NCB Capital Impact and Subsidiaries

Consolidated Financial Report
December 31, 2011

NCB Capital Impact and Subsidiaries

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Independent Auditor's Report

To the Board of Directors
NCB Capital Impact and Subsidiaries
Crystal City, Virginia

We have audited the accompanying consolidated statements of financial position of NCB Capital Impact and Subsidiaries as of December 31, 2011 and 2010 and the related consolidated statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the 2011 and 2010 financial statements of Community Economic Development, LLC and the 2011 and 2010 financial statements of Impact V CDE 7, LLC, consolidated affiliates, which statements reflect total assets and revenue constituting 18.0% and 6.9%, respectively, in 2011 and 15.7% and 3.7%, respectively, in 2010 of the related consolidated totals. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Community Economic Development, LLC and Impact V CDE 7, LLC, is based solely on the reports of the other auditors.

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 and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NCB Capital Impact and Subsidiaries as of December 31, 2011 and 2010, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

McGladrey & Pullen, LLP

Blue Bell, Pennsylvania
April 30, 2012

Member of the RSM International network of independent accounting, tax and consulting firms.

NCB Capital Impact and Subsidiaries

Consolidated Statements of Financial Position
December 31, 2011 and 2010

	2011	2010
Assets		
Cash and cash equivalents	**$ 11,186,368**	$ 9,971,441
Cash and cash equivalents - restricted	**33,187,082**	28,357,861
Accounts and interest receivable	**2,550,729**	3,249,514
Contributions receivable	**1,458,935**	8,986,096
Investments	**3,602,202**	2,911,532
Investment in joint venture	**1,989,177**	1,934,674
Loans receivable	**139,039,322**	136,378,911
Less: allowance for loan losses	**(9,139,992)**	(8,035,281)
Loans receivable, net	**129,899,330**	128,343,630
Loans receivable - subsidiaries	**40,202,816**	33,977,902
Other real estate owned, net of valuation allowance of $60,000 in 2011 and $219,153 in 2010	**1,591,712**	1,810,712
Other assets	**1,914,918**	1,460,553
Total assets	**$ 227,583,269**	$ 221,003,915
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	**$ 3,553,057**	$ 3,949,815
Revolving line of credit	**9,100,000**	28,000,000
Notes payable	**45,455,104**	40,350,412
Subordinated debt payable	**8,218,000**	-
Notes payable - subsidiaries (Note 12)	**40,202,816**	33,977,902
Total liabilities	**106,528,977**	106,278,129
Commitments and Contingencies (Notes 15 and 16)		
Net Assets		
Unrestricted	**77,662,319**	74,007,878
Temporarily restricted	**41,919,906**	39,126,000
Permanently restricted	**1,472,067**	1,591,908
Total net assets	**121,054,292**	114,725,786
Total liabilities and net assets	**$ 227,583,269**	$ 221,003,915

See Notes to Consolidated Financial Statements.

NCB Capital Impact and Subsidiaries

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

	2011	2010
Changes in Unrestricted Net Assets		
Financial Activity		
Financial income		
Interest income on investments	**$ 62,654**	$ 79,576
Interest income on loans	**10,386,843**	8,739,167
Unrealized and realized gain on investments, net	**650,957**	219,687
Loss on sales of other real estate owned	**(5,418)**	(217,093)
Total financial income	**11,095,036**	8,821,337
Financial expense		
Interest expense	**3,534,532**	2,440,620
Provision for loan losses	**1,175,388**	1,603,160
Provision for loss on other real estate owned	**-**	219,153
Total financial expense	**4,709,920**	4,262,933
Net financial income	**6,385,116**	4,558,404
Revenue and Support		
Fees	**6,592,114**	5,655,611
Contract revenue	**1,026,229**	1,155,734
CDFI Fund operating grant	**1,500,000**	-
Other income	**12,698**	9,165
Net assets released from restrictions	**4,923,083**	6,801,740
Total revenue and support	**14,054,124**	13,622,250
Expenses		
Lending program	**6,152,568**	6,855,902
Technical assistance	**4,840,065**	4,854,655
Total program expenses	**10,992,633**	11,710,557
Support expenses		
Management and general	**5,521,904**	4,727,021
Fundraising	**270,262**	225,396
Total expenses	**16,784,799**	16,662,974
Increase in unrestricted net assets	**3,654,441**	1,517,680
Changes in Temporarily Restricted Net Assets		
Revenue and Support		
Interest income on investments	**54,135**	31,911
Gain (loss) on joint venture	**54,504**	(231,347)
Grants - Robert Wood Johnson Foundation	**137,612**	4,710,512
Grants - Ford Foundation	**-**	1,100,000
Grants - JP Morgan Chase	**2,500,000**	12,000,000
Grants - The California Endowment	**-**	3,000,000
Grants - Kaiser	**800,000**	-
Grants - CDFI Fund Healthy Foods Financing Initiative	**3,000,000**	-
Other grants	**1,170,738**	1,480,525
Net assets released from restrictions	**(4,923,083)**	(6,801,740)
Increase in temporarily restricted net assets	**2,793,906**	15,289,861
Changes in Permanently Restricted Net Assets		
Loan principal recoveries	**18,920**	50,182
Loss on loan principal charge off	**(138,761)**	(96,420)
Decrease in permanently restricted net assets	**(119,841)**	(46,238)
Increase in net assets	**6,328,506**	16,761,303
Net assets - beginning	**114,725,786**	97,964,483
Net assets - ending	**$ 121,054,292**	$ 114,725,786

See Notes to Consolidated Financial Statements.

NCB Capital Impact and Subsidiaries

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

	2011	2010
Cash Flows from Operating Activities		
Increase in net assets	**$ 6,328,506**	$ 16,761,303
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Provision for loan losses	**1,175,388**	1,603,160
Loss on loan principal charge off	**138,761**	96,420
Loan principal recoveries restricted for long-term purposes	**(18,920)**	(50,182)
Depreciation	**49,678**	57,152
Investment gains, net	**(650,957)**	(219,687)
(Gain) loss on investment in joint venture	**(54,504)**	231,347
Provision for loss on other real estate owned	**-**	219,153
Loss on sales of other real estate owned	**5,418**	217,093
Change in discount of contributions receivable	**(137,612)**	137,612
Accretion of interest on loan from Ford Foundation	**73,244**	71,132
Accretion of interest on other loans	**40,821**	14,438
(Increase) decrease in:		
Accounts and interest receivable	**698,785**	(1,091,639)
Contributions receivable	**7,664,773**	(5,867,210)
Other assets	**(485,358)**	(941,916)
(Decrease) increase in:		
Accounts payable and accrued expenses	**(396,758)**	2,422,923
Net cash provided by operating activities	**14,431,265**	13,661,099
Cash Flows from Investing Activities		
Loan originations and advances	**(47,437,836)**	(89,605,126)
Loan repayments	**38,343,068**	41,456,213
Return of capital from investment in joint venture	**-**	4,732,456
Proceeds from distributions of investments	**47,878**	30,000
Purchase of investments	**(87,591)**	(53,047)
Purchase of equipment	**(18,679)**	(88,851)
Proceeds from sale of other real estate owned	**213,582**	77,900
Net cash used in investing activities	**(8,939,578)**	(43,450,455)
Cash Flows from Financing Activities		
Proceeds from notes payable	**5,488,679**	1,703,575
Proceeds from subordinated debt payable	**8,218,000**	-
Repayment of notes payable	**(498,052)**	(83,732)
Repayment of note payable - other	**(269,303)**	(253,447)
Proceeds from note payable - other	**6,494,217**	25,000,000
Proceeds from lines of credit	**6,100,000**	13,000,000
Repayment of lines of credit	**(25,000,000)**	(2,000,000)
Loan principal recoveries restricted for long-term purposes	**18,920**	50,182
Net cash provided by financing activities	**552,461**	37,416,578
Net increase in cash and cash equivalents	**6,044,148**	7,627,222
Cash and cash equivalents - beginning	**38,329,302**	30,702,080
Cash and cash equivalents - ending	**$ 44,373,450**	$ 38,329,302
Cash and cash equivalents	**$ 11,186,368**	$ 9,971,441
Cash and cash equivalents - restricted	**33,187,082**	28,357,861
Total cash and cash equivalents	**$ 44,373,450**	$ 38,329,302

(Continued)

NCB Capital Impact and Subsidiaries

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

	2011	2010
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	**$ 3,056,640**	$ 1,994,630
Supplemental Schedule of Non-Cash Investing Activities:		
Non-cash transfer from loans receivable to other real estate owned	**$ -**	$ 1,418,972
Proceeds from sale of other real estate owned included in accounts receivable	**$ -**	$ 25,400

See Notes to Consolidated Financial Statements.

Note 1. Description of Activities and Significant Accounting Policies

Description of Activities: NCB Capital Impact ("NCBCI" or "the Organization") is a non-profit organization without capital stock organized under the laws of the District of Columbia at the direction of the U.S. Congress in 12 U.S. Code 3051(b). The purpose of NCBCI is to provide industry altering financial services and technical assistance programs designed to spark systemic change for lasting economic progress. NCBCI empowers communities to create more affordable cooperative homeownership, access to healthy foods, housing and services for the frail and elderly, and facilities for health care centers and charter schools. In February 2011, the Community Development Financial Institutions Fund of the U.S. Treasury Department designated NCBCI as a certified Community Development Financial Institution ("CDFI").

NCBCI is the managing member and has a 99.9% ownership interest in Community Economic Development, LLC ("CED"), which was formed on April 9, 2002 under the laws of the State of Delaware. CED was formed to be a Single Purpose Entity to make qualified investments in Qualified Active Low-Income Community Businesses ("QALICB") in accordance with the terms under the New Markets Tax Credit (NMTC) program pursuant to Section 45D of the Internal Revenue Code. CED's principal business objective is to provide nontraditional investment capital to underserved markets. Therefore, CED's principal business consists of investing as a lender in QALICBs.

NCBCI is the managing member and has a 99.9999% ownership interest in Impact V CDE 7, LLC ("Impact V CDE 7"), which was formed on October 19, 2007 under the laws of the State of Delaware. The operating agreement was entered into on April 17, 2008 and operations commenced in 2010. Impact V CDE 7 was formed to be a Single Purpose Entity to make qualified investments in QALICBs in accordance with the terms under the New Markets Tax Credit (NMTC) program pursuant to Section 45D of the Internal Revenue Code. Impact V CDE 7's principal business objective is to provide nontraditional investment capital to underserved markets. Therefore, Impact V CDE 7's principal business consists of investing as a lender in QALICBs. NCBCI's ownership interest consists of a direct ownership interest of 99.99% in Impact V CDE 7. NCBCI also holds a 99.99% interest in Impact NMTC Holdings, LLC, which holds a .01% ownership interest in Impact V CDE 7.

