Allies for Community Business

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2021

Selden Fox
Accounting for your future

Allies for Community Business
Audit Report
For the Year Ended December 31, 2021

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619 Enterprise Drive | Oak Brook, Illinois 60523 | www.seldenfox.com
p 630.954.1400 | f 630.954.1327 | email@seldenfox.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Allies for Community Business
Chicago, Illinois

Opinion

We have audited the accompanying financial statements of **Allies for Community Business**, which comprise the statement of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Allies for Community Business as of December 31, 2021 and 2020, and the change 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Allies for Community Business 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 generally accepted 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Allies for Community Business'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Allies for Community Business'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.

Selden Fox, Ltd.

May 23, 2022

Allies for Community Business
Statement of Financial Position
December 31,

	2021	2020
Assets		
Cash and restricted cash:		
Unrestricted	**$ 4,426,120**	$ 2,424,553
Restricted cash:		
Temporarily-held pass through grants	**10,633,478**	43,888,996
Loan loss reserve	**5,459,856**	5,451,679
Other	**6,049,060**	3,237,311
Designated for loan loss reserve	**74,921**	74,854
Total cash and restricted cash	**26,643,435**	55,077,393
Contributions receivable	**77,858**	208,500
Government receivables	**620,014**	1,583,770
Loans receivable, net	**22,187,265**	20,171,646
Prepaid expenses and other assets	**134,100**	153,913
Investment in:		
The Hatchery Title Holding Corporation NFP	**408,039**	430,355
The Hatchery Master Tenant LLC	**4,288,110**	4,586,865
Property, equipment, and software, net	**367,195**	257,478
Total assets	**$ 54,726,016**	$ 82,469,920
Liabilities and Net Assets		
Liabilities:		
Accounts payable	**$ 324,854**	$ 186,674
Accrued expenses	**382,722**	355,313
Deferred revenue	**118,835**	393,350
Funds held for others	**10,738,718**	44,187,996
Notes payable, less discount of $2,079,949 ($2,248,850 in 2020)	**24,328,228**	23,949,640
Total liabilities	**35,893,357**	69,072,973
Net assets:		
Without donor restrictions	**3,918,019**	1,073,693
With donor restrictions	**14,914,640**	12,323,254
Total net assets	**18,832,659**	13,396,947
Total liabilities and net assets	**$ 54,726,016**	$ 82,469,920

See accompanying notes.

Allies for Community Business
Statement of Activities
For the Year Ended December 31,

	2021			2020		
	Without	With		Without	With	
	Donor Restrictions		Total	Donor Restrictions		Total
Public support and revenue:						
Public support:						
Contributions - corporations, foundations, and individuals	$ 1,737,891	$ 6,327,000	$ 8,064,891	$3,451,194	$ 2,481,500	$ 5,932,694
Imputed interest contribution	-	329,052	329,052	-	1,601,498	1,601,498
Total public support	1,737,891	6,656,052	8,393,943	3,451,194	4,082,998	7,534,192
Government agencies:						
City of Chicago	222,795	-	222,795	1,065,826	5,450,000	6,515,826
U.S. Department of Commerce	-	296,171	296,171	-	1,278,770	1,278,770
State of Illinois	1,144,780	-	1,144,780	1,202,515	-	1,202,515
City of South Bend	-	-	-	-	350,000	350,000
Small Business Administration	-	-	-	13,321	-	13,321
Dept of the Treasury - CDFI	824,299	-	824,299	-	-	-
Total government agencies support	2,191,874	296,171	2,488,045	2,281,662	7,078,770	9,360,432
Other revenues:						
Loan interest	499,793	60,637	560,430	569,357	43,192	612,549
Administrative services and loan fees	538,171	-	538,171	653,280	1,135	654,415
Investment income	26,472	8,177	34,649	11,176	1,839	13,015
Participation income	9,200	-	9,200	15,584	-	15,584
Equity in loss of:						
The Hatchery Title Holding Corporation NFP	(22,316)	-	(22,316)	(84,182)	-	(84,182)
The Hatchery Master Tenant LLC	(298,755)	-	(298,755)	(223,027)	-	(223,027)
Gain on extinguishment of Paycheck Protection Program loan	428,140	-	428,140	-	-	-
Loss on loan sale	-	-	-	(21,660)	-	(21,660)
Net assets released from restrictions	4,429,651	(4,429,651)	-	3,224,517	(3,224,517)	-
Total other revenues	5,610,356	(4,360,837)	1,249,519	4,145,045	(3,178,351)	966,694
Total public support and revenue	9,540,121	2,591,386	12,131,507	9,877,901	7,983,417	17,861,318
Expenses:						
Program services	5,314,465	-	5,314,465	10,470,978	-	10,470,978
Management & general/administrative	970,654	-	970,654	718,685	-	718,685
Fund-raising	410,676	-	410,676	302,658	-	302,658
Total expenses	6,695,795	-	6,695,795	11,492,321	-	11,492,321
Change in net assets	2,844,326	2,591,386	5,435,712	(1,614,420)	7,983,417	6,368,997
Net assets, beginning of year	1,073,693	12,323,254	13,396,947	2,688,113	4,339,837	7,027,950
Net assets, end of year	$ 3,918,019	$ 14,914,640	$ 18,832,659	$1,073,693	$12,323,254	$13,396,947

See accompanying notes.

Allies for Community Business
Statement of Functional Expenses
For the Year Ended December 31,

	2021				2020			
	Program	Administrative	Fund-raising	**Total**	Program	Administrative	Fund-raising	Total
Functional expenses:								
Salaries and wages	$ 1,996,484	$ 367,488	$ 222,148	**$ 2,586,120**	$ 1,911,794	$ 352,887	$ 158,993	**$ 2,423,674**
Payroll taxes and fringe benefits	363,486	67,156	40,445	**471,087**	301,260	55,008	24,784	**381,052**
Credit and collection	195,358	-	-	**195,358**	176,374	20	-	**176,394**
Interest	373,657	-	-	**373,657**	205,720	-	-	**205,720**
Amortization of imputed interest for notes payable issued below fair value	497,953	-	-	**497,953**	204,518	-	-	**204,518**
Amortization of premiums on loans purchased	6,130	-	-	**6,130**	16,905	-	-	**16,905**
Provision (credit) for loan losses	(1,974,957)	-	-	**(1,974,957)**	5,732,458	-	-	**5,732,458**
Occupancy	345,979	63,664	38,485	**448,128**	330,634	61,220	27,497	**419,351**
Professional fees and consultants	486,700	303,284	42,150	**832,134**	329,135	178,261	30,091	**537,487**
Telephone	31,564	5,091	2,749	**39,404**	28,110	5,277	2,396	**35,783**
Insurance	11,185	11,791	1,245	**24,221**	9,659	8,777	802	**19,238**
Equipment rental and maintenance	13,696	2,281	1,379	**17,356**	14,248	2,755	1,185	**18,188**
Supplies	10,328	2,920	1,256	**14,504**	54,798	3,817	939	**59,554**
Marketing	74,603	13,011	7,866	**95,480**	35,435	6,253	6,412	**48,100**
Event expense	-	-	-	**-**	-	80	645	**725**
Travel	322	86	-	**408**	3,103	149	62	**3,314**
Training	10,312	1,039	708	**12,059**	9,245	3,101	673	**13,019**
Information technology	365,521	70,510	41,472	**477,503**	114,552	22,148	40,687	**177,387**
Dues and subscriptions	5,696	1,632	621	**7,949**	5,153	1,354	732	**7,239**
Depreciation and amortization	76,018	13,992	8,458	**98,468**	55,249	10,198	4,595	**70,042**
Other	9,430	46,709	1,694	**57,833**	17,618	7,380	2,165	**27,163**
Grant expense	2,415,000	-	-	**2,415,000**	915,010	-	-	**915,010**
Total expenses	$ 5,314,465	$ 970,654	$ 410,676	**$ 6,695,795**	$ 10,470,978	$ 718,685	$ 302,658	**$ 11,492,321**

See accompanying notes.

