SUPPLEMENT TO PROSPECTUS FOR

Low Income Investment Fund

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

This document supplements and amends our prospectus dated January 1, 2020, relating to our offering for sale of up to $35,000,000 of LIIF Impact Notes. Capitalized terms used in this supplement but not defined in this supplement have the meanings given to them in the prospectus.

Prospectus Supplement dated June 8, 2020

We are moving to a new office location in San Francisco. Effective June 15, 2020, we will be located at the following address:

49 Stevenson Street, Suite 300
San Francisco CA, 94105

Prospectus Supplement dated May 1, 2020

On March 13, 2020, the U.S. Federal Government declared a national emergency due to a novel strain of coronavirus that causes COVID-19 disease. COVID-19 has caused significant dislocation across the U.S. economy. As of the date of this prospectus supplement, there is significant uncertainty around the scale and duration of business disruption in every economic sector and geographic region from COVID-19. The impact on LIIF's operational and financial performance is uncertain and will depend on future developments, including the duration and spread of the outbreak, and actions by Federal and State authorities that have had, and will continue to have, a material impact on economic and health conditions. The impact of that on LIIF, its borrowers, grantors, funding sources, employees and other constituents cannot be determined at this time. These impacts may include, but are not limited to, the ability of borrowers to repay their outstanding balances as they become due as well as the ability of others such as lenders, investors, grantors or grantees in any of the sectors in which LIIF operates, to honor their commitments.

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

You should read this supplement with the prospectus dated January 1, 2020. This supplement is not complete without, and should only be considered in conjunction with, the prospectus. This supplement is qualified in its entirety by reference to the prospectus, including any amendments or supplements to it, except to the extent that the information provided by this supplement supersedes or supplements the information contained in the prospectus.

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 **January 1, 2020** 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.

TABLE OF CONTENTS

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, health, 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 0.38% and LIIF has maintained a repayment rate of 100% to all lenders. In March 2019 LIIF received the highest possible rating for impact and financial strength of "AAA+/1" from Aeris™, a third-party rating organization for community development financial institutions (CDFIs). In July 2019, LIIF received an investment grade issuer credit rating from S&P Global Ratings (S&P). This issuer credit rating is an expression of the relative risk of LIIF as an issuer. The S&P and Aeris™ ratings are not ratings of the Investment Notes. The Investment Notes have not been rated by any ratings agency, and the S&P and Aeris™ ratings do not indicate the value, suitability, or merit of an investment in the Investment Notes.

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 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.

LIIF focuses its lending activity in four geographic areas: 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 LIIF can support its customers and where there is unmet demand for LIIF's products and services. Since its founding, LIIF has made loans in 31 states.

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. See also "**Lending Activities**" beginning on page 16.

Summary Financial Information

Summary Financial Information	30-Jun-19	30-Jun-18	30-Jun-17[1]
Total Assets	$528,536,415	$491,367,021	$414,154,042
Total Liabilities	$405,337,026	$378,682,980	$306,531,851
Net Assets	$123,199,389	$112,684,041	$107,622,191
Revenue & Support	$41,393,913	$32,696,644	$37,960,239
Expenses	$30,878,565	$27,634,794	$22,222,346
Change in Net Assets without Donor Restrictions	$11,979,074	$5,053,502	$4,916,581
Change in Net Assets with Donor Restrictions	($1,463,726)	$8,348	$10,821,312
Change in Net Assets	$10,515,348	$5,061,850	$15,737,893

[1] Net Assets without Donor Restrictions and Net Assets with Donor Restrictions were previously reflected as Unrestricted Net Assets and Temporarily Restricted Net Assets.

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, 2019, 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.

In July 2019, we issued $25 million of 3.386% Serial Bonds and $75 million of 3.711% Term Bonds Series 2019 (collectively, "Sustainability Bonds" or "the Bonds"). The proceeds of the issuance of the Bonds was used to refinance certain fixed and floating rate debt obligations and to pay costs of issuance of the Bonds. Interest on the Bonds accrues from the date of issuance and is payable on January 1 and July 1 of each year in which the Bonds remain outstanding, commencing on January 1, 2020. The Bonds are unsecured general obligations of LIIF. The Serial Bonds are to be redeemed July 1, 2026 and the Term Bonds are to be redeemed in equal annual redemption amounts between July 1, 2027 and July 1, 2029. See "Sustainability Bonds" beginning on Page 21 for more information concerning the Bonds.

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.

As of June 30, 2019, outstanding Investment Notes issued under prior prospectuses totaled $8,657,000.

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, 2019, Senior Secured Indebtedness was $78,935,749 (approximately 15% of total assets). We also have $30,000,000 of undrawn availability on our lines of credit with the Federal Home Loan Bank of San Francisco, which require the pledging of eligible assets as collateral in order to draw on the lines. In addition to these lines of credit, we had available credit on term loans of $30,079,967 as of June 30, 2019, which require pledging notes receivable and cash as collateral. See "Available Credit and Liquidity" on Page 22 for additional information regarding secured credit facilities that are available for potential future borrowing by LIIF.

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.

<u>Financial and Operational Risks</u>

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, 2019, we had the following geographic loan portfolio concentrations:

Portfolio Composition by Geography	30-Jun-19	30-Jun-18	30-Jun-17
California	$115,878,622	$133,489,945	$107,503,861
New York (Including the New York City Metropolitan Area)	$142,597,423	$127,960,333	$108,796,244
Washington, D.C. Metropolitan Area	$69,307,567	$71,931,185	$43,455,366
New Jersey	$41,027,503	$42,154,507	$38,620,275
Other	$73,269,937	$48,415,401	$30,826,011
Total	$442,081,052	$423,951,371	$329,201,757

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, 2019, 16.6% 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, 2019, included in this prospectus, includes a loan loss allowance of $15,248,398 or 3% of gross loans outstanding as of that same date. The cumulative loss ratio over LIIF's lifetime is 0.38%. 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, 2019, we had no loans on which principal and/or interest were delinquent for over 90 days. Within the last five fiscal years, two 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 $136,000,000 as of June 30, 2019. 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 $15,000,000 as of June 30, 2019. 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.

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, 2019, LIIF has pledged $81,840,785 of notes receivable under this arrangement and has $78,935,749 of outstanding debt.

One of our principal funding sources is from facility commitments from certain US financial institutions which are the subject of credit agreements that contain terms and conditions of borrowing, including financial covenants.
As of June 30, 2019 LIIF had total aggregate commitments from certain financial institutions totaling $294,563,577 and undrawn commitments of $116,500,549. These commitments are subject to credit agreement that provide for certain terms and conditions including financial covenants related to Total Net Assets, Delinquency and Liquidity among others. Failure to comply with such terms and conditions could result in an event of default under which the lender could demand repayment of amounts borrowed. See "Available Credit and Liquidity" on Page 22 for additional information regarding credit facilities that are available for future borrowing by LIIF.

Net assets with donor restrictions 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 net assets with donor restrictions, which amounted to $49,107,203 as of June 30, 2019. 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, 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. Interest rates are determined by LIIF at its sole discretion.

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 up to and including the date of redemption.

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 Code Section 501(c)(3) charitable contribution requirements. However, an investor may not be eligible to utilize a charitable contribution tax deduction depending on their individual tax circumstances.
- Unless 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 such 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 Form 1099-INT or the comparable form by January 31st of each year, as required by the Code, 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 24%) 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 Treasury Regulations promulgated by the United States Treasury Department under the Code and administrative interpretations and court decisions existing as of the date of this prospectus. These authorities could be changed either prospectively or retroactively by future legislation, regulations, administrative interpretations, or court decisions. Accordingly, this summary may not accurately reflect the tax consequences of an investment in 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 $2.6 billion in community projects, serving more than 2 million people. LIIF's investments have leveraged $10 billion in private capital for distressed communities, generating over $68 billion in social benefits.

LIIF operates with offices in five locations: San Francisco, Los Angeles, New York City, Atlanta, 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 – affordable housing, education, child care, health care 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.

> **Affordable housing**. Accessing affordable housing eases acute cost burdens that low-income families typically face in LIIF's core markets, enabling them to 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.
>
> **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.
>
> **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.
>
> **Health care**. 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 are essential to child development and to adult health, and access to primary health care is also essential.
>
> **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.

Portfolio by Sector	June-30-2019	% of Total
Affordable Housing	$192,958,476	43.7%
Education	$145,404,893	32.9%
Health Care	$37,686,564	8.5%
Transit Oriented Development	$6,366,024	1.4%
Food Commerce	$23,359,969	5.3%
Community Facilities	$30,610,333	6.9%
Child Care	$5,694,793	1.3%
Total	$442,081,052	100.0%

Our Geographic Lending Areas

We focus our lending activities in four geographic areas: 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 requires 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 VP of Western Region and National Markets perform our loan underwriting. This effort is supported by underwriters reporting to the production team. 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 standards and products as well as our procedures as included in our lending manual. Depending upon loan type and amount, each loan is approved either by the Chief Executive Officer (or LIIF staff, such as the Chief Credit Officer (CCO), acting upon a written delegation of authority by the Chief Executive Officer), the Internal Loan Committee (ILC) or the Lending Risk Committee (LRC). The ILC is comprised of the CEO, President, CFO, General Counsel, Chief Credit Officer and Director of Asset Management and Loan Administration. The LRC is comprised of five LIIF Board members. All members of both committees possess numerous years of lending and/or pertinent community development experience. The ILC approves the bulk of the transactions above staff (CCO) approval levels, as well as investments in funds, and meets monthly as needed. The LRC approves transactions requiring a board policy exception and provides oversight for LIIF's lending operations and portfolio performance. The LRC meets at least three times a year, with additional meetings for Portfolio Review or as otherwise needed by the business.

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, 2019, 96.7% 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, 2019, 2.2% 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, 2019, interest rates ranged from 0.25% to 8.1%.

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

Loan Production	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
Loans Closed	38	56	47	43	31
Average Loan Size	$2,441,505	$3,624,112	$2,579,591	$2,651,537	$2,464,189

Loans	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
Loans Made	$110,524,360	$176,334,880	$115,957,707	$124,062,940	$74,018,377
Collections on Loans	$82,591,134	$81,768,869	$71,480,095	$69,803,966	$45,447,878

Our Loan Portfolio
The following table summarizes our outstanding loan portfolio as of the fiscal years ended June 30, 2015 through 2019.

