

CHICAGO COMMUNITY LOAN FUND

FINANCIAL STATEMENTS

**For the Year Ended
December 31, 2010**

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, 2010, 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 summarized information has been derived from the Organization's 2009 financial statements, and, in our report dated April 9, 2010, we expressed an unqualified opinion on those financial statements.

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, 2010, 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.

June 3, 2011
Chicago, IL

CHICAGO COMMUNITY LOAN FUND
STATEMENT OF FINANCIAL POSITION
As of December 31, 2010 (with comparative totals for 2009)

	<u>Operating</u>			<u>Lending Capital</u>	2010	2009
	<u>General</u>	<u>Technical Assistance</u>	<u>Total</u>		<u>Total All Funds</u>	<u>Total All Funds</u>
<u>Assets</u>						
Current Assets						
Cash and cash equivalents	\$ 1,871,434	\$ -	\$ 1,871,434	\$ 296,092	\$ 2,167,526	\$ 2,802,111
Restricted cash - Kane County Revolving Loan Fund	-	-	-	323,000	323,000	-
Investments	-	-	-	8,458,395	8,458,395	8,652,508
Grants and contributions receivables	56,250	-	56,250	-	56,250	25,000
Interest receivable	113,910	-	113,910	-	113,910	144,242
Other receivables	21,884	-	21,884	106,638	128,522	8,772
Notes receivable net of allowance of \$1,479,792 and \$397,094, respectively	-	-	-	7,510,494	7,510,494	2,656,237
Prepays and deposits	15,967	-	15,967	-	15,967	20,212
Property held for sale	-	-	-	90,001	90,001	120,001
Interfund transactions	959,627	(181,898)	777,729	(777,729)	-	-
Total current assets	<u>3,039,072</u>	<u>(181,898)</u>	<u>2,857,174</u>	<u>16,006,891</u>	<u>18,864,065</u>	<u>14,429,083</u>
Long-Term Assets						
Notes receivable, net of allowance of \$1,007,065 and \$1,109,356, respectively	-	-	-	8,813,267	8,813,267	11,673,975
Office equipment, net of accumulated depreciation of \$61,048 and \$49,923, respectively	36,756	-	36,756	-	36,756	68,671
Leasehold improvements, net of accumulated amortization of \$81,442 and \$72,393, respectively	9,050	-	9,050	-	9,050	18,099
Total long-term assets	<u>45,806</u>	<u>-</u>	<u>45,806</u>	<u>8,813,267</u>	<u>8,859,073</u>	<u>11,760,745</u>
Total Assets	<u><u>\$ 3,084,878</u></u>	<u><u>\$ (181,898)</u></u>	<u><u>\$ 2,902,980</u></u>	<u><u>\$ 24,820,158</u></u>	<u><u>\$ 27,723,138</u></u>	<u><u>\$ 26,189,828</u></u>
<u>Liabilities and Net Assets</u>						
Current Liabilities						
Accounts payable	\$ 41,035	\$ -	\$ 41,035	\$ -	\$ 41,035	\$ 36,496
Accrued payroll	8,465	-	8,465	-	8,465	11,438
Funds held in trust	-	-	-	-	-	2,160
Deferred revenue	117,699	-	117,699	-	117,699	147,410
Senior loans payable - current	-	-	-	1,552,383	1,552,383	1,645,136
Subordinated loans payable - current	-	-	-	1,500,000	1,500,000	4,600,000
Kane County - revolving loan fund	-	-	-	323,000	323,000	-
Total current liabilities	<u>167,199</u>	<u>-</u>	<u>167,199</u>	<u>3,375,383</u>	<u>3,542,582</u>	<u>6,442,640</u>
Long-Term Liabilities						
Senior loans payable, less current portion	-	-	-	9,571,463	9,571,463	7,455,300
Subordinated loans payable, less current portion	-	-	-	6,300,000	6,300,000	4,100,000
Total long-term liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,871,463</u>	<u>15,871,463</u>	<u>11,555,300</u>
Total liabilities	<u>167,199</u>	<u>-</u>	<u>167,199</u>	<u>19,246,846</u>	<u>19,414,045</u>	<u>17,997,940</u>
Net Assets						
Unrestricted						
Undesignated	2,263,129	(216,976)	2,046,153	-	2,046,153	1,677,413
Board designated (Note 8)	472,473	-	472,473	3,784,769	4,257,242	4,595,971
Total unrestricted net assets	<u>2,735,602</u>	<u>(216,976)</u>	<u>2,518,626</u>	<u>3,784,769</u>	<u>6,303,395</u>	<u>6,273,384</u>
Temporarily restricted	182,077	35,078	217,155	38,225	255,380	193,186
Permanently restricted	-	-	-	1,750,318	1,750,318	1,725,318
Total net assets	<u>2,917,679</u>	<u>(181,898)</u>	<u>2,735,781</u>	<u>5,573,312</u>	<u>8,309,093</u>	<u>8,191,888</u>
Total Liabilities and Net Assets	<u><u>\$ 3,084,878</u></u>	<u><u>\$ (181,898)</u></u>	<u><u>\$ 2,902,980</u></u>	<u><u>\$ 24,820,158</u></u>	<u><u>\$ 27,723,138</u></u>	<u><u>\$ 26,189,828</u></u>