Building Cooperative Communities, LLC ("BCC") and Community Solutions Group, LLC ("CSG") are limited liability companies incorporated under the laws of the State of Delaware in July 2001. NCBCI is the sole member of BCC and of CSG. The companies were established to (a) foster the development of cooperative organizations and similar non-profit organizations, (b) provide technical assistance and other development services to cooperative organizations and similar non-profit organizations, including without limitation relating to the construction and operation of service-enriched housing or other non-institutional forms of residential housing and related health and social services care for older individuals, focusing particularly upon older individuals of low or moderate income, and (c) provide capital in support of development projects by making strategic grants and business planning advances repayable upon project completion.

NCBCI is the sole member of the NCBCI Education Conduit, LLC, which was formed on January 28, 2008 under the laws of the State of Delaware. The company was established to facilitate, encourage and assist in the financing of charter schools and related activities. The NCBCI Education Conduit, LLC is one of six organizations that invested in the Charter School Financing Partnership, LLC, formed to effect change in the charter school finance industry.

On August 5, 2011, NCBCI formed the California Freshworks Fund, LLC under the laws of the state of Delaware. NCBCI is the sole member and manager. The company was established to provide financing to eligible fresh food retailers and/or distributors to overcome the higher costs and initial barriers to entry in many underserved urban and rural areas, to support renovation and expansion of existing stores as well as innovations in fresh food retailing and distribution. California Freshworks Fund, LLC is in the process of negotiating a borrowing facility with a consortium of lenders and will use proceeds for the purpose described above. There was no financial activity during 2011.

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

Description of Activities (Continued): NCB (previously "National Cooperative Bank") provides comprehensive financial services to co-operatives and other member-owned organizations throughout the United States. NCBCI and NCB exchange services under operating agreements for the mutual benefit of both entities.

The Board of Directors for NCBCI consists of eleven members, five of whom shall be elected from among the then-current senior executive officers or directors (or directors-elect) of NCB, and six outside directors not related to NCB.

As an inherent part of its charter and mission, NCBCI, in addition to making loans to established cooperative and cooperative-like businesses, makes special loans in the form of Business Planning Advances ("BPAs") and strategic investments to newer, less established organizations. As a development finance entity, NCBCI originates higher risk development loans to housing, consumer, worker and business cooperatives and cooperative-like entities. Consequently, repayment estimates for these higher risk loans are less predictable than those for mature, established organizations. Loans originated by NCBCI are both secured and unsecured, and many are to borrowers that may be unable to obtain conventional credit.

Under the National Consumer Cooperative Bank Act, Congress deemed that NCBCI is exempt from Federal taxation. NCBCI has received a determination letter ruling from the Internal Revenue Service stating such exemption under the provisions of Section 501(c)(3) of the Internal Revenue Code. In 1998, NCBCI received exemption from franchise or income tax from the State of California and the Government of the District of Columbia.

NCBCI's principal sources of revenue and support are interest income and fees earned from its lending and technical assistance activities, grants and contributions, and contract revenue.

NCBCI has the following distinct programs:

Innovative Community Lending Program: Provides loans and other kinds of financial services and support (i.e., financial analysis, real estate development tools and training) to cooperative and cooperative-like organizations serving low income people and communities.

Technical Assistance: Working with federal, state and local agencies, long-term care providers, housing developers and community development corporations, NCBCI's team of experts enable affordable homeownership and safe, humane community-based long-term care.

Significant Accounting Policies:

Principles of Consolidation: The consolidated financial statements include the accounts of NCBCI and its consolidated subsidiaries, Community Economic Development, LLC, Impact V CDE 7, LLC, Building Cooperative Communities, LLC, Community Solutions Group, LLC, NCBCI Education Conduit, LLC and California Freshworks Fund, LLC. All significant intra-organization accounts and transactions have been eliminated in consolidation.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents: Cash and cash equivalents consist of cash and investment securities with original maturities of less than ninety days.

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

Restricted Cash and Cash Equivalents: NCBCI has certain restricted cash and cash equivalents that are held per terms of grant agreements.

Investments: Investments in equity securities with readily determinable fair values and all investments in debt securities are stated at fair value measured as more fully described in Note 18. The Organization's investment in Real Estate Investment Trust (REIT) and other investments are stated at estimated fair value as more fully described in Note 18. Interest and dividend income is recognized when earned. Any unrealized or realized gains or losses are reported in the statements of activities as a change in unrestricted net assets, unless explicit donor intent or law restricts their use, in which case unrealized gains or losses are reported in the statement of activities as a change in temporarily restricted assets.

Investments in other entities are accounted for under the equity or the cost method depending on the Organization's voting interest and the degree of control or influence the Organization may have over the operations of these entities, as noted below:

Investments in New Markets Tax Credit Entities: Investments in New Markets Tax Credit entities are accounted for under the equity method of accounting under which the Organization's share of net income or loss is recognized in the statement of activities and added or subtracted from the investment account, and distributions received are treated as a reduction of the investment account.

Investment in Joint Venture: NCBCI has a 50% voting interest in the Charter School Capital Access Program ("CCAP") that is accounted for under the equity method (see Note 5).

Investment in ROC USA, LLC: The Organization has a 33% voting interest in ROC USA, LLC and is accounting for its investment in ROC USA, LLC under the equity method of accounting under which the Organization's share of change in unrestricted net assets of the affiliate is recognized as income in the Organization's statement of activities and added to the investment account, and dividends received from the affiliate are treated as a reduction of the investment account. The Organization appoints two of the eleven directors of the Board of Directors. The purpose of ROC USA, LLC is to aid people living in manufactured home communities, through technical assistance, loans, training and assistance in the purchase of their communities and the operation of those communities as resident-owned and/or controlled entities.

Investment in Village to Village Network, LLC: NCBCI has a 50% membership interest in Village to Village Network, LLC under an agreement dated October 14, 2009 that would be accounted for under the equity method. As of December 31, 2011 and 2010, NCBCI had not yet made an investment.

Investment in Charter School Financing Partnership, LLC: The Organization has a 20% voting interest in Charter School Financing Partnership, LLC (CSFP) and is accounting for its investment in CSFP under the equity method of accounting. Accordingly, the Organization's share of net income of the affiliate is recognized as income in the Organization's statement of activities and added to the investment account, and dividends received from the affiliate are treated as a reduction of the investment account. The Organization appoints one of the five managers of the Board of Managers. CSFP was originally established to function as a conduit to the capital markets to create more efficient access to capital for charter school financing.

Because the bond market has not sufficiently recovered from the economic downturn, the Board of Managers has opted to use capital received under a grant from the U.S. Department of Education as credit enhancement for loans to charter schools originated by its members and approved by the Board of Managers.

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

Revenue Arrangements with Multiple Deliverables: NCBCI has entered into certain revenue arrangements with multiple deliverables such as loan origination services, investment entity creation, loan servicing, etc. If the delivered elements have value on a standalone basis from the undelivered items, and if there is objective and reliable evidence of the fair value of the undelivered elements, NCBCI uses the residual method to allocate revenue to the various elements. Under the residual method, revenue is recognized for the delivered elements equal to the total arrangement consideration less the aggregate fair value of the undelivered elements.

Loans Receivable:

Loans: Loans are stated at their principal amounts outstanding, net of deferred loan fees. Interest income is accrued monthly at the loans' respective interest rates. Related direct loan origination fees and costs are deferred and amortized over the life of the loans. Fees relating to expired commitments are recognized as non-interest income. If a commitment is exercised during the commitment period, the fee at the time of exercise is recognized over the life of the loan as an adjustment of yield.

Impaired Loans: A loan is considered impaired when, based on current information and events, it is probable that the Organization will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan 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. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is generally measured on a loan-by-loan basis using the fair value of collateral, since the Organization's loans are largely collateral dependent.

Non-Accrual of Loans: The accrual of interest on outstanding loans is discontinued at the time the loan is 90 days delinquent unless the credit is well secured and in process of collection. When the accrual of interest ceases, any unpaid interest previously recorded as income is deducted from income. Any future payments received are applied to reduce principal. At such time as full collection of the remaining recorded balance is expected in the ordinary course of business, interest payments are recorded as interest income on a cash basis. Loans may be reinstated to accrual status when all payments are brought current, and in the opinion of Management, collection of the remaining principal and interest can reasonably be expected. If at any time collection of principal or interest is considered doubtful, all or some portion of the loan is charged off for financial reporting purposes, although collection efforts may still continue.

Allowance for Loan Losses: The allowance for losses is a valuation reserve that Management believes will be adequate to absorb possible losses on existing loans that may become uncollectible. It is established through a provision for loan losses charged to expense. Loans deemed to be uncollectible are charged against the allowance. Subsequent recoveries, if any, are credited to the allowance. The allowance is maintained at a level believed adequate by Management to absorb estimated potential losses after considering changes, past loss experience, the nature of the portfolio and current economic conditions. However, the allowance is an estimate that could change if there are significant changes in the portfolio and/or economic conditions.

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

Loans Receivable(Continued):

Allowance for Loan Losses (Continued): 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 impaired, an allowance is established when the discounted cash flows (or collateral value for collateral dependent loans or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers non-classified loans and is based on historical charge-off experience and expected losses given the Organization's internal risk rating process. Other adjustments are made to the allowance for pools of loans after an assessment of internal or external influences on credit quality that are not reflected in the historical loss or risk rating data.

Other Real Estate Owned (OREO): Real estate acquired through foreclosure or other proceedings is carried at estimated fair value, indicated by current appraisal, less estimated costs of disposal. The appraised value may be discounted based on Management's review and changes in market conditions. Costs of improving OREO are capitalized to the extent that the carrying value does not exceed its fair value less estimated selling costs. Subsequent valuation adjustments, if any, are recognized as a charge to the valuation provision on the consolidated statement of activities. Holding costs are charged to current period expense. Gains and losses on sales are recognized in financial income (loss) as they occur.

Other Assets: Other assets include a $1,000,000 cash deposit with Pacific Charter School Development, Inc. and a $500,000 deposit with Charter School Financing Partnership (See Note 10).

Transfers of Financial Assets: 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 the Organization, (2) the transferee obtains the right to pledge or exchange the transferred assets and no condition both constrains the transferee from taking advantage of that right and provides more than a trivial benefit for the transferor, and (3) the transferor does not maintain effective control over the transferred assets through either (a) an agreement that both entitles and obligates the transferor to repurchase or redeem the assets before maturity or (b) the ability to unilaterally cause the holder to return specific assets, other than through a cleanup call.

Contributions Receivable: The Organization accounts for contributions received as unrestricted, temporarily restricted, or permanently restricted depending on the existence or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction.

