THE CHICAGO COMMUNITY LOAN FUND

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

CliftonLarsonAllen

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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Chicago Community Loan Fund
Chicago, Illinois

We have audited the accompanying financial statements of The Chicago Community Loan Fund (CCLF), which comprise the statement of financial position as of December 31, 2015 and 2014, respectively, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the 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.

Auditors' 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 upon the auditors' 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.

Board of Trustees
The Chicago Community Loan Fund

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CCLF as of December 31, 2015 and 2014, respectively, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

Oak Brook, Illinois
May 4, 2016

THE CHICAGO COMMUNITY LOAN FUND
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

	2015	2014
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 14,210,628	$ 12,128,042
Funds Held for Others	179,931	219,477
Investments	8,911,310	6,737,964
Grants and Contributions Receivables	15,000	259,000
Interest Receivable	281,790	329,759
Other Receivables	11,063	39,531
Notes Receivable, Net of Allowance of $480,615 in 2015 and $650,288 in 2014	8,420,822	8,513,229
Prepaids and Deposits	35,506	19,915
Total Current Assets	32,066,050	28,246,917
LONG-TERM ASSETS		
Notes Receivable, Net of Allowance of $1,714,973 in 2015 and $1,463,356 in 2014	32,420,360	31,646,007
Office Equipment, Net of Accumulated Depreciation	133,422	160,813
Leasehold Improvements, Net of Accumulated Depreciation	80,988	91,614
Total Long-Term Assets	32,634,770	31,898,434
Total Assets	$ 64,700,820	$ 60,145,351

See accompanying Notes to Financial Statements.

LIABILITIES AND NET ASSETS	2015	2014
CURRENT LIABILITIES		
Accounts Payable	$ 235,690	$ 197,515
Accrued Liabilities	47,456	109,491
Refundable Advances	954,846	895,861
Funds Held for Others	179,931	219,477
Interest Payable	37,944	77,131
Notes Payable - Current	1,300,509	97,097
Senior Loans Payable - Current	4,477,875	1,798,000
Subordinated Loans Payable - Current	1,100,000	100,000
Total Current Liabilities	8,334,251	3,494,572
LONG-TERM LIABILITIES		
Notes Payable, Less Current Portion	7,462,350	5,428,275
Senior Loans Payable, Less Current Portion	21,260,846	24,166,111
Subordinated Loans Payable, Less Current Portion	7,800,000	8,800,000
Total Non-Current Liabilities	36,523,196	38,394,386
Total Liabilities	44,857,447	41,888,958
NET ASSETS		
Unrestricted:		
Undesignated	11,574,177	10,962,572
Board Designated	3,741,634	3,655,131
Total Unrestricted Net Assets	15,315,811	14,617,703
Temporarily Restricted	2,752,244	1,863,372
Permanently Restricted	1,775,318	1,775,318
Total Net Assets	19,843,373	18,256,393
Total Liabilities and Net Assets	$ 64,700,820	$ 60,145,351

THE CHICAGO COMMUNITY LOAN FUND
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015

	Operating						Lending Capital			
	Lending Operations		Economic Development	Technical Assistance						
	Unrestricted	Temporarily Restricted	Unrestricted	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT										
Grants and Contributions	$ 679,301	$ 15,000	$ 191,015	$ 90,000	$ -	$ 975,316	$ 361,051	$ 1,000,000	$ -	$ 2,336,367
Donated Services	601,029	-	-	-	-	601,029	-	-	-	601,029
Notes Receivable Interest Income	2,882,807	-	-	-	-	2,882,807	-	24,520	-	2,907,327
Investment Income	292,182	-	-	-	-	292,182	-	-	-	292,182
Net Investment Unrealized/Realized Gain (Loss)	33,604	-	-	-	-	33,604	(144,400)	-	-	(110,796)
Loan Processing Income	381,855	-	-	-	-	381,855	-	-	-	381,855
Contracted Services and Workshops	3,320	-	-	-	-	3,320	-	-	-	3,320
Miscellaneous	12,004	-	-	-	-	12,004	-	-	-	12,004
Net Assets Released from Restrictions - Satisfaction of Program Restrictions	131,648	(40,000)	-	19,000	(19,000)	91,648	-	(91,648)	-	-
Total Revenue and Support	5,017,750	(25,000)	191,015	109,000	(19,000)	5,273,765	216,651	932,872	-	6,423,288
EXPENSES										
Program	3,241,326	-	53,088	286,861	-	3,581,275	96,119	-	-	3,677,394
Administrative	1,000,938	-	-	-	-	1,000,938	-	-	-	1,000,938
Fundraising	210,438	-	-	-	-	210,438	-	-	-	210,438
Total Expenses	4,452,702	-	53,088	286,861	-	4,792,651	96,119	-	-	4,888,770
Change in Net Assets from Operations	565,048	(25,000)	137,927	(177,861)	(19,000)	481,114	120,532	932,872	-	1,534,518
NON-OPERATING ACTIVITIES										
Recoveries on Previously Written off Loans	52,462	-	-	-	-	52,462	-	-	-	52,462
CHANGE IN NET ASSETS	617,510	(25,000)	137,927	(177,861)	(19,000)	533,576	120,532	932,872	-	1,586,980
Transfers Between Unrestricted Funds	258,735	-	-	-	-	258,735	(258,735)	-	-	-
Net Assets - Beginning of Year	12,524,221	70,000	41,081	(479,323)	84,078	12,240,057	2,531,724	1,709,294	1,775,318	18,256,393
NET ASSETS - END OF YEAR	$ 13,400,466	$ 45,000	$ 179,008	$ (657,184)	$ 65,078	$ 13,032,368	$ 2,393,521	$ 2,642,166	$ 1,775,318	$ 19,843,373

See accompanying Notes to Financial Statements.