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

CHICAGO COMMUNITY LOAN FUND
STATEMENT OF ACTIVITIES
For the Year ended December 31, 2010 (with comparative totals for 2009)

	Lending Operations		Operating Technical Assistance		Total	Lending Capital			2010 Total All Funds	2009 Total All Funds
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted		Unrestricted	Temporarily Restricted	Permanently Restricted		
Revenue and Support										
Grants and contributions	\$ 336,558	\$ 236,250	34,259	\$ 20,000	\$ 627,067	\$ -	\$ 750,000	\$ 25,000	\$ 1,402,067	\$ 1,014,788
Donated services	83,539	-	-	-	83,539	-	-	-	83,539	300,093
Notes receivable interest income	989,502	-	-	-	989,502	-	-	-	989,502	831,315
Investment income	358,855	-	-	-	358,855	-	-	-	358,855	384,583
Net investment unrealized/realized loss	-	-	-	-	-	(61,480)	-	-	(61,480)	(101,904)
Loan closing fees	307,004	-	-	-	307,004	-	-	-	307,004	52,222
Contracted services and workshops	-	17,000	3,895	-	20,895	-	-	-	20,895	2,985
Loss on disposal of fixed assets	(37,632)	-	-	-	(37,632)	-	-	-	(37,632)	-
Other	-	-	2,908	-	2,908	-	-	-	2,908	409
Net assets released from restrictions - satisfaction of program restrictions	209,071	(200,784)	3,352	(3,352)	8,287	748,633	(756,920)	-	-	-
Total Public Support and Revenue	2,246,897	52,466	44,414	16,648	2,360,425	687,153	(6,920)	25,000	3,065,658	2,484,491
Expenses										
Program	1,147,141	-	204,025	-	1,351,166	1,058,555	-	-	2,409,721	1,860,057
Administrative	462,983	-	-	-	462,983	-	-	-	462,983	437,483
Fundraising	75,749	-	-	-	75,749	-	-	-	75,749	84,861
Total expenses	1,685,873	-	204,025	-	1,889,898	1,058,555	-	-	2,948,453	2,382,401
Change in Net Assets	561,024	52,466	(159,611)	16,648	470,527	(371,402)	(6,920)	25,000	117,205	102,090
Net Assets, Beginning of Year	2,174,578	129,611	(57,365)	18,430	2,265,254	4,156,171	45,145	1,725,318	8,191,888	8,089,798
Net Assets, End of Year	\$ 2,735,602	\$ 182,077	\$ (216,976)	\$ 35,078	\$ 2,735,781	\$ 3,784,769	\$ 38,225	\$ 1,750,318	\$ 8,309,093	\$ 8,191,888

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

**CHICAGO COMMUNITY LOAN FUND
STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended December 31, 2010 (with comparative totals for 2009)

