

CHICAGO COMMUNITY LOAN FUND

FINANCIAL STATEMENTS

For the Year Ended December 31, 2007

Chicago Community Loan Fund

Annual Financial Report

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Desmond & Ahern, Ltd.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Independent Auditor's Report

To the Board of Directors of
Chicago Community Loan Fund
Chicago, IL

We have audited the accompanying statement of financial position of Chicago Community Loan Fund (a non-profit organization) as of December 31, 2007, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

The financial statements include certain prior-year summarized information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation of the prior-year financial statements in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2006, from which the summarized information was derived, and in which an unqualified opinion was given on the report dated April 13, 2007.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chicago Community Loan Fund as of December 31, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Desmond & Ahern, Ltd.

May 2, 2008
Chicago, IL

CHICAGO COMMUNITY LOAN FUND
STATEMENT OF FINANCIAL POSITION
As of December 31, 2007 (with comparative totals for 2006)

	Operating			Lending Capital	2007 Total All Funds	2006 Total All Funds
	General	Technical Assistance	Total			
Assets						
Current Assets:						
Cash and cash equivalents	\$ 1,700,107	\$ -	\$ 1,700,107	\$ 1,741,233	\$ 3,441,340	\$ 1,668,170
Funds held on behalf of other entity	-	-	-	-	-	21,947
Investments	-	-	-	2,757,853	2,757,853	2,695,545
Interest receivable	137,000	-	137,000	-	137,000	117,430
Grants and contributions receivables	9,034	46,849	55,883	632,500	688,383	529,106
Other receivables	-	-	-	2,000,000	2,000,000	-
Notes receivable net of allowance of \$288,978 and \$285,583, respectively	-	-	-	3,833,694	3,833,694	5,340,473
Prepays and deposits	11,297	-	11,297	330,541	341,838	10,731
Interfund transactions	(338,267)	49,451	(288,816)	288,816	-	-
Total current assets	<u>1,519,171</u>	<u>96,300</u>	<u>1,615,471</u>	<u>11,584,637</u>	<u>13,200,108</u>	<u>10,383,402</u>
Long-Term Assets:						
Notes receivable, net of allowance of \$793,533 and \$522,992, respectively	-	-	-	7,688,240	7,688,240	6,560,045
Office equipment, net of accumulated depreciation of \$37,607 and \$47,850, respectively	61,202	-	61,202	-	61,202	33,055
Leasehold improvements, net of accumulated amortization of \$54,295 and \$36,197, respectively	36,197	-	36,197	-	36,197	45,246
Deposit	1,898	-	1,898	-	1,898	1,898
Total long-term assets	<u>99,297</u>	<u>-</u>	<u>99,297</u>	<u>7,688,240</u>	<u>7,787,537</u>	<u>6,640,244</u>
Total Assets	<u>\$ 1,618,468</u>	<u>\$ 96,300</u>	<u>\$ 1,714,768</u>	<u>\$ 19,272,877</u>	<u>\$ 20,987,645</u>	<u>\$ 17,023,646</u>
Liabilities and Net Assets						
Current Liabilities:						
Line of credit	\$ -	\$ -	\$ -	\$ 25,000	\$ 25,000	\$ -
Accounts payable	39,781	-	39,781	3,041	42,822	45,630
Accrued payroll	20,575	-	20,575	-	20,575	30,325
Funds held on behalf of other entity	-	-	-	-	-	21,947
Refundable advance	94,850	-	94,850	-	94,850	38,447
Senior loans payable - current	-	-	-	1,706,436	1,706,436	488,136
Subordinated loans payable- current	-	-	-	200,000	200,000	350,000
Note payable - current	10,260	-	10,260	-	10,260	9,662
Total current liabilities	<u>165,466</u>	<u>-</u>	<u>165,466</u>	<u>1,934,477</u>	<u>2,099,943</u>	<u>984,147</u>
Long-Term Liabilities:						
Senior loans payable, less current portion	-	-	-	3,502,000	3,502,000	4,915,300
Subordinated loans payable, less current portion	-	-	-	8,650,000	8,650,000	5,500,000
Note payable, less current portion	30,116	-	30,116	-	30,116	39,577
Total long-term liabilities	<u>30,116</u>	<u>-</u>	<u>30,116</u>	<u>12,152,000</u>	<u>12,182,116</u>	<u>10,454,877</u>
Total liabilities	<u>195,582</u>	<u>-</u>	<u>195,582</u>	<u>14,086,477</u>	<u>14,282,059</u>	<u>11,439,024</u>
Net Assets:						
Unrestricted:						
Undesignated	1,064,821	-	1,064,821	-	1,064,821	820,541
Board designated (Note 6)	342,872	-	342,872	3,124,687	3,467,559	3,101,628
Total unrestricted net assets	<u>1,407,693</u>	<u>-</u>	<u>1,407,693</u>	<u>3,124,687</u>	<u>4,532,380</u>	<u>3,922,169</u>
Temporarily restricted	15,193	96,300	111,493	411,395	522,888	62,135
Permanently restricted	-	-	-	1,650,318	1,650,318	1,600,318
Total net assets	<u>1,422,886</u>	<u>96,300</u>	<u>1,519,186</u>	<u>5,186,400</u>	<u>6,705,586</u>	<u>5,584,622</u>
Total Liabilities and Net Assets	<u>\$ 1,618,468</u>	<u>\$ 96,300</u>	<u>\$ 1,714,768</u>	<u>\$ 19,272,877</u>	<u>\$ 20,987,645</u>	<u>\$ 17,023,646</u>