THE CHICAGO COMMUNITY LOAN FUND
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2014

	Operating						Lending Capital			
	Lending Operations		Economic Development	Technical Assistance						
	Unrestricted	Temporarily Restricted	Unrestricted	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT										
Grants and Contributions	$ 457,854	$ 48,200	$ 250,000	$ 143,000	$ 19,000	$ 918,054	$ 888,949	$ 1,500,000	$ -	$ 3,307,003
HFFI Award	80,576	-	-	-	-	80,576	1,678,997	-	-	1,759,573
Donated Services	851,073	-	-	-	-	851,073	-	-	-	851,073
Notes Receivable Interest Income	2,363,867	-	-	-	-	2,363,867	-	9,133	-	2,373,000
Investment Income	253,578	-	-	-	-	253,578	-	-	-	253,578
Net Investment Unrealized/Realized Gain (Loss)	(12,731)	-	-	-	-	(12,731)	347,421	-	-	334,690
Loan Processing Income	330,010	-	-	-	-	330,010	-	-	-	330,010
Contracted Services and Workshops	-	-	-	3,716	-	3,716	-	-	-	3,716
Net Assets Released from Restrictions - Satisfaction of Program Restrictions	23,200	(23,200)	-	-	-	-	-	-	-	-
Total Revenue and Support	4,347,427	25,000	250,000	146,716	19,000	4,788,143	2,915,367	1,509,133	-	9,212,643
EXPENSES										
Program	2,968,382	-	164,970	173,898	-	3,307,250	702,413	-	-	4,009,663
Administrative	943,591	-	-	-	-	943,591	-	-	-	943,591
Fundraising	242,785	-	-	-	-	242,785	-	-	-	242,785
Total Expenses	4,154,758	-	164,970	173,898	-	4,493,626	702,413	-	-	5,196,039
Change in Net Assets from Operations	192,669	25,000	85,030	(27,182)	19,000	294,517	2,212,954	1,509,133	-	4,016,604
NON-OPERATING ACTIVITIES										
Recoveries on Previously Written off Loans	84,499	-	-	-	-	84,499	-	-	-	84,499
CHANGE IN NET ASSETS	277,168	25,000	85,030	(27,182)	19,000	379,016	2,212,954	1,509,133	-	4,101,103
Transfers Between Unrestricted Funds	7,053,876	-	-	-	-	7,053,876	(7,053,876)	-	-	-
Transfers Between Restricted and Unrestricted Funds	-	-	-	-	-		2,000,000	-	(2,000,000)	-
Net Assets - Beginning 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
NET ASSETS - END OF YEAR	$ 12,524,221	$ 70,000	$ 41,081	$ (479,323)	$ 84,078	$ 12,240,057	$ 2,531,724	$ 1,709,294	$ 1,775,318	$ 18,256,393

See accompanying Notes to Financial Statements.

THE CHICAGO COMMUNITY LOAN FUND
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2015

	Lending Operations	Public Policy	Total Lending Operations and Public Policy	Lending Capital	Technical Assistance	Economic Development	Total Program	Administrative	Fundraising	Total
Salaries	$ 630,629	$ 46,527	$ 677,156	$ -	$ 47,343	$ 16,500	$ 740,999	$ 575,339	$ 144,403	$ 1,460,741
Payroll Taxes and Fringe Benefits	190,273	8,675	198,948	-	14,508	4,451	217,907	168,064	28,520	414,491
Professional Fees and Consultants	290,222	-	290,222	-	207,318	23,410	520,950	45,133	1,045	567,128
Donated Services	594,695	-	594,695	-	-	-	594,695	6,334	-	601,029
Rent, Utilities, and Related Charges	61,850	1,997	63,847	-	11,482	3,233	78,562	38,870	7,874	125,306
Telephone	2,400	-	2,400	-	100	300	2,800	12,536	1,200	16,536
Insurance	2,296	92	2,388	-	179	738	3,305	5,275	1,625	10,205
Equipment Rental and			-							
Maintenance	4,535	-	4,535	-	49	56	4,640	11,741	313	16,694
Supplies	5,562	-	5,562	-	522	213	6,297	6,533	1,244	14,074
Postage and Delivery	1,733	-	1,733	-	-	-	1,733	909	352	2,994
Printing	481	-	481	-	241	351	1,073	1,647	257	2,977
Marketing	2,930	-	2,930	-	180	-	3,110	37,411	5,782	46,303
Travel	14,615	-	14,615	-	2,211	2,127	18,953	36,527	9,478	64,958
Meetings	310	-	310	-	-	-	310	6,118	1,179	7,607
Staff Development	9,027	-	9,027	-	72	1,255	10,354	13,241	2,000	25,595
Dues and Subscriptions	9,436	-	9,436	-	50	224	9,710	14,753	1,052	25,515
Investment Management and Bank Fees	189,277	-	189,277	-	83	-	189,360	2,405	137	191,902
Depreciation	20,573	1,300	21,873	-	2,523	230	24,626	17,591	3,977	46,194
Interest	1,151,891	-	1,151,891	-	-	-	1,151,891	511	-	1,152,402
Real Estate Owned	-	-	-	9,866	-	-	9,866	-	-	9,866
Loan Loss Allowance	-	-	-	86,253	-	-	86,253	-	-	86,253
TOTAL FUNCTIONAL EXPENSES	$ 3,182,735	$ 58,591	$ 3,241,326	$ 96,119	$ 286,861	$ 53,088	$ 3,677,394	$ 1,000,938	$ 210,438	$ 4,888,770

See accompanying Notes to Financial Statements.

