

**CHICAGO COMMUNITY LOAN FUND**

**FINANCIAL STATEMENTS**

**For the Year Ended December 31, 2008**

**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, 2008, 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, 2007, from which the summarized information was derived, and in which an unqualified opinion was given on the report dated May 2, 2008.

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, 2008, 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 6, 2009  
Chicago, IL

**CHICAGO COMMUNITY LOAN FUND**  
**STATEMENT OF FINANCIAL POSITION**  
**As of December 31, 2008 (with comparative totals for 2007)**

	Operating			Lending Capital	2008 Total All Funds	2007 Total All Funds
	General	Technical Assistance	Total			
<b>Assets</b>						
Current Assets						
Cash and cash equivalents	\$ 2,250,837	\$ -	\$ 2,250,837	\$ 3,007,030	\$ 5,257,867	\$ 3,441,340
Investments	-	-	-	5,952,257	5,952,257	2,757,853
Interest receivable	177,098	-	177,098	-	177,098	137,000
Grants and contributions receivables	40,000	39,824	79,824	943,395	1,023,219	688,383
Other receivables	200	-	200	100,000	100,200	2,000,000
Notes receivable net of allowance of \$150,139 and \$288,978, respectively	-	-	-	2,216,159	2,216,159	3,833,694
Prepays and deposits	10,262	-	10,262	-	10,262	341,838
Property held for sale	-	-	-	275,000	275,000	-
Interfund transactions	(544,769)	19,591	(525,178)	525,178	-	-
Total current assets	1,933,628	59,415	1,993,043	13,019,019	15,012,062	13,200,108
Long-Term Assets						
Notes receivable, net of allowance of \$1,182,372 and \$793,533, respectively	-	-	-	8,468,800	8,468,800	7,688,240
Office equipment, net of accumulated depreciation of \$40,406 and \$37,607, respectively	60,247	-	60,247	-	60,247	61,202
Leasehold improvements, net of accumulated amortization of \$63,344 and \$54,295, respectively	27,148	-	27,148	-	27,148	36,197
Deposit	-	-	-	-	-	1,898
Total long-term assets	87,395	-	87,395	8,468,800	8,556,195	7,787,537
<b>Total Assets</b>	<b>\$ 2,021,023</b>	<b>\$ 59,415</b>	<b>\$ 2,080,438</b>	<b>\$ 21,487,819</b>	<b>\$ 23,568,257</b>	<b>\$ 20,987,645</b>
<b>Liabilities and Net Assets</b>						
Current Liabilities						
Line of credit	\$ -	\$ -	\$ -	\$ 26,556	\$ 26,556	\$ 25,000
Accounts payable	26,443	-	26,443	-	26,443	42,822
Accrued payroll	6,114	-	6,114	-	6,114	20,575
Refundable grant advance	147,410	-	147,410	-	147,410	94,850
Senior loans payable - current	-	-	-	1,315,136	1,315,136	1,706,436
Subordinated loans payable- current	-	-	-	1,600,000	1,600,000	200,000
Note payable - current	-	-	-	-	-	10,260
Total current liabilities	179,967	-	179,967	2,941,692	3,121,659	2,099,943
Long-Term Liabilities						
Senior loans payable, less current portion	-	-	-	5,256,800	5,256,800	3,502,000
Subordinated loans payable, less current portion	-	-	-	7,100,000	7,100,000	8,650,000
Note payable, less current portion	-	-	-	-	-	30,116
Total long-term liabilities	-	-	-	12,356,800	12,356,800	12,182,116
Total liabilities	179,967	-	179,967	15,298,492	15,478,459	14,282,059
Net Assets						
Unrestricted						
Undesignated	1,329,968	-	1,329,968	-	1,329,968	1,064,821
Board designated (Note 8)	386,865	-	386,865	3,942,167	4,329,032	3,467,559
Total unrestricted net assets	1,716,833	-	1,716,833	3,942,167	5,659,000	4,532,380
Temporarily restricted	124,223	59,415	183,638	546,842	730,480	522,888
Permanently restricted	-	-	-	1,700,318	1,700,318	1,650,318
Total net assets	1,841,056	59,415	1,900,471	6,189,327	8,089,798	6,705,586
<b>Total Liabilities and Net Assets</b>	<b>\$ 2,021,023</b>	<b>\$ 59,415</b>	<b>\$ 2,080,438</b>	<b>\$ 21,487,819</b>	<b>\$ 23,568,257</b>	<b>\$ 20,987,645</b>

