IFF

Consolidated Financial Report
December 31, 2011

Contents

McGladrey

Independent Auditor's Report

To the Board of Directors
IFF
Chicago, Illinois

We have audited the accompanying consolidated statements of financial position of IFF as of December 31, 2011 and 2010, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of IFF's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of IFF as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

McGladrey & Pullen, LLP

Chicago, Illinois
April 19, 2012

IFF

Consolidated Statements of Financial Position
December 31, 2011 and 2010

	2011	2010
Assets		
Cash and cash equivalents	**$ 26,412,367**	$ 8,237,663
Interest-bearing deposits in banks	**250,000**	250,000
Department of Education restricted cash and interest-bearing deposits in banks	**18,529,092**	18,667,457
Other restricted cash and interest-bearing deposits in banks	**2,567,698**	1,849,423
Grants receivable, other receivables, prepaids and deposits	**1,886,560**	1,155,216
Loans receivable, net	**160,435,065**	151,690,733
Accrued interest receivable	**701,889**	617,298
NSP property	**5,949,042**	2,619,779
Federal Home Loan Bank stock, at cost	**176,200**	-
Other assets	**11,056**	11,056
Foreclosed assets, net	**2,250,138**	2,165,138
Property and equipment, net	**501,723**	713,466
Capitalized finance costs, net	**317,147**	247,082
	$ 219,987,977	$ 188,224,311
Liabilities and Net Assets		
Liabilities		
Accrued liabilities	**$ 1,271,734**	$ 1,597,160
Accrued interest payable	**840,605**	868,592
Investor Consortium collateral trust notes	**63,358,334**	62,875,301
Borrowings	**84,381,875**	74,757,286
Equity equivalent borrowings	**12,044,000**	3,250,000
Loan participations payable	**1,686,926**	966,454
	163,583,474	144,314,793
Net Assets		
Unrestricted	**18,472,217**	13,958,721
Temporarily restricted	**37,932,286**	29,950,797
	56,404,503	43,909,518
	$ 219,987,977	$ 188,224,311

See Notes to Consolidated Financial Statements.

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Consolidated Statements of Activities
Years Ended December 31, 2011 and 2010

	2011	2010
Unrestricted - Operating		
Support and revenue:		
Corporations, foundations, and individuals	**$ 153,750**	$ 115,000
Interest on loans	**8,931,813**	8,058,087
Consulting contract fees	**1,265,877**	1,094,599
IFFC management/sponsor fee	**106,670**	110,739
Loan fees	**189,090**	91,315
Other interest income	**30,540**	16,768
Rental income	**104,328**	22,772
Provision for foreclosed assets losses	**-**	(208,000)
Net assets released from restrictions	**1,208,328**	1,715,489
Net assets released from restrictions - NSP property	**1,089,187**	563,718
	13,079,583	11,580,487
Expenses:		
Salaries and benefits	**4,635,642**	4,268,760
Professional fees	**592,873**	613,390
Occupancy and office	**584,232**	540,884
Printing and marketing	**55,685**	61,077
Interest	**5,259,601**	4,455,916
Other operating expenses	**353,979**	250,834
Pass through NSP property	**1,089,187**	563,718
Meetings and travel	**205,150**	157,201
Loss on sale of property	**-**	333
Depreciation and amortization	**286,036**	290,401
Income taxes	**3,702**	-
	13,066,087	11,202,514
Increase in unrestricted net assets - operating	**13,496**	377,973
Unrestricted - Capital		
Support and revenue:		
Loan grants	**4,500,000**	750,000
Net assets released from restrictions	**2,022,647**	1,379,337
	6,522,647	2,129,337
Expenses:		
Provision for loan losses	**2,022,647**	1,379,337
Increase in unrestricted net assets - capital	**4,500,000**	750,000
Increase in unrestricted net assets	**4,513,496**	1,127,973

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Consolidated Statements of Activities (Continued)
Years Ended December 31, 2011 and 2010

	2011	2010
Temporarily Restricted		
Program and operating grants	**$ 7,370,140**	$ 3,794,933
Loan capital grants	**4,906,000**	75,000
Other interest income	**25,511**	23,530
Net assets released from restrictions - operating	**(1,208,328)**	(1,715,489)
Net assets released from restrictions - NSP property	**(1,089,187)**	(563,718)
Net assets released from restrictions - capital (provision for loan losses)	**(2,022,647)**	(1,379,337)
Increase in temporarily restricted net assets	**7,981,489**	234,919
Increase in net assets	**12,494,985**	1,362,892
Net assets:		
Beginning of year	**43,909,518**	42,546,626
End of year	**$ 56,404,503**	$ 43,909,518

See Notes to Consolidated Financial Statements.

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Consolidated Statement of Cash Flows
Years Ended December 31, 2011 and 2010

	2011	2010
Cash Flows from Operating Activities		
Increase in net assets	**$ 12,494,985**	$ 1,362,892
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	**243,396**	243,649
Amortization expense for capitalized finance costs	**42,640**	46,752
Provision for foreclosed asset losses	**-**	208,000
Provision for loan losses	**2,022,647**	1,379,337
Pass through NSP property	**1,089,187**	563,718
Changes in assets and liabilities:		
Grants receivable, other receivables, prepaids and deposits	**(731,344)**	248,765
Accrued interest receivable	**(84,591)**	(37,241)
Accrued liabilities	**(325,426)**	(329,937)
Accrued interest payable	**(27,987)**	(85,638)
Net cash provided by operating activities	**14,723,507**	3,600,297
Cash Flows from Investing Activities		
Net change in Department of Education restricted cash and interest-bearing deposits in banks	**138,365**	117,959
Net change in other restricted cash and interest-bearing deposits in banks	**(718,275)**	(775,295)
Purchases of Federal Home Loan Bank Stock	**(176,200)**	-
Loan disbursements	**(43,294,056)**	(44,141,817)
Loan principal payments received	**32,442,077**	19,873,043
Purchases of equipment	**(31,653)**	(26,100)
Purchase of NSP property	**(4,418,450)**	(3,183,497)
Net cash used in investing activities	**(16,058,192)**	(28,135,707)
Cash Flows from Financing Activities		
Proceeds from borrowings and equity equivalent borrowings	**36,148,439**	40,419,000
Repayment of borrowings and equity equivalent borrowings	**(17,009,378)**	(17,087,383)
Proceeds from Investor Consortium collateral trust notes	**10,286,480**	5,723,875
Repayment of Investor Consortium collateral trust notes	**(9,803,447)**	(7,664,229)
Finance costs paid	**(112,705)**	(89,590)
Net cash provided by financing activities	**19,509,389**	21,301,673
Increase (decrease) in cash and cash equivalents	**18,174,704**	(3,233,737)
Cash and cash equivalents:		
Beginning of year	**8,237,663**	11,471,400
End of year	**$ 26,412,367**	$ 8,237,663
Supplemental Disclosure of Cash Flow Information		
Interest paid on borrowings	**$ 5,287,589**	$ 4,542,627
Supplemental Schedule of Noncash Investing Activities		
Real estate acquired in settlement of loans	**$ 85,000**	$ 1,267,138

See Notes to Consolidated Financial Statements.