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

CHICAGO COMMUNITY LOAN FUND

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2007 (with comparative totals for 2006)

	Lending Operations		Operating			Lending Capital			2007 Total All Funds	2006 Total All Funds
	Unrestricted	Temporarily Restricted	Technical Assistance		Total	Unrestricted	Temporarily Restricted	Permanently Restricted		
			Unrestricted	Temporarily Restricted						
Revenue and Support										
Grants and contributions	\$ 297,432	\$ 21,300	\$ -	\$ 128,200	\$ 446,932	\$ 304,524	\$ 767,500	\$ 50,000	\$ 1,568,956	\$ 987,560
Contribution allocation to TA support	(47,771)	-	47,771	-	-	-	-	-	-	-
Special event	-	-	-	-	-	-	-	-	-	69,097
Donated services	130,505	-	-	-	130,505	-	-	-	130,505	134,975
Notes receivable interest income	867,171	-	-	-	867,171	-	-	-	867,171	868,369
Loan closing fees	59,247	-	5,010	-	64,257	-	-	-	64,257	36,287
Investment income	225,306	-	-	-	225,306	-	-	-	225,306	181,294
Unrealized/realized loss on investments	-	-	-	-	-	77,504	-	-	77,504	(774)
Other	3,035	-	-	-	3,035	-	-	-	3,035	10,974
Net assets released from restrictions - satisfaction of program restrictions	13,150	(13,150)	39,900	(39,900)	-	403,197	(403,197)	-	-	-
Total Public Support and Revenue	1,548,075	8,150	92,681	88,300	1,737,206	785,225	364,303	50,000	2,936,734	2,287,782
Expenses										
Program	913,610	-	92,681	-	1,006,291	446,742	-	-	1,453,033	1,148,922
Administrative	255,072	-	-	-	255,072	-	-	-	255,072	250,784
Fundraising	107,665	-	-	-	107,665	-	-	-	107,665	110,713
Total expenses	1,276,347	-	92,681	-	1,369,028	446,742	-	-	1,815,770	1,510,419
Change in Net Assets	271,728	8,150	-	88,300	368,178	338,483	364,303	50,000	1,120,964	777,363
Net Assets, Beginning of Year	1,135,965	7,043	-	8,000	1,151,008	2,786,204	47,092	1,600,318	5,584,622	4,807,259
Net Assets, End of Year	\$ 1,407,693	\$ 15,193	\$ -	\$ 96,300	\$ 1,519,186	\$ 3,124,687	\$ 411,395	\$ 1,650,318	\$ 6,705,586	\$ 5,584,622