Allies for Community Business
Statement of Cash Flows
For the Year Ended December 31,

	2021	2020
Cash flows from operating activities:		
Change in net assets	**$ 5,435,712**	$ 6,368,997
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	**98,468**	70,042
Amortization of premiums on purchased loans receivable	**6,130**	16,905
Provision (credit) for loan losses	**(1,974,957)**	5,732,458
Contribution revenue on below market interest notes payable	**(329,052)**	(1,601,498)
Gain on extinguishment of Paycheck Protection Program loan	**(428,140)**	-
Equity in loss of:		
The Hatchery Title Holding Corporation NFP	**22,316**	84,182
The Hatchery Master Tenant LLC	**298,755**	223,027
Interest expense on below market interest loans	**497,953**	204,518
Loss on sale of loans	**-**	21,660
Changes in:		
Contributions receivable	**130,642**	183,616
Government receivables	**963,756**	(1,574,879)
Prepaid expenses and other assets	**19,813**	(55,223)
Accounts payable and accrued expenses	**165,589**	289,415
Deferred revenue	**(274,515)**	365,850
Funds held for others	**(33,449,278)**	43,676,996
Net cash from operating activities	**(28,816,808)**	54,006,066
Cash flows from investing activities:		
Net originations of loans	**(432,232)**	(22,595,850)
Proceeds from sales of loans	**385,440**	159,274
Purchases of property, equipment, and software	**(208,185)**	(82,159)
Net cash from investing activities	**(254,977)**	(22,518,735)
Cash flows from financing activities:		
Principal repayment of notes payable	**(1,865,313)**	(2,622,867)
Proceeds from notes payable	**2,503,140**	22,830,100
Net cash from financing activities	**637,827**	20,207,233
Net change in cash and restricted cash	**(28,433,958)**	51,694,564
Cash and restricted cash, beginning of the year	**55,077,393**	3,382,829
Cash and restricted cash, end of the year	**$ 26,643,435**	$ 55,077,393
Supplemental cash flow information - interest paid	**$ 372,857**	$ 193,271

See accompanying notes.

1. Nature of Operations and Summary of Significant Accounting Policies

Organization – Allies for Community Business (the Organization) helps neighborhood entrepreneurs grow by providing the capital, coaching and connections small business owners need to create wealth and jobs in communities most in need throughout Illinois and Indiana. The majority of businesses receiving capital and coaching operate in low to moderate income communities.

In January 2021, the Organization changed its name from ACCION Chicago, Inc.

Income Tax Status – The Organization was granted an exemption from federal income taxes by the Internal Revenue Service pursuant to the provisions of Internal Revenue Code Section 501(c)(3). Contributions to Allies for Community Business qualify for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and Allies for Community Business has been classified as an organization that is not a private foundation under Section 509(a)(1). The tax-exempt purpose of the Organization and the nature in which it operates is described in the first paragraph of Note 1. Management believes the Organization continues to operate in compliance with its tax-exempt purpose. The Organization had no unrelated business income that management believes is subject to tax in 2021 or 2020.

The Organization's annual informational returns filed with the federal and state governments are generally subject to examination by the Internal Revenue Service (IRS) for three years after filing. Thus, returns for 2018, 2019 and 2020 remain open to IRS examination.

Basis of Accounting – The accounts and financial statements are maintained on the accrual basis of accounting and, accordingly, reflect all significant receivables and payables.

Basis of Presentation – The Organization reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions, as required by U.S. Generally Accepted Accounting Principles (GAAP). All contributions, including promises to give, are recognized as unrestricted revenues in the period received, unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes, are reported with donor restrictions, and increases in that net asset class. However, if a restriction is fulfilled in the same reporting period in which the contribution is received, the Organization generally reports the support without donor restrictions. The Organization has no Board designated net assets at December 31, 2021 or 2020.

Gifts of long-lived assets are reported 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, would be reported with donor restrictions. Absent explicit donor stipulations about 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.

1. **Nature of Operations and Summary of Significant Accounting Policies** (cont'd)

Use of Estimates – The preparation of financial statements in accordance 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 reported amounts of revenue and expenses during the reporting period. Significant estimates used in the preparation of these financial statements include the allowance for loan losses, discontinuance of accrual of interest on loans when collection is doubtful, the rate used to estimate the discount for below market rate debt, and allocations of general, administrative and other expenses to individual program activities. Actual results could differ from those estimates.

Cash and Restricted Cash – Cash consists of bank deposits in federally insured accounts. At December 31, 2021 and 2020, cash accounts exceeded federally insured limits by $25,501,985 and $54,374,439, respectively.

Contributions Receivable and Government Receivables – Contributions receivable and government receivables consist of grants and other contributions that are considered to be promises to give and are recorded in the year the promise is made and conditions, if any, are met. If considered necessary, an allowance for uncollectible contributions receivable would be determined based on specific pledges and experience. No allowance was deemed necessary as of December 31, 2021 and 2020. Substantially all contributions and government receivables are expected to be received within one year from the date of the statement of financial position and, accordingly, the amounts of the receivables at December 31, 2021 and 2020, have not been discounted.

Loans Receivable – Loans receivable are stated at their unpaid principal balance, less an allowance for loan losses. Interest on loans receivable is recognized over the term of the loan and is generally calculated using the simple-interest method on principal amounts outstanding. A substantial portion of the loan portfolio consists of loans made to entrepreneurs in the Chicagoland area. The ability of borrowers to repay these loans may be dependent upon the general economic conditions in their local community as well as in the general Chicagoland area.

The Organization discontinues the recording of interest when a loan becomes greater than ninety days past due. Accrual of interest is resumed upon the collection of past due amounts. Past due or delinquent status of loans is determined by the paid-through date according to the prescribed loan terms. In all cases, loans may be placed on nonaccrual status at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charge-off status is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to current accrual status. Loans are returned to accrual status when all principal and interest payment amounts contractually due are brought current and future payments are reasonably assured.

Loan origination fees approximate direct loan origination costs and are generally recognized as income upon receipt.

1. **Nature of Operations and Summary of Significant Accounting Policies** (cont'd)

Allowance for Loan Losses – The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses. Loan losses are charged against the allowance when a loan is delinquent more than 180 days, or management believes the uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The Organization's allowance for loan losses is that amount considered adequate to absorb probable losses in the portfolio based on management's evaluations of the size and current risk characteristics of the loan portfolio. The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as information becomes available.

General allowances are established for loans that can be grouped into pools based on similar characteristics. In this process, general allowance factors are based on an analysis of historical charge-off experience and expected losses given default derived from the Organization's internal risk rating process. These factors are developed and applied to the portfolio in terms of loan type. The qualitative factors associated with the allowances are subjective and require a high degree of management judgment. These factors include the credit quality statistics, recent economic uncertainty, and losses incurred from recent events.