Note 1. Nature of Activities and Significant Accounting Policies

IFF, an Illinois nonprofit corporation, is one of the largest community development financial institutions (CDFI) exclusively serving nonprofit corporations currently in Illinois, Indiana, Iowa, Missouri and Wisconsin. IFF makes below-market rate loans to nonprofit human service and community development agencies for the acquisition, construction, remodeling, and renovation of facilities. IFF is also engaged in real estate development for nonprofit corporations and provides development planning, financial, and technical assistance. In addition, IFF undertakes research and public policy activities on behalf of the nonprofit corporations in its target market. Activities are primarily conducted from IFF's headquarters in Chicago, Illinois with additional offices in Springfield (Illinois), St. Louis (Missouri), and Milwaukee (Wisconsin). IFF closed the Springfield office in February 2011.

IFF conducts its activities in conjunction with its affiliated entities, Home First Illinois, LLC, IFF NMTC Senior Lender, LLC, IFF Real Estate Services, LLC and IFF Housing, LLC, of which IFF is the sole corporate member. Home First Illinois, LLC and IFF NMTC Senior Lender, LLC are new entities created in 2011. IFF and these affiliated entities included herein are referred to individually and collectively as "IFF."

Significant accounting policies are described below.

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

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

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

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

Principles of consolidation: Not-for-profit accounting guidance on reporting of related entities requires not-for-profit organizations with a controlling financial interest in other organizations to consolidate those other organizations. Accordingly, the consolidated financial statements include the accounts of Home First Illinois, LLC, IFF NMTC Senior Lender, LLC, IFF Real Estate Services, LLC and IFF Housing, LLC. All intercompany balances and transactions have been eliminated in consolidation.

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

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

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

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

Interest-bearing deposits in banks: Interest-bearing deposits in banks mature within thirteen months and are carried at cost.

Department of Education restricted cash and interest-bearing deposits in banks: Restricted cash and interest-bearing deposits in banks related to Department of Education Grant for Credit Enhancement are restricted for use in a certain program and are, therefore, included in temporarily restricted net assets. Restricted interest-bearing deposits in banks mature within three years and are carried at cost.

Other restricted cash and interest-bearing deposits in banks: Restricted cash and interest-bearing deposits in banks relates to Investor Consortium collateral trust notes, which are restricted for use as loss reserve in accordance with the Investor Consortium loan sales (see Note 9). Restricted cash also relates to the Chicago Metropolitan Agency for Planning (CMAP) Energy Efficiency program with IFF, which is restricted for loan loss reserves on qualified energy efficient loans made by IFF. Restricted cash for this program as of December 31, 2011 and 2010 was $1,000,000 and $0, respectively. Restricted interest-bearing deposits in banks mature within three years and are carried at cost.

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

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

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

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

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

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

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

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

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

Troubled debt restructurings: A loan is classified as a troubled debt restructuring when a borrower is experiencing financial difficulties that leads to a restructuring of the loan, and the IFF grants concessions to the borrower in the restructuring that it would not otherwise consider. These concessions may include rate reductions, principal forgiveness, extension of maturity date and other actions intended to minimize potential losses. A loan that is modified at a market rate of interest may no longer be classified as a troubled debt restructuring in the calendar year subsequent to the restructuring if it is in compliance with the modified terms. Performance prior to the restructuring is considered when assessing whether the borrower can meet the new terms and may result in the loan being returned to accrual at the time of the restructuring or after a shorter performance period.

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

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

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

Federal Home Loan Bank and Federal Reserve Bank Stock: IFF, as a member of the Federal Home Loan Bank of Chicago (the "FHLB"), is required to maintain an investment in capital stock of the FHLB. Federal Home Loan Bank stock does not have a readily determinable fair value as ownership is restricted and there is no ready market for this stock. As a result, these stocks are carried at cost and evaluated periodically by management for impairment. Although the FHLB was placed under a Cease and Desist Order and suspended dividends in 2007, the FHLB continued issuing new capital stock at par value since the Cease and Desist Order, reported earnings in 2011, reported its compliance with regulatory capital requirements and paid dividends in 2011. Management reviews for impairment based on the ultimate recoverability of the cost basis in the FHLB stock.

Other assets: Capital contributions paid in exchange for managing member interests in certain limited liability companies are included in other assets on the statement of financial position, and are recorded at fair value, which approximates original cost.

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

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

Capitalized finance costs: Capitalized finance costs consist of loan fees and related costs from IFF borrowings which are amortized using the straight-line method over 2 to 22 years, depending on the term of the related loan. Costs are reported net of accumulated amortization of $167,387 and $124,747 at December 31, 2011 and 2010, respectively.

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

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

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

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

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

Advertising: IFF expenses advertising costs as they are incurred. Advertising expenses, included in printing and marketing, were $27,702 and $12,149 for 2011 and 2010, respectively.

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

In accordance with the accounting standard on *Accounting for Uncertainty in Income Taxes*, IFF addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, IFF may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of IFF and various positions related to the potential sources of unrelated business taxable income. There were no unrecognized unrelated business tax benefits identified or recorded as liabilities during 2011 or 2010. IFF is generally no longer subject to examination by the Internal Revenue Service for years before 2008.

IFF files forms 990 in the U.S. federal jurisdiction and the state of Illinois. Home First Illinois, LLC, IFF Real Estate Services, LLC and IFF Housing, LLC are disregarded as separate entities for income tax purposes and are, therefore, included within IFF’s forms 990.

IFF NMTC Senior Lender is taxed as a C-corporation and files forms 1120 in the U.S. federal jurisdiction and the state of Missouri.

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

Reclassifications: Certain items in the 2010 financial statements have been reclassified to conform to the 2011 presentation. These reclassifications had no impact on the changes in net assets as previously reported.

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

New accounting pronouncements: In April 2011, the FASB issued Accounting Standards Update (ASU) 2011-2, *A Creditor's Determination of Whether a Restructuring Is a Troubled Debt Restructuring*. ASU 2011-2 amends ASC Topic 310, *Receivables*, by clarifying guidance for creditors in determining whether a concession has been granted and whether a debtor is experiencing financial difficulties. ASU 2011-2 is effective for 2012. IFF elected to adopt this guidance early as of and for the year ended December 31, 2011 and it did not have a material impact on the IFF's consolidated financial statements.

Subsequent events: IFF has evaluated subsequent events for potential recognition and/or disclosure through April 19, 2012, the date these consolidated financial statements were available for issuance.

Note 2. Department of Education Restricted Cash and Interest-Bearing Deposits in Banks

In 2005, IFF was awarded an $8,000,000 grant by the United States Department of Education (DOE) to enable IFF to facilitate long-term financing for charter schools. It also received a similar $10,000,000 grant in 2007. Grant funds are restricted for the purpose of providing credit enhancement support to bond or loan financing obligations of qualified charter schools. Performance agreements govern the use of the grants, set goals and objectives for the project, and permit IFF to recover certain personnel and administrative costs. Grant proceeds are maintained in DOE-permitted bank accounts. Interest earned on the grant proceeds are to be reinvested for future credit support. Interest earned was $25,511 and $23,530 in 2011 and 2010, respectively. The grant funds including interest thereon, as well as pledged amounts, are included in temporarily restricted net assets.

Funds pledged by IFF for credit enhancement are available to cure charter school payment defaults and delinquencies (if any), reducing the credit risk to the bond investor of any individual project. Pledged and unpledged amounts under the grants, the cash for which is maintained in separate accounts, were as follows at December 31, 2011 and 2010:

	2011	2010
Pledged - $8 million DOE grant	$ 8,213,237	$ 8,041,135
Pledged - $10 million DOE grant	4,011,700	3,102,735
Total pledged	12,224,937	11,143,870
Unpledged - $8 million DOE grant	303,720	531,242
Unpledged - $10 million DOE grant	6,000,435	6,992,345
Total unpledged	6,304,155	7,523,587
Total within restricted cash and interest-bearing deposits in banks	$ 18,529,092	$ 18,667,457

Recourse to IFF with regard to any bonds or loan financing issued is limited to the grant funds pledged in support of individual or pooled bond issues or loan financing (bonds or the loan financing are not an obligation of IFF). As of December 31, 2011, there have not been any payment defaults or delinquencies requiring utilization of the pledged funds.

