

CHICAGO COMMUNITY LOAN FUND

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**For the Year Ended
December 31, 2013**

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 financial statements of Chicago Community Loan Fund (a non-profit organization), which comprise the statement of financial position as of December 31, 2013 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. The prior-year summarized comparative information has been derived from the Organization's 2012 financial statements in which we expressed an unqualified opinion on those financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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

Desmond & Ahern, Ltd

May 2, 2014
Chicago, IL

CHICAGO COMMUNITY LOAN FUND
STATEMENT OF FINANCIAL POSITION
As of December 31, 2013 (with comparative totals for 2012)

	Operating			Lending Capital	2013 Total All Funds	2012 Total All Funds	
	General	Technical Assistance	Economic Development				Total
Assets							
Current Assets							
Cash and cash equivalents	\$ 2,120,578	\$ -	\$ -	\$ 2,120,578	\$ 3,094,531	\$ 5,215,109	\$ 4,172,902
Certificates of deposit	-	-	-	-	-	-	500,000
Investments	-	-	-	-	9,251,939	9,251,939	10,266,648
Funds held for others	-	-	-	-	365,856	365,856	-
Grants and contributions receivables	57,000	-	-	57,000	-	57,000	1,453,806
Interest receivable	328,996	-	-	328,996	-	328,996	208,568
Other receivables	68,754	-	-	68,754	-	68,754	183,329
Notes receivable net of allowance of \$1,027,747	-	-	-	-	7,525,662	7,525,662	4,931,761
Prepays and deposits	9,864	-	-	9,864	-	9,864	9,621
Interfund balances	3,081,003	(387,063)	(43,949)	2,649,991	(2,649,991)	-	-
Total current assets	5,666,195	(387,063)	(43,949)	5,235,183	17,587,997	22,823,180	21,726,635
Long-Term Assets							
Notes receivable, net of allowance of \$927,224	-	-	-	-	21,423,706	21,423,706	13,204,072
Office equipment, net of accumulated depreciation	188,675	-	-	188,675	-	188,675	85,580
Leasehold improvements, net of accumulated amortization	102,951	-	-	102,951	-	102,951	43,162
Total long-term assets	291,626	-	-	291,626	21,423,706	21,715,332	13,332,814
Total Assets	\$ 5,957,821	\$ (387,063)	\$ (43,949)	\$ 5,526,809	\$ 39,011,703	\$ 44,538,512	\$ 35,059,449
Liabilities and Net Assets							
Current Liabilities							
Accounts payable	\$ 81,726	\$ -	\$ -	\$ 81,726	2,283	\$ 84,009	\$ 107,374
Accrued payroll	12,918	-	-	12,918	-	12,918	13,166
Funds held for others	-	-	-	-	365,856	365,856	-
Refundable advances	625,000	-	-	625,000	2,280,433	2,905,433	2,127,313
Interest payable	-	-	-	-	151,777	151,777	-
Senior loans payable - current	-	-	-	-	864,830	864,830	2,208,153
Subordinated loans payable - current	-	-	-	-	100,000	100,000	100,000
Total current liabilities	719,644	-	-	719,644	3,765,179	4,484,823	4,556,006
Long-Term Liabilities							
Notes Payable	-	-	-	-	2,000,000	2,000,000	-
Senior loans payable, less current portion	-	-	-	-	15,198,399	15,198,399	8,055,330
Subordinated loans payable, less current portion	-	-	-	-	8,700,000	8,700,000	8,300,000
Total long-term liabilities	-	-	-	-	25,898,399	25,898,399	16,355,330
Total liabilities	719,644	-	-	719,644	29,663,578	30,383,222	20,911,336
Net Assets							
Unrestricted							
Undesignated	4,422,479	(452,141)	(43,949)	3,926,389	-	3,926,389	5,722,693
Board designated (Note 11)	770,698	-	-	770,698	5,372,646	6,143,344	4,425,519
Total unrestricted net assets	5,193,177	(452,141)	(43,949)	4,697,087	5,372,646	10,069,733	10,148,212
Temporarily restricted	45,000	65,078	-	110,078	200,161	310,239	224,583
Permanently restricted	-	-	-	-	3,775,318	3,775,318	3,775,318
Total net assets	5,238,177	(387,063)	(43,949)	4,807,165	9,348,125	14,155,290	14,148,113
Total Liabilities and Net Assets	\$ 5,957,821	\$ (387,063)	\$ (43,949)	\$ 5,526,809	\$ 39,011,703	\$ 44,538,512	\$ 35,059,449

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

CHICAGO COMMUNITY LOAN FUND
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2013 (with comparative totals for 2012)

	Operating						Lending Capital			2013 Total All Funds	2012 Total All Funds	
	Lending Operations		Economic	Development	Technical Assistance		Unrestricted	Temporarily Restricted	Permanently Restricted			
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted						Total
Revenue and Support												
Grants and contributions	\$ 399,157	\$ 358,597	\$ 210	\$ -	\$ 34,000	\$ 50,000	\$ 841,964	\$ -	\$ 193,283	\$ -	\$ 1,035,247	\$ 2,386,042
Donated services	462,805	-	-	-	-	-	462,805	-	-	-	462,805	518,764
Notes receivable interest income	1,520,138	-	-	-	-	-	1,520,138	-	27,419	-	1,547,557	1,006,724
Investment income	421,526	-	-	-	-	-	421,526	-	-	-	421,526	508,833
Net investment unrealized/realized gain (loss)	51,370	-	-	-	-	-	51,370	(680,038)	-	-	(628,668)	175,625
Loan closing fees	354,531	-	-	-	-	-	354,531	-	-	-	354,531	332,937
Contracted services and workshops	-	-	-	75,000	4,728	-	79,728	-	-	-	79,728	1,967
Miscellaneous	17	-	-	-	2,000	-	2,017	-	-	-	2,017	159,420
Net assets released from restrictions - satisfaction of program restrictions	484,877	(484,877)	75,000	(75,000)	-	-	-	58,766	(58,766)	-	-	-
Total Public Support and Revenue	3,694,421	(126,280)	75,210	-	40,728	50,000	3,734,079	(621,272)	161,936	-	3,274,743	5,090,312
Expenses												
Program	2,026,411	-	119,159	-	158,750	-	2,304,320	256,985	-	-	2,561,305	2,548,110
Administrative	595,035	-	-	-	-	-	595,035	-	-	-	595,035	542,512
Fundraising	183,438	-	-	-	-	-	183,438	-	-	-	183,438	102,340
Total expenses	2,804,884	-	119,159	-	158,750	-	3,082,793	256,985	-	-	3,339,778	3,192,962
Change in Net Assets from Operations	889,537	(126,280)	(43,949)	-	(118,022)	50,000	651,286	(878,257)	161,936	-	(65,035)	1,897,350
Non-Operating Activities												
Recoveries on previously written-off loans	72,212	-	-	-	-	-	72,212	-	-	-	72,212	40,432
Total Non-Operating Activities	72,212	-	-	-	-	-	72,212	-	-	-	72,212	40,432
Change in Net Assets	961,749	(126,280)	(43,949)	-	(118,022)	50,000	723,498	(878,257)	161,936	-	7,177	1,937,782
Transfer between unrestricted funds	(2,518,206)	-	-	-	-	-	(2,518,206)	2,518,206	-	-	-	-
Net Assets, Beginning of Year	6,749,634	171,280	-	-	(334,119)	15,078	6,601,873	3,732,697	38,225	3,775,318	14,148,113	12,210,331
Net Assets, End of Year	\$ 5,193,177	\$ 45,000	\$ (43,949)	\$ -	\$ (452,141)	\$ 65,078	\$ 4,807,165	\$ 5,372,646	\$ 200,161	\$ 3,775,318	\$ 14,155,290	\$ 14,148,113

