

CHICAGO COMMUNITY LOAN FUND

FINANCIAL STATEMENTS

**For the Year Ended
December 31, 2009**

CHICAGO COMMUNITY LOAN FUND

Annual Financial Report

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Desmond & Ahern, Ltd.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Independent Auditor's Report

To the Board of Directors of
Chicago Community Loan Fund
Chicago, IL

We have audited the accompanying statement of financial position of Chicago Community Loan Fund (a non-profit organization) as of December 31, 2009, and the related statements of activities, functional expenses and cash flows for the year 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 audit. The prior year comparative information has been derived from the Organization's 2008 financial statements, which in our report dated May 6, 2009, we expressed an unqualified opinion.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chicago Community Loan Fund as of December 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Desmond & Ahern, Ltd.

April 9, 2010
Chicago, IL

CHICAGO COMMUNITY LOAN FUND
STATEMENT OF FINANCIAL POSITION
As of December 31, 2009 (with comparative totals for 2008)

| | Operating | | | Lending Capital | 2009 Total All Funds | 2008 Total All Funds |
|---|---------------------|-------------------------|---------------------|----------------------|-------------------------|-------------------------|
| | General | Technical Assistance | Total | | | |
| Assets | | | | | | |
| Current Assets | | | | | | |
| Cash and cash equivalents | \$ 2,564,731 | \$ - | \$ 2,564,731 | \$ 237,380 | \$ 2,802,111 | \$ 5,257,867 |
| Investments | - | - | - | 8,652,508 | 8,652,508 | 5,952,257 |
| Grants and contributions receivables | 25,000 | - | 25,000 | - | 25,000 | 1,023,219 |
| Interest receivable | 144,242 | - | 144,242 | 6,637 | 150,879 | 177,098 |
| Other receivables | 2,135 | - | 2,135 | - | 2,135 | 100,200 |
| Notes receivable net of allowance of \$397,094 and \$150,139, respectively | - | - | - | 2,656,237 | 2,656,237 | 2,216,159 |
| Prepays and deposits | 20,212 | - | 20,212 | - | 20,212 | 10,262 |
| Property held for sale | - | - | - | 120,001 | 120,001 | 275,000 |
| Interfund transactions | (343,557) | (38,935) | (382,492) | 382,492 | - | - |
| Total current assets | 2,412,763 | (38,935) | 2,373,828 | 12,055,255 | 14,429,083 | 15,012,062 |
| Long-Term Assets | | | | | | |
| Notes receivable, net of allowance of \$1,109,356 and \$1,182,372, respectively | - | - | - | 11,673,975 | 11,673,975 | 8,468,800 |
| Office equipment, net of accumulated depreciation of \$49,923 and \$40,406, respectively | 68,671 | - | 68,671 | - | 68,671 | 60,247 |
| Leasehold improvements, net of accumulated amortization of \$72,393 and \$63,344, respectively | 18,099 | - | 18,099 | - | 18,099 | 27,148 |
| Total long-term assets | 86,770 | - | 86,770 | 11,673,975 | 11,760,745 | 8,556,195 |
| Total Assets | \$ 2,499,533 | \$ (38,935) | \$ 2,460,598 | \$ 23,729,230 | \$ 26,189,828 | \$ 23,568,257 |
| Liabilities and Net Assets | | | | | | |
| Current Liabilities | | | | | | |
| Accounts payable | \$ 36,496 | \$ - | \$ 36,496 | \$ - | \$ 36,496 | \$ 26,443 |
| Line of credit | - | - | - | - | - | 26,556 |
| Accrued payroll | 11,438 | - | 11,438 | - | 11,438 | 6,114 |
| Funds held in trust | - | - | - | 2,160 | 2,160 | - |
| Deferred revenue | 147,410 | - | 147,410 | - | 147,410 | 147,410 |
| Senior loans payable - current | - | - | - | 1,645,136 | 1,645,136 | 1,315,136 |
| Subordinated loans payable- current | - | - | - | 4,600,000 | 4,600,000 | 1,600,000 |
| Total current liabilities | 195,344 | - | 195,344 | 6,247,296 | 6,442,640 | 3,121,659 |
| Long-Term Liabilities | | | | | | |
| Senior loans payable, less current portion | - | - | - | 7,455,300 | 7,455,300 | 5,256,800 |
| Subordinated loans payable, less current portion | - | - | - | 4,100,000 | 4,100,000 | 7,100,000 |
| Total long-term liabilities | - | - | - | 11,555,300 | 11,555,300 | 12,356,800 |
| Total liabilities | 195,344 | - | 195,344 | 17,802,596 | 17,997,940 | 15,478,459 |
| Net Assets | | | | | | |
| Unrestricted | | | | | | |
| Undesignated | 1,734,778 | (57,365) | 1,677,413 | - | 1,677,413 | 1,329,968 |
| Board designated (Note 7) | 439,800 | - | 439,800 | 4,156,171 | 4,595,971 | 4,329,032 |
| Total unrestricted net assets | 2,174,578 | (57,365) | 2,117,213 | 4,156,171 | 6,273,384 | 5,659,000 |
| Temporarily restricted | 129,611 | 18,430 | 148,041 | 45,145 | 193,186 | 730,480 |
| Permanently restricted | - | - | - | 1,725,318 | 1,725,318 | 1,700,318 |
| Total net assets | 2,304,189 | (38,935) | 2,265,254 | 5,926,634 | 8,191,888 | 8,089,798 |
| Total Liabilities and Net Assets | \$ 2,499,533 | \$ (38,935) | \$ 2,460,598 | \$ 23,729,230 | \$ 26,189,828 | \$ 23,568,257 |