Recoverable expenses for these grant projects in 2011 and 2010 were $163,875 and $141,489, respectively.

Note 3. Fair Value of Financial Instruments

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

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

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

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

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

For the year ended December 31, 2011, the application of valuation techniques applied to similar assets and liabilities has been consistent with techniques used in previous years. The following is a description of the valuation methodologies used for instruments at fair value:

Assets and liabilities recorded at fair value on a recurring basis: The following tables summarize assets and liabilities measured at fair value on a recurring basis as of December 31, 2011 and 2010, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value.

	Fair Value Measurements at December 31, 2011 and 2010			
	Totals	Level 1	Level 2	Level 3
Investment in limited liability companies	$ 10,024	$ -	$ -	$ 10,024

Investments in limited liability companies: Estimated fair value of investments in limited liability companies was initially based on the capital contributions made upon formation of the companies. Adjustments to recorded amounts would be made for any increases in IFF's member interests or significant increases to the companies' fair values. There was no change in the balance of investment in limited liability companies (Level 3) during 2011 and 2010. This investment is included within other assets on the consolidated statements of financial position.

Note 3. Fair Value of Financial Instruments (Continued)

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

	Fair Value Measurements at December 31, 2011			
	Totals	Level 1	Level 2	Level 3
Assets				
Impaired loans	$ 1,701,695	$ -	$ -	$ 1,701,695
Foreclosed assets	2,250,138	-	-	2,250,138
	$ 3,951,833	$ -	$ -	$ 3,951,833

	Fair Value Measurements at December 31, 2010			
	Totals	Level 1	Level 2	Level 3
Assets				
Impaired loans	$ 1,835,380	$ -	$ -	$ 1,835,380
Foreclosed assets	2,165,138	-	-	2,165,138
	$ 4,000,518	$ -	$ -	$ 4,000,518

Impaired loans: Impaired loans are evaluated and valued at the time the loan is identified as impaired, at the lower of cost or fair value. Impaired loans measured at fair value at December 31, 2011 and 2010 on the consolidated statement of financial position and included above represent those impaired loans where fair value was measured to be lower than the cost of the loan which represents impaired loans for which an allowance has been provided less the related allowance for loan losses or impaired loans that have been charged down to fair value. Fair value is measured based on the value of the collateral securing these loans or management’s discounted cash flow analysis and is classified at a Level 3 in the fair value hierarchy.

Collateral may be real estate and/or business assets including equipment, inventory and/or accounts receivable and is determined based on appraisals by qualified licensed appraisers hired by IFF. Appraised and reported values may be discounted based on management’s historical knowledge, changes in market conditions from the time of valuation, and/or management’s expertise and knowledge of the client and client’s business.

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

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

The total grants receivable, other receivables, prepaids and deposits at December 31, 2011 and 2010 consisted of the following:

	2011	2010
Grants receivable	$ 1,121,959	$ 569,536
Contract and other receivables	643,532	469,549
Prepaids and deposits	121,069	116,131
	$ 1,886,560	$ 1,155,216

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

	2011	2010
Amounts receivable / realizable in less than one year	$ 1,427,551	$ 976,208
Amounts receivable / realizable in one to five years	417,366	179,008
Amounts receivable / realizable in over five years	41,643	-
	$ 1,886,560	$ 1,155,216

Note 5. Loans Receivable

Loans receivable at December 31, 2011 and 2010, were comprised of the following:

	2011	2010
Facility	$ 125,144,043	$ 124,944,832
Affordable housing	25,751,984	20,389,314
Equipment and vehicle	4,751,904	5,223,145
Pre-development	2,879,766	1,427,197
Other	7,703,162	4,187,864
	166,230,859	156,172,352
Allowance for loan losses	(5,795,794)	(4,481,619)
Loans receivable, net	$ 160,435,065	$ 151,690,733

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

Note 5. Loans Receivable (Continued)

Facility related loan credit is extended to borrowers for facility acquisition, construction, renovation/rehabilitation, leased improvements and refinancing to expand programming. This also can be for facility improvement for major maintenance and repairs. Approximately 60 percent of outstanding facility loans are collateralized with mortgages in a first position lien and 22 percent are collateralized by mortgages with second position liens. The remaining 18 percent are collateralized by leasehold mortgages and other liens.

Affordable housing loan credit is extended for the acquisition, construction, renovation/rehabilitation for single family or multi-family homes. Approximately 85 percent of outstanding affordable housing loans are collateralized with mortgages in a first position lien and 10 percent are collateralized by mortgages with second position liens. The remaining 5 percent are collateralized by leasehold mortgages and other liens.

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

Pre-development credit is provided to affordable housing developers to finance up-front project requirements such as site control, architectural, legal, and financing costs. Approximately 52 percent of outstanding pre-development loans are collateralized with mortgages in a first position lien and 34 percent are collateralized by mortgages with second position liens. The remaining 14 percent are collateralized by leasehold mortgages and other liens.

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

The following table presents the contractual aging of the recorded investment in past due loans by loan segment as of December 31, 2011 and 2010:

	Current	31 - 60 Days Past Due	61 - 90 Days Past Due	90+ Days Past Due	Total	Nonaccruing Loans
December 31, 2011						
Facility	$ 116,089,571	$ 4,203,456	$ -	$ 4,851,016	$ 125,144,043	$ 8,107,954
Affordable housing	23,967,299	86,382	-	1,698,303	25,751,984	1,698,303
Equipment and vehicle	4,681,647	-	-	70,257	4,751,904	70,257
Pre-development	2,586,533	-	-	293,233	2,879,766	293,233
Other	7,703,162	-	-	-	7,703,162	-
	$ 155,028,212	$ 4,289,838	$ -	$ 6,912,809	$ 166,230,859	$ 10,169,747
Nonaccruing loans	$ 2,469,297	$ 787,641	$ -	$ 6,912,809	$ 10,169,747	

Note 5. Loans Receivable (Continued)

	Current	31 - 60 Days Past Due	61 - 90 Days Past Due	90+ Days Past Due	Total	Nonaccruing Loans
December 31, 2010						
Facility	$ 120,459,379	$ 1,582,388	$ -	$ 2,903,065	$ 124,944,832	$ 5,179,328
Affordable housing	19,360,180	404,248	-	624,886	20,389,314	717,984
Equipment and vehicle	4,938,145	285,000	-	-	5,223,145	40,680
Pre-development	1,135,788	-	-	291,409	1,427,197	291,409
Other	3,495,763	-	-	692,101	4,187,864	692,101
	$ 149,389,255	$ 2,271,636	$ -	$ 4,511,461	$ 156,172,352	$ 6,921,502
Nonaccruing loans	$ 1,902,713	$ 507,328	$ -	$ 4,511,461	$ 6,921,502	

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

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

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

The following tables present the risk category of loan segment based on the most recent analysis performed and the contractual aging as of December 31, 2011 and 2010:

	General Portfolio	Watch List (4+)	Substandard (1) (4-)	Doubtful (2) (5)	Total
December 31, 2011					
Facility	$ 114,200,466	$ 4,615,105	$ 3,501,532	$ 2,826,940	$ 125,144,043
Affordable housing	23,619,528	969,285	86,382	1,076,789	25,751,984
Equipment and vehicle	4,243,337	438,310	31,634	38,623	4,751,904
Pre-development	2,586,533	-	-	293,233	2,879,766
Other	7,702,142	-	1,020	-	7,703,162
	$ 152,352,006	$ 6,022,700	$ 3,620,568	$ 4,235,585	$ 166,230,859
Current	$ 147,309,387	$ 4,607,222	$ 1,790,053	$ 1,321,550	$ 155,028,212
Past Due 31-60 Days	3,415,815	89,409	86,382	698,232	4,289,838
Past Due 61-90 Days	-	-	-	-	-
Past Due 90 + Days	1,626,804	1,326,069	1,744,133	2,215,803	6,912,809
	$ 152,352,006	$ 6,022,700	$ 3,620,568	$ 4,235,585	$ 166,230,859

Note 5. Loans Receivable (Continued)

	General Portfolio	Watch List (4+)	Substandard [1] (4-)	Doubtful [2] (5)	Total
December 31, 2010					
Facility	$ 114,537,483	$ 5,747,243	$ 3,319,124	$ 1,340,982	$ 124,944,832
Affordable housing	18,755,397	810,933	198,098	624,886	20,389,314
Equipment and vehicle	3,866,514	1,315,951	40,680	-	5,223,145
Pre-development	1,135,788	-	-	291,409	1,427,197
Other	3,380,400	-	705,168	102,296	4,187,864
	$ 141,675,582	$ 7,874,127	$ 4,263,070	$ 2,359,573	$ 156,172,352
Current	$ 140,901,521	$ 6,986,342	$ 1,195,968	$ 305,424	$ 149,389,255
Past Due 31-60 Days	774,061	887,785	507,328	102,462	2,271,636
Past Due 61-90 Days	-	-	-	-	-
Past Due 90 + Days	-	-	2,559,774	1,951,687	4,511,461
	$ 141,675,582	$ 7,874,127	$ 4,263,070	$ 2,359,573	$ 156,172,352

(1) Substandard – for those lines of credit involving more than normal risk due to the financial condition or unfavorable record of the obligor, insufficiency of security, or other factors noted.
(2) Doubtful – the ultimate collection of which is doubtful and in which a substantial loss is probable but not yet definitely ascertainable in amount.

Activity in the allowance for loan losses for the years ended December 31, 2011 and 2010 was as follows:

	Facility	Affordable Housing	Equipment & Vehicle	Pre-Development	Other	Total
December 31, 2011						
Beginning balance	$ 3,430,358	$ 466,673	$ 132,716	$ 245,769	$ 206,103	$ 4,481,619
Provision for loan losses	1,651,573	364,996	52,642	54,767	(101,331)	2,022,647
Charge-offs	(691,843)	-	-	-	(76,855)	(768,698)
Recoveries	60,226	-	-	-	-	60,226
Ending balance	$ 4,450,314	$ 831,669	$ 185,358	$ 300,536	$ 27,917	$ 5,795,794
Allowance for loan losses:						
Allocated	$ 1,214,930	$ 124,797	$ 38,623	$ 218,233	$ -	$ 1,596,583
General	3,235,384	706,872	146,735	82,303	27,917	4,199,211
	$ 4,450,314	$ 831,669	$ 185,358	$ 300,536	$ 27,917	$ 5,795,794
Loans:						
Impaired loans	$ 3,620,085	$ 1,076,789	$ 38,623	$ 293,233	$ -	$ 5,028,730
Non-impaired loans	121,523,958	24,675,195	4,713,281	2,586,533	7,703,162	161,202,129
	$ 125,144,043	$ 25,751,984	$ 4,751,904	$ 2,879,766	$ 7,703,162	$ 166,230,859

Note 5. Loans Receivable (Continued)

	Facility	Affordable Housing	Equipment & Vehicle	Pre-Development	Other	Total
December 31, 2010						
Beginning balance	$ 3,416,951	$ 358,390	$ 116,430	$ 130,996	$ 43,043	$ 4,065,810
Provision for loan losses	944,932	108,283	16,286	114,773	195,063	1,379,337
Charge-offs	(931,525)	-	-	-	(32,003)	(963,528)
Recoveries	-	-	-	-	-	-
Ending balance	$ 3,430,358	$ 466,673	$ 132,716	$ 245,769	$ 206,103	$ 4,481,619
Allowance for loan losses:						
Allocated	$ 580,407	$ -	$ -	$ 216,409	$ 102,295	$ 899,111
General	2,849,951	466,673	132,716	29,360	103,808	3,582,508
	$ 3,430,358	$ 466,673	$ 132,716	$ 245,769	$ 206,103	$ 4,481,619
Loans:						
Impaired loans	$ 2,826,228	$ 624,886	$ -	$ 291,409	$ 102,296	$ 3,844,819
Non-impaired loans	122,118,604	19,764,428	5,223,145	1,135,788	4,085,568	152,327,533
	$ 124,944,832	$ 20,389,314	$ 5,223,145	$ 1,427,197	$ 4,187,864	$ 156,172,352

Note 5. Loans Receivable (Continued)

Impaired loan information as of December 31, 2011 and 2010, is as follows:

	Unpaid Principal Balance	Recorded Investment	Partial Charge-Offs	Allowance for Loan & Lease Losses Allocated	Average Recorded Investment	Interest Income Recognized	Cash Basis Interest Income Recognized
December 31, 2011							
With no related allowance recorded:							
Facility	$ 1,578,211	$ 1,497,247	$ 80,964	$ -	$ 1,291,730	$ 28,753	$ 28,753
Affordable housing	826,993	826,993	-	-	649,571	15,483	15,483
Equipment & vehicle	-	-	-	-	-	-	-
Pre-development	-	-	-	-	-	-	-
Other	-	-	-	-	40,454	-	-
	2,405,204	2,324,240	80,964	-	1,981,755	44,236	44,236
With an allowance recorded:							
Facility	2,122,838	2,122,838	-	1,214,930	1,506,028	58,760	58,760
Affordable housing	249,796	249,796	-	124,797	205,964	370	370
Equipment & vehicle	38,623	38,623	-	38,623	19,311	925	925
Pre-development	293,233	293,233	-	218,233	293,233	-	-
Other	-	-	-	-	-	-	-
	2,704,490	2,704,490	-	1,596,583	2,024,536	60,055	60,055
	$ 5,109,694	$ 5,028,730	$ 80,964	$ 1,596,583	$ 4,006,291	$ 104,291	$ 104,291
December 31, 2010							
With no related allowance recorded:							
Facility	$ 485,442	$ 485,442	$ -	$ -	$ 1,422,669	$ -	$ -
Affordable housing	624,886	624,886	-	-	519,579	26,918	26,918
Equipment & vehicle	-	-	-	-	28,025	-	-
Pre-development	-	-	-	-	-	-	-
Other	-	-	-	-	60,502	-	-
	1,110,328	1,110,328	-	-	2,030,775	26,918	26,918
With an allowance recorded:							
Facility	2,340,786	2,340,786	-	580,407	1,237,440	87,803	87,803
Affordable housing	-	-	-	-	-	-	-
Equipment & vehicle	-	-	-	-	-	-	-
Pre-development	291,409	291,409	-	216,409	285,551	-	-
Other	102,296	102,296	-	102,295	8,525	5,269	5,269
	2,734,491	2,734,491	-	899,111	1,531,516	93,072	93,072
	$ 3,844,819	$ 3,844,819	$ -	$ 899,111	$ 3,562,291	$ 119,990	$ 119,990

Note 5. Loans Receivable (Continued)

There were no loans modified during the year ended December 31, 2011 that were identified as troubled debt restructurings. During the year ended December 31, 2010, two facility loans were modified and identified as troubled debt restructurings. The pre and post modification balance of the loans was $1,487,365 at the time of modification. There were no charge-offs or specific reserves recorded during the year ended December 31, 2010 as a result of these modifications, however $80,964 was charged-off during the year ended December 31, 2011.

