CHICAGO COMMUNITY LOAN FUND

FINANCIAL STATEMENTS

For the Year Ended
December 31, 2011

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, 2011, 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 comparative information has been derived from the Organization's 2010 financial statements, and, in our report dated June 3, 2011, 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, 2011, 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 11, 2012
(except for Note 16, as to which the date is September 21, 2012)
Chicago, IL

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CHICAGO COMMUNITY LOAN FUND
STATEMENT OF FINANCIAL POSITION
As of December 31, 2011 (with comparative totals for 2010)

	Operating					
	General	Technical Assistance	Total	Lending Capital	2011 Total All Funds	2010 Total All Funds
Assets						
Current Assets						
Cash and cash equivalents	$ 1,775,804	$ -	$ 1,775,804	$ 1,459,591	$ 3,235,395	$ 2,167,526
Certificates of deposit	-	-	-	1,811,437	1,811,437	1,723,098
Restricted cash - Kane County Revolving Loan Fund	-	-	-	-	-	323,000
Investments	-	-	-	9,089,485	9,089,485	6,735,297
Grants and contributions receivables	56,250	-	56,250	-	56,250	56,250
Interest receivable	133,207	-	133,207	-	133,207	113,910
Other receivables	11,590	-	11,590	7,408	18,998	128,522
Notes receivable net of allowance of $799,313 and $1,479,792, respectively	-	-	-	8,132,099	8,132,099	7,510,494
Prepaids and deposits	13,767	-	13,767	-	13,767	15,967
Property held for sale	-	-	-	-	-	90,001
Interfund transactions	2,977,924	(248,381)	2,729,543	(2,729,543)	-	-
Total current assets	4,968,542	(248,381)	4,720,161	17,770,477	22,490,638	18,864,065
Long-Term Assets						
Notes receivable, net of allowance of $1,095,874 and $1,007,065, respectively	-	-	-	9,218,102	9,218,102	8,813,267
Office equipment, net of accumulated depreciation of $82,050 and $61,048, respectively	56,390	-	56,390	-	56,390	36,756
Leasehold improvements, net of accumulated amortization of $93,001 and $81,442, respectively	2,507	-	2,507	-	2,507	9,050
Total long-term assets	58,897	-	58,897	9,218,102	9,276,999	8,859,073
Total Assets	$ 5,027,439	$ (248,381)	$ 4,779,058	$ 26,988,579	$ 31,767,637	$ 27,723,138
Liabilities and Net Assets						
Current Liabilities						
Accounts payable	$ 156,128	$ -	$ 156,128	$ -	$ 156,128	$ 41,035
Accrued payroll	21,981	-	21,981	-	21,981	8,465
Refundable advances	-	-	-	400,000	400,000	117,699
Senior loans payable - current	-	-	-	1,433,983	1,433,983	1,552,383
Subordinated loans payable - current	-	-	-	1,600,000	1,600,000	1,500,000
Kane County - revolving loan fund	-	-	-	-	-	323,000
Total current liabilities	178,109	-	178,109	3,433,983	3,612,092	3,542,582
Long-Term Liabilities						
Senior loans payable, less current portion	-	-	-	8,745,214	8,745,214	9,571,463
Subordinated loans payable, less current portion	-	-	-	7,200,000	7,200,000	6,300,000
Total long-term liabilities	-	-	-	15,945,214	15,945,214	15,871,463
Total liabilities	178,109	-	178,109	19,379,197	19,557,306	19,414,045
Net Assets						
Unrestricted						
Undesignated	4,044,944	(313,459)	3,731,485	-	3,731,485	2,046,153
Board designated (Note 8)	602,250	-	602,250	3,795,839	4,398,089	4,257,242
Total unrestricted net assets	4,647,194	(313,459)	4,333,735	3,795,839	8,129,574	6,303,395
Temporarily restricted	202,136	65,078	267,214	38,225	305,439	255,380
Permanently restricted	-	-	-	3,775,318	3,775,318	1,750,318
Total net assets	4,849,330	(248,381)	4,600,949	7,609,382	12,210,331	8,309,093
Total Liabilities and Net Assets	$ 5,027,439	$ (248,381)	$ 4,779,058	$ 26,988,579	$ 31,767,637	$ 27,723,138