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

**CHICAGO COMMUNITY LOAN FUND**  
**STATEMENT OF ACTIVITIES**  
**For the Year ended December 31, 2008 (with comparative totals for 2007)**

	Operating					Lending Capital			2008 Total All Funds	2007 Total All Funds
	Lending Operations		Technical Assistance		Total	Unrestricted	Temporarily Restricted	Permanently Restricted		
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted						
<b>Revenue and Support</b>										
Grants and contributions	\$ 279,772	\$ 115,000	\$ -	\$ 75,824	\$ 470,596	\$ -	\$ 1,473,395	\$ 50,000	\$ 1,993,991	\$ 1,568,956
Contribution allocation to TA support	(30,335)	-	30,335	-	-	-	-	-	-	-
Contracted services and workshops	-	-	2,760	-	2,760	-	-	-	2,760	-
Donated services	216,549	-	-	-	216,549	-	-	-	216,549	130,505
Notes receivable interest income	784,294	-	-	-	784,294	-	-	-	784,294	867,171
Loan closing fees	77,295	-	-	-	77,295	-	-	-	77,295	64,257
Investment income	342,230	-	-	-	342,230	-	-	-	342,230	225,306
Net unrealized/realized gain on investments	-	-	-	-	-	65,380	-	-	65,380	77,504
Loss on disposal of fixed assets	(1,403)	-	-	-	(1,403)	-	-	-	(1,403)	-
Other	484	-	-	-	484	-	-	-	484	3,035
Net assets released from restrictions - satisfaction of program restrictions	5,970	(5,970)	112,709	(112,709)	-	1,337,948	(1,337,948)	-	-	-
Total Public Support and Revenue	<u>1,674,856</u>	<u>109,030</u>	<u>145,804</u>	<u>(36,885)</u>	<u>1,892,805</u>	<u>1,403,328</u>	<u>135,447</u>	<u>50,000</u>	<u>3,481,580</u>	<u>2,936,734</u>
<b>Expenses</b>										
Program	835,582	-	145,804	-	981,386	585,848	-	-	1,567,234	1,453,033
Administrative	457,818	-	-	-	457,818	-	-	-	457,818	255,072
Fundraising	72,316	-	-	-	72,316	-	-	-	72,316	107,665
Total expenses	<u>1,365,716</u>	<u>-</u>	<u>145,804</u>	<u>-</u>	<u>1,511,520</u>	<u>585,848</u>	<u>-</u>	<u>-</u>	<u>2,097,368</u>	<u>1,815,770</u>
<b>Change in Net Assets</b>	309,140	109,030	-	(36,885)	381,285	817,480	135,447	50,000	1,384,212	1,120,964
<b>Net Assets, Beginning of Year</b>	<u>1,407,693</u>	<u>15,193</u>	<u>-</u>	<u>96,300</u>	<u>1,519,186</u>	<u>3,124,687</u>	<u>411,395</u>	<u>1,650,318</u>	<u>6,705,586</u>	<u>5,584,622</u>
<b>Net Assets, End of Year</b>	<u>\$ 1,716,833</u>	<u>\$ 124,223</u>	<u>\$ -</u>	<u>\$ 59,415</u>	<u>\$ 1,900,471</u>	<u>\$ 3,942,167</u>	<u>\$ 546,842</u>	<u>\$ 1,700,318</u>	<u>\$ 8,089,798</u>	<u>\$ 6,705,586</u>

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

**CHICAGO COMMUNITY LOAN FUND**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2008 (with comparative totals for 2007)**