As a result of the spread of the COVID-19 coronavirus pandemic in 2020, the Organization received grants to participate in the Chicago Small Business Resiliency Loan Fund (CSBRF) and the state of Illinois Small Business Emergency Loan Fund (ISBEL). Both programs provide low-interest loans to support small businesses that are experiencing a temporary loss of revenue due to the COVID-19 outbreak. Accordingly, the loan portfolio has experienced substantial growth since 2020 and economic uncertainties exist which may negatively impact the Organization's loan portfolio and allowance for loan losses. The extent of potential negative financial impact is unknown at this time. At December 31, 2020, the Organization established qualitative and economic allowance for loan loss factors of 25% of the outstanding loan balances for the CSBRF and ISBEL loans receivable due to these programs being new and there being significant uncertainties associated with how the COVID-19 pandemic would impact borrowers' ability to repay the loans even in light of certain guarantees from loan loss as discussed in Note 6. At December 31, 2021, the Organization reduced the qualitative and economic loan loss factors to 15% for loans outstanding under the programs based on performance of the loan programs, while taking into account potential actual and residual effects of the COVID-19 pandemic, including inflationary pressures that may impact borrowers' ability to repay loans. The change in estimate increased the credit for loan losses and the change in net assets for the year ended December 31, 2021, by approximately $1.9 million.

Under certain circumstances, the Organization will provide borrowers relief through loan restructuring. A restructuring of debt constitutes a troubled debt restructuring (TDR) if the Organization, for economic or legal reasons related to the borrower's financial difficulties, grants a concession to the borrower that it would not otherwise consider. TDR concessions can include reduction of interest rates, extension of maturity dates, forgiveness of principal and/or interest due, or acceptance of other assets in full or partial satisfaction of the debt. The Organization considers all aspects of the restructuring to determine whether it has granted a concession to the borrower. An insignificant delay in payment resulting from a restructuring is not deemed to be a concession and would not be considered a TDR.

1. **<u>Nature of Operations and Summary of Significant Accounting Policies</u>** (cont'd)

Allowance for Loan Losses (cont'd) **–** The Organization has concluded that the impairment impact of troubled debt restructurings on its loan portfolio (generally lower balance loans having original maturities of 60 months or less) is insignificant to the financial statements. As such, these impairments are not individually tracked but rather are adequately included in the loss allowance provided on a pooled basis for the loan portfolio.

The Organization maintains general valuation allowances for homogeneous portfolio segments. These portfolio segments and their risk characteristics are described as follows:

Micro Loans: Loans between $500 and $50,000 made to small businesses in Allies for Community Business's Illinois and Indiana service areas. These loans represent term, balloon, lines of credit, start-up and credit builder loans, which are primarily unsecured. Economic trends, local unemployment rates, and other key economic indicators are closely related to the credit quality of these loans.

Since 2020, Micro Loans include loans originated under the CSBRF and ISBEL programs. CSBRF and ISBEL are one-time emergency programs to provide low-interest loans to support small businesses that are experiencing a temporary loss of revenue due to the COVID-19 pandemic. These loans are deemed high risk due to the uncertainty of the post-pandemic economy (Note 6).

Restructured Micro Loans: Loans originated as micro loans that had some level of difficulty and have subsequently had payment terms adjusted in order to facilitate repayment. As such, they represent greater risk than micro loans.

SBA Community Advantage Pilot Program Loans: Loans between $25,000 and $100,000 made to small businesses in Allies for Community Business's Illinois and Indiana service areas. Under this program, the SBA guarantees 85% of the loan balance. The Organization then sells participating interests in the guaranteed portion of loans receivable to institutional investors. At the time the participating interests in the loans are sold, they are removed from the statement of financial position and are recognized in the statement of activities. The only recourse to the Organization is the loan loss reserve against the guaranteed portion that the Organization is required to maintain.

During 2016, FASB issued a new standard relating to the model that is to be used to calculate the allowance for credit losses. The standard introduces a model referred to as the current expected credit losses (CECL) model and it requires an entity to estimate credit losses over the life of the financial instrument or a pool of financial instruments. The standard will also expand disclosure requirements regarding an entity's assumptions, models, and methods for estimating its allowance for credit losses. The standard will be effective for the Organization in 2023. The Organization has not determined the effect of adopting the new standard.

Investment in The Hatchery Entities/Hatchery Deposits – Allies for Community Business has a 50% membership interest in The Hatchery Title Holding Corporation NFP and a 50% membership interest in the Hatchery Master Tenant LLC. These investments are accounted for using the equity method of accounting. Profits and losses of the Hatchery entities are allocated in accordance with the Members' respective membership interests.

1. **<u>Nature of Operations and Summary of Significant Accounting Policies</u>** (cont'd)

Property, Equipment, and Software – Property, equipment, and software are stated at cost, if purchased, or fair value, if received by donation. Depreciation and amortization are provided on the straight-line method, over the estimated useful lives of the assets, generally 3 to 5 years. Expenditures for property and equipment in excess of $500 are generally capitalized.

Funds Held for Others – Funds held for others consist of cash collected from third parties where Allies for Community Business acts as an agent on behalf of the third parties under the terms of various grant agreements. Under these agreements, grantors have either specified the beneficiary for the funds held or select beneficiaries for the funds held from a prequalified list provided by Allies for Community Business. In either case, Allies for Community Business does not have explicit, unilateral power to redirect the use of transferred cash to a beneficiary of its choice, which is referred to as variance power under ASC 958-605. Accordingly, Allies for Community Business does not record contribution revenue for these amounts, but instead records amounts received as funds held for others until Allies for Community Business disburses funds to beneficiaries.

Notes Payable and Debt Discount – The Organization has entered into debt agreements with interest terms that are lower than those that an independent borrower and an independent lender would have negotiated in a similar transaction. The Organization considers the spread between the stated rate of interest for the Organization's debt and the rate of interest that would be available to an independent borrower to represent a contribution to the Organization.

For term notes that are due in more than one year, the Organization records the loan at its inception at face value less a discount, with the discount being recognized with donor restrictions as imputed interest contribution. Over the term of the note, the discount is amortized using the effective interest method and recorded as imputed interest for loans below fair value on the statement of functional expenses.

For demand notes or term notes with maturities of one year or less, the Organization records a contribution each year for the difference between amount of interest that is estimated that would have been paid by an independent borrower for a similar transaction and the actual amount of interest incurred at face value.

The rate used to discount the debt is management's estimate of the interest rate an independent borrower and an independent lender would have negotiated in a similar transaction at origination of the borrowing and ranges from 3.54% - 7.00% at December 31, 2021 and 2020.

Gain on Extinguishment of Debt – In 2021, the Organization was granted a loan of $428,140 pursuant to the Paycheck Protection Program (the "PPP"). The Organization elected to account for its PPP loans payable under FASB ASC Topic 470 *Debt*. Under this guidance, extinguishment of the loans is recognized when the Organization has been legally released as the primary obligor of the loan. This occurs when the United States Small Business Administration (SBA) approves the Organization's forgiveness application. In 2021, the U.S. Small Business Administration approved the forgiveness application for the loan and made a forgiveness payment for the entire balance of the loan. The gain on extinguishment of the loan is presented on the statement of activities in 2021.

1. **Nature of Operations and Summary of Significant Accounting Policies** (cont'd)

Certain Vulnerabilities and Concentrations – At December 31, 2021, 64% of contributions receivable are from two funding sources (72% of contributions receivable were from three funding sources at December 31, 2020). At December 31, 2021, 92% of government receivables are from two funding sources (100% at December 31, 2020). Any negative change in the economy or political environment could have an impact on contributions, fund-raising efforts, and contracts as well as government grants.

In-Kind Support – In addition to receiving cash contributions, the Organization may receive in-kind contributions from donors. In accordance with generally accepted accounting principles, the Organization records the estimated fair value of certain in-kind donations as an expense or an asset in its financial statements, and corresponding contribution revenue. The Organization did not receive in-kind contributions in 2021 nor 2020.