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

CHICAGO COMMUNITY LOAN FUND
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2013 (with comparative totals for 2012)

	Lending Operations	Public Policy	Total Lending and Public Policy	Lending Capital	Technical Assistance	Economic Development	Total Program	Administrative	Fundraising	2013 Total	2012 Total
Functional Expenses											
Salaries	\$ 484,784	\$ 31,594	\$ 516,378	\$ -	\$ 97,308	\$ -	\$ 613,686	\$ 319,520	\$ 129,018	\$ 1,062,224	\$ 876,529
Payroll taxes and fringe benefits	127,135	6,214	133,349	-	28,393	53	161,795	94,913	24,683	281,391	235,199
Professional fees and consultants	118,499	5,000	123,499	-	7,742	118,657	249,898	47,883	225	298,006	292,207
Donated services	459,805	-	459,805	-	-	-	459,805	3,000	-	462,805	518,764
Rent, utilities, and related charges	41,958	2,981	44,939	-	10,642	37	55,618	26,797	10,381	92,796	78,219
Telephone	2,200	-	2,200	-	135	-	2,335	11,454	42	13,831	8,991
Insurance	2,240	27	2,267	-	296	-	2,563	3,816	215	6,594	5,532
Equipment rental and maintenance	4,839	-	4,839	-	645	-	5,484	8,926	145	14,555	17,396
Supplies	2,899	-	2,899	-	2,072	6	4,977	5,913	2,598	13,488	13,957
Postage and delivery	1,343	-	1,343	-	207	-	1,550	1,102	219	2,871	1,575
Printing	497	-	497	-	244	-	741	1,034	3,544	5,319	980
Marketing	3,035	-	3,035	-	862	-	3,897	5,963	4,923	14,783	29,624
Travel	15,781	-	15,781	-	3,425	299	19,505	19,290	1,201	39,996	20,997
Meetings	1,494	-	1,494	-	64	107	1,665	6,672	75	8,412	6,656
Staff development	9,346	-	9,346	-	1,089	-	10,435	7,555	1,325	19,315	10,074
Dues and subscriptions	11,684	-	11,684	-	-	-	11,684	14,091	704	26,479	22,533
Investment management and bank fees	43,952	-	43,952	-	41	-	43,993	72	78	44,143	35,984
Depreciation	23,865	508	24,373	-	5,585	-	29,958	16,756	4,062	50,776	27,680
Interest	624,731	-	624,731	-	-	-	624,731	278	-	625,009	568,390
Real estate owned	-	-	-	6,567	-	-	6,567	-	-	6,567	2,190
Loan loss allowance	-	-	-	250,418	-	-	250,418	-	-	250,418	419,485
Total Expenses	\$ 1,980,087	\$ 46,324	\$ 2,026,411	\$ 256,985	\$ 158,750	\$ 119,159	\$ 2,561,305	\$ 595,035	\$ 183,438	\$ 3,339,778	\$ 3,192,962

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

CHICAGO COMMUNITY LOAN FUND
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2013 (with comparative totals for 2012)

	<u>2013</u>	<u>2012</u>
<u>Cash Flows from Operating Activities</u>		
Change in net assets	\$ 7,177	\$ 1,937,782
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	50,776	27,680
Loans charged-off	-	(610,119)
Provision for loan losses	250,418	419,485
Net realized/unrealized loss (gain) on investments	628,668	(175,625)
Decrease (increase) in		
Interest receivable	(120,428)	(53,117)
Grants and other receivables	1,511,381	(1,561,887)
Prepays and deposits	(243)	4,146
Increase (decrease) in		
Accounts payable and accrued expenses	(23,613)	(57,569)
Increase in refundable advances	778,120	1,727,313
Interest payable	151,777	-
Net cash provided by operating activities	<u>3,234,033</u>	<u>1,658,089</u>
<u>Cash Flows from Investing Activities</u>		
Certificates of deposit, net	500,000	1,311,437
Proceeds from sales and principal paydowns on investments	3,789,207	4,410,402
Purchase of investments	(3,403,166)	(5,434,184)
Increase in notes receivable, net of repayment	(11,063,953)	(594,998)
Purchase of office equipment and leasehold improvements	(213,660)	(97,525)
Net cash used by investing activities	<u>(10,391,572)</u>	<u>(404,868)</u>
<u>Cash Flows from Financing Activities</u>		
Proceeds from senior loans payable	6,675,000	250,000
Proceeds from subordinated loans payable	3,000,000	1,100,000
Proceeds from notes payable	2,000,000	-
Principal repayment of senior loans payable	(875,254)	(165,714)
Principal repayment of subordinated loans payable	(2,600,000)	(1,500,000)
Net cash provided (used) by financing activities	<u>8,199,746</u>	<u>(315,714)</u>
Net increase in cash and cash equivalents	1,042,207	937,507
Cash and cash equivalents, beginning of year	4,172,902	3,235,395
Cash and cash equivalents, end of year	<u>\$ 5,215,109</u>	<u>\$ 4,172,902</u>
<u>Supplemental Disclosure of Cash Flow Information</u>		
Interest paid (lending operations only)	<u>\$ 624,873</u>	<u>\$ 568,254</u>

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

**CHICAGO COMMUNITY LOAN FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2013**

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 flexible, affordable and responsible financing and technical assistance for community stabilization and development efforts and initiatives that benefit low- to moderate-income neighborhoods, families and individuals 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- to 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.