	Lending Operations	Public Policy	Total Lending and Public Policy	Lending Capital	Technical Assistance	Total Program	Administrative	Fundraising	2008 Total	2007 Total
<b>Functional Expenses</b>										
Salaries	\$ 182,735	\$ 24,183	\$ 206,918	\$ -	\$ 61,906	\$ 268,824	\$ 156,605	\$ 51,570	\$ 476,999	\$ 483,467
Payroll taxes and fringe benefits	37,594	4,397	41,991	-	15,562	57,553	43,961	7,703	109,217	133,843
Professional fees and consultants	10,297	-	10,297	-	24,912	35,209	89,612	-	124,821	100,112
Donated services	164,265	-	164,265	-	-	164,265	52,284	-	216,549	130,505
Rent, utilities, and related charges	33,641	2,925	36,566	-	8,045	44,611	21,940	6,582	73,133	62,191
Telephone	2,798	243	3,041	-	669	3,710	1,826	547	6,083	10,089
Insurance	2,113	88	2,201	-	242	2,443	2,862	198	5,503	4,750
Equipment rental and maintenance	4,039	379	4,418	-	1,041	5,459	2,838	852	9,149	20,427
Supplies	4,091	356	4,447	-	1,547	5,994	2,668	800	9,462	8,805
Postage and delivery	2,873	250	3,123	-	4,279	7,402	1,873	563	9,838	8,647
Printing	-	-	-	-	6,487	6,487	23,488	-	29,975	18,163
Marketing	-	-	-	-	17,229	17,229	27,105	-	44,334	10,956
Travel	1,414	-	1,414	-	1,218	2,632	6,315	-	8,947	23,896
Meetings	597	-	597	-	-	597	884	-	1,481	2,247
Staff development	809	-	809	-	538	1,347	6,960	1,759	10,066	13,589
Dues and subscriptions	7,500	-	7,500	-	-	7,500	5,616	-	13,116	14,905
Miscellaneous	6,255	-	6,255	5,938	-	12,193	5,173	-	17,366	11,509
Depreciation	8,904	773	9,677	-	2,129	11,806	5,808	1,742	19,356	16,838
Interest	332,063	-	332,063	30,000	-	362,063	-	-	362,063	294,099
Loan loss allowance	-	-	-	250,000	-	250,000	-	-	250,000	446,732
Impairment on real estate owned	-	-	-	299,910	-	299,910	-	-	299,910	-
<b>Total Expenses</b>	<b>\$ 801,988</b>	<b>\$ 33,594</b>	<b>\$ 835,582</b>	<b>\$ 585,848</b>	<b>\$ 145,804</b>	<b>\$ 1,567,234</b>	<b>\$ 457,818</b>	<b>\$ 72,316</b>	<b>\$ 2,097,368</b>	<b>\$ 1,815,770</b>

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

**CHICAGO COMMUNITY LOAN FUND**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2008 (with comparative totals for 2007)**

	<u>2008</u>	<u>2007</u>
<b><u>Cash Flows from Operating Activities</u></b>		
Change in net assets	\$ 1,384,212	\$ 1,120,964
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	19,356	16,838
Impairment on real estate owned	299,910	-
Provision for loan losses	250,000	446,732
Loans charged-off	-	(172,795)
Net unrealized gain on investments held	(65,380)	(77,504)
Decrease (increase) in		
Interest receivable	(40,098)	(19,570)
Grants and other receivables	1,564,964	(2,159,277)
Prepays and deposits	333,474	(331,108)
Decrease in accounts payable and accrued expenses	(30,840)	(12,558)
Increase in refundable advances	52,560	56,403
Net cash provided (used) by operating activities	<u>3,768,158</u>	<u>(1,131,875)</u>
<b><u>Cash Flows from Investing Activities</u></b>		
Proceeds from sales or maturities of investments	6,080,567	15,196
Purchase of investments	(9,209,591)	-
Decrease in notes receivable, net of repayment	586,975	104,648
Property acquired through foreclosure	(574,910)	-
Purchase of office equipment	(9,352)	(35,935)
Net cash provided (used) by investing activities	<u>(3,126,311)</u>	<u>83,909</u>
<b><u>Cash Flows from Financing Activities</u></b>		
Net change in short-term borrowing	1,556	25,000
Principal repayments of notes payable	(40,376)	(8,864)
Proceeds from senior loans payable	2,401,500	30,000
Proceeds from subordinated loans payable	600,000	3,600,000
Principal repayments of senior loans payable	(1,038,000)	(225,000)
Principal repayments of subordinated loans payable	(750,000)	(600,000)
Net cash provided by financing activities	<u>1,174,680</u>	<u>2,821,136</u>
<b>Net increase in cash and cash equivalents</b>	1,816,527	1,773,170
<b>Cash and cash equivalents, beginning of year</b>	<u>3,441,340</u>	<u>1,668,170</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 5,257,867</u>	<u>\$ 3,441,340</u>
<b><u>Supplemental Disclosure of Cash Flow Information</u></b>		
Interest paid	<u>\$ 366,627</u>	<u>\$ 300,046</u>