Total Loan Portfolio	30-Jun-19	30-Jun-18	30-Jun-17	30-Jun-16	30-Jun-15

Gross Notes Receivable[2]	$442,081,052	$423,951,371	$329,201,757	$284,253,853	$229,994,872
Portfolio Composition by Segment					
Commercial Real Estate	$427,710,073	$414,158,085	$320,340,459	$273,720,579	$227,254,482
% Notes Receivable	97%	98%	97%	96%	99%
Commercial	$14,370,979	$9,793,286	$8,861,298	$10,533,274	$2,740,390
% Notes Receivable	3%	2%	3%	4%	1%
Portfolio Composition by Type					
Acquisition	27.17%	25.88%	20.90%	20.10%	12.60%
Construction	12.75%	7.47%	16.70%	16.10%	20.60%
Construction/Perm	22.81%	29.00%	24.40%	26.70%	31.60%
Term	26.93%	29.78%	34.20%	32.30%	32.80%
Predevelopment	1.92%	1.75%	1.50%	2.20%	2.40%
Other	8.41%	6.12%	2.30%	2.60%	0.00%

Approximate annual maturities of notes receivable in our loan portfolio as of June 30, 2019 are shown in the table below. The amounts presented below are before taking out loan loss allowance and credit enhancement. As of June 30, 2019, net current notes receivable totaled $151,091,239 and long term notes receivables totaled $275,019,650.

Maturity Schedule	2020	2021	2022	2023	2024	Thereafter
Gross Notes Receivable	$157,314,333	$67,800,563	$22,721,781	$33,489,657	$23,203,236	$137,551,482

Loan Security
As of June 30, 2019, approximately 96.7% of our portfolio was secured by a lien on real property (76% by a first lien and 20.7% by a subordinated lien). Of the remaining 3.3%, 1.1% was secured by cash or other collateral, and 2.2% was unsecured. In total 97.8% of the loan portfolio is secured with real state, cash or other collateral, and 2.2% is unsecured.

Loan Commitments
Amounts related to undisbursed closed loans at June 30, 2019 totaled $27,445,886 and amounts related to loan approvals and/or loan commitments at June 30, 2019 totaled approximately $30,107,533.

Loan Monitoring
All loans are given an initial review by LIIF staff and approved by LIIF's Chief Executive Officer or other LIIF personnel (which may include LIIF's Chief Credit Officer) acting upon written delegated authority by the Chief Executive Officer, LIIF's Internal Loan Committee, or LIIF's Lending Risk Committee. The requisite approval depends on the amount and nature of each loan. 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

[2] 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 lenders and investors, including outstanding Sustainability Bonds and Investment Notes. The term "Notes" in this context does not refer to the Investment Notes offered by this prospectus.

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 net assets with donor restrictions to net assets without donor restrictions to cover the net expenditure for the provision. These net assets with donor restrictions represent third party grants which have been made to LIIF's loan funds. These loan funds issue new loans and cover the capital costs of such lending, including establishing loss reserves upon making new loans, increasing loan loss reserves as necessary during the life of existing loans and covering losses incurred as a result of defaulted loans.

LIIF assigns a risk rating to all loans upon initial approval. All loans are subject to a review on a schedule based on type (acquisition/pre-development, construction or term/permanent), 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 years ended 2015 through 2019 are set forth in the table below.

Allowance for Loan Losses	30-Jun-19	30-Jun-18	30-Jun-17	30-Jun-16	30-Jun-15
Beginning Balance	$12,652,523	$9,956,112	$8,738,553	$7,642,972	$6,908,466
Provision (Benefit) for Loan Losses	$2,754,937	$2,611,347	$1,016,832	$1,273,613	$756,794
Additions (Reductions) to Credit Enhancements	($159,062)	$85,064	$104,353	$446,173	($22,288)
Net Recoveries (Write-offs)	$0	$0	$96,374	($624,205)	-
Ending Balance	$15,248,398	$12,652,523	$9,956,112	$8,738,553	$7,642,972

LIIF has received a total of $18,000,000 in grants from the U.S. Department of Education to provide credit enhancements for loans made to charter schools. In accordance with the grant agreement, total investment earnings in the amount of $641,091 have been reinvested in the reserve account and are to be used in accordance with the provisions of the grant agreement. The current balance of these credit enhancement grants available to cover loan losses is $16,448,164.

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

On Balance Delinquencies	30-Jun-19	30-Jun-18	30-Jun-17	30-Jun-16	30-Jun-15
30 to 90 Days	0.00%	0.00%	0.00%	0.00%	0.00%
90+ Days[3]	0.00%	0.00%	0.00%	0.00%	0.00%
Gross Write-offs[4]	0.00%	0.00%	0.00%	0.26%	0.00%
Cumulative Losses[5]	$4,322,822	$4,322,822	$4,322,822	$4,419,196	$3,794,991
% Loaned Capital Lost[6]	0.38%	0.43%	0.49%	0.57%	0.57%

[3] 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.
[4] Write-offs are a percentage representation of the losses associated with loans receivable for each of the respective fiscal years.
[5] Cumulative Losses represent loan losses associated with on-balance loans receivable on a cumulative basis since inception in 1984.
[6] % 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.

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, 2019. The terms of certain other notes receivable were modified during the year ended June 30, 2019 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, 2019, LIIF had total assets of $528,536,415 on a consolidated basis, with total gross notes receivable constituting 84% of total assets 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 the fiscal years ended June 30, 2015-2019:

Support Revenues	30-Jun-19	30-Jun-18	30-Jun-17	30-Jun-16	30-Jun-15
Contributions	$16,612,436	$13,993,547	$20,362,659	$4,919,153	$13,127,122
Loan packaging/servicing	$4,523,921	$3,532,410	$3,837,621	$4,413,694	$3,686,647
Technical assistance / consulting	$6,806,174	$4,632,954	$3,337,175	$2,250,678	$1,759,998

The table below sets forth our net financing income for the fiscal years ended June 30, 2015-2019:

Financing Income	30-Jun-19	30-Jun-18	30-Jun-17	30-Jun-16	30-Jun-15
Interest and investment income	$26,404,434	$20,559,608	$16,702,309	$14,832,475	$12,081,533
Less: interest expense	($11,077,859)	($6,863,073)	($4,499,271)	($3,246,429)	($2,681,780)
Less: (provision) relief for loan losses and undrawn loan losses	($2,515,167)	($2,791,828)	($1,362,842)	($1,164,020)	($623,046)
Net financing income	$12,811,408	$10,904,707	$10,840,196	$10,422,026	$8,776,707

Significant Grantors

A portion of our annual operating budget is supplied in the form of grants. During the fiscal years ending June 30, 2019, 2018 and 2017, grants from the six largest grantors totaled $1,090,800, $1,485,128, and $6,401,643 respectively. In addition, during the fiscal years ending June 30, 2019, 2018 and 2017, grants from the CDFI Fund of the U.S. Department of Treasury totaled $9,437,223, $6,799,139 and $4,347,000, respectively. These grants are generally used to support our lending activities rather than operating costs.

Contributions Receivable

Our contributions receivable totaled $2,268,510 and $9,757,219 at June 30, 2019 and 2018, respectively. The contributions receivable at June 30, 2019 is comprised of grants receivable from six grantors. The largest contribution receivable, in the amount of $951,000, is from a private foundation to support our SPARCC program and represents 42% of the total at June 30, 2019.

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 FHLBSF credit facilities require pledging assets in order to draw down on the lines available. As of June 30, 2019, 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, 2019, LIIF has pledged $81,840,785 of notes receivable under this arrangement and has $78,935,749 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.

Sustainability Bonds
On July 25, 2019, LIIF issued taxable Sustainability Bonds consisting 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). The Bonds were issued pursuant to a Bond Indenture, with U.S. Bank National Association serving as the Bond Trustee. Interest on the Bonds accrues from the date of issuance and is payable on January 1 and July 1, commencing January 1, 2020.

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, including both fixed and floating debt obligations of LIIF. A small portion of the proceeds of the Bonds was used to pay certain costs associated with issuance of the Bonds.

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 assets subject to donor restrictions 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.

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. See the discussion below, under the heading "Available Credit and Liquidity," for additional information relating to lines of credit that are included in this table.

Notes Payable[7]	30-Sept-19[8]	30-Jun-19	30-Jun-18	30-Jun-17	30-Jun-16	30-Jun-15
Private Foundations	$4,150,000	$4,150,000	$675,000	$728,850	$8,608,892	$6,606,885
Financial Institutions	$118,561,239	$212,916,525	$219,641,014	$146,517,110	$163,558,152	$97,055,044
Religious Organizations	$3,500,000	$3,500,000	$3,500,000	$3,000,000	$3,000,000	$3,000,000
Governmental Agencies	$125,995,102	$110,269,675	$106,552,415	$100,493,065	$34,497,225	$43,520,470
Other Organizations	$126,194,506	$23,792,455	$9,298,461	$5,000,000	$15,714,639	$11,000,000

LIIF had $78,935,749 and $63,408,575 and $58,765,003 of notes payable under Governmental Agencies related to CDFI Bond Guarantee Program for June 30, 2019 and 2018 and 2017, respectively.

Approximate annual maturities of notes payable for each of the next five years and thereafter are shown in the table below as of September 30, 2019.

Maturity Schedule	2020	2021	2022	2023	2024	Thereafter
Notes Payable	$65,323,785	$19,795,231	$21,488,282	$15,888,028	$60,349,834	$195,555,687

[7] 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 lenders and investors, including outstanding Sustainability Bonds and Investment Notes. The term "Notes" in this context does not refer to the Investment Notes offered by this prospectus.
[8] As discussed above under "Sustainability Bonds", LIIF issued $25,000,000 in Sustainability Bonds on July 25, 2019, and used the proceeds primarily to refinance then outstanding Notes Payable. The Sustainability Bonds are included in Notes Payable as of September 30, 2019.