Economic Development – CCLF is historically a niche lender: one that meets the financing and technical assistance needs that are unmet in the low – to moderate-income communities. The 2012 – 2016 Strategic Plan has directed a course of collaborative relationships, exploration of available programs new to CCLF and the co-creation of programs to build communities. This program is designed to research and review such opportunities.

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, 2013

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)

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 privately insured accounts. At December 31, 2013 and 2012, the Organization's cash balances exceeded federally insured limits by approximately \$4,709,547 and \$2,436,000, respectively. At December 31, 2013 and 2012, there was also \$161,679 and \$50,078 of restricted cash pertaining to the Organization's Small Business Development Fund, respectively.

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 less than three months to be cash equivalents.

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 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

**CHICAGO COMMUNITY LOAN FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2013**

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)

as more information becomes available. 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 Lending Operations.

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 portfolio, 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 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 or the estimated fair value of the underlying collateral.

General allowances are established for loans rated 1 through 3 (rating categories are 1 through 6). 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 rating categories. 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 from 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 may 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 loan portfolio.

CHICAGO COMMUNITY LOAN FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)

The Organization maintains a general valuation allowance for different risk rating categories. 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 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 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 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.

Equipment and Working Capital: These loans are 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 personal guaranties, and other collateral including cash and letters of credit. Risks associated with these loans include market, repayment, collateral, and security risks.

**CHICAGO COMMUNITY LOAN FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2013**

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)

Permanent Financing: These loans are offered to eligible organizations engaged in Low Income Housing Tax Credit (LIHTC) projects. The maximum required term of these loans is 30 years; exceptional approval for a term longer than 15 years is obtained from both the Loan Committee and the Board of Directors. Collateral consists primarily of first mortgages (valid first lien on property) and personal guaranties, 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 reevaluate credit risks and to assess the overall collectability of the portfolio. During the internal reviews, management 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.

During the year ended December 31, 2013, the Organization expanded the risk rating categories used to estimate the loan loss reserve. The net effect of this change in accounting estimate is not material to the financial statements.

The risk ratings can be grouped into the following major categories, defined as follows:

1 (Minimal Risk): High degree of stability. Predictable cash flows and the statement of financial position shows excellent liquidity.

2 (Moderate Risk): Assets and cash flow are reasonably good. Demonstrated ability to repay debts with no negative trends.

3 (Acceptable Risk): Project is in development or has limited capital. Liquidity is lower than average. Primary and secondary sources of repayment are considered adequate to lower than average.

4 (Watch List/Special Mention): Credits with potential short term weaknesses that deserve management's close attention.

5 (Substandard): Assets that are inadequately protected by net worth, paying capacity of the borrower or collateral pledged. Well defined weakness jeopardizes the collection of the debt.

6 (Doubtful): Assets in this grade exhibit serious risks that may hinder the collection of the full loan balance. It may not be possible to calculate exactly what the loss may be, but the probability of some loss is greater than 50%. All loans in this grade will be placed on non-accrual, and are considered to be impaired for reporting purposes.

**CHICAGO COMMUNITY LOAN FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2013**

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)

As of December 31, 2012, the risk rating categories were as follows:

A (Excellent Quality): 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.

B (Satisfactory Quality): 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 this 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.

C (Special Mention/Watch): A special mention/watch 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.

D (Substandard/Doubtful): A loan classified as substandard/doubtful has all of the weaknesses inherent in a loan classified as special mention/watch, 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 of 10 years for leasehold improvements and 3 to 10 years for furniture and equipment.

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, 2013**

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)

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. For the years ended December 31, 2013 and 2012, the Organization did not receive any such gifts.

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 years ended December 31, 2013 and 2012, the Organization received and recognized certain donated legal and payroll processing services valued at \$462,805 and \$518,764, 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, 2013, and 2012 the Organization did not receive any in-kind contributions.

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.

Significant Concentrations

During the year ended December 31, 2013, the Organization received 33%, 15% and 12% of its grants and contribution revenue from the Community Development Financial Institutions Fund (CDFI Fund), Polk Brothers Foundation and the City of Chicago for the Small Business Development Revolving Loan Program (SBDF). During the year ended December 31, 2012, the Organization received 61% of its grants and contribution revenue from the Community Development Financial Institutions Fund (CDFI Fund). Future levels of program activities are dependent on continued funding as well as the continued support of private individuals, religious organizations, foundations and corporations.

**CHICAGO COMMUNITY LOAN FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2013**

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)

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.

Chicago Community Loan Fund annual information and income tax returns filed with the federal and state governments are subject to examination by the Internal Revenue Service for three years after filing. Thus, returns for the years ended 2010 through 2013 remain open and subject to review.

Reclassifications

Certain comparative amounts previously reported in the 2012 financial statements have been reclassified to conform to the 2013 presentation.

Note 2 – 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 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.

CHICAGO COMMUNITY LOAN FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

Note 2 – Fair Value Measurement (cont.)

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:

	<u>Fair Value Measurements at December 31, 2013</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets - U.S. Agency securities	\$ 397,448	\$ -	\$ -
Assets - municipal debt	8,854,491	-	-

	<u>Fair Value Measurements at December 31, 2012</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets - U.S. Agency securities	\$ 749,176	\$ -	\$ -
Assets - municipal debt	9,517,472	-	-

Note 3 – Investments

Investments at December 31, 2013 and 2012 consist of U.S. Agency securities and municipal debt.

Note 4 – Property Held for Sale

At December 31, 2013 and 2012, the Organization had one property held for sale with no recorded or estimated fair value. Expenses incurred for managing and maintaining properties held for sale, including insurance, utilities, maintenance, real estate taxes, and various legal fees, amounted to \$6,567 and \$2,190 for the years ended December 31, 2013 and 2012, respectively.

Note 5 – Loan Commitments and Credit Risk

Loan Commitments

CCLF has loan commitments and un-drawn portions of construction and pre-development loans of approximately \$9,576,000 and \$8,377,000 at December 31, 2013 and 2012, respectively. 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, 2013**

Note 5 – Loan Commitments and Credit Risk (cont.)