See independent auditor's report and notes to financial statements.

**CHICAGO COMMUNITY LOAN FUND
STATEMENT OF ACTIVITIES
For the Year ended December 31, 2009 (with comparative totals for 2008)**

| | Lending Operations | | Operating | | Lending Capital | | 2009 Total All Funds | 2008 Total All Funds |
|--|--------------------|------------------------|--------------|------------------------|-----------------|------------------------|-------------------------|-------------------------|
| | Unrestricted | Temporarily Restricted | Unrestricted | Temporarily Restricted | Unrestricted | Temporarily Restricted | | |
| Revenue and Support | | | | | | | | |
| Grants and contributions | \$ 417,090 | \$ 175,000 | 42,698 | \$ 5,000 | \$ 350,000 | \$ - | \$ 1,014,788 | \$ 1,993,991 |
| Donated services | 300,093 | - | - | - | - | - | 300,093 | 216,549 |
| Notes receivable interest income | 831,315 | - | - | - | - | - | 831,315 | 784,294 |
| Investment income | 384,583 | - | - | - | - | - | 384,583 | 342,230 |
| Net investment unrealized/realized gain (loss) | - | - | - | - | (101,904) | - | (101,904) | 65,380 |
| Loan closing fees | 52,222 | - | - | - | - | - | 52,222 | 77,295 |
| Contracted services and workshops | - | - | 2,985 | - | - | - | 2,985 | 2,760 |
| Loss on disposal of fixed assets | - | - | - | - | - | - | - | (1,403) |
| Other | 409 | - | - | - | - | - | 409 | 484 |
| Net assets released from restrictions - satisfaction of program restrictions | 169,612 | (169,612) | 45,985 | (45,985) | 501,697 | (501,697) | - | - |
| Total Public Support and Revenue | 2,155,324 | 5,388 | 91,668 | (40,985) | 2,211,395 | 749,793 | 2,484,491 | 3,481,580 |
| Expenses | | | | | | | | |
| Program | 1,175,235 | - | 149,033 | - | 1,324,268 | 535,789 | 1,860,057 | 1,567,234 |
| Administrative | 437,483 | - | - | - | 437,483 | - | 437,483 | 457,818 |
| Fundraising | 84,861 | - | - | - | 84,861 | - | 84,861 | 72,316 |
| Total expenses | 1,697,579 | - | 149,033 | - | 1,846,612 | 535,789 | 2,382,401 | 2,097,368 |
| Change in Net Assets | 457,745 | 5,388 | (57,365) | (40,985) | 364,783 | 214,004 | 102,090 | 1,384,212 |
| Net Assets, Beginning of Year | 1,716,833 | 124,223 | - | 59,415 | 1,900,471 | 3,942,167 | 8,089,798 | 6,705,586 |
| Net Assets, End of Year | \$ 2,174,578 | \$ 129,611 | \$ (57,365) | \$ 18,430 | \$ 2,265,254 | \$ 4,156,171 | \$ 8,191,888 | \$ 8,089,798 |