THE CHICAGO COMMUNITY LOAN FUND
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2014

	Lending Operations	Public Policy	Total Lending Operations and Public Policy	Lending Capital	Technical Assistance	Economic Development	Total Program	Administrative	Fundraising	Total
Salaries	$ 653,135	$ 43,469	$ 696,604	$ -	$ 108,788	$ -	$ 805,392	$ 457,308	$ 145,044	$ 1,407,744
Payroll Taxes and Fringe Benefits	186,751	8,343	195,094	-	31,424	-	226,518	112,117	32,668	371,303
Professional Fees and Consultants	205,253	-	205,253	-	6,485	162,631	374,369	50,322	1,463	426,154
Donated Services	685,650	-	685,650	-	-	-	685,650	165,423	-	851,073
Rent, Utilities, and Related Charges	65,605	3,218	68,823	-	13,104	2,147	84,074	36,744	15,566	136,384
Telephone	1,184	-	1,184	-	117	-	1,301	10,833	1,433	13,567
Insurance	2,358	86	2,444	-	259	-	2,703	3,500	1,148	7,351
Equipment Rental and			-							
Maintenance	3,561	-	3,561	-	885	-	4,446	7,800	856	13,102
Supplies	4,511	-	4,511	-	1,844	162	6,517	9,441	2,279	18,237
Postage and Delivery	1,039	-	1,039	-	-	-	1,039	792	395	2,226
Printing	1,078	-	1,078	-	881	-	1,959	1,498	-	3,457
Marketing	8,767	-	8,767	-	146	-	8,913	19,259	26,849	55,021
Travel	12,266	-	12,266	-	4,466	-	16,732	24,826	5,731	47,289
Meetings	952	-	952	-	-	30	982	3,872	347	5,201
Staff Development	4,871	-	4,871	-	1,054	-	5,925	9,092	2,109	17,126
Dues and Subscriptions	10,092	-	10,092	-	266	-	10,358	14,101	1,911	26,370
Investment Management and Bank Fees	47,473	-	47,473	-	35	-	47,508	-	76	47,584
Depreciation	24,281	1,388	25,669	-	4,144	-	29,813	16,322	4,910	51,045
Interest	993,051	-	993,051	-	-	-	993,051	341	-	993,392
Real Estate Owned	-	-	-	3,863	-	-	3,863	-	-	3,863
Loan Loss Allowance	-	-	-	698,550	-	-	698,550	-	-	698,550
TOTAL FUNCTIONAL EXPENSES	$ 2,911,878	$ 56,504	$ 2,968,382	$ 702,413	$ 173,898	$ 164,970	$ 4,009,663	$ 943,591	$ 242,785	$ 5,196,039

See accompanying Notes to Financial Statements.

THE CHICAGO COMMUNITY LOAN FUND
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 1,586,980	$ 4,101,103
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	46,194	51,045
Provision for Loan Losses	86,253	698,550
Net Realized and Unrealized Losses (Gains) on Investments	110,796	(334,690)
Effects of Changes in Operating Assets and Liabilities:		
Grants and Contributions Receivables	244,000	(202,000)
Interest Receivable	47,969	(763)
Other Receivables	28,468	29,223
Prepaids and Deposits	(15,591)	(10,051)
Accounts Payable and Accrued Expenses	(23,860)	210,079
Refundable Advances	58,985	(2,009,572)
Interest Payable	(39,187)	(74,646)
Net Cash Provided by Operating Activities	2,131,007	2,458,278
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Principal Paydowns on Investments	2,121,796	4,214,468
Purchase of Investments	(4,405,938)	(1,365,803)
Increase in Notes Receivable, Net of Repayment	(768,199)	(11,908,418)
Purchase of Office Equipment and Leasehold Improvements	(8,177)	(11,846)
Net Cash Used by Investing Activities	(3,060,518)	(9,071,599)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Senior Loans Payable	505,000	10,228,382
Proceeds from Subordinated Loans Payable	-	100,000
Proceeds from Notes Payable	5,000,000	4,406,381
Principal Payments on Notes Payable	(166,440)	(881,009)
Net Change in Line of Credit	(1,596,073)	-
Principal Repayment of Senior Loans Payable	(730,390)	(327,500)
Net Cash Provided by Financing Activities	3,012,097	13,526,254
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,082,586	6,912,933
Cash and Cash Equivalents - Beginning of Year	12,128,042	5,215,109
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 14,210,628	$ 12,128,042
SUPPLEMENTARY DISCLOSURES OF CASH FLOW INFORMATION		
Interest Paid (Lending Operations Only)	$ 1,151,891	$ 993,051

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 (IRC). 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 Operations and Capital – CCLF operates as a revolving loan fund, providing financing through its loan pool of lending capital for affordable housing, nonprofit 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 and/or rehabilitate commercial real estate. This program is designed to research and finance 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. CCLF 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates in Preparing Financial Statements

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, 2015 and 2014, CCLF's cash balances exceeded federally insured limits by $1,850,395 and $4,000,708, respectively. There was also $153,941 and $221,069 of restricted cash pertaining to CCLF's Small Business Development Fund and $1,500,000 and $1,300,000 of restricted cash to be used exclusively for loan loss reserves at December 31, 2015 and 2014, respectively.

