CHICAGO COMMUNITY LOAN FUND

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Chicago Community Loan Fund
Chicago, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of The Chicago Community Loan Fund (CCLF), which comprise the statements of financial position as of December 31, 2018 and 2017, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Directors
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, 2018 and 2017, 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.

Emphasis-of-Matter Regarding Adoption of New Accounting Standards

As discussed in Note 1 to the financial statements, in 2018, the Institute adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2019, on our consideration of CCLF's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of CCLF's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CCLF's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Oak Brook, Illinois
April 26, 2019

THE CHICAGO COMMUNITY LOAN FUND
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 10,817,642	$ 14,151,302
Funds Held for Others	280,705	284,286
Investments	9,573,913	9,335,529
FHLB Stock	47,200	-
Grants and Contributions Receivables	753,378	77,000
Interest Receivable	536,108	540,677
Other Receivables	1,369,419	125,642
Notes Receivable, Net of Allowance of $729,098 in 2018 and $462,902 in 2017	18,002,385	11,297,542
Prepaids and Deposits	48,080	31,348
Total Current Assets	41,428,830	35,843,326
LONG-TERM ASSETS		
Notes Receivable, Net of Allowance of $3,652,722 in 2018 and $3,093,950 in 2017	49,440,898	43,837,920
Investment in Limited Liability Companies	1,474	1,486
Office Equipment, Net of Accumulated Depreciation of $312,291 in 2018 and $281,965 in 2017	107,512	131,458
Leasehold Improvements, Net of Accumulated Depreciation of $165,099 in 2018 and $152,739 in 2017	54,009	66,369
Property Held for Sale	110,000	110,000
Total Long-Term Assets	49,713,893	44,147,233
Total Assets	$ 91,142,723	$ 79,990,559

See accompanying Notes to Financial Statements.

THE CHICAGO COMMUNITY LOAN FUND
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2018 AND 2017

	2018	2017
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	$ 1,965,651	$ 584,609
Accrued Liabilities	149,004	143,333
Refundable Advances	1,646,356	2,337,746
Funds Held for Others	280,705	284,286
Interest Payable	40,691	81,670
Notes Payable - Current	940,096	1,784,206
Senior Loans Payable - Current	10,144,005	7,658,074
Subordinated Loans Payable - Current	3,000,000	6,400,000
Total Current Liabilities	18,166,508	19,273,924
LONG-TERM LIABILITIES		
Notes Payable, Less Current Portion	18,650,762	14,380,290
Senior Loans Payable, Less Current Portion	17,130,837	16,054,331
Subordinated Loans Payable, Less Current Portion	8,600,000	3,500,000
Total Long-Term Liabilities	44,381,599	33,934,621
Total Liabilities	62,548,107	53,208,545
NET ASSETS		
Without Donor Restrictions:		
Undesignated	9,273,604	10,066,057
Board Designated	13,259,608	11,349,882
	22,533,212	21,415,939
With Donor Restrictions:	6,061,404	5,366,075
Total Net Assets	28,594,616	26,782,014
Total Liabilities and Net Assets	$ 91,142,723	$ 79,990,559

See accompanying Notes to Financial Statements.

THE CHICAGO COMMUNITY LOAN FUND
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

	Operating						Lending Capital		
	Lending Operations		Economic Development	Technical Assistance					
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT									
Grants and Contributions	$ 481,961	$ 550,511	$ 291,390	$ -	$ -	$ 1,323,862	$ 1,266,500	$ 500,000	$ 3,090,362
Donated Services	887,686	-	-	-	-	887,686	-	-	887,686
Notes Receivable Interest Income	3,991,966	-	-	-	-	3,991,966	-	14,371	4,006,337
Investment Income	427,156	-	-	-	-	427,156	-	-	427,156
Net Investment Unrealized/Realized Loss	(118,759)	-	-	-	-	(118,759)	9,375	-	(109,384)
Loan Processing Income	385,536	-	-	-	-	385,536	-	-	385,536
Contracted Services and Workshops	-	-	-	850	-	850	-	-	850
Asset Management Fee	75,000	-	-	-	-	75,000	-	-	75,000
Miscellaneous	32,378	-	-	-	-	32,378	-	-	32,378
Net Assets Transferred to Restricted	-	-	-	-	-	-	(198,000)	198,000	-
Net Assets Released from Restrictions - Satisfaction of Program Restrictions	479,556	(479,556)	-	10,000	(10,000)	-	77,997	(77,997)	-
Total Revenue and Support	6,642,480	70,955	291,390	10,850	(10,000)	7,005,675	1,155,872	634,374	8,795,921
EXPENSES									
Program	4,124,475	-	354,103	236,759	-	4,715,337	799,967	-	5,515,304
Administrative	1,296,875	-	-	-	-	1,296,875	-	-	1,296,875
Fundraising	210,036	-	-	-	-	210,036	-	-	210,036
Total Expenses	5,631,386	-	354,103	236,759	-	6,222,248	799,967	-	7,022,215
Change in Net Assets from Operations	1,011,094	70,955	(62,713)	(225,909)	(10,000)	783,427	355,905	634,374	1,773,706
NONOPERATING ACTIVITIES									
Recoveries on Previously Written Off Loans	38,896	-	-	-	-	38,896	-	-	38,896
CHANGE IN NET ASSETS	1,049,990	70,955	(62,713)	(225,909)	(10,000)	822,323	355,905	634,374	1,812,602
Transfers Between Funds	(1,000,000)	-	-	-	-	(1,000,000)	1,000,000	-	-
Net Assets - Beginning of Year	11,739,380	608,518	80,244	(884,719)	25,078	11,568,501	10,481,034	4,732,479	26,782,014
NET ASSETS - END OF YEAR	$ 11,789,370	$ 679,473	$ 17,531	$ (1,110,628)	$ 15,078	$ 11,390,824	$ 11,836,939	$ 5,366,853	$ 28,594,616

See accompanying Notes to Financial Statements.

