# THE CHICAGO COMMUNITY LOAN FUND AND AFFILIATES

# CONSOLIDATED FINANCIAL STATEMENTS

# YEARS ENDED DECEMBER 31, 2023 AND 2022

CPAs | CONSULTANTS | WEALTH ADVISORS

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**THE CHICAGO COMMUNITY LOAN FUND AND AFFILIATES**
**TABLE OF CONTENTS**
**YEARS ENDED DECEMBER 31, 2023 AND 2022**

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# INDEPENDENT AUDITORS' REPORT

Board of Directors
The Chicago Community Loan Fund and Affiliates
Chicago, Illinois

## Report on the Audit of the Consolidated Financial Statements

### *Opinion*

We have audited the accompanying consolidated financial statements of The Chicago Community Loan Fund and Affiliates (CCLF), which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CCLF as of December 31, 2023 and 2022, 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.

### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of CCLF and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Change in Accounting Principle*

As discussed in Note 1 to the consolidated financial statements, effective January 1, 2023, The Chicago Community Loan Fund and Affiliates adopted new accounting guidance for the measurement of credit losses on financial instruments and there was no material impact to the consolidated financial statements. Our opinion is not modified with respect to this matter.

### *Responsibilities of Management for the Consolidated Financial Statements*

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about CCLF's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit 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 CCLF's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CCLF's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Board of Directors
The Chicago Community Loan Fund and Affiliates

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2024 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, 2024

# THE CHICAGO COMMUNITY LOAN FUND AND AFFILIATES
# CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
# DECEMBER 31, 2023 AND 2022

| | 2023 | 2022 |
|---|---|---|
| **ASSETS** | | |
| **CURRENT ASSETS** | | |
| Cash and Cash Equivalents | $ 39,630,637 | $ 38,751,839 |
| Funds Held for Others | 818,273 | 289,455 |
| Investments | 14,414,231 | 13,643,078 |
| FHLB Stock | 56,100 | 56,100 |
| Grants and Contributions Receivables | 337,286 | 139,600 |
| Interest Receivable | 667,214 | 566,775 |
| Other Receivables | 47,949 | 33,366 |
| Notes Receivable, Net of Allowance of $1,960,062 in 2023 and $315,168 in 2022 | 25,544,197 | 23,360,052 |
| Prepaids and Deposits | 174,218 | 107,508 |
| Total Current Assets | 81,690,105 | 76,947,773 |
| **LONG-TERM ASSETS** | | |
| Notes Receivable, Net of Allowance of $7,343,508 in 2023 and $7,623,462 in 2022 | 96,901,301 | 80,309,315 |
| Investment in Limited Liability Companies | 484 | 1,427 |
| Office Equipment, Net of Accumulated Depreciation of $569,011 in 2023 and $522,593 in 2022 | 113,361 | 163,639 |
| Leasehold Improvements, Net of Accumulated Depreciation of $325,277 in 2023 and $299,163 in 2022 | 135,611 | 161,725 |
| Right-of-Use Asset | 1,154,886 | 1,350,510 |
| Total Long-Term Assets | 98,305,643 | 81,986,616 |
| Total Assets | $ 179,995,748 | $ 158,934,389 |

*See accompanying Notes to Consolidated Financial Statements.*

**THE CHICAGO COMMUNITY LOAN FUND AND AFFILIATES**
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)**
**DECEMBER 31, 2023 AND 2022**

| | 2023 | 2022 |
|---|---|---|
| **LIABILITIES AND NET ASSETS** | | |
| **CURRENT LIABILITIES** | | |
| Accounts Payable | $ 2,171,920 | $ 1,961,776 |
| Accrued Liabilities | 303,354 | 294,907 |
| Refundable Advances | 4,996,428 | 6,648 |
| Funds Held for Others | 818,273 | 289,455 |
| Interest Payable | 69,988 | 76,509 |
| Notes Payable - Current | 1,249,032 | 1,225,902 |
| Senior Loans Payable - Current | 11,352,111 | 7,908,721 |
| Subordinated Loans Payable - Current | 7,500,000 | 5,100,000 |
| Total Current Liabilities | 28,461,106 | 16,863,918 |
| **LONG-TERM LIABILITIES** | | |
| Notes Payable, Less Current Portion | 26,010,946 | 27,259,979 |
| Senior Loans Payable, Less Current Portion | 62,951,749 | 56,497,315 |
| Subordinated Loans Payable, Less Current Portion | 4,249,983 | 5,649,983 |
| Investment from New Market Tax Credit (NMTC) Investor | 4,542,545 | 4,542,545 |
| Lease Liability | 1,223,973 | 1,417,982 |
| Total Long-Term Liabilities | 98,979,196 | 95,367,804 |
| Total Liabilities | 127,440,302 | 112,231,722 |
| **NET ASSETS** | | |
| Without Donor Restrictions: | | |
| Undesignated | 18,145,432 | 15,333,910 |
| Board-Designated | 26,028,465 | 22,947,948 |
| Total | 44,173,897 | 38,281,858 |
| With Donor Restrictions | 8,381,549 | 8,420,809 |
| Total Net Assets | 52,555,446 | 46,702,667 |
| Total Liabilities and Net Assets | $ 179,995,748 | $ 158,934,389 |

*See accompanying Notes to Consolidated Financial Statements.*

# THE CHICAGO COMMUNITY LOAN FUND AND AFFILIATES
# CONSOLIDATED STATEMENT OF ACTIVITIES
# YEAR ENDED DECEMBER 31, 2023

| | Operating | | | | | | | Lending Capital | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Lending Operations | | Economic Development | | Technical Assistance | | | | | |
| | Without Donor Restrictions | With Donor Restrictions | Without Donor Restrictions | With Donor Restrictions | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| **REVENUE AND SUPPORT** | | | | | | | | | | |
| Grants and Contributions | $ 589,865 | $ 565,000 | $ - | $ 272,500 | $ - | $ 195,786 | $ 1,623,151 | $ 5,219,794 | $ - | $ 6,842,945 |
| Donated Services | 972,220 | - | - | - | - | - | 972,220 | - | - | 972,220 |
| Notes Receivable Interest Income | 6,714,984 | - | - | - | - | - | 6,714,984 | - | 212 | 6,715,196 |
| Investment Income | 1,214,825 | - | - | - | - | - | 1,214,825 | - | 76,049 | 1,290,874 |
| Net Investment Unrealized/Realized Gain | 6,713 | - | - | - | - | - | 6,713 | 414,897 | - | 421,610 |
| Loan Processing Income | 715,544 | - | - | - | - | - | 715,544 | - | - | 715,544 |
| Asset Management Fee | 81,389 | - | - | - | - | - | 81,389 | - | - | 81,389 |
| Miscellaneous | 12,748 | - | - | - | - | - | 12,748 | - | - | 12,748 |
| Net Assets Transferred to Restricted | - | - | - | - | - | - | - | - | - | - |
| Net Assets Released from Restrictions - Satisfaction of Program Restrictions | 628,917 | (628,917) | 404,959 | (404,959) | - | - | - | 114,931 | (114,931) | - |
| Total Revenue and Support | 10,937,205 | (63,917) | 404,959 | (132,459) | - | 195,786 | 11,341,574 | 5,749,622 | (38,670) | 17,052,526 |
| **EXPENSES** | | | | | | | | | | |
| Program | 6,083,399 | - | 596,521 | - | 506,077 | - | 7,185,997 | 1,438,266 | - | 8,624,263 |
| Administrative | 2,143,441 | - | - | - | - | - | 2,143,441 | - | - | 2,143,441 |
| Fundraising | 432,043 | - | - | - | - | - | 432,043 | - | - | 432,043 |
| Total Expenses | 8,658,883 | - | 596,521 | - | 506,077 | - | 9,761,481 | 1,438,266 | - | 11,199,747 |
| Change in Net Assets from Operations | 2,278,322 | (63,917) | (191,562) | (132,459) | (506,077) | 195,786 | 1,580,093 | 4,311,356 | (38,670) | 5,852,779 |
| **NONOPERATING ACTIVITIES** | | | | | | | | | | |
| Recoveries on Previously Written Off Loans | - | - | - | - | - | - | - | - | - | - |
| **CHANGE IN NET ASSETS** | 2,278,322 | (63,917) | (191,562) | (132,459) | (506,077) | 195,786 | 1,580,093 | 4,311,356 | (38,670) | 5,852,779 |
| Transfers Between Funds | - | - | - | - | - | - | - | - | - | - |
| Net Assets (Deficit) - Beginning of Year | 19,878,596 | 649,312 | (504,119) | 570,806 | (2,234,408) | 90,078 | 18,450,265 | 21,141,789 | 7,110,613 | 46,702,667 |
| **NET ASSETS (DEFICIT) - END OF YEAR** | $ 22,156,918 | $ 585,395 | $ (695,681) | $ 438,347 | $ (2,740,485) | $ 285,864 | $ 20,030,358 | $ 25,453,145 | $ 7,071,943 | $ 52,555,446 |