At December 31, 2011 and 2010, there was $1,386,933 and $1,485,245 of loans identified as troubled debt restructurings.

Loans carried at $64,460,730 and $65,099,084 were pledged to secure borrowings as of December 31, 2011 and 2010, respectively.

Scheduled loan receipts for the year ended December 31, 2012 are expected to be approximately $10,942,578.

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

IFF's undisbursed loan commitments as of December 31, 2011 and 2010 were $25,498,068 and $20,828,054, respectively.

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

Note 6. Neighborhood Stabilization Program (NSP)

In 2011, IFF was awarded a $3,471,781 grant by the City of Chicago and Mercy Housing and in 2010, IFF was awarded a $5,133,000 grant by the Illinois Housing Development Authority (IHDA) and a $7,138,400 grant by Cook County, Illinois to enable IFF to purchase, rehabilitate, demolish and/or redevelop various foreclosed, abandoned and vacant properties under the Neighborhood Stabilization Program (NSP). Performance or Developer Agreements restrict the use of the funds, set objectives and requirements for the projects, and provides IFF with funds for its indirect costs, referred to as the fee portion of the grant. When improvements are complete, IFF transfers the property to the end-user, a nonprofit organization which IFF identified prior to the time of purchase.

IFF purchased and made improvements to 18 properties during 2010, with costs accumulating $3,183,497. In 2011, IFF purchased 3 additional properties and incurred additional costs of $4,418,450 on the 19 properties it held in 2011. As of December 31, 2011 and 2010, IFF recorded temporarily restricted grants revenue of $4,940,010 and $3,698,932, including fees granted of $521,560 and $515,435, respectively. At December 31, 2011, IFF had construction commitments of approximately $3,000,000 related to NSP properties.

Note 6. Neighborhood Stabilization Program (NSP) (Continued)

Four properties with an aggregate value of $1,089,187 and two properties with an aggregate value of $563,718 were transferred to the end-users during 2011 and 2010, respectively. This reduced the basis of the asset, and resulted in an expense in the statement of activities. An amount equivalent to the property transfer is also separately reflected as net assets released from restrictions (NSP property). Net assets released from restrictions include an amount equivalent to the fees granted.

The consolidated statement of financial position reflects the remaining aggregate costs of the NSP property of $5,949,042 and $2,619,779 at December 31, 2011 and 2010, respectively.

Note 7. Property and Equipment

Property and equipment at December 31, 2011 and 2010 were comprised as follows:

	2011	2010
Furniture, equipment, and software	$ 2,228,261	$ 2,196,608
Leasehold improvements	323,804	323,804
	2,552,065	2,520,412
Less accumulated depreciation and amortization	(2,050,342)	(1,806,946)
	$ 501,723	$ 713,466

Depreciation and amortization expense for 2011 and 2010 were $243,396 and $243,649, respectively.

Note 8. Borrowings

Borrowings indicated with an * are secured by loans and/or other assets of IFF. All other borrowings are unsecured. Borrowings indicated with an ** are Equity Equivalent Investments and are subordinated to IFF's other borrowings. The interest rate as of December 31, 2011 is provided for borrowings where the Annual Rate is indicated as Variable. IFF borrowings consisted of the following:

		Scheduled Repayments				Principal	Principal
		Principal		Interest		Balance at	Balance at
Lender	Maturity Date	Amount	Due	Annual Rate	Due	December 31, 2011	December 31, 2010
*Allstate Insurance Company	01/01/2015	Amortized over ten years	Quarterly starting 01/01/2005	3.0%	Quarterly	$ 1,200,000	$ 1,600,000
*Allstate Bank	01/01/2015	Amortized over ten years	Quarterly starting 01/01/2005	3.0%	Quarterly	300,000	400,000
Bank of America	11/07/2018	$ 2,500,000 2,500,000 3,000,000	11/07/16 11/07/17 11/07/18	3.75%	Quarterly	8,000,000	8,000,000
The Blowitz-Ridgeway Foundation	06/30/2011	5,000	Quarterly	2.75%	Quarterly	-	10,000
The Blowitz-Ridgeway Foundation	06/30/2012	5,000	Quarterly	2.75%	Quarterly	110,000	130,000
The Blowitz-Ridgeway Foundation	06/30/2013	5,000	Quarterly	2.75%	Quarterly	130,000	150,000
The Blowitz-Ridgeway Foundation	10/01/2015	5,000	Quarterly	2.75%	Quarterly	75,000	95,000
The Blowitz-Ridgeway Foundation	07/01/2016	5,000	Quarterly	2.75%	Quarterly	90,000	-
Calvert Social Investment Foundation	11/30/2013	Balance	Maturity	4.0%	Semi-annually	2,000,000	2,000,000
Calvert Social Investment Foundation	11/30/2013	Balance	Maturity	4.5%	Semi-annually	1,000,000	1,000,000
		Total carried forward				12,905,000	13,385,000

Note 8. Borrowings (Continued)

Lender	Maturity Date	Scheduled Repayments – Principal – Amount	Scheduled Repayments – Principal – Due	Scheduled Repayments – Interest – Annual Rate	Scheduled Repayments – Interest – Due	Principal Balance at December 31, 2011	Principal Balance at December 31, 2010
		Total brought forward				$ 12,905,000	$ 13,385,000
Catholic Health Initiatives	04/01/2014	$ 100,000	Annually starting 04/01/10	3.0%	Annual	800,000	900,000
Central Bank of Kansas City CDE VIII, LLC	11/30/2033	Per schedule	Annually starting 12/1/18	5.10937%	Annually	7,767,096	-
Chase New Markets Corporation	04/28/2018	Balance	Maturity	4.0%	Monthly	9,500,000	6,940,000
Circle of Service Foundation	09/30/2020	Amortized over fifteen years	Quarterly	3.0%	Quarterly	796,414	874,871
Circle of Service Foundation	03/31/2021	Amortized over fifteen years	Quarterly	3.0%	Quarterly	835,660	912,928
Communities at Work Fund, L.P.	09/09/2015	Balance	Maturity	4.3%	Monthly	20,000,000	20,000,000
Community Memorial Foundation	01/01/2011	Balance	Maturity	2.0%	Semi-annually	-	500,000
Federal Home Loan Bank	12/14/2012	Per schedule	Quarterly starting 01/15/08	None	N/A	166,808	176,625
Federal Home Loan Bank	10/01/2013	Per schedule	Quarterly starting 01/15/09	None	N/A	241,216	254,650
Federal Home Loan Bank	11/06/2014	Per schedule	Quarterly starting 01/15/10	None	N/A	194,405	253,004
Federal Home Loan Bank	11/06/2014	Per schedule	Quarterly starting 01/15/10	None	N/A	49,970	68,235
		Total carried forward				53,256,569	44,265,313