Grant Expense – Included in public support in the year ended December 31, 2021, was $650,000 ($380,000 in 2020) received from The Chicago Community Trust to support entrepreneurs in the Neighborhood Entrepreneurship Lab (NEL) Cohorts.

Also included in public support in the year ended December 31, 2021, was $2,000,000 received from PepsiCo Foundation to deliver grant funding and business counseling to Hispanic small food and beverage business owners, which also permitted grants to other Community Development Financial Institutions (CDFIs) in partnership to achieve the goals and objectives of the program.

The Organization also approves grants to be paid to other organizations and individuals for other purposes that comply with the Organization's tax-exempt purpose, which includes supporting the Hatchery project. In addition, during 2020, the Organization also paid $375,010 to the Women's Business Development Center for contractual services associated with the Business Interruption Grant (BIG) program.

Grant expense consisted of amounts for the following purposes for the year ended December 31:

	2021	2020
NEL Cohorts	**$ 440,000**	$ 420,000
Hispanic small food and beverage business owners	**1,500,000**	-
Grants to other CDFIs	**320,000**	-
Support for the Hatchery	**100,000**	120,000
Support for the BIG program	**-**	375,010
Other	**55,000**	-
	$ 2,415,000	$ 915,010

Advertising – The Organization expenses the cost of advertising as incurred. Advertising and marketing expenses were $95,480 in 2021 ($48,100 in 2020).

1. **Nature of Operations and Summary of Significant Accounting Policies** (cont'd)

Functional Allocation of Expenses – The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among program and supporting services benefited. The expenses that are allocated and consistently applied include salaries and wages, payroll taxes and fringe benefits, occupancy, donated services, equipment rental and maintenance, and depreciation and amortization, which are allocated based on employee hours for specific individuals. The remaining expenses are direct costs of program and other activities.

Other Revenue Recognition – Other revenue that is from a contract with a customer is recognized as earned when services are performed without future performance obligations. Administrative services and loan fees included in other revenues on the statement of activities includes the following for the years ended December 31:

	2021	2020
Loan origination and restructure fees	**$ 70,793**	$ 75,854
Loan late payment fees	**3,695**	2,874
Grant administration/consulting fees	**463,683**	516,939
Other	**-**	58,748
	$ 538,171	$ 654,415

2. Restricted Cash

Restricted cash at December 31, is summarized as follows:

Funding Source	Funding Purpose		2021	2020
Temporarily-held Pass Through Grants:				
Illinois Department of Commerce and Economic Opportunity	Funds held for others	(1)	**$10,271,285**	$40,458,726
Will County	Funds held for others	(1)	**-**	3,131,820
City of Chicago:				
Department of Business Affairs and Consumer Protection (BACP)	Funds held for others	(1)	**10,000**	190,000
Department of Cultural Affairs and Special Events (CASE)	Funds held for others	(1)	**14,693**	103,450
City of South Bend	Funds held for others	(1)	**-**	5,000
Chicago Community Trust	Funds held for others	(1)	**337,500**	-
Total Temporarily-held Pass Through Grants			**10,633,478**	43,888,996
Loan Loss Reserve - BACP	CSBRF loans (Note 6)		**5,459,856**	5,451,679
Other Restricted Cash:				
Economic Development Administration	Lending: Cook County, Illinois and Lake County, Indiana	(2)	**833,805**	455,558
Bank of America Foundation	SBA loan loss reserve	(3)	**60,000**	60,000
Accion Chicago	SBA CA loan loss reserve	(4)	**14,625**	25,684
Various Participations	Lending: Participation loans	(5)	**48,455**	18,832
Tory Burch	Lending: Women entrepreneurs	(6)	**172,465**	172,465
Entrepreneurs of Color:	Tech Assistance and Lending:			
JPMorgan Chase Bank	Women and People of Color	(7)	**1,705,010**	1,141,763
Coleman Foundation		(8)	**150,000**	150,000
The Chicago Community Trust		(8)	**23,437**	75,000
Neighborhood Entrepreneurship Lab Fund at The Chicago Community Foundation	Support of NEL Cohorts	(9)	**202,641**	125,000
Food:Land:Opportunity Grant/ Searle Funds at The Chicago Community Trust	Capital and Coaching for Chicagoland Food Entrepreneurs	(10)	**-**	10,191
Westside United Grant Pool	Funds held for others	(11)	**32,240**	88,000
M.R. Bauer Foundation and DRW Foundation	Funds held for others	(12)	**50,000**	200,000
Citi Business	Funds held for others	(13)	**11,000**	11,000
Pepsico	Capital and Coaching for Hispanic Entrepreneurs	(14)	**179,457**	-
City of South Bend	Loan Program	(15)	**148,250**	148,250
The Chicago Community Trust	Business Coaches	(16)	**240,000**	240,000
The Chicago Community Trust	Community Focus Fund	(17)	**26,799**	237,224
Hispanic Chamber of Commerce	Cook County COVID-19 program	(18)	**-**	70,580
CDFI	Undeployed loan funds	(19)	**88,834**	-
Google Opportunity Finance Network	Charitable Giving Fund program	(20)	**150,000**	-
Wells Fargo	Loan Program	(21)	**1,738,629**	-
The Chicago Community Trust	Hatchery Phase II	(22)	**47,000**	-
Opportunity Fund	Building the American Dream	(23)	**56,380**	-
Other			**70,033**	7,764
	Total Other Restricted Cash		**6,049,060**	3,237,311
			$22,142,394	$52,577,986

2. **Restricted Cash** (cont'd)

(1) **Temporarily-Held Pass Through Grants –** During 2020 and 2021, Allies for Community Business was deemed grant administrator for various COVID-19 grant programs. As administrator, the Organization collected information from grant applicants and used the grantor's criteria to determine eligibility. Once deemed eligible, the grantor approved the application and funds were given to the Organization to disburse to the recipient.

Of the pass-through grant funds, the Organization received $246,245,287 primarily in the last quarter of 2020 and $101,600,000 during 2021 from the Illinois Department of Commerce and Economic Opportunity (DCEO) as an agent for the distribution of grant funds under the Business Interruption Grant (BIG) and Back to Business (B2B) programs. The purpose of the BIG and B2B program is to provide economic relief for small businesses in Illinois hit hardest by COVID-19. The Organization funded approximately $132 million and $205 million of grants relating to the BIG and B2B programs in 2021 and 2020, respectively.

During 2020, $20,916,600 and $220,000 in 2021 was received from Will County, Illinois, as an agent for the distribution of grant funds under the Will County Small Business Assistance Grant (Will County) program. The purpose of the program is to provide financial assistance to Will County small businesses impacted by COVID-19 so they may maintain operations. The Organization funded approximately $17.8 million of grants relating to the Will County program in 2020, and the remainder of the funding in 2021.

During 2020, $9,950,000 was received from the City of Chicago through its Department of Business Affairs and Consumer Protection as part of the Hospitality Grant Program. Funds are restricted to provide an emergency COVID-19 relief package for restaurants and bars in which Allies for Community Business is acting in the capacity of an agent.

During 2020, $679,200 and another $2,665,600 during 2021 was received from the City of Chicago through its Department of Cultural Affairs and Special Events as a part of the Performing Arts Venue Relief Program and the Artist Assistance Program. Funds are restricted to provide grants to performing artists and performing arts venues in Chicago that have experienced losses due to COVID-19 in which Allies for Community Business is acting in the capacity of an agent.