See independent auditor's report and notes to financial statements.

CHICAGO COMMUNITY LOAN FUND
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2009 (with comparative totals for 2008)

| | <u>2009</u> | <u>2008</u> |
|--|----------------------------|----------------------------|
| <u>Cash Flows from Operating Activities</u> | | |
| Change in net assets | \$ 102,090 | \$ 1,384,212 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | | |
| Depreciation | 18,565 | 19,356 |
| Loans charged-off | (173,629) | - |
| Impairment of real estate owned | 174,814 | 299,910 |
| Provision for loan losses | 347,567 | 250,000 |
| Net unrealized (gain) loss on investments held | 101,904 | (65,380) |
| Decrease (increase) in | | |
| Funds Held in trust | 2,160 | - |
| Interest receivable | 26,219 | (40,098) |
| Grants and other receivables | 1,096,284 | 1,564,964 |
| Prepays and deposits | (9,950) | 333,474 |
| Decrease (increase) in accounts payable and accrued expenses | 15,377 | (30,840) |
| Increase in refundable advances | - | 52,560 |
| Net cash provided by operating activities | <u>1,701,401</u> | <u>3,768,158</u> |
| <u>Cash Flows from Investing Activities</u> | | |
| Proceeds from sales or maturities of investments | 6,410,714 | 6,080,567 |
| Purchase of investments | (9,212,869) | (9,209,591) |
| Decrease (increase) in notes receivable, net of repayment | (3,819,191) | 586,975 |
| Acquisition and capitalized costs of property held for sale | (19,815) | (574,910) |
| Purchase of office equipment | (17,940) | (9,352) |
| Net cash used by investing activities | <u>(6,659,101)</u> | <u>(3,126,311)</u> |
| <u>Cash Flows from Financing Activities</u> | | |
| Net change in short-term borrowing | (26,556) | 1,556 |
| Principal repayment of notes payable | - | (40,376) |
| Proceeds from senior loans payable | 2,686,000 | 2,401,500 |
| Proceeds from subordinated loans payable | - | 600,000 |
| Principal repayment of senior loans payable | (157,500) | (1,038,000) |
| Principal repayment of subordinated loans payable | - | (750,000) |
| Net cash provided by financing activities | <u>2,501,944</u> | <u>1,174,680</u> |
| Net increase (decrease) in cash and cash equivalents | (2,455,756) | 1,816,527 |
| Cash and cash equivalents, beginning of year | <u>5,257,867</u> | <u>3,441,340</u> |
| Cash and cash equivalents, end of year | <u>\$ 2,802,111</u> | <u>\$ 5,257,867</u> |
| <u>Supplemental Disclosure of Cash Flow Information</u> | | |
| Interest paid | <u>\$ 433,443</u> | <u>\$ 366,627</u> |

See independent auditor's report and notes to financial statements.

**CHICAGO COMMUNITY LOAN FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2009**

Note 1 – Nature of Operations and Summary of Significant Accounting Policies

Organization

The Chicago Community Loan Fund (CCLF) was incorporated on January 9, 1991 in the State of Illinois as a 501(c)3 exempt corporation from income taxes under the Internal Revenue Code. It provides low-cost, flexible financing to non- and for-profit community development organizations for the revitalization of low- and moderate-income neighborhoods throughout metropolitan Chicago. CCLF is a federally certified Community Development Financial Institution (CDFI). CCLF's programs are as follows:

Lending – CCLF operates as a revolving loan fund, providing financing through its loan pool of lending capital for affordable housing, non-profit facility and office space, commercial and retail development and other activities. These projects promise high social impact through the production and preservation of affordable housing, job creation and other services for low- and moderate income individuals, families and communities.