Note 8. Borrowings (Continued)

Lender	Maturity Date	Scheduled Repayments – Principal – Amount	Scheduled Repayments – Principal – Due	Scheduled Repayments – Interest – Annual Rate	Scheduled Repayments – Interest – Due	Principal Balance at December 31, 2011	Principal Balance at December 31, 2010
		Total brought forward				$ 53,256,569	$ 44,265,313
First United Bank	12/15/2013	Balance	Maturity	3.0%	Quarterly	100,000	100,000
Harris Trust and Savings Bank	10/01/2019	$ 31,250	Quarterly starting 01/01/10	3.25%	Quarterly	1,000,000	1,125,000
Helen Bader Foundation	09/30/2015	6,250	Quarterly starting 09/01/09	None	N/A	87,500	112,500
Illinois Finance Authority	11/01/2012	Balance	Maturity	None	N/A	1,000,000	1,000,000
The Kresge Foundation	09/01/2013	Balance	Maturity	3.0%	Quarterly	2,500,000	2,500,000
MacArthur Foundation	01/01/2015	250,000	Annually starting 01/01/13	3.0%	Quarterly	750,000	750,000
MacArthur Foundation	01/01/2015	330,000 330,000 340,000	01/01/13 01/01/14 01/01/15	3.0%	Quarterly	1,000,000	1,000,000
MacArthur Foundation	01/01/2015	330,000 330,000 340,000	01/01/13 01/01/14 01/01/15	3.0%	Quarterly	1,000,000	1,000,000
Marquette Bank	06/01/2011	Balance	Maturity	3.0%	Quarterly	-	200,000
Monarch Community Fund	09/30/2012	Balance	Maturity	4.0%	Semi-annually	500,000	500,000
The Northern Trust Company	01/03/2016	Balance	Maturity	2.0%	Quarterly	2,500,000	2,500,000
The Northern Trust Company	01/02/2017	Balance	Maturity	3.0%	Semi-annually	2,000,000	2,000,000
*The Northern Trust Company	03/01/2014	$ 175,000	Semi-annually	3.0%	Semi-annually	612,806	962,806
		Total carried forward				66,306,875	58,015,619

Note 8. Borrowings (Continued)

Lender	Maturity Date	Scheduled Repayments: Principal Amount	Principal Due	Interest Annual Rate	Interest Due	Principal Balance at December 31, 2011	Principal Balance at December 31, 2010
		Total brought forward				$ 66,306,875	$ 58,015,619
Opportunity Finance Network	03/29/2019	Balance	Maturity	3.0%	Quarterly	5,000,000	5,000,000
PNC Bank	11/03/2021	Balance	Maturity	2.775%	Quarterly	4,000,000	-
State Farm Bank	04/20/2014	333,333	Annually starting 04/20/10	4.5%	Semi-annually	-	4,666,667
Trinity Health	06/30/2014	Balance	Quarterly	3.0%	Quarterly	500,000	500,000
Trinity Health	06/30/2015	Balance	Quarterly	3.0%	Quarterly	500,000	500,000
Walton Family Foundation	12/17/2019	1,000,000 2,000,000 2,000,000	12/17/17 12/17/18 12/17/19	None	N/A	5,000,000	5,000,000
Walton Family Foundation	11/30/2021	1,000,000 2,000,000	11/30/20 11/30/21	None	N/A	3,000,000	1,000,000
Wisconsin Preservation Fund	10/01/2024	Balance	Maturity	None	N/A	75,000	75,000
Total borrowings:						$ 84,381,875	$ 74,757,286
**Cathay Bank	10/14/2016	Balance	Maturity	3.25%	Quarterly	$ 500,000	$ -
**Harris Trust and Savings Bank	12/15/2019	Balance	Maturity	3.25%	Quarterly	1,250,000	1,250,000
**Harris Trust and Savings Bank	06/30/2020	Balance	Maturity	2.0%	Quarterly	500,000	500,000
**Small Business Lending Fund US Treasury	09/15/2019	Balance	Maturity	2.0%	Quarterly	8,294,000	-
**M & I Community Development Corporation	04/09/2015	25,000	Quarterly starting 04/01/2013	4.0%	Quarterly	500,000	500,000
**Wells Fargo Bank	04/01/2018	Balance	Maturity	2.0%	Quarterly	1,000,000	1,000,000
Total equity equivalent borrowings:						$ 12,044,000	$ 3,250,000

Note 8. Borrowings (Continued)

IFF is subject to several loan covenants, which among other items, require minimum net asset, liquidity, allowance for loan losses, leverage, and collateral levels. IFF is in compliance with these covenants as of December 31, 2011.

As of December 31, 2011, the required principal reduction of borrowings is as follows:

2012	$ 3,187,024
2013	8,224,927
2014	3,054,354
2015	1,878,001
2016	5,915,825
Thereafter	74,165,744
	$ 96,425,875

Undrawn commitments at December 31, 2011 and 2010 were $8,524,000 and $4,560,000, respectively.

Also, IFF had a $8,000,000 line of credit with Harris N.A. that expired in July 2011 and was not renewed. There were no outstanding balances at December 31, 2010. IFF had borrowed and paid back $8,000,000 during the year ended December 31, 2010. This line was secured with eligible regional loans. Outstanding borrowings bore interest, payable monthly, at a rate equal to the greater of the bank's prime rate or 4.50 percent.

Note 9. Investor Consortium Collateral Trust Notes

IFF entered into a borrowing agreement (the Investor Consortium Program) whereby investors purchase participation in trust notes collateralized by IFF loans which, in turn, are usually secured by a first or second mortgage on the underlying collateral. The interest rate is the blended interest rate as of December 31, 2011.

Investor Consortium [(a)] Series	Maturity Date	Interest Rate	Principal Balance at December 31, 2011	Principal Balance at December 31, 2010
Sale 2004-1	01/15/2020	3.255%	$ 6,038,254	$ 7,197,386
Sale 2005-1	10/15/2020	3.441%	4,110,203	4,842,326
Sale 2006-1	10/15/2021	3.000%	9,609,133	11,513,739
Sale 2007-1	10/15/2022	4.325%	6,657,941	8,471,617
Sale 2008-1	10/15/2023	4.205%	9,840,566	11,101,875
Sale 2009-1	10/15/2024	4.023%	12,516,975	14,177,400
Sale 2010-1	07/15/2025	4.095%	4,544,837	5,570,958
Sale 2011-1	07/15/2026	4.203%	10,040,425	-
Total Investor Consortium collateral trust notes:			$ 63,358,334	$ 62,875,301

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

Note 9. Investor Consortium Collateral Trust Notes (Continued)

Quarterly Contractual repayment of each trust note series is limited to the proceeds of payments on IFF loans and a 2 percent cash reserve held, for each series, by the trustee. If the balance of the cash reserve falls below 2 percent for any series, IFF is required to contribute a portion of its servicing fees to the reserve each quarter until the reserve again reaches 2 percent. The reserve funds are maintained in money market accounts. The balance of the reserves for the collateral trust notes, included in other restricted cash and interest-bearing deposits in banks, at December 31, 2011 and 2010 was $1,567,698 and $1,849,423 at cost, respectively, which represents fair value. Included in these amounts at December 31, 2011 and 2010, was $432,100 and $788,874, respectively, for loans that were bought out of the consortium and paid to the investors subsequent to December 31 of each year, respectively.