For purposes of the Statements of Financial Position and Statements of Cash Flows, CCLF 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 CCLF 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, 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. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to Lending Operations.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Loan Losses (Continued)

CCLF'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. CCLF'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 CCLF 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 CCLF'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, CCLF will provide borrowers relief through loan restructurings. A restructuring of debt constitutes a troubled debt restructuring (TDR) if CCLF, 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. CCLF 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 predevelopment and construction loan repayment delays are not considered to be a TDR.

CCLF 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.

CCLF 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:

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Loan Losses (Continued)

Pre-development – These loans are offered to eligible nonprofit 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 nonprofit 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 nonprofit 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 five 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.

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 (board). Collateral consists primarily of first mortgages (valid first lien on property) and personal guaranties (generally unsecured), 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Loan Losses (Continued)

CCLF 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.

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.

Property and Equipment

Property and equipment purchases of $500 or more are stated at cost. Expenditures for repairs and maintenance are charged to expense as incurred, whereas renewals and betterments that extend the lives of the property are capitalized. CCLF provides for depreciation on the straight-line method at rates designed to depreciate the costs of assets over estimated useful lives of 10 years or the remaining term of the lease for leasehold improvements and 3 to 10 years for hardware, software and furniture and equipment.

Impairment of Long-Lived Assets

CCLF reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Support and Revenue

CCLF 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 Statements of Activities as net assets released from restrictions

CCLF 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, CCLF reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. For the years ended December 31, 2015 and 2014, CCLF 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, 2015 and 2014, CCLF received and recognized certain donated legal, marketing, and payroll processing services valued at $601,029 and $851,073, respectively.

In-Kind Contributions

In addition to receiving cash contributions, CCLF may receive in-kind contributions from donors. In accordance with generally accepted accounting principles, CCLF 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 years ended December 31, 2015 and 2014, CCLF 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 Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Tax Status

CCLF is exempt from federal income tax under Section 501(c)(3) of the IRC. In addition, CCLF qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation. CCLF determined that it was not required to record a liability related to uncertain tax positions.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

Management evaluated subsequent events through May 4, 2016, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2015, but prior to May 4, 2016, that provided additional evidence about conditions that existed at December 31, 2015, have been recognized in the financial statements for the year ended December 31, 2015. Events or transactions that provided evidence about conditions that did not exist at December 31, 2015, but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended December 31, 2015.

Deferred Rent Obligation

Deferred rent obligation is reflected in Accrued Liabilities on the Statement of Financial Position. CCLF amortizes the deferred rent obligation using the straight-line method over the term of the lease. The difference between the rent expense recorded and the amount paid is charged to the deferred rent obligation reflected in Accrued Liabilities on the Statement of Financial Position.

Reclassifications

Certain comparative amounts previously reported in the 2014 financial statements have been reclassified to conform to the 2015 presentation.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued amended guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The guidance will initially be applied retrospectively using one of two methods. The standard will be effective for the CCLF for annual periods beginning after December 15, 2018. Early adoption is permitted beginning for annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Management is evaluating the impact of the amended revenue guidance on CCLF's financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (Continued)

In February 2016, the FASB issued amended guidance for the treatment of leases. The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The guidance changes the accounting for sale and leaseback transactions to conform to the new revenue recognition standard. The guidance also requires both qualitative and quantitative disclosures regarding the nature of CCLF's leasing activities. The guidance will initially be applied using a modified retrospective approach. The amendments in the guidance are effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. Management is evaluating the impact of the amended lease guidance on CCLF's financial statements.

NOTE 2 FAIR VALUE MEASUREMENT

Accounting principles generally accepted in the United States of America define fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in CCLF's principal or most advantageous market in an orderly transaction between market participants on the measurement date.

Accounting principles generally accepted in the United States of America establish a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
- Level 2 – Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 – Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

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

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

NOTE 2 FAIR VALUE MEASUREMENT (CONTINUED)

Assets and Liabilities Measured on a Recurring Basis

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

December 31, 2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets - U.S. Agency Securities	$ -	$ 2,800,871	$ -
Assets - Municipal Debt	-	6,110,439	-
Total	$ -	$ 8,911,310	$ -
December 31, 2014			
Assets - U.S. Agency Securities	$ -	$ 889,365	$ -
Assets - Municipal Debt	-	5,848,599	-
Total	$ -	$ 6,737,964	$ -

NOTE 3 PROPERTY HELD FOR SALE

At December 31, 2015 and 2014, CCLF 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 $9,866 and $3,863 for the years ended December 31, 2015 and 2014, respectively.

NOTE 4 LOAN COMMITMENTS AND CREDIT RISK

Loan Commitments

CCLF has loan commitments and undrawn portions of construction and pre-development loans of approximately $9,366,000 and $10,174,000 at December 31, 2015 and 2014, 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.