In 2021, $437,500 was received from The Chicago Community Trust in support of a new development project in the Avalon Park neighborhood of Chicago for the benefit of a low-profit limited liability company in that development.

The restricted cash balances of the above pass-through grant funds represent the portion of amounts received that had not been disbursed to beneficiaries at the date of the statement of financial position.

The statement of financial position is inflated by the temporarily-held pass through grant funds and funds held for others that remain for these programs as of December 31, 2021 and 2020.

2. **Restricted Cash** (cont'd)

Temporarily-Held Pass Through Grants (cont'd)

A summary of related elements of the statement of financial position without the pass-through program activities at December 31, 2021, is as follows:

	Actual	Less Pass Through Grant Programs	Pro-forma Without Pass Through Grant Programs
Restricted cash – temporarily-held pass through grant funds	$ 10,633,478	$ (10,633,478)	$ -
Total assets	54,726,016	(10,633,478)	44,092,538
Funds held for others	10,738,718	(10,633,478)	105,240
Total liabilities	35,893,357	(10,633,478)	25,259,879

A summary of related elements of the statement of financial position without the pass-through program activities at December 31, 2020, is as follows:

	Actual	Less Pass Through Grant Programs	Pro-forma Without Pass Through Grant Programs
Restricted cash – temporarily-held pass through grant funds	$ 43,888,996	$ (43,888,996)	$ -
Total assets	82,419,920	(43,888,996)	38,530,924
Funds held for others	44,187,996	(43,888,996)	299,000
Total liabilities	69,072,973	(43,888,996)	25,183,977

Other Restricted Cash:

(2) This represents the cash portion of the three revolving loan funds that the Organization administers that were funded by the Economic Development Administration of the U.S. Department of Commerce.
(3) The Small Business Administration notes payable agreements requires cash to be maintained in a separate, restrictive account to cover 15% of outstanding notes receivable as a loan loss reserve. This restricted cash is intended by the funding source to assist in funding that account.
(4) As required by the Small Business Administration's Community Advantage Pilot Program, this is an amount in a separate cash account established as a reserve for potential loan losses on loans receivable as required by the Small Business Administration's Community Advantage Pilot Program.
(5) The Organization collects payments, as a fiscal agent, on behalf of these banks (see Note 6). These funds are payable as directed by these banks and therefore are restricted.
(6) This amount represents cash available to fund a portion of qualifying loans to female entrepreneurs based on a grant agreement with the funding source.

2. **Restricted Cash** (cont'd)

(7) In 2019, the Organization received funding of $750,000 from JPMorgan Chase Bank for a program called Entrepreneurs of Color and another $1,000,000 was received in both 2021 and 2020. These funds are to be used towards lending to people of color on the west and south sides of the City of Chicago, as well as technical assistance for the program. This restricted cash balance represents the portion of the funds received that had not been disbursed to beneficiaries at the date of the statement of financial position.

(8) Amount represents cash remaining at year end from the funding source in 2020 to support the Entrepreneurs of Color program.

(9) In 2019, the Organization received a $220,000 grant and another $150,000 grant in 2021 to support its Neighborhood Entrepreneurship Lab (NEL) program. This amount represents the remaining cash from that grant. The cash is restricted to provide grants to businesses in the cohorts of the NEL program.

(10) Cash on hand that is restricted by the grantor to provide capital and coaching for local food entrepreneurs, including establishing and offering a new line of credit product.

(11) In 2019, 2020 and 2021, the Organization received funds of $500,000, $198,000, and $775,000, respectively, from multiple sources where the Organization acted in a fiscal agent capacity for the Westside United Grant Program. This amount represents the remaining cash from these funds.

(12) In 2020, the Organization received $200,000 from DRW Foundation and the M.R. Bauer Foundation to assist the opening of a new dining destination for North Lawndale residents. The Organization is acting in the capacity of an agent in which funds are payable as directed by the Foundation and therefore are restricted.

(13) The Organization received funds of $331,000 from Citi-Business for two separate programs: the Chicago Capital Access Centers and the Chicago Credit Building Initiative. At December 31, 2021 and 2020, the Organization held the remaining funds of $11,000 for Chicago Capital Access Centers.

(14) In 2021, the Organization received $2,000,000 from PepsiCo Foundation for technical assistance, capital, coaching and markets for Hispanic small food and beverage business owners in thirteen cities across the United States. This amount represents the remaining cash from these funds.

(15) In 2020, the Organization received $300,000 from the City of South Bend to support small businesses affected by COVID-19 in which Accion was acting in the capacity of an agent. This amount represents the remaining cash from these funds.

(16) Amount is cash on hand that is restricted by the grantor to support the hiring and reassignment of three business coaches.

(17) In 2020, the Organization received funds of $400,000 from The Chicago Community Trust to support technology, staff, and other strategies for increasing capacity to track data and deliver innovative products with the goal of continuously improving outcomes for small business owners. This amount represents the remaining cash from these funds.

(18) In 2020, the Organization received funds of $150,000, of which $70,580 remained in restricted cash at December 31, 2020, from the Illinois Hispanic Chamber of Commerce as part of the Cook County COVID-19 Recovery Small Business Recovery Grant and Technical Assistance Program to help source small businesses in need of training for grants, webinars, and other group curriculum, provide small businesses with additional training and one-on-one consultations, and vet and score grant applications. The remaining cash was deployed in 2021.

2. **Restricted Cash** (cont'd)

(19) In 2021, the Organization was awarded a $1,826,265 federal grant to be used to deploy its loan products within certain parameters from the Community Development Financial Institutions Fund (CDFI). In 2021, $913,133 of the grant funding was received and $824,299 of the funding was deployed in the form of loans that met conditions associated with the CDFI program. This balance represents the undeployed cash and is also recorded in deferred revenue at December 31, 2021.

(20) In 2021, the Organization received $150,000 from the Google Opportunity Finance Network to fund a project to provide critically needed grant support to community development financial institutions working to support access to capital for Black-owned and controlled small businesses, including non-profits, in underserved communities throughout the United States.

(21) In 2021, the Organization received $2,000,000 from the Wells Fargo Foundation to "buy down" interest rates on loans funded from other sources to reduce these loans' interest rates for the end borrower. This amount represents the remaining cash from these funds.

(22) In 2021, the Organization received $100,000 in support of exploring a future business incubator. This amount represents the remaining cash from these funds.

(23) In 2021, the Organization received $132,000 to support food and beverage lending. This amount represents the remaining cash from these funds.

3. **Cash Designated for Loan Loss Reserve**

The Organization has designated cash as a reserve of $74,921 at December 31, 2021 ($74,854 at December 31, 2020) for potential loan losses on notes receivable associated with the Small Business Administration's Notes Payable. The cash in the reserve that is in addition to the required 15% noted as restricted cash for the Small Business Administration is not restricted.

4. **Investment in The Hatchery Entities**

Allies for Community Business and ICNC (formerly known as KIDC) each have 50% membership interests in The Hatchery Title Holding Corporation NFP and The Hatchery Master Tenant LLC. Allies for Community Business receives $2,500 per month for accounting and compliance services for the related entities.

The Hatchery Title Holding Company NFP (THTHC) is an Illinois nonprofit public benefit corporation classified by the Internal Revenue Service as tax exempt under 501(c)(25) of the Internal Revenue Code. THTHC's exempt purpose is to a.) acquire and hold title to the real property at 135 North Kedzie, Chicago, Illinois (Property), b.) borrow low-interest funds to improve the Property, c.) lease the Property to The Hatchery Master Tenant LLC (Master Tenant) and the Master Tenant will in turn sublease the Property d.) to collect income from the Master Tenant for the Property, e.) pay certain expenses for the Property including debt service and appropriate reserves, and f.) remit the entire amount of such income in annual distributions, less such expenses to its members, which must be 501(c)(3) organizations.