Technical Assistance – CCLF's *Gateway to Community Development* program provides technical assistance to borrowers and non-borrowers through time sensitive development advice and referrals, a range of workshop topics, facilitated planning processes and support for sustainable building practices.

Public Policy – CCLF supports independent, nonpartisan research and discussion on economic and social public issues to educate leaders in a course of action to improve tomorrow in the public laws and resource allocations of today.

Method of Accounting

The accounts and financial statements are maintained on the accrual basis of accounting and, accordingly, reflect all significant accounts receivable, accounts payable and other liabilities.

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenue, expenses, and gains and losses are classified based on the existence or absence of donor and Board imposed restrictions. The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets, if applicable.

CHICAGO COMMUNITY LOAN FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of the revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of demand deposits and money market accounts in federally insured and private insured accounts. At December 31, 2009, the Organization's cash balances did not exceed federally insured limits.

For purposes of the Statement of Financial Position and Statement of Cash Flows, the Organization considers all highly liquid debt instruments, if any, purchased with an original maturity of three months or less to be cash equivalents.

Notes Receivable

Notes receivable are stated at unpaid principal balances, less an allowance for loan losses. Interest on notes receivable is recognized over the term of the loan and is generally calculated using the simple-interest method on principal amounts outstanding.

Accrual of interest on a loan is discontinued when the Organization believes the collection of interest is doubtful. Income is subsequently recognized only to the extent cash payments are received until, in management's judgment, the borrower's ability to make periodic interest and principal payments is apparent, in which case the loan is returned to accrual status.

Notes receivable on which the accrual of interest has been discontinued, amounted to \$2,111,605 representing 13.3% of total outstanding notes receivable at December 31, 2009. If income on these loans had been accrued, interest income for the year would have increased by approximately \$111,383.

**CHICAGO COMMUNITY LOAN FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2009**

Allowance for Loan Loss

The Organization's policy is to set up a reserve in the loan fund at a minimum of 5% of total loans outstanding for loan losses, thereby reflecting the anticipated net realizable value of its loans receivable. The aggregate reserve amount is calculated on a loan-by-loan basis linked to the internally-determined grade. The loan grading evaluations take into consideration such factors as overall portfolio quality, review of specific problem loans, and current economic conditions that may affect the borrowers' ability to pay. It is the Organization's policy to review the allowance for loan losses periodically to ascertain its adequacy based upon recovery experience and delinquency rates. Loans are charged against the allowance for loan losses when the Organization believes that the collectibility of the principal is unlikely. During the year ended December 31, 2009, the organization charged-off loans totaling \$173,629.

In 2008, the Organization's per-borrower risk review process did not necessitate increasing its aggregate loan loss reserve. However, the Organization did elect to add a newly created loan reserve called "Economic Conditions" in light of the current uncertainty in the state and national economies. No change was made to this additional reserve for the year ended December 31, 2009.

Property and Equipment

Expenditures for property and equipment and items which substantially increase the useful lives of existing assets are capitalized at cost. The Organization provides for depreciation on the straight-line method at rates designed to depreciate the costs of assets over estimated useful lives or term of the lease as follows:

| | |
|-------------------------|--------------|
| Leasehold improvements | 10 years |
| Furniture and equipment | 3 - 10 years |

Property Held for Sale

Property held for sale includes foreclosed and surrendered properties for which the loan fund has taken physical possession, along with certain capitalized costs associated with maintaining and managing the properties. This real estate is recorded at the lower of its fair value less cost to sell or the balance of the associated non-performing loan. Subsequently, valuations are periodically performed by management and the property held for sale is carried at the lower of its recorded value or current fair value less cost to sell. Impairment losses on property held for sale are measured as the amount by which the carrying amount of a property exceeds its fair value and are recognized in the period in which the impairment occurs. Costs incurred in maintaining foreclosed real estate are capitalized to the property. Subsequent adjustments to the carrying value of the property are reflected as an impairment loss on real estate owned.