THE CHICAGO COMMUNITY LOAN FUND
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

	Operating						Lending Capital		
	Lending Operations		Economic Development	Technical Assistance					
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT									
Grants and Contributions	$ 777,729	$ 578,518	$ 213,902	$ 30,000	$ 10,000	$ 1,610,149	$ 2,877,721	$ 1,000,000	$ 5,487,870
Donated Services	700,683	-	-	-	-	700,683	-	-	700,683
Notes Receivable Interest Income	3,305,738	-	-	-	-	3,305,738	-	129,166	3,434,904
Investment Income	383,712	-	-	-	-	383,712	-	-	383,712
Net Investment Unrealized/Realized Loss	(59,543)	-	-	-	-	(59,543)	(14,974)	-	(74,517)
Loan Processing Income	314,410	-	-	-	-	314,410	-	-	314,410
Contracted Services and Workshops	-	-	-	2,635	-	2,635	-	-	2,635
Sub Allocation Revenue	200,000	-	-	-	-	200,000	-	-	200,000
Asset Management Fee	72,361	-	-	-	-	72,361	-	-	72,361
Miscellaneous	88,500	-	-	-	-	88,500	-	-	88,500
Net Assets Transferred to Temporarily Restricted	-	-	-	-	-	-	(234,000)	234,000	-
Net Assets Released from Restrictions - Satisfaction of Program Restrictions	15,000	(15,000)	-	-	-	-	-	-	-
Total Revenue and Support	5,798,590	563,518	213,902	32,635	10,000	6,618,645	2,628,747	1,363,166	10,610,558
EXPENSES									
Program	3,384,343	-	343,798	237,419	-	3,965,560	612,701	-	4,578,261
Administrative	1,132,383	-	-	-	-	1,132,383	-	-	1,132,383
Fundraising	226,928	-	-	-	-	226,928	-	-	226,928
Total Expenses	4,743,654	-	343,798	237,419	-	5,324,871	612,701	-	5,937,572
Change in Net Assets from Operations	1,054,936	563,518	(129,896)	(204,784)	10,000	1,293,774	2,016,046	1,363,166	4,672,986
NONOPERATING ACTIVITIES									
Recoveries on Previously Written off Loans	549,330	-	-	-	-	549,330	-	-	549,330
CHANGE IN NET ASSETS	1,604,266	563,518	(129,896)	(204,784)	10,000	1,843,104	2,016,046	1,363,166	5,222,316
Net Assets - Beginning of Year	10,135,114	45,000	210,140	(679,935)	15,078	9,725,397	8,464,988	3,369,313	21,559,698
NET ASSETS - END OF YEAR	$ 11,739,380	$ 608,518	$ 80,244	$ (884,719)	$ 25,078	$ 11,568,501	$ 10,481,034	$ 4,732,479	$ 26,782,014

See accompanying Notes to Financial Statements.

THE CHICAGO COMMUNITY LOAN FUND
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Lending Operations	Public Policy	Total Lending Operations and Public Policy	Lending Capital	Technical Assistance	Economic Development	Total Program	Administrative	Fundraising	Total
Salaries	$ 733,080	$ 77,897	$ 810,977	$ -	$ 149,206	$ 217,548	$ 1,177,731	$ 740,636	$ 139,964	$ 2,058,331
Payroll Taxes and Fringe Benefits	201,993	16,064	218,057	-	30,517	49,711	298,285	189,914	29,514	517,713
Professional Fees and Consultants	593,017	-	593,017	-	36,537	43,798	673,353	103,388	3,310	780,051
Donated Services	871,794	-	871,794	-	-	-	871,794	15,892	-	887,686
Rent, Utilities, and Related Charges	74,622	4,178	78,800	-	11,766	12,212	102,778	44,185	8,011	154,974
Telephone	2,400	-	2,400	-	1,200	1,200	4,800	13,422	1,200	19,422
Insurance	2,114	120	2,234	-	263	3,710	6,208	11,320	5,233	22,761
Equipment Rental and Maintenance	6,620	145	6,765	-	315	424	7,503	6,125	253	13,881
Supplies	5,142	28	5,170	-	165	1,174	6,510	11,900	1,484	19,894
Postage and Delivery	1,237	-	1,237	-	71	-	1,308	1,008	509	2,825
Printing	434	-	434	-	-	217	651	363	-	1,014
Marketing	16,024	426	16,451	-	1,210	3,248	20,909	76,890	1,908	99,707
Travel	12,854	5,615	18,470	-	-	7,233	25,703	17,180	2,970	45,853
Meetings	4,640	63	4,703	-	39	-	4,742	12,360	84	17,186
Staff Development	7,339	3,498	10,837	-	1,449	4,712	16,998	15,591	7,680	40,269
Dues and Subscriptions	22,831	900	23,731	-	1,414	4,710	29,856	13,341	5,465	48,662
Investment Management and Bank Fees	99,379	-	99,379	-	173	125	99,677	7,001	356	107,034
Depreciation	21,258	1,110	22,368	-	2,433	3,330	28,130	13,035	1,537	42,702
Interest	1,335,658	-	1,335,658	-	-	-	1,335,658	-	-	1,335,658
Loan Loss Allowance	-	-	-	799,967	-	-	799,967	-	-	799,967
Other	1,993	-	1,993	-	-	750	2,743	3,324	558	6,625
Total Functional Expenses	$ 4,014,429	$ 110,044	$ 4,124,475	$ 799,967	$ 236,758	$ 354,102	$ 5,515,304	$ 1,296,875	$ 210,036	$ 7,022,215

See accompanying Notes to Financial Statements.