When the donor restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions receivable, which represent unconditional promises to give, are recognized as revenue in the period received and as assets, decreases of liabilities or expenses depending on the form of the benefits received. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that expect to be collected over periods in excess of one year are recorded at the net present value of the estimated cash flows beyond one year using a risk-adjusted rate of return appropriate for the expected term of the promise to give. Conditional promises to give, which depend on the occurrence of a specified future and uncertain event to bind the promisor, are recorded when the conditions on which they depend are substantially met.

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

Net Assets: NCBCI classifies net asset into three categories: unrestricted, temporarily restricted and permanently restricted. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Temporarily restricted net assets are contributions with temporary, donor-imposed time or purpose restrictions. Temporarily restricted net assets become unrestricted when the time restrictions expire or the contributions are used for their restricted purpose at which time they are reported in the statement of activities as net assets released from restrictions. Permanently restricted net assets represent contributions received subject to donor restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

Functional Expense Allocation: The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes: The Organization is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for charitable contribution deductions and has been classified as an organization that is not a private foundation. Income which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. The Organization had no net unrelated business income for the years ended December 31, 2011 and 2010, respectively.

Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements. Consequently, no accrual for interest and penalties was deemed necessary for the years ended December 31, 2011 and 2010. The Organization files tax returns in the U.S. federal jurisdiction, California and Delaware. Generally, the Organization is no longer subject to income tax examination by the U.S. federal or state tax authorities for years before 2008.

Reclassifications: Certain reclassifications have been made to the accompanying 2010 financial information to conform to the 2011 presentation.

Recently Adopted Accounting Pronouncements: Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurements and Disclosures*: New authoritative accounting guidance (Accounting Standards Update No. 2010-6) provides amendments to ASC Topic 820 that require new disclosures as follows: 1) A reporting entity should disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfers, and 2) In the reconciliation for fair value measurements using significant unobservable inputs (Level 3), a reporting entity should present separately information about purchases, sales, issuances and settlements (that is, on a gross basis rather than as one net number).

The new authoritative guidance also clarifies existing disclosures as follows:

1) A reporting entity should provide fair value measurement disclosures for each class of assets and liabilities. A class is often a subset of assets or liabilities within a line item in the statement of financial position. A reporting entity needs to use judgment in determining the appropriate classes of assets and liabilities.

2) A reporting entity should provide disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements that fall in either Level 2 or Level 3.

These new disclosures and clarifications of existing disclosures were effective for the Organization's financial statements in 2010 (except for the disclosures about the purchases, sales, issuances, and settlements in the roll forward activity of Level 3 fair value measurements, which are effective for 2011) and did not have a significant impact on the Organization's consolidated financial statements.

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

Recently Adopted Accounting Pronouncements (Continued): Accounting Standards Update (ASU) 2010-20, *Receivables* (Topic 310) ("Update") was issued in July 2010 covering disclosures about the credit quality of financing receivables and the allowance for credit losses. As a result of these amendments, an entity is required to disaggregate by portfolio segment or class certain existing disclosures and provide certain new disclosures about its financing receivables and related allowance for credit losses. The disclosures as of the end of a reporting period are effective for non public entities for annual reporting periods ending on or after December 15, 2011. The new guidance requires significantly expanded disclosures with respect to the credit quality of the Organization's loan portfolio, as detailed in Note 8.

Recently Issued but Not Yet Adopted Accounting Pronouncements: Accounting Standard Update No. 2011-02 *Receivables (Topic 310) A Creditor's Determination of Whether a Restructuring Is a Troubled Debt Restructuring* (the ASU) was issued in April 2011. The ASU provides additional guidance to creditors for evaluating whether a modification or restructuring of a receivable constitutes a troubled debt restructuring. Specifically, the ASU:

- Adds factors for creditors to consider in determining whether the debtor is experiencing financial difficulties;
- Provides additional considerations in determining whether a creditor has granted a concession, including expectations of collecting all amounts due, receipt of additional collateral or guarantees from the debtor, and restructuring the debt at a below-market rate. It also includes factors and examples to assist creditors in determining whether an *insignificant* delay in payment is considered a concession;
- Prohibits creditors from using the borrower's effective-rate test in ASC 470-60, *Debt, Troubled Debt Restructurings by Debtors,* to evaluate whether a concession has been granted to the borrower;
- Ends the FASB's deferral of the additional disclosures about TDR activities required by ASU 2010-20.

For non-public entities, the ASU is effective for annual periods ending after December 15, 2012, including interim periods within those annual periods. Non-public entities may also elect to early adopt the provisions of the ASU. The Organization has determined adoption of the ASU will not have a material impact on the Organization's reported financial condition, results of activities, or cash flows.

In May 2011, the FASB issued ASU 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS's* ("ASU 2011-04"). ASU 2011-04 amended ASC 820*, Fair Value Measurements and Disclosures*, to converge the fair value measurement guidance in U.S. generally accepted accounting principles ("GAAP") and International Financial Reporting Standards ('IFRS"). Some of the amendments clarify the application of existing fair value measurement requirements, while other amendments change a particular principle in ASC 820. In addition, ASU 2011-04 requires additional fair value disclosures, although certain of these new disclosures will not be required for nonpublic entities. The amendments are to be applied prospectively and are effective for annual periods beginning after December 15, 2011. The Organization's management is currently evaluating the effect that the provisions of ASU 2011-04 will have on the Organization's financial statements.

Note 2. Cash and Cash Equivalents

Cash and cash equivalents, including restricted balances, consist of the following at December 31:

	2011	2010
Cash in bank	$ 34,420,084	$ 23,444,464
Overnight investments	1,704,571	3,760,000
Certificate of deposit account registry service (CDARS)	2,440,369	5,317,418
Other short-term investments	5,808,426	5,807,420
	$ 44,373,450	$ 38,329,302
Unrestricted	$ 11,186,368	$ 9,971,441
Restricted	33,187,082	28,357,861
	$ 44,373,450	$ 38,329,302

Restricted cash and cash equivalents are held for the Green House program, to cover loan losses under a charter school loan program per terms of a grant from the Department of Education, for Healthy California loans, for loans under the Organization's revolving loan fund, for loans to promote shared equity models of homeownership for low-income people in the United States as per loan agreement, for Healthy Foods financing, and for other programs per terms of grant agreements.

Note 3. Concentration of Credit Risk

NCBCI maintains cash in various financial institutions. Beginning December 31, 2010 through December 31, 2012, the Federal Deposit Insurance Corporation fully insures the total non-interest bearing cash balances in a financial institution. Interest bearing balances are insured up to $250,000. At December 31, 2011, NCBCI had uninsured balances of approximately $40,881,900 that are included in cash and cash equivalents. Approximately $9,953,366 of the uninsured amounts are held in short term investments, in sweep accounts and non-bank money market accounts at December 31, 2011.

As indicated in Note 7, a substantial portion of the loan portfolio is represented by loans to charter schools. The viability of the borrowers and their ability to honor their contracts is dependent upon their ability to retain their charters. Approximately 21% of the portfolio represents loans made to entities associated with the New Markets Tax Credit (NMTC) program. Approximately 46% of the portfolio represents loans made in the State of California.

Note 4. Investments

Investments consist of the following as of December 31:

	2011	2010
Marketable equity securities	$ 138,018	$ 155,040
Real estate investment trust	967,500	677,000
Other investments	628,180	729,443
Total investments at fair value (Note 18)	1,733,698	1,561,483
Certificate of deposit at cost	250,010	250,000
Equity method investments	1,562,306	1,053,783
Equity method investments in New Markets Tax Credit entities (Note 15)	56,188	46,266
	$ 3,602,202	$ 2,911,532

Equity Method Investments: At December 31, 2011 and 2010, NCBCI had an investment in ROC USA, LLC of $1,562,306 and $1,053,783, respectively. The increase in unrestricted net assets of ROC USA, LLC is allocated 33% to NCBCI, and the amount allocated to NCBCI for the years ended December 31, 2011 and 2010 was $508,523 and $287,277, respectively. As provided for in the operating agreement of ROC USA, LLC, there are certain limitations affecting member capital withdrawals. The following is a summary of the audited financial information of ROC USA, LLC for the years ended December 31, 2011 and 2010:

	2011	2010
Total assets	$ 19,931,699	$ 14,401,925
Total liabilities	10,643,785	6,740,491
Net assets	9,287,914	7,661,434
Total revenue	3,246,339	2,336,908
Total expenses	1,702,359	1,474,992
Change in unrestricted net assets	1,543,980	861,916
Change in temporarily restricted net assets	-	(250,000)

At December 31, 2011 and 2010, NCBCI had an investment in Charter School Financing Partnership, LLC (CSFP) of $0 and $0, respectively. The net loss of CSFP is allocated 18% to NCBCI and amounted to ($3,792) and ($26,840), respectively, for the years ended December 31, 2011 and 2010. During the year ended December 31, 2011, CSFP restructured its operating agreement and applied for exemption from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under 501(c)(3) of the Internal Revenue Code. The following is a summary of the audited financial information of CSFP for the years ended December 31, 2011 and 2010:

	2011	2010
Total assets	$ 18,694,397	$ 17,921,486
Total liabilities	14,907,219	17,912,702
Net assets/members' capital	3,787,178	8,784
Total revenue	194,593	140,121
Total expenses	215,660	289,232
Net loss	(21,067)	(149,111)

NCBCI has a 50% ownership interest in NCB Communities, LLC. NCB Communities, LLC reported no assets, liabilities, members' capital, revenue or expenses for the years ended December 31, 2011 and 2010.

Note 5. Investment in Joint Venture

During 2003, NCBCI contributed $6.4 million of grant funds received from the Department of Education ("USED") to the Charter School Capital Access Program, LLC ("CCAP") as a capital contribution. CCAP consists of two members: NCBCI and The Reinvestment Fund ("TRF"). Each member has a 50% voting interest in CCAP. NCBCI accounts for its investment in CCAP under the equity method of accounting. In March 2010, NCBCI and TRF amended the performance agreement with the USED to release $4,732,456 of restricted cash held for the first loan loss reserve in CCAP. NCBCI disbursed half of the proceeds to TRF to be used for the purpose of achieving the performance goals of the agreement dated March 1, 2010. Under the operating agreement, any earnings on the account, net of any expenditure of funds made in accordance with the USED Grant Agreement and loan losses are allocated to NCBCI's capital account. The remaining operating income is allocated 50% to each member. For the years ended December 31, 2011 and 2010, NCBCI's allocated portion of CCAP's net income (loss) totaled $54,504 and ($231,347), respectively, and is recorded as an equity method income (loss) in joint venture. At December 31, 2011 and 2010, NCBCI's investment totaled $1,989,178 and $1,934,674, respectively.