*See accompanying Notes to Consolidated Financial Statements.*

# THE CHICAGO COMMUNITY LOAN FUND AND AFFILIATES
# CONSOLIDATED STATEMENT OF ACTIVITIES
# YEAR ENDED DECEMBER 31, 2022

| | Operating | | | | | | | Lending Capital | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Lending Operations | | Economic Development | | Technical Assistance | | | | | |
| | Without Donor Restrictions | With Donor Restrictions | Without Donor Restrictions | With Donor Restrictions | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| **REVENUE AND SUPPORT** | | | | | | | | | | |
| Grants and Contributions | $ 1,171,236 | $ 415,000 | $ - | $ 450,000 | $ 10,000 | $ 76,000 | $ 2,122,236 | $ 4,422,014 | $ 427,986 | $ 6,972,236 |
| Donated Services | 783,628 | - | - | - | - | - | 783,628 | - | - | 783,628 |
| Notes Receivable Interest Income | 5,542,523 | - | - | - | - | - | 5,542,523 | - | 3,862 | 5,546,385 |
| Investment Income | 426,812 | - | - | - | - | - | 426,812 | - | - | 426,812 |
| Net Investment Unrealized/Realized Loss | (31,057) | - | - | - | - | - | (31,057) | (1,255,677) | - | (1,286,734) |
| Loan Processing Income | 543,931 | - | - | - | - | - | 543,931 | - | - | 543,931 |
| Contracted Services and Workshops | - | - | - | - | - | - | - | 25,000 | - | 25,000 |
| Asset Management Fee | 82,500 | - | - | - | - | - | 82,500 | - | - | 82,500 |
| Miscellaneous | 12,000 | - | - | - | - | - | 12,000 | - | - | 12,000 |
| Net Assets Transferred to Restricted | - | - | - | - | - | - | - | - | - | - |
| Net Assets Released from Restrictions - | - | - | - | - | - | - | - | - | - | - |
| Satisfaction of Program Restrictions | 490,921 | (490,921) | 240,525 | (240,525) | 1,000 | (1,000) | - | 73,119 | (73,119) | - |
| Total Revenue and Support | 9,022,494 | (75,921) | 240,525 | 209,475 | 11,000 | 75,000 | 9,482,573 | 3,264,456 | 358,729 | 13,105,758 |
| **EXPENSES** | | | | | | | | | | |
| Program | 6,085,144 | - | 538,476 | - | 538,942 | - | 7,162,562 | 22,431 | - | 7,184,993 |
| Administrative | 1,806,055 | - | - | - | - | - | 1,806,055 | - | - | 1,806,055 |
| Fundraising | 267,175 | - | - | - | - | - | 267,175 | - | - | 267,175 |
| Total Expenses | 8,158,374 | - | 538,476 | - | 538,942 | | 9,235,792 | 22,431 | - | 9,258,223 |
| Change in Net Assets from Operations | 864,120 | (75,921) | (297,951) | 209,475 | (527,942) | 75,000 | 246,781 | 3,242,025 | 358,729 | 3,847,535 |
| **NONOPERATING ACTIVITIES** | | | | | | | | | | |
| Recoveries on Previously Written Off Loans | 1,000,387 | - | - | - | - | - | 1,000,387 | - | - | 1,000,387 |
| **CHANGE IN NET ASSETS** | 1,864,507 | (75,921) | (297,951) | 209,475 | (527,942) | 75,000 | 1,247,168 | 3,242,025 | 358,729 | 4,847,922 |
| Transfers Between Funds | - | - | - | - | - | - | - | - | - | - |
| Net Assets (Deficit) - Beginning of Year | 18,014,089 | 725,233 | (206,168) | 361,331 | (1,706,466) | 15,078 | 17,203,097 | 17,899,764 | 6,751,884 | 41,854,745 |
| **NET ASSETS (DEFICIT) - END OF YEAR** | $ 19,878,596 | $ 649,312 | $ (504,119) | $ 570,806 | $ (2,234,408) | $ 90,078 | $ 18,450,265 | $ 21,141,789 | $ 7,110,613 | $ 46,702,667 |

*See accompanying Notes to Consolidated Financial Statements.*

# THE CHICAGO COMMUNITY LOAN FUND AND AFFILIATES
# CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
# YEAR ENDED DECEMBER 31, 2023

| | Lending Operations | Public Policy | Total Lending Operations and Public Policy | Lending Capital | Technical Assistance | Economic Development | Total Program | Administrative | Fundraising | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Salaries | $ 1,283,530 | $ 226,817 | $ 1,510,347 | $ - | $ 309,275 | $ 330,197 | $ 2,149,819 | $ 1,158,848 | $ 231,304 | $ 3,539,971 |
| Payroll Taxes and Fringe Benefits | 342,404 | 50,920 | 393,324 | - | 90,028 | 65,674 | 549,026 | 330,856 | 64,287 | 944,169 |
| Professional Fees and Consultants | 276,023 | - | 276,023 | - | 72,000 | 140,885 | 488,908 | 269,091 | - | 757,999 |
| Pass Through Expense | - | - | - | - | - | - | - | - | 75,000 | 75,000 |
| Donated Services | 972,220 | - | 972,220 | - | - | - | 972,220 | - | - | 972,220 |
| Rent, Utilities, and Related Charges | 141,539 | 7,649 | 149,188 | - | 13,496 | 21,569 | 184,253 | 87,510 | 9,393 | 281,156 |
| Telephone | 4,621 | 1,200 | 5,821 | - | 1,204 | 2,400 | 9,425 | 13,828 | 1,200 | 24,453 |
| Insurance | 26,451 | 2,952 | 29,403 | - | 4,198 | 6,977 | 40,578 | 28,675 | 7,254 | 76,507 |
| Equipment Rental and Maintenance | 4,466 | 512 | 4,978 | - | 1,193 | 597 | 6,768 | 13,493 | 256 | 20,517 |
| Supplies | 454 | 151 | 605 | - | 18 | 224 | 847 | 7,865 | 289 | 9,001 |
| Postage and Delivery | 538 | - | 538 | - | - | - | 538 | 270 | 19 | 827 |
| Printing | 65 | - | 65 | - | - | - | 65 | 580 | - | 645 |
| Marketing | 10,377 | 2,138 | 12,515 | - | 662 | 5,031 | 18,208 | 58,161 | 32,580 | 108,949 |
| Travel | 17,478 | 14,774 | 32,252 | - | 2,544 | 6,048 | 40,844 | 16,664 | 1,660 | 59,168 |
| Meetings | 7,904 | 20 | 7,924 | - | 3,357 | 1,761 | 13,042 | 11,206 | - | 24,248 |
| Staff Development | 6,198 | 3,049 | 9,247 | - | 3,276 | 3,057 | 15,580 | 56,762 | 2,723 | 75,065 |
| Dues and Subscriptions | 111,578 | 13,444 | 125,022 | - | 419 | 1,119 | 126,560 | 51,428 | 2,696 | 180,684 |
| Investment Management and Bank Fees | 162,970 | - | 162,970 | - | 250 | 500 | 163,720 | 10,008 | 671 | 174,399 |
| Depreciation | 39,039 | 2,169 | 41,208 | - | 4,157 | 10,482 | 55,847 | 28,196 | 2,711 | 86,754 |
| Interest | 2,349,749 | - | 2,349,749 | - | - | - | 2,349,749 | - | - | 2,349,749 |
| Credit Loss Allowance | - | - | - | 1,438,266 | - | - | 1,438,266 | - | - | 1,438,266 |
| Total Expenses by Function | $ 5,757,604 | $ 325,795 | $ 6,083,399 | $ 1,438,266 | $ 506,077 | $ 596,521 | $ 8,624,263 | $ 2,143,441 | $ 432,043 | $ 11,199,747 |