THE CHICAGO COMMUNITY LOAN FUND
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

	Lending Operations	Public Policy	Total Lending Operations and Public Policy	Lending Capital	Technical Assistance	Economic Development	Total Program	Administrative	Fundraising	Total
Salaries	$ 688,461	$ 58,535	$ 746,996	$ -	$ 111,490	$ 184,075	$ 1,042,561	$ 645,502	$ 139,463	$ 1,827,526
Payroll Taxes and Fringe Benefits	209,868	11,149	221,017	-	20,743	41,554	283,314	179,232	29,509	492,055
Professional Fees and Consultants	276,545	-	276,545	-	86,299	85,827	448,671	83,943	16,695	549,309
Donated Services	700,683	-	700,683	-	-	-	700,683	-	-	700,683
Rent, Utilities, and Related Charges	67,317	1,983	69,300	-	7,934	10,767	88,001	43,461	8,582	140,044
Telephone	2,400	-	2,400	-	954	1,200	4,554	13,296	1,200	19,050
Insurance	1,811	61	1,872	-	73	3,245	5,190	10,857	3,421	19,468
Equipment Rental and Maintenance	5,092	43	5,135	-	302	885	6,322	6,083	2,057	14,462
Supplies	3,678	5	3,683	-	113	741	4,537	9,550	670	14,757
Postage and Delivery	1,275	-	1,275	-	-	13	1,288	1,334	427	3,049
Printing	605	-	605	-	137	143	885	962	-	1,847
Marketing	8,281	-	8,281	-	1,270	277	9,828	60,209	1,781	71,818
Travel	14,999	2,834	17,833	-	2,725	7,094	27,652	20,219	3,538	51,409
Meetings	2,152	70	2,222	-	2,272	365	4,859	7,830	75	12,764
Staff Development	6,301	75	6,376	-	1,454	2,604	10,434	10,704	2,111	23,249
Dues and Subscriptions	11,179	900	12,079	-	541	964	13,584	16,710	4,120	34,414
Investment Management and Bank Fees	96,466	-	96,466	-	286	125	96,877	6,614	1,011	104,502
Depreciation	22,162	721	22,883	-	826	3,919	27,628	15,463	12,268	55,359
Interest	1,188,692	-	1,188,692	-	-	-	1,188,692	414	-	1,189,106
Write-down and Realized Loss of Foreclosed Assets	-	-	-	27,031	-	-	27,031	-	-	27,031
Loan Loss Allowance	-	-	-	585,670	-	-	585,670	-	-	585,670
Total Functional Expenses	$ 3,307,967	$ 76,376	$ 3,384,343	$ 612,701	$ 237,419	$ 343,798	$ 4,578,261	$ 1,132,383	$ 226,928	$ 5,937,572

See accompanying Notes to Financial Statements.

THE CHICAGO COMMUNITY LOAN FUND
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 1,812,602	$ 5,222,316
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	42,702	55,359
Provision for Loan Losses	799,967	585,670
Net Realized and Unrealized Losses on Investments	109,384	74,517
Realized Loss on Sale of PPE	16	
Realized Loss on Sale of Foreclosed Assets	-	5,136
Write-down of Foreclosed Assets	-	21,895
Effects of Changes in Operating Assets and Liabilities:		
Grants and Contributions Receivables	(676,378)	(37,000)
Interest Receivable	4,569	(195,550)
Other Receivables	(1,243,777)	(92,644)
Prepaids and Deposits	(16,732)	3,255
Accounts Payable and Accrued Expenses	1,386,713	425,223
Refundable Advances	(691,390)	(1,024,763)
Interest Payable	(40,979)	12,563
Net Cash Provided by Operating Activities	1,486,697	5,055,977
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Principal Paydowns on Investments	3,294,363	8,376,480
Purchase of Investments	(3,642,131)	(8,751,583)
Purchase of FHLB Stock	(47,200)	-
Investment in CDE LLCs	-	(489)
Distributions from CDE LLCs	12	-
Increase in Notes Receivable, Net of Repayment	(13,107,788)	(6,853,906)
Purchase of Office Equipment and Leasehold Improvements	(6,412)	(171,649)
Capitalized Additions to Foreclosed Assets	-	(29,725)
Proceeds from Sales of Foreclosed Assets	-	280,275
Net Cash Used by Investing Activities	(13,509,156)	(7,150,597)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Senior Loans Payable	13,174,373	2,541,050
Proceeds from Subordinated Loans Payable	8,000,000	3,500,000
Proceeds from Notes Payable	5,300,000	3,700,000
Principal Payments on Notes Payable	(873,638)	(489,503)
Net Change in Line of Credit	(1,000,000)	-
Principal Repayment of Senior Loans Payable	(9,611,936)	(3,410,924)
Principal Repayment of Subordinated Loans Payable	(6,300,000)	(2,500,000)
Net Cash Provided by Financing Activities	8,688,799	3,340,623
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,333,660)	1,246,003
Cash and Cash Equivalents - Beginning of Year	14,151,302	12,905,299
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 10,817,642	$ 14,151,302
SUPPLEMENTARY DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid During the Year for:		
Interest Paid (Lending Operations Only)	$ 1,335,658	$ 1,188,692
Noncash Investing Activities:		
Transfer from Loans to Foreclosed Assets	$ -	$ 277,581

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 nonborrowers 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 2017 - 2020 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 two classes of net assets – net assets without donor restrictions and net assets with donor restrictions.

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. Significant estimates that are particularly susceptible to change in a short period of time relate to the determination of valuation of investments and the allowance for loan losses. 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, 2018 and 2017, CCLF's cash balances exceeded federally insured limits by $3,927,788 and $4,130,877, respectively. There were also $1,506,441 and $1,901,518 of restricted cash pertaining to CCLF's Chicago Rebuild Grant, and $762,000 and $564,000 of restricted cash to be used exclusively for Bond Guarantee Program loan loss reserves as of December 31, 2018 and 2017, 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.