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

**CHICAGO COMMUNITY LOAN FUND  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2008**

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

**Organization**

The Chicago Community Loan Fund (CCLF) was incorporated on January 9, 1991 in the State of Illinois as a 501(c)3 exempt corporation from income taxes under the Internal Revenue Code. It provides low-cost, flexible financing to non- and for-profit community development organizations for the revitalization of low- and moderate-income neighborhoods throughout metropolitan Chicago. CCLF is a federally certified Community Development Financial Institution (CDFI). CCLF's programs are as follows:

***Lending*** – CCLF operates as a revolving loan fund, providing financing through its loan pool of lending capital for affordable housing, non-profit facility and office space, commercial and retail development and other activities. These projects promise high social impact through the production and preservation of affordable housing, job creation and other services for low- and moderate income individuals, families and communities.

***Technical Assistance*** – CCLF's *Gateway to Community Development* program provides technical assistance to borrowers and non-borrowers through time sensitive development advice and referrals, a range of workshop topics, facilitated planning processes and support for sustainable building practices.

***Public Policy*** – CCLF supports independent, nonpartisan research and discussion on economic and social public issues to educate leaders in a course of action to improve tomorrow in the public laws and resource allocations of today.

**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.

**CHICAGO COMMUNITY LOAN FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2008**

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of demand deposits and money market accounts in federally insured and private insured accounts. At December 31, 2008, the Organization's cash balances exceeded federally insured limits by approximately \$2,770,000.

For purposes of the Statement of Cash Flows, the Organizations consider all highly liquid debt instruments, if any, purchased with an original maturity of three months or less to be cash equivalents.

Notes Receivable

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

Accrual of interest on a loan is discontinued when the Organization believes the collection of interest is doubtful. Income is subsequently recognized only to the extent cash payments are received until, in management's judgment, the borrower's ability to make periodic interest and principal payments is apparent, in which case the loan is returned to accrual status.

Notes receivable on which the accrual of interest has been discontinued, amounted to \$1,326,295 representing 11.0% of total outstanding notes receivable at December 31, 2008. If income on these loans had been accrued, interest income would have increased by approximately \$91,414 for the year.

**CHICAGO COMMUNITY LOAN FUND  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2008**

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 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 2008, the Organization's per-borrower risk review process did not necessitate increasing its aggregate loan loss reserve. However, the Organization did elect to add a newly created loan reserve called "Economic Conditions" in light of the current uncertainty in the state and national economies.

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

Property Held for Sale

Property held for sale includes both foreclosed and surrendered properties for which the loan fund has taken physical possession. This real estate is recorded at the lower of its fair value less cost to sell or the balance of the associated non-performing loan. Any write-downs based on the asset's fair value at date of acquisition are charged to the allowance for loan losses. Subsequently, valuations are periodically performed by management and the property held for sale is carried at the lower of its recorded value or current fair value less cost to sell. Impairment losses on property held for sale are measured as the amount by which the carrying amount of a property exceeds its fair value and are recognized in the period in which the impairment occurs. Costs incurred in maintaining foreclosed real estate are capitalized to the property. Subsequent adjustments to the carrying value of the property are reflected as an impairment loss on real estate owned.

**CHICAGO COMMUNITY LOAN FUND  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2008**

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, payroll and consulting services valued at \$164,265, \$2,284, and \$50,000 respectively.

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.

Investments

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

Significant Concentrations

During the year ended December 31, 2008 the Organization received 28% and 14% of its revenue from the Community Development Financial Institution and the MacArthur Foundation, respectively. Future levels of program activities are dependent on continued funding as well as the continued support of private individuals, foundations and corporations.