The summarized statements of financial position, operations and members' equity for CCAP are as follows:

	2011	2010
Summarized statements of financial position:		
Total assets	$ 12,542,918	$ 13,413,446
Total liabilities	$ 10,528,592	$ 11,451,801
Members' equity	2,014,326	1,961,645
Total liabilities and members' equity	$ 12,542,918	$ 13,413,446
Summarized statements of operations:		
Revenue	$ 818,252	$ 1,100,782
Expenses	765,571	1,332,642
Net income (loss)	$ 52,681	$ (231,860)
Summarized statements of members' equity:		
Return of capital	$ -	$ (4,732,456)

In 2010, NCBCI reduced its equity investment in CCAP to use the USED funds as enhancement for new charter school transactions. The reduction in equity was permitted by the lenders in CCAP to reduce the allowance/reserve balance to the minimum required for the remaining outstanding loans in CCAP.

Note 6. Contributions Receivable

As of December 31, 2011 and 2010, contributions receivable are due to be collected as follows:

	2011	2010
Receivable in one year or less	$ 1,435,945	$ 6,245,128
Receivable within 1 - 5 years	22,990	2,878,580
	1,458,935	9,123,708
Less: discount to present value at 2%	-	(137,612)
	$ 1,458,935	$ 8,986,096

As of December 31, 2011 and 2010, contributions receivable include amounts due from one foundation of $380,133 and $4,191,205, respectively.

Note 7. Loans Receivable

NCBCI makes Business Planning Advances ("BPAs") to eligible entities for technical assistance and predevelopment purposes. At December 31, 2011 and 2010, NCBCI had BPAs outstanding of $233,455 and $234,255, respectively.

NCBCI's loan portfolio is diversified in terms of industry. Following is the distribution of loans outstanding at December 31:

	2011	%	2010	%
By Industry:				
Affordable housing	$ 23,763,161	17	$ 18,636,653	14
Education	83,353,967	60	81,389,047	60
Health care	27,045,572	19	28,966,403	21
Community development	4,876,622	4	7,386,808	5
Total - NCBCI	139,039,322	100	136,378,911	100
CED	8,708,599		8,977,902	
Impact V CDE 7	31,494,217		25,000,000	
	$ 179,242,138		$ 170,356,813	

NCBCI is a development finance entity and in that capacity originates higher risk development loans in the following market sectors: affordable housing, education, health care, and community development. The loans originated by NCBCI are secured and unsecured and many times go to borrowers who may otherwise be unable to obtain conventional credit.

Real estate loans are used to finance the development of affordable housing projects and to provide term financing to the operation of affordable housing projects once they have been completed. Loans that are made to finance development are usually short-term and are repaid from either a construction or permanent loan. Term loans take the form of mortgages and are repaid from the operations of the real estate cooperative. Interest rates range from 1.25% to 7.88% and maturities from January 1, 2012 to August 1, 2041.

The commercial lending portfolio is diverse. Loans range from lines of credit to term loans. Loans are typically secured by general business assets (e.g. real estate, inventory, receivables, fixed assets, and leasehold interests). Loan underwriting decisions are made on the basis of the analysis of markets, management, and cash flow potential; and not primarily on the basis of collateral coverage. These loans are expected to be repaid from cash flows generated by the borrower's operating activities. Interest rates range from 1.0% to 9.75% and maturities from February 1, 2012 to June 14, 2045.

CED's loans receivable consist of advances to various healthcare entities and are secured by the real and personal property of the borrowers as described in the respective loan and security agreements. The notes bear annual interest at a fixed rate of 6%. Monthly payments of principal and interest are due in an amount sufficient to amortize the outstanding principal balance of the loans by their respective maturity dates. Upon maturity, all accrued and unpaid interest and outstanding principal are due. Maturities range from October 1, 2030 to March 1, 2032.

Note 7. Loans Receivable (Continued)

Impact V CDE 7's loans receivable consist of loan transactions. Each loan transaction has a Note 1 and a Note 2. Each Note 2 has an option that entitles the lender to accelerate the maturity date. In the event the lender exercises this option, the amount of principal the borrower is required to prepay is equivalent to 1% of the original principal amount of the Note 2 being accelerated. The remaining balance of the accelerated Note 2 will then be discharged at that time.

Note 8. Credit Quality

Loan Origination/Risk Management: The Organization has certain lending policies and procedures in place that are designed to maximize loan income within an acceptable level of risk. Management reviews and approves these policies and procedures on a regular basis. A reporting system supplements the review process by providing management with frequent reports related to loan production, loan quality, concentrations of credit, loan delinquencies and non-performing and potential problem loans. Diversification in the loan portfolio is a means of managing risk associated with fluctuations in economic conditions.

The Organization's lending is focused on owner-occupied commercial real estate in its primary sectors, which include education, health care, affordable housing and community development.

Commercial real estate loans are viewed primarily as cash flow loans and secondarily as loans secured by real estate. Commercial real estate lending typically involves higher loan principal amounts and the repayment of these loans is generally largely dependent on the successful operation of the property securing the loan or the business conducted on the property securing the loan. Commercial real estate loans may be more adversely affected by conditions in the real estate markets or in the general economy. The Organization mitigates this risk by focusing on owner-occupied commercial real estate transactions in its sectors of education and health care. Management monitors and evaluates commercial real estate loans based on collateral, geography and risk grade criteria.

Loans are underwritten after evaluating and understanding the borrower's ability to operate profitably and prudently expand its business. Once it is determined that the borrower's management possesses sound ethics and solid business acumen, the Organization's management examines current and projected cash flows to determine the ability of the borrower to repay their obligations as agreed. Loans are primarily made based on the identified cash flows of the borrower and secondarily on the underlying collateral provided by the borrower. The cash flows of borrowers, 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 and may incorporate a personal guarantee to attempt to reduce the risk of loss. Some short-term loans may be made on an unsecured basis.

Note 8. Credit Quality (Continued)

Age Analysis of Past Due Loans: The following table represents an aging of loans by category as of December 31, 2011. The table presents the principal amount outstanding on the loans which may be past due for principal and/or interest payments contractually due.

	30 - 59 Days Past Due	60 - 89 Days Past Due	90+ Days and Still Accruing	Non-accrual	Total Past Due	Current	Total Loans
Education	$ -	$ -	$ -	$ 2,240,078	$ 2,240,078	$ 81,113,889	$ 83,353,967
Health care	123,317	-	-	-	123,317	26,922,255	27,045,572
Affordable housing	334,392	71,228	-	1,661,953	2,067,573	21,695,588	23,763,161
Community development	-	-	-	-	-	4,876,622	4,876,622
Other	-	-	-	-	-	-	-
	$ 457,709	$ 71,228	$ -	$ 3,902,031	$ 4,430,968	$ 134,608,354	$ 139,039,322

Credit Quality Indicators: The Organization assigns internal credit classifications at the inception of each loan. These ratings are reviewed by an independent third party on a semi-annual basis as well as periodic internal reviews based on the Organization's credit guidelines and when loans are renewed. Quarterly reviews are required if the borrower fails to meet contractual expectations or other performance degradation that would warrant increased monitoring. If a loan is in default for a period of 90 days or more or when the contractual collection of principal or interest is in doubt, the loan would be placed on nonaccrual status and the credit quality would be downgraded to substandard. The following definitions summarize the basis for each classification.

For a Pass classification, borrowers have a clear ability to service debt from the primary repayment source, strong working capital position, acceptable leverage ratios, and stable operating trends. These credits must have current and regularly received financial information in the file, be in compliance with loan covenants, and be properly documented. Other characteristics include stable management, profitable operations for the past three years, and sufficient cash flow to service debt.

For a Watch classification, borrowers are generally acceptable risks but show some signs of weakness in cash flow or financial strength or have short or unstable earnings history. The borrower may be unable to achieve projected operations and/or may have covenant violations. These loans are performing as agreed and may be characterized by uncertain industry outlook, cyclical or highly competitive, greater sensitivity to market forces and business cycles, full collateral coverage, insufficient current financial information or outdated loan officer review to determine repayment ability, or weak management.

For a Special Mention classification, loans are currently protected but are potentially weak. These loans constitute an undue and unwarranted credit risk but not to the point of justifying a classification of substandard. The credit risk may be relatively minor yet constitute an unwarranted risk in light of the circumstances surrounding a specific loan. These loans may be characterized by a downward trend in sales profit levels and margins, cash flow strained in order to meet debt repayment schedule, non-compliance with covenants, high leverage and weak liquidity, weak industry conditions, or collateral impairment.

For a Substandard classification, loans are inadequately protected by the current net worth and repayment capacity of the obligor or of the collateral pledged, if any. Loans so classified must have a well-defined weakness or weaknesses that will jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Organization will sustain some loss if the deficiencies are not corrected.

Note 8. Credit Quality (Continued)

Credit Quality Indicators (Continued): *For a Doubtful classification*, loans have all the weaknesses of substandard loans with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. The possibility of loss is extremely high, but because of certain important, and reasonably specific, pending factors which may work to the advantage and strengthening of the loan, its classification as loss is deferred until its more exact status may be determined. Pending factors include proposed merger, acquisition, or liquidation procedures, capital injection, perfecting liens on additional collateral and refinancing plans.

The following table summarizes the loan portfolio by category of loan and the internally assigned credit quality ratings for those categories at December 31, 2011. The Organization did not acquire any loans with impaired credit quality during the year ended December 31, 2011.

	Education	Health Care	Affordable Housing	Community Development	Total
Pass	$ 36,969,399	$ 10,314,241	$ 2,506,794	$ 3,424,000	$ 53,214,434
Watch	42,477,468	13,976,605	16,367,074	745,689	73,566,836
Special Mention	737,879	1,530,116	2,520,056	400,000	5,188,051
Substandard	3,169,221	1,224,610	2,369,237	139,077	6,902,145
Doubtful	-	-	-	167,856	167,856
	$ 83,353,967	$ 27,045,572	$ 23,763,161	$ 4,876,622	$ 139,039,322

Allowance for Loan Losses: The following table summarizes the allowance for loan losses as of and for the year ended December 31, 2011, by loan category and the amount by category of the loans evaluated individually or collectively for impairment. The Organization did not acquire any loans with impaired credit quality during the year ended December 31, 2011.