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

CHICAGO COMMUNITY LOAN FUND
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2011 (with comparative totals for 2010)

	Operating					Lending Capital				
	Lending Operations		Technical Assistance							
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	2011 Total All Funds	2010 Total All Funds
Revenue and Support										
Grants and contributions	$ 321,075	$ 226,250	90,400	$ 30,000	$ 667,725	$ -	$ 1,600,000	$ 2,025,000	$ 4,292,725	$ 1,402,067
Donated services	230,051	-	-	-	230,051	-	-	-	230,051	83,539
Notes receivable interest income	1,012,162	-	-	-	1,012,162	-	-	-	1,012,162	989,502
Investment income	440,843	-	-	-	440,843	-	-	-	440,843	358,855
Net investment unrealized/realized gain (loss)	56,766	-	-	-	56,766	625,994	-	-	682,760	(61,480)
Loan closing fees	308,220	-	-	-	308,220	-	-	-	308,220	307,004
Contracted services and workshops	-	-	4,308	-	4,308	-	-	-	4,308	20,895
Loss on disposal of fixed assets	-	-	-	-	-	-	-	-	-	(37,632)
Other	-	-	-	-	-	-	-	-	-	2,908
Special Events	102,250	-	-	-	102,250	-	-	-	102,250	-
Net assets released from restrictions - satisfaction of program restrictions	206,191	(206,191)	-	-	-	1,600,000	(1,600,000)	-	-	-
Total Public Support and Revenue	2,677,558	20,059	94,708	30,000	2,822,325	2,225,994	-	2,025,000	7,073,319	3,065,658
Expenses										
Program	1,514,250	-	191,191	-	1,705,441	763,082	-	-	2,468,523	2,409,721
Administrative	539,567	-	-	-	539,567	-	-	-	539,567	462,983
Fundraising	163,991	-	-	-	163,991	-	-	-	163,991	75,749
Total expenses	2,217,808	-	191,191	-	2,408,999	763,082	-	-	3,172,081	2,948,453
Change in Net Assets	459,750	20,059	(96,483)	30,000	413,326	1,462,912	-	2,025,000	3,901,238	117,205
Transfer between unrestricted funds	1,451,842	-	-	-	1,451,842	(1,451,842)	-	-	-	-
Net Assets, Beginning 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
Net Assets, End of Year	$ 4,647,194	$ 202,136	$ (313,459)	$ 65,078	$ 4,600,949	$ 3,795,839	$ 38,225	$ 3,775,318	$ 12,210,331	$ 8,309,093

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

CHICAGO COMMUNITY LOAN FUND
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2011 (with comparative totals for 2010)