Available Credit and Liquidity
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 $294,563,577 and $227,907,312 at June 30, 2019 and 2018, respectively. As of June 30, 2019, 22% of LIIF’s outstanding debt was set at interest rates which vary with market conditions. At June 30, 2019 and 2018, $116,500,549 and $30,000,000 were available to be drawn on such lines. Lines of credit balances at June 30, 2019 include $30,000,000 with the Federal Home Loan Bank of San Francisco which requires the pledging of eligible assets as collateral in order to draw on the lines.

In addition to these lines of credits LIIF has available credit on term loans of $30,079,967 and $48,039,967 as of June 30, 2019 and 2018, all of which require pledging notes receivables and cash as collateral.

As of June 30, 2019, LIIF had total financial assets of $526,094,149, comprised of $450,474,472 in financial assets not available to be used within one year and $75,619,677 in financial assets available to meet general expenditures over the next 12 months. LIIF's operating expenses are substantially supported by net financing income, loan packaging and servicing fees, and grants and contributions. LIIF's annual operating expenses do not include pass-through grants. These expenses are approximately $20 million.

Funds Held in Trust
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-19	30-Jun-18	30-Jun-17	30-Jun-16	30-Jun-15
Funds received from borrowers and funders	$5,020,200	$5,243,791	$7,332,598	$5,415,756	$5,611,424
Funds received from City of New York	$7,102,428	$5,028,947	$8,669,107	$9,660,624	$4,391,562
Total	$12,122,628	$10,272,738	$16,001,705	$15,076,380	$10,002,986

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 support ongoing obligations and comply with investor liquidity covenants; minimize risk to principal; and maximize total return on investments within prudent risk management guidelines in order to support self-sufficiency and to promote efficient operations. LIIF's investment policy is intended to guide investment such that LIIF maintains an appropriate investment horizon and is invested in a diversified combination of securities in accordance with asset allocation guidelines.

The Board is responsible for overseeing and monitoring LIIF’s investment program. The Board, through its Finance Committee, is responsible for monitoring, through regular reports and meetings 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 each investment managers, at least annually. 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. On a quarterly basis, the Finance Committee reviews investment portfolio performance against the risk and performance guidelines set forth in the Investment Policy Statement. The Finance Committee also reviews the Investment Policy Statement annually and proposes revisions to the Board as needed.

Investments	30-Jun-19	% of total	30-Jun-18	% of total	30-Jun-17	% of total
U.S. Treasury Notes	$1,065,474	5.88%	$1,300,500	7.30%	$1,334,228	8.03%
Corporate Bonds	$8,139,924	44.94%	$7,654,658	42.94%	$8,144,470	49.01%

Asset-Backed Securities (including CMOs)	$6,439,192	35.55%	$6,511,968	36.53%	$5,541,769	33.35%
Equity Investments	$108,900	0.60%	$818,274	4.59%	$617,643	3.72%
FHLB-SF Stock	$1,680,900	9.28%	$964,200	5.41%	$533,900	3.21%
Other	$678,913	3.75%	$574,942	3.23%	$444,705	2.68%
Total	$18,113,303	100.00%	$17,824,542	100.00%	$16,616,715	100.00%
Net Gains (Losses) on Investments	$578,067		($437,570)		($485,071)	

SELECTED FINANCIAL INFORMATION

The tables below set forth selected financial information as of and for the years ended June 30, 2019 through 2015. 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-19	30-Jun-18	30-Jun-17	30-Jun-16	30-Jun-15
Unrestricted Cash, Cash Equivalents and Investments	$46,613,979	$35,468,369	$34,795,691	$42,894,761	$21,877,891
Notes Receivable, Net	$426,110,889	$410,592,105	$319,303,149	$275,716,071	$222,193,906
Total Assets	$528,536,415	$491,367,021	$414,154,042	$357,538,435	$280,623,263
Notes Payable	$383,735,873	$339,666,890	$255,739,025	$225,378,908	$161,182,399
Total Liabilities	$405,337,026	$378,682,980	$306,531,851	$265,654,137	$189,370,213
Net Assets	$123,199,389	$112,684,041	$107,622,191	$91,884,298	$91,253,050

Income Statement Information	30-Jun-19	30-Jun-18	30-Jun-17	30-Jun-16	30-Jun-15
Support Revenue and Investment Gains (Losses)	$41,393,913	$32,696,644	$37,960,239	$21,931,509	$26,757,286
Expenses	$30,878,565	$27,634,794	$22,222,346	$21,300,261	$16,990,098
Change in Net Assets without Donor Restrictions	$11,979,074	$5,053,502	$4,916,581	$7,849,757	$2,484,341
Change in Net Assets with Temporary Donor Restrictions	($1,463,726)	$8,348	$10,821,312	($7,218,509)	$7,282,847
Change in Net Assets	$10,515,348	$5,061,850	$15,737,893	$631,248	$9,767,188

Cash Flow Information[9]	30-Jun-19	30-Jun-18	30-Jun-17[10]	30-Jun-16	30-Jun-15
Cash and Cash Equivalents at Beginning of Year	44,642,087	60,663,869	59,287,366	32,470,953	45,176,517
Net Cash Provided by (Used in) Operating	22,421,463	(3,906,824)	13,589,365	6,830,658	757,421

[9] As discussed in Note 2 to our audited financial statements, we adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash during the year ended June 30, 2019, and applied it using a retrospective transition method. This resulted in the restatement of beginning cash and cash equivalents in the statement of cash flows for the year ended June 30, 2018. Our cash flow information as of June 30, 2017, 2016 and 2015, above, has been conformed to reflect this restatement.

[10] Net Assets without Donor Restrictions and Net Assets with Donor Restrictions were previously reflected as Unrestricted Net Assets and Temporarily Restricted Net Assets.

Net Cash Provided (Used in) Investing	(27,555,713)	(96,104,628)	(46,207,851)	(53,656,927)	(31,551,383)
Net Cash Provided by (Used in) Financing	33,487,602	83,989,670	33,994,989	73,642,682	18,088,398
Cash and Cash Equivalents at End of Year	72,995,439	44,642,087	60,663,869	59,287,366	32,470,953
Net Increase (Decrease) Cash and Cash Equivalents	28,353,352	(16,021,782)	1,376,503	26,816,413	(12,705,564)

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 a senior level employee 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. Grant income was received from donors where a senior level employee of the donor serves on LIIF's Board of Directors.

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. 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. See Note 8 and Note 22 to our financial statements for details on BATOAH.

LIIF has entered into a partnership with GSAF, LLC pursuant to which LIFF is obligated to directly lend and fund 75% of the principal amount of each loan underwritten and originated by LIIF on behalf of GSAF, LLC. LIIF receives a management fee from GSAF, LLC.

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 15 members, 14 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 their employment 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 Expiration	Employment
Carol Naughton, Chair	June 30, 2020 (First)	President, Purpose Built Communities
Reymundo Ocañas, Vice Chair	June 30, 2020 (First)	Executive VP, Director, Corporate Responsibility and Reputation, BBVA
Janis Bowdler, Secretary	June 30, 2020 (First)	President, JPMorgan Chase Foundation
Russell Bruemmer, Treasurer	June 30, 2022 (Second)	Retired Partner, Wilmer Cutler, Pickering, Hale and Dorr
Laksiri Abeysekera	June 30, 2020 (First)	Retired Director Corporate Services, International Center for Biosaline Agriculture
Margaret Anadu	June 30, 2022 (First)	Head of Urban Investment Group, Merchant Banking Division, Goldman Sachs
Derek Douglas	June 30, 2022 (Third)	Vice President for Civic Engagement and External Affairs, University of Chicago
David Fleming, MD	June 30, 2022 (Second)	Vice President, Public Health, PATH
Donna Gambrell	June 30, 2021 (First)	President & CEO, Appalachian Community Capital; Former Director, CDFI Fund
Pamela Johnson	June 30, 2020 (Second)	Formerly Senior Vice President and Chief Credit Officer, Fannie Mae
William Kelly, Jr.	June 30, 2022 (Second)	Founder, Stewards of Affordable Housing for the Future
Erika Poethig	June 30, 2022 (First)	Chief Innovation Officer and Vice President, Urban Institute
Michael Solomon	June 30, 2022 (First)	Vice President, Charles Schwab Banking & Trust Services
Roy Swan	June 30, 2021 (First)	Director, Mission Investments of Ford Foundation
Daniel Nissenbaum	Term of service to LIIF	President & CEO, Low Income Investment Fund

Key Personnel

Daniel A. Nissenbaum, Chief Executive Officer. Mr. Nissenbaum is 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.

Kimberly Latimer-Nelligan, President. Ms. Latimer-Nelligan is LIIF's President 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.

Giles Coates, Chief Financial Officer. As Chief Financial Officer Mr. Coates is responsible for the strategic leadership of LIIF's financial management. He oversees the organization's accounting, finance, and capital raising activities and treasury management activities. Prior to joining LIIF as CFO, 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.

Patricia GoPaul, Executive Vice President, 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.

Sabrina Baptiste, Executive Vice President, Chief Administrative Officer. In her role as LIIF's Chief Administrative Officer Ms. Baptiste is responsible for the organization's Human Resources, Information Technology, and administrative operations. Prior to joining LIIF as CAO, Ms. Baptiste was the Head of Human Resources for Goodwill Industries of San Francisco, San Mateo and Marin Counties. Before Goodwill Ms. Baptiste was Chief Human Resource Officer and In-House counsel for an international venture capital firm which specialized in deploying international capital for local social justice. Ms. Baptiste was admitted to the State Bar of California in June 2005 and was a Professor of Law at New College of California School of Law and San Francisco Law School. She is certified SPHR (Senior Professional Human Resources), SHRM-SCP (Senior Certified Professional), and a member of SHRM, NCHRA, State Bar of California, and the American Bar Association.