**CHICAGO COMMUNITY LOAN FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2009**

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and detailed in the Statement of Functional Expenses included in the supplementary information. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Donated Services

Contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

During the year, the Organization received and recognized certain donated legal, payroll and consulting services valued at \$252,717, \$2,376, and \$45,000 respectively.

Support and Revenue

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, 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.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations regarding how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Investments

Investments are carried at fair market value. Realized and unrealized gains and losses are reflected in the Statement of Activities.

Significant Concentrations

During the year ended December 31, 2009 the Organization received 49%, 17 % and 10% of its grants and contribution revenue from the MacArthur Foundation, Polk Brothers Foundation, and Grand Victoria Foundation, respectively. Future levels of program activities are dependent on continued funding as well as the continued support of private individuals, foundations and corporations.

**CHICAGO COMMUNITY LOAN FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2009**

Income Tax Status

Chicago Community Loan Fund was granted an exemption from federal income taxes by the Internal Revenue Service pursuant to the provisions of Internal Revenue Code Section 501(c)(3). The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization that is not a private foundation under Section 509(a)(1). The tax exempt purpose of the Organization and the nature in which it operates is described in the first paragraph of Note 1. The Organization continues to operate in compliance with its tax exempt purpose.

The Organization's annual information and income tax returns filed with the federal and state governments are subject to examination for the statutory period.

Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation of the prior year financial statements in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2008, from which the summarized information was derived.

Note 2 – Investments

Investments at December 31, 2009 consist of corporate debt, municipal debt, U.S. Agency securities, and certificates of deposit.

Note 3 – Fair Value Measurement

Professional accounting standards defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in Chicago Community Loan Fund's principal or most advantageous market in an orderly transaction between market participants on the measurement date.

Professional accounting standards establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

CHICAGO COMMUNITY LOAN FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The fair value of debt and equity investments that are readily marketable are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs) or by quoted market prices of similar securities with similar due dates or matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on securities' relationship to other benchmark quoted securities (Level 2 inputs).

Assets and Liabilities Measured on a Recurring Basis

Assets and liabilities measured at fair value on a recurring basis are summarized below:

| | Fair Value Measurements at December 31, 2009 Using | | |
|----------------------------------|--|-----------|---------|
| | Level 1 | Level 2 | Level 3 |
| Assets - U.S. Agency Securities | \$ 7,013,440 | \$ - | \$ - |
| Assets - certificates of deposit | - | 1,639,068 | - |

Note 4 – Notes Receivable – Loan Fund

Notes receivable at December 31, 2009 are comprised of the following:

| | Current | Long-Term | Total |
|-----------------------------|---------------------|----------------------|----------------------|
| Principal amount | \$ 3,053,331 | \$ 12,783,331 | \$ 15,836,662 |
| Reserve for loan loss | (147,094) | (1,109,356) | (1,256,450) |
| Additional economic reserve | (250,000) | - | (250,000) |
| Net notes receivable | <u>\$ 2,656,237</u> | <u>\$ 11,673,975</u> | <u>\$ 14,330,212</u> |

**CHICAGO COMMUNITY LOAN FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2009**

Expected repayment maturities of notes receivable are as follows:

| <u>Maturity</u> | <u>Principal Amount</u> |
|-----------------|-----------------------------|
| 2010 | \$ 3,053,331 |
| 2011 | 3,741,343 |
| 2012 | 1,113,407 |
| 2013 | 2,612,150 |
| 2014 | 404,710 |
| Thereafter | 4,911,721 |
| | <u>\$ 15,836,662</u> |