	Lending Operations	Public Policy	Total Lending and Public Policy	Lending Capital	Technical Assistance	Total Program	Administrative	Fundraising	2011 Total	2010 Total
Functional Expenses										
Salaries	$ 313,013	$ 37,220	$ 350,233	$ -	$ 110,104	$ 460,337	$ 230,829	$ 81,890	$ 773,056	$ 737,181
Payroll taxes and fringe benefits	98,940	6,732	105,672	-	39,373	145,045	89,087	16,747	250,879	193,769
Professional fees and consultants	161,894	-	161,894	-	9,154	171,048	71,421	113	242,582	118,374
Donated services	186,423	-	186,423	-	-	186,423	43,628	-	230,051	83,539
Rent, utilities, and related charges	33,490	3,186	36,676	-	7,987	44,663	22,145	6,609	73,417	72,758
Telephone	255	-	255	-	356	611	6,981	30	7,622	6,722
Insurance	1,528	50	1,578	-	1,127	2,705	2,216	150	5,071	4,624
Equipment rental and maintenance	5,180	-	5,180	-	1,875	7,055	5,329	100	12,484	14,232
Supplies	2,741	-	2,741	-	2,466	5,207	7,486	362	13,055	16,589
Postage and delivery	995	-	995	-	1,809	2,804	675	433	3,912	4,192
Printing	-	-	-	-	1,401	1,401	170	-	1,571	4,828
Marketing	1,460	-	1,460	-	1,696	3,156	23,302	10,314	36,772	31,467
Travel	6,941	-	6,941	-	7,119	14,060	10,680	1,696	26,436	17,334
Meetings	1,477	-	1,477	-	231	1,708	4,662	46	6,416	6,194
Staff development	3,435	-	3,435	-	919	4,354	4,197	-	8,551	9,803
Dues and subscriptions	6,378	-	6,378	-	-	6,378	6,838	500	13,716	26,851
Investment management and bank fees	43,690	-	43,690	-	39	43,729	(1)	49	43,777	33,811
Depreciation	13,350	977	14,327	-	5,535	19,862	9,768	2,930	32,560	20,174
Interest	584,895	-	584,895	-	-	584,895	154	-	585,049	487,456
Special Events	-	-	-	-	-	-	-	42,022	42,022	-
Real estate owned	-	-	-	14,552	-	14,552	-	-	14,552	48,147
Loan loss allowance	-	-	-	748,530	-	748,530	-	-	748,530	980,408
Impairment on real estate owned	-	-	-	-	-	-	-	-	-	30,000
Total Expenses	$ 1,466,085	$ 48,165	$ 1,514,250	$ 763,082	$ 191,191	$ 2,468,523	$ 539,567	$ 163,991	$ 3,172,081	$ 2,948,453

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

CHICAGO COMMUNITY LOAN FUND
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2011 (with comparative totals for 2010)

	2011	2010
Cash Flows from Operating Activities		
Change in net assets	$ 3,901,238	$ 117,205
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	32,560	20,174
Loans charged-off	(1,340,200)	-
Impairment of real estate owned	-	30,000
Provision for loan losses	748,530	980,408
Net realized/unrealized (gain) loss on investments	(682,760)	61,480
Loss on disposal of fixed assets	-	37,632
Decrease (increase) in		
Funds held in trust	-	(2,160)
Interest receivable	(19,297)	30,332
Certificates of deposit	(88,339)	-
Grants and other receivables	109,524	(151,000)
Prepaids and deposits	2,200	4,245
Increase in accounts payable and accrued expenses	128,609	1,566
Increase (decrease) in refundable advances	282,301	(29,711)
Net cash provided by operating activities	3,074,366	1,100,171
Cash Flows from Investing Activities		
Proceeds from sales and principal paydowns on investments	3,466,079	5,798,090
Purchase of investments	(5,137,507)	(5,665,457)
Proceeds from sale of property held for sell	90,001	-
Increase in notes receivable, net of repayment	(434,770)	(2,973,957)
Purchase of office equipment and leasehold improvements	(45,651)	(16,842)
Net cash used by investing activities	(2,061,848)	(2,858,166)
Cash Flows from Financing Activities		
Proceeds from senior loans payable	514,030	2,650,000
Proceeds from subordinated loans payable	1,000,000	200,000
Principal repayment of senior loans payable	(1,458,679)	(626,590)
Principal repayment of subordinated loans payable	-	(1,100,000)
Net cash provided by financing activities	55,351	1,123,410
Net increase (decrease) in cash and cash equivalents	1,067,869	(634,585)
Cash and cash equivalents, beginning of year	2,167,526	2,802,111
Cash and cash equivalents, end of year	3,235,395	2,167,526
Supplemental Disclosure of Cash Flow Information		
Interest paid	$ 557,081	$ 487,456

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

CHICAGO COMMUNITY LOAN FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

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) corporation exempt 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.

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, 2011, the Organization's cash balances exceeded federally insured limits by approximately $2,351,000.