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 executive officers in the aggregate. 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	$1,498,812	$341,100	$137,632	$47,937
Daniel Nissenbaum, CEO	$475,000.08	$1,500	$42,897.06	$9,560.04
Patricia GoPaul, EVP, General Counsel	$235,350.17	$51,800	$32,213.70	$9,486.01
Kimberly Latimer-Nelligan, President	$343,700.21	$121,200	$25,527.60	$13,795.93
Kathryn Rock, EVP, CFO *(7/1/2018 – 3/17/2019)*	$190,707.40	$140,000	$16,097.10	$6,428.33
Giles Coates, EVP, CFO *(3/18/2019 – 6/30/2019)*	$86,554.29	$25,400	$1,067.84	$2,761.98

Sabrina Baptiste, EVP, CAO	$167,500.08	$1,200	$19,829.10	$5,904.48

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, 2019 and 2018, and the related notes thereto are attached as Appendix I to this prospectus. The financial statements for the years ended June 30, 2019 and 2018 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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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, 2019 and 2018

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, 2019 and 2018, 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, 2019 and 2018, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Restricted Cash
As discussed in Note 2 to the financial statements, Low Income Investment Fund and Subsidiaries adopted the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force*) during the year ended June 30, 2019 and applied it using a retrospective transition method which resulted in the restatement of beginning cash and cash equivalents and restricted cash and cash equivalents in the statement of cash flows for the year ended June 30, 2018. Our opinion is not modified with respect to this matter.

Not-for-Profit Financial Reporting
As discussed in Note 2 to the financial statements, Low Income Investment Fund and Subsidiaries adopted FASB ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* during the year ended June 30, 2019 and applied it retrospectively to the year ended June 30, 2018. Our opinion is not modified with respect to this matter.

RSM US LLP

San Francisco, California
October 28, 2019

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

Consolidated Statements of Financial Position
June 30, 2019 and 2018

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	$ 28,500,676	$ 17,643,827
Restricted cash and cash equivalents	44,494,763	26,998,260
Current portion of investments	643,868	1,107,115
Accounts receivable, net	4,399,375	3,982,633
Current portion of contributions receivable	2,268,510	9,734,609
Accrued interest receivable	2,206,633	1,832,590
Prepaid expenses and deposits	837,937	858,528
Current portion of notes receivable, net	151,091,239	124,706,978
Total current assets	234,443,001	186,864,540
Investments, net of current	17,469,435	16,717,427
Contributions receivable, net of current	-	22,610
Notes receivable, net, net of current	275,019,650	285,885,127
Equipment and leasehold improvements, net	1,604,329	1,877,317
Total assets	$ 528,536,415	$ 491,367,021
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$ 4,723,639	$ 6,843,099
Accrued interest payable	856,327	414,263
Deferred revenue	3,898,559	1,146,325
Funds held in trust	12,122,628	10,272,738
Current portion of notes payable, net	90,613,653	53,234,159
Current portion of subordinated notes payable	7,490,000	-
Total current liabilities	119,704,806	71,910,584
Notes payable, net, net of current	262,952,600	285,402,776
Subordinated notes payable	22,679,620	21,369,620
Total liabilities	405,337,026	378,682,980
Net assets:		
Without donor restrictions	74,092,186	62,113,112
With donor restrictions	49,107,203	50,570,929
Total net assets	123,199,389	112,684,041
Total liabilities and net assets	$ 528,536,415	$ 491,367,021

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, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support, revenues and investment gains (losses):			
Net financing income:			
Interest income - lending	$ 25,051,853	$ -	$ 25,051,853
Investment income	1,164,015	188,566	1,352,581
Less interest expense	(11,077,859)	-	(11,077,859)
Less provision for loan losses and commitments	(2,515,167)	-	(2,515,167)
Total net financing income	12,622,842	188,566	12,811,408
Fees:			
Loan packaging and servicing	4,523,921	-	4,523,921
Technical assistance and consulting	6,806,174	-	6,806,174
Other	61,907	-	61,907
Total fees	11,392,002	-	11,392,002
Contributions	46,000	16,566,436	16,612,436
Net assets released from restrictions	18,218,728	(18,218,728)	-
Net gains on investments	578,067	-	578,067
Total	18,842,795	(1,652,292)	17,190,503
Total support, revenues and investment gains (losses)	42,857,639	(1,463,726)	41,393,913
Expenses:			
Program services:			
Lending production	3,082,378	-	3,082,378
Asset management and servicing	4,434,565	-	4,434,565
Child care development services	7,299,531	-	7,299,531
Strong, Prosperous, and Resilient Communities Challenge (SPARCC)	6,533,767	-	6,533,767
Other development services	293,191	-	293,191
National policy	731,576	-	731,576
Total program services	22,375,008	-	22,375,008
Supporting services:			
Management and general	7,041,974	-	7,041,974
Fundraising	1,461,583	-	1,461,583
Total supporting services	8,503,557	-	8,503,557
Total expenses	30,878,565	-	30,878,565
Change in net assets	11,979,074	(1,463,726)	10,515,348
Net assets, beginning of year	62,113,112	50,570,929	112,684,041
Net assets, end of year	$ 74,092,186	$ 49,107,203	$ 123,199,389

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

	Without Donor Restrictions	With Donor Restrictions	Total
Support, revenues and investment gains (losses):			
Net financing income:			
Interest income - lending	$ 19,846,848	$ -	$ 19,846,848
Investment income	628,860	83,900	712,760
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	13,631,529	(75,552)	13,555,977
Total support, revenues and investment gains (losses)	32,688,296	8,348	32,696,644
Expenses:			
Program services:			
Lending production	3,837,295	-	3,837,295
Asset management and servicing	4,064,590	-	4,064,590
Child care development services	5,014,741	-	5,014,741
Strong, Prosperous, and Resilient Communities Challenge (SPARCC)	5,200,201	-	5,200,201
Other development services	486,356	-	486,356
National policy	745,549	-	745,549
Total program services	19,348,732	-	19,348,732
Supporting services:			
Management and general	6,608,353	-	6,608,353
Fundraising	1,677,709	-	1,677,709
Total supporting services	8,286,062	-	8,286,062
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 Functional Expenses
Year Ended June 30, 2019

	Program									
	Lending Production	Asset Management and Servicing	Child Care Development Services	SPARCC	Other Development Services	National Policy	Total	Management and General	Fundraising	Total
Expenses:										
Personnel	$ 2,714,105	$ 3,192,222	$ 1,058,250	$ 565,588	$ 166,619	$ 431,705	$ 8,128,489	$ 4,822,685	$ 1,055,579	$ 14,006,753
Consultants and legal	199,446	307,527	293,716	197,384	67,412	136,418	1,201,903	462,583	68,031	1,732,517
Travel and conferences	133,966	126,416	49,815	93,691	17,034	19,396	440,318	236,335	44,423	721,076
Occupancy	398,017	608,101	276,629	101,750	36,271	61,054	1,481,822	736,506	221,126	2,439,454
Insurances, licenses and fees	48,597	101,328	7,179	4,759	1,594	1,867	165,324	323,319	10,683	499,326
Audit and annual report	6,500	-	-	-	-	-	6,500	167,449	-	173,949
Depreciation and amortization	32,684	62,449	32,371	12,663	3,816	4,094	148,077	113,736	37,516	299,329
Grants	(516,863)	-	5,579,104	5,556,647	-	-	10,618,888	-	-	10,618,888
Miscellaneous	65,926	36,522	2,467	1,285	445	77,042	183,687	179,361	24,225	387,273
Total expenses	$ 3,082,378	$ 4,434,565	$ 7,299,531	$ 6,533,767	$ 293,191	$ 731,576	$ 22,375,008	$ 7,041,974	$ 1,461,583	$ 30,878,565

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

	Program									
	Lending Production	Asset Management and Servicing	Child Care Development Services	SPARCC	Other Development Services	National Policy	Total	Management and General	Fundraising	Total
Expenses:										
Personnel	$ 2,479,141	$ 2,879,531	$ 896,486	$ 515,457	$ 340,461	$ 455,658	$ 7,566,734	$ 4,147,006	$ 1,132,378	$ 12,846,118
Consultants and legal	240,001	308,291	71,385	229,082	50,278	141,871	1,040,908	706,341	165,299	1,912,548
Travel and conferences	135,993	181,448	27,007	53,866	27,042	19,758	445,114	334,969	44,626	824,709
Occupancy	341,098	574,912	210,764	108,198	61,831	67,636	1,364,439	665,174	255,757	2,285,370
Insurances, licenses and fees	53,508	38,182	6,796	4,376	2,708	3,605	109,175	352,986	9,737	471,898
Audit and annual report	-	-	-	-	-	-	-	187,200	700	187,900
Depreciation and amortization	28,000	66,406	37,846	17,291	3,688	4,452	157,683	118,764	48,020	324,467
Grants	516,863	-	3,763,350	4,240,350	-	-	8,520,563	-	-	8,520,563
Miscellaneous	42,691	15,820	1,107	31,581	348	52,569	144,116	95,913	21,192	261,221
Total expenses	$ 3,837,295	$ 4,064,590	$ 5,014,741	$ 5,200,201	$ 486,356	$ 745,549	$ 19,348,732	$ 6,608,353	$ 1,677,709	$ 27,634,794