	Lending Operations	Public Policy	Total Lending and Public Policy	Lending Capital	Technical Assistance	Total Program	Administrative	Fundraising	2010 Total	2009 Total
Functional Expenses										
Salaries	\$ 327,544	\$ 29,074	\$ 356,618	\$ -	\$ 123,433	\$ 480,051	\$ 201,713	\$ 55,417	\$ 737,181	\$ 636,581
Payroll taxes and fringe benefits	80,862	4,726	85,588	-	27,063	112,651	71,158	9,960	193,769	144,356
Professional fees and consultants	81,134	-	81,134	-	10,732	91,866	26,508	-	118,374	98,475
Donated services	26,635	-	26,635	-	-	26,635	56,904	-	83,539	300,093
Rent, utilities, and related charges	33,294	3,071	36,365	-	8,257	44,622	21,747	6,389	72,758	77,239
Telephone	111	-	111	-	-	111	6,611	-	6,722	7,550
Insurance	1,621	61	1,682	-	480	2,162	2,325	137	4,624	5,159
Equipment rental and maintenance	6,038	-	6,038	-	1,542	7,580	6,514	138	14,232	13,339
Supplies	4,001	-	4,001	-	1,505	5,506	10,638	445	16,589	20,359
Postage and delivery	991	-	991	-	2,344	3,335	774	83	4,192	3,850
Printing	25	-	25	-	2,856	2,881	1,947	-	4,828	2,510
Marketing	250	-	250	-	10,750	11,000	20,467	-	31,467	36,416
Travel	2,557	215	2,772	-	5,196	7,968	8,780	586	17,334	19,191
Meetings	1,189	133	1,322	-	994	2,316	3,819	59	6,194	6,778
Staff development	2,004	-	2,004	-	1,240	3,244	6,389	170	9,803	8,191
Dues and subscriptions	10,604	-	10,604	-	5,352	15,956	10,395	500	26,851	12,757
Investment management and bank fees	33,676	-	33,676	-	62	33,738	24	49	33,811	15,168
Depreciation	9,280	807	10,087	-	2,219	12,306	6,052	1,816	20,174	18,565
Interest	487,238	-	487,238	-	-	487,238	218	-	487,456	433,443
Maintenance of real estate owned	-	-	-	48,147	-	48,147	-	-	48,147	19,814
Loan loss allowance	-	-	-	980,408	-	980,408	-	-	980,408	347,567
Impairment on real estate owned	-	-	-	30,000	-	30,000	-	-	30,000	155,000
Total Expenses	\$ 1,109,054	\$ 38,087	\$ 1,147,141	\$ 1,058,555	\$ 204,025	\$ 2,409,721	\$ 462,983	\$ 75,749	\$ 2,948,453	\$ 2,382,401

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

CHICAGO COMMUNITY LOAN FUND
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2010 (with comparative totals for 2009)

	<u>2010</u>	<u>2009</u>
<u>Cash Flows from Operating Activities</u>		
Change in net assets	\$ 117,205	\$ 102,090
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	20,174	18,565
Loans charged-off	-	(173,629)
Impairment of real estate owned	30,000	155,000
Provision for loan losses	980,408	347,567
Net unrealized loss on investments held	61,480	101,904
Decrease (increase) in		
Funds Held in trust	(2,160)	2,160
Interest receivable	30,332	26,219
Grants and other receivables	(151,000)	1,096,284
Prepays and deposits	4,245	(9,950)
Decrease in accounts payable and accrued expenses	1,566	15,377
Decrease in refundable advances	(29,711)	-
Net cash provided by operating activities	<u>1,062,539</u>	<u>1,681,587</u>
<u>Cash Flows from Investing Activities</u>		
Proceeds from sales or maturities of investments	5,798,090	6,410,714
Purchase of investments	(5,665,457)	(9,212,869)
Decrease (increase) in notes receivable, net of repayment	(2,973,957)	(3,819,192)
Purchase of office equipment	20,790	(17,940)
Net cash used by investing activities	<u>(2,820,534)</u>	<u>(6,639,287)</u>
<u>Cash Flows from Financing Activities</u>		
Net change in short-term borrowing	-	(26,556)
Proceeds from senior loans payable	2,650,000	2,686,000
Proceeds from subordinated loans payable	200,000	-
Principal repayment of senior loans payable	(626,590)	(157,500)
Principal repayment of subordinated loans payable	(1,100,000)	-
Net cash provided by financing activities	<u>1,123,410</u>	<u>2,501,944</u>
Net decrease in cash and cash equivalents	(634,585)	(2,455,756)
Cash and cash equivalents, beginning of year	2,802,111	5,257,867
Cash and cash equivalents, end of year	<u>\$ 2,167,526</u>	<u>\$ 2,802,111</u>
<u>Supplemental Disclosure of Cash Flow Information</u>		
Interest paid	<u>\$ 487,456</u>	<u>\$ 433,443</u>

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

**CHICAGO COMMUNITY LOAN FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2010**

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-profit 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.