*See accompanying Notes to Consolidated Financial Statements.*

# THE CHICAGO COMMUNITY LOAN FUND AND AFFILIATES
# CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
# YEAR ENDED DECEMBER 31, 2022

| | Lending Operations | Public Policy | Total Lending Operations and Public Policy | Lending Capital | Technical Assistance | Economic Development | Total Program | Administrative | Fundraising | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Salaries | $ 1,106,066 | $ 214,967 | $ 1,321,033 | $ - | $ 290,228 | $ 356,551 | $ 1,967,812 | $ 1,029,834 | $ 188,231 | $ 3,185,877 |
| Payroll Taxes and Fringe Benefits | 295,397 | 40,750 | 336,147 | - | 63,444 | 70,564 | 470,155 | 228,598 | 41,284 | 740,037 |
| Professional Fees and Consultants | 502,995 | - | 502,995 | - | 151,483 | 44,481 | 698,959 | 185,942 | - | 884,901 |
| Pass Through Expenses | 500,000 | - | 500,000 | - | - | - | 500,000 | - | - | 500,000 |
| Donated Services | 781,483 | 2,145 | 783,628 | - | - | - | 783,628 | - | - | 783,628 |
| Rent, Utilities, and Related Charges | 131,333 | 6,619 | 137,952 | - | 11,852 | 19,976 | 169,780 | 80,940 | 8,273 | 258,993 |
| Telephone | 4,279 | 1,200 | 5,479 | - | 1,200 | 2,400 | 9,079 | 14,159 | 1,200 | 24,438 |
| Insurance | 24,691 | 4,436 | 29,127 | - | 1,613 | 11,534 | 42,274 | 24,118 | 6,292 | 72,684 |
| Equipment Rental and Maintenance | 16,276 | 1,003 | 17,279 | - | 2,198 | 1,804 | 21,281 | 17,527 | 955 | 39,763 |
| Supplies | 366 | 115 | 481 | - | 277 | 87 | 845 | 9,427 | 558 | 10,830 |
| Postage and Delivery | 570 | 22 | 592 | - | 12 | 144 | 748 | 511 | 33 | 1,292 |
| Printing | - | - | - | - | 50 | - | 50 | - | 100 | 150 |
| Marketing | 18,227 | 347 | 18,574 | - | 5,515 | 2,000 | 26,089 | 34,922 | 7,233 | 68,244 |
| Travel | 10,664 | 7,885 | 18,549 | - | 2,438 | 6,667 | 27,654 | 13,774 | 4,482 | 45,910 |
| Meetings | 12,210 | 228 | 12,438 | - | 2,115 | 9 | 14,562 | 5,801 | 496 | 20,859 |
| Staff Development | 3,807 | 2,267 | 6,074 | - | 1,439 | 7,942 | 15,455 | 17,366 | 2,659 | 35,480 |
| Dues and Subscriptions | 85,207 | 8,329 | 93,536 | - | 169 | 2,799 | 96,504 | 49,318 | 1,595 | 147,417 |
| Investment Management and Bank Fees | 149,267 | 250 | 149,517 | - | 539 | 500 | 150,556 | 9,912 | 934 | 161,402 |
| Depreciation | 41,025 | 2,280 | 43,305 | - | 4,370 | 11,018 | 58,693 | 29,634 | 2,850 | 91,177 |
| Interest | 2,108,438 | - | 2,108,438 | | - | - | 2,108,438 | - | - | 2,108,438 |
| Loan Loss Allowance | - | - | - | 22,431 | - | - | 22,431 | - | - | 22,431 |
| Special Events | - | - | - | - | - | - | - | 54,272 | - | 54,272 |
| Total Expenses by Function | $ 5,792,301 | $ 292,843 | $ 6,085,144 | $ 22,431 | $ 538,942 | $ 538,476 | $ 7,184,993 | $ 1,806,055 | $ 267,175 | $ 9,258,223 |

*See accompanying Notes to Consolidated Financial Statements.*

# THE CHICAGO COMMUNITY LOAN FUND AND AFFILIATES
# CONSOLIDATED STATEMENTS OF CASH FLOWS
# YEARS ENDED DECEMBER 31, 2023 AND 2022

| | 2023 | 2022 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Change in Net Assets | $ 5,852,779 | $ 4,847,922 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities: | | |
| Depreciation | 86,752 | 91,177 |
| Provision for Credit Losses | 1,438,266 | 22,431 |
| Net Realized and Unrealized (Gains) Losses on Investments | (421,610) | 1,286,734 |
| Effects of Changes in Operating Assets and Liabilities: | | |
| Grants and Contributions Receivables | (197,686) | (44,042) |
| Interest Receivable | (100,439) | 164,292 |
| Other Receivables | (14,583) | 15,556 |
| Prepaids and Deposits | (66,710) | (35,653) |
| Accounts Payable and Accrued Expenses | 218,591 | 40,762 |
| Refundable Advances | 4,989,780 | - |
| Interest Payable | (6,521) | 15,005 |
| Leases | 1,615 | 67,472 |
| Net Cash Provided by Operating Activities | 11,780,234 | 6,471,656 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Proceeds from Sales and Principal Paydowns on Investments | 2,650,954 | 2,679,884 |
| Purchase of Investments | (3,000,497) | (3,719,856) |
| Distributions from CDE LLCs | 943 | 11 |
| Increase in Notes Receivable, Net of Repayment | (20,214,397) | (14,314,831) |
| Purchase of Office Equipment and Leasehold Improvements | (10,360) | (95,989) |
| Net Cash Used by Investing Activities | (20,573,357) | (15,450,781) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from Senior Loans Payable | 16,633,644 | 24,626,667 |
| Proceeds from Subordinated Loans Payable | 2,700,000 | - |
| Principal Payments on Notes Payable | (1,225,903) | (1,200,962) |
| Principal Repayment of Senior Loans Payable | (6,735,820) | (12,084,090) |
| Principal Repayment of Subordinated Loans Payable | (1,700,000) | - |
| Net Cash Provided by Financing Activities | 9,671,921 | 11,341,615 |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | 878,798 | 2,362,490 |
| Cash and Cash Equivalents - Beginning of Year | 38,751,839 | 36,389,349 |
| **CASH AND CASH EQUIVALENTS - END OF YEAR** | $ 39,630,637 | $ 38,751,839 |
| **SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION** | | |
| Cash Paid During the Year for: | | |
| Interest Paid (Lending Operations Only) | $ 2,356,270 | $ 2,093,433 |
| Initial Right-of-Use Asset | - | 1,604,616 |
| Initial Lease Liability | - | 1,604,616 |

*See accompanying Notes to Consolidated Financial Statements.*

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Chicago Community Loan Fund (CCLF or the Company) 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. The Chicago Community Loan Fund is a federally certified Community Development Financial Institution (CDFI). The Chicago Community Loan Fund's programs are as follows:

*Lending Operations and Capital* – The Chicago Community Loan Fund 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* – The Chicago Community Loan Fund'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* – The Chicago Community Loan Fund 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* – The Chicago Community Loan Fund 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 directed a course of collaborative relationships, exploration of available programs new to The Chicago Community Loan Fund and the co-creation of programs to build and/or rehabilitate commercial real estate. This program is designed to research and finance such opportunities.

CCLF NMTC NFP was incorporated on July 10, 2015 in the state of Illinois as a nonprofit corporation. The Chicago Community Loan Fund is its sole corporate member. The primary purpose of CCLF NMTC NFP is to facilitate distributions to qualified exempt organizations including The Chicago Community Loan Fund.

CCLF SUB-CDE 5, LLC was incorporated on January 16, 2019 in the state of Illinois as a limited liability company. The Chicago Community Loan Fund serves as its managing member and holds a 0.01% ownership interest. CCLF NMTC NFP holds the remaining 99.99% ownership interest. CCLF SUB-CDE 5, LLC initiated operations during 2021. The primary purpose of CCLF SUB-CDE 5, LLC is to support The Chicago Community Loan Fund's purpose of individual and institutional investment in community development projects and its participation in the New Markets Tax Credit Program (NMTC). See Note 14.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Through CCLF SUB-CDE 5, LLC, The Chicago Community Loan Fund serves as a conduit CDE lender for a NMTC allocation provided by USB CDE, a subsidiary of US Bank, as part of the financing for notes receivable of $4,542,545, and all principal and interest payments on the loan are remitted to USB CDE for the same amount. As of December 31, 2023 and 2022, the notes receivable and the investment from NMTC investor has an outstanding balance of $4,542,545.

### Principles of Consolidation

The accompanying consolidated financial statements include the accounts of The Chicago Community Loan Fund and its affiliate organizations, CCLF NMTC NFP and CCLF SUB-CDE 5, LLC (collectively referred to as CCLF).

### Method of Accounting

The accounts and consolidated 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 consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). 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.

### Use of Estimates in Preparing Consolidated Financial Statements

The preparation of consolidated financial statements in conformity with U.S. GAAP 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 consolidated 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 credit 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, 2023 and 2022, CCLF's cash balances exceeded federally insured limits by $13,480,502 and $25,282,806, respectively. There were $4,989,780 and $-0- of restricted cash pertaining to the Shared Homeownership Preservation Fund. Additionally, there were $250,000 and $3,891,971 of restricted cash pertaining to CCLF's Chicago Rebuild Grant, and $1,490,576 and $1,535,507 of restricted cash to be used exclusively for Bond Guarantee Program loan loss reserves as of December 31, 2023 and 2022, respectively.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Cash and Cash Equivalents (Continued)

For purposes of the consolidated statements of financial position and consolidated 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 consolidated statements of activities.

### Investment in Unconsolidated Limited Liability Companies

CCLF accounts for its investment in unconsolidated limited liability companies (see Note 14) 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, 2023 and 2022.