	Education	Health Care	Affordable Housing	Community Development	Total
Allowance for loan losses:					
Beginning balance	$ 4,821,169	$ 1,687,409	$ 1,124,939	$ 401,764	$ 8,035,281
Charge-offs	(83,161)	(26,334)	(23,562)	(5,544)	(138,601)
Recoveries	40,754	12,906	11,547	2,717	67,924
Provisions	705,232	223,324	199,816	47,016	1,175,388
Ending Balance	$ 5,483,994	$ 1,897,305	$ 1,312,740	$ 445,953	$ 9,139,992
Ending balance of allowance for loan losses:					
Individually evaluated for impairment	$ 846,000	$ 644,412	$ 25,254	$ 142,713	$ 1,658,379
Collectively evaluated for impairment	4,637,994	1,252,893	1,287,486	303,240	7,481,613
Totals	$ 5,483,994	$ 1,897,305	$ 1,312,740	$ 445,953	$ 9,139,992
Loan ending balances					
Individually evaluated for impairment	$ 2,240,077	$ 1,622,336	$ 2,163,063	$ 167,856	$ 6,193,332
Collectively evaluated for impairment	81,113,890	25,423,236	21,600,098	4,708,766	132,845,990
Totals	$ 83,353,967	$ 27,045,572	$ 23,763,161	$ 4,876,622	$ 139,039,322

Note 8. Credit Quality (Continued)

Allowance for Loan Losses (Continued): The following is a summary of the activity in the allowance for loan losses for the year ended December 31, 2010:

Balance at beginning of year	$ 6,651,691
Provision for loan losses	1,603,160
Charge-offs, net of recoveries	(219,570)
Balance at end of year	$ 8,035,281

The allowance for loan losses as a percentage of loans outstanding at December 31, 2011 and 2010 was 6.5% and 5.89%, respectively, of NCBCI's loan portfolio. No allowance for loan losses was deemed necessary for CED or Impact V CDE 7 loans as of December 31, 2011 and 2010.

Impaired Loans: The following table summarizes the impaired loans as of December 31, 2011. The table segregates the loans by category of loan type and illustrates those with specific allowances for losses as well as impaired loans without specific allowances.

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Education	$ 354,077	$ 354,077	$ -	$ 354,077	$ -
Health care	548,316	548,316	-	274,158	-
Affordable housing	1,960,809	1,960,809	-	490,202	-
Community development	-	-	-	-	-
Other	-	-	-	-	-
Subtotal	2,863,202	2,863,202	-	1,118,437	-
With an allowance recorded:					
Education	1,886,000	1,886,000	846,000	1,886,000	-
Health care	1,074,020	1,074,020	644,412	1,074,020	-
Affordable housing	202,254	202,254	25,254	67,418	-
Community development	167,856	167,856	142,713	167,856	-
Other	-	-	-	-	-
Subtotal	3,330,130	3,330,130	1,658,379	3,195,294	-
Total:					
Education	2,240,077	2,240,077	846,000	2,240,077	-
Health care	1,622,336	1,622,336	644,412	1,348,178	-
Affordable housing	2,163,063	2,163,063	25,254	557,620	-
Community development	167,856	167,856	142,713	167,856	-
Other	-	-	-	-	-
Total	$ 6,193,332	$ 6,193,332	$ 1,658,379	$4,313,731	$ -

Note 8. Credit Quality (Continued)

Impaired Loans (Continued): Impaired loans include loans modified in troubled debt restructurings ("TDR's") where concessions have been granted to borrowers experiencing financial difficulties. These concessions could include a reduction of interest rate on the loan, payment extensions, forbearance, or other actions intended to maximize collection. At December 31, 2011, the Organization had approximately $716,173 that were classified as TDR's and included in impaired loans. At December 31, 2011, $716,173 of these loans were performing under their modified terms. They represent three loans in the health care and community development segments for which payment terms were modified and/or maturity dates were extended. None of the modifications represented forgiveness of debt. At December 31, 2011, there are no loans that are not performing according to their modified terms and are included in non-accrual loans. There was $1,086,782 in TDR's at December 31, 2010.

Information about non-accrual and impaired loans as of December 31, 2010 is as follows:

Impaired loans with a valuation allowance	$	1,492,248
Impaired loans without a valuation allowance		2,576,395
Total impaired loans	$	4,068,643
Valuation allowance related to impaired loans	$	559,901
Average balance of impaired loans	$	339,054
Loans on non-accrual	$	1,853,326
Interest income recognized on impaired loans	$	42,873
Loans past due 90 days and still accruing	$	-
Cash received on impaired loans	$	114,174

Credit Quality Information for CED and Impact V CDE 7: CED loans consist of five collateralized, interest bearing notes due from various healthcare entities (collectively, "the Borrowers"). Impact V CDE 7 loans consist of four collateralized, interest bearing notes from five entities representing two borrowers (collectively, "the Borrowers").

CED and Impact V CDE 7 (collectively, "the Companies") routinely evaluate the creditworthiness of the Borrowers and, if deemed necessary, establish reserves where the Companies believe collectability is no longer reasonably assured. Loans receivable are written down once management determines that the specific borrowers do not have the ability to repay the loans in full. The loans receivable are collateralized by a security interest in the underlying assets and/or other assets owned by the Borrowers. The Companies may incur losses in excess of recorded allowances if the financial condition of the Borrowers were to deteriorate or the full amount of any anticipated proceeds from the sale of the collateral supporting the Borrowers' financial obligations are not realized. Allowances for credit losses are maintained in amounts considered to be appropriate in relation to the loans receivable outstanding based on collection experience, economic conditions and credit risk quality. Delinquency is the primary indicator of credit quality. As of December 31, 2011 and 2010, no allowance for loan loss was recorded on the loans receivable for CED and Impact V CDE 7.

Note 9. Other Real Estate Owned (OREO)

Other real estate owned is presented net of a valuation allowance. An analysis of the valuation allowance on other real estate owned for the years ended December 31 is as follows:

	2011	2010
Balance at beginning of year	$ 219,153	$ -
Provision for losses	-	219,153
Charge-offs	(159,153)	-
Balance at end of year	$ 60,000	$ 219,153

Loss on sales of other real estate owned was $5,418 and $217,093 for the years ended December 31, 2011 and 2010, respectively.

Note 10. Other Assets

Included in other assets at December 31, 2011 and 2010 is a $1,000,000 cash deposit with Pacific Charter School Development (“PCSD”). PCSD is a not-for-profit organized under the laws of the State of California, and is committed to assisting charter schools secure adequate and affordable financing so that the schools can fulfill their mission of providing a program of public education to students. PCSD intends to provide credit enhancement facilities for bonds issued for the purpose of financing, or refinancing the acquisition, construction, expansion, repair, renovation or improvement or educational facilities for the benefit of Aspire Public Schools (“Aspire”). College for Certain, LLC, a California limited liability company (“CFC”), was formed for the purpose of financing and holding title to educational facilities on behalf of Aspire. CFC received bond proceeds from the California Statewide Communities Development Authority on April 1, 2010. PCSD and CFC entered into a letter of credit agreement for $17,000,000 that was backed by the $1,000,000 deposit made by NCBCI along with grants of $8,000,000 from the Bill & Melinda Gates Foundation and $8,000,000 from the Charles and Helen Schwab Foundation.

Also, included in other assets at December 31, 2011 is a $500,000 cash deposit with Charter School Financing Partnership (“CSFP”). In December 2011, NCBCI purchased a $500,000 participation interest in a $3,500,000 investment made by the Charter School Financing Partnership. The investment is in the form of a deposit to an account designated by the MATCH School Foundation (the "Foundation"). The Foundation used the funds to purchase Qualified Zone Academy Bonds Series 2011-A ("QZABs") issued by MATCH Public Charter School. The investment is secured by a subordinate interest in the QZABs. NCBCI used proceeds of a grant from the U.S. Department of Education ("DOE") received in a prior year to fund its participation. DOE approved the investment because DOE funds are being used to purchase an eligible instrument (QZABs). In return for its investment, NCBCI recognized a placement fee of $82,000 at closing; going forward NCBCI will receive interest on its investment of 0.25% per annum; plus a 2.75% asset management fee based on the outstanding balance of the investment. Additionally, two-thirds of the asset management fee earned by CSFP will be shared equally by its five partners. As a 20% owner of CSFP, NCBCI will receive its pro rata share of .36667% per annum.

Note 11. Notes Payable and Revolving Line of Credit

Notes payable and line of credit as of December 31 consist of the following:

	2011	2010
Calvert Foundation (a)	$ 4,000,000	$ 4,000,000
Chase New Markets Corporation (b)	5,250,000	5,250,000
Bank of America (c)	12,000,000	12,000,000
Merrill Lynch NMTC Corporation (d)	9,593,216	9,916,268
Ford Foundation (e)	2,539,375	2,466,131
Metropolitan Life Insurance Company (f)	5,000,000	5,000,000
Endowment for Health (g)	307,006	230,843
California Community Foundation (h)	824,151	806,804
Rasmuson Foundation (i)	694,994	680,366
PNC Bank (j)	3,746,362	-
Colorado Health Foundation (k)	-	-
JPMC Living Cities (l)	1,000,000	-
Living Cities Catalyst (m)	500,000	-
Robert Wood Johnson (n)	-	-
	45,455,104	40,350,412
Revolving line of credit (o)	9,100,000	28,000,000
Small Business Loan Fund (p)	8,218,000	-
	$ 62,773,104	$ 68,350,412

a) Note payable with the Calvert Foundation for funding loans in the general loan program, including interest at 4.5%, interest payable semiannually in June and December of each year. Under an amendment in 2009, the loan was increased to $4,000,000 and the maturity date was changed from September 2010 to September 2014. The note is unsecured.

b) Note payable with Chase New Markets Corporation in an amount up to $7,000,000. The agreement was amended November 20, 2007, December 28, 2007 and May 28, 2008. The note bears interest of 3.375%, interest is paid monthly and the principal payment is due at maturity, June 30, 2015. The note is unsecured.

c) Note payable with Bank of America in an amount up to $12,000,000. The note bears interest at 3.75% per annum through the maturity date of September 16, 2018. Quarterly payments of interest are due in arrears with annual principal payments of $3,000,000 due and payable beginning September 12, 2015. The note is unsecured.

d) Note payable with Merrill Lynch NMTC Corporation in an amount up to $10,000,000. The note is secured by the qualified loans made with the proceeds. Each draw on the agreement may bear either a fixed or floating rate of interest. The interest rate may be as follows:

   1) The higher of (i) LIBOR rate minus 2% and (ii) one half of one percent (.5%)
   2) The higher of (i) the prime rate minus 3.5%, to but excluding the first anniversary of the closing date or 2.5% from and after the first anniversary or the closing date or (ii) the Federal Fund rate minus .5%, and (iii) .5%.
   3) The U.S. Treasury Rate (equal to the term of the note) minus 1.25%.

   Monthly or quarterly payments of interest are due in arrears with principal payments due at maturity date of June 19, 2016. The interest rates at December 31, 2011 for the three draws are 1.952%, 1.806% and 1.956%. As of December 31, 2011 and 2010, loans in the amounts of $9,593,216 and $9,776,519, respectively, secured this note.