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.

Certificates of Deposit

Urban Partnership Bank is the custodian of the certificates of deposits. The certificates of deposit have been issued through the Certificate of Deposit Account Registry Service (CDARS) by one or more FDIC-insured depository institutions.

Investments

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

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.

Allowance for Loan Losses

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

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

The Organization's allowance for loan losses is that amount considered adequate to absorb probable losses in the portfolio based on management's evaluations of the size and current risk characteristics of the loan portfolio. Such evaluations consider prior loss experience, the risk rating distribution of the portfolios, the impact of current internal and external influences on credit loss and the levels of nonperforming loans. The Organization's policy is to maintain the reserve for loan losses at a minimum of 5% of total loans outstanding.

Specific allowances for loan losses are established for large impaired loans on an individual basis. 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. The specific allowance established for these loans is based on a thorough analysis of the most probable source of repayment, including the present value of the loan's expected future cash flow, the loan's estimated market value, or the estimated fair value of the underlying collateral.

General allowances are established for loans that can be grouped into pools based on similar characteristics. In this process, general allowance factors are based on an analysis of historical charge-off experience and expected losses given default derived from the Organization's internal risk rating process. These factors are developed and applied to the portfolio in terms of loan type. The qualitative factors associated with the allowances are subjective and require a high degree of management judgment. These factors include the credit quality statistics, recent economic uncertainty, losses incurred form recent events, and lagging data.

Under certain circumstances, the Organization will provide borrowers relief through loan restructurings. A restructuring of debt constitutes a troubled debt restructuring (TDR) if the Organization for economic or legal reasons related to the borrower's financial difficulties grants a concession to the borrower that it would not otherwise consider. TDR concessions can include reduction of interest rates, extension of maturity dates, forgiveness of principal and/or interest due, or acceptance of other assets in full or partial satisfaction of the debt. The Organization considers all aspects of the restructuring to determine whether it has granted a concession to the borrower. An insignificant delay in payment resulting from a restructuring is not deemed to be a concession and would not be considered to be a TDR. In addition, extensions of credit for certain pre-development and construction loan repayment delays are not considered to be a TDR.

The Organization has concluded that the impairment impact of troubled debt restructurings on its loan portfolio is not significant to the financial statements. As such these impairments are not individually tracked but rather are adequately included in the loss allowance provided on a pooled basis for the consumer loan portfolio.

The Organization maintains a general valuation allowance for different portfolio segments. Management evaluates these on a collective basis due to the nature of the portfolio. These portfolio segments and their risk characteristics are described as follows:

Pre-Development: These loans are offered to eligible non-profit organizations engaged in a community- based housing or economic development project and to disadvantaged or minority-owned for-profit firms engaged in a housing or economic development project which would benefit low to moderate-income families and individuals. The maximum term of these loans is two years. Collateral consists primarily of first mortgages (valid first lien on property), preferred and personal guaranties (generally unsecured); or other collateral such as cash, letters of credit, and a first- or second-position lien on other property. Risks associated with these loans include project and construction, market, repayment, collateral and security, and management risk.

Construction: These loans are offered to eligible non-profit organizations engaged in a community- based housing or economic development project and to disadvantaged or minority-owned for-profit firms engaged in a housing or economic development project which would benefit low to moderate-income families and individuals. The maximum term of these loans is two years. Collateral consists primarily of first mortgages (valid first lien on property) and personal guaranties (generally unsecured), though other collateral such as cash, letters of credit, and second-position property lien is accepted. Risks associated with these loans include project and construction, market, repayment, collateral and security, and management risk.

Mini-Permanent Mortgage: These loans are offered to eligible non-profit organizations engaged in a community- based housing or economic development project and to disadvantaged or minority-owned for-profit firms engaged in a housing or economic development project which would benefit low to moderate-income families and individuals. The maximum term of these loans is 15 years (with up to a 30 year maximum amortization). Collateral consists primarily of first mortgages (valid first lien on property) and personal guaranties (generally unsecured). Other collateral such as cash, letters of credit, and a second-position lien on property is accepted. Risks associated with these loans include market, repayment, collateral, security, and management risk.