Investment in Limited Liability Companies

CCLF accounts for its investment in limited liability companies (CDE LLCs) using the equity method of accounting. Under the equity method, the investment is recorded at cost, and increased or decreased by CCLF's share of the limited liability companies' income or losses, and increased or decreased by the amount of any contributions made or distributions received. CCLF holds a 0.01% membership interest in three limited liability companies created for the New Markets Tax Credit Program as of December 31, 2018 and 2017. See Note 15.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. The allowance is established through a provision for loan losses which is charged to expense. 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.

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.

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 4 (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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Loan Losses (Continued)

CCLF has concluded that the impairment impact of troubled debt restructurings on its loan portfolio is not material 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:

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Loan Losses (Continued)

Permanent financing – These loans are offered to eligible 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 required term of these loans is 30 years. 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.

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 nonaccrual.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Support and Revenue

CCLF reports gifts of cash and other assets as support with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

CCLF reports gifts of land, buildings, and equipment as support without donor restrictions 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 year ended December 31, 2018, there were no donated or acquired long-lived assets. For the year ended December 31, 2017, CCLF received and recorded a donated building. At December 31, 2018 and 2017, the donated building had a carrying value of $110,000 and was placed on the market for sale.

Donated Services

Contributions of services are recognized if the services received (a) create or enhance nonfinancial 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, 2018 and 2017, CCLF received and recognized certain donated legal, marketing, and payroll-processing services valued at $887,686 and $700,683, 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, 2018 and 2017, CCLF did not receive any in-kind contributions.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The consolidated statement of functional expenses report certain categories of expenses that are attributable to one or more programs or supporting functions. CCLF directly charges expenses to a program if it can be directly linked to the specified program. For expenses that cannot be linked back to a specific program, an allocation is required. During the budgeting process, each program manager reviews the current allocation of their and their staff's time based upon both the actuals for the past year and any anticipated changes in the staff person's responsibilities. A chart is constructed with each employee spread to create percentages of time for each program. These percentages are either used separately for such allocations as salary and benefits or collectively for rent. All allocations are applied consistently and on a reasonable basis. Adjustments are made at year-end, if the allocations are materially different than what was applied at the beginning of the year.

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.

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 reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Adoption of New Accounting Standard

In 2018, CCLF adopted Accounting Standards Update (ASU) No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the consolidated financial statements and notes to the consolidated financial statements about a not-for-profit entity's liquidity, financial performance, and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board-designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classifications.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standard (Continued)

A recap of the net asset reclassifications driven by the adoption of ASU 2016-14 as of January 1, 2017 is as follows:

	ASU 2016-14 Classifications		
Net Asset Classification	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
As Previously Presented:			
Unrestricted	$ 21,415,939	$ -	$ 21,415,939
Temporarily Restricted	-	3,590,757	3,590,757
Permanently Restricted	-	1,775,318	1,775,318
Net Assets, as Reclassified	$ 21,415,939	$ 5,366,075	$ 26,782,014

Liquidity and Availability

As part of the CCLF's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. CCLF has board designated net assets without donor restrictions that, while the Organization does not intend to spend, the amounts could be made available for current operations, if necessary.

Resources Available to Meet Liquidity Needs:	December 31, 2018
Cash and Cash Equivalents	$ 10,817,642
Marketable Investments	9,573,913
Accounts and Pledges Receivable	2,122,797
Net Notes Receivable (Current Portion)	18,002,385
Interest Receivable	536,108
Total Financial Revenues Available Within One Year	41,052,845
Less Amounts Unavailable for General Expenditures Within One Year Due to:	
Restricted by Donors With Proper Restrictions	6,061,404
Board Designation	13,259,608
Total Amounts Unavailable Within One Year for General Expenditures	19,321,012
Total Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	$ 21,731,833

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

Management evaluated subsequent events through April 26, 2019, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2018, but prior to April 26, 2019, that provided additional evidence about conditions that existed at December 31, 2018, have been recognized in the financial statements for the year ended December 31, 2018. Events or transactions that provided evidence about conditions that did not exist at December 31, 2018, 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, 2018.

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, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Total
Assets - Corporate Bonds	$ -	$ 1,482,197	$ -	$ 1,482,197
Assets - U.S. Agency Bonds	-	2,433,106	-	2,433,106
Assets - Municipal Bonds	-	5,658,610	-	5,658,610
Total	$ -	$ 9,573,913	$ -	$ 9,573,913
December 31, 2017				
Assets - Corporate Bonds	$ -	$ 248,013	$ -	$ 248,013
Assets - U.S. Agency Bonds	-	1,282,368	-	1,282,368
Assets - Municipal Bonds	-	7,805,148	-	7,805,148
Total	$ -	$ 9,335,529	$ -	$ 9,335,529

NOTE 3 PROPERTY HELD FOR SALE

At December 31, 2018 and 2017, CCLF has one property held for sale with a recorded value of $110,000. During 2017, CCLF sold another property held for sale with a recorded value of $277,581 at a loss of $5,136. Expenses incurred for managing and maintaining properties held for sale, including insurance, utilities, maintenance, real estate taxes, and various legal fees, amounted to $-0- and $27,031 for the years ended December 31, 2018 and 2017, 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 $9,865,000 and $12,762,000 at December 31, 2018 and 2017, 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, 2018 and 2017 are comprised of the following:

December 31, 2018	Current	Long-Term	Total
Unpaid Principal Amount	$ 18,731,483	$ 53,093,620	$ 71,825,103
Allowance for Loan Losses	(729,098)	(3,652,722)	(4,381,820)
Net Notes Receivable	$ 18,002,385	$ 49,440,898	$ 67,443,283