Concentration of Credit Risk

CCLF 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 5 NOTES RECEIVABLE – LOAN FUND

Notes receivable at December 31, 2015 and 2014, are comprised of the following:

December 31, 2015	Current	Long-Term	Total
Principal Amount	$ 8,901,437	$ 34,135,333	$ 43,036,770
Reserve for Loan Loss	(480,615)	(1,714,973)	(2,195,588)
Net Notes Receivable	$ 8,420,822	$ 32,420,360	$ 40,841,182

December 31, 2014	Current	Long-Term	Total
Principal Amount	$ 9,163,517	$ 33,109,363	$ 42,272,880
Reserve for Loan Loss	(650,288)	(1,463,356)	(2,113,644)
Net Notes Receivable	$ 8,513,229	$ 31,646,007	$ 40,159,236

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

	Principal Amount	
Maturity	2015	2014
Within One Year	$ 8,901,437	$ 9,163,517
One to Two Years	1,866,902	2,929,263
Two to Three Years	4,867,532	2,012,069
Three to Four Years	6,191,736	3,551,662
Four to Five Years	4,810,733	8,471,714
Thereafter	16,398,430	16,144,655
Total	$ 43,036,770	$ 42,272,880

NOTE 5 NOTES RECEIVABLE – LOAN FUND (CONTINUED

The allowance for loan losses (ALL) activity by loan portfolio segment is as follows:

	Mini-Permanent Mortgage	Pre-Development	Construction Rehab	Equipment and Working Capital	Permanent Financing	Total
Reserve for Loan Losses						
Balance, January 1, 2014	$ 1,398,176	$ 324,471	$ 191,876	$ 32,743	$ 7,705	$ 1,954,971
Provision for (Benefit from) Loan Losses	160,085	306,576	189,299	42,066	24	$ 698,050
Loans charged-off	(539,377)	-	-	-	-	(539,377)
Balance, December 31, 2014	1,018,884	631,047	381,175	74,809	7,729	2,113,644
Provision for (Benefit from) Loan Losses	24,382	(225,411)	325,019	804	403	125,197
Loans Charged-off	-	-	-	(43,253)	-	(43,253)
Balance, December 31, 2015	$ 1,043,266	$ 405,636	$ 706,194	$ 32,360	$ 8,132	$ 2,195,588

NOTE 5 NOTES RECEIVABLE – LOAN FUND (CONTINUED)

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

December 31, 2015 ALL Evaluation	Mini-Permanent Mortgage	Pre-Development	Construction Rehab	Equipment and Working Capital	Permanent Financing	Total
Evaluated for Impairment:						
Levels 1 - 3	$ 947,080	$ 124,765	$ 706,194	$ 32,360	$ 8,132	$ 1,818,531
Levels 4 - 6	96,186	280,871	-	-	-	377,057
Balance, December 31, 2015	$ 1,043,266	$ 405,636	$ 706,194	$ 32,360	$ 8,132	$ 2,195,588

December 31, 2014 ALL Evaluation	Mini-Permanent Mortgage	Pre-Development	Construction Rehab	Equipment and Working Capital	Permanent Financing	Total
Evaluated for Impairment:						
Grade 1 - 3	$ 923,505	$ 106,133	$ 381,175	$ 31,445	$ 7,729	1,449,987
Grade 4 - 6	95,379	524,914	-	43,364	-	663,657
Balance, December 31, 2014	$ 1,018,884	$ 631,047	$ 381,175	$ 74,809	$ 7,729	$ 2,113,644

NOTE 5 NOTES RECEIVABLE – LOAN FUND (CONTINUED)

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

December 31, 2015 Loan Balances in Relation to ALL Evaluation	Mini-Permanent Mortgage	Pre-Development	Construction Rehab	Equipment and Working Capital	Permanent Financing	Total
Evaluated for Impairment:						
Levels 1 - 3	$ 23,060,631	$ 2,507,474	$ 14,127,069	$ 584,553	$ 178,635	$ 40,458,362
Levels 4 - 6	320,433	2,257,975	-	-	-	2,578,408
Total at December 31, 2015	$ 23,381,064	$ 4,765,449	$ 14,127,069	$ 584,553	$ 178,635	$ 43,036,770

December 31, 2014 Loan Balances in Relation to ALL Evaluation	Mini-Permanent Mortgage	Pre-Development	Construction Rehab	Equipment and Working Capital	Permanent Financing	Total
Evaluated for Impairment:						
Levels 1 - 3	$ 25,352,689	$ 2,333,543	$ 10,055,276	$ 624,723	$ 190,108	$ 38,556,339
Levels 4 - 6	332,502	3,335,980	-	48,059	-	3,716,541
Total at December 31, 2014	$ 25,685,191	$ 5,669,523	$ 10,055,276	$ 672,782	$ 190,108	$ 42,272,880

NOTE 5 NOTES RECEIVABLE – LOAN FUND (CONTINUED)

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

Risk Rating	2015	2014
1 - Minimal Risk	$ 6,935,151	$ 9,410,479
2 - Moderate Risk	19,096,767	18,958,821
3 - Acceptable Risk	14,426,444	10,187,039
4 - Watch/Special Mention	2,222,559	2,944,493
5 - Substandard	189,932	558,072
6 - Doubtful	165,917	213,976
Total	$ 43,036,770	$ 42,272,880

The following table shows the loan portfolio segments allocated by payment activity at December 31, 2015 and 2014. Loans are generally deemed performing if they are less than 90 days delinquent and still accruing interest.

	Credit Risk Profile by Payment Activity					
December 31, 2015	Mini-Permanent Mortgage	Pre-Development	Construction Rehab	Equipment and Working Capital	Permanent Financing	Total
Payment Activity:						
Performing	$ 23,215,147	$ 4,765,449	$ 14,127,069	$ 584,553	$ 178,635	$ 42,870,853
Non-Performing	165,917	-	-	-	-	165,917
Total	$ 23,381,064	$ 4,765,449	$ 14,127,069	$ 584,553	$ 178,635	$ 43,036,770
December 31, 2014						
Payment Activity:						
Performing	$ 25,519,274	$ 5,669,523	$ 10,055,276	$ 624,723	$ 190,108	$ 42,058,904
Non-Performing	165,917	-	-	48,059	-	213,976
Total	$ 25,685,191	$ 5,669,523	$ 10,055,276	$ 672,782	$ 190,108	$ 42,272,880