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

CHICAGO COMMUNITY LOAN FUND
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2007 (with comparative totals for 2006)

	Lending Operations	Lending Capital	Total Lending Program	Technical Assistance	Total Program	Administrative	Fundraising	2007 Total	2006 Total
<u>Functional Expenses</u>									
Salaries	\$ 292,084	\$ -	\$ 292,084	\$ 24,892	\$ 316,976	\$ 110,816	\$ 55,675	\$ 483,467	\$ 424,367
Payroll taxes and fringe benefits	80,861	-	80,861	6,891	87,752	30,678	15,413	133,843	101,057
Professional fees and consultants	16,932	-	16,932	30,165	47,097	51,491	1,524	100,112	83,633
Donated services	110,000	-	110,000	-	110,000	3,600	16,905	130,505	134,975
Rent and utilities	33,055	-	33,055	7,328	40,383	16,315	5,492	62,190	61,048
Telephone	5,373	-	5,373	1,171	6,544	2,652	893	10,089	9,191
Insurance	2,530	-	2,530	551	3,081	1,249	420	4,750	5,282
Equipment rental and maintenance	10,879	-	10,879	2,371	13,250	5,370	1,807	20,427	14,381
Supplies	4,551	-	4,551	1,252	5,803	2,246	756	8,805	8,927
Postage and delivery	4,239	-	4,239	1,612	5,851	2,092	704	8,647	12,517
Printing	6,450	-	6,450	7,457	13,907	3,184	1,072	18,163	24,752
Marketing	5,675	-	5,675	1,537	7,212	2,801	943	10,956	12,344
Travel	12,606	-	12,606	2,974	15,580	6,222	2,094	23,896	16,246
Meetings	1,197	-	1,197	261	1,458	591	199	2,248	5,316
Staff development	7,238	-	7,238	1,577	8,815	3,572	1,202	13,589	8,129
Dues and subscriptions	13,343	-	13,343	350	13,693	928	284	14,905	13,755
Special event	-	-	-	-	-	-	-	-	22,796
Miscellaneous	5,981	10	5,991	338	6,329	5,005	175	11,509	9,233
Depreciation	8,968	-	8,968	1,954	10,922	4,426	1,490	16,838	15,665
Interest	291,648	-	291,648	-	291,648	1,834	617	294,099	276,597
Loan loss allowance	-	446,732	446,732	-	446,732	-	-	446,732	250,208
Total Expenses	\$ 913,610	\$ 446,742	\$ 1,360,352	\$ 92,681	\$ 1,453,033	\$ 255,072	\$ 107,665	\$ 1,815,770	\$ 1,510,419

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

CHICAGO COMMUNITY LOAN FUND
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2007 (with comparative totals for 2006)

	<u>2007</u>	<u>2006</u>
<u>Cash flows from operating activities:</u>		
Change in net assets	\$ 1,120,964	\$ 777,363
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	16,838	15,665
Provision for loan losses	446,732	250,208
Loans charged-off	(172,795)	-
Unrealized (gain) loss on investments held	(77,504)	774
Increase in interest receivable	(19,570)	(39,510)
Increase in grants and other receivables	(2,159,277)	(453,987)
Increase in prepaids and deposits	(331,108)	(5,237)
Increase (decrease) in accounts payable and accrued expenses	(12,558)	24,170
Increase (decrease) in refundable advances	56,403	(12,000)
Net cash (used) provided by operating activities	<u>(1,131,875)</u>	<u>557,446</u>
<u>Cash flows from investing activities:</u>		
Proceeds from sale of investments	15,196	15,704
Increase (decrease) in notes receivable, net of repayment	104,648	(1,919,212)
Purchase of office equipment	(35,935)	(23,849)
Net cash provided (used) by investing activities	<u>83,909</u>	<u>(1,927,357)</u>
<u>Cash flows from financing activities:</u>		
Net change in short-term borrowing	25,000	-
Principal repayments of notes payable	(8,864)	(9,821)
Proceeds from senior loans payable	30,000	550,000
Proceeds from subordinated loans payable	3,600,000	750,000
Principal repayments of senior loans payable	(225,000)	(385,000)
Principal repayments of subordinated loans payable	(600,000)	-
Net cash provided by financing activities	<u>2,821,136</u>	<u>905,179</u>
Net increase (decrease) in cash and cash equivalents	1,773,170	(464,732)
Cash and cash equivalents, beginning of year	1,668,170	2,132,902
Cash and cash equivalents, end of year	<u>\$ 3,441,340</u>	<u>\$ 1,668,170</u>
<u>Supplemental Disclosure of Cash Flow Information:</u>		
Interest paid	<u>\$ 300,046</u>	<u>\$ 277,455</u>