Concentration of Credit Risk

The Organization generally grants collateralized loans to borrowers as outlined in Note 1. Although CCLF 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 6 – Notes Receivable – Loan Fund

Notes receivable at December 31, 2013 and 2012 are comprised of the following:

	<u>December 31, 2013</u>		
	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Principal amount	\$ 8,553,409	\$ 22,350,930	\$ 30,904,339
Reserve for loan loss	(1,027,747)	(927,224)	(1,954,971)
Net notes receivable	<u>\$ 7,525,662</u>	<u>\$ 21,423,706</u>	<u>\$ 28,949,368</u>
	<u>December 31, 2012</u>		
	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Principal amount	\$ 5,908,903	\$ 13,931,483	\$ 19,840,386
Reserve for loan loss	(977,142)	(727,411)	(1,704,553)
Net notes receivable	<u>\$ 4,931,761</u>	<u>\$ 13,204,072</u>	<u>\$ 18,135,833</u>

Expected repayment maturities of notes receivable as of December 31st are as follows:

	<u>2013</u>	<u>2012</u>
<u>Maturity</u>	<u>Principal Amount</u>	<u>Principal Amount</u>
Within one year	\$ 8,553,409	\$ 5,908,903
One through two years	2,389,106	3,509,444
Two through three years	1,567,166	2,313,833
Three through four years	2,356,400	1,337,032
Four through five years	3,701,303	1,755,559
Thereafter	12,336,955	5,015,615
	<u>\$ 30,904,339</u>	<u>\$ 19,840,386</u>

CHICAGO COMMUNITY LOAN FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

Note 6 – Notes Receivable – Loan Fund (cont.)

The allowance for loan losses (ALL) activity by risk rating category is as follows:

	<u>Mini-Perm</u>	<u>Pre-Devel.</u>	<u>Constr/Rehab</u>	<u>Equip/Working Capital</u>	<u>Permanent Financing</u>	<u>Total</u>
Reserve for Loan Losses						
Balance, January 1, 2012	\$ 706,480	\$ 888,421	\$ 289,619	\$ 3,957	\$ 6,710	\$ 1,895,187
Provision for (benefit from) loans losses	384,538	(26,771)	54,674	4,999	2,045	419,485
Loans charged-off	-	(469,788)	(140,331)	-	-	(610,119)
Balance, December 31, 2012	<u>1,091,018</u>	<u>391,862</u>	<u>203,962</u>	<u>8,956</u>	<u>8,755</u>	<u>1,704,553</u>
Provision for (benefit from) loans losses	<u>307,158</u>	<u>(67,391)</u>	<u>(12,086)</u>	<u>23,787</u>	<u>(1,050)</u>	<u>250,418</u>
Balance, December 31, 2013	<u><u>\$ 1,398,176</u></u>	<u><u>\$ 324,471</u></u>	<u><u>\$ 191,876</u></u>	<u><u>\$ 32,743</u></u>	<u><u>\$ 7,705</u></u>	<u><u>\$ 1,954,971</u></u>

The breakdown for the allowance for loan losses by loan portfolio segment at year end is as follows:

	<u>Mini-Perm</u>	<u>Pre-Devel.</u>	<u>Constr/Rehab</u>	<u>Equip/Working Capital</u>	<u>Permanent Financing</u>	<u>Total</u>
<u>December 31, 2013 ALL Evaluation</u>						
Evaluated for impairment						
Individually	\$ 693,498	\$ 284,809	\$ 80,000	\$ -	\$ -	\$ 1,058,307
Collectively	<u>704,678</u>	<u>39,662</u>	<u>111,876</u>	<u>32,743</u>	<u>7,705</u>	<u>896,664</u>
Total at December 31, 2013	<u><u>\$ 1,398,176</u></u>	<u><u>\$ 324,471</u></u>	<u><u>\$ 191,876</u></u>	<u><u>\$ 32,743</u></u>	<u><u>\$ 7,705</u></u>	<u><u>\$ 1,954,971</u></u>
<u>December 31, 2012 ALL Evaluation</u>						
Evaluated for impairment						
Individually	\$ 594,203	\$ 345,582	\$ -	\$ -	\$ -	\$ 939,785
Collectively	<u>496,815</u>	<u>46,280</u>	<u>203,962</u>	<u>8,956</u>	<u>8,755</u>	<u>764,768</u>
Total at December 31, 2012	<u><u>\$ 1,091,018</u></u>	<u><u>\$ 391,862</u></u>	<u><u>\$ 203,962</u></u>	<u><u>\$ 8,956</u></u>	<u><u>\$ 8,755</u></u>	<u><u>\$ 1,704,553</u></u>

CHICAGO COMMUNITY LOAN FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

Note 6 – Notes Receivable – Loan Fund (cont.)

The associated loan balances in relation to the category breakdown for the allowance for loan losses at year end is as follows:

<u>December 31, 2013 Loan Balances in relation to ALL Evaluation</u>	<u>Mini-Perm</u>	<u>Pre-Devel.</u>	<u>Constr/Rehab</u>	<u>Equip/Working Capital</u>	<u>Permanent Financing</u>	<u>Total</u>
Evaluated for impairment						
Individually	\$21,864,201	\$ 1,001,123	\$ 4,550,901	\$ 693,732	\$ 200,899	\$ 28,310,856
Collectively	780,421	1,013,062	800,000	-	-	2,593,483
Total at December 31, 2013	<u>\$22,644,622</u>	<u>\$ 2,014,185</u>	<u>\$ 5,350,901</u>	<u>\$ 693,732</u>	<u>\$ 200,899</u>	<u>\$ 30,904,339</u>
<u>December 31, 2012 Loan Balances in relation to ALL Evaluation</u>						
Evaluated for impairment						
Individually	\$ 1,184,215	\$ 892,684	\$ -	\$ -	\$ -	\$ 2,076,899
Collectively	11,475,403	1,150,910	4,729,013	197,111	211,050	17,763,487
Total at December 31, 2012	<u>\$12,659,618</u>	<u>\$ 2,043,594</u>	<u>\$ 4,729,013</u>	<u>\$ 197,111</u>	<u>\$ 211,050</u>	<u>\$ 19,840,386</u>

CHICAGO COMMUNITY LOAN FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

Note 6 – Notes Receivable – Loan Fund (cont.)