December 31, 2017	Current	Long-Term	Total
Unpaid Principal Amount	$ 11,760,444	$ 46,931,870	$ 58,692,314
Allowance for Loan Losses	(462,902)	(3,093,950)	(3,556,852)
Net Notes Receivable	$ 11,297,542	$ 43,837,920	$ 55,135,462

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

	Principal Amount	
Maturity	2018	2017
Within One Year	$ 18,731,483	$ 11,760,444
One to Two Years	11,289,751	6,861,833
Two to Three Years	7,216,627	10,578,621
Three to Four Years	2,615,486	3,502,064
Four to Five Years	5,212,667	3,202,470
Thereafter	26,759,089	22,786,882
Total	$ 71,825,103	$ 58,692,314

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	Equipment and Working Capital	Permanent Financing	Total
Allowance for Loan Losses						
Balance - January 1, 2017	$ 1,942,947	$ 614,645	$ 360,767	$ 44,464	$ 6,602	$ 2,969,425
Provision for (Benefit from) Loan Losses	217,476	(150,849)	365,740	(1,845)	156,905	587,427
Loans Charged-off	-	-	-	-	-	-
Balance - December 31, 2017	2,160,423	463,796	726,507	42,619	163,507	3,556,852
Provision for (Benefit from) Loan Losses	83,337	128,150	483,222	3,834	126,425	824,968
Loans Charged-off	-	-	-	-	-	-
Balance - December 31, 2018	$ 2,243,760	$ 591,946	$ 1,209,729	$ 46,453	$ 289,932	$ 4,381,820

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, 2018 ALL Evaluation	Mini-Permanent Mortgage	Pre-Development	Construction	Equipment and Working Capital	Permanent Financing	Total
Evaluated for Impairment:						
Risk Rating 1 - 4	$ 1,535,151	$ 538,259	$ 1,209,729	$ 46,453	$ 289,932	$ 3,619,524
Risk Rating 5 - 6	708,609	53,687	-	-	-	762,296
Balance - December 31, 2018	$ 2,243,760	$ 591,946	$ 1,209,729	$ 46,453	$ 289,932	$ 4,381,820

December 31, 2017 ALL Evaluation	Mini-Permanent Mortgage	Pre-Development	Construction	Equipment and Working Capital	Permanent Financing	Total
Evaluated for Impairment:						
Risk Rating 1 - 4	$ 1,526,055	$ 463,796	$ 726,507	$ 42,619	$ 163,507	$ 2,922,484
Risk Rating 5 - 6	634,368	-	-	-	-	634,368
Balance - December 31, 2017	$ 2,160,423	$ 463,796	$ 726,507	$ 42,619	$ 163,507	$ 3,556,852

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, 2018 Loan Balances in Relation to ALL Evaluation	Mini-Permanent Mortgage	Pre-Development	Construction	Equipment and Working Capital	Permanent Financing	Total
Evaluated for Impairment:						
Risk Rating 1 - 4	$ 31,839,815	$ 12,054,789	$ 17,932,160	$ 909,474	$ 7,822,524	$ 70,558,762
Risk Rating 5 - 6	1,092,669	173,672	-	-	-	1,266,341
Total - December 31, 2018	$ 32,932,484	$ 12,228,461	$ 17,932,160	$ 909,474	$ 7,822,524	$ 71,825,103

December 31, 2017 Loan Balances in Relation to ALL Evaluation	Mini-Permanent Mortgage	Pre-Development	Construction	Equipment and Working Capital	Permanent Financing	Total
Evaluated for Impairment:						
Risk Rating 1 - 4	$ 34,435,735	$ 10,174,140	$ 7,909,850	$ 839,819	$ 4,375,780	$ 57,735,324
Risk Rating 5 - 6	956,990	-	-	-	-	956,990
Total - December 31, 2017	$ 35,392,725	$ 10,174,140	$ 7,909,850	$ 839,819	$ 4,375,780	$ 58,692,314

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

Risk Rating	2018	2017
1 - Minimal Risk	$ 5,242,024	$ 5,494,368
2 - Moderate Risk	29,028,992	25,111,480
3 - Acceptable Risk	29,336,711	19,768,302
4 - Watchlist/Special Mention	6,951,035	7,361,174
5 - Substandard	644,752	169,484
6 - Doubtful	621,589	787,506
Total	$ 71,825,103	$ 58,692,314

NOTE 5 NOTES RECEIVABLE – LOAN FUND (CONTINUED)

The following table shows the loan portfolio segments allocated by payment activity at December 31, 2018 and 2017. 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, 2018	Mini-Permanent Mortgage	Pre-Development	Construction	Equipment and Working Capital	Permanent Financing	Total
Payment Activity:						
Performing	$ 30,956,641	$ 12,054,789	$ 17,932,160	$ 909,474	$ 7,822,524	$ 69,675,588
Nonperforming	1,975,843	173,672	-	-	-	2,149,515
Total	$ 32,932,484	$ 12,228,461	$ 17,932,160	$ 909,474	$ 7,822,524	$ 71,825,103
December 31, 2017						
Payment Activity:						
Performing	$ 34,094,383	$ 9,997,679	$ 7,909,850	$ 839,819	$ 4,375,780	$ 57,217,511
Nonperforming	1,298,342	176,461	-	-	-	1,474,803
Total	$ 35,392,725	$ 10,174,140	$ 7,909,850	$ 839,819	$ 4,375,780	$ 58,692,314

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, 2018 and 2017:

	Accruing Interest			Nonaccrual	
December 31, 2018	Current	30 - 89 Days Past Due	90 Days or More Past Due	90 Days or More Past Due	Total Loans
Mini-Permanent Mortgage	$ 30,956,641	$ -	$ 1,354,254	$ 621,589	$ 32,932,484
Pre-Development	12,054,789	-	173,672	-	12,228,461
Construction	16,540,062	1,392,098	-	-	17,932,160
Equipment and Working Capital	909,474	-	-	-	909,474
Permanent Financing	7,822,524	-	-	-	7,822,524
Total	$ 68,283,490	$ 1,392,098	$ 1,527,926	$ 621,589	$ 71,825,103
December 31, 2017					
Mini-Permanent Mortgage	$ 30,207,526	$ 3,886,857	$ 510,836	$ 787,506	$ 35,392,725
Pre-Development	9,997,679	-	176,461	-	10,174,140
Construction	7,444,850	465,000	-	-	7,909,850
Equipment and Working Capital	839,819	-	-	-	839,819
Permanent Financing	4,375,780	-	-	-	4,375,780
Total	$ 52,865,654	$ 4,351,857	$ 687,297	$ 787,506	$ 58,692,314

Interest income forgone on nonaccrual loans totaled $19,141 and $31,164 for the years ended December 31, 2018 and 2017, respectively.

NOTE 5 NOTES RECEIVABLE – LOAN FUND (CONTINUED)

The following table presents information related to impaired loans (risk rating 5 – 6), including troubled debt restructurings, at December 31, 2018 an 2017:

December 31, 2018	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment
With an Allowance Recorded:				
Mini-Permanent Mortgage	$ 3,605,411	$ 3,605,411	$ 950,048	$ 3,641,689
Pre-Development	173,672	173,672	53,400	175,066
Total	$ 3,779,083	$ 3,779,083	$ 1,003,448	$ 3,816,755
December 31, 2017				
With an Allowance Recorded:				
Mini-Permanent Mortgage	$ 3,502,532	$ 3,502,532	$ 791,091	$ 3,545,395

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, 2018 and 2017:

December 31, 2018	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Troubled Debt Restructurings:			
Mini-Permanent Mortgage	1	$ 2,512,742	$ 2,512,742
Total	1	$ 2,512,742	$ 2,512,742
December 31, 2017			
Troubled Debt Restructurings:			
Mini-Permanent Mortgage	3	$ 2,880,943	$ 2,880,943
Total	3	$ 2,880,943	$ 2,880,943

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, 2018	Principal Amount	Interest Rate	Scheduled Maturity Dates
Senior Loans Payable:			
Private Foundations	$ 4,400,000	1% to 3.5%	May 2019 to July 2028
Financial Institutions and Corporations	18,915,537	2% to 4.10%	March 2019 to December 2028
Religious Organizations	2,235,000	1%-3%	June 2019 to December 2023
Individuals	1,499,305	0% to 3%	February 2019 to September 2023
Other	225,000	3%	July 2021
Subtotal	27,274,842		
Less: Current Portion	(10,144,005)		
Net Long-Term, Senior Loans Payable	$ 17,130,837		
December 31, 2017			
Senior Loans Payable:			
Private Foundations	$ 3,750,000	1% to 2.5%	May 2019 to January 2027
Financial Institutions and Corporations	17,608,274	2% to 3.25%	March 2018 to December 2024
Religious Organizations	935,000	0.5%-3%	May 2018 to June 2023
Individuals	1,194,131	0% to 3%	May 2018 to December 2020
Other	225,000	3%	January 2018
Subtotal	23,712,405		
Less: Current Portion	(7,658,074)		
Net Long-Term, Senior Loans Payable	$ 16,054,331		

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, 2018	Principal Amount	Interest Rate	Scheduled Maturity Dates
Subordinated Loans Payable:			
Financial Institutions	$ 11,600,000	2% to 3%	June 2019 to December 2023
Subtotal	11,600,000		
Less: Current Portion	(3,000,000)		
Net Long-Term, Subordinated Loans Payable	$ 8,600,000		
December 31, 2017			
Subordinated Loans Payable:			
Financial Institutions	$ 9,600,000	2% to 3%	June 2018 to November 2022
Federal Government (CDFI Fund)	300,000	2.09%	December 2018
Subtotal	9,900,000		
Less: Current Portion	(6,400,000)		
Net Long-Term, Subordinated Loans Payable	$ 3,500,000		

Future anticipated loan maturities at December 31, 2018 are as follows:

Year Ending December 31,	Senior	Subordinate	Total
2019	$ 10,144,005	$ 3,000,000	$ 13,144,005
2020	4,493,000	-	4,493,000
2021	2,492,337	2,000,000	4,492,337
2022	425,500	2,600,000	3,025,500
2023	1,720,000	4,000,000	5,720,000
Thereafter	8,000,000	-	8,000,000
Total	$ 27,274,842	$ 11,600,000	$ 38,874,842

CCLF is subject to certain debt covenants, as specified in the individual debt agreements. As of December 31, 2018 and 2017, CCLF had met their financial covenants or obtained waivers as needed.

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

CCLF had an unsecured $1,000,000 line of credit with HSBC Bank through May 31, 2014. Draws under the line of credit were 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%. As of December 31, 2018 and 2017 the line of credit had outstanding balances of $-0- and $1,000,000, with accrued interest of $-0- and $2,583, respectively.

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. As of December 31, 2018 and 2017, $648,017 and $1,059,027, respectively, were drawn down with accrued interest totaling $-0- for both years.

During 2015, CCLF entered into a $5,000,000 term loan agreement with Federal Home Loan Bank of Chicago with a term of 10 years at an interest rate of 2.41%, maturing June 4, 2025. During 2018, the bank advanced an additional $2,000,000 under the same terms and maturity date. 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. As of December 31, 2018 and 2017, the outstanding balance was $7,000,000 and $5,000,000, respectively, with accrued interest totaling $-0- for both years.

