs	$ 86,341	$ 97,257
Long-term portion of unamortized debt issuance costs	943,615	998,962
Total unamortized debt issuance costs	$ 1,029,955	$ 1,096,219

Annual maturities of notes payable are as follows:

Years ending June 30:	
2019	$ 53,234,159
2020	56,837,575
2021	91,214,217
2022	54,469,933
2023	4,665,991
Thereafter	79,245,015
	$ 339,666,890

LIIF has $41,381,864 and $41,830,345 of notes payable on the consolidated statements of financial position related to certain loan participation agreements with third-party investors that did not meet the characteristics of a participating interest in accordance with accounting rules governing the sale of a financial asset at June 30, 2018 and 2017, respectively. An equal amount of notes receivable is also recorded on LIIF's statement of financial position (see Note 8). At June 30, 2018, approximately $440,000 of the corresponding notes receivable are in food commerce and the remainder in affordable housing. At June 30, 2017, all related notes receivable are in affordable housing.

Note 12 – Notes payable, net (continued)

In September 2014 and July 2016, LIIF entered into a $65,000,000 and $50,000,000, respectively, of bond loan agreements and other related documents (the agreements) with CRF QI, LLC, as part of the BGP that provides LIIF with up to 29.5 year maturities at capital-efficient rates. Under these agreements, LIIF is required to pledge eligible collateral to the lender equal to 103 percent of the bond loan and to fund an additional three percent in cash of the bond loan amount to a risk share pool account. As of June 30, 2018 and 2017, LIIF has pledged $70,307,565 and $61,384,945, respectively, of notes receivable under this arrangement and has $63,408,575 and $58,765,033, respectively, of outstanding debt. The agreements contain certain loan covenants and other related conditions similar to LIIF's other traditional notes payable, except for the pledging of collateral to the lender and the funding of the risk share pool.

Included in notes payable is a $10,000,000 obligation to the MTC as of June 30, 2018 and 2017, as discussed in Note 8. The MTC obligation is at a 0 percent interest rate, maturing in 2021, and is forgivable to the extent that BATOAH is unable to repay its note payable to LIIF of the same amount. In April 2018, LIIF, MTC and BATOAH entered into an amended and restated funding agreement whereby the MTC loan to LIIF will be assigned to BATOAH. This assignment will be recognized as BATOAH refinances its loan portfolio in the coming months.

In connection with select notes payable, LIIF is required to meet certain financial and non-financial covenants. The financial covenants include covenants related to liquidity, a $5,000,000 compensating cash balance with a single lender, and capital adequacy and are reported to lenders as contractually required. As of June 30, 2018 and 2017, LIIF was in compliance with all covenants.

Lines of credit

Included in notes payable in the table above, LIIF has lines of credit with financial institutions and government agencies which, in aggregate, with maximum borrowings that amounted to $348,230,243 and $311,563,577 at June 30, 2018 and 2017, respectively, at interest rates that vary with market conditions. At June 30, 2018 and 2017, $96,080,718 and $128,172,304 were available to be drawn on such lines. Lines of credit balances at June 30, 2018 include $30,000,000 with the Federal Home Loan Bank of San Francisco and $51,591,425 as part of the Bond Guarantee Program with the Treasury Department. Both of these lines are collateral based credit facilities, which require pledging of assets in order to draw down on the lines. All remaining lines of credit and other notes payable are unsecured.

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

	2018	2017
Lines of Credit, excluding Bond Guarantee Program	$ 179,505,435	$ 108,281,604
Bond Guarantee Program	63,408,575	58,765,003
Term Loans	66,971,636	58,478,843
Participation loans not meeting sale criteria, net	41,381,864	41,830,345
MTC obligation	10,000,000	10,000,000
Credit enhancements	(231,000)	(247,150)
Subordinated notes payable	(21,369,620)	(21,369,620)
	$ 339,666,890	$ 255,739,025

Note 13 – Subordinated notes payable

Subordinated notes payable include notes payable to financial institutions in the amount of $21,369,620 at June 30, 2018 and 2017, respectively, with indeterminate maturities, as long as no default event occurs as described in the agreements. The notes bear interest rates of 2 percent per annum and interest is payable annually. The notes are unsecured and subordinate to all other liabilities.