4. **Investment in The Hatchery Entities** (cont'd)

The Master Tenant, an Illinois limited liability company, was formed to lease the Property and undertake its obligations under the project financing to operate the Hatchery Project. The Hatchery Project is a 67,000 square foot facility that supports the incubation of food companies in Chicago, Illinois, and provides office space for Allies for Community Business and The Hatchery Chicago. In 2020, The Hatchery Chicago was dissolved, and the sublease was amended to have ICNC (formerly known as KIDC) assume that organization's sublease.

The Project financing closed on January 18, 2018. At closing, the Master Tenant entered into a six-year sublease with Allies for Community Business for office space with extension options (See Note 9). ICNC (formerly known as KIDC) entered into a six-year sublease with the Master Tenant for the remainder of the space.

At closing, the Master Tenant signed promissory notes with four lenders totaling $18,922,228, which are guaranteed by Allies for Community Business and ICNC (formerly known as KIDC) pursuant to the guaranty agreement dated January 18, 2018, and secured by a leasehold mortgage and assignment of rents on the Property. The aggregate balances of the promissory notes totaled $11,750,000 at December 31, 2021 and 2020.

At closing, the Master Tenant made a $20,546,500 leveraged loan to The Hatchery Investment Fund LLC, an unrelated third party, which in turn made qualified equity investments to five unrelated Community Development Entities (CDEs). The CDEs made ten qualified low-income community investment loans totaling $29,560,000 to THTHC that are secured by a mortgage and assignment of rents of the Property. The aggregate principal balances of the CDE loans as of December 31, 2021 and 2020, was $29,560,000. The rights of THTHC and the Master Tenant are subordinate to the mortgages securing the debt on both entities.

<u>Environmental Indemnity Agreement</u> – Pursuant to the environmental indemnity agreement dated January 18, 2018 (EI Agreement), between Allies for Community Business, ICNC (formerly known as KIDC) (together, the Guarantors), the Lender, and the Master Tenant (collectively, the Indemnitors) shall indemnify and hold the Indemnified Parties, as defined in the EI Agreement, harmless from, for and against any and all environmental claims, liabilities, damages losses, fines, penalties judgements, awards, settlements, costs and expenses that directly or indirectly arise out of or relate in any way to Section 5(a)-(1) of the EI Agreement.

<u>QALICB Indemnification Agreement</u> – Pursuant to the QALICB indemnification agreement dated January 18, 2018 (QALICB Agreement), between THTHC, Allies for Community Business, ICNC (formerly known as KIDC), Master Tenant and Industrial Council of Nearwest Chicago, an Illinois not-for-profit corporation (collectively, the Indemnitors), for the benefit of PNC New Markets Investment Partners, LLC (PNC NMIP) the indemnitors will be obligated to pay the Credit Reduction Amount, as defined in the QALICB Agreement to PNC NMIP on or before the payment date as defined in the QALICB Agreement. The Indemnitors do not have any right of subrogation as a result of any payment or any other payment made by the Indemnitors under the Loan Documents as defined in the QALICB Agreement, and the Indemnitors have waived and released any claim based on any right or subrogation, any claim for unjust enrichment or any other theory that would entitle any indemnitor to a claim against another Indemnitor based on any payment made hereunder or any other payment made under the Loan Documents.

4. **Investment in The Hatchery Entities** (cont'd)

Community Benefits Agreement – Pursuant to the Community Benefits Agreement dated January 18, 2018 (CB Agreement), between THTHC, Allies for Community Business, ICNC (formerly known as KIDC), Master Tenant and THC (collectively, the NMTC Beneficiary), and the Lenders, the NMTC Beneficiary will use commercially reasonable efforts to achieve the Community Impacts, as set forth in Section 2 of the CB Agreement, which are based upon data collected and analysis performed by the NMTC Beneficiary and the CDE Lenders.

5. **Property, Equipment, and Software**

Property, equipment, and software by major classification at December 31, is as follows:

	2021	2020
Furniture and equipment	**$ 489,107**	$ 450,375
Leasehold improvements	**196,141**	170,773
Software	**344,002**	199,917
	1,029,250	821,065
Less: accumulated depreciation and amortization	**(662,055)**	(563,587)
	$ 367,195	$ 257,478

6. **Loans Receivable**

Loans receivable at December 31, is as follows:

	2021	2020
Micro loans:		
Term:		
Chicago Small Business Resiliency loans	**$ 17,202,521**	$ 18,615,022
Illinois Small Business Emergency	**1,899,207**	3,025,563
Other	**5,334,824**	3,712,713
Start-up	**1,181,054**	364,507
Restructured	**74,603**	132,104
Unrestructured participation loans	**5,353**	182,144
Total micro loans	**25,697,562**	26,032,053
SBA Community Advantage loans	**43,874**	77,051
	25,741,436	26,109,104
Add: premiums on purchased loans	**148**	6,278
Less: allowance for loan losses	**(3,554,319)**	(5,943,736)
	$ 22,187,265	$ 20,171,646

6. **Loans Receivable** (cont'd)

The weighted average interest rate of the loan portfolio at December 31, 2021, was 2.90% (2.16% at December 31, 2020). The weighted average interest rate in 2021 and 2020 is attributable to the low-interest rate loans issued under several government loan programs that Allies for Community Business continued to participate in during 2021.

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

	Micro loans	Restructured micro loans	SBA Community Advantage loans	Total
Allowance for Loan Losses				
Balance, January 1, 2020	$ 527,096	$ 25,551	$ 12,199	$ 564,846
Provision for loans losses	5,704,730	27,728	-	5,732,458
Loans charged-off	(402,553)	(25,821)	-	(428,374)
Recoveries of loans previously charged-off	63,620	11,186	-	74,806
Balance, December 31, 2020	5,892,893	38,644	12,199	5,943,736
Provision for loans losses	(1,941,151)	(18,569)	(15,237)	(1,974,957)
Loans charged-off	(538,470)	-	-	(538,470)
Recoveries of loans previously charged-off	116,383	1,575	6,052	124,010
Balance, December 31, 2021	**$ 3,529,655**	**$ 21,650**	**$ 3,014**	**$ 3,554,319**

The allowance for loan losses by portfolio segment at December 31, is as follows:

	Micro loans	Restructured micro loans	SBA Community Advantage loans	Total
December 31, 2021:				
Collectively evaluated for impairment	**$ 3,529,655**	**$ 21,650**	**$ 3,014**	**$ 3,554,319**
Individually evaluated for impairment	**-**	**-**	**-**	**-**
Total at December 31, 2021	**$ 3,529,655**	**$ 21,650**	**$ 3,014**	**$ 3,554,319**
December 31, 2020:				
Collectively evaluated for impairment	$ 5,892,893	$ 38,644	$ 12,199	$ 5,943,736
Individually evaluated for impairment	-	-	-	-
Total at December 31, 2020	$ 5,892,893	$ 38,644	$ 12,199	$ 5,943,736

6. **Loans Receivable** (cont'd)

Loan balances by portfolio segment at December 31, is as follows:

	Micro loans	Restructured micro loans	SBA Community Advantage loans	Total
December 31, 2021:				
Collectively evaluated for impairment	**$ 25,622,959**	**$ 74,603**	**$ 43,874**	**$ 25,741,436**
Individually evaluated for impairment	**-**	**-**	**-**	**-**
Total loans at December 31, 2021	**$ 25,622,959**	**$ 74,603**	**$ 43,874**	**$ 25,741,436**