As of December 31, 2011, the scheduled principal reduction of Investor Consortium collateral trust notes is as follows:

2012	$ 7,526,106
2013	5,341,008
2014	5,468,563
2015	7,270,726
2016	5,259,418
Thereafter	32,492,513
	$ 63,358,334

Undrawn commitments in the Investor Consortium Program at December 31, 2011 and 2010 were $13,444,873 and $731,353, respectively.

Note 10. Loan Participations Payable

IFF entered into participation agreements with Partners Advancing Values in Education, Inc. (PAVE) and Partners for the Common Good, Inc. (PCG) with respect to underlying notes, in which PAVE and PCG purchased an interest in each loan. IFF has the obligation to pass through payments with respect to interest at various rates and all principal payments pursuant to such participation interest during the life of the agreements. Provided that no event of default exists on the underlying loan at the maturity of the agreement, IFF has a further obligation to purchase PAVE's and PCG's participation interest in the loan. The current balance of the loans receivable as of December 31, 2011 and 2010 was $3,790,475 and $1,935,589, respectively. IFF loan participations payable consisted of the following:

		Scheduled Repayments				Principal Balance at	Principal Balance at
		Principal		Interest			
Lender	Maturity Date	Amount	Due	Annual Rate	Due	December 31, 2011	December 31, 2010
Partners Advancing Values in Education	09/06/2011	Per Schedule & Balance at Maturity	Monthly	3.0625%	Monthly	$ -	$ 186,743
Partners for the Common Good	07/23/2015	Per Schedule & Balance at Maturity	Monthly	6.0%	Monthly	458,860	477,423
Partners for the Common Good	07/26/2015	Per Schedule & Balance at Maturity	Monthly	5.875%	Monthly	131,498	302,288
Partners for the Common Good	02/17/2016	Per Schedule & Balance at Maturity	Monthly	5.875%	Monthly	497,906	-
Partners for the Common Good	09/23/2016	Per Schedule & Balance at Maturity	Monthly	6.0%	Monthly	109,793	-
Partners for the Common Good	09/28/2016	Per Schedule & Balance at Maturity	Monthly	6.375%	Monthly	488,869	-
	Total loan participations payable:					$ 1,686,926	$ 966,454

Note 10. Loan Participations Payable (Continued)

As of December 31, 2011, the scheduled principal reduction of loan participations payable is as follows:

2012	$ 90,453
2013	86,844
2014	92,187
2015	489,202
2016	928,240
	$ 1,686,926

Note 11. Operating Leases

IFF is obligated under a lease for its Chicago office space (through June 2020) which provides for base rentals (recognized on a straight-line basis) plus a prorated share of real estate taxes and operating expenses. A deferred rent liability, representing the cumulative amount by which rental expense recognized exceeds cash paid, totaled $193,245 and $182,332 at December 31, 2011 and 2010, respectively, and is included in accrued liabilities. IFF is also obligated under office leases in St. Louis (through December 2014) and Milwaukee (through December 2016). IFF also has a storage lease in the Chicago office building (through June 2015). The Springfield office was on a month-to-month basis, and IFF closed this office in February 2011.

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

2012	$ 381,700
2013	395,600
2014	403,200
2015	390,600
2016	397,100
Thereafter	1,391,200
	$ 3,359,400

The total rent expense for the years ended December 31, 2011 and 2010 were as follows:

	2011	2010
Chicago	$ 370,202	$ 352,329
St. Louis	19,035	15,861
Milwaukee	14,770	14,347
Springfield	1,275	5,408
	$ 405,282	$ 387,945

Note 12. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2011 and 2010 were available for the following purposes:

	2011	2010
Department of Education Grant for Credit Enhancement	$ 18,529,092	$ 18,667,457
Loan Issuance	10,224,877	7,341,523
NSP Property	5,949,042	2,619,779
Grants for Specific Programs	3,229,275	1,322,038
	$ 37,932,286	$ 29,950,797

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

In 2011 and 2010, net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions as follows:

	2011	2010
Net assets released from restrictions:		
Time and performance restrictions (operating)	$ 1,208,328	$ 1,715,489
Performance restrictions - NSP Property (operating)	1,089,187	563,718
Provision for loan losses (capital)	2,022,647	1,379,337
	$ 4,320,162	$ 3,658,544

Note 13. Employee Benefit Plan

The IFF 401(k) Profit Sharing Plan is a defined contribution retirement plan for the benefit of IFF's employees. Full-time eligible employees may make discretionary contributions to the Plan, and IFF may make discretionary or matching contributions. IFF's contribution for the years ended December 31, 2011 and 2010 was $143,708 and $183,526, respectively.

Note 14. Functional Expense Classifications

IFF's unrestricted expenses for the years ended December 31, 2011 and 2010 reported on a functional basis are as follows:

	2011	2010
Program expenses:		
Lending	$ 10,045,604	$ 8,649,737
Real estate services	3,359,082	2,379,859
Public policy and communications	545,101	451,946
Research	279,201	298,935
	14,228,988	11,780,477
Supporting services	859,746	801,374
	$ 15,088,734	$ 12,581,851

Note 15. Concentration of Credit Risk

Approximately 40 percent and 49 percent of IFF's borrowers are located in the Chicago metropolitan area as of December 31, 2011 and 2010, respectively. IFF holds cash equivalents and investments in money market funds, certificates of deposit, and Treasury funds, which management believes subject IFF to limited credit risk. No collateral or other security has been pledged to support these cash equivalents and investments.

Note 16. Limited Liability Companies

IFF Capital LLC (IFFC) and IFF Capital II LLC (IFFC II), which are for-profit limited liability companies, were formed by IFF for the purpose of allocating federal tax credits from the New Markets Tax Credit program of the U.S. Department of Treasury. IFFC received an allocation from IFF of $10,000,000 in tax credits in 2002, of which $7,000,000 was subsequently allocated to IFFC II upon its formation in 2006. At this time, IFF formed an additional for-profit limited liability company, Chase NMTC II LLC, in order to pool debt and the tax credit equity for investment in IFFC II.

IFFC’s tax credit period expires on December 31, 2012, which is the end of the seventh calendar year after the last equity investment was made by the investing members. IFF management is not aware of investor members’ intentions with regard to their respective LLC investments subsequent to the expiration of the tax credit period. Under the terms of the operating agreement, in the event of an election to dissolve IFF Capital LLC at the end of the tax credit period, IFF must use reasonable efforts to obtain a credit facility from third party lending sources sufficient to purchase all qualifying loans held by IFFC for an amount equal to the then-outstanding principal plus any accrued and unpaid interest. At December 31, 2011, IFF Capital LLC had approximately $2,400,000 in loans receivable.

IFFC II’s tax credit period expires on December 31, 2014, which is the end of the seventh calendar year after the last equity investment was made by the investing members. Under the terms of the operating agreement, in the event of an election to dissolve IFFC II at the end of the tax credit period, the company would be liquidated and capital would be returned to the members according to their membership interest. IFF could decide to purchase its loan portfolio at the time of dissolution. At December 31, 2011, IFF Capital II LLC had approximately $6,100,000 in loans receivable.

IFF is the managing member and has stated ownership interests of either 0.01 percent or 0.1 percent in each of the limited liability companies. IFF’s investments in the limited liability companies total $10,024 and are recorded on the statement of financial position in other assets.

IFFC has three investor members. IFFC II has one investor member, Chase NMTC II LLC, which has one member other than the managing member.