Note 14 – Funds held in trust

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

	2018	2017
Funds received from borrowers and funders	$ 5,243,791	$ 7,332,598
Funds received from City of New York	5,028,947	8,669,107
	$ 10,272,738	$ 16,001,705

Note 15 – Interest and investment income

Interest and investment income consists of the following:

	2018	2017
Investment income	$ 823,891	$ 720,395
Interest income - lending	18,501,508	14,770,530
Loan origination fees, net	1,345,340	1,322,833
Less bank and investment fees	(111,131)	(111,449)
	$ 20,559,608	$ 16,702,309

Note 16 – Temporarily restricted net assets

Temporarily restricted net assets are available for the following purposes:

	2018	2017
Time restrictions:		
Subsequent years' operations	$ 575,000	$ 393,750
Purpose restrictions:		
Program operations	4,259,851	3,987,442
Child Care Facilities fund	-	217,813
Total purpose restrictions	4,834,851	4,599,005
Time and purpose restrictions:		
Revolving Loan fund	16,457,015	15,738,726
Education fund	8,747,321	6,901,132
Healthy Foods fund	15,287,793	15,318,234
SPARCC	5,243,949	7,799,863
Healthy Communities Innovation fund	-	205,621
Total time and purpose restrictions	45,736,078	45,963,576
Total temporarily restricted net assets	$ 50,570,929	$ 50,562,581

LIIF has received a number of capital grants available for use in support of loan funds with donor time and purpose restrictions, including loan capital, loan loss reserves and credit enhancement. LIIF accounts for these funds as temporarily restricted net assets. LIIF releases grants to unrestricted net assets as donor restrictions are met through meeting the purpose of the grant or the expiration of time.

Temporarily restricted net assets – (1) Revolving Loan Fund represents capital grants used to fund loans, provide credit anhancement to loans, or to cover loan losses (2) Child Care Facilities Fund represents grants received to be used as capital grants to enhance, preserve or create child care facilities spaces. (3) Education Fund represents grants received from the U.S. Department of Education to be used as credit enhancement for loans supporting charter school facilities. (4) Healthy Foods Fund represents grants received from the CDFI Fund to be used to support fresh food retail outlets in underserved communities. (5) SPARCC represents grants from foundations to support LIIF new infrastructure investments lead to equitable and healthy opportunities for everyone. (6) Healthy Communities Innovation Fund represents capital designated for higher risk, high mission and high social return loans and are time and purpose restricted.

Note 17 – Net assets released from restrictions

Net assets were released from temporarily restricted net assets during 2018 and 2017, by incurring expenditures satisfying the restricted purposes, or by occurrences of other events specified by donors, as follows:

	2018	2017
Qualified programmatic expenses	$ 4,015,015	$ 3,430,915
Provision for loan losses, commitments and credit enhancemnets	2,784,828	1,459,216
Capital grants	7,237,213	1,514,522
	$ 14,037,055	$ 6,404,653

Note 18 – Leases

LIIF leases office space in San Francisco, Los Angeles, New York City, Washington D.C. and Atlanta under operating leases expiring on various dates through 2025. Future minimum annual lease payments are as follows:

Years ending June 30:	
2019	$ 1,549,416
2020	1,550,601
2021	1,548,024
2022	1,336,884
2023	1,324,718
Thereafter	2,367,550
	$ 9,677,193

In November 2014, LIIF entered into a 10-year lease agreement for new office space for its San Francisco, California, corporate offices. The lease calls for monthly payments with annual increases over the term and rent commenced in April 2015. LIIF has agreements to sublease portions of its Los Angeles and San Francisco office through 2023 and 2019 respectively. Future minimum annual lease payments have been reduced by the minimum sublease rental amount of $246,779 due in the future.

Rent expense, net of sublease receipts, for the years ended June 30, 2018 and 2017 was $1,659,663 and $1,644,760, respectively.

Note 19 – Other commitments and contingencies

Cash, cash equivalents and investments

Demand deposits held in banks are insured by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2018, LIIF had insured balances which totaled $1,073,223 and uninsured balances which totaled $43,568,864.

For investments held by a broker who is a member of the Securities Investor Protection Corporation, the cash and securities are insured for the custody function of the broker up to $500,000, including a $250,000 limit for cash. At June 30, 2018, LIIF had deposits and securities with insured balances which totaled $735,216 and uninsured balances which totaled $17,089,326.