During 2016, CCLF entered into a $5,500,000 loan agreement with the Opportunity Finance Network through the CDFI Bond Guarantee Program with a term of 20 years at an interest rate of 2.21%, maturing June 16, 2036. The agreement provides for interest payable quarterly. The funds will be used for the lending program. As of December 31, 2018 and 2017, the outstanding balances were $5,200,360 and $5,440,538, respectively, with accrued interest totaling $-0- for both years.

During 2017, CCLF entered into a $3,700,000 loan agreement with the Opportunity Finance Network through the CDFI Bond Guarantee Program with a term of 20 years at an interest rate of 2.86%, maturing June 15, 2037. The agreement provides for interest payable quarterly. The funds will be used for the lending program. As of December 31, 2018 and 2017, the outstanding balances were $3,522,977 and $3,664,931, respectively, with accrued interest totaling $-0- for both years.

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

During 2018, CCLF entered into a $3,300,000 loan agreement with the Opportunity Finance Network through the CDFI Bond Guarantee Program with a term of 20 years at an interest rate of 3.39%, maturing June 15, 2038. The agreement provides for interest payable quarterly. The funds will be used for the lending program. As of December 31, 2018, the outstanding balance was $3,219,504 with accrued interesting totaling $-0-.

Future loan maturities at December 31, 2018 on the above notes payable are as follows:

Year Ending December 31,	Amount
2019	$ 940,096
2020	745,634
2021	536,535
2022	554,137
2023	569,146
Thereafter	16,245,310
Total	$ 19,590,858

NOTE 7 REFUNDABLE ADVANCES

During 2016, CCLF received a $3,490,000 Pro Neighborhoods grant from Chase Bank. During 2018 and 2017, $691,390 and $128,902 were recognized as revenue, respectively. As of December 31, 2018 and 2017, $1,639,708 and $2,331,098 remains as a refundable advance, respectively.

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 2018 and 2017, $-0- were recognized as revenue for both years. As of December 31, 2018 and 2017, $6,648 remains as a refundable advance for both years.

NOTE 8 BOARD-DESIGNATED FUNDS

CCLF's board has elected to establish an operating reserve fund. At December 31, 2018 and 2017, net assets without donor restrictions of $1,555,562 and $1,331,218, 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.

NOTE 8 BOARD-DESIGNATED FUNDS (CONTINUED)

Furthermore, the board has elected to establish an investment reserve fund. At December 31, 2018 and 2017, net assets without donor restrictions of $11,704,046 and $10,018,664, respectively, have been so designated, which represents 15% of total lending capital to support existing note commitments. It is CCLF's intent to maintain this reserve at a minimum of 15% of total annual lending capital.

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2018 and 2017, net assets with donor restrictions are restricted for the following purposes:

	2018	2017
Subject to Expenditure for Specified Purpose:		
Community Lending Programs	$ 233,571	$ 38,225
Loan Loss Reserves	1,762,000	1,564,000
Foreclosure Prevention	15,078	15,078
Better Understanding of Market Demands	30,000	30,000
Small Business Development Revolving Loan Fund	291,309	354,936
Chicago Neighborhood Rebuild Pilot Program	1,863,345	1,506,518
Co-op Website	183	5,000
Hiring Executive Assitant	75,000	-
Total Subject to Expenditure for Specified Purpose	4,270,486	3,513,757
Subject to Passage of Time:		
Chicago Community Trust	15,000	15,000
Capital One TA Revamp Grant	-	10,000
US Bank Grant	-	25,000
Wintrust Bank Grant	-	20,000
Bank Leumi USA Grant	-	2,500
Huntington Bank Grant	-	2,500
Chase Bank Matching Gift	-	2,000
T.West Contribution	500	-
C. Dorsey 2018 Contribution	100	-
Total Subject to Passage of Time	15,600	77,000
Not Subject to Appropriation or Expenditure:		
Donations to the Lending Capital Fund	1,775,318	1,775,318
Total Net Assets with Donor Restrictions	$ 6,061,404	$ 5,366,075

Net assets with donor restrictions include 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, these net assets are not endowments and not subject to UPMIFA.

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

For the years ended December 31, 2018 and 2017, 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 31:

	2018	2017
Satisfaction of Time Restrictions	$ 77,000	$ 15,000
Satisfaction of Specified Purpose	490,553	-
Total	$ 567,553	$ 15,000

NOTE 10 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, 2018 and 2017, CCLF contributed 6% of wages to this plan totaling $111,592 and $85,617, respectively.

NOTE 11 RELATED PARTY TRANSACTIONS

The Law Project coordinated $887,686 and $700,683 in donated legal services and was paid $15,000 for certain legal services during the years ended December 31, 2018 and 2017. The executive director of the Law Project is a board member of CCLF.

During the years ended December 31, 2018 and 2017, 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. As of December 31, 2018 and 2017, the outstanding balance on this senior loan was $1,000,000. CCLF paid The PrivateBank approximately $23,000 in interest expense during 2018 and 2017.

<u>Board Member</u>

As of December 31, 2018 and 2017, 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 matured on June 30, 2018 and renewed with a maturity date of June 23, 2023 with a final payment of $5,000.

NOTE 11 RELATED PARTY TRANSACTIONS (CONTINUED)

Village Bank & Trust

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 matured on December 30, 2018 and rolled over with a new maturity date of December 31, 2023. In 2017, a board member of CCLF was a Senior Vice President and Chief Credit Officer of the Village Bank & Trust. In 2018, the board member is no longer employed at the Village of Bank & Trust. As of December 31, 2017, the outstanding balance on this subordinated loan was $325,000. CCLF paid the Village Bank & Trust approximately $8,000 in interest expense during 2017.