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

**CHICAGO COMMUNITY LOAN FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2007**

Note 1 – Nature of Operations and Summary of Significant Accounting Policies

Organization

The Chicago Community Loan Fund (CCLF) was incorporated on January 9, 1991 in the state of Illinois as a not-for-profit corporation. CCLF is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The purpose of CCLF is to operate a loan fund in Chicago, Illinois by issuing loans to community development projects through individual and institutional investments which create jobs, affordable housing, and provide other services benefiting low to moderate income individuals and communities. Programs are generally classified under the following:

Lending Operations – all activities to support the Loan Fund’s financing of community development projects.

Lending Capital – capital designated to fund community loans.

Technical Assistance – all activities to provide assistance to borrower and non-borrower community real estate development work.

Method of Accounting

The accounts and financial statements are maintained on the accrual basis of accounting and, accordingly, reflect all significant accounts receivable, accounts payable and other liabilities.

Basis of Presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets, if applicable.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of the revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

**CHICAGO COMMUNITY LOAN FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2007**

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of demand deposits and money market accounts in federally insured and private insured accounts. At December 31, 2007, the Organization's cash accounts exceeded federally insured limits by approximately \$3,327,000.

Notes Receivable

Notes receivable are stated at unpaid principal balances, less an allowance for loan losses. Interest on notes receivable is recognized over the term of the loan and is generally calculated using the simple-interest method on principal amounts outstanding.

Accrual of interest on a loan is discontinued when the Organization believes the collection of interest is doubtful. Uncollectible interest previously accrued is charged-off or an allowance is established by means of a charge to interest income. 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.

Notes receivable on which the accrual interest has been discontinued, amounted to \$1,449,176 representing 11.2% of total outstanding notes receivable at December 31, 2007. If income on these loans had been accrued, interest income would have increased by approximately \$66,735 for the year.

Allowance for Loan Loss

The Organization's policy is to set up a reserve in the loan fund at a minimum of 5% of total loans outstanding for loan losses, thereby reflecting the anticipated net realizable value of its loans receivable. The aggregate reserve amount is allocated on a loan-by-loan basis linked to the internally-determined grade of the loan and must always equal at least 5%. The loan grading evaluations take into consideration such factors as changes in the nature and volume of the loan portfolio, overall portfolio quality, review of specific problem loans, and current economic conditions that may affect the borrowers' ability to pay. It is the Organization's policy to review the allowance for loan losses periodically to ascertain its adequacy based upon recovery experience and delinquency rates. Loans are charged against the allowance for loan losses when the Organization believes that the collectibility of the principal is unlikely.

In 2007, the Organization provided \$446,732 to its existing loan loss reserve to establish a 8.6% reserve.

For the year ended December 31, 2007, the Organization charged-off five loan accounts totaling \$172,795.

**CHICAGO COMMUNITY LOAN FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2007**

Property and Equipment

Expenditures for property and equipment and items which substantially increase the useful lives of existing assets are capitalized at cost. The Organization provides for depreciation on the straight-line method at rates designed to depreciate the costs of assets over estimated useful lives as follows:

Leasehold improvements	10 years
Furniture and equipment	3 - 10 years

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and detailed in the Schedule of Program Expenditures by Function included in the supplementary information. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Donated Services

Contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

During the year, the Organization received and recognized certain donated legal services valued at \$110,000, donated payroll services valued at \$3,600 and donated printing services valued at \$16,905.