Note 11. Notes Payable and Revolving Line of Credit (Continued)

e) Note payable with Ford Foundation in the amount of $3,000,000. The note is unsecured. The note bears interest at 1% per annum through the maturity date of September 16, 2018. Quarterly payments of interest are due in arrears with annual principal payments of $1,000,000 due and payable beginning September 16, 2016. The loan proceeds are to be used to promote shared equity models of home ownership for low-income people in the U.S. Generally accepted accounting principles require interest expense and contribution revenue to be reported in connection with loans of cash to not-for-profit organizations that are interest free or that have below-market interest rates. The contribution of $694,056 is being amortized via the effective interest method and the accretion will increase interest expense and note payable. For the years ended December 31, 2011 and 2010, NCBCI recognized interest expense of $73,244 and $71,132 for the years ended December 31, 2011 and 2010, respectively.

f) Note payable with Metropolitan Life Insurance Company in the amount of $5,000,000 for funding loans to qualified nonprofits in California, to the extent permitted under the California Organized Investment Network (COIN) program. Under the COIN program, the lender receives a 20 percent tax credit from the State of California. The note is unsecured. The note bears interest at 0% per annum through the maturity date of November 24, 2014. The principal payment is due in full at maturity. Under terms of the COIN program, in the event of a recapture event, as defined, the loan must be repaid immediately and interest at 6% per annum will be retroactive.

g) Note payable with New Hampshire Endowment for Health in the amount of $1,500,000 for funding loans to independent, non-profit, community health facilities in the state of New Hampshire that provide services to low-income people. The note is unsecured. The note bears interest at 1% per annum through the maturity date on the fifth (5th) anniversary of the Closing date. Interest shall be paid beginning the second month following the Closing date. Full balance of principal shall be repaid in a single payment at maturity. The loan has a below-market interest rate and as such, the contribution will be amortized via the effective interest method and the accretion will increase interest expense and note payable. For the years ended December 31, 2011 and 2010, NCBCI has recorded contribution revenue of $7,638 and $20,392, respectively, and recognized interest expense of $8,801 and $1,234 for the years ended December 31, 2011 and 2010, respectively.

h) Note payable with California Community Foundation in the amount of $6,000,000 for funding loans to health clinics in Los Angeles County, CA that provide services to low-income people and for providing technical assistance to potential borrowers. Upon NCBCI obtaining capital commitments of at least $24,000,000 in the aggregate, California Community Foundation will advance to NCBCI loan funds in an amount up to 25% of the commitments. California Community Foundation's commitment to fund one-half of the total commitment expired on June 30, 2011. The remaining commitment to fund expired on October 31, 2011. The note is unsecured. The note bears interest at 1% per annum through the maturity date of June 30, 2018. Quarterly payments of interest are due in arrears with principal payment due at maturity. The loan has a below-market interest rate and as such, the contribution will be amortized via the effective interest method and the accretion will increase interest expense and note payable. For the years ended December 31, 2011 and 2010, NCBCI has recorded contribution revenue of $0 and $148,345, respectively, and recognized interest expense of $17,347 and $7,164 for the years ended December 31, 2011 and 2010, respectively.

Note 11. Notes Payable and Revolving Line of Credit (Continued)

i) Note payable with Rasmuson Foundation in the amount of $750,000 for funding loans to non-profit, community facilities in the state of Alaska that provide services and/or housing to low-income people. The note is unsecured. The note bears interest at 1% per annum through the maturity date of September 1, 2015 on the fifth (5th) anniversary of the Closing date. Interest shall be paid beginning the first month following the Closing date. Full balance of principal shall be repaid in a single payment at maturity. The loan has a below-market interest rate and as such, the contribution will be amortized via the effective interest method and the accretion will increase interest expense and note payable. For the years ended December 31, 2011 and 2010, NCBCI has recorded contribution revenue of $0 and $75,675, respectively, and recognized interest expense of $14,628 and $6,041 for the years ended December 31, 2011 and 2010, respectively.

j) Note payable with PNC Bank in the amount of $10,000,000 for funding development and construction projects located at PNC's key assessment areas. As of December 31, 2011 there was $3,746,362 outstanding. The note is unsecured. The note bears interest at 3.5% per annum through the maturity date of December 20, 2017. Full balance of principal shall be repaid in a single payment at maturity. Monthly payments of interest are due in arrears on the unpaid principal balance.

k) Note payable with Colorado Health Foundation in the amount of $3,000,000 for the funding of loans to grantees of the Colorado Health Foundation that are non-profit organizations in the state of Colorado that have limited access to capital and need access to working capital to meet the demand for their services; and are unable to obtain sufficient financing for these purposes on economically feasible terms from commercial sources. No amounts have been drawn on the note through December 31, 2011. The loan is unsecured. Any net loan loss shall be allocated one hundred percent to Colorado Health Foundation, provided, however that the maximum amount of the aggregate net loan losses allocable to the Colorado Health Foundation shall equal no more than $600,000. Any loan losses, up to the maximum $600,000, will be deducted from the principal balance owed to the Colorado Health Foundation. The note bears interest at 1.0% per annum through the maturity date of the third anniversary of the closing date. Payments must be made within 10 business days after (i) payment in full of any fund loan during the first year of fund loan or (ii) any payment of principal of a fund loan in the second year of a fund loan. NCBCI shall make a principal payment under the note equal to the principal payments so received by NCBCI. Monthly payments of interest are due in arrears on the unpaid balance.

l) A note payable in the amount of $15,000,000 with a consortium of lenders including JPMorgan Chase Bank, Bank of America, Deutsche Bank Trust Company Americas, MetLife Insurance Company of Connecticut, Morgan Stanley Bank National Association, The Prudential Insurance Company of America and AXA Equitable Life Insurance Company. Proceeds will be utilized to support the acquisition, construction, rehabilitation and new markets tax credit financing of community facilities, charter schools and mixed-use/income development in the Woodward corridor of Detroit. Each lender has varying commitments to make loans up to their commitment percentage during the draw period at interest rates comprising alternate base rate advances, fixed rate advances, LIBOR rate advances and NMTC advances. The maximum loan term is the shorter of 10 years or maturity of the loan fund debt commitments in March of 2018. Repayment is based on interest only payments payable monthly with full principal due at maturity. The loan is unsecured.

m) A note payable with Living Cities Catalyst Fund in the amount of $4,000,000 to support the acquisition, construction, rehabilitation and new markets tax credit financing of community facilities, charter schools and mixed-use/income development in the Woodward corridor of Detroit. Interest is at a fixed rate of 2.0% per annum payable quarterly. Repayment is in two equal installments payable on December 31, 2019 and December 31, 2020. The loan is unsecured.

Note 11. Notes Payable and Revolving Line of Credit (Continued)

n) On July 18, 2011, the Organization entered in to a credit agreement with the Robert Wood Johnson Foundation ("Foundation"). Under terms of the agreement, the Foundation made a commitment to provide debt financing of up to $10,000,000 for a term of up to ten years at a fixed rate of interest of 2% per annum. Proceeds will be used to finance eligible Green House Projects. As of December 31, 2011 the organization has not borrowed any funds under this facility.

o) Revolving line of credit in the aggregate amount of $45,000,000 from three lenders. The loan was amended in 2010 to update two lenders and the maturity date. The lenders changed from JPMorgan Chase Bank ($20,000,000), NCB ($10,000,000) and Wachovia Bank ($15,000,000), to JPMorgan Chase Bank ($20,000,000), Deutsche bank ($10,000,000) and Wells Fargo Bank ($15,000,000). The maturity changed from June 2010 to June 2013. The line of credit has an interest rate of 30 day LIBOR plus 1.00 until June 2010. Subsequent to June 2010, the interest rate changed to 30 day LIBOR plus 2.5%. The interest rate was 2.855% and 2.761% at December 31, 2011 and 2010, respectively.

p) A note payable in the amount of $8,218,000 with the Small Business Lending Fund (SBLF). The SBLF supports community banks and small businesses providing Tier 1 capital by authorizing the U.S. Department of the Treasury to buy preferred stock and other debt instruments from eligible financial institutions. The Treasury Department's capital investment is structured to reduce participants' borrowing costs. Interest is at a fixed rate of 2.0% per annum payable quarterly. The loan term is 8 years with the principal amount due in September of 2019. The loan is unsecured and subordinated to all other notes payable.

The Organization has certain debt agreements that contain both operational and financial covenants requiring the Organization to maintain minimum cash and cash equivalents balances and certain financial ratios.

Aggregate annual maturities of NCBCI's borrowings over each of the next five years and thereafter, as of December 31, 2011, are as follows:

Years Ending December 31,	
2012	$ -
2013	9,100,000
2014	9,307,006
2015	8,944,994
2016	13,439,674
Thereafter	21,981,430
	$ 62,773,104

Note 11. Notes Payable and Revolving Line of Credit (Continued)

Aggregate interest accretion of the Ford Foundation, Endowment for Health, California Community Foundation, and Rasmuson Foundation loans over each of the next five years and thereafter, as of December 31, 2011, is as follows:

Years Ending December 31,	Ford Foundation	Endowment for Health	California Community Foundation	Rasmuson Foundation	Totals
2012	$ 75,419	$ 6,421	$ 17,719	$ 14,942	$ 114,501
2013	77,659	6,560	18,100	15,264	117,583
2014	79,966	5,013	18,489	15,592	119,060
2015	82,341	-	18,887	9,208	110,436
2016	76,124	-	19,293	-	95,417
Thereafter	69,116	-	31,347	-	100,463
	$ 460,625	$ 17,994	$ 123,835	$ 55,006	$ 657,460

Note 12. Notes Payable - Subsidiaries

On February 3, 2005, CED entered into a loan commitment with Impact CalCare II CDE, LLC in an amount up to $20,000,000. As of December 31, 2011 and 2010, CED had drawn $10,015,000 under this commitment. The note is secured by the collateral and other security interests granted in CED's loans receivable. The note bears annual interest at 4% through the maturity date, November 1, 2030. Monthly payments of principal and interest are due, pursuant to a 25-year amortization schedule. Principal outstanding at December 31, 2011 and 2010 was $8,708,599 and $8,977,902, respectively. The loan commitment with Impact CalCare is with sole recourse to CED and includes no obligation for repayment on the part of NCBCI.

On September 29, 2010, Impact V CDE 7 entered into two loan agreements with Merrill Lynch NMTC Corp. in amounts up to $17,687,500 and $7,312,500. As of December 31, 2010, Impact V CDE 7 had fully drawn the aggregate amount of $25,000,000 under these loans. The notes are secured by the collateral and other security interests granted in Impact V CDE 7's loans receivable. The note in the amount of $17,687,500 bears interest at an annual rate based on the one-month LIBOR plus 3% (3.27022% as of December 31, 2011). Commencing November 1, 2010, monthly payments of interest only shall be due through September 29, 2030. The note in the amount of $7,312,500 bears annual interest at 2%. Commencing October 1, 2011, monthly payments of interest only shall be due through September 29, 2030. Commencing October 1, 2030 for both notes, monthly payments of principal and interest are due, pursuant to a 10-year amortization schedule in amounts sufficient to amortize the notes through maturity on September 29, 2040, at which time all outstanding principal and accrued interest shall be due.