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, 2019 and 2018

	2019	2018 (restated)
Cash flows from operating activities:		
Change in net assets	$ 10,515,348	$ 5,061,850
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	299,329	324,467
Amortization of debt issuance costs	82,653	89,525
Change in deferred fees and costs	15,023	764,245
Provision for loan losses and loan commitments	2,515,167	2,781,937
Loss (gain) on investments	(692,613)	330,788
Noncash interest income	(196,455)	(183,602)
Changes in operating assets and liabilities:		
Accounts and contributions receivable	7,071,967	(691,736)
Accrued interest receivable	(374,043)	(338,282)
Prepaid expenses and deposits	20,591	(22,536)
Accounts payable and accrued expenses	(1,879,691)	(3,356,404)
Accrued interest payable	442,063	96,111
Funds held in trust	1,849,890	(5,728,967)
Deferred revenue	2,752,234	(3,034,220)
Net cash provided by (used in) operating activities	22,421,463	(3,906,824)
Cash flows from investing activities:		
Purchases of investments	(3,268,246)	(3,269,530)
Proceeds from sales of investments	1,748,099	284,736
Proceeds from prepayments of investments	1,924,000	1,446,177
Loans made	(110,524,360)	(176,334,880)
Collections on loans	82,591,134	81,768,869
Acquisition of equipment	(26,340)	-
Net cash used in investing activities	(27,555,713)	(96,104,628)
Cash flows from financing activities:		
Proceeds from notes payable	102,870,887	110,571,450
Repayments of notes payable	(78,068,185)	(26,558,519)
Proceeds from subordinate notes payable	8,800,000	-
Debt issuance costs	(115,100)	(23,261)
Net cash provided by financing activities	33,487,602	83,989,670
Net increase (decrease) in cash, cash equivalents and restricted cash	28,353,352	(16,021,782)
Cash, cash equivalents and restricted cash at beginning of year	44,642,087	60,663,869
Cash, cash equivalents and restricted cash at end of year	$ 72,995,439	$ 44,642,087
Supplemental cash flow disclosure:		
Cash paid for interest	$ 10,633,956	$ 6,556,950
Noncash investing and financing transactions:		
Extinguishment of note receivable and note payable related to assigning note payable to the obligor of the note receivable (Note 22)	$ 10,000,000	$ -
(Increase) decrease in notes payable for change in credit enhancement	$ (159,062)	$ 85,064

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Note 1 – Organization and nature of business

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

With offices in San Francisco, Los Angeles, New York, Washington D.C. and Atlanta, LIIF offers development, acquisition, construction and permanent loans, as well as lines of credit from its Revolving Loan Fund (RLF), Healthy Food and Healthy Communities Fund (HFHC), Healthy Communities Innovation Fund (HCIF), and the U.S. Department of the Treasury Community Development Financial Institutions (CDFI Fund) Bond Guarantee Program (BGP). In addition, LIIF offers loan packaging and servicing to third-party lenders, and technical assistance, grants and consulting to nonprofit community organizations, child-care facilities, educational facilities, residents of 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, 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 and unsecured basis to commercial real estate development projects in six financial product/services clusters — Affordable Housing, Education, Health Care, Transit Oriented Development, Food Commerce and Community Facilities— utilizing three loan funds: the RLF; HFHC and HCIF. Through the RLF, LIIF underwrites projects in each program area. HFHC is solely dedicated to financing grocery and small food stores that sell fresh and healthy food. The HCIF provides capital to higher risk and high social return transactions. From these funds, LIIF makes loans to support: (1) costs associated with predevelopment activities, including environmental assessments, inspections, architectural services, permits, and legal fees; (2) short-term capital for land or existing building acquisition; (3) short-term capital for construction, renovation, mini-perm or bridge financing; (4) new permanent financing or refinancing of existing debt; and (5) leveraged lending for New Market Tax Credit (NMTC) projects.

Note 1 – Organization and nature of business (continued)

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

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

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

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. LIIF does not consolidate these entities as the participant's rights granted in the operating agreements overcome the presumption of control by the managing member. 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 from, 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 the LLCs and for third-party lenders, including CDFIs and other 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. LIIF accomplishes this through a variety of programs, including the San Francisco Child Care Facilities (CCFF) Fund, the Access to Quality Child Care Expansion program in Washington DC, and our technical assistance for pre-K education work in New York City.

SPARCC

In fiscal year 2016 LIIF, in partnership with Enterprise Community Partners Inc., Natural Resources Defense Council Inc., and the Federal Reserve Bank of San Francisco created the Strong, Prosperous, and Resilient Communities Challenge (SPARCC), a $90 million multi-year initiative which invests in, and amplifies, local efforts underway in six communities in cities in the US 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 launched in fiscal year 2017 and will continue through fiscal year ending 2020. SPARCC helps regions refine and integrate their vision for the future, where the policies and practices that shape the built environment address the issues of racial equity, health, and climate resiliency through grants, technical assistance, and capital investment.

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 programs. National policy also includes advancing the policy agenda of LIIF, leveraging relationships and building momentum around the organization and its mission of poverty alleviation. In addition to advocating for programs and policies that support its own activities, LIIF supports all CDFIs by serving as a nonprofit business model for providing capital to low income neighborhoods.

Management and general

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

Note 1 – Organization and nature of business (continued)

Fundraising

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

Note 2 – Summary of significant accounting policies

Basis of consolidation

Accounting guidance on reporting of related entities requires nonprofit organizations with a controlling and economic interest in other organizations to consolidate those other organizations. Accordingly, the accompanying consolidated financial statements include the accounts of LIIF and its wholly owned subsidiaries, 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 (NMTC) allocations from the United States Department of Treasury. In order to utilize the NMTC allocations, LIIF establishes Sub-CDE LLCs for the purpose of expanding lending for community facility projects in economically distressed communities in the United States. LIIF generally retains a 0.01 percent managing member ownership interest in each Sub-CDE LLC established. LIIF does not consolidate these Sub-CDE LLCs as the operating agreements limit LIIF's control to administrative functions that overcome the presumption of control of the managing member. The established Sub-CDE LLCs operate under an agreement with LIIF for administrative and accounting services. In exchange, LIIF receives a 0.5 percent administrative fee on Sub-CDE LLC assets under management.

Basis of accounting

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

Net assets, revenue, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

- Net assets without donor restrictions - Net assets not subject to donor-imposed restrictions.
- Net assets with donor restrictions - Net assets subject to donor-imposed restrictions that will be met by our actions and/or the passage of time, or maintained perpetually restricted by us. LIIF has no endowment funds as of June 30, 2019 and 2018.

Revenue is reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Investment proceeds and realized/unrealized gains and losses are reported as changes in net assets without donor restrictions unless specifically limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated

Note 2 – Summary of significant accounting policies (continued)

Basis of accounting, continued

time period has elapsed) are reported as reclassifications from net assets with donor restrictions to net assets without donor restrictions.

Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and revenues and expenses. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant changes in the near term include, but are not limited to the determination of the allowance for loan losses.

Cash and cash equivalents

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

Restricted cash and cash equivalents

Restricted cash and cash equivalents 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 in accordance with U.S. GAAP. Estimated fair value is based on estimated market value for fixed income securities and current share values for mutual funds. Equity securities are presented at estimated fair value. Investments held by LIIF include U.S. treasury notes, corporate bonds, asset-backed securities, including collateralized mortgage obligations (CMOs), equity interests in affiliated companies, and other equity securities.

Net investment gains or losses is reported in the consolidated statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less investment expenses.

Accounts receivable, net

Accounts receivable consist of amounts due from contracts, borrowers, related parties or receivables generated from the normal course of business. An allowance for doubtful accounts is established by management based on estimated losses related to specific receivables and aging of amounts owed to LIIF. The allowance for doubtful accounts was $93,093 and $41,778 as of June 30, 2019 and 2018, respectively.

Note 2 – Summary of significant accounting policies (continued)

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

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

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

Origination fees are deferred and amortized using the effective interest method over the term of the note as an adjustment to interest income. Costs associated with the origination of each note 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, net balance to which it relates on the accompanying consolidated statements of financial position.

Allowance for loan losses and credit enhancements

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

Note 2 – Summary of significant accounting policies (continued)

Allowance for loan losses and credit enhancements, continued

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 net assets with donor restrictions to net assets without donor restrictions to cover the net expenditure for the provision. These net assets with donor restrictions represent third-party grants that have been made to LIIF's loan funds. These loan funds issue new loans and cover the capital costs of such lending, including establishing loss reserves upon making new loans, increasing loan loss reserves as necessary during the life of existing loans and covering losses incurred as a result of defaulted loans.

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

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

LIIF calculates the general reserve allowance by applying a pre-determined percentage amount to each loan based upon one of three loan classifications and the risk-rating of the loan. The classifications are Acquisition/Pre-Development, Construction and Term/Permanent. The allowance is aggregated into LIIF's portfolio segments - 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.

Note 2 – Summary of significant accounting policies (continued)

Allowance for loan losses and credit enhancements, continued

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

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

LIIF assigns a risk rating to all loans and 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:

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.

Note 2 – Summary of significant accounting policies (continued)

Allowance for loan losses and credit enhancements, continued

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

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

LIIF also makes unsecured loans, typically to nonprofit real estate developers. The degree of risk in commercial unsecured lending depends primarily on the financial viability of the borrower's underlying business, and ultimate ability to repay in an orderly fashion. These loans generally possess a higher inherent risk of loss than secured loans. Although management believes the allowance to be adequate, ultimate losses may vary from its estimates. On a routine basis the adequacy of the allowance, including consideration of the relative risks in the portfolio, current economic conditions and other factors are reviewed. If management determines that changes are warranted based on those reviews, the allowance is adjusted.

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

Sale of notes receivable

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

Note 2 – Summary of significant accounting policies (continued)

Sale of notes receivable, continued

For notes receivable sold in which LIIF has retained the servicing rights, no servicing asset or liability has been reported as of June 30, 2019 and 2018, 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, 2019 or 2018.

Deferred revenue

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

Funds held in trust

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

Contributions

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

LIIF reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor-stipulated time restriction ends or the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions. Donor-restricted contributions, whose restrictions are met in the same reporting period as the contribution is recorded, are reported as restricted contributions and net assets released from restrictions in the same reporting period.

Note 2 – Summary of significant accounting policies (continued)

Contributions, continued

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.

Functional expense allocation

The costs of providing LIIF's various programs, as described in Note 1, have been summarized on a functional basis on the consolidated statements of functional expenses. Certain costs have been allocated among programs and supporting services benefited. These costs include information technology and are allocated based on management estimates of direct program support including headcount and time spent. Occupancy costs are allocated proportionately with the employee's functional categorization on a per office basis.

Income taxes

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

LIIF has accounted for the uncertainty in income taxes as required by the Accounting for Uncertainty in Income Taxes topic of the FASB 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 as specified in FASB Interpretation 48, no tax benefit is recorded. The effect of applying this model and the resulting identification of uncertain tax positions, if any, were not considered significant for financial reporting purposes and are not anticipated to change in the 12 months following June 30, 2019.