NOTE 5 NOTES RECEIVABLE – LOAN FUND (CONTINUED)

The following table shows an aging analysis of the loan portfolio by time past due at December 31, 2015 and 2014:

	Accruing Interest			Non-Accrual	
December 31, 2015	Current	30 - 89 Days Past Due	90 Days or More Past Due	90 Days or More Past Due	Total Loans
Mini-Permanent Mortgage	$ 23,215,147	$ -	$ -	$ 165,917	$ 23,381,064
Pre-Development	4,749,690	15,759		-	4,765,449
Construction Rehab	14,127,069	-	-	-	14,127,069
Equipment and Working Capital	561,311	23,242	-	-	584,553
Permanent Financing	178,635	-	-	-	178,635
Total	$ 42,831,852	$ 39,001	$ -	$ 165,917	$ 43,036,770
December 31, 2014					
Mini-Permanent Mortgage	$ 25,519,274	$ -	$ -	$ 165,917	$ 25,685,191
Pre-Development	5,669,523	-	-	-	5,669,523
Construction Rehab	10,055,276	-	-	-	10,055,276
Equipment and Working Capital	624,723	-	-	48,059	672,782
Permanent Financing	190,108	-	-	-	190,108
Total	$ 42,058,904	$ -	$ -	$ 213,976	$ 42,272,880

Interest income forgone on non-accrual loans totaled $10,092 and $16,177 for the years ended December 31, 2015 and 2014, respectively.

NOTE 5 NOTES RECEIVABLE – LOAN FUND (CONTINUED)

The following table presents information related to impaired loans (levels 4 - 6) at December 31, 2015 and 2014:

December 31, 2015	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment
With an Allowance Recorded:				
Mini-Permanent Mortgage	$ 320,433	$ 320,433	$ 93,889	$ 326,467
Pre-Development	2,257,975	2,257,975	264,679	2,796,978
Equipment and Working Capital	-	-	-	24,029
Total	$ 2,578,408	$ 2,578,408	$ 358,568	$ 3,147,474
December 31, 2014				
With an Allowance Recorded:				
Mini-Permanent Mortgage	$ 332,502	$ 332,502	$ 94,613	$ 376,492
Pre-Development	3,335,980	3,335,980	517,225	3,401,444
Equipment and Working Capital	48,059	48,059	43,253	49,029
Total	$ 3,716,541	$ 3,716,541	$ 655,091	$ 3,826,965

Impaired loans include loans in troubled debt restructurings where concessions have been granted to borrowers experiencing financial difficulties. These concessions could include a reduction of interest rate on the loan, payment extensions, forbearance, or other actions intended to maximize collection.

The following table represents impaired loans classified as troubled debt restructurings for the years ended December 31, 2015 and 2014:

December 31, 2015	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Troubled Debt Restructurings:			
Mini-Permanent Mortgage	2	$ 353,712	$ 353,712
Pre-Development	1	15,759	15,759
Total	3	$ 369,471	$ 369,471
December 31, 2014			
Troubled Debt Restructurings:			
Mini-Permanent Mortgage	2	$ 362,412	$ 362,412
Pre-Development	2	400,478	400,478
Total	4	$ 762,890	$ 762,890

NOTE 6 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.

Long-term debt consisted of the following:

December 31, 2015	Principal Amount	Interest Rate	Scheduled Maturity Dates
Senior Loans Payable:			
Private Foundations	$ 3,520,000	2% to 3%	July 2016 to May 2019
Financial Institutions and Corporations	20,008,274	2% to 4%	April 2016 to December 2024
Religious Organizations	835,000	0.5%-3%	December 2015 to December 2020
Individuals	1,150,447	0% to 3%	December 2015 to December 2020
Other	225,000	4.25%	January 2018
Subtotal	25,738,721		
Less: Current Portion	(4,477,875)		
Net Long-Term, Senior Loans Payable	$ 21,260,846		
December 31, 2014			
Senior Loans Payable:			
Private Foundations	$ 4,020,000	2% to 4.3%	December 2015 to May 2019
Financial Institutions and Corporations	19,909,900	2% to 4%	April 2015 to December 2024
Religious Organizations	900,000	1.5% to 3%	December 2015 to June 2019
Individuals	909,211	0% to 3%	January 2015 to June 2020
Other	225,000	4.25%	January 2015
Subtotal	25,964,111		
Less: Current Portion	(1,798,000)		
Net Long-Term, Senior Loans Payable	$ 24,166,111		

NOTE 6 LONG-TERM DEBT AND LINE OF CREDIT (CONTINUED)

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.

Subordinated loans payable are as follows:

December 31, 2015	Principal Amount	Interest Rate	Scheduled Maturity Dates
Subordinated Loans Payable:			
Financial Institutions	$ 8,600,000	2% to 3%	June 2016 to April 2019
Federal Government			
(CDFI Fund)	300,000	2.09%	December 2018
Subtotal	8,900,000		
Less: Current Portion	(1,100,000)		
Net Long-Term, Subordinated Loans Payable	$ 7,800,000		
December 31, 2014			
Subordinated Loans Payable:			
Financial Institutions	$ 8,600,000	2% to 3%	June 2016 to December 2018
Federal Government			
(CDFI Fund)	300,000	2.09%	December 2018
Subtotal	8,900,000		
Less: Current Portion	(100,000)		
Net Long-Term, Subordinated Loans Payable	$ 8,800,000		

NOTE 6 LONG-TERM DEBT AND LINE OF CREDIT (CONTINUED)

Future anticipated loan maturities at December 31, 2015, are as follows:

	Senior	Subordinate	Total
2016	$ 4,477,875	$ 1,100,000	$ 5,577,875
2017	3,983,199	4,400,000	8,383,199
2018	3,388,500	3,300,000	6,688,500
2019	6,509,147	100,000	6,609,147
2020	380,000	-	380,000
Thereafter	7,000,000	-	7,000,000
Total	$ 25,738,721	$ 8,900,000	$ 34,638,721

CCLF is subject to certain debt covenants, as specified in the individual debt agreements. As of December 31, 2015 and 2014, CCLF had met their financial covenants.