Cooperative Housing: Offered to eligible low-income and limited equity housing cooperatives, with a maximum loan term of up to 15 years (with up to a 30 year maximum amortization). Collateral consists primarily of first mortgages (valid first lien on property) and personal guaranties (generally unsecured). Collateral such as cash, letters of credit, and a second-position lien on property are also accepted. Risks associated with these loans include market, repayment, collateral, security, and management risk.

Equipment and Working Capital: Offered to eligible organizations engaged in a community-based social service, housing or economic development project, with a maximum loan term of 5 years. Collateral consists primarily of first priority liens on equipment or a combination of first- or second-position liens on property along with guaranties, and other collateral including cash and letters of credit. Risks associated with these loans include market, repayment, collateral, and security risks.

Permanent Financing: These loans are notes purchased for LIHTC, NMTC, affordable housing, and social enterprise opportunities with a maximum loan term of up to 30 years (with up to a 30 year maximum amortization). Collateral consists primarily of first mortgages (valid first lien on property) and personal guarantees, although cash, letters of credit, and second position on property lien are also accepted. Risks associated with these loans include market, repayment, collateral, security, and management risk.

The Organization assigns a risk rating to loans and periodically performs detailed internal reviews of such loans over certain thresholds to identify credit risks and to assess the overall collectability of the portfolio. During the internal reviews, management monitors and analyzes the financial condition of borrowers and guarantors, trends in the industries in which the borrowers operate and the fair values of collateral securing the loans. These credit quality indicators are used to assign a risk rating to each individual loan. The risk ratings can be grouped into the following major categories, defined as follows:

Excellent Quality (A) an excellent quality loan is a credit with no existing or known potential weaknesses deserving of management's close attention. There is no present or potential risk of collection identifiable and it conforms in all respects to established underwriting policy standards.

Satisfactory Quality (B) A satisfactory quality loan remains acceptable and is performing, but either the borrower of the loan has a measure of risk that places it in the lower range of quality. Loans in the classification have the ability to repay in the normal course of business, but have risk factors that may have significant impact on the borrower. Satisfactory credit is considered credit worthy.

Substandard (C) A substandard credit is inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Assets so classified must have a well defined weakness or weaknesses that jeopardize the payment of the debt. They are characterized by the distinct possibility that the Organization will sustain some loss if the deficiencies are not corrected.

Doubtful (D) a loan classified as doubtful has all of the weaknesses inherent in a loan classified as substandard, 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 asset, and which are expected to be completed within a relative short period of time, its classification as an estimated loss is deferred until more exact status may be determined.

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, payroll services, and Strategic Planning Services valued at $207,551, $2,500 and $20,000 respectively.

In-Kind Contributions

In addition to receiving cash contributions, the Organization may receive in-kind contributions from donors. In accordance with generally accepted accounting principles, the Organization will record the estimated fair value of certain in-kind donations as an expense in its financial statements, and similarly record a corresponding donation by a like amount. For the year ended December 31, 2011, the Organization received in-kind direct benefit contributions valued at $17,000 for its 20th Anniversary Celebration special event.

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.

Significant Concentrations

During the year ended December 31, 2011 the Organization received 47 % and 37% of its grants and contribution revenue from the J.P. Morgan Chase and the Community Development Financial Institutions Fund (CDFI), 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 and Reclassifications

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, 2010, from which the summarized information was derived.

Certain amounts previously reported in the 2010 financial statements have been reclassified to conform to the 2011 presentation.

Note 2 – Investments

Investments at December 31, 2011 consist of U.S. Agency securities, corporate and municipal debt.

Note 3 – Fair Value Measurement

Generally Accepted Accounting Principles 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.