Note 2 – Summary of significant accounting policies (continued)

Income taxes, continued

During the years ended June 30, 2019 and 2018, 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, 2016 through June 30, 2019, and California returns for years ended June 30, 2015 through June 30, 2019, 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, and New York, and California state jurisdictions. During the years ended June 30, 2019 and 2018, these subsidiary entities recognized no interest or penalties associated with unrecognized tax benefits. Federal and New York returns for years ended June 30, 2016 through June 30, 2019, and California returns for years ended June 30, 2015 through June 30, 2019, 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 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. For the fiscal year ended June 30, 2019, LIIF has adopted this guidance and applied retrospectively to all periods presented herein.

A key change of the new guidance is the net asset classes used in these consolidated financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

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. LIIF has adopted this ASU in the fiscal year ended June 30, 2019 and is applied using a retrospective transition method. The adoption of the ASU resulted in a restatement of beginning cash and cash equivalents, and restricted cash and cash equivalents as of July 1, 2017 of $42,484,893 for the impacts of combining combining cash and cash equivalents with restricted cash and cash equivalents.

Note 2 – Summary of significant accounting policies (continued)

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. Additionally, the ASU provides for earlier effective dates for public entities as defined in accordance with GAAP for financial reporting purposes. LIIF met the definition of a public entity for financial reporting purposes with its public bond offering in fiscal year 2020 (see Note 23). In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 for public entities by one year, making it effective for LIIF for the fiscal year ending June 30, 2020. LIIF has not yet selected a transition method. Adoption of ASU 2014-09 is not expected to have a material impact on the LIIF's consolidated financial statements.

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 is effective for LIIF for fiscal year ending June 30, 2020 based on the effective date for public entities. 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 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 2016, the FASB issued ASU 2016-02, *Leases (Topic 842).* The guidance in this ASU requires lessees to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. ASU 2016-02 is effective for LIIF for 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. In July 2019, FASB extended the effective date for ASU 2016-13 beginning with LIIF's fiscal year ending June 30, 2024 with early adoption permitted. LIIF is currently evaluating the impact the adoption of this guidance will have on its consolidated financial statements and does not plan to early adopt.

Note 2 – Summary of significant accounting policies (continued)

Recent accounting pronouncements – not yet adopted, continued

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 and will be effective for LIIF for fiscal year ending June 30, 2020 as a public entity. Management is evaluating the impact that the adoption of ASU 2018-08 will have on LIIF's consolidated financial statements.

Liquidity and availability

LIIF's financial assets as of June 30, 2019 available to meet general expenditures over the next twelve months consist of the following:

Financial Assets:	
Cash and cash equivalents	$ 28,500,676
Restricted cash and cash equivalents	44,494,763
Investments, net	18,113,303
Accounts receivable, net	4,399,375
Contributions receivable	2,268,510
Accrued interest receivable	2,206,633
Notes receivable	426,110,889
Total financial assets	526,094,149
Less: Amounts not available to be used within one year	
Restricted cash and cash equivalents	(44,494,763)
Notes receivable, net, net of current	(275,019,650)
Investments, net	(2,400,703)
Scheduled debt maturities	(98,103,653)
Donor restricted net assets not available for operations	(30,455,703)
Financial assets available to meet general expenditures over the next twelve months	$ 75,619,677

Management considers general expenditures to be operating expenses that will be paid with funds that do not have a donor restriction. LIIF's operating expenses are substantially supported by net financing income, loan packaging and servicing fees, and grants and contributions. LIIF's annual operating expenses do not include pass-through grants. These expenses are approximately $20 million.

Note 2 – Summary of significant accounting policies (continued)

Liquidity and availability, continued

With the exception of an investment in the FHLB-SF and equity method investments, LIIFs cash, cash equivalents, and investments have no restrictions on use. Cash in excess of what is needed for operations is used to fund notes receivable. As discussed in Note 12, LIIF also has available lines of credit of over $116 million to fund loans receivable and general expenditures at June 30, 2019. LIIF's restricted cash generally is donor, loan participant, or investor restricted for purpose or geography. We expect to be able to utilize a portion of these funds to cover salaries and other operating costs to fulfill our mission as the restrictions are met. Loans and notes receivable in the amount of $275 million have scheduled maturities after more than one year.

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

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

	2019	2018
Cash and cash equivalents	$ 28,500,676	$ 17,643,827
Restricted cash and cash equivalents (Note 4)	44,494,763	26,998,260
Investments (Note 5)	18,113,303	17,824,542
	$ 91,108,742	$ 62,466,629

Liquid assets, as defined in investor agreements, required to meet liquidity covenants at June 30, 2019 and 2018 totaled $103,831,178 and $61,637,846, respectively.

Note 4 – Restricted cash and cash equivalents

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

	2019	2018
Funds held in trust (Note 14)	$ 12,122,628	$ 10,272,738
Program restricted	21,484,703	11,692,683
Loan funds	4,129,644	1,538,568
Secured loan funds	6,757,788	3,494,271
	$ 44,494,763	$ 26,998,260

Note 5 – Investments

Investments consist of the following as of June 30:

	2019		2018	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
U.S. Treasury notes	$ 1,133,539	$ 1,065,474	$ 1,376,683	$ 1,300,500
Corporate bonds	8,152,445	8,139,924	8,071,741	7,654,658
Asset-backed securities (including CMOs)	6,421,570	6,439,192	6,779,876	6,511,968
Equity investments	40,890	108,900	749,582	818,274
Other	678,913	678,913	574,942	574,942
	$ 16,427,357	16,432,403	$ 17,552,824	16,860,342
Plus investments at cost:				
FHLB-SF stock		1,680,900		964,200
		$ 18,113,303		$ 17,824,542

Equity investments at June 30, 2018 included 30,000 shares of Urban Partnership Bank (UPB), a CDFI based in Chicago. During the year ended June 30, 2019, UPB entered into a merger agreement with Providence Interim Bank and these shares were converted into a right to receive cash in an aggregate amount of $599,289. LIIF recorded a gain on disposal in the amount of $9,289.

The amortized cost and fair value of investment securities at June 30, 2019 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.

	Amortized Cost	Fair Value
Within one year	$ 677,423	$ 643,868
After one year through five years	6,293,164	6,226,387
After five years through ten years	2,315,397	2,335,143
Total	9,285,984	9,205,398
Investment securities not due at a single maturity date:		
Asset-backed securities (including CMOs)	6,421,570	6,439,192
Equity investments	40,890	108,900
Other	678,913	678,913
	$ 16,427,357	16,432,403
Plus investments at cost:		
FHLB-SF stock		1,680,900
		$ 18,113,303

Note 5 – Investments (continued)

Included in the investments balance are 16,809 shares and 9,642 shares, respectively, at June 30, 2019 and 2018 of FHLB-SF stock, which are required to be held 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:

	2019	2018
Accounts receivable - contracts	$ 4,103,949	$ 3,493,094
Accounts receivable - borrowers	299,682	412,469
Accounts receivable - other	88,837	118,848
Less allowance for doubtful accounts	(93,093)	(41,778)
	$ 4,399,375	$ 3,982,633

Note 7 – Contributions receivable

Contributions receivable consist of grants and pledges awarded, less the allowance for uncollectible pledges. At June 30, 2019 and 2018, the allowance for uncollectible pledges was $0 for both years. Contributions receivable totaled $2,268,510 and $9,757,219 at June 30, 2019 and 2018, respectively. The contributions receivable balance at June 30, 2019 is comprised of grants receivable from six grantors. The largest contribution receivable, in the amount of $951,000, as of June 30, 2019 is from a private foundation to support LIIF's SPARCC program.

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

	2019	2018
Receivable in one year or less	$ 2,268,510	$ 9,734,609
Receivable in one to five years	-	22,610
	$ 2,268,510	$ 9,757,219

Note 8 – Notes receivable, net

Notes receivable, net consist of secured and unsecured notes with interest rates ranging from 0.25 percent to 8.09 percent as of June 30 as follows:

	2019	2018
Affordable housing	$ 192,958,476	$ 164,452,874
Education	145,404,893	159,206,669
Heath care	37,686,564	28,944,402
Transit oriented development	6,366,024	16,923,193
Food commerce	23,359,969	14,012,508
Community facilities	36,305,126	40,411,725
Total notes receivable	442,081,052	423,951,371
Less deferred loan origination costs, net	(721,765)	(706,743)
Less allowance for loan losses and credit enhancements (Note 10)	(15,248,398)	(12,652,523)
Total notes receivable, net	426,110,889	410,592,105
Less current portion	(151,091,239)	(124,706,978)
Total long-term notes receivable	$ 275,019,650	$ 285,885,127

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 0.0 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. This loan to BATOAH was assigned to BATOAH during the year ended June 30, 2019.

LIIF has $50,163,001 and $41,381,864 at June 30, 2019 and 2018, respectively, of notes receivable before the allowance for loan losses on the consolidated statements of financial position related to certain loan participation agreements with third-party investors that did not meet the characteristics of a participating interest in accordance with accounting rules governing the sale of a financial asset. An equal amount of notes payable is also recorded on LIIF's consolidated statement of financial position (see Note 12.) Although these loans did not meet the characteristics of participating interest, LIIF does not maintain any economic risk for the loans. All losses on these loans will reduce the recorded liability and will reduce the receivable balance due to the participating lender. At June 30, 2019, approximately $4,622,000 of the corresponding notes receivable are in food commerce and the remainder in affordable housing. At June 30, 2018, approximately $440,000 of the corresponding notes receivable are in food commerce and the remainder in affordable housing.

Note 8 – Notes receivable, net (continued)

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 2.0 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, 2019 and 2018 was $1,274,829 and $1,471,283, respectively. There were no PRI loans originated in the years ended June 30, 2019 or 2018.

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

LIIF has retained the servicing rights on participations recorded as sales. LIIF has 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, 2019 and 2018, as the fees LIIF earns approximate 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 for the years ended June 30 are summarized as follows:

	2019	2018
Balance, beginning of year	$ 12,652,523	$ 9,956,112
Add provision for loan loss	2,754,937	2,611,347
(Less) add additions to credit enhancements	(159,062)	85,064
Balance, end of year	$ 15,248,398	$ 12,652,523

LIIF has received a total of $18,000,000 in grants from the U.S. Department of Education to provide credit enhancements for loans made to charter schools. In accordance with the grant agreement, total investment earnings in the amount of $641,091 have been reinvested in the reserve account and are to be used in accordance with the provisions of the grant agreement. The current balance of these credit enhancement grants available to cover loan losses is $16,448,164.