### Notes Receivable

Notes receivable are stated at unpaid principal balances, less an allowance for credit 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 Credit Losses on Loans

Effective, January 1, 2023, the allowance for credit losses on loans is a valuation account that is deducted from the amortized cost basis of loans to present the net amount expected to be collected. The allowance for credit losses on loans is adjusted through the provision for credit losses to the amount of amortized cost basis not expected to be collected at the balance sheet date. Loan losses are charged off against the allowance for credit losses on loans when the Company determines the loan balance to be uncollectible. Cash received on previously charged off amounts, if any, are credited to the allowance.

The measurement of expected credit losses encompasses information about historical events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Qualitative adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, or delinquencies, as well as for changes in environmental conditions, such as changes in unemployment rates, and property values, or other relevant factors.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Allowance for Credit Losses on Loans (Continued)

Expected credit losses are estimated on a collective basis for groups of loans that share similar risk characteristics. Factors that may be considered in aggregating loans for this purpose include but are not necessarily limited to, product or collateral type, geography, and internal risk ratings. For loans that do not share similar risk characteristics with other loans such as collateral dependent loans, expected credit losses are estimated on an individual basis.

Expected credit losses are estimated over the contractual terms of the loans, adjusted for expected prepayments. The contractual term excludes expected extensions, renewals, and modifications unless the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Company.

The allowance for credit losses on loans estimate incorporates a reasonable and supportable economic forecast through the use of externally developed macroeconomic scenarios applied in the model. The model includes both current and forecasted unemployment rates. The length of the reasonable and supportable forecast period is evaluated at each reporting period and adjusted if deemed necessary. Currently, the Company uses a one-year reasonable and supportable forecast period in estimating the allowance for credit losses on loans. After the reasonable and supportable forecast period, the models effectively revert to long-term mean loss on a straight-line basis over 12 months.

The Company used the weighted average remaining maturity ("WARM") method for all loans. The WARM method considers an estimate of expected credit losses over the remaining life of the financial assets and uses average annual charge-off rates to estimate the allowance for credit losses. For amortizing assets, the remaining contractual life is adjusted by the expected scheduled payments and prepayments. The average annual charge-off rate is applied to the amortization-adjusted remaining life to determine the unadjusted lifetime historical charge-off rate.

The Company’s expected loss estimate is anchored in historical credit loss experience, with an emphasis on all available portfolio data. The Company's historical look–back period includes January 2003 through the current period, on an annual basis. When historical credit loss experience is not sufficient for a specific portfolio, the Company may supplement its own portfolio data with external models or data.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Allowance for Credit Losses on Loans (Continued)**

Qualitative reserves reflect management's overall estimate of the extent to which current expected credit losses on collectively evaluated loans will differ from historical loss experience. The analysis takes into consideration other analytics performed within the Company, such as enterprise and concentration management, along with other credit–related analytics as deemed appropriate. Management attempts to quantify qualitative reserves whenever possible. The CECL methodology applied focuses on evaluation of qualitative and environmental factors, including but not limited to: (i) Existence, growth, and effect of any concentrations of credit; (ii) Existence, growth, and effect of any concentrations of credit; (iii) Volume and severity of past due financial assets, the volume of nonaccrual assets, and the volume and severity of adversely classified or graded assets; (iv) Volume and severity of past due financial assets, the volume of nonaccrual assets, and the volume and severity of adversely classified or graded assets; (v) Institutions lending policies and procedures, including changes in underwriting standards, collections, write-offs, and recoveries; (vi) Quality of the Company's credit review function; (vii) Experience, ability and depth of the Company's lending, investment, collection , and other relevant management and staff; (viii) Actual and expected changes in international, national, regional, and local economic conditions and developments in which the Company operates that affect collectibility of financial assets.

The Company's CECL estimate applies a forecast that incorporates macroeconomic trends and other environmental factors. Management utilized various environmental factors, as well as management judgment, as the basis for the forecast period. The historical loss rate was utilized as the base rate, and qualitative adjustments were utilized to reflect the forecast and other relevant factors.

CCLF's portfolio segments and their risk characteristics are described as follows:

*Pre-development* – 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 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 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.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Allowance for Credit Losses on Loans (Continued)

*Mini-permanent mortgage* – 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 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 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 collectibility 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.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Allowance for Credit Losses on Loans (Continued)

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.

Although management believes the allowance for credit losses on loans to be adequate, ultimate losses may vary from its estimates. At least quarterly, the board of directors reviews the adequacy of the allowance for credit losses on loans, including consideration of the relevant risks in the portfolio, current economic conditions, and other factors.

Prior to the adoption of ASC 326, the Company used an incurred loss model to measure an allowance for loan losses.

### 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)

### Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

*Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. We report conditional contributions restricted by donors simultaneously in the reporting period.

### 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 consolidated 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 years ended December 31, 2023 and 2022, there were no donated or acquired long-lived assets.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Support and Revenue (Continued)

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional. Donor-restricted conditional gifts in which the condition and restriction is met in the period the gift is received are reported as revenue and net assets without donor restrictions. Contributions received with donor conditions are deferred until such conditions are met. For the years ended December 31, 2023 and 2022, conditional contributions total $5,407,294 and $5,160,000, respectively.

### 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, 2023 and 2022, CCLF received and recognized certain donated legal services valued at $972,220 and $783,628, respectively, for CCLF's lending operations. Donated legal services are recorded as revenue and expense at the lesser of the value of legal services provided at an hour rate of a similar market or 10% of the outstanding loan balance, as this is what CCLF would have paid had the legal services not been donated.

### In-Kind Contributions

In addition to receiving cash contributions, CCLF may receive in-kind contributions from donors. In accordance with U.S. GAAP, CCLF will record the estimated fair value of certain in-kind donations as an expense in its consolidated financial statements, and similarly record a corresponding donation by a like amount. For the years ended December 31, 2023 and 2022, CCLF did not receive any in-kind contributions.

### Functional Allocation of Expenses

The consolidated statements 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.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Income Tax Status

The Chicago Community Loan Fund and CCLF NMTC NFP are exempt from federal income tax under Section 501(c)(3) of the IRC. In addition, they qualify for the charitable contribution deduction under Section 170(b)(1)(A) and have been classified as organizations that are not private foundations. CCLF SUB-CDE 5, LLC is a pass-through entity for income tax purposes, whereby any income tax liabilities or benefits are attributable to its members. CCLF determined that it was not required to record a liability related to uncertain tax positions.

### Leases

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. This standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Company adopted the requirements of the guidance effective January 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption. As such, a ROU asset and a lease liability of $1,604,616 were recorded as of January 1, 2022.

The Company has elected to adopt the package of practical expedients available in the year of adoption. The Company has elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Company's ROU assets. The Company determines if an arrangement is a lease at inception.
ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**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 Company does not intend to spend, the amounts could be made available for current operations, if necessary.

Resources Available to Meet Liquidity Needs:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Cash and Cash Equivalents | $ 39,630,627 | $ 38,751,829 |
| Marketable Investments | 14,414,231 | 13,643,078 |
| Accounts and Pledges Receivable | 385,235 | 172,966 |
| Net Notes Receivable (Current Portion) | 25,544,197 | 23,360,052 |
| Interest Receivable | 667,214 | 566,775 |
| Total Financial Revenues Available Within One Year | 80,641,504 | 76,494,700 |
| Less Amounts Unavailable for General Expenditures Within One Year Due to: | | |
| Restricted by Donors With Proper Restrictions | 8,381,549 | 8,420,809 |
| Board Designation | 26,028,465 | 22,947,948 |
| Total Amounts Unavailable Within One Year for General Expenditures | 34,410,014 | 31,368,757 |
| Total Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year | $ 46,231,490 | $ 45,125,943 |

**New Accounting Pronouncements**

On January 1, 2023, the Company adopted ASU 2016-03, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended (ASC 326), which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss methodology (CECL). The measurement of expected credit losses under CECL is applicable to financial assets measured at amortized cost, including loan receivables and held to maturity securities. It also applies to off-balance sheet credit exposures such as loan commitments and standby letters of credit. In addition, changes were made to the accounting for available for sale securities, which requires credit losses to be presented as an allowance rather than as a direct write-down of the available for sale securities when management does not intend to sell or believes that it is more likely than not that they will be required to sell.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### New Accounting Pronouncements (Continued)

The Company adopted the standard using the modified retrospective method for all financial assets measured at amortized cost and for off-balance sheet credit exposures. Results for annual periods beginning after January 1, 2023 are presented under the new CECL model while prior reporting periods continue to be reported in accordance with previously applicable GAAP. The adoption of this standard did not have a material effect on the Company's operating results or financial condition.