Note 19 – Other commitments and contingencies (continued)

Concentrations of Credit Risk

Most of LIIF's lending activities are with customers located in California and New York. LIIF does not have significant concentrations with any one customer. Concentrations of notes receivable existed in acquisition, construction/permanent and term loans, At June 30, 2018, approximately 26 percent, 29 percent and 30 percent, respectively, of the notes receivable were acquisition, construction/permanent and term loans. Loans related to education and housing projects represented 39 percent and 38 percent respectively of notes receivable as of June 30, 2018.

Contingencies

From time to time, LIIF may be a party to certain legal proceedings arising out of the ordinary course of business, the outcomes of which individually or in the aggregate, in the opinion of LIIF's management, would not have a material adverse effect on LIIF's business operations, financial position, results of operations or cash flows.

LIIF has received federal funds for specific purposes that are subject to review and audit by grantor agencies. Although such audits could result in expenditure disallowances under terms of grants, it is management's opinion that any required reimbursements or future revenue offsets subsequently determined are remote and would not have a material effect on LIIF's financial position, results of operations or cash flows.

LIIF had allocated $2,187,723 and $2,541,250 of temporarily restricted DOE grant funds as first dollar loss credit enhancement to certain charter school loans owned wholly or partially by third-party investors as of June 30, 2018 and 2017, respectively. LIIF owns no real estate as of June 30, 2018 and 2017. All loans with an allocation of DOE grant funds are performing as expected and a loss of the $2,541,250 in grant funds allocated to third party investors is deemed to be remote.

As part of LIIF's NMTC business, as of June 30, 2018, LIIF has assumed a contingent liability in the amount of $138,076,000 if LIIF acted in bad faith and was found guilty of negligence in structuring NMTC transactions or certain other conditions. Management believes this liability is remote as LIIF is an experienced NMTC allocatee, receives high quality external legal advice when structuring transactions and has regular third-party reviews and audits of all NMTC transactions.

In addition, if LIIF were unable to redeploy qualified low income investments that are repaid during the seven year NMTC compliance period and caused the tax credit investor to lose all tax credits claimed and available to be claimed, LIIF would have a liability for the present value of these failed tax credits which is estimated to be $17,065,400 as of June 30, 2018. None of the qualified low income investments made as part of these NMTC deals has repaid during the tax credit compliance period and in the unlikely event that one does repay, LIIF is confident that the investment would be redeployed during the allowable redeployment period. Contingent liabilities related to LIIF NMTC transactions are therefore considered to be remote.

Note 19 – Other commitments and contingencies (continued)

Other

Amounts related to undisbursed closed loans at June 30, 2018 and 2017 totaled $33,903,251 and $30,146,803, respectively. Amounts related to loan approvals and/or loan commitments at June 30, 2018 and 2017 totaled approximately $36,785,628 and $54,302,087, respectively.

Note 20 – Defined contribution plan

LIIF has a 401(k) plan (the Plan) for the benefit of its employees. All regular full- and part-time employees are eligible to participate in the Plan upon date of hire. Employees are allowed to defer a portion of earned salaries as contributions to the Plan. The Plan allows LIIF to make matching contributions and/or nonelective discretionary contributions for the benefit of the employees. LIIF contributed $318,316 and $324,671 to the Plan in 2018 and 2017, respectively. LIIF also maintains a deferred compensation plan for certain employees.

Note 21 – Fair value measurements

LIIF groups its assets and liabilities measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. Valuations within these levels are based upon:

Level 1 – Quoted market prices for identical instruments traded in active exchange markets.

Level 2 – Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable or can be corroborated by observable market data.

Level 3 – Model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect LIIF's estimates of assumptions that market participants would use on pricing the asset or liability, such as discounting an appraisal, for the present value of expected future cash flows. Valuation techniques include management judgment and estimation that may be significant.