**CHICAGO COMMUNITY LOAN FUND  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2008**

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, 2007, from which the summarized information was derived.

**Note 2 – Investments**

Investments at December 31, 2008 consist of U.S. Agency securities.

**Note 3 – Other Receivables**

During 2008, Chicago Community Loan Fund entered into a loan agreement with Wieboldt Foundation in the amount of \$100,000. Proceeds related to this loan were received in February 2009.

**Note 4 – Notes Receivable – Loan Fund**

Notes receivable at December 31, 2008 are comprised of the following:

	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Principal amount	\$ 2,366,298	\$ 9,651,172	\$ 12,017,470
Reserve for loan loss	<u>(150,139)</u>	<u>(1,182,372)</u>	<u>(1,332,511)</u>
Net notes receivable	<u>\$ 2,216,159</u>	<u>\$ 8,468,800</u>	<u>\$ 10,684,959</u>

Expected repayment maturities of notes receivable are as follows:

<u>Maturity</u>	<u>Principal Amount</u>
2009	\$ 2,366,297
2010	2,818,595
2011	903,173
2012	1,221,025
2013	1,389,373
Thereafter	<u>3,319,007</u>
	<u>\$ 12,017,470</u>

**CHICAGO COMMUNITY LOAN FUND  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2008**

**Note 5 – Bank Line of Credit**

The Organization also has a \$2,000,000 unsecured line of credit expiring December 1, 2009. At December 31, 2008, there was \$26,556 borrowed against this line. Interest is fixed at 4% and is payable monthly.

**Note 6 – 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, 2008, long-term debt consisted of the following:

<u>Senior Loans Payable</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Scheduled Maturity Dates</u>
Private foundations	\$ 1,650,000	1.5% to 4%	August 2009 to January 2015
Financial institutions and corporation	2,593,636	0% to 3.5%	December 2002 to September 2018
Religious organizations	1,690,000	0% to 4%	December 2005 to July 2013
Individuals	413,300	0% to 3%	June 2005 to June 2013
Other	225,000	4.75%	December 2009
	<u>6,571,936</u>		
Less current portion	<u>(1,315,136)</u>		
Net long-term, senior loans payable	<u>\$ 5,256,800</u>		

**Subordinated Loans Payable**

Since 1997, CCLF has entered into loan agreements with financial institutions and private foundations to enable CCLF to issue longer-term community loans. These loans are unsecured and are subordinate and junior in right of payment to all other obligations of CCLF. At December 31, 2008, 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	8,300,000	2% to 4%	December 2009 to June 2018
Federal Government (CDFI)	300,000	2.09%	December 2018
	<u>8,700,000</u>		
Less current portion	<u>(1,600,000)</u>		
Net long-term subordinate loans payable	<u>\$ 7,100,000</u>		

**CHICAGO COMMUNITY LOAN FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2008**

Future anticipated loan maturities at December 31, 2008 are as follows:

	<u>Senior</u>	<u>Subordinate</u>	<u>Total</u>
2009	\$ 1,315,136	\$ 1,600,000	\$ 2,915,136
2010	1,355,000	3,000,000	4,355,000
2011	188,300	100,000	288,300
2012	450,000	-	450,000
2013	423,500	-	423,500
Thereafter	<u>2,840,000</u>	<u>4,000,000</u>	<u>6,840,000</u>
	<u>\$ 6,571,936</u>	<u>\$ 8,700,000</u>	<u>\$ 15,271,936</u>

The Organization is subject to certain debt covenants, as specified in the individual debt agreements. As of December 31, 2008, the Organization failed to meet certain covenants. Management is in the process of addressing and resolving these deficiencies, including contacting the debt issuers to modify covenants, and does not believe the debts will be called early.

**Note 7 – Leases**

The Organization has a non-cancellable operating lease expiring in 2012 for its main office facility. Rental expense for the lease totaled \$52,026 for the year ended December 31, 2008.

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

	<u>Operating Lease</u>
2009	\$ 60,649
2010	62,164
2011	63,720
2012	<u>37,709</u>
Total minimum lease payments	<u>\$ 224,242</u>

**CHICAGO COMMUNITY LOAN FUND  
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**Note 8 – Board Designated Funds**

CCLF’s Board of Directors has elected to establish an operating reserve fund. At December 31, 2008, unrestricted net assets of \$386,865 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 the reserve at a minimum of 25% of total annual expenses.