On March 31, 2022, FASB issued ASU 2022-02, *Financial Instruments—Credit Losses (Topic 326) Troubled Debt Restructurings and Vintage Disclosures*, which eliminates the troubled debt restructuring ("TDR"), accounting model for creditors that have adopted Topic 326, *Financial Instruments – Credit Losses.* In addition, on a prospective basis, entities will be subject to new disclosure requirements covering modifications of receivables to borrowers experiencing financial difficulty. Upon adoption of this guidance, the Company no longer establishes a specific reserve for modifications made on or after January 1, 2023 to borrowers experiencing financial difficulty. Instead, these modifications are included in their respective loan segment in the allowance for credit losses on loans. The Company has adopted ASU 2022-02 effective on January 1, 2023. The adoption of this standard did not have a material effect on the Company's operating results or financial condition.

### Off-Statement of Financial Position Credit Related Financial Instruments

In the ordinary course of business, the Company has entered into commitments to extend credit, including commitments under credit arrangements. Such financial instruments are recorded when they are funded. Expected credit losses related to off-balance sheet credit exposures are estimated over the contractual period for which the Company is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Company. Expected credit losses are estimated using similar methodologies employed to estimate expected credit losses on loans, taking into consideration the likelihood and extent of additional amounts expected to be funded over the terms of the commitments.

### Subsequent Events

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through April 26, 2024, the date the financial statements were available to be issued.

## NOTE 2 FAIR VALUE MEASUREMENT

U.S. GAAP defines 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.

U.S. GAAP establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- *Level 1* – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

- *Level 2* – Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

- *Level 3* – Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

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

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

## 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, 2023 | 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 | $ - | $ 3,399,819 | $ - | $ 3,399,819 |
| Assets - U.S. Agency Bonds | - | 3,378,199 | - | 3,378,199 |
| Assets - Municipal Bonds | - | 7,463,073 | - | 7,463,073 |
| Assets - Certificates of Deposit | - | 173,140 | - | 173,140 |
| Total | $ - | $ 14,414,231 | $ - | $ 14,414,231 |
| December 31, 2022 | | | | |
| Assets - Corporate Bonds | $ - | $ 2,140,327 | $ - | $ 2,140,327 |
| Assets - U.S. Agency Bonds | - | 3,287,284 | - | 3,287,284 |
| Assets - Municipal Bonds | - | 7,965,391 | - | 7,965,391 |
| Assets - Certificates of Deposit | - | 250,076 | - | 250,076 |
| Total | $ - | $ 13,643,078 | $ - | $ 13,643,078 |

## NOTE 3 LOAN COMMITMENTS AND CREDIT RISK

### Loan Commitments

CCLF has loan commitments and undrawn portions of construction and pre-development loans of approximately $34,423,000 and $23,359,000 at December 31, 2023 and 2022, respectively. Since certain commitments to fund loans may expire without being used, the amount does not necessarily represent future cash commitments. CCLF evaluates each customer’s creditworthiness on a case by case basis. The amount of collateral obtained, if deemed necessary by CCLF upon extension of credit, is based on management’s credit evaluation. Collateral held varies but may include accounts receivable, inventory, property and equipment, and income producing commercial properties.

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 consolidated financial statements.

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 4 NOTES RECEIVABLE – LOAN FUND

Notes receivable at December 31, 2023 and 2022 are comprised of the following:

| December 31, 2023 | Current | Long-Term | Total |
|---|---|---|---|
| Unpaid Principal Amount | $ 27,504,259 | $ 104,244,809 | $ 131,749,068 |
| Allowance for Credit Losses | (1,960,062) | (7,343,508) | (9,303,570) |
| Net Notes Receivable | $ 25,544,197 | $ 96,901,301 | $ 122,445,498 |

| December 31, 2022 | Current | Long-Term | Total |
|---|---|---|---|
| Unpaid Principal Amount | $ 23,675,220 | $ 87,932,777 | $ 111,607,997 |
| Allowance for Loan Losses | (315,168) | (7,623,462) | (7,938,630) |
| Net Notes Receivable | $ 23,360,052 | $ 80,309,315 | $ 103,669,367 |

CCLF elected to exclude accrued interest receivable from the amortized cost basis of loans. As of December 31, 2023 and 2022, accrued interest receivable for loans totaled $588,290 and $490,508, respectively, and is included in accrued interest receivable on the consolidated statements of financial position.

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

| | Principal Amount | |
|---|---|---|
| Maturity | 2023 | 2022 |
| Within One Year | $ 27,504,259 | $ 23,675,220 |
| One to Two Years | 23,006,515 | 11,601,169 |
| Two to Three Years | 24,407,246 | 10,377,764 |
| Three to Four Years | 16,744,173 | 20,205,376 |
| Four to Five Years | 4,014,053 | 16,500,250 |
| Thereafter | 36,072,822 | 29,248,218 |
| Total | $ 131,749,068 | $ 111,607,997 |

## NOTE 4 NOTES RECEIVABLE – LOAN FUND (CONTINUED)

A summary of activity in the allowance for credit losses on a portfolio segment basis for the year ended December 31, are as follows. CCLF adopted ASC 326 on January 1, 2023. The prior year amounts presented are calculated under the prior accounting standard.

| | Mini-Permanent Mortgage | Pre-Development | Construction | Equipment and Working Capital | Permanent Financing | Total |
|---|---|---|---|---|---|---|
| Allowance for Credit Losses | | | | | | |
| Balance - January 1, 2022 | $ 4,953,545 | $ 1,001,488 | $ 987,550 | $ 630,624 | $ 341,482 | $ 7,914,689 |
| Provision for (Benefit from) Loan Losses | 99,626 | 149,630 | (63,836) | (106,237) | (27,252) | 51,931 |
| Loans Charged-Off | - | - | - | (27,990) | - | (27,990) |
| Balance - December 31, 2022 | 5,053,171 | 1,151,118 | 923,714 | 496,397 | 314,230 | 7,938,630 |
| Provision for (Benefit from) Credit Losses | (1,142,838) | 983,043 | 948,623 | 259,876 | 389,562 | 1,438,266 |
| Loans Charged-Off | - | - | - | (73,326) | - | (73,326) |
| Balance - December 31, 2023 | $ 3,910,333 | $ 2,134,161 | $ 1,872,337 | $ 682,947 | $ 703,792 | $ 9,303,570 |

The provision for credit losses is determined by CCLF as the amount to be added to the allowance for credit losses for various types of financial instruments including loans and unfunded commitments after net charge-offs have been deducted to bring the allowance for credit losses to a level that, in management's judgment, is necessary to absorb expected credit losses over the lives of the respective financial instruments. CCLF determined that the unfunded commitments as year-end is considered unconditionally cancellable. Therefore, CCLF did not establish an allowance for credit losses on unfunded commitments as of year-end.

## NOTE 4 NOTES RECEIVABLE – LOAN FUND (CONTINUED)

A loan is considered to be collateral dependent when, based upon management's assessment, the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. For collateral dependent loans, expected credit losses are based on the estimated fair value of the collateral at the balance sheet date, with consideration for estimated selling costs if satisfaction of the loan depends on the sale of the collateral. CCLF considers the following to be collateral dependent loans as of December 31, 2023:

| December 31, 2023 Loan Balances | Mini-Permanent Mortgage | Pre-Development | Construction | Equipment and Working Capital | Permanent Financing | Total |
|---|---|---|---|---|---|---|
| Collateral Dependent Loans | | | | | | |
| Risk Rating 1 - 4 | $ 1,396,637 | $ 1,428,829 | $ 74,238 | $ - | $ - | $ 2,899,704 |
| Risk Rating 5 - 6 | 2,500,613 | - | - | - | - | 2,500,613 |
| Total - December 31, 2023 | $ 3,897,250 | $ 1,428,829 | $ 74,238 | $ - | $ - | $ 5,400,317 |

| December 31, 2023 ACL | Mini-Permanent Mortgage | Pre-Development | Construction | Equipment and Working Capital | Permanent Financing | Total |
|---|---|---|---|---|---|---|
| Collateral Dependent Loans | | | | | | |
| Risk Rating 1 - 4 | $ 229,419 | $ 142,883 | $ 7,424 | $ - | $ - | $ 379,726 |
| Risk Rating 5 - 6 | 2,070,613 | - | - | - | - | 2,070,613 |
| Balance - December 31, 2023 | $ 2,300,032 | $ 142,883 | $ 7,424 | $ - | $ - | $ 2,450,339 |