Note 5 – Long-Term Debt

CCLF enters into loan agreements, ranging from 1 to 16 years, with institutions and individuals to raise the capital necessary to issue loans for community development projects. While loans are generally unsecured, CCLF manages its capital according to stringent guidelines established by the Opportunity Finance Network (OFN), the national trade association for community loan funds. At December 31, 2009, long-term debt consisted of the following:

| <u>Senior Loans Payable</u> | <u>Principal Amount</u> | <u>Interest Rate</u> | <u>Scheduled Maturity Dates</u> |
|--|-----------------------------|--------------------------|---------------------------------|
| Private foundations | \$ 1,825,000 | 0% to 4.5% | February 2008 to January 2015 |
| Financial institutions and corporation | 4,719,636 | 0% to 4% | June 2005 to September 2018 |
| Religious organizations | 1,925,000 | 0% to 4% | December 2005 to August 2013 |
| Individuals | 405,800 | 0% to 3% | June 2005 to December 2013 |
| Other | 225,000 | 4.25% | December 2014 |
| | <u>9,100,436</u> | | |
| Less current portion | <u>(1,645,136)</u> | | |
| Net long-term, senior loans payable | <u>\$ 7,455,300</u> | | |

Subordinated Loans Payable

Since 1997, CCLF has entered into loan agreements with financial institutions and private foundations to enable CCLF to issue longer-term community loans. These loans are unsecured and are subordinate and junior in right of payment to all other obligations of CCLF. At December 31, 2009, subordinated loans payable are as follows:

CHICAGO COMMUNITY LOAN FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

| <u>Subordinate Loans Payable</u> | <u>Principal Amount</u> | <u>Interest Rate</u> | <u>Maturity Dates Through</u> |
|---|-----------------------------|--------------------------|-------------------------------|
| Private foundations | \$ 100,000 | 0% | On demand |
| Financial institutions | 8,300,000 | 2% to 3% | December 2017 |
| Federal Government (CDFI) | 300,000 | 2.09% | December 2018 |
| | <u>8,700,000</u> | | |
| Less current portion | <u>(4,600,000)</u> | | |
| Net long-term subordinate loans payable | <u>\$ 4,100,000</u> | | |

Future anticipated loan maturities at December 31, 2009 are as follows:

| | <u>Senior</u> | <u>Subordinate</u> | <u>Total</u> |
|------------|---------------------|---------------------|----------------------|
| 2010 | \$ 1,645,136 | \$ 4,600,000 | \$ 6,245,136 |
| 2011 | 352,300 | - | 352,300 |
| 2012 | 1,054,500 | - | 1,054,500 |
| 2013 | 823,500 | - | 823,500 |
| 2014 | 555,000 | - | 555,000 |
| Thereafter | <u>4,670,000</u> | <u>4,100,000</u> | <u>8,770,000</u> |
| | <u>\$ 9,100,436</u> | <u>\$ 8,700,000</u> | <u>\$ 17,800,436</u> |

The Organization is subject to certain debt covenants, as specified in the individual debt agreements. As of December 31, 2009, the Organization met the required covenants.

Note 6 – Leases

The Organization has a non-cancellable operating lease expiring in 2012 for its main office facility. Rental expense for the lease totaled \$64,984 for the year ended December 31, 2009.

Future minimum lease payments under the operating lease are as follows:

| | <u>Operating Lease</u> |
|------------------------------|----------------------------|
| 2010 | \$ 62,164 |
| 2011 | 63,720 |
| 2012 | <u>37,709</u> |
| Total minimum lease payments | <u>\$ 163,593</u> |

**CHICAGO COMMUNITY LOAN FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2009**

Note 7 – Board Designated Funds

CCLF’s Board of Directors has elected to establish an operating reserve fund. At December 31, 2009, unrestricted net assets of \$439,800 have been so designated, which represents 25% of total combined annual expenses of all funds excluding loan loss provisions and impairments on real estate owned. It is CCLF’s intent to maintain the reserve at a minimum of 25% of total annual expenses.

Furthermore, the Board has designated \$4,156,171 to lending capital to support future loan commitments.