On January 5, 2011, Impact V CDE 7 entered into two additional loan agreements with Merrill Lynch NMTC Corp. in the amounts of $4,594,659 and $1,899,558. The notes are secured by the collateral and other security interests granted in Impact V CDE 7's loans receivable. The note in the amount of $4,594,659 bears interest at the rate of 6.686% per annum. The note in the amount of $1,899,558 bears interest at the rate of 1.0% per annum. Commencing on February 1, 2011, monthly payments of interest only shall be due through January 1, 2031. Commencing February 1, 2031, monthly payments of principal and interest are due until maturity on January 5, 2041, at which time all outstanding principal and any accrued interest shall be due.

Note 12. Notes Payable - Subsidiaries (Continued)

Principal outstanding at December 31, 2011 and 2010 was $31,494,217 and $25,000,000, respectively. The loan payable with Merrill Lynch NMTC Corp. is with sole recourse to Impact V CDE 7 and includes no obligation for repayment on the part of NCBCI.

Aggregate annual maturities of CED's and Impact V CDE 7's borrowings over each of the next five years and thereafter, as of December 31, 2011, are as follows:

Years Ending December 31,	
2012	$ 284,638
2013	303,956
2014	322,971
2015	343,176
2016	363,354
Thereafter	38,584,721
	$ 40,202,816

Note 13. Restrictions on Net Assets

Temporarily restricted net assets are those net assets whose use by the Organization is limited by donors. At December 31, 2011 and 2010, temporarily restricted net assets consisted of the following:

	2011	2010
Department of Education - Charter School program	$ 15,041,265	$ 14,955,500
Healthy California	567,720	567,720
Shared Equity (Together We Can)	135,860	1,234,664
Robert Wood Johnson Foundation - Green House	3,322,757	5,266,987
Ford Foundation - Shared Equity (Note 11)	460,625	533,868
JP Morgan Chase - Charter School Lending	12,000,000	12,000,000
California Healthy Food Financing Initiative	6,038,042	3,000,000
CDFI Healthy Food Financing Initiative	3,000,000	-
Gates Foundation - Charter Schools Los Angeles, CA	396,679	802,128
Other programs	956,958	765,133
	$ 41,919,906	$ 39,126,000

Contributions receivable of $1,458,935 and $8,986,096, respectively, as of December 31, 2011 and 2010, were both time restricted and purpose restricted and are included in the above amounts.

At December 31, 2011 and 2010, permanently restricted net assets consisted of the following:

	2011	2010
Robert Wood Johnson Foundation - Revolving Loan Fund	$ 1,472,067	$ 1,591,908

Note 14. Related Party Transactions

NCB and NCB, FSB:

- In 2011 and 2010, NCBCI received payments from NCB for management of NCB's health care and affordable housing loan portfolios. These fees totaled $238,575 and $291,876 for the years ended December 31, 2011 and 2010, respectively.
- As of December 31, 2011 and 2010, NCBCI has a payable of $66,889 and $1,063,041, respectively, with NCB related to payments made by NCB on behalf of NCBCI throughout the year.
- NCB provides certain management, administrative, consulting, bookkeeping, loan servicing and computer services to NCBCI under a service agreement. Total fees paid for these services were $893,018 and $973,156 for the years ended December 31, 2011 and 2010, respectively and are included in the Management and General category in the statements of activities.
- NCBCI is allocated rent expense from NCB. Total rent payments were $488,315 and $469,754 for the years ended December 31, 2011 and 2010, respectively.
- NCBCI maintains cash accounts with NCB, FSB. Balances totaled approximately $23,661,168 and $9,249,959 as of December 31, 2011 and 2010, respectively. At December 31, 2011 and 2010, NCB, FSB is also holding certificates of deposit totaling $2,440,369 and $5,317,418, respectively, as custodian under the CDARS program.
- In the normal course of business, NCBCI and NCB will sell and purchase loan participations from each other. Such participations have included loans to:
  - The investor member of NCBDC Impact V Investment Fund 2, LLC. NCBCI's balance was $4,298,708 and $2,149,354 as of December 31, 2011 and 2010.
  - The investor member of NCBDC CDE 9, LLC. NCBCI's balance was $0 as of December 31, 2011 and 2010.
  - North Texas Public Broadcasting, Inc. NCBCI's balance was $2,005,000 as of December 31, 2011 and 2010.
- On February 7, 2011, NCBCI, NCB, FSB and NCB entered in to an MOU, which states that the three organizations will endeavor to work together on cooperative development and loans to underserved communities. Subsequent to the governance change of the Organization, it was the intent of the boards of directors for all three organizations for the organizations to continue their long history of collaborating on cooperative development and initiatives focused in low income communities.
  - In February 2011, NCBCI closed $2,046,362 in financing to Dayspring Investment Fund, LLC, ("Dayspring") as part of a NMTC transaction. NCB, FSB, simultaneously closed a $1,900,000 commitment to Dayspring. The loans pay interest only and are due and payable in November 2018. The Organization's debt is subordinate to NCB, FSB's exposure. NCB, FSB, independently underwrote and approved the transaction, which is serviced and monitored by the Organization under a separate agreement.
  - NCBCI also jointly participated with NCB, FSB, to make a new loan to the Alliance for College-Ready Public Schools. NCB, FSB, provided $6,000,000 in financing and NCBCI provided approximately $4,500,000 in financing as part of this NMTC transaction. The loans are due and payable in June 2016. NCBCI services the NMTC transaction for NCB, FSB under a separate agreement.

NCBCI and NCB each have a 50% interest in NCB Communities, LLC. NCBCI's investment in NCB Communities, LLC is $0 at December 31, 2011 and 2010. (Note 4).

The original non-managing member of Impact V CDE 7 was NCB. On September 28, 2010, NCB transferred its member interest to Impact NMTC Holdings, LLC. The members in Impact NMTC Holdings, LLC are NCBCI (99.99%) and NCB (0.01%).

Note 14. Related Party Transactions (Continued)

CCAP: NCBCI is a participant in a lending consortium that makes loans to CCAP (Note 5), which in turn, makes advances to charter schools. As of December 31, 2011 and 2010, NCBCI had loans receivable from CCAP of approximately $2,357,749 and $2,563,378, respectively, as a part of this lending consortium.

ROC USA, LLC: ROC USA Capital is a wholly-owned subsidiary of ROC USA, LLC (Note 1). NCBCI has purchased loan participations from ROC USA Capital in the ordinary course of business. Aggregate participation balances outstanding were $2,225,127 and $2,260,865 as of December 31, 2011 and 2010 respectively. NCBCI also entered into an agreement with ROC USA, LLC to earn continuing fees for loan servicing and compliance. The fees earned on the loans for the year ended December 31, 2011 and 2010 were $5,548 and $5,605, respectively.

CSFP: In December 2011, NCBCI purchased a $500,000 participation in a $3,500,000 investment made by the Charter School Financing Partnership, in which NCBCI is a 20% partner, as more fully described in Note 10.

CoopMetrics: During 2008, NCBCI entered into contract totaling $162,678 with CoopMetrics for services relating to a web-based, financial benchmarking system for Green House Replication Initiative (GHRI) participants. CoopMetrics' principals include an NCBCI Board Member. One of NCBCI's employees serves on the Board of CoopMetrics.

Other: In the normal course of business, members of the NCBCI Board of Directors may be related to cooperatives receiving or eligible to receive loans. NCBCI has conflict of interest policies, which require, among other things, that a board member be disassociated from decisions that pose a conflict of interest, or the appearance of a conflict of interest.

Loans to applicants who are affiliated with a member of the Organization's Board are subject to the same eligibility and credit criteria, as well as the same loan terms and conditions, as all other loan requests. Any new loan made to an organization related to a member of the Board is reported to the Finance and Audit Committee at the next regular meeting. An analysis of the activity during the years ended December 31, 2011 and 2010 for the aggregate amount of these loans is as follows:

Balance, January 1, 2010	$ 2,283,910
Net changes	4,976,955
Balance, December 31, 2010	7,260,865
Net changes	3,903,512
Balance, December 31, 2011	$ 11,164,377

Note 15. New Markets Tax Credit Program

During 2005, NCBCI implemented its New Markets Tax Credit ("NMTC") program and has created 46 new Limited Liability Companies (LLCs) through December 31, 2011. The LLCs were formed to obtain qualified equity investments from investors and make qualified investments in Qualified Active Low-Income Community Businesses in accordance with the terms of the NMTC program pursuant to Section 45D of the Internal Revenue Code. Investors made capital contributions of approximately $77.5 million and $75.1 million to these LLCs during 2011 and 2010, respectively, in anticipation of receiving new markets tax credits of approximately $38.4 million and $21.1 million in 2011 and 2010, respectively. NCBCI serves as the managing member of these LLCs, contributed nominal capital, and has financial interests in the NMTC entities noted below.

- Community Healthcare Development, LLC
- Community Education Development, LLC
- NCBDC CDE 4, LLC
- NCBDC CDE 5, LLC
- NCBDC CDE 6, LLC
- NCBDC CDE 7, LLC
- NCBDC CDE 8, LLC
- NCBDC CDE 9, LLC
- NCBDC CDE 11, LLC
- NCBDC CDE 20, LLC
- NCBDC CDE 21, LLC
- NCBDC CDE 22, LLC
- NCBDC CDE 23, LLC
- NCBDC CDE 24, LLC
- NCBDC CDE 25, LLC
- NCBDC CDE 26, LLC
- NCBDC CDE 27, LLC
- NCBDC CDE 28, LLC
- NCBDC CDE 29, LLC
- NCBDC CDE 30, LLC
- Impact V CDE 1, LLC
- Impact V CDE 2, LLC
- Impact V CDE 3, LLC
- Impact V CDE 4, LLC
- Impact V CDE 5, LLC
- Impact V CDE 6, LLC
- Impact V CDE 8, LLC
- Impact V CDE 9, LLC
- Impact VI CDE 1, LLC
- Impact VI CDE 2, LLC
- Impact VI CDE 3, LLC
- Impact VI CDE 4, LLC
- Impact VI CDE 5, LLC
- Impact VI CDE 6, LLC
- Impact VI CDE 7, LLC
- Impact VI CDE 8, LLC
- Impact VI CDE 10, LLC
- UPA Investment Fund, LLC
- Impact VII CDE 1, LLC
- Impact VII CDE 2, LLC
- Impact VII CDE 5, LLC

NCBCI also serves as the managing member of the Chase New Market Tax Credit Entities noted below.