## NOTE 4 NOTES RECEIVABLE – LOAN FUND (CONTINUED)

CCLF considers the following to be impaired loans as of December 31, 2022:

| December 31, 2022 Loan Balances | Mini-Permanent Mortgage | Pre-Development | Construction | Equipment and Working Capital | Permanent Financing | Total |
|---|---|---|---|---|---|---|
| Evaluated for Impairment: | | | | | | |
| Risk Rating 1 - 4 | $ 3,206,535 | $ 2,677,820 | $ 3,537 | $ - | $ - | $ 5,887,892 |
| Risk Rating 5 - 6 | 3,585,893 | - | - | 100,000 | - | 3,685,893 |
| Total - December 31, 2022 | $ 6,792,428 | $ 2,677,820 | $ 3,537 | $ 100,000 | $ - | $ 9,573,785 |

| December 31, 2022 ALLL | Mini-Permanent Mortgage | Pre-Development | Construction | Equipment and Working Capital | Permanent Financing | Total |
|---|---|---|---|---|---|---|
| Evaluated for Impairment: | | | | | | |
| Risk Rating 1 - 4 | $ 317,366 | $ 262,782 | $ 354 | $ - | $ - | $ 580,502 |
| Risk Rating 5 - 6 | 1,897,145 | - | - | 3,758 | - | 1,900,903 |
| Balance - December 31, 2022 | $ 2,214,511 | $ 262,782 | $ 354 | $ 3,758 | $ - | $ 2,481,405 |

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

| Risk Rating | 2023 | 2022 |
|---|---|---|
| 1 - Minimal Risk | $ 5,455,290 | $ 5,550,777 |
| 2 - Moderate Risk | 23,274,076 | 24,463,062 |
| 3 - Acceptable Risk | 88,972,823 | 72,020,372 |
| 4 - Watchlist/Special Mention | 10,665,061 | 5,887,892 |
| 5 - Substandard | - | 1,085,281 |
| 6 - Doubtful | 3,381,818 | 2,600,613 |
| Total | $ 131,749,068 | $ 111,607,997 |

## NOTE 4 NOTES RECEIVABLE – LOAN FUND (CONTINUED)

The following table shows the loan portfolio segments allocated by payment activity at December 31, 2023 and 2022. Loans are generally deemed performing if they are less than 90 days delinquent and still accruing interest.

| | Credit Risk Profile by Payment Activity | | | | | |
|---|---|---|---|---|---|---|
| | Mini-Permanent Mortgage | Pre-Development | Construction | Equipment and Working Capital | Permanent Financing | Total |
| December 31, 2023 | | | | | | |
| Payment Activity: | | | | | | |
| Performing | $ 55,898,584 | $ 28,279,803 | $ 30,276,934 | $ 1,928,287 | $ 11,983,642 | $ 128,367,250 |
| Nonperforming | 3,281,818 | - | - | 100,000 | - | 3,381,818 |
| Total | $ 59,180,402 | $ 28,279,803 | $ 30,276,934 | $ 2,028,287 | $ 11,983,642 | $ 131,749,068 |
| December 31, 2022 | | | | | | |
| Payment Activity: | | | | | | |
| Performing | $ 56,094,093 | $ 19,758,359 | $ 22,985,605 | $ 2,068,443 | $ 8,100,884 | $ 109,007,384 |
| Nonperforming | 2,500,613 | - | - | 100,000 | - | 2,600,613 |
| Total | $ 58,594,706 | $ 19,758,359 | $ 22,985,605 | $ 2,168,443 | $ 8,100,884 | $ 111,607,997 |

## NOTE 4 NOTES RECEIVABLE – LOAN FUND (CONTINUED)

The following table shows an aging analysis of the loan portfolio by time past due at December 31, 2023 and 2022:

| | Accruing Interest | | | Nonaccrual | |
|---|---|---|---|---|---|
| December 31, 2023 | Current | 30 - 89 Days Past Due | 90 Days or More Past Due | 90 Days or More Past Due | Total Loans |
| Mini-Permanent Mortgage | $ 53,493,934 | $ 365,412 | $ 2,039,238 | $ 3,281,818 | $ 59,180,402 |
| Pre-Development | 28,279,803 | - | - | - | 28,279,803 |
| Construction | 30,276,934 | - | - | - | 30,276,934 |
| Equipment and Working Capital | 1,833,231 | 56,390 | 38,666 | 100,000 | 2,028,287 |
| Permanent Financing | 11,983,642 | - | - | - | 11,983,642 |
| Total | $ 125,867,544 | $ 421,802 | $ 2,077,904 | $ 3,381,818 | $ 131,749,068 |
| December 31, 2022 | | | | | |
| Mini-Permanent Mortgage | $ 52,599,780 | $ 1,010,157 | $ 2,484,156 | $ 2,500,613 | $ 58,594,706 |
| Pre-Development | 19,758,359 | - | - | - | 19,758,359 |
| Construction | 22,985,605 | - | - | - | 22,985,605 |
| Equipment and Working Capital | 1,906,006 | 71,824 | 90,613 | 100,000 | 2,168,443 |
| Permanent Financing | 8,100,884 | - | - | - | 8,100,884 |
| Total | $ 105,350,634 | $ 1,081,981 | $ 2,574,769 | $ 2,600,613 | $ 111,607,997 |

Interest income forgone on nonaccrual loans totaled $759,093 and $639,938 for the years ended December 31, 2023 and 2022, respectively.

## NOTE 4 NOTES RECEIVABLE – LOAN FUND (CONTINUED)

During 2023, there were no loan modifications made to borrowers experiencing financial difficulty.

Prior to the adoption of ASC 326, 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 during the year ended December 31, 2022:

| December 31, 2022 | Number of Contracts | Pre-Modification Outstanding Recorded Investment | Post-Modification Outstanding Recorded Investment |
|---|---|---|---|
| Troubled Debt Restructurings: | | | |
| Mini-Permanent Mortgage | 1 | $ 2,500,613 | $ 2,500,613 |
| Total | 1 | $ 2,500,613 | $ 2,500,613 |

During 2023, there were no loan modifications made to borrowers experiencing financial difficulty that defaulted (within 12-months of making the modification). During 2022, there were no troubled debt restructurings that defaulted. CCLF has no commitments to loan additional funds to the borrowers whose loans have been determined to be nonperforming.

## NOTE 5 LONG-TERM DEBT AND LINE OF CREDIT

CCLF enters into loan agreements with institutions and individuals to raise the capital necessary to issue loans for community development projects. While loans are generally unsecured, CCLF manages its capital according to stringent guidelines established by the Opportunity Finance Network (OFN), the national trade association for CDFIs.

## NOTE 5 LONG-TERM DEBT AND LINE OF CREDIT (CONTINUED)

Long-term debt consisted of the following:

| December 31, 2023 | Principal Amount | Interest Rate | Scheduled Maturity Dates |
|---|---|---|---|
| Senior Loans Payable: | | | |
| Private Foundations | $ 13,839,500 | 0% to 3% | July 2024 to June 2029 |
| Financial Institutions and Corporations | 55,733,583 | 1.25% to 3.50% | March 2024 to February 2029 |
| Religious Organizations | 250,000 | 1% to 3% | June 2024 to June 2028 |
| Individuals | 2,480,776 | 0% to 3% | January 2024 to March 2029 |
| Other | 2,000,000 | 2% | July 2026 |
| Subtotal | 74,303,859 | | |
| Less: Current Portion | (11,352,111) | | |
| Net Long-Term, Senior Loans Payable | $ 62,951,749 | | |

| December 31, 2022 | Principal Amount | Interest Rate | Scheduled Maturity Dates |
|---|---|---|---|
| Senior Loans Payable: | | | |
| Private Foundations | $ 5,360,500 | 0% to 3% | September 2023 to June 2029 |
| Financial Institutions and Corporations | 53,932,004 | 1.31% to 3.50% | May 2022 to December 2028 |
| Religious Organizations | 500,000 | 1% to 3% | June 2023 to March 2027 |
| Individuals | 2,613,532 | 0% to 3% | April 2022 to October 2027 |
| Other | 2,000,000 | 2% | July 2026 |
| Subtotal | 64,406,036 | | |
| Less: Current Portion | (7,908,721) | | |
| Net Long-Term, Senior Loans Payable | $ 56,497,315 | | |

## NOTE 5 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, 2023 | Principal Amount | Interest Rate | Scheduled Maturity Dates |
|---|---|---|---|
| Subordinated Loans Payable: | | | |
| Financial Institutions | $ 11,749,983 | 1% to 3% | March 2024 to April 2029 |
| Subtotal | 11,749,983 | | |
| Less: Current Portion | (7,500,000) | | |
| Net Long-Term, Subordinated Loans Payable | $ 4,249,983 | | |
| **December 31, 2022** | | | |
| Subordinated Loans Payable: | | | |
| Financial Institutions | $ 10,649,983 | 1% to 3% | September 2023 to April 2029 |
| Individuals | 100,000 | 2.75% | September 2023 |
| Subtotal | 10,749,983 | | |
| Less: Current Portion | (5,100,000) | | |
| Net Long-Term, Subordinated Loans Payable | $ 5,649,983 | | |

Future anticipated loan maturities at December 31, 2023 are as follows:

| Year Ending December 31, | Senior | Subordinate | Total |
|---|---|---|---|
| 2024 | $ 11,352,111 | $ 7,500,000 | $ 18,852,111 |
| 2025 | 4,831,897 | - | 4,831,897 |
| 2026 | 19,802,851 | 2,299,983 | 22,102,834 |
| 2027 | 3,375,000 | - | 3,375,000 |
| 2028 | 19,932,500 | 1,700,000 | 21,632,500 |
| Thereafter | 15,009,500 | 250,000 | 15,259,500 |
| Total | $ 74,303,859 | $ 11,749,983 | $ 86,053,842 |

CCLF is subject to certain debt covenants, as specified in the individual debt agreements. As of December 31, 2023 and 2022, CCLF had met their financial covenants or obtained waivers as needed.