Support and Revenue

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations regarding how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

**CHICAGO COMMUNITY LOAN FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2007**

Investments

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

Significant Concentrations

Approximately \$576,097 or 20% of revenue, is provided from a governmental agency. Future levels of program activities are dependent on this governmental agency as well as the continued support of private individuals, foundations and corporations.

Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation of the prior year financial statements in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2006, from which the summarized information was derived.

Note 2 – Investments

Investments at December 31, 2007 consist of U.S. Agency securities.

Note 3 – Other Receivables

During 2007, Chicago Community Loan Fund entered into a loan agreement with Harris Bank in the amount of \$2,000,000. Proceeds related to this loan were received in January 2008.

Note 4 – Notes Receivable – Loan Fund

Notes receivable at December 31, 2007 are comprised of the following:

	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Principal amount	\$ 4,122,672	\$ 8,481,773	\$ 12,604,445
Reserve for loan loss	(288,978)	(793,533)	(1,082,511)
Net notes receivable	\$ <u>3,833,694</u>	\$ <u>7,688,240</u>	\$ <u>11,521,934</u>

CHICAGO COMMUNITY LOAN FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

Expected repayment maturities of notes receivable are as follows:

<u>Maturity</u>	<u>Principal Amount</u>
2008	\$ 4,122,672
2009	1,729,373
2010	1,515,548
2011	653,817
2012	1,312,572
Thereafter	<u>3,270,463</u>
	<u>\$ 12,604,445</u>

Note 5 – Long-Term Debt

CCLF enters into loan agreements, ranging from 1 to 16 years, with institutions and individuals to raise the capital necessary to issue loans for community development projects. While loans are generally unsecured, CCLF manages its capital according to stringent guidelines established by the Opportunity Finance Network (OFN), the national trade association for community loan funds. At December 31, 2007, long-term debt consisted of the following:

<u>Investor</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Scheduled Maturity Dates</u>
Private foundations	\$ 1,800,000	2% to 4%	November 2007 to January 2015
Financial institutions	693,636	0% to 3.5%	December 2004 to September 2011
Religious organizations	1,590,000	0% to 3%	December 2005 to December 2012
Federal Government (CDFIF)	500,000	3%	June 2008
Individuals	399,800	0% to 3%	June 2005 to June 2013
Other	<u>225,000</u>	4.75%	December 2009
	5,208,436		
Less current portion	(1,706,436)		
Net long-term, senior loans payable	\$ <u>3,502,000</u>		

CHICAGO COMMUNITY LOAN FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

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 obligations of CCLF. At December 31, 2007, subordinated loans payable are as follows:

<u>Subordinate Loans Payable</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Scheduled Maturity Dates</u>
Private foundations	\$ 100,000	0%	February 2008
Financial institutions	8,450,000	2% to 4%	December 2008 to December 2017
Federal Government (CDFIF)	<u>300,000</u>	2%	December 2018
	8,850,000		
Less current portion	(<u>200,000</u>)		
Net long-term subordinate loans payable	\$ <u>8,650,000</u>		

Included in subordinate loans payable is a \$2,000,000 loan from Harris Bank. The agreement is a ten-year note, due December 31, 2017, with semi-annual interest-only payments at a rate of 2.5%, with the principal balance due in full at maturity.

Note Payable – Leasehold Improvements

In conjunction with CCLF's sublease agreement, certain leasehold improvements were made and financed by the lessor with a ten-year operating note. The note has an interest rate of 6% per annum with a balance of \$40,376 at December 31, 2007 payable in monthly installments of \$1,029, including interest. At December 31, 2007, \$10,260 is classified as current. The note is secured by all receivable accounts, general intangibles, inventory, goods, all monies, accounts, deposits and property, all books and records, etc.