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 by portfolio segment and by impairment methodology:

2019	Affordable Housing	Education	Health Care	Transit Oriented Development	Food Commerce	Community Facilities	Total
Allowance for loan losses:							
Beginning of balance	$ 6,009,959	$ 3,966,202	$ 706,728	$ 390,926	$ 338,167	$ 1,240,541	$ 12,652,523
Provision for loan losses	2,545,656	153,356	173,405	(164,994)	116,101	(68,588)	2,754,936
Additions to credit enhancements	(259,658)	-	-	-	100,597	-	(159,061)
Ending balance	8,295,957	4,119,558	880,133	225,932	554,865	1,171,953	15,248,398
Ending balance: individually evaluated for impairment	-	699,783	-	-	-	-	699,783
Ending balance: collectively evaluated for impairment	$ 8,295,957	$ 3,419,775	$ 880,133	$ 225,932	$ 554,865	$ 1,171,953	$ 14,548,615
Notes receivable:							
Ending balance: collectively evaluated for impairment	$ 192,958,476	$ 136,110,732	$ 37,686,564	$ 6,366,024	$ 23,359,969	$ 36,305,126	$ 442,081,052
Ending balance: individually evaluated for impairment	-	9,294,161	-	-	-	-	-
Ending balance	$ 192,958,476	$ 145,404,893	$ 37,686,564	$ 6,366,024	$ 23,359,969	$ 36,305,126	$ 442,081,052

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
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

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:

2019	Affordable Housing	Education	Health Care	Transit Oriented Development	Food Commerce	Community Facilities	Total
Pass	$ 165,563,209	$ 124,910,597	$ 37,686,564	$ 2,866,024	$ 23,359,969	$ 34,944,623	$ 389,330,986
Below expectation	27,395,267	11,200,135	-	3,500,000	-	1,360,503	43,455,905
Substandard	-	9,294,161	-	-	-	-	9,294,161
Total	$ 192,958,476	$ 145,404,893	$ 37,686,564	$ 6,366,024	$ 23,359,969	$ 36,305,126	$ 442,081,052

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

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

As of June 30, 2019 and 2018, LIIF had no loans that were past due 30 days or longer. Nonaccrual loans totaled $0 at June 30, 2019 and 2018. There were no accruing loans past due greater than 90 days at June 30, 2019 and 2018. Nonaccrual cash basis interest recognized for the years ended June 30, 2019 and 2018 was $0 for both years. Interest foregone on nonaccrual loans for the both years ended June 30, 2019 and 2018 was $0.

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

	2019				
Description	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With an allowance recorded:					
Education	$ 9,294,161	$ 9,294,161	$ 699,783	$ 8,553,342	$ 481,027

	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

Troubled debt restructurings

No loans receivable were modified during the years ended June 30, 2019 and 2018 as TDRs. For the years ended June 30, 2019 and 2018, LIIF had loans of $12,525 and $25,050 identified as TDRs, respectively. LIIF has allocated $1,010 and $1,954 of specific reserves to loans whose notes receivable terms have been modified in TDRs as of June 30, 2019 and 2018, 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, 2019 and 2018. 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, 2019 and 2018.

The terms of certain other notes receivable were modified during the years ended June 30, 2019 and 2018 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:

	2019	2018
Equipment and leasehold improvements	$ 3,586,893	$ 3,593,629
Less accumulated depreciation and amortization	(1,982,564)	(1,716,312)
	$ 1,604,329	$ 1,877,317

Note 11 – Equipment and leasehold improvements, net (continued)

Depreciation and amortization expense totaled $299,329 and $324,467 for the years ended June 30, 2019 and 2018, respectively.

Note 12 – Notes payable, net

Notes payable, net, 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:

	2019	2018
To private foundations, at annual interest rates of 1.0% to 2.5%, notes mature in calendar years 2020 to 2028.	$ 4,150,000	$ 675,000
To financial institutions, including lines of credit, at annual interest rates of 0% to 5.5%, notes mature in calendar years 2019 to 2029.	212,916,525	219,641,014
To religious organizations, at annual interest rates of 1.5% to 3.0%, notes mature in calendar years 2020 to 2023.	3,500,000	3,500,000
To governmental agencies; at annual interest rates of 0% to 3.9%, notes mature in calendar years 2021 to 2045.	110,269,675	106,552,415
To individuals and other organizations, at annual interest rates of 0% to 3.0%, notes mature in calendar years 2019 to 2024.	23,792,455	9,298,461
	354,628,655	339,666,890
Less unamortized debt issuance costs	(1,062,402)	(1,029,955)
Less current portion of notes payable, net of unamortized debt issuance costs	(90,613,653)	(53,234,159)
	$ 262,952,600	$ 285,402,776
Current portion of unamortized debt issuance costs	$ 97,877	$ 86,341
Long-term portion of unamortized debt issuance costs	964,525	943,614
Total unamortized debt issuance costs	$ 1,062,402	$ 1,029,955

Annual maturities of notes payable are as follows:

Years ending June 30:	
2020	$ 90,613,653
2021	54,807,570
2022	44,422,268
2023	14,688,723
2024	60,110,380
Thereafter	89,986,061
	$ 354,628,655

LIIF has $50,163,001 and $41,381,864 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, 2019 and 2018, respectively. An equal amount of notes receivable is also recorded on LIIF's statement of financial position (see Note 8). Although these loans did not meet the characteristics of participating interest, LIIF does not maintain any economic risk for the loans. All losses on these loans will reduce the recorded liability and will reduce the receivable balance due to the participating lender.

Note 12 – Notes payable, net (continued)

In September 2014 and July 2016, LIIF entered into $65,000,000 and $50,000,000, respectively, of bond loan agreements with CRF QI, LLC, as part of the CDFI Bond Guarantee Program that provides LIIF with up to 29.5-year maturities at capital-efficient rates. Under these agreements, LIIF is required to pledge eligible collateral to the lender equal to 103 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, 2019 and 2018, LIIF has pledged $81,840,785 and $70,307,565, respectively, of notes receivable under this arrangement and has $78,935,749 and $63,408,575, 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, as discussed in Note 8. The MTC obligation is at a 0.0 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 was to be assigned to BATOAH. This note was assigned to BATOAH during the year ended June 30, 2019 and the balance of the note is zero as of June 30, 2019.

In connection with select notes payable, LIIF is required to meet certain financial and nonfinancial covenants. The financial covenants include covenants related to liquidity, and capital adequacy and are reported to lenders as contractually required. As of June 30, 2019 and 2018, LIIF was in compliance with all covenants.

Available credit

Included in notes payable in the table above, LIIF has revolving lines of credit with financial institutions which, in aggregate, permit maximum borrowings that amount to $294,563,577 and $227,907,312 at June 30, 2019 and 2018, respectively, at interest rates that vary with market conditions. At June 30, 2019 and 2018, commitments totaling $116,500,549 and $30,000,000 were available to be drawn on such lines. Lines of credit balances at June 30, 2019 and June 30, 2018 include $30,000,000 with the Federal Home Loan Bank of San Francisco which requires the pledging of eligible assets as collateral in order to draw on the line. All remaining lines of credit are unsecured.

In addition to these lines of credit, LIIF has available credit on term loans of $30,079,967 and $48,039,967 as of June 30, 2019 and 2018, all of which require pledging notes receivable and cash as collateral.

Note 12 – Notes payable, net (continued)

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

	2019	2018
Lines of Credit, excluding Bond Guarantee Program	$ 144,555,698	$ 179,505,435
Bond Guarantee Program	78,935,749	63,408,575
Term Loans	112,826,660	66,971,636
Participation loans not meeting sale criteria, net of allowance	48,480,168	41,381,864
MTC obligation	-	10,000,000
Credit enhancements	-	(231,000)
Subordinated notes payable	(30,169,620)	(21,369,620)
	$ 354,628,655	$ 339,666,890

Note 13 – Subordinated notes payable

Subordinated notes payable include notes payable to financial institutions in the amount of $30,169,620 and $21,369,620 at June 30, 2019 and 2018, respectively, with maturities in 2026 through 2028, with some facilities permitting renewals in perpetuity. The notes bear interest at rates of 0.0 percent to 2.5 percent per annum and interest is payable annually. The notes are unsecured and are 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 at June 30 as follows:

	2019	2018
Funds received from borrowers and funders	$ 5,020,200	$ 5,243,791
Funds received from City of New York	7,102,428	5,028,947
	$ 12,122,628	$ 10,272,738

Note 15 – Interest and investment income

Interest and investment income for the years ended June 30 consists of the following:

	2019	2018
Investment income, net	$ 1,930,648	$ 275,190
Interest income - lending	23,744,265	18,501,508
Loan origination fees, net	1,307,588	1,345,340
	$ 26,982,501	$ 20,122,038

Note 16 – Net assets with donor restrictions

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

	2019	2018
Time restrictions:		
Subsequent years' operations	$ 50,000	$ 575,000
Purpose restrictions:		
Program operations	2,153,337	4,259,851
Time and purpose restrictions:		
Revolving Loan Fund	13,023,484	16,457,015
Education Fund	16,448,164	8,747,321
Healthy Foods Fund	15,233,508	15,287,793
SPARCC	948,710	5,243,949
Healthy Communities Innovation Fund	1,250,000	-
Total time and purpose restrictions	46,903,866	45,736,078
Total donor restricted net assets	$ 49,107,203	$ 50,570,929

LIIF has received a number of capital grants available for use in support of loan funds with donor time and purpose restrictions, including loan capital, loan loss reserves and credit enhancement. LIIF accounts for these funds as net assets with donor restrictions. LIIF releases grants to net assets without donor restrictions as donor restrictions are met through meeting the purpose of the grant or the expiration of time.