IFF provides certain asset management and compliance oversight services to the limited liability companies, as provided in the respective operating agreements. IFF receives a management fee of 4 percent of the outstanding principal balance of all qualified loans made by IFFC, computed on a monthly basis. Management fee revenue amounted to $100,955 and $105,025 for 2011 and 2010, respectively.

IFF has an accounts payable due to IFFC at December 31, 2011 for $6,696. No amount was due at December 31, 2010. In 2010, IFF had an accounts receivable of $8,522. No amount from IFFC was due in 2011.

IFF is entitled, in its sole discretion, to an annual management fee of up to 2 percent of qualifying capital contributions for IFFC II. There was no payment or accrual of such fees in 2011 or 2010. IFF is entitled to a similar 2 percent fee from Chase NMTC II. There was no payment or accrual of such fees in 2011 or 2010.

Note 16. Limited Liability Companies (Continued)

IFF has an accounts payable due to IFFC II at December 31, 2011 and 2010 for $6,077 and $8,533, respectively.

At December 31, 2011 and 2010, IFF has recorded a loan receivable due from Chase NMTC II LLC of $165,069 and $135,069, respectively. The maturity date of this receivable is December 1, 2014.

As managing member in the limited liability companies, IFF is responsible for compliance with various regulations. Failure to comply could result in the recapture or loss of tax credits, as provided for in the Internal Revenue Code. IFF has indemnified the other investor members against all recapture liability and any other economic losses incurred by the members as a result of any such recapture event.

Chase NMTC II LLC has $4,984,700 of notes payable due to its member, J.P. Morgan Chase Development Corporation, pursuant to the terms of a 2006 credit agreement. The notes payable are composed of eight loans, all with a different variable interest rate based upon 215 basis points over the 7-year interpolated U.S. Treasury rate at the time of each loan advance. The interest is payable monthly while the loans mature on November 30, 2014. Interest payments are funded by distributions received from IFFC II. In connection with the formation of IFFC II and Chase NMTC II LLC, IFF has guaranteed repayment of this note payable in the event Chase NMTC II LLC is unable to meet its obligations. The guaranty agreement requires IFF to comply with various covenants.

Supplementary Information

IFF

Consolidating Statement of Financial Position
December 31, 2011

	IFF*	IFF NMTC Senior Lender	Eliminations	Consolidated
Assets				
Cash and cash equivalents	$ 26,402,749	$ 9,618	$ -	$ 26,412,367
Interest-bearing deposits in banks	250,000	-	-	250,000
Department of Education restricted cash and interest-bearing deposits in banks	18,529,092	-	-	18,529,092
Other restricted cash and interest-bearing deposits in banks	2,567,698	-	-	2,567,698
Grants receivable, other receivables, prepaids and deposits	5,899,866	-	(4,013,306)	1,886,560
Loans receivable, net	153,709,963	6,725,102	-	160,435,065
Accrued interest receivable	702,011	8,747	(8,869)	701,889
NSP property	5,949,042	-	-	5,949,042
Federal Home Loan Bank stock, at cost	176,200	-	-	176,200
Other assets	2,722,853	-	(2,711,797)	11,056
Foreclosed assets, net	2,250,138	-	-	2,250,138
Property and equipment, net	501,723	-	-	501,723
Capitalized finance costs, net	317,147	-	-	317,147
	$ 219,978,482	$ 6,743,467	$ (6,733,972)	$ 219,987,977
Liabilities and Net Assets				
Liabilities				
Accrued liabilities	$ 1,264,681	$ 7,053	$ -	$ 1,271,734
Accrued interest payable	840,605	8,869	(8,869)	840,605
Investor Consortium collateral trust notes	63,358,334	-	-	63,358,334
Borrowings	84,381,875	4,013,306	(4,013,306)	84,381,875
Equity equivalent borrowings	12,044,000	-	-	12,044,000
Loan participations payable	1,686,926	-	-	1,686,926
	163,576,421	4,029,228	(4,022,175)	163,583,474
Net Assets				
Unrestricted	18,469,775	-	2,442	18,472,217
Temporarily restricted	37,932,286	-	-	37,932,286
Member's Equity				
Capital contributions	-	2,711,797	(2,711,797)	-
Retained earnings	-	2,442	(2,442)	-
	56,402,061	2,714,239	(2,711,797)	56,404,503
	$ 219,978,482	$ 6,743,467	$ (6,733,972)	$ 219,987,977

* Includes IFF Home First Illinois, LLC, IFF Real Estate Services, LLC and IFF Housing, LLC

IFF

Consolidating Statement of Activities
December 31, 2011

	IFF*	IFF NMTC Senior Lender	Eliminations	Consolidated
Unrestricted - Operating				
Support and revenue:				
Corporations, foundations, and individuals	$ 153,750	$ -	$ -	$ 153,750
Interest on loans	8,924,357	150,981	(143,525)	8,931,813
Consulting contract fees	1,265,877	-	-	1,265,877
IFFC management/sponsor fee	116,670	-	(10,000)	106,670
Loan fees	177,050	132,440	(120,400)	189,090
Other interest income	30,333	207	-	30,540
Rental income	104,328	-	-	104,328
Net assets released from restrictions	1,208,328	-	-	1,208,328
Net assets released from restrictions - NSP property	1,089,187	-	-	1,089,187
	13,069,880	283,628	(273,925)	13,079,583
Expenses:				
Salaries and benefits	4,635,642	-	-	4,635,642
Professional fees	590,073	133,200	(130,400)	592,873
Occupancy and office	584,232	-	-	584,232
Printing and marketing	55,685	-	-	55,685
Interest	5,259,601	143,525	(143,525)	5,259,601
Other operating expenses	353,220	759	-	353,979
Pass through NSP property	1,089,187	-	-	1,089,187
Meetings and travel	205,150	-	-	205,150
Depreciation and amortization	286,036	-	-	286,036
Income taxes	-	3,702	-	3,702
	13,058,826	281,186	(273,925)	13,066,087
Increase in unrestricted net assets - operating	11,054	2,442	-	13,496
Unrestricted - Capital				
Support and revenue:				
Loan grants	4,500,000	-	-	4,500,000
Net assets released from restrictions	2,022,647	-	-	2,022,647
	6,522,647	-	-	6,522,647
Expenses:				
Provision for loan losses	2,022,647	-	-	2,022,647
Increase in unrestricted net assets - capital	4,500,000	-	-	4,500,000
Increase in unrestricted net assets	4,511,054	2,442	-	4,513,496

IFF

Consolidating Statement of Activities (Continued)
December 31, 2011

	IFF*	IFF NMTC Senior Lender	Eliminations	Consolidated
Temporarily Restricted				
Program and operating grants	$ 7,370,140	$ -	$ -	$ 7,370,140
Loan capital grants	4,906,000	-	-	4,906,000
Interest income	25,511	-	-	25,511
Net assets released from restrictions - operating	(1,208,328)	-	-	(1,208,328)
Net assets released from restrictions - NSP property	(1,089,187)	-	-	(1,089,187)
Net assets released from restrictions - capital (provision for loan losses)	(2,022,647)	-	-	(2,022,647)
Increase in temporarily restricted net assets	7,981,489	-	-	7,981,489
Increase in net assets	12,492,543	2,442	-	12,494,985
Net assets/retained earnings:				
Beginning of year	43,909,518	-	-	43,909,518
End of year	$ 56,402,061	$ 2,442	$ -	$ 56,404,503

* Includes IFF Home First Illinois, LLC, IFF Real Estate Services, LLC and IFF Housing, LLC