CCLF had 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. Any balance outstanding at May 31, 2014 converted to a 48-month term loan with principal due on May 31, 2018. Interest is payable monthly at a per annum rate of 3%. At December 31, 2015 the outstanding balance is $1,000,000 with accrued interest totaling $-0-. At December 31, 2014 the outstanding balance is $1,000,000 with accrued interest totaling $2,500.

CCLF has a $2,000,000 loan agreement with State Farm Mutual Automobile Insurance Company (State Farm) with a term of 10 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 are being 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, 2015, $1,833,560 was drawn down with accrued interest totaling $-0-. At December 31, 2014, $2,000,000 was drawn down with accrued interest totaling $20,000.

During 2014, CCLF entered into a $3,000,000 line of credit with PNC Bank, N.A. through March 27, 2016 with interest at 2.02% exclusively for NSP financing. At December 31, 2015, $864,594 was drawn down with accrued interest totaling $-0-. At December 31, 2014, $2,525,372 was drawn down with accrued interest totaling $5,009.

During 2015, CCLF entered into a $1,500,000 line of credit with PNC Bank, N.A. through March 27, 2016 with interest at 2.02% exclusively for NSP financing. At December 31, 2015, $64,705 was drawn down with accrued interest totaling $-0-.

NOTE 6 LONG-TERM DEBT AND LINE OF CREDIT (CONTINUED)

During 2015, CCLF entered into a $5,000,000 term loan agreement with Federal Home Loan Bank of Chicago with a term of ten years at an interest rate of 2.41%, maturing June 4, 2025. The agreement provides for an interest-only revolving term loan during the first ten years with interest payable quarterly. Outstanding principal shall be due on the maturity date. The funds will be used for commercial real estate, community facility and affordable housing loan programs benefiting low to moderate communities and/or low to moderate individuals. At December 31, 2015, the outstanding balance is $5,000,000 with accrued interest totaling $-0-.

Future loan maturities at December 31, 2015, on the above five notes payable are as follows:

2016	$ 1,300,509
2017	386,333
2018	1,402,074
2019	418,455
2020	255,488
Thereafter	5,000,000
Total	$ 8,762,859

NOTE 7 REFUNDABLE ADVANCES

During 2015, CCLF received a $125,000 grant from the CitiBank Low Income Investment Fund to advance the Partners in Progress Quarterback Initiative. This grant is conditional upon restrictions set forth in the agreement. During 2015, $66,015 was recognized as revenue. At December 31, 2015, $58,985 was recorded as a refundable advance.

During 2012, CCLF received a $3,000,000 Healthy Food Financing Initiative Financial Assistance grant from the CDFI Fund. At December 31, 2012, $2,000,000 had been received and was recorded as a refundable advance. The remaining $1,000,000 was received in 2013. During 2014, $2,104,139 was recognized as revenue. As of December 31, 2015 and 2014, $895,861 remains as a refundable advance.

NOTE 8 BOARD DESIGNATED FUNDS

CCLF's board has elected to establish an operating reserve fund. At December 31, 2015 and 2014, unrestricted net assets of $1,348,113 and $1,123,407, 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 $2,393,521 and $2,531,724 to lending capital to support existing note commitments at December 31, 2015 and 2014, respectively.

NOTE 9 TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2015 and 2014, net assets were temporarily restricted for the following purposes:

	2015	2014
Community Lending Programs	$ 38,225	$ 38,225
Loan Loss Reserves	2,500,000	1,500,000
Foreclosure Prevention	15,078	15,078
Better Understanding of Market Demands	30,000	30,000
Revolving Loan Fund	153,941	221,069
Time Restricted	15,000	59,000
Total	$ 2,752,244	$ 1,863,372

For the years ended December 31, 2015 and 2014, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

Purpose and time restrictions accomplished are as follows for the years ended December 30:

	2015	2014
Server Upgrade	$ -	$ 8,200
SBDF - City Funds Lending Operations	91,648	-
Time Restriction Met	59,000	15,000
Total	$ 150,648	$ 23,200

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 CCLF. Therefore, CCLF permanently restricted net assets are not endowments and not subject to UPMIFA.

During 2014, the JPMorgan Chase Foundation allowed the release of $2,000,000 of permanently restricted funds previously received by CCLF during the year ended December 31, 2011.

NOTE 11 EMPLOYEE BENEFIT PLAN

CCLF offers a Simplified Employee Pension (SEP) plan as a benefit to its employees with more than one year of service. CCLF 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. CCLF’s policy is to fund pension costs as accrued. For the years ended December 31, 2015 and 2014, CCLF contributed 6% of wages to this plan totaling $81,907 and $65,527, respectively.

NOTE 12 RELATED PARTY TRANSACTIONS

The Law Project coordinated $601,029 and $788,518 in donated legal services and was paid $22,000 for certain legal services during the years ended December 31, 2015 and 2014. The executive director of the Law Project is a board member of CCLF.