Net assets with donor restrictions – (1) Revolving Loan Fund represents capital grants used to fund loans, provide credit enhancements to loans, or to cover loan losses. (2) Education Fund represents grants received from the U.S. Department of Education to be used as credit enhancement for loans supporting charter school facilities. (3) Healthy Foods Fund represents grants received from the CDFI Fund to be used to support fresh food retail outlets in underserved communities. (4) SPARCC represents grants from foundations to support LIIF new infrastructure investments lead to equitable and healthy opportunities for everyone. (5) Healthy Communities Innovation Fund represents a contribution restricted for higher risk, high mission and high social return loans and are time and purpose restricted.

Note 17 – Net assets released from restrictions

Net assets were released from donor restrictions during the years ended June 30 by incurring expenditures satisfying the restricted purposes, or by occurrences of other events specified by donors, as follows:

	2019	2018
Qualified program expenses	$ 4,104,949	$ 4,015,014
Provision for loan losses, commitments and credit enhancements	2,515,167	2,784,828
Capital grants	11,598,612	7,237,213
	$ 18,218,728	$ 14,037,055

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:	
2020	$ 1,626,033
2021	1,588,123
2022	1,336,884
2023	1,324,718
2024	1,276,953
Thereafter	1,090,598
	$ 8,243,309

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 commencing in April 2015. LIIF has agreements to sublease portions of its Los Angeles and San Francisco office through 2023 and 2021, respectively. Future minimum annual lease payments have been reduced by the minimum sublease rental amount of $179,444 due in the future.

Rent expense, net of sublease receipts, for the years ended June 30, 2019 and 2018 was $1,691,982 and $1,659,663, 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, 2019, LIIF had insured balances which totaled $1,153,364 and uninsured balances which totaled $71,842,075.

Note 19 – Other commitments and contingencies (continued)

Cash, cash equivalents and investments, continued

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, 2019, LIIF had deposits and securities with insured balances which totaled $616,992 and uninsured balances which totaled $15,144,590. Another $2,351,721 of investments are not held by a broker and are also uninsured.

Concentrations of credit risk

LIIF does not have significant concentrations with any one customer. Concentrations of notes receivable existed in acquisition, construction/permanent and term loans. At June 30, 2019, approximately 27 percent, 23 percent and 27 percent, respectively, of the notes receivable were acquisition, construction/permanent and term loans. Loans related to education and affordable housing projects represented 33 percent and 44 percent respectively of notes receivable as of June 30, 2019.

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 $0 and $2,187,723 of DOE grant funds with donor restrictions as first dollar loss credit enhancement to certain charter school loans owned wholly or partially by third-party investors as of June 30, 2019 and 2018, respectively. LIIF owns no real estate as of June 30, 2019 and 2018. All loans with an allocation of DOE grant funds are performing as expected.

As part of LIIF's NMTC business, as of June 30, 2019, LIIF has assumed a contingent liability of approximately $136,000,000 if LIIF acted in bad faith and was found guilty of negligence in structuring NMTC transactions or in breach of certain other conditions. Management believes this liability is remote as LIIF is an experienced NMTC allocatee, receives high quality external legal advice when structuring transactions and has regular third-party reviews and annual audits of all NMTC transactions.

Note 19 – Other commitments and contingencies (continued)

Contingencies, continued

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 $15,000,000 as of June 30, 2019. None of the qualified low income investments made as part of these NMTC deals has repaid during the tax credit compliance period and in the unlikely event that one does repay, LIIF is confident that the investment would be redeployed during the allowable redeployment period. Contingent liabilities related to LIIF NMTC transactions are therefore considered remote.

Other

Amounts related to undisbursed closed loans at June 30, 2019 and 2018 totaled $27,445,886 and $33,903,251, respectively. Amounts related to loan approvals and/or loan commitments at June 30, 2019 and 2018 totaled $30,107,533 and $36,785,628, 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 $391,495 and $318,316 to the Plan in 2019 and 2018, respectively. LIIF also maintains a 457(b) 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.

Note 21 – Fair value measurements (continued)

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.

The following table presents information about LIIF's assets measured at fair value on a recurring and nonrecurring basis as of June 30, 2019 and 2018:

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

	2019			
Description	Fair Value	Level 1	Level 2	Level 3
U.S. Treasury notes	$ 1,065,474	$ 1,065,474	$ -	$ -
Corporate bonds	8,139,924	-	8,139,924	-
Asset-backed securities including CMOs	6,439,192	-	6,439,192	-
Equity investments	108,900	-	108,900	-
Other	678,913	-	678,913	-
	$ 16,432,403	$ 1,065,474	$ 15,366,929	$ -

	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 including CMOs	6,511,968	-	6,511,968	-
Equity investments	818,274	-	228,274	590,000
Other	574,942	-	574,942	-
	$ 16,860,342	$ 1,300,500	$ 14,969,842	$ 590,000

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

As of June 30, 2018 the Level 3 equity investment fair value was calculated based on equity interest on a per share noncontrolling, nonmarketable interest basis. This investment was disposed of in June 2019.

Note 21 – Fair value measurements (continued)

Assets recorded at fair value, continued

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.

Changes in Level 3 assets measured at fair value for the year ended June 30, 2019 were as follows:

Fair Value Measurements Using Significant Unobservable Inputs	Equity Investments	Impaired Loans
Beginning balance as of June 30, 2018	$ 590,000	$ 123,492
Deterioration of credit quality	-	9,294,161
Gain (loss) on change in valuation	9,289	-
Less collections of principal	-	(123,492)
Sale of investment	(599,289)	-
Ending balance as of June 30, 2019	$ -	$ 9,294,161

The Level 3 equity investment was exchanged for cash during the year ended June 30, 2019, as described in Note 5 and resulted in a gain on sale of $9,289.

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, 2019 and 2018, respectively. See Note 2, Allowance for loan losses and credit enhancements, for measurement of impaired loans.

	2019			
Description	Fair Value	Level 1	Level 2	Level 3
Impaired loans:				
Education	$ 9,294,161	$ -	$ -	$ 9,294,161
Total assets measured at fair value on a nonrecurring basis	$ 9,294,161	$ -	$ -	$ 9,294,161

	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

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. Grant income was received from donors where a senior level employee is on LIIF's Board.

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. This note was assigned to BATOAH during the year ended June 30, 2019. In addition, LIIF signed a loan agreement to fund up to $8,500,000 to BATOAH as a participant in loans LIIF originates for BATOAH.

In April 2018, BATOAH executed a new funding agreement which simplified and refinanced the existing debt capital structure. Certain existing creditors were paid in full during the year ended June 30, 2019. Under the new capital structure, BATOAH purchased a 25% subordinate participating interest in loans originated by LIIF and the other CDFI members of BATOAH. The existing loans made by BATOAH to third-party borrowers were refinanced under the new structure in the year ended June 30, 2019.

Under these funding agreements, LIIF loaned $765,746 and $527,880 at June 30, 2019 and 2018, 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, 2019 and 2018, LIIF earned management and loan servicing fees from BATOAH totaling $37,409 and $67,871, respectively. Additionally, BATOAH is a variable interest entity under the guidance in ASC 810, Consolidation. As of June 30, 2019, BATOAH's statement of financial position included approximately $7,200,000 in cash and cash equivalents, $3,500,000 in notes receivable and total assets of $10,700,000. In addition, there was $10,000,000 in notes payable while members' equity was approximately $650,000. Total liabilities and members' equity was approximately $10,700,000. 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.

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 $5,836,970 and $5,575,042 as of June 30, 2019 and 2018, respectively. LIIF receives a management fee from GSAF, LLC. For the years ended June 30, 2019 and 2018, LIIF earned a management fee totaling $180,085 and $174,150, respectively. As of June 30, 2019 and 2018, GSAF owed LIIF $7,963 and $1,336,057, respectively.

Note 22 – Related-party transactions (continued)

LIIF is a member in certain Sub-CDE and investment fund LLCs associated with NMTC transactions. LIIF has also participated as a leveraged lender into certain investment fund LLCs. LIIF receives interest income from these loans and receives a management and loan servicing fees from these LLCs. For the years ended June 30, 2019 and 2018, LIIF earned administrative and loan servicing fees totaling $1,728,509 and $1,802,555, respectively.

LIIF entered into a partnership in MATCH LLC, on April 12, 2017. LIIF receives a management fee from MATCH, LLC. For the years ended June 30, 2019 and 2018, LIIF earned management fees totaling $28,234 and $11,899, respectively. As of June 30, 2019 and 2018, MATCH, LLC owed LIIF $14,750 and $0, respectively.

LIIF entered into a partnership in LIIF Housing Preservation Fund, LLC (LHPF) on August 3, 2017. LIIF provides administrative support and loan servicing to LHPF under a loan and security agreement. LIIF receives an origination and servicing fee on loans. For the year ended June 30, 2019 and 2018, LIIF earned loan origination and loan servicing fees from LHPF totaling $246,757 and $155,293, respectively. As of June 30, 2019 and 2018, LHPF owed LIIF $8,332 and $65,118, respectively.

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

	2019	2018
Notes payable	$ 74,120,116	$ 79,731,079
Cash deposits	1,364,477	4,726,635
Notes receivable	81,728,379	67,363,623
Grants receivable	750,000	-
Accounts receivable	278,696	465,823
Investments	342,357	679,977

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

	2019	2018
Interest income	$ 4,146,989	$ 4,149,680
Grant income	2,006,070	163,000
Administrative and support services income	2,025,340	2,059,633
Interest expense	1,926,244	1,854,588
Rent income	10,200	10,200

Note 23 – Subsequent events

In July 2019, LIIF issued $25 million 3.386% Serial Bonds and $75 million of 3.711% Term Bonds Series 2019 (Sustainability Bonds), "the Bonds". The proceeds of the issuance was used to refinance certain fixed and floating rate debt obligations and to pay costs of issuance of the Bonds. Interest on the Bonds is payable January 1 and July 1. The Serial Bonds are to be redeemed July 1, 2026 and the Term Bonds are to be redeemed in equal annual redemption amounts between July 1, 2027 and July 1, 2029.

All events occurring from June 30, 2019 through October 28, 2019, the date the consolidated financial statements were available to be issued, have been reviewed.