The following table shows the loan portfolio allocated by management’s internal risk ratings at December 31, 2013 and 2012:

	<u>2013</u>		<u>2012</u>
Risk Rating		Risk Rating	
1 - Minimal Risk	\$ 10,326,400	A - Excellent Quality	\$ 9,956,699
2 - Moderate Risk	12,660,367	B - Satisfactory Quality	7,595,698
3 - Acceptable Risk	4,940,455		
4 - Special Mention/Watch	1,636,557	C - Special Mention/Watch	1,190,892
5 - Substandard	560,139	D - Substandard/Doubtful	1,097,097
6 - Doubtful	780,421		-
Total	<u>\$ 30,904,339</u>		<u>\$ 19,840,386</u>

The following table shows the loan portfolio segments allocated by payment activity at December 31, 2013 and 2012. Loans are generally deemed performing if they are less than 90 days delinquent and still accruing interest.

	<u>Credit Risk Profile by Payment Activity</u>					
<u>December 31, 2013</u>	<u>Mini-Perm</u>	<u>Pre-Devel.</u>	<u>Constr/Rehab</u>	<u>Equip/Working Capital</u>	<u>Permanent Financing</u>	<u>Total</u>
Payment Activity						
Performing	\$ 21,864,201	\$ 2,014,185	\$ 5,350,901	\$ 693,732	\$ 200,899	\$ 30,123,918
Non-performing	780,421	-	-	-	-	780,421
Total	<u>\$ 22,644,622</u>	<u>\$ 2,014,185</u>	<u>\$ 5,350,901</u>	<u>\$ 693,732</u>	<u>\$ 200,899</u>	<u>\$ 30,904,339</u>
<u>December 31, 2012</u>						
Payment Activity						
Performing	\$ 11,879,198	\$ 1,726,917	\$ 4,729,013	\$ 197,111	\$ 211,050	\$ 18,743,289
Non-performing	780,420	316,677	-	-	-	1,097,097
Total	<u>\$ 12,659,618</u>	<u>\$ 2,043,594</u>	<u>\$ 4,729,013</u>	<u>\$ 197,111</u>	<u>\$ 211,050</u>	<u>\$ 19,840,386</u>

CHICAGO COMMUNITY LOAN FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

Note 6 – Notes Receivable – Loan Fund (cont.)

The following table shows an aging analysis of the loan portfolio by time past due at December 31, 2013 and 2012:

	Accruing Interest			Non-Accrual		Total Loans
	Current	30 - 89 Days Past Due	90 Days or More Past Due	90 Days or More Past Due	Other Non- Accrual Loans	
<u>December 31, 2013</u>						
Mini-Perm	\$ 21,864,201	\$ -	\$ -	\$ 539,377	\$ 241,044	\$ 22,644,622
Pre-Development	2,014,185	-	-	-	-	2,014,185
Construction/Rehab	5,350,901	-	-	-	-	5,350,901
Equipment/Working Capital	693,732	-	-	-	-	693,732
Permanent Financing	200,899	-	-	-	-	200,899
Total	<u>\$ 30,123,918</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 539,377</u>	<u>\$ 241,044</u>	<u>\$ 30,904,339</u>
<u>December 31, 2012</u>						
Mini-Perm	\$ 11,879,198	\$ -	\$ -	\$ 539,377	\$ 241,043	\$ 12,659,618
Pre-Development	1,726,917	-	-	-	316,677	2,043,594
Construction/Rehab	4,729,013	-	-	-	-	4,729,013
Equipment/Working Capital	197,111	-	-	-	-	197,111
Permanent Financing	211,050	-	-	-	-	211,050
Total	<u>\$ 18,743,289</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 539,377</u>	<u>\$ 557,720</u>	<u>\$ 19,840,386</u>

Interest income forgone on non-accrual loans totaled \$52,893 and \$88,438 for the years ended December 31, 2013 and 2012, respectively.

CHICAGO COMMUNITY LOAN FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

Note 6 – Notes Receivable – Loan Fund (cont.)

The following table presents information related to impaired loans at December 31, 2013 and 2012:

	<u>Recorded Investment</u>	<u>Unpaid Principal Balance</u>	<u>Related Allowance</u>	<u>Average Recorded Investment</u>
<u>December 31, 2013</u>				
With an Allowance Recorded				
Mini-Perm	\$ 780,421	\$ 780,421	\$ 662,310	\$ 780,421
Total	<u>\$ 780,421</u>	<u>\$ 780,421</u>	<u>\$ 662,310</u>	<u>\$ 780,421</u>
<u>December 31, 2012</u>				
With an Allowance Recorded				
Mini-Perm	\$ 780,420	\$ 780,420	\$ 525,055	\$ 742,442
Pre-Development	316,677	316,677	158,338	286,227
Total	<u>\$ 1,097,097</u>	<u>\$ 1,097,097</u>	<u>\$ 683,393</u>	<u>\$ 1,028,669</u>

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.

	<u>Number of Contracts</u>	<u>Pre- Modification Outstanding Recorded Investment</u>	<u>Post- Modification Outstanding Recorded Investment</u>
<u>Modifications as of December 31, 2013</u>			
Troubled Debt Restructurings			
Mini-Perm	2	\$ 445,300	\$ 445,300
Pre-Development	2	447,601	447,601
	<u>4</u>	<u>\$ 892,901</u>	<u>\$ 892,901</u>
<u>Modifications as of December 31, 2012</u>			
Troubled Debt Restructurings			
Mini-Perm	1	\$ 464,196	\$ 453,044
Pre-Development	2	489,279	534,279
	<u>3</u>	<u>\$ 953,475</u>	<u>\$ 987,323</u>

CHICAGO COMMUNITY LOAN FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

Note 7 – 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 CDFIs.

At December 31, 2013, long-term debt consisted of the following:

	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Scheduled Maturity Dates</u>
<u>Senior Loans Payable</u>			
Private foundations	\$ 3,190,000	2% to 4.3%	January 2014 to December 2016
Financial institutions and corporations	10,459,899	2% to 4%	June 2014 to September 2019
Religious organizations	1,557,500	1.5% to 3%	June 2014 to September 2019
Individuals	630,830	0% to 3%	December 2013 to December 2017
Other	225,000	4.25%	December 2014
	<u>16,063,229</u>		
Less current portion	<u>(864,830)</u>		
Net long-term, senior loans payable	<u><u>\$ 15,198,399</u></u>		

At December 31, 2012, long-term debt consisted of the following:

	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Scheduled Maturity Dates</u>
<u>Senior Loans Payable</u>			
Private foundations	\$ 2,300,000	2% to 4.5%	January 2013 to November 2016
Financial institutions and corporations	5,359,900	2% to 4%	April 2013 to September 2018
Religious organizations	1,742,253	2% to 4%	April 2013 to December 2017
Individuals	636,330	0% to 3%	December 2012 to December 2017
Other	225,000	4.25%	December 2014
	<u>10,263,483</u>		
Less current portion	<u>(2,208,153)</u>		
Net long-term, senior loans payable	<u><u>\$ 8,055,330</u></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.