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.

CHICAGO COMMUNITY LOAN FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

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, 2010, the Organization's cash balances exceeded federally insured limits by approximately \$1,514,000.

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 \$2,368,047 representing 12.6% of total outstanding notes receivable at December 31, 2010. If income on these loans had been accrued, interest income for the year would have increased by approximately \$211,649.

Allowance for Loan Loss

The Organization's policy is to maintain 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, 2010, the Organization did not charge-off any loans.

In prior years the Organization also established an additional \$250,000 loan reserve called "Economic Conditions" in light of the current uncertainty in the state and national economies. No change has been made to this additional reserve for the year ended December 31, 2010.

**CHICAGO COMMUNITY LOAN FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2010**

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, with subsequent adjustments to the carrying value of the property reflected as an impairment loss on real estate owned.

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 and payroll services valued at \$81,072 and \$2,467 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.

CHICAGO COMMUNITY LOAN FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

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 value. Realized and unrealized gains and losses are reflected in the Statement of Activities.

Significant Concentrations

During the year ended December 31, 2010 the Organization received 57 % and 12% of its grants and contribution revenue from the Community Development Financial Institutions Fund (CDFI) and the Polk Brothers Foundation, respectively. Future levels of program activities are dependent on continued funding as well as the continued support of private individuals, foundations and corporations.

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, 2009, from which the summarized information was derived.

Reclassifications

Certain amounts previously reported in the 2009 financial statements have been reclassified to conform to the 2010 presentation.

**CHICAGO COMMUNITY LOAN FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2010**

Note 2 – Investments

Investments at December 31, 2010 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.

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, 2010		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets - U.S. Agency securities	\$ 3,487,632	\$ -	\$ -
Assets - municipal debt	2,720,715		
Assets - corporate debt	526,950		

CHICAGO COMMUNITY LOAN FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

Note 4 – Notes Receivable – Loan Fund

Notes receivable at December 31, 2010 are comprised of the following:

	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Principal amount	\$ 8,990,286	\$ 9,820,332	\$ 18,810,618
Reserve for loan loss	(1,229,792)	(1,007,065)	(2,236,857)
Additional economic reserve	(250,000)	-	(250,000)
Net notes receivable	<u>\$ 7,510,494</u>	<u>\$ 8,813,267</u>	<u>\$ 16,323,761</u>

Expected repayment maturities of notes receivable are as follows:

<u>Maturity</u>	<u>Amount</u>
2011	\$ 8,990,286
2012	1,365,829
2013	1,667,708
2014	1,387,249
2015	293,334
Thereafter	5,106,212
	<u>\$ 18,810,618</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, 2010, 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	\$ 2,300,000	0% to 4.5%	September 2012 to December 2015
Financial institutions and corporations	6,587,822	0% to 3%	June 2009 to September 2018
Religious organizations	1,627,224	0% to 4%	December 2005 to December 2015
Individuals	383,800	0% to 3%	June 2004 to June 2015
Other	225,000	4.25%	December 2014
	11,123,846		
Less current portion	(1,552,383)		
Net long-term, senior loans payable	<u>\$ 9,571,463</u>		

CHICAGO COMMUNITY LOAN FUND
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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, 2010, subordinated loans payable are as follows:

<u>Subordinate Loans Payable</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Scheduled Maturity Dates</u>
Financial institutions	\$ 7,500,000	2% to 4%	December 2011 to September 2019
Federal Government (CDFI)	300,000	2.09%	December 2018
	<u>7,800,000</u>		
Less current portion	<u>(1,500,000)</u>		
Net long-term subordinate loans payable	<u><u>\$ 6,300,000</u></u>		

Future anticipated loan maturities at December 31, 2010 are as follows:

	<u>Senior</u>	<u>Subordinate</u>	<u>Total</u>
2011	\$ 1,552,383	\$ 1,500,000	\$ 3,052,383
2012	1,322,840	-	1,322,840
2013	1,822,123	-	1,822,123
2014	556,500	-	556,500
2015	1,870,000	-	1,870,000
Thereafter	<u>4,000,000</u>	<u>6,300,000</u>	<u>10,300,000</u>
	<u><u>\$ 11,123,846</u></u>	<u><u>\$ 7,800,000</u></u>	<u><u>\$ 18,923,846</u></u>

The Organization is subject to certain debt covenants, as specified in the individual debt agreements. As of December 31, 2010, the Organization has met the required covenants.