Note 8 – Temporarily Restricted Net Assets

At December 31, 2009, net assets were temporarily restricted for the following purposes:

| | |
|---|-------------------|
| Community lending programs | \$ 45,145 |
| Staffing costs | 100,966 |
| Readiness workshops and other outreach activities | 3,352 |
| Foreclosure prevention | 15,078 |
| Common area costs | 3,645 |
| Future periods | 25,000 |
| | <u>\$ 193,186</u> |

Note 9 – Permanently Restricted Net Assets

Permanently restricted net assets represent donations to the lending capital fund which are to be maintained as permanent lending capital. The permanent lending capital is not intended to be a permanent source of income for the maintenance of the Organization. Therefore, the Chicago Community Loan Fund permanently restricted net assets are not endowments and not subject to UPMIFA.

Note 10 – Loan Commitments and Credit Risk

Loan Commitments

The Loan Fund has loan commitments and un-drawn portions of construction and pre-development loans of approximately \$2,758,314 at December 31, 2009. Since certain commitments to fund loans may expire without being used, the amount does not necessarily represent future cash commitments. In addition, commitments to extend credit are agreements to lend as long as there is no violation of any condition established in the contract. These commitments are not reflected in the financial statements.

**CHICAGO COMMUNITY LOAN FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2009**

Concentration of Credit Risk

The Organization generally grants collateralized loans to borrowers as outlined in Note 1. Although the Loan Fund has a diverse loan portfolio, a substantial portion of its debtor's ability to repay their obligations is dependent upon the local economic conditions.

Note 11 – Related Party Transactions

The Risk Management Committee chairperson is employed in a management position at a bank that provides CCLF with money management services. During the year ended December 31, 2009, these services amounted to \$13,395, of which \$4,711 was payable at year end.

A Board member is the Executive Director of a nonprofit organization that provided pro-bono legal services to CCLF of \$252,717 for the year. During the year ended December 31, 2009, CCLF also incurred \$10,000 for legal services with this organization.

One Board member provided donated payroll processing services to the Organization amounting to \$2,376.

During the year ended December 31, 2009, the Organization either loaned funds or committed resources to the following related nonprofit organizations:

Chicago Metropolitan Housing Development

The Executive Director of this organization is a Board member of CCLF. In 2008, a \$250,000 loan was issued at 6% interest, maturing in 2013, with required monthly payments of interest and principal. The outstanding balance on this loan at December 31, 2009 was \$243,811.

NASCO Properties, Inc.

A CCLF loan officer is on the Board of Directors of Campus Cooperative Development Corporation, an organization affiliated with NASCO Properties, Inc. In 2008, a construction loan in the amount of \$1,022,495 was approved to NASCO Properties, Inc. The loan is scheduled to mature in 2014 at an interest rate of 6.5%, with required monthly payments of interest and principal. The outstanding balance on this loan at December 31, 2009 was \$1,013,993.

The above loans all went through CCLF's rigorous loan committee process. The related party individuals had no decision-making role or influence in the approval process of these transactions. The lending interest rates charged and repayment terms are consistent with other loans issued during that year.

**CHICAGO COMMUNITY LOAN FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2009**

Note 12 – Employee Benefit Plan

The Organization offers a Simplified Employee Pension (SEP) plan as a benefit to its employees with more than one year of service. The Organization is not obligated to make contributions to the plan. At the Board's discretion, it may make contributions within the limits permitted under federal income tax rules. The Organization's policy is to fund pension costs as accrued. For the year ended December 31, 2009, the Organization contributed 6% of wages totaling \$20,863 to this plan.

Note 13 – Property Held for Sale

As of December 31, 2009, the estimated fair value of property held for sale is \$120,000. This amount represents three defaulted loan accounts upon which the Organization acquired the property. During the year ended December 31, 2009, the Organization recorded capitalized costs of \$19,814 to increase the carrying value of the property. The Organization recognized \$174,814 in impairment expense for management's estimate of the decrease in the fair market value of the properties as of December 31, 2009.

Note 14 – Subsequent Events

For the year ended December 31, 2009, the Organization's management has evaluated subsequent events through April 9, 2010 which is the date the financial statements were available to be issued. The following transaction has been identified to be disclosed.

In January 2010, six senior loan payable agreements that originally matured at December 31, 2009 were amended for terms ending December 2011 through December 2013. At December 31, 2009, these loans were reclassified as long term notes payable to the revised applicable periods.