**CHICAGO COMMUNITY LOAN FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2013**

Note 7 – Long-Term Debt and Line of Credit (cont.)

At December 31, 2013, subordinated loans payable are as follows:

	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Scheduled Maturity Dates</u>
<u>Subordinated Loans Payable</u>			
Financial institutions	\$ 8,500,000	2% to 3%	June 2014 to December 2018
Federal government (CDFI Fund)	<u>300,000</u>	2.09%	December 2018
	8,800,000		
Less current portion	<u>(100,000)</u>		
Net long-term subordinated loans payable	<u><u>\$ 8,700,000</u></u>		

At December 31, 2012, subordinated loans payable are as follows:

	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Scheduled Maturity Dates</u>
<u>Subordinated Loans Payable</u>			
Financial institutions	\$ 8,100,000	2% to 4%	June 2013 to June 2018
Federal government (CDFI Fund)	<u>300,000</u>	2.09%	December 2018
	8,400,000		
Less current portion	<u>(100,000)</u>		
Net long-term subordinated loans payable	<u><u>\$ 8,300,000</u></u>		

Future anticipated loan maturities at December 31, 2013 are as follows:

	<u>Senior</u>	<u>Subordinate</u>	<u>Total</u>
2014	\$ 864,830	\$ 100,000	\$ 964,830
2015	2,239,500	-	2,239,500
2016	3,849,500	1,000,000	4,849,500
2017	252,899	4,400,000	4,652,899
2018	6,801,500	3,300,000	10,101,500
Thereafter	<u>2,055,000</u>	<u>-</u>	<u>2,055,000</u>
	<u><u>\$ 16,063,229</u></u>	<u><u>\$ 8,800,000</u></u>	<u><u>\$ 24,863,229</u></u>

The Organization is subject to certain debt covenants, as specified in the individual debt agreements. As of December 31, 2013 and 2012, the Organization had met the required covenants.

**CHICAGO COMMUNITY LOAN FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2013**

Note 7 – Long-Term Debt and Line of Credit (cont.)

The Organization has an unsecured \$1,000,000 line of credit with HSBC Bank through May 31, 2014. Draws under the line of credit are to be used primarily to support affordable housing and economic development energy efficiency and preservation projects in Lake County, Illinois but, as of March 15, 2013, can also be used to support the Organization's other energy efficiency and preservation projects with no geographic restrictions. Any balance outstanding at May 31, 2014 shall convert to a 36-month term loan with principal due on May 31, 2017. Interest is payable monthly at a per annum rate of 3%. At December 31, 2013 and 2012, no draws had been made on this line.

The Organization has a \$2,000,000 loan agreement with State Farm Mutual Automobile Insurance Company (State Farm) with a term of ten years at an interest rate of 4%, maturing July 31, 2020. The agreement provides for an interest-only revolving term loan during the first five years with interest payable quarterly. Beginning on August 1, 2015, quarterly payments of interest and principal will be made to fully amortize the outstanding balance at maturity. The funds will be used for a proprietary pre-development loan fund for various projects in the Chicago metropolitan area, subject to State Farm's approval. At December 31, 2013, \$2,000,000 was drawn down with accrued interest totaling \$16,520. At December 31, 2012, no draws had been made on this revolving term loan.

Note 8 – Conditional Promise to Receive

At December 31, 2013, the Organization had a conditional promise to receive \$1,538,000 through the JP Morgan Chase Foundation CDFI Collaboratives program. The promise is conditional upon the completion of certain milestones per the grant agreement. As a result of this condition, this promise is not yet recognized as an asset in the Statement of Financial Position.

Note 9 – Refundable Advance

During 2013, the Organization received a \$250,000 grant from the Citi Bank Low Income Investment Fund to advance the Partners in Progress Quarterback Initiative. This grant is conditional upon restrictions set forth in the agreement. At December 31, 2013, \$250,000 was recorded as refundable advance.

The Organization received a \$3,000,000 Healthy Food Financing Initiative Financial Assistance grant from the CDFI Fund during 2012. At December 31, 2012, \$2,000,000 had been received and was recorded as refundable advance. The remaining \$1,000,000 was received in 2013. As of December 31, 2013, \$344,567 was recognize as revenue and \$2,655,433 was recorded as refundable advance.

**CHICAGO COMMUNITY LOAN FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2013**

Note 9 – Refundable Advance (cont.)

During 2011, 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, 2012, \$372,937 had been recorded as revenue, with the remaining \$127,313 recorded as refundable advance. At December 31, 2013, the full amount had been disbursed.

Note 10 – Funds Held for Others

During the year ended December 31, 2013, CCLF entered into loan agreements that require the borrower to maintain one of two types of reserve bank accounts. Capital Reserve Accounts are established to fund capital expenditures to be disbursed upon such terms and conditions as established by the Organization. Operating Reserve Accounts are established to fund debt service payments in the event that the borrower experiences distress or is otherwise unable to make the required loan payments. Both accounts are either funded at closing or funded by the borrower in equal installments for a time period determined by the Organization and approved by the Loan Committee. These reserve accounts are held in CCLF's name as agent for the borrower and require CCLF's approval for withdrawals.

Note 11 – Board Designated Funds

CCLF's Board of Directors has elected to establish an operating reserve fund. At December 31, 2013 and 2012, unrestricted net assets of \$770,698 and \$692,822, respectively, 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 this reserve at a minimum of 25% of total annual expenses.

Furthermore, the Board has designated \$5,372,646 and \$3,732,697 to lending capital to support existing note commitments at December 31, 2013 and 2012, respectively.

Note 12 – Temporarily Restricted Net Assets

At December 31, 2013 and 2012, net assets were temporarily restricted for the following purposes:

	<u>2013</u>	<u>2012</u>
Community lending programs	\$ 38,225	\$ 38,225
Staffing costs	-	88,418
Foreclosure prevention	15,078	15,078
Better understanding of market demands	30,000	30,000
Common area costs	-	2,784
Revolving loan fund	211,936	50,078
Time Restricted	15,000	-
	<u>\$ 310,239</u>	<u>\$ 224,583</u>

**CHICAGO COMMUNITY LOAN FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2013**

Note 13 – 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 14 – 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 years ended December 31, 2013 and 2012, the Organization contributed 6% of wages to this plan totaling \$41,630 and \$34,380, respectively.