	Micro loans	Restructured micro loans	SBA Community Advantage loans	Total
December 31, 2020:				
Collectively evaluated for impairment	$ 25,899,949	$ 132,104	$ 77,051	$ 26,109,104
Individually evaluated for impairment	-	-	-	-
Total loans at December 31, 2020	$ 25,899,949	$ 132,104	$ 77,051	$ 26,109,104

An aging analysis of the loan portfolio is as follows:

	Accruing Interest			Non-Accrual		
	Current	30 - 89 Days Past Due	90 Days or More Past Due	Less than 90 Days Past Due	90 Days or More Past Due	Total Loans
December 31, 2021:						
Micro loans	**$ 24,526,502**	**$ 462,187**	**$ -**	**$ -**	**$ 628,917**	**$ 25,617,606**
Restructured loans	**67,900**	**-**	**-**	**-**	**6,703**	**74,603**
Unrestructured Participation Loans	**5,353**	**-**	**-**	**-**	**-**	**5,353**
SBA Community Advantage loans	**43,874**	**-**	**-**	**-**	**-**	**43,874**
Total	**$ 24,643,629**	**$ 462,187**	**$ -**	**$ -**	**$ 635,620**	**$ 25,741,436**
December 31, 2020:						
Micro loans	$ 25,325,309	$ 251,303	$ -	$ -	$ 141,193	$ 25,717,805
Restructured micro loans	118,374	-	-	-	13,730	132,104
Participation Loans	99,660	2,112	-	-	80,372	182,144
SBA Community Advantage loans	73,404	3,647	-	-	-	77,051
Total	$ 25,616,747	$ 257,062	$ -	$ -	$ 235,295	$ 26,109,104

Substantially all of the Organization's borrowers are unable to obtain credit through a traditional banking relationship. The aging of the receivables is the primary credit quality indicator. Loans that are past due inherently have a greater risk of default than loans that are current.

6. **Loans Receivable** (cont'd)

Chicago Small Business Resiliency Fund (CSBRF) Loans – CSBRF loans cannot exceed $50,000 or a five-year term. Interest rates are at 1% for the first eighteen months and 5.75% thereafter. A $10 payment is required in the first six months for account maintenance purposes and interest only payments are due in the second six months. Principal and interest payments begin after one year. As disclosed in Note 2, at December 31, 2021, the Organization has on deposit $5,459,856 from the City of Chicago Department of Business Affairs and Consumer Protection (BACP) that is restricted for the purposes of providing a loan loss reserve in connection with the CSBRF loan program and paying certain loan origination fees to the Organization ($5,451,679 at December 31, 2020). In effect, the City of Chicago is providing for 25 – 40% of first loss coverage in the form of cash and guarantees.

Illinois Small Business Emergency Loans (ISBEL) – ISBEL loans cannot exceed $50,000 or a five-year term. Interest rates cannot exceed 3%. No payments are due for the first six months and principal and interest payments are due monthly beginning in month seven. The State of Illinois has provided the Organization with a 50% first loan loss coverage in the form of a guarantee from this loan program.

Micro Loan Servicing Agreements – The Organization maintains an agreement with a third party to service its micro loan portfolio, including micro loans sold by the Organization. The agreement provides that the third party will be responsible for record keeping, compliance with regulatory requirements, collection and remittance of funds to the Organization. Expense for loan servicing under this agreement is included in credit and collection expense on the statement of functional expenses and was $148,433 for the year ended December 31, 2021 ($98,450 for the year ended December 31, 2020).

The Organization maintains an agreement with a bank to service its SBA Community Advantage loan portfolio (see below). The agreement provides that the bank will be responsible for record keeping, compliance with regulatory requirements, collection and remittance of funds to the Organization. In consideration for these services, the Organization pays the bank a fee. The servicing fee was $3,422 for the year ended December 31, 2021 ($5,419 for the year ended December 31, 2020).

Small Business Administration (SBA) Community Advantage Pilot Loan Program – The Organization entered into the Community Advantage Pilot Program Loan Guaranty Agreement (SBA CA) with the SBA. Under the terms of the SBA CA program, the SBA provides a guarantee under its 7(a) loan program covering risk of loss against approved loans meeting the program requirements. The Guaranty covers 85% of loans originated for less than $150,000. The Organization's lending limit is $100,000, but all loans over $50,000 must be approved under the SBA CA program to mitigate the risk of loss. The maximum interest rate allowable under these loans is prime plus 6%. The SBA allows the sale of the guaranteed portion of the loan on the secondary market.

During 2021 and 2020, the Organization did not originate nor sell any SBA CA loans. The remaining principal balance of the sold portion of SBA CA loans was $248,617 at December 31, 2021 ($436,624 at December 31, 2020). The Organization continues to service the sold participating interests on behalf of those that have purchased the participating interests.

6. **Loans Receivable** (cont'd)

Among other compliance requirements, the SBA CA program requires the establishment of loan reserves equal to at least 5% of the unguaranteed and guaranteed portion of the SBA CA portfolio. At December 31, 2021, the Organization was in compliance with the loan loss reserve requirements.

7. **Availability and Liquidity**

Liquidity expected to be available to meet cash needs for general expenditures within one year, without contractual or donor restrictions consist of the following:

	2021	2020
Unrestricted cash	**$ 4,426,120**	$ 2,424,553
Contributions and government receivables	**697,872**	1,792,270
Loans receivable, net	**22,187,265**	20,171,646
	27,311,257	24,388,469
Less:		
Receivables with donor restrictions	**-**	(1,378,770)
Revolving loan fund receivables, net	**(1,683,945)**	(579,882)
Other micro loan receivables, net	**(20,462,460)**	(19,526,912)
SBA Community Advantage loan receivables, net	**(40,860)**	(64,852)
Plus:		
Principal and interest expected to be collected in one year:		
Other micro loan receivables	**8,010,949**	2,002,266
SBA Community Advantage loan receivables	**12,967**	20,455
	$ 13,147,908	$ 4,860,774

Allies for Community Business is committed to its mission of providing access to credit and technical assistance for micro-entrepreneurs. The Organization continues to solicit operating grants from new sources and maintains a line of credit for liquidity. The Organization strives to be self-reliant for training the lending staff and facilitating underwriting decisions. The Organization has been successful in its ability to refinance debt and extend maturities while converting certain debts to equity equivalent debt (Note 10). In summary, the Organization relies on grants and contributions from donors, loan repayments, and calls on the equity equivalent debt to fund operating expenses, as necessary, during the year.

Restricted cash is not considered to be available, as there are various contractual restrictions that govern what it can be used for, as described in Note 2.

Receivables with donor restrictions are receivables from contributions and governments that have donor restrictions.

Revolving loan fund (RLF) receivables are loans receivable where principal and interest repayments are required per the donor to be held in the RLF and are therefore not considered to be available to meet the general cash needs of the Organization.

7. **Availability and Liquidity** (cont'd)

Principal and interest expected to be collected in one year for other Micro Loan receivables and SBA Community Advantage Loan receivables are based on amortization schedules of the detail respective loan portfolios.

As of the date these financial statements were available to be issued, due to economic uncertainties that exist associated with the COVID-19 coronavirus outbreak, the availability and liquidity of loans receivable may be impacted but is not quantifiable.