Future anticipated long-term debt loan maturities as of December 31, 2007 are as follows:

	<u>Senior</u>	<u>Subordinate</u>	<u>Operating Note</u>	<u>Total</u>
2008	\$ 1,706,436	\$ 200,000	\$ 10,260	\$ 1,916,696
2009	1,136,000	1,500,000	10,908	2,646,908
2010	1,149,500	3,000,000	11,590	4,161,090
2011	161,500	250,000	7,618	419,118
2012	50,000	-	-	3,950,000
Thereafter	<u>1,005,000</u>	<u>3,900,000</u>	<u>-</u>	<u>1,005,000</u>
	\$ <u>5,208,436</u>	\$ <u>8,850,000</u>	\$ <u>40,376</u>	\$ <u>14,098,812</u>

**CHICAGO COMMUNITY LOAN FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2007**

The Organization is subject to certain debt covenants, as specified in the individual debt agreements. As of December 31, 2007, the Organization failed to meet certain covenants. Management is in the process of addressing and resolving these deficiencies, including contacting the debt issuers, and does not believe the debts will be called early.

Line of Credit

In 2007, the Organization opened a line of credit with a maximum limit of \$1,000,000. As of December 31, 2007, the outstanding balance on this line of credit is \$25,000. Advances on the line of credit bear interest at a rate of 4% and are due December 31, 2008.

Note 6 – Leases

The Organization has a non-cancellable operating lease expiring in 2012 for its main facility. Rental expense for the lease totaled \$58,123 for the year ended December 31, 2007.

Future minimum lease payments under the operating lease are as follows:

	<u>Operating Lease</u>
2008	\$ 59,170
2009	60,649
2010	62,164
2011	63,720
2012	<u>37,709</u>
Total minimum lease payments	\$ <u>283,412</u>

Note 7 – Board Designated Funds

CCLF's Board of Directors has elected to establish an operating reserve fund. At December 31, 2007, unrestricted net assets of \$342,872 have been so designated, which represents 25% of total combined annual expenses of all funds excluding loan loss provisions. It is CCLF's intent to maintain the reserve at a minimum of 25% of total annual expenses.

Furthermore, the Board has designated \$3,124,697 to lending capital to support future loan commitments.

**CHICAGO COMMUNITY LOAN FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2007**

Note 8 – Temporarily Restricted Net Assets

At December 31, 2007, net assets were temporarily restricted for the following purposes:

Community Lending programs, including \$100,000 receivable	\$ 411,395
Common area costs	7,043
For future periods, included in receivable	8,150
Comprehensive Development Assessment, including \$36,850 receivable	<u>96,300</u>
	<u>\$ 522,888</u>

Note 9 – Permanently Restricted Net Assets

Permanently restricted net assets represent donations to the lending capital fund to be maintained as permanent lending capital.

Note 10 – Loan Commitments and Credit Risk

Loan Commitments

The Loan Fund has loan commitments and un-drawn portions of construction and pre-development loans of approximately \$1,673,236 at December 31, 2007. Since certain commitments to fund loans may expire without being used, the amount does not necessarily represent future cash commitments. In addition, commitments to extend credit are agreements to lend to a member as long as there is no violation of any condition established in the contract. These commitments are not reflected in the financial statements.

Concentration of Credit Risk

The Organization generally grants collateralized loans to borrowers as outlined in Note 1. Although the Loan Fund has a diverse loan portfolio, a substantial portion of its debtor's ability to repay their obligations is dependent upon the local economic conditions.

At December 31, 2007, \$1,654,702 of the notes receivable balance, representing two loan accounts, is due from a single primary borrower.

Note 11 – Related Party Transactions

A Loan Committee co-chair is employed in a management position at a bank that provides CCLF with money management services. During the year ended December 31, 2007, these services amounted to \$7,581, of which \$3,785 was payable at year end.

**CHICAGO COMMUNITY LOAN FUND
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A Board member is the Executive Director of an organization that provided pro-bono legal services to CCLF. During the year ended December 31, 2007, CCLF also paid this organization \$10,000 for legal services in addition to the professional pro-bono legal services received.

Another Board member provided donated payroll processing services to the Organization.

Note 12 – Employee Benefit Plan

The Organization has a Simplified Employee Pension (SEP) plan that covers substantially all of its employees. The Organization is not obligated to make contributions to the plan. At the Board's discretion, it may make contributions within the limits permitted under federal income tax rules. The Organization's policy is to fund pension costs as accrued. For the year ended December 31, 2007, the Organization contributed 6% of wages totaling \$25,162 to this plan.