Note 15 – Related Party Transactions

One Board member donated payroll processing services to the Organization estimated at a value of \$3,000 and \$2,139 for the years ended December 31, 2013 and 2012, respectively.

During 2013, the Law Project coordinated \$459,805 in donated legal services and was paid \$15,000 for certain legal services. The Executive Director of the Law Project is a Board member of CCLF.

The Organization had loaned funds in 2008 to the Chicago Metropolitan Housing Development Corporation. The Executive Director of this organization is a Board member of CCLF. The \$250,000 loan went through CCLF's rigorous loan committee process. The lending interest rate charged and repayment terms were consistent with other loans issued at that time. The loan was repaid as scheduled on March 1, 2013.

During the year ended December 31, 2013, the Organization had senior and subordinated loans from the following organizations that employed a Board member of CCLF when the loans were originated:

The PrivateBank

On June 30, 2009, the Organization received a senior loan from The PrivateBank for \$50,000 at an interest rate of 3%. The loan is scheduled to mature on June 30, 2014 with a final payment of \$50,000. A Managing Director of The PrivateBank is a Board member of CCLF. The outstanding balance on this senior loan at December 31, 2013 is \$50,000. The Organization paid The PrivateBank approximately \$1,500 in interest expense during 2013.

**CHICAGO COMMUNITY LOAN FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2013**

Note 15 – Related Party Transactions (cont.)

Board Member

At December 31, 2013, the Organization had a Board member that was an individual investor with a \$5,000 loan outstanding to CCLF at an interest rate of 0%. The loan matured on June 30, 2013, however the Board member chose to rollover with this paperwork pending.

Village Bank & Trust

On December 31, 2013, the Organization received a subordinated loan from Village Bank & Trust for \$325,000 with an interest rate of 2.5%. The loan is scheduled to mature on December 30, 2018 with the option to roll over the investment. A Senior Vice President/Chief Credit Officer of the Village Bank & Trust is a Board member of CCLF. The outstanding balance on this subordinated loan at December 31, 2013 was \$325,000. No interest was paid during 2013.

US Bancorp

On June 30, 2008, the Organization received a senior loan from US Bancorp for \$2,600,000 at an interest rate of 3%. The loan is scheduled to mature on August 31, 2018 with a final payment of \$2,600,000. A Loan Committee member of CCLF is an employee of US Bancorp. The outstanding balance on this senior loan at December 31, 2013 is \$2,600,000. The Organization paid US Bancorp approximately \$48,000 in interest during 2013.

PNC Bank

On September 30, 2010, the Organization received a subordinated loan from PNC Bank for \$2,000,000 at an interest rate of 3%. The loan is scheduled to mature on September 30, 2019 with a final payment of \$2,000,000. A Vice President of PNC Bank is a member of the Loan Committee of CCLF. The outstanding balance on this subordinated loan at December 31, 2013 is \$2,000,000 and the Organization paid PNC Bank approximately \$60,000 of interest during 2013.

BMO Harris Bank/Financial Group

During the year ended December 31, 2007, the Organization received a subordinated loan from BMO Harris Bank/Financial Group for \$2,000,000 at an interest rate of 2.5%. The loan is scheduled to mature on January 31, 2017 with a final payment of \$2,000,000. A Managing Director in Community Development Lending Group for BMO Harris is a Board member of the Organization. The outstanding balance on this subordinated loan at December 31, 2013 is \$2,000,000 and the Organization paid BMO Harris approximately \$50,000 of interest during 2013.

Note 16 – Leases

The Organization leases its main office facility. Rental expense for the lease totaled \$86,047 and \$72,774 for the years ending December 31, 2013 and 2012, respectively.

**CHICAGO COMMUNITY LOAN FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2013**

Note 16 – Leases (cont)

Future minimum lease payments under this operating lease at December 31, 2013 are as follows:

2014	\$	94,221
2015		96,494
2016		98,774
2017		101,049
2018		103,322
Thereafter		<u>388,647</u>
	\$	<u><u>882,507</u></u>

Note 17 – Subsequent Events

For the year ended December 31, 2013, the Organization's management has evaluated subsequent events through May 2, 2014 which is the date the financial statements were available to be issued. No subsequent events have been identified that are required to be disclosed at that date.

SUPPLEMENTARY INFORMATION

CHICAGO COMMUNITY LOAN FUND
STATEMENT OF FINANCIAL POSITION
As of December 31, 2012

	Operating			Lending Capital	Total All Funds
	General	Technical Assistance	Total		
<u>Assets</u>					
Current Assets					
Cash and cash equivalents	\$ 1,737,895	\$ -	\$ 1,737,895	2,435,007	\$ 4,172,902
Certificates of deposit	-	-	-	500,000	500,000
Investments	-	-	-	10,266,648	10,266,648
Grants and contributions receivables	-	-	-	1,453,806	1,453,806
Interest receivable	208,568	-	208,568	-	208,568
Other receivables	183,072	-	183,072	257	183,329
Notes receivable net of allowance of \$977,142	-	-	-	4,931,761	4,931,761
Prepays and deposits	9,621	-	9,621	-	9,621
Interfund balances	5,023,556	(319,041)	4,704,515	(4,704,515)	-
Total current assets	<u>7,162,712</u>	<u>(319,041)</u>	<u>6,843,671</u>	<u>14,882,964</u>	<u>21,726,635</u>
Long-Term Assets					
Notes receivable, net of allowance of \$727,411	-	-	-	13,204,072	13,204,072
Office equipment, net of accumulated depreciation	85,580	-	85,580	-	85,580
Leasehold improvements, net of accumulated amortization	43,162	-	43,162	-	43,162
Total long-term assets	<u>128,742</u>	<u>-</u>	<u>128,742</u>	<u>13,204,072</u>	<u>13,332,814</u>
Total Assets	<u>\$ 7,291,454</u>	<u>\$ (319,041)</u>	<u>\$ 6,972,413</u>	<u>\$ 28,087,036</u>	<u>\$ 35,059,449</u>
<u>Liabilities and Net Assets</u>					
Current Liabilities					
Accounts payable	\$ 107,374	\$ -	\$ 107,374	\$ -	\$ 107,374
Accrued payroll	13,166	-	13,166	-	13,166
Refundable advances	250,000	-	250,000	1,877,313	2,127,313
Senior loans payable - current	-	-	-	2,208,153	2,208,153
Subordinated loans payable - current	-	-	-	100,000	100,000
Total current liabilities	<u>370,540</u>	<u>-</u>	<u>370,540</u>	<u>4,185,466</u>	<u>4,556,006</u>
Long-Term Liabilities					
Senior loans payable, less current portion	-	-	-	8,055,330	8,055,330
Subordinated loans payable, less current portion	-	-	-	8,300,000	8,300,000
Total long-term liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,355,330</u>	<u>16,355,330</u>
Total liabilities	<u>370,540</u>	<u>-</u>	<u>370,540</u>	<u>20,540,796</u>	<u>20,911,336</u>
Net Assets					
Unrestricted					
Undesignated	6,056,812	(334,119)	5,722,693	-	5,722,693
Board designated	692,822	-	692,822	3,732,697	4,425,519
Total unrestricted net assets	<u>6,749,634</u>	<u>(334,119)</u>	<u>6,415,515</u>	<u>3,732,697</u>	<u>10,148,212</u>
Temporarily restricted	393,780	15,078	408,858	(184,275)	224,583
Permanently restricted	-	-	-	3,775,318	3,775,318
Total net assets	<u>7,143,414</u>	<u>(319,041)</u>	<u>6,824,373</u>	<u>7,323,740</u>	<u>14,148,113</u>
Total Liabilities and Net Assets	<u>\$ 7,513,954</u>	<u>\$ (319,041)</u>	<u>\$ 7,194,913</u>	<u>\$ 27,864,536</u>	<u>\$ 35,059,449</u>