Generally Accepted Accounting Principles 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 then 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, 2011		
	Level 1	Level 2	Level 3
Assets - U.S. Agency securities	$ 2,418,266	$ -	$ -
Assets - municipal debt	6,088,109	-	-
Assets - corporate debt	583,110	-	-

Note 4 – Notes Receivable – Loan Fund

Notes receivable at December 31, 2011 are comprised of the following:

	Current	Long-Term	Total
Principal amount	$ 8,931,412	$ 10,313,976	$ 19,245,388
Reserve for loan loss	(799,313)	(1,095,874)	(1,895,187)
Net notes receivable	$ 8,132,099	$ 9,218,102	$ 17,350,201

Expected repayment maturities of notes receivable are as follows:

Maturity	Principal Amount
2012	$ 8,931,412
2013	2,439,596
2014	1,844,295
2015	302,675
2016	473,163
Thereafter	5,254,247
	$ 19,245,388

The allowance for loan losses and recorded investment in loans as of December 31, 2011 is as follows:

	Coop	Mini-Perm	Pre-Devel.	Constr/Rehab.	Equip/Working Capital	Permanent	Total
Reserve for Loan Losses							
Balance at beginning of year	$ 115,261	$ 1,200,047	$ 921,302	$ 243,147	$ 144	$ 6,956	$ 2,486,857
Provision for loans losses	(2,419)	293,591	407,319	46,472	3,814	(246)	748,530
Loans charged-off	-	(900,000)	(440,200)	-	-	-	(1,340,200)
Recoveries of loans previously charged-off	-	-	-	-	-	-	-
Balance at end of year	$ 112,842	$ 593,638	$ 888,421	$ 289,619	$ 3,958	$ 6,710	$ 1,895,187
Ending Balance							
Individually evaluated for impairment	$ -	$ 482,387	$ 788,984	$ 140,094	$ -	$ -	$ 1,411,465
Collectively evaluated for impairment	$ 101,253	$ 115,456	$ 106,313	$ 150,747	$ 3,943	$ 6,010	$ 483,722
Notes Receivable							
Ending Balance							
Individually evaluated for impairment	$ -	$ 1,113,103	$ 1,892,394	$ 208,128	$ -	$ -	$ 3,213,625
Collectively evaluated for impairment	$ 3,685,384	$ 3,514,705	$ 3,037,524	$ 5,460,892	$ 112,665	$ 220,593	$ 16,031,763

The following table shows the loan portfolio allocated by management's internal risk ratings at December 31, 2011:

Risk Rating	
(A) - Excellent quality	$ 8,241,598
(B) - Satisfactory quality	7,790,166
(C) - Special Mention/Watch	1,382,199
(D) - Substandard	1,831,426
Total	$ 19,245,388

The following table shows the loan portfolio segments allocated by payment activity at December 31, 2011. Loans are deemed performing if they are less than 90 days delinquent and still accruing interest.

	Credit Risk Profile by Payment Activity					
	Coop	Mini-Perm	Pre-Devel.	Constr/Rehab.	Equip/Working Capital	Permanent
Payment Activity						
Performing	$ 3,685,384	$ 4,088,431	$ 3,711,199	$ 5,460,892	$ 112,665	$ 220,593
Non-performing	-	539,377	1,218,719	208,128	-	-
Total	$ 3,685,384	$ 4,627,808	$ 4,929,918	$ 5,669,020	$ 112,665	$ 220,593

The following table shows an aging analysis of the loan portfolio by time past due at December 31, 2011:

	Accruing Interest			Non-Accrual	
	Current	30 - 89 Days Past Due	90 Days or More Past Due	90 Days or More Past Due	Total Loans
Coop Housing	$ 3,685,384	$ -	$ -	$ -	$ 3,685,384
Mini-Perm	4,088,431	-	539,377	-	4,627,808
Predevelopment	3,711,199	-	399,848	818,871	4,929,918
Construction and Rehab	5,460,892	-	-	208,128	5,669,020
Equipment and Working Capital	112,665	-	-	-	112,665
Permanent	220,593	-	-	-	220,593
Total	$ 17,279,163	$ -	$ 939,226	$ 1,026,999	$ 19,245,388

Interest income forgone on non-accrual loans totaled $74,394 for the year ended December 31, 2011.