Wintrust Financial Corporation

On September 1, 2018, CCLF received a senior loan from Wintrust Financial Corporation for $1,000,000 at an interest rate of 2.25%. The loan is scheduled to mature on August 31, 2023 with a final payment of $1,000,000. A managing director of Wintrust Financial Corporation is a board member of CCLF. As of December 31, 2018, the outstanding balance on this senior loan was $1,000,000. CCLF paid Wintrust Financial approximately $7,000 in interest expense during 2018.

Bank of America

On December 26, 2014, CCLF received a senior loan from Bank of America for $7,000,000 at an interest rate of 3%. The loan has periodic scheduled principal payments throughout the life of the loan. The loan is scheduled to mature on December 26, 2024 with a final payment of $1,000,000. In 2017, a board member of CCLF became the senior vice president in the community-lending department at Bank of America. As of December 31, 2018 and 2017, the outstanding balance on this senior loan was $4,000,000 and $5,000,000. CCLF paid US Bancorp approximately $137,000 and $172,000 in interest expense during 2018 and 2017, respectively.

PNC Bank

As of December 31, 2018 and 2017, CCLF had two outstanding loans with PNC Bank. The first loan is a subordinated loan for $2,000,000 at an interest rate of 3% and 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 3.75%, scheduled to mature on September 30, 2019 with a final payment of $3,000,000. A Vice President of PNC Bank is a board member of CCLF. CCLF paid PNC Bank approximately $153,000 and $129,000 in interest expense during 2018 and 2017, respectively.

MB Financial Bank

On September 15, 2017, CCLF received a subordinated loan form MB Financial Bank for $1,000,000 at an interest rate of 2.5% and scheduled to mature on September 15, 2022 with a final payment of $1,000,000. The Vice President of Community Development of MB Financial Bank is a board member of CCLF. As of December 31, 2018 and 2017, the outstanding balance on the first subordinated loan was $-0- and $-0-, respectively. As of December 31, 2018 and 2017, the outstanding balance on the second subordinated loan was $1,000,000. CCLF paid MB Financial Bank approximately $25,000 and $7,000 in interest expense during 2018 and 2017, respectively.

NOTE 11 RELATED PARTY TRANSACTIONS (CONTINUED)

BMO Harris Bank/Financial Group

On December 31, 2018, 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 December 31, 2019 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. As of December 31, 2018, the outstanding balance on this subordinated loan was $2,000,000. CCLF paid BMO Harris approximately $50,000 in interest expense during 2018 and 2017.

NOTE 12 LEASES

CCLF leases its main office facility and certain equipment. Under its office lease agreement, CCLF is responsible for their share of operating expenses and taxes. Rental expense for the leases totaled $141,764 and $130,817 for the years ended December 31, 2018 and 2017, respectively. Future rental commitments under the lease agreements in effect as of December 31, 2018 are as follows:

Year Ending December 31,	Amount
2019	$ 106,507
2020	108,780
2021	111,060
2022	65,940
2023	227
Total	$ 392,514

Subsequent to year-end, CCLF amended the lease agreement for its main office facility on February 15, 2019. The lease term is effective as of the later to occur of substantial completion of all the work pertaining to the space expansion plan or April 1, 2019, and expires on July 31, 2029. The amendment increases annual base rent charges to approximately $197,000 in the initial year and ranges up to $240,000 in the final year of the lease term.

NOTE 13 SIGNIFICANT CONCENTRATIONS

During the years ended December 31, 2018 and 2017, CCLF received 28% and 48% of its grants and contributions from the CDFI Fund, respectively. During the year ended December 31, 2018, CCLF also received 22% and 24% of its grants and contributions from Chase Bank and the City of Chicago, respectively. 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 14 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 was the third year of the program which was 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 in the rental housing, charter schools, commercial real estate, and not-for-profit asset classes. During 2018 and 2017, there were $11.9 million and $9.1 million in funds distributed, respectively.

NOTE 15 NEW MARKETS TAX CREDIT PROGRAM

CCLF has been granted status by the United States Department of the Treasury as a certified Community Development Entity (CDE), under the New Markets Tax Credit Program (NMTC) administered by the CDFI Fund. During 2015, CCLF received allocations totaling $15,000,000 for this program. CCLF has formed four CDE's (collectively the CDE LLCs) for the NMTC allocations.

The CDE LLCs were formed as Illinois limited liability companies in which CCLF serves as the managing member with a 0.01% interest and unrelated investor members as regular members with a 99.99% interest. Two of the four CDE LLCs initiated operations during 2016. A third CDE LLC initiated operations during 2017. CCLF does not consolidate these entities due to the rights granted to the investor members as defined in the operating agreements. The investor members' rights overcome the presumption of control by the managing member.

The active CDE LLCs make qualified low-income community investments (QLICIs) within the meaning of the NMTC programs and IRC Section 45D. Agreements with investor members provide for cumulative qualified equity investments (QEIs) to make the QLICI from the active CDE LLCs. By making QLICIs, the CDE LLCs enable investor members to claim new markets tax credits over a seven-year credit period. CCLF earns upfront fees upon obtaining the allocation, establishing the CDE LLCs, and making sub-allocation to the CDE LLCs.

As projects are initiated, agreement terms are established with Investor Members that require CCLF to maintain certain covenants to avoid recapture of the NMTC and possible reimbursement of a portion of upfront fees it may receive. Management believes that it was in compliance with all such covenants.

At December 31, 2018 and 2017, CCLF's total investment in the CDE LLCs is $1,474 and $1,486, respectively, and is reflected as investment in limited liability companies on the statements of financial position. During the years ended December 31, 2018 and 2017, CCLF recognized sub-allocation and asset management fee revenues of approximately $75,000 and $272,000, respectively, from the CDE LLCs.