See independent auditor's report.

**CHICAGO COMMUNITY LOAN FUND
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2012**

	Operating					Lending Capital			Total All Funds
	Lending Operations		Technical Assistance		Total	Unrestricted	Temporarily Restricted	Permanently Restricted	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted					
Revenue and Support									
Grants and contributions	\$ 240,549	\$ 382,500	\$ 36,500	\$ 50,000	\$ 709,549	\$ -	1,676,493	\$ -	\$ 2,386,042
Donated services	518,764	-	-	-	518,764	-	-	-	518,764
Notes receivable interest income	1,003,337	3,387	-	-	1,006,724	-	-	-	1,006,724
Investment income	508,833	-	-	-	508,833	-	-	-	508,833
Net investment unrealized/realized gain (loss)	395,328	-	-	-	395,328	(219,703)	-	-	175,625
Loan closing fees	332,937	-	-	-	332,937	-	-	-	332,937
Contracted services and workshops	-	-	1,967	-	1,967	-	-	-	1,967
Miscellaneous	159,420	-	-	-	159,420	-	-	-	159,420
Net assets released from restrictions - satisfaction of program restrictions	194,243	(194,243)	100,000	(100,000)	-	1,898,993	(1,898,993)	-	-
Total Public Support and Revenue	3,353,411	191,644	138,467	(50,000)	3,633,522	1,679,290	(222,500)	-	5,090,312
Expenses									
Program	1,967,308	-	159,127	-	2,126,435	421,675	-	-	2,548,110
Administrative	542,512	-	-	-	542,512	-	-	-	542,512
Fundraising	102,340	-	-	-	102,340	-	-	-	102,340
Total expenses	2,612,160	-	159,127	-	2,771,287	421,675	-	-	3,192,962
Non-Operating Activities									
Recoveries on previously written-off loans	40,432	-	-	-	40,432	-	-	-	40,432
Total Non-Operating Activities	40,432	-	-	-	40,432	-	-	-	40,432
Change in Net Assets	781,683	191,644	(20,660)	(50,000)	902,667	1,257,615	(222,500)	-	1,937,782
Transfer between unrestricted funds	1,320,757	-	-	-	1,320,757	(1,320,757)	-	-	-
Net Assets, Beginning 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
Net Assets, End of Year	\$ 6,749,634	\$ 393,780	\$ (334,119)	\$ 15,078	\$ 6,824,373	\$ 3,732,697	\$ (184,275)	\$ 3,775,318	\$ 14,148,113

See independent auditor's report.

CHICAGO COMMUNITY LOAN FUND
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2012

	Lending Operations	Public Policy	Total Lending and Public Policy	Lending Capital	Technical Assistance	Total Program	Administrative	Fundraising	Total
Functional Expenses									
Salaries	\$ 419,267	\$ 31,713	\$ 450,980	\$ -	\$ 86,784	\$ 537,764	\$ 263,669	\$ 75,096	\$ 876,529
Payroll taxes and fringe benefits	107,452	6,980	114,432	-	17,863	132,295	86,573	16,331	235,199
Professional fees and consultants	194,773	-	194,773	-	24,935	219,708	72,149	350	292,207
Donated services	516,625	-	516,625	-	-	516,625	2,139	-	518,764
Rent, utilities, and related charges	35,876	3,205	39,081	-	11,428	50,509	20,635	7,075	78,219
Telephone	592	-	592	-	81	673	8,289	29	8,991
Insurance	1,679	55	1,734	-	1,243	2,977	2,391	164	5,532
Equipment rental and maintenance	5,964	-	5,964	-	1,828	7,792	9,575	29	17,396
Supplies	4,526	-	4,526	-	1,394	5,920	7,799	238	13,957
Postage and delivery	826	-	826	-	324	1,150	425	-	1,575
Printing	-	-	-	-	-	-	980	-	980
Marketing	2,100	-	2,100	-	650	2,750	26,362	512	29,624
Travel	7,649	-	7,649	-	3,428	11,077	9,920	-	20,997
Meetings	1,727	-	1,727	-	41	1,768	4,888	-	6,656
Staff development	4,352	-	4,352	-	-	4,352	5,722	-	10,074
Dues and subscriptions	5,572	-	5,572	-	4,410	9,982	12,551	-	22,533
Investment management and bank fees	35,947	-	35,947	-	12	35,959	-	25	35,984
Depreciation	11,349	830	12,179	-	4,706	16,885	8,304	2,491	27,680
Interest	568,249	-	568,249	-	-	568,249	141	-	568,390
Real estate owned	-	-	-	2,190	-	2,190	-	-	2,190
Loan loss allowance	-	-	-	419,485	-	419,485	-	-	419,485
Total Expenses	\$ 1,924,525	\$ 42,783	\$ 1,967,308	\$ 421,675	\$ 159,127	\$ 2,548,110	\$ 542,512	\$ 102,340	\$ 3,192,962

See independent auditor's report.