The Organization received a \$2,000,000 loan commitment from State Farm. At December 31, 2010, no withdrawals were made against this loan.

Note 6 – Kane County Revolving Loan Fund

The Organization has contracted with Kane County effective June 22, 2010 for \$340,000 to provide technical assistance and loan servicing resources for an Energy Efficiency Revolving Loan Fund through the U.S. Department of Energy's – Energy Efficiency Conservation Block Grant program. Loan size may be between \$10,000 and \$150,000 and the contract expires when the entire amount has been distributed. The Organization earned 5% or \$17,000 upon transfer of funds to the Organization and will earn 3% of each approved loan. No loans have been made with these funds at year end, so the balance in the account is \$323,000.

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Note 7 – Leases

The Organization has a non-cancellable operating lease expiring in 2012 for its main office facility. Rental expense for the lease totaled \$68,141 for the year ended December 31, 2010.

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

	<u>Operating Lease</u>
2011	\$ 63,720
2012	<u>37,709</u>
Total minimum lease payments	<u><u>\$ 101,429</u></u>

Note 8 – Board Designated Funds

CCLF’s Board of Directors has elected to establish an operating reserve fund. At December 31, 2010, unrestricted net assets of \$472,473 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 \$3,784,769 to lending capital to support future loan commitments.

Note 9 – Temporarily Restricted Net Assets

At December 31, 2010, net assets were temporarily restricted for the following purposes:

Community lending programs	\$ 38,225
Staffing costs	76,043
Foreclosure prevention	15,078
Kane County revolving loan fund	17,000
Better understanding of market demands	30,000
Techincsl assistance	20,000
Common area costs	2,784
Future periods	<u>56,250</u>
	<u><u>\$ 255,380</u></u>

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Note 10 – 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 11 – 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 \$7,041,575 at December 31, 2010. 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.

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 12 – 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, 2010, these services amounted to \$13,391.

A Board member is the Executive Director of a nonprofit organization that provided \$81,072 of pro-bono legal services to CCLF for the year. During the year ended December 31, 2010, CCLF also incurred \$10,000 for legal services with this organization.

One Board member provided donated payroll processing services to the Organization amounting to \$2,466.

During the year ended December 31, 2010, the Organization had loaned funds 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, 2010 was \$240,655.

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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, 2010 was \$1,001,995.

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 the respective year.

During 2010, the Organization received a senior loan from Charter One Bank for \$2,000,000. The loan carries an interest rate of 2% per annum plus the LIBOR rate. If the LIBOR rate is below 2%, then the interest rate shall mean a rate equal to 4%. The loan is scheduled to mature on January 13, 2013 with a final payment of \$1,000,000 at maturity. There are two \$500,000 payments scheduled during the term of the agreement on or before the dates of March 31, 2011 and December 31, 2011. The Senior Vice President/Division Head of Charter One Bank is a Board member of CCLF. The outstanding balance on this senior loan at December 31, 2010 was \$2,000,000.

Note 13 – 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, 2010, the Organization contributed 6% of wages totaling \$37,140 to this plan.

Note 14 – Property Held for Sale

As of December 31, 2010, the estimated fair value of property held for sale was \$90,001. There were no significant capitalized costs to increase the carrying value of the property. The expense recorded for managing and maintaining the property, including insurance, utilities, and real estate taxes, amounted to \$48,147 for the year ended December 31, 2010. A decrease of \$30,000 in the fair value of the property, according to management's estimates, was recognized and recorded during the year.

**CHICAGO COMMUNITY LOAN FUND
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Note 15 – Conditional Promises to Give

The Organization received a \$500,000 Grant from the City of Chicago for the Small Business Development Revolving Loan Program. This grant is a conditional promise to give upon disbursement of loan funds to small businesses. No conditions were met on this award and therefore no revenue has been recognized on the Statement of Activities at December 31, 2010.

Note 16 – Subsequent Events

For the year ended December 31, 2010, the Organization's management has evaluated subsequent events through June 3, 2011 which is the date the financial statements were available to be issued. The following transaction has been identified to be disclosed:

On March 4, 2011, the NSP2 grant was awarded to the Organization to continue the Neighborhood Stabilization Program with Mercy Portfolio Services and the City of Chicago.