The following table presents information related to impaired loans at December 31, 2011:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment
With no Related Allowance	$ -	$ -	$ -	$ -
With an Allowance Recorded	-	-	-	-
Coop Housing	-	-	-	-
Mini-Perm	-	-	-	-
Predevelopment	818,871	818,871	480,229	819,781
Construction and Rehab	208,128	208,128	114,470	208,128
Capital	-	-	-	-
Permanent	-	-	-	-
Total	$ 1,026,999	$ 1,026,999	$ 594,699	$ 1,027,909

The Organization has no commitments to lend additional funds to borrowers with loans whose terms have been modified in troubled debt restructurings or whose loans are in non-accrual.

	Modifications as of December 31, 2011		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Troubled Debt Restructurings	-	-	-
Coop Housing	-	-	-
Mini-Perm	1	203,065	203,065
Predevelopment	2	181,464	176,464
Construction and Rehab	-	-	-
Equipment and Working Capital	-	-	-
Permanent	-	-	-

Note 5 – Long-Term Debt and Line of Credit

CCLF enters into loan agreements 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, 2011, long-term debt consisted of the following:

Senior Loans Payable	Principal Amount	Interest Rate	Scheduled Maturity Dates
Private foundations	$ 2,300,000	0% to 4.5%	September 2012 to December 2015
Financial institutions and corporations	5,278,382	0% to 4%	February 2012 to September 2019
Religious organizations	1,887,985	0% to 4%	December 2011 to December 2015
Individuals	487,830	0% to 3%	June 2005 to June 2016
Other	225,000	4.25%	December 2014
	10,179,197		
Less current portion	(1,433,983)		
Net long-term, senior loans payable	$ 8,745,214		

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, 2011, subordinated loans payable are as follows:

Subordinate Loans Payable	Principal Amount	Interest Rate	Scheduled Maturity Dates
Financial institutions	$ 8,500,000	2% to 4%	December 2011 to September 2019
Federal Government (CDFI)	300,000	2.09%	December 2018
	8,800,000		
Less current portion	(1,600,000)		
Net long-term subordinate loans payable	$ 7,200,000		

Future anticipated loan maturities at December 31, 2011 are as follows:

	Senior	Subordinate	Total
2012	$ 1,433,983	$ 1,600,000	$ 3,033,983
2013	1,743,384	-	1,743,384
2014	575,830	-	575,830
2015	1,971,500	-	1,971,500
2016	454,500	1,000,000	1,454,500
Thereafter	4,000,000	6,200,000	10,200,000
	$ 10,179,197	$ 8,800,000	$ 18,979,197

The Organization is subject to certain debt covenants, as specified in the individual debt agreements. As of December 31, 2011, the Organization has met the required covenants.

The Organization has a $5,000,000 revolving line of credit with PNC Bank through June 30, 2012 with two extension options for a period of twelve months each available at the nine month anniversary of the loan closing for the line of credit. Advances under this revolving credit line are limited to the Neighborhood Stabilization Program II ("NSP II") Loan Pool to consist of 100% eligible notes receivable. Such advance rates are subject to the loan pool and periodic audits conducted by the Bank. The line is collateralized by the NSP II receivables financed with this credit. Interest is calculated at one month fully absorbed LIBOR plus 1.75 basis points fluctuating daily and is payable monthly. At December 31, 2011, no withdrawals were made on this line of credit.

Note 7 – Leases

The Organization has a non-cancellable operating lease expiring in July of 2012 for its main office facility. Rental expense for the lease totaled $68,859 for the year ended December 31, 2011. Future minimum lease payments under this operating lease are $37,709 for 2012.