Furthermore, the Board has designated \$4,192,167 to lending capital to support future loan commitments.

**Note 9 – Temporarily Restricted Net Assets**

At December 31, 2008, net assets were temporarily restricted for the following purposes:

Community lending programs	\$ 516,842
Staffing costs	95,578
Loan loss reserve	30,000
Readiness workshops and other outreach activities	32,816
Foreclosure prevention	20,924
Market demand analysis	5,675
Common area costs	3,645
Future periods	25,000
	<u>\$ 730,480</u>

**Note 10 – Permanently Restricted Net Assets**

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

**Note 11 – 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 \$2,984,968 and \$1,673,236 at December 31, 2008 and 2007, respectively. Since certain commitments to fund loans may expire without being used, the amount does not necessarily represent future cash commitments. In addition, commitments to extend credit are agreements to lend as long as there is no violation of any condition established in the contract. These commitments are not reflected in the financial statements.

**CHICAGO COMMUNITY LOAN FUND  
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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.

**Note 12 – Related Party Transactions**

The Risk Management Committee chair is employed in a management position at a bank that provides CCLF with money management services. During the year ended December 31, 2008, these services amounted to \$8,795, of which \$4,638 was payable at year end.

A Board member is the Executive Director of an organization that provided pro-bono legal services to CCLF. During the year ended December 31, 2008, CCLF also incurred \$10,000 for legal services with this firm, \$2,500 of which is payable at year end.

One Board member developed a position paper on shared equity for which he was compensated \$500. Another Board member provided donated payroll processing services to the Organization.

During the year ended December 31, 2008, the Organization either loaned funds or committed resources to the following related nonprofit organizations:

Chicago Metropolitan Housing Development

The Executive Director of this organization is a Board member of CCLF. In 2008, a \$250,000 loan was issued at 6% interest, maturing in 2013, with required monthly payments of interest and principal. The outstanding balance on this loan at December 31, 2008 was \$247,062.

I-GO Alternative Transportation for Chicagoland, Inc. (I-GO)

A CCLF Board member is the Executive Director of Center for Neighborhood Technology, an organization closely affiliated with I-GO and a guarantor on this loan. In 2008, a \$500,000 line of credit loan was issued at 6.5% interest, maturing in 2010, with required monthly interest payments. The maximum amount which can be outstanding at any time is \$250,000. The outstanding balance on this loan at December 31, 2008 was \$77,676.

NASCO Properties, Inc.

A CCLF loan officer is on the Board of Directors of Campus Cooperative Development Corporation, an organization affiliated with NASCO Properties, Inc. In 2008, a construction loan in the amount of \$1,022,495 was approved to NASCO Properties, Inc. The loan is scheduled to mature in 2014 at an interest rate of 6.5%, with required monthly payments of interest and principal. There were no draws made against this loan as of December 31, 2008.

**CHICAGO COMMUNITY LOAN FUND  
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The above loans all went through CCLF's rigorous loan committee process. The related party individuals had no decision-making role or influence in the approval process of these transactions. The lending interest rates charged and repayment terms are consistent with other loans issued during the year.

**Note 13 – Employee Benefit Plan**

The Organization offers a Simplified Employee Pension (SEP) plan as a benefit to its employees with more than one year of service. The Organization is not obligated to make contributions to the plan. At the Board's discretion, it may make contributions within the limits permitted under federal income tax rules. The Organization's policy is to fund pension costs as accrued. For the year ended December 31, 2008, the Organization contributed 6% of wages totaling \$21,100 to this plan.

**Note 14 – Property Held for Sale**

During 2008, the Organization acquired three properties through foreclosure and debt workouts which it is holding for sale. As of December 31, 2008, the estimated fair value, less costs to sell for these properties is \$275,000. This amount represents three loan accounts in default in which the Organization received the property. At the time of foreclosure, management believed the lower of fair value or costs for these properties was \$574,910. During 2008, the Organization recognized \$299,910 of impairment value related to these properties.