Assets recorded at fair value

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Note 21 – Fair value measurements (continued)

The following table presents information about LIIF's assets measured at fair value on a recurring and nonrecurring basis as of June 30, 2018 and 2017:

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

	2018			
Description	Fair Value	Level 1	Level 2	Level 3
U.S. Treasury notes	$ 1,300,500	$ 1,300,500	$ -	$ -
Corporate bonds	7,654,658	-	7,654,658	-
Asset-backed securities	6,511,968	-	6,511,968	-
Equity investments	818,274	-	228,274	590,000
Other investments	574,942	-	574,942	-
	$ 16,860,342	$ 1,300,500	$ 14,969,842	$ 590,000

	2017			
Description	Fair Value	Level 1	Level 2	Level 3
U.S. Treasury notes	$ 1,334,228	$ 1,334,228	$ -	$ -
Corporate bonds	8,144,470	-	8,144,470	-
Asset-backed securities	5,541,769	-	5,541,769	-
Equity investments	617,643	-	137,643	480,000
Other investments	444,705	-	444,705	-
	$ 16,082,815	$ 1,334,228	$ 14,268,587	$ 480,000

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

LIIF's Level 3 equity investment fair value was calculated through an independent appraisal based on equity interest on a per share non-controlling, nonmarketable interest basis.

The following table presents additional information about Level 3 assets measured at fair value. Both observable and unobservable inputs may be used to determine the fair value of positions that LIIF has classified within the Level 3 category. As a result, the unrealized gains and losses for assets within Level 3 category may include changes in fair value that were attributable to both observable and unobservable inputs.

Note 21 – Fair value measurements (continued)

Changes in Level 3 assets measured at fair value for the year ended June 30, 2018 were as follows:

Fair Value Measurements Using Significant Unobservable Inputs	Equity Investments	Impaired Loans
Beginning balance as of June 30, 2017	$ 480,000	$ 566,404
Gain on change in valuation	110,000	49,803
Less collections of principal	-	(492,715)
Ending balance as of June 30, 2018	$ 590,000	$ 123,492

The fair value of the Level 3 equity investments was determined based on the net asset value, which was adjusted for the removal of all intangible assets. The degree to which intangibles were marked down is a management judgment and not observable to outside investors. The concluded value was then adjusted for a lack of marketability using management judgment of a lack of marketability factor. An adjustment was made to present the value on a noncontrolling basis, the same as the guideline conclusion.

The following table summarizes the significant unobservable inputs used to value investments categorized as Level 3. The table below is not meant to be all-inclusive, but instead captures significant unobservable inputs relevant to the determination of fair values.

Asset	Fair Value	Valuation Technique	Unobservable Inputs	Quantitate Data
Equity investments	$ 590,000	Adjusted net asset value method	Intangible adjustment to the balance sheet; discount for lack of marketability	Weighting of method 100%; 30-35%

Nonrecurring basis – The following table presents information about LIIF's assets measured at fair value on a nonrecurring basis and indicates the fair value hierarchy of the valuation techniques utilized by LIIF to determine such fair value as of June 30, 2018 and 2017, respectively. See Note 2, Allowance for loan losses and credit enhancements, for measurement of impaired loans.

	2018			
Description	Fair Value	Level 1	Level 2	Level 3
Impaired loans:				
Affordable housing	$ 123,492	$ -	$ -	$ 123,492
Total assets measured at fair value on a nonrecurring basis	$ 123,492	$ -	$ -	$ 123,492

	2017			
Description	Fair Value	Level 1	Level 2	Level 3
Impaired loans:				
Affordable housing	$ 566,404	$ -	$ -	$ 566,404
Total assets measured at fair value on a nonrecurring basis	$ 566,404	$ -	$ -	$ 566,404

Note 22 – Related party transactions

LIIF has entered into various loans with borrowers and notes payable from lenders where a senior level employee of the borrower or lender is on LIIF's Board. These related-party loans were made on substantially the same terms, including interest rates and collateral requirements that were prevailing at the date these loans were made.

LIIF has originated loans for and made loans to BATOAH. As discussed in Note 8, LIIF committed to loan BATOAH $10,000,000, of which notes receivable totaling $10,000,000 were outstanding at June 30, 2018 and 2017. In addition, LIIF committed to fund up to $8,500,000 to BATOAH as a participant in loans LIIF originates for BATOAH. Under this commitment, LIIF loaned $527,880 and $534,596 at June 30, 2018 and 2017, respectively to BATAOH. LIIF provides administrative support and loan servicing to BATOAH under a management services agreement. LIIF receives an origination fee on loans if other members originate and sell to BATOAH. For the years ended June 30, 2018 and 2017, LIIF earned management and loan servicing fees from BATOAH totaling $67,871 and $102,725, respectively. Additionally, BATOAH is a variable interest entity under the guidance in ASC 810, Consolidation. As of June 30, 2018, BATOAH's statement of financial position included approximately $8,200,000 in cash and cash equivalents, $12,000,000 in notes receivable for total assets of $20,200,000. In addition, there was approximately $9,500,000 in notes payable and $10,000,000 in subordinated debt, while members' equity was approximately $600,000. Total liabilities and members' equity was approximately $20,200,000. As of June 30, 2017, BATOAH's statement of financial position included approximately $8,100,000 in cash and cash equivalents, $11,800,000 in notes receivable for total assets of $19,900,000. In addition, there was approximately $9,400,000 in notes payable and $10,000,000 in subordinated debt, while members' equity was approximately $500,000. Total liabilities and members' equity was approximately $19,900,000.