Note 8 – Board Designated Funds

CCLF's Board of Directors has elected to establish an operating reserve fund. At December 31, 2011, unrestricted net assets of $602,250 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 $3,795,839 to lending capital to support future loan commitments.

Note 9 – Temporarily Restricted Net Assets

At December 31, 2011, net assets were temporarily restricted for the following purposes:

Community lending programs	$ 38,225
Staffing costs	113,102
Foreclosure prevention	15,078
Better understanding of market demands	30,000
Techincal assistance	50,000
Common area costs	2,784
Future periods	56,250
	$ 305,439

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 $8,062,870 at December 31, 2011. 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, 2011, these services amounted to $13,391.

One Board member provided donated payroll processing services to the Organization amounting to $2,500.

During the year ended December 31, 2011, 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, 2011 was $236,695.

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, 2011 was $989,194.

Interfaith Housing Development Corporation
The President of CCLF is on the Board of Directors of Interfaith Housing Development Corporation. On November 17, 2011, a predevelopment loan was approved to Interfaith Housing Development Corporation in the amount of $800,000. The loan is scheduled to mature on August 1, 2013 at an interest rate of 6% with required monthly payments of interest and principal. The outstanding balance on this loan at December 31, 2011 was $728,000.

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 the year ended December 31, 2011, the Organization had Senior and Subordinate loans from the following organizations that employed a Board member of CCLF when the loans were originated:

BMO Harris Bank/Financial Group
During the year ended December 31, 2007, the Organization received a subordinate Loan from BMO Harris Bank/Financial Group for $2,000,000. The loan is scheduled to mature on January 31, 2017 at an interest rate of 2.5% with a final payment of $2,000,000. The Vice President and Managing Director Community Development Lending and Investments is a Board member of CCLF. The outstanding balance on this subordinate loan at December 31, 2011 was $2,000,000 and CCLF paid BMO Harris approximately $50,000 of interest during 2011.

J.P. Morgan Chase
On November 1, 2004, the Organization received a subordinate Loan J.P. Morgan Chase for $1,500,000. The loan is scheduled to mature on December 1, 2012, at an interest rate of 2.0% with a final payment of $1,500,000. The Senior Vice President/Program Manager/ New Markets Tax Cr., is a Board member of CCLF. The outstanding balance on this subordinate loan at December 31, 2011 was $1,500,000 and CCLF paid J.P. Morgan Chase approximately $30,000 of interest during 2011.

Charter One Bank

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 be 4%. The loan is scheduled to mature on January 13, 2013 with a final payment of $1,000,000 at maturity. Payments of $500,000 each were made on March 31, 2011 and December 31, 2011, respectively. The Senior Vice President/Division Head of Charter One Bank was a Board member of CCLF during 2011. The outstanding balance on this senior loan at December 31, 2011 was $1,000,000.

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, 2011, the Organization contributed 6% of wages totaling $38,582 to this plan.

Note 14 – Property Held for Sale

As of December 31, 2011, the Organization had one property held for sale with an estimated net realizable fair value of $0. The expense recorded for managing and maintaining the properties, including insurance, utilities, real estate taxes, and various legal fees, amounted to $23,575 for the year ended December 31, 2011. During the year ended December 31, 2011 the Organization sold one property held for sale, recording in a net gain on disposal of $9,023.

Note 15 – Refundable Advance

The Organization received a $500,000 Grant from the City of Chicago for the Small Business Development Revolving Loan Program. This grant is conditional upon disbursement of loan funds to small businesses. At December 31, 2011, $100,000 of revenue was recognized, with the remainder $400,000 recorded as refundable advance.

Note 16 – Subsequent Events

For the year ended December 31, 2011, the Organization's management has evaluated subsequent events through September 21, 2012 which is the date the financial statements were available to be issued. Except as noted below, no subsequent events have been identified that are required to be disclosed at that date.

The Organization received funder clarification regarding the use of certain grant funds, which resulted in the recognition of $25,619 in additional revenue and a corresponding reduction in refundable advances.