During the year ended December 31, 2015, CCLF had senior and subordinated loans from the following organizations that employed a board member of CCLF when the loans were originated:

<u>The PrivateBank</u>

On June 30, 2014, CCLF received a senior loan from The PrivateBank and Trust Company for $1,000,000 at an interest rate of 2.25%. The loan is scheduled to mature on June 30, 2019 with a final payment of $1,000,000. A managing director of The PrivateBank is a board member of CCLF. The outstanding balance on this senior loan at December 31, 2015 is $1,000,000. CCLF paid The PrivateBank approximately $22,500 in interest expense during 2015.

<u>Board Member</u>

At December 31, 2015, CCLF 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 matures on June 30, 2018 with a final payment of $5,000.

<u>Village Bank & Trust</u>

On December 31, 2013, CCLF 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, 2015 was $325,000. CCLF paid The Village Bank & Trust approximately $8,125 in interest expense during 2015.

<u>US Bancorp</u>

On June 30, 2008, CCLF 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 board member of CCLF is a vice president in the community lending department at US Bancorp. The outstanding balance on this senior loan at December 31, 2015 is $2,600,000. CCLF paid US Bancorp approximately $78,000 in interest expense during 2015.

<u>PNC Bank</u>

At December 31, 2015, CCLF had two outstanding loans with PNC Bank and two revolving lines of credit. The first loan is a subordinated loan for $2,000,000 at an interest rate of 3%, scheduled to mature on September 30, 2019 with a final payment of $2,000,000. The second loan is a senior loan for $3,000,000 at an interest rate of 2.25%, scheduled to mature on October 23, 2017. The revolving lines of credit are for $3,000,000 and 1,500,000 at interest rates of the daily London Interbank Offered Rate (LIBOR) rate plus 175 basis points. At December 31, 2015, the lines of credit had outstanding balances of $864,594 and $64,705. A vice president of PNC Bank is a member of the loan committee of CCLF. CCLF paid PNC Bank approximately $175,000 in interest expense during 2015.

NOTE 12 RELATED PARTY TRANSACTIONS (CONTINUED)

BMO Harris Bank/Financial Group

During the year ended December 31, 2007, CCLF 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 the community development lending group for BMO Harris is a board member of CCLF. The outstanding balance on this subordinated loan at December 31, 2015 is $2,000,000 and CCLF paid BMO Harris approximately $50,000 in interest expense during 2015.

NOTE 13 LEASES

CCLF leases its main office facility. CCLF is responsible for their share of operating expenses and taxes. Rental expense for the lease totaled $118,731 and $129,150 for the years ended December 31, 2015 and 2014, respectively.

2016	$ 98,774
2017	101,049
2018	103,322
2019	105,597
2020	107,870
Thereafter	175,180
Total	$ 691,792

NOTE 14 SIGNIFICANT CONCENTRATIONS

During the year ended December 31, 2015, CCLF received 34% and 12% of its grants and contribution revenue from Bank of America and the CDFI Fund. During the year ended December 31, 2014, CCLF received 45% and 25% of its grants and contribution revenue from the CDFI Fund and JPMorgan Chase. Future levels of program activities are dependent on continued funding as well as the continued support of private individuals, religious organizations, foundations, and corporations.

NOTE 15 BOND GUARANTEE PROGRAM

On September 28, 2015, CCLF was one of seven Community Development Financial Institutions (CDFIs) that closed on a multi-party bond totaling $127 million. The $127 million issue is part of the U.S. Treasury's CDFI Fund's Bond Guarantee Program. This is the third year of the program which is designed to provide CDFIs with the long-term, reliable capital they need to spur development in low-income and under-resourced communities. CCLF closed on $28 million of the total bond and will use this new source of capital to expand its financing over the next two years in the rental housing, charter schools, commercial real estate and not-for-profit asset classes. There was no financial activity related to this program during 2015.

NOTE 16 NEW MARKETS TAX CREDIT PROGRAM

CCLF has been granted status by the United States Departments of the Treasury as a certified Community Development Entity (CDE), under the New Markets Tax Credit Program (NMTC) administered by the CDFI Fund. During the 2015 year CCLF received allocations totaling $15,000,000 for this program. CCLF has formed four CDE's (collectively the CDE LLCs). These CDEs have been formed for the NMTC allocations but have conducted no financial activity as of December 31, 2015.

The CDE LLCs were formed as Illinois limited liability companies in which CCLF will serve as the managing member with a 0.01% interest and unrelated investor members as regular members with a 99.99% interest. CCLF will not consolidate these entities due to the rights granted to the investor members as will be defined in the future operating agreements. The members' rights will overcome the presumption of control of the managing member. As of December 31, 2015, there is one project in the planning stages.

As of December 31, 2015, the total investment amount is $-0-. There was no activity for any of these companies during 2015.

It is anticipated that the active CDE LLCs will make qualified low-income community investments (QLICs) within the meaning of the NMTC programs and IRC Section 45D. Future agreements are expected with Investor Members who will provide cumulative qualified equity investments (QEIs) to make the QLIFCI from the active CDE LLCs. By making QLICs, the CDE LLCs enable Investor Members to claim NMTC over a seven-year credit period. It is expected that CCLF will earn upfront fees upon obtaining the allocation, establishing the CDE LLCs, and making sub-allocation to the CDE LLCs.

As projects are initiated, terms of agreements will be developed with Investor Members that will eventually require CCLF to maintain certain covenants to avoid recapture of the NMTC and possible reimbursement of a portion of upfront fees it may receive. At December 31, 2015, no project or agreements have been completed. There is one project in process with no activity to date.