LIIF entered into a partnership in GSAF, LLC on March 5, 2012. For each loan underwritten and originated by LIIF on behalf of this entity, LIIF is obligated to directly lend and fund 75 percent of the principal amount. Loans underwritten and originated totaled $5,575,042 and $7,771,224 as of June 30, 2018 and 2017, respectively. LIIF receives a management fee from GSAF, LLC. For the years ended June 30, 2018 and 2017, LIIF earned a management fee totaling $174,150 and $182,533, respectively. As of June 30, 2018 and 2017, GSAF owed LIIF $1,336,057 and $15,294, respectively.

LIIF is a member in certain sub CDE and investment fund LLCs associated with NMTC transactions. LIIF has also participated as a leveraged lender into certain investment fund LLCs. LIIF receives interest income from these loans and receives a management and loan servicing fees from these LLCs. For the years ended June 30, 2018 and 2017, LIIF earned loan servicing fees totaling $14,267 and $23,239, respectively. For the years ended June 30, 2018 and 2017, LIIF earned a management fee totaling $1,788,288 and $1,702,868, respectively.

LIIF entered into a partnership in MATCH LLC, on April 12, 2017. LIIF receives a management fee from MATCH. For the years ended June 30, 2018 and 2017, LIIF earned management fees totaling $11,899 and $0, respectively.

Note 22 – Related party transaction (continued)

LIIF entered into a partnership in LIIF Housing Preservation Fund, LLC (LHPF) on August 3, 2017. LIIF provides administrative support and loan servicing to LHPC under a management services agreement. LIIF receives an origination and servicing fee on loans. For the year ended June 30, 2018, LIIF earned loan origination and loan servicing fees from LHPC totaling $3,218.

Assets and liabilities related to transactions with related parties included on the accompanying consolidated statements of financial position as of June 30, 2018 and 2017 are as follows:

	2018	2017
Notes payable	$ 79,731,079	$ 44,215,604
Cash deposits	$ 4,726,635	$ 6,901,015
Notes receivable	$ 67,363,623	$ 73,852,852
Accounts receivable	$ 465,823	$ 20,787
Investments	$ 679,977	$ 725,923

Revenues and expenses related to transactions with related parties, included on the accompanying consolidated statements of activities for the years ended June 30, 2018 and 2017 are as follows:

	2018	2017
Interest income	$ 4,149,680	$ 3,636,869
Grant income	$ 163,000	$ 40,000
Administrative and support services income	$ 2,059,633	$ 2,011,365
Interest expense	$ 1,854,588	$ 624,353
Rent income	$ 10,200	$ 850

Note 23 – Net assets released from restrictions (available for release in the prior year)

The amount presented in the consolidated statement of activities for the year ended June 30, 2017 as net assets released from restrictions (available for release in the prior year) represents the release of a $3,000,0000 grant obtained for capital purposes. During the year ended June 30, 2017, LIIF determined that the restrictions placed on the grant had been met and the amount should have been released from restriction in the year ended June 30, 2016 under LIIF's policy for releasing temporarily restricted net assets. The release of the net assets in 2017 had no effect on total net assets as of June 30, 2017 or 2016.

Note 24 – Subsequent events

In September 2018, LIIF received notice of a $1,525,000 financial assistance award from the CDFI Fund's Financial Assistance award program and $3,000,000 under the CDFI Fund's Healthy Foods Financing Initiative. A performance agreement for this award has not yet been signed.

All events occurring from June 30, 2018 through October 26, 2018, the date the consolidated financial statements were available to be issued, have been reviewed.