- Chase NMTC DHHA, LLC
- Chase NMTC NCB Charter School Investment Fund, LLC
- Chase NMTC ExEd Charter School Investment Fund, LLC
- Chase NMTC Charter Oak Investment Fund, LLC
- Chase NMTC Henry Ford Academy Fund, LLC

Note 15. New Markets Tax Credit Program (Continued)

At December 31, 2011 and 2010, NCBCI had a .01% interest in each entity and the total amount of investment is as follows:

	Amount of Investment 2011	Amount of Investment 2010
NCBCI New Markets Tax Credit Entities	$ 53,540	$ 45,685
Chase New Market Tax Credit Entities	2,648	581
	$ 56,188	$ 46,266

The following is a summary of the audited financial information of these companies as of and for the years ended December 31, 2011 and 2010:

	2011	2010
Total assets	$ 435,107,281	$ 311,570,159
Total liabilities	69,385,990	7,655,964
Members' capital	365,721,291	303,914,195
Total revenue	15,091,781	10,499,012
Total expenses	5,939,947	2,404,307
Net income	9,151,834	8,094,705

Under the agreements with the LLCs, NCBCI earns fees for its initial services including investor syndication, LLC organization, loan origination, NMTC sub-allocation, etc. NCBCI also earns continuing fees for loan servicing and compliance. As explained in Note 1, NCBCI qualifies to use the residual method for these revenue arrangements with multiple deliverables. During the years ended December 31, 2011 and 2010, NCBCI earned approximately $1,769,937 and $1,252,643, respectively, of fees from these LLCs. In addition, as of December 31, 2011 and 2010, NCBCI reflected deferred revenue of approximately $21,685 and $58,858, respectively, that is included in accounts payable and accrued expenses and reflected accounts receivable of approximately $434,788 and $471,179, respectively.

In most of the agreements with the LLCs, NCBCI could be responsible for reimbursing the LLCs in the event of recapture and/or loss of the tax credits for failure to comply with Section 45D of the Internal Revenue Code as a result of errors made by NCBCI in its role as Managing Member. In most cases, the amount of reimbursement is limited to fees received or a multiple thereof. NCBCI has retained qualified consultants and implemented control systems to minimize the potential of any such recapture. Management believes the likelihood of recapture is remote and no liabilities have been recorded.

NCBCI was awarded its fourth and fifth NMTC allocations during 2009. The two allocations of $90,000,000 each were awarded in May and October of 2009, bringing the total NMTC allocation to $409,000,000.

Note 16. Commitments and Contingencies

The Organization leases its offices and certain office equipment under noncancelable operating leases. The Organization's future annual minimum payments under these leases, net of sublease income, are $692,128, $694,470, $620,994, $627,263, $627,358 and $3,395,312 for the years ending December 31, 2012, 2013, 2014, 2015, 2016, and thereafter, respectively. Rent expense, net of subleases, was $609,719 and $569,667 for the years ended December 31, 2011 and 2010, respectively.

The Organization is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers or business partners. These financial instruments include commitments to extend credit and standby letters of credit. These instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the balance sheet. The contract or notional amounts of these instruments reflect the extent of the Organization's involvement in these particular classes of financial instruments. The Organization's exposure to credit loss in the event of nonperformance by the other party to the financial instruments for commitments to extend credit and standby letters of credit is represented by the contractual or notional amount of those instruments. The Organization uses the same credit policies in making commitments and conditional obligations as they do for on-balance sheet instruments.

In the normal course of business, NCBCI makes commitments to extend term loans, BPAs and lines of credit, which are not reflected in the accompanying financial statements. The commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being completely drawn upon, the total commitment amounts do not necessarily represent future cash requirements. NCBCI evaluates each customer’s creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by NCBCI upon extension of credit, is based on management’s credit evaluation of the borrower. At December 31, 2011 and 2010, these outstanding commitments totaled $18,886,081 and $16,314,021, respectively.

Note 17. Employee Benefits

Substantially all employees are covered by NCB’s non-contributory defined contribution retirement plan. Total expense for the retirement plan for the years ended December 31, 2011 and 2010 was $349,281 and $288,814, respectively. NCBCI maintains through NCB an employee thrift plan organized under IRS Code Section 401(k) and contributes up to 6% of each participant’s salary. Contributions and expenses were $348,504 and $298,649 for 2011 and 2010, respectively.

Note 18. Fair Value

Fair Value Measurements: The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with the *Fair Value Measurements and Disclosures* topic of FASB ASC, the fair value of a financial instrument is 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. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Organization’s various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

Note 18. Fair Value (Continued)

Fair Value Measurements (Continued): If there has been a significant decrease in the volume and the level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions. A three-level hierarchy exists for fair value measurements based upon the inputs to the valuation of an asset or liability. The classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

Level 1: Valuation is based on quoted prices in active markets for identical assets or liabilities;

Level 2: Valuation is determined from observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument;

Level 3: Valuation is derived from model-based and other techniques in which one significant input is unobservable in the market and which may be based on the Organization's own estimates about assumptions that a market participant would use to value the asset or liability.

Fair Value on a Recurring Basis: The table below presents the financial assets measured at fair value on a recurring basis.

	December 31, 2011	Level 1	Level 2	Level 3
Assets:				
Marketable equity securities	$ 138,018	$ 138,018	$ -	$ -
Real estate investment trust	967,500	-	-	967,500
Other investments	628,180	-	-	628,180
	$ 1,733,698	$ 138,018	$ -	$ 1,595,680

	December 31, 2010	Level 1	Level 2	Level 3
Assets:				
Marketable equity securities	$ 155,040	$ 155,040	$ -	$ -
Real estate investment trust	677,000	-	-	677,000
Other investments	729,443	-	-	729,443
	$ 1,561,483	$ 155,040	$ -	$ 1,406,443

The following is a description of the valuation methodologies used for instruments measured at fair value. These valuation methodologies were applied to all of the Organization's financial assets and liabilities that are carried at fair value on a recurring basis.

Marketable Equity Securities: The fair value of these securities is the market value based on quoted market prices, or market prices provided by recognized broker dealers (Level 1).

Note 18. Fair Value (Continued)

Fair Value on a Recurring Basis (Continued):

Real Estate Investment Trust (REIT): The fair value of the REIT is based upon a dividend yield capitalization method of establishing fair value developed by the REIT and communicated to its investors. It reflects the nature of the REIT's business, and measures the REIT's ability to produce cash flow to pay dividends. Under the dividend yield capitalization methodology, the expected dividends for the upcoming 12 months are projected, imputing a dividend payout ratio of 90%. This imputed forward-looking dividend is then capitalized at the Dow Jones Corporate Financials Index yield - a composite of 32, long-term bond issuances from established, creditworthy financial institutions. Fair value is derived by capitalizing the projected dividend per share at this market yield and is also supported by the REIT's net asset valuation (NAV) under the rational that, the REIT is, at a minimum, worth the liquidation value of its assets.

Other Investments: The fair value of Other Investments is generally based upon the ending capital value evidenced by the issuers' K-1 or audited financial statements. In some instances, equity method is used as most closely approximating fair value.

There was no change in the valuation techniques used to measure fair value of investments in the years ended December 31, 2011 and 2010.

The changes in Level 3 assets measured at fair value on a recurring basis are summarized as follows:

	2011	2010
Beginning balance at January 1,	$ 1,406,443	$ 1,565,168
Total net gains (losses) included in change in net assets	126,854	(208,725)
Purchases	80,261	50,000
Distributions	(17,878)	-
Ending balance at December 31,	$ 1,595,680	$ 1,406,443

Fair Value on a Nonrecurring Basis: Certain financial instruments and liabilities are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). The table below presents the assets measured at fair value on a nonrecurring basis.

	December 31, 2011	Level 1	Level 2	Level 3
Assets:				
Impaired loans, net of specific reserves	$ 4,534,953	$ -	$ -	$4,534,953
OREO	1,591,712	-	-	1,591,712

	December 31, 2010	Level 1	Level 2	Level 3
Assets:				
Impaired loans, net of specific reserves	$ 3,508,742	$ -	$ -	$3,508,742
OREO	1,810,712	-	-	1,810,712

Note 18. Fair Value (Continued)

Fair Value on a Nonrecurring Basis (Continued):

Impaired Loans Net of Specific Reserves, which are measured for impairment using the loan's observable market price or the fair value of the collateral for collateral-dependent loans had a carrying amount of $6,193,332 and $4,068,643 with a valuation allowance of $1,658,379 and $559,901 for the years ended December 31, 2011 and 2010, respectively. 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. The valuation allowance for impaired loans is included in the allowance for loan losses in the statement of financial position.

OREO is carried at fair value, indicated by a current appraisal, adjusted for reasonable disposition costs. The appraised value may be discounted based on management's review and changes in market conditions (Level 3 inputs).

Fair Value of Financial Instruments: The following fair value estimates, methods and assumptions were used to estimate the fair value of each class of significant financial instruments not included in the fair value measurements disclosure above, for which it is practical to estimate that value.

Cash and Cash Equivalents (including restricted): The carrying amount of cash and cash equivalents approximates fair value.

Investments: The fair value of investments is based upon valuation methodologies as described above.

Loans Receivable: Fair values for loans in the portfolio are determined by segregating the portfolio by type such as loans having a fixed interest rate and loans having an adjustable interest rate. The fair values of fixed rate loans are calculated by discounting future cash flows through their weighted average months to maturity, using a weighted average interest rate for new financings within the Organization's market. Loans with an adjustable interest rate tied to prime, LIBOR or some other floating rate move with the market and are considered by management to be at fair value.

Debt: The fair values of debt included on the statement of financial position are calculated by discounting cash flows through their weighted average months to maturity, using rates currently offered for new issuances within the Organization's market.

The following table summarizes carrying amounts and fair values of financial instruments at December 31:

	2011		2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents (including restricted)	$ 44,373,450	$ 44,373,450	$ 38,329,302	$ 38,329,302
Investments	1,733,698	1,733,698	1,561,483	1,561,483
Loans receivable	139,039,322	110,067,390	170,356,813	127,046,875
Notes payable	45,455,104	38,573,753	40,350,412	30,872,216
Revolving lines of credit	9,100,000	9,100,000	28,000,000	28,000,000
Subordinated debt	8,218,000	6,063,147	-	-
Note payable - subsidiaries	40,202,816	20,102,141	33,977,902	13,610,440

For all other assets and liabilities, the carrying amount is assumed to approximate fair value.

Note 19. Subsequent Events

The Organization has evaluated its subsequent events (events occurring after December 31, 2011) through April 30, 2012, which represents the date the financial statements were available to be issued and noted the following:

On January 27, 2012, NCBCI was awarded a $1,500,000 grant from the Ford Foundation in support of the Cornerstone Partnership Initiative. The grant funds were received on February 24, 2012 and NCBCI intends to use these funds towards the match requirement for its Social Innovation Fund award.