## NOTE 5 LONG-TERM DEBT AND LINE OF CREDIT (CONTINUED)

**Subordinated Loans Payable (Continued)**

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 2.31%, 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 10 years with interest payable quarterly. Outstanding principal shall be due on the maturity date. The funds were 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, 2023 and 2022, the outstanding balance was $7,000,000, with accrued interest totaling $-0-.

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 were used for the lending program. As of December 31, 2023 and 2022, the outstanding balances were $3,912,909 and 4,181,823, respectively, with accrued interest totaling $-0-.

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, 2023 and 2022, the outstanding balances were $2,745,764 and $2,910,152, respectively, with accrued interest totaling $-0-.

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, 2023 and 2022, the outstanding balance was $2,583,636 and $2,719,480, respectively, with accrued interesting totaling $-0-.

During 2019, CCLF entered into a $3,000,000 loan agreement with the Opportunity Finance Network through the CDFI Bond Guarantee Program with a term of 20 years at an interest rate of 2.70%, maturing June 15, 2039. The agreement provides for interest payable quarterly. The funds will be used for the lending program. As of December 31, 2023 and 2022, the outstanding balance was $2,450,523 and $2,576,265, respectively, with accrued interesting totaling $-0-.

During 2020, CCLF entered into a $2,500,000 loan agreement with the Opportunity Finance Network through the CDFI Bond Guarantee Program with a term of 10 years at an interest rate of 1.198%, maturing March 15, 2030. The agreement provides for interest payable quarterly. The funds will be used for the lending program. As of December 31, 2023 and 2022, the outstanding balance was $2,170,862 and $2,260,064, respectively, with accrued interesting totaling $-0-.

## NOTE 5 LONG-TERM DEBT AND LINE OF CREDIT (CONTINUED)

**Subordinated Loans Payable (Continued)**

During 2020, CCLF entered into a $1,600,000 loan agreement with the Opportunity Finance Network through the CDFI Bond Guarantee Program with a term of 10 years at an interest rate of 0.965%, maturing June 17, 2030. The agreement provides for interest payable quarterly. The funds will be used for the lending program. As of December 31, 2023 and 2022, the outstanding balance was $1,055,693 and $1,212,325 respectively, with accrued interesting totaling $-0-.

During 2020, CCLF entered into a $6,340,090 loan agreement with the Opportunity Finance Network through the CDFI Bond Guarantee Program with a term of 20 years at an interest rate of 1.425%, maturing June 15, 2040. The agreement provides for interest payable quarterly. The funds will be used for the lending program. As of December 31, 2023 and 2022, the outstanding balance was $5,340,591 and $5,625,772, respectively, with accrued interesting totaling $-0-.

Future loan maturities at December 31, 2023 on the above notes payable are as follows:

| Year Ending December 31, | Amount |
|---|---|
| 2024 | $ 1,249,032 |
| 2025 | 8,278,585 |
| 2026 | 1,304,304 |
| 2027 | 1,331,749 |
| 2028 | 1,169,480 |
| Thereafter | 13,926,828 |
| Total | $ 27,259,978 |

## NOTE 6 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 2023 and 2022, $-0- was recognized as revenue for both years. As of December 31, 2023 and 2022, $6,648 remains as a refundable advance for both years.

During 2020, CCLF received a $250,000 Resiliency Grant from the City of Chicago. This grant is conditional upon restrictions set forth in the agreement. During 2022, $58,500 was recognized as revenue. As of December 31, 2022, $-0- remains as a refundable advance.

During 2023, CCLF received a $5,000,000 Shared Ownership Housing Preservation Fund Grant from the City of Chicago. The grant is conditional upon restrictions set forth in the agreement. During 2023, $10,220 was recognized as revenue. As of December 31, 2023, $4,989,780 remains as a refundable advance.

## NOTE 7 BOARD-DESIGNATED FUNDS

CCLF's board has elected to establish an operating reserve fund. At December 31, 2023 and 2022, net assets without donor restrictions of $2,426,247 and $2,294,823, 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 elected to establish an investment reserve fund. At December 31, 2023 and 2022, net assets without donor restrictions of $23,602,218 and $20,653,124, 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 8 NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2023 and 2022, net assets with donor restrictions are restricted for the following purposes:

| | 2023 | 2022 |
|---|---|---|
| Subject to Expenditure for Specified Purpose: | | |
| Community Lending Programs | $ 665,393 | $ 835,350 |
| Loan Loss Reserves | 2,952,326 | 3,067,008 |
| Foreclosure Prevention | 15,078 | 15,078 |
| Better Understanding of Market Demands | 30,000 | 30,000 |
| Revolving Loan Fund | 497,963 | 476,288 |
| Chicago Neighborhood Rebuild Pilot Program | 2,016,185 | 2,090,167 |
| Total Subject to Expenditure for Specified Purpose | 6,176,945 | 6,513,891 |
| Subject to Passage of Time: | | |
| Wintrust Grant | 30,000 | 30,000 |
| City of Chicago - Program Admin | - | 100,000 |
| Individual Contribution | 2,500 | 600 |
| PNC Bank | 25,000 | - |
| City of Chicago - CWEB | 37,286 | - |
| MacArthur Foundation - Opportunity Zones | 200,000 | - |
| City of Chicago - Chicago Rebuild | 133,500 | - |
| MetroAlliance | 1,000 | 1,000 |
| Total Subject to Passage of Time | 429,286 | 131,600 |
| Not Subject to Appropriation or Expenditure: | | |
| Donations to the Lending Capital Fund | 1,775,318 | 1,775,318 |
| Total Net Assets with Donor Restrictions | $ 8,381,549 | $ 8,420,809 |

## NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

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 Uniform Prudent Management of Institutional Funds Act (UPMIFA).

For the years ended December 31, 2023 and 2022, 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:

| | 2023 | 2022 |
|---|---|---|
| Satisfaction of Time Restrictions | $ 100,600 | $ 136,558 |
| Satisfaction of Specified Purpose | 5,758,001 | 669,007 |
| Total | $ 5,858,601 | $ 805,565 |

## NOTE 9 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, 2023 and 2022, CCLF contributed 6% of wages to this plan totaling $171,707 and $143,491, respectively.

## NOTE 10 RELATED PARTY TRANSACTIONS

During the years ended December 31, 2023 and 2022, CCLF had senior and subordinated loans from the following organizations that employed a board member of CCLF when the loans were originated:

<u>Board Members</u>

As of December 31, 2023 and 2022, 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, 2023 with a final payment of $5,000 and pending renewal.

On September 5, 2019, CCLF received a $2,500 loan from a board member of CCLF at an interest rate of 0%. The loan matures on September 5, 2024 with a final payment of $2,500.

On July 16, 2019, CCLF received a $1,500 loan from the President and board member of CCLF at an interest rate of 1%. The loan matures on July 16, 2024 with a final payment of $1,500. CCLF paid approximately $15 in interest expense during 2023 and 2022.

## NOTE 10 RELATED PARTY TRANSACTIONS (CONTINUED)

Chase Bank

On December 7, 2018, CCLF received a senior loan from Chase Bank for $10,000,000 at an interest rate of 2%. The loan is scheduled to mature on December 7, 2028. A Program Manager at Chase Bank is a board member at CCLF. As of December 31, 2023 and 2022, the outstanding balance on this loan was $10,000,000. CCLF paid Chase Bank approximately $209,000 and $200,000 in interest expense during 2023 and 2022, respectively.

Wintrust Financial Corporation

Beginning on June 30, 2011, CCLF renewed and received senior loans from Wintrust Financial Corporation and its chartered banks for a total of $9,250,000 at interest rates of 1.50%. The loans were renewed on December 21, 2021 and scheduled to mature on December 20, 2026. The Chief Credit Officer of Wintrust Financial Corporation is a board member of CCLF. As of December 31, 2023 and 2022, the outstanding balance on these senior loans were $9,250,000 and $6,000,000, respectively. CCLF paid Wintrust Financial approximately $104,000 and $93,000 in interest expense during 2023 and 2022, respectively.

Bank of America

On October 12, 2018, CCLF received a senior loan from Bank of America for $4,000,000 at an interest rate of 3.5%. The loan has periodic scheduled principal payments throughout the life of the loan. The loan is scheduled to mature on December 3, 2028. On August 17, 2020, CCLF also received a $1,000,000 senior loan from Starbucks Corporation, funded by Bank of America, at an interest rate of 2% and is scheduled to mature on August 17, 2026. A board member of CCLF was the Senior Vice President in the community-lending department at Bank of America but not anymore as of December 31, 2023. As of December 31, 2022, the outstanding balance on these senior loans was $5,000,000. CCLF paid Bank of America approximately $152,000 in interest expense during 2022.

PNC Bank

On June 30, 2019, CCLF renewed a senior loan from PNC for $5,000,000 at an interest rate of 2.25%. The senior loan is scheduled to mature on September 30, 2026 with a final payment of $5,000,000. On January 5, 2021, CCLF received an additional senior loan from PNC for $10,000,000 at an interest rate of 1.31%, and is scheduled to mature on January 4, 2028. The loan is scheduled to mature on January 4, 2028. A board member of CCLF was the Vice President at PNC Bank but not anymore as of December 31, 2023. As of December 31, 2022 the outstanding balance on this senior loan was $14,998,685. CCLF paid PNC Bank approximately $243,000 in interest expense during  and 2022.

## NOTE 10 RELATED PARTY TRANSACTIONS (CONTINUED)

Fifth Third Bank

On September 15, 2017 and October 16, 2019, CCLF received two subordinated loans from Fifth Third Bank for $1,000,000 and $250,000 at an interest rate of 2.5% and 3.0%, and scheduled to mature on September 15, 2022 and April 1, 2029, with a final payment of $1,000,000 and $250,000, respectively. A board member of CCLF was the Vice President of Community Development of Fifth Third Bank but not anymore as of December 31, 2023. As of December 31, 2022, the outstanding balance on this subordinated loan was $1,250,000. CCLF paid Fifth Third approximately $33,000 in interest expense during 2022.

Canadian Imperial Bank of Commerce (CIBC)

On June 30, 2014, CCLF received a senior loan from CIBC for $1,000,000 at an interest rate of 2.25%. The loan was scheduled to mature on June 30, 2019 with a final payment of $1,000,000. On July 1, 2019, CCLF renewed the senior loan for $1,500,000 at an interest rate of 2.25%. The loan is scheduled to mature September 30, 2024 with a final payment of $1,500,000. A managing director for CIBC is a board member of CCLF. As of December 31, 2023 and 2022, the outstanding balance on this senior loan was $1,500,000. CCLF paid CIBC approximately $34,000 in interest expense during 2023 and 2022.

Huntington National Bank

On March 18, 2019, CCLF received a subordinated loan from Huntington National Bank for $500,000 at an interest rate of 2.5%. The loan is scheduled to mature on March 18, 2024 with a final payment of $500,000. A board member of CCLF became the Business Development Officer of Huntington National Bank during 2022. As of December 31, 2023, the outstanding balance on this subordinated loan was $500,000. CCLF paid Huntington National Bank approximately $13,000 in interest expense during 2023.

BMO Harris N.A.

On December 31, 2007, CCLF received a subordinated loan from BMO Harris N.A. for $2,000,000 at an interest rate of 2.5%. The loan was scheduled to mature on December 31, 2022 with a final payment of $2,000,000. On December 31, 2022, CCLF renewed the subordinated loan for $2,000,000 at an interest rate of 2.5%. The loan matured on December 31, 2023 and renewed with a maturity date of December 31, 2024 with a final payment of $2,000,000. The Director of Economic Equity Advisory Group of BMO Harris N.A. became a board member of CCLF during 2023. As of December 31, 2023, the outstanding balance on this subordinated loan was $2,000,000. CCLF paid BMO Harris N.A. approximately $50,000 in interest expense during 2023.

## NOTE 11 LEASES

CCLF leases its main office facility and certain equipment. CCLF amended the lease agreement for its main office facility on February 15, 2019. The lease term was effective as of July 1, 2019, and expires on July 31, 2029. During 2019, CCLF received a tenant improvement allowance of $158,628. As of December 31, 2023 and 2022, the tenant improvement allowance asset and related lease incentive liability had an amortized value of $87,245 and $103,108, respectively.

Under its office lease agreement, CCLF is responsible for their share of operating expenses and taxes. The rental expense for the leases was approximately $225,000 for the years ended December 31, 2023 and 2022.

The following table summarizes other information related to CCLF's office lease for the year ending December 31, 2023 and 2022:

| | 2023 | 2022 |
|---|---|---|
| Cash Paid for Amounts Included in the Measurement of Lease Liabilities: | | |
| Operating Cash Flows from Operating Lease | $ 194,009 | $ 186,634 |
| Initial Recognition of Right-of-Use Asset | - | 1,604,616 |
| Initial Recognition of Lease Liability | - | 1,604,616 |
| Weighted-Average Remaining Lease Term - Operating Lease, in Years | 6.58 | 7.58 |
| Weighted-Average Discount Rate - Operating Lease | 1.63% | 1.63% |

A maturity analysis of annual discounted cash flows for lease liabilities as of December 31, 2023 is as follows:

| Year Ending December 31, | Amount |
|---|---|
| 2024 | $ 219,964 |
| 2025 | 224,241 |
| 2026 | 228,520 |
| 2027 | 232,797 |
| 2028 | 237,076 |
| Thereafter | 139,748 |
| Total Payments | 1,282,346 |
| Less: Imputed Interest | (58,373) |
| Total | $ 1,223,973 |

## NOTE 12 SIGNIFICANT CONCENTRATIONS

During the years ended December 31, 2023 and 2022, CCLF received 77% and 17% of its grants and contributions from the CDFI Fund, respectively. During the year ended December 31, 2022, CCLF also received 19% and 48% of its grants and contributions from Wells Fargo Bank and The MacKenzie Scott Fund, 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 13 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 fifth 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. As of December 31, 2023 and 2022, there were $20.3 million and $21.5 million outstanding balance, respectively.

## NOTE 14 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 and 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.

CCLF SUB-CDE 5, LLC initiated operations during 2021. Through CCLF SUB-CDE 5, LLC, The Chicago Community Loan Fund serves as a conduit CDE lender for a NMTC allocation provided by USB CDE, a subsidiary of U.S. Bank, as part of the financing for notes receivable of $4,542,545, and all principal and interest payments on the loan are remitted to USB CDE for the same amount. As of December 31, 2023 and 2022, the notes receivable and the investment from NMTC investor has an outstanding balance of $4,542,545. CCLF SUB-CDE 5, LLC is consolidated with CCLF as CCLF serves as its managing member and holds a 0.01% ownership interest.

## NOTE 14 NEW MARKETS TAX CREDIT PROGRAM (CONTINUED)

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, 2023 and 2022, CCLF's total investment in the unconsolidated CDE LLCs is $484 and $1,427, respectively, and is reflected as investment in limited liability companies on the consolidated statements of financial position. During the years ended December 31, 2023 and 2022, CCLF recognized asset management fee revenues of approximately $81,000 and $83,000 from the CDE LLCs, respectively.

## NOTE 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* does not apply to revenue associated with financial instruments, including interest from loans and securities. In addition, revenue streams considered contributions are also not within the scope of Topic 606. Revenue streams considered to be within the scope of Topic 606 and significant to CCLF's consolidated financial statements are discussed below.

*Asset Management Fee*

CCLF earns fees from the New Markets Tax Program for asset management services. Revenue is recognized on a quarterly basis according to the fee schedule established by the signed operating agreement for a term of seven years.

*Sub Allocation Revenue*

CCLF earns fees from the New Markets Tax Program for originating and closing loans. Revenue is recognized upon closing on the New Markets Tax Credit deal.

## NOTE 15 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

The following presents noninterest income, segregated by revenue streams in-scope and out-of-scope of Topic 606, for the years ended December 31, 2023 and 2022:

| | 2023 | 2022 |
|---|---|---|
| *In Scope of ASC 606:* | | |
| Asset Management Fee | $ 81,389 | $ 82,500 |
| Contracted Services and Workshop Fees | - | 25,000 |
| Miscellaneous Income | 12,748 | 12,000 |
| Noninterest Income in Scope of ASC 606 | 94,137 | 119,500 |
| Noninterest Income not Within the Scope of ASC 606 (a) | 7,815,165 | 7,755,864 |
| Total Noninterest Income | $ 7,909,302 | $ 7,875,364 |

(a) This revenue is not within the scope of ASC 606, and includes individual contributions, donated services, general operating and government grants.

CCLF does not typically enter into long-term revenue contracts with customers, and therefore, does not experience significant contract balances. As of December 31, 2023 and 2022, CCLF did not have any significant contract balances. As of December 31, 2023, CCLF did not capitalize any contract acquisition costs.