8. **Funds Held for Others**

Funds held for others at December 31, are as follows:

	2021	2020
Temporarily-held pass through grants:		
Illinois Department of Commerce and Economic Opportunity	**$ 10,271,285**	$40,458,726
Will County	**-**	3,131,820
City of Chicago:		
BACP	**10,000**	190,000
DCASE	**14,693**	103,450
City of South Bend	**-**	5,000
Chicago Community Trust	**337,500**	-
Total temporarily-held pass through grants	**10,633,478**	43,888,996
Other funds held for others:		
Westside United Grant Pool	**32,240**	88,000
M.R. Bauer Foundation and DRW Trading	**50,000**	200,000
Citi Business	**11,000**	11,000
Other	**12,000**	-
Total other funds held for others	**105,240**	299,000
	$ 10,738,718	$44,187,996

9. Leases

The Organization has a lease agreement with The Hatchery Master Tenant, LLC (Landlord) (Note 4). The 'Hatchery' lease commenced on January 1, 2019 and ends on December 31, 2024. Future base rentals are contingent on the space that the Organization actually occupies each year and are subject to negotiation. The Organization has the option to extend the term of the lease for three consecutive terms of five years each, with 3% annual escalation in base rent or current market rent. In addition to base rent, the Organization is charged for common area maintenance costs and parking. Base rental expense for the Hatchery lease was $195,311 in 2021 ($166,413 in 2020). In addition, the Organization expensed $247,605 for common area maintenance costs and $4,680 for parking related to the Hatchery lease during 2021 ($247,605 and $4,680, respectively, during 2020). These costs are included in occupancy expense.

The Organization leases certain office equipment under operating leases that expire through December 2024. Rental expense for office equipment was $17,334 in 2021 ($18,063 in 2020).

Future minimum lease payments for the above-mentioned leases are as follows:

	Hatchery Facility	Office Equipment	Total
2022	$ 199,217	$ 13,152	$ 212,369
2023	203,201	13,152	216,353
2024	207,265	13,152	220,417
	$ 609,683	$ 39,456	$ 649,139

In 2016, the Financial Accounting Standards Board issued a new standard relating to lease accounting. The new standard will require the Organization to recognize on its statement of financial position, the asset and liability of the land lease relating to the rights and obligations created by the lease. The standard will be effective for the Organization in calendar 2022. The Organization has not determined the effect of adopting this new standard.

10. Notes Payable

Notes payable at December 31, are summarized as follows:

Lender		Interest Rate 12/31/21	Interest Rate 12/31/20	Interest Terms	Maturity at 12/31/21	Maturity at 12/31/20	Balance at December 31, 2021	Balance at December 31, 2020
Secured Debt								
Small Business Resiliency Loan Fund (SBRLF)	(1)	**1.75%**	1.00%	Monthly	**04/30/26**	04/30/26	**$ 2,388,781**	$ 2,500,000
Shelf Note SBRLF	(1)	**1.75%**	1.00%	Monthly	**05/18/26**	05/18/26	**2,453,704**	2,500,000
Shelf Note SBRLF	(1)	**1.75%**	1.00%	Monthly	**06/01/26**	06/01/26	**5,000,000**	5,000,000
CIBC	(2)	**1.50%**	1.50%	Annually	**12/29/25**	12/29/25	**1,000,000**	1,000,000
Fifth Third Bank line of credit	(3)	**2.75%**	2.737%	Monthly	**06/15/22**	06/15/21	**-**	1,382,805
Small Business Administration	(4)	**0.50%**	0.50%	Monthly	**05/13/24**	05/13/24	**79,141**	107,652
							10,921,626	12,490,457
Unsecured Debt								
CDFI Fund	(5)	**0.00%**	0.00%	Quarterly	**12/31/57**	12/31/57	**453,600**	466,200
Federal Home Loan Bank of Chicago	(6)	**2.13%**	2.13%	Quarterly	**07/08/26**	07/08/26	**500,000**	500,000
Starbucks	(7)	**2.00%**	2.00%	Annually	**09/04/27**	09/04/27	**2,350,000**	2,350,000
Rush University Medical Center		**2.00%**	2.00%	Quarterly	**12/31/24**	12/31/24	**250,000**	250,000
The Northern Trust		**2.00%**	2.00%	Semiannual	**04/08/25**	04/08/25	**500,000**	500,000
The Northern Trust		**1.50%**	1.50%	Semiannual	**05/01/25**	05/01/25	**1,500,000**	1,500,000
The Northern Trust		**1.50%**	1.50%	Semiannual	**04/29/25**	04/29/25	**100,000**	100,000
Burling Bank		**1.50%**	1.50%	Quarterly	**04/24/25**	04/24/25	**250,000**	250,000
Republic Bank		**1.50%**	1.50%	Quarterly	**07/06/25**	07/06/25	**758,978**	981,481
Adrian Dominican Sisters		**0.00%**	0.00%	N/A	**10/26/25**	10/26/25	**250,000**	250,000
MacArthur Foundation	(8)	**0.00%**	0.00%	N/A	**12/15/25**	12/15/25	**3,000,000**	3,000,000
Community Savings Bank		**0.00%**	0.00%	N/A	**12/31/57**	12/31/57	**72,000**	74,000
Google Opportunity Finance Network	(9)	**1.00%**	N/A	Quarterly	**06/30/26**	N/A	**2,000,000**	-
							11,984,578	10,221,681
Unsecured Subordinated Debt								
Amalgamated Bank of Chicago		**3.00%**	3.00%	Quarterly	**N/A**	11/30/21	**-**	50,000
Devon Bank		**2.00%**	2.00%	Quarterly	**03/26/22**	03/26/22	**80,100**	80,100
First Midwest Bank		**2.00%**	2.00%	Quarterly	**11/30/22**	11/30/21	**50,000**	50,000
							130,100	180,100
Equity Equivalent Debt								
Bank Financial		**2.00%**	2.00%	Monthly	**01/01/23**	01/01/22	**40,000**	40,000
Bank of America		**0.00%**	0.00%	N/A	**07/01/57**	07/01/57	**53,250**	54,750
Byline Bank		**2.00%**	2.00%	Semiannual	**10/27/22**	10/27/21	**100,000**	100,000
Byline Bank		**2.00%**	2.00%	Semiannual	**01/01/23**	01/01/22	**100,000**	100,000
Fifth Third Bank		**0.00%**	0.00%	N/A	**06/30/57**	06/30/57	**137,993**	141,880
First Bank of Highland Park		**2.00%**	2.00%	Semiannual	**12/21/22**	12/21/21	**75,000**	75,000
First Bank/Illinois		**2.00%**	2.00%	Semiannual	**04/01/23**	04/01/22	**250,000**	250,000
First Eagle Bank		**2.00%**	2.00%	Semiannual	**09/30/22**	09/30/21	**100,000**	100,000
First Eagle Bank		**2.00%**	2.00%	Semiannual	**09/02/22**	09/02/21	**100,000**	100,000
First National Bank of Omaha		**2.00%**	2.00%	Quarterly	**05/31/26**	05/31/26	**250,000**	250,000
First Savings Bank of Hegewisch		**2.00%**	2.00%	Semiannual	**01/01/24**	01/01/24	**600,000**	600,000
Inland Bank		**2.00%**	2.00%	Semiannual	**11/30/23**	11/30/21	**100,000**	100,000
Leaders Bank		**2.00%**	2.00%	Semiannual	**01/01/23**	01/01/22	**75,000**	75,000
Marquette Bank		**1.75%**	2.00%	Semiannual	**05/31/24**	05/31/22	**150,000**	75,000
Fifth Third (MB Financial) Bank		**0.00%**	0.00%	N/A	**06/01/57**	06/01/57	**70,691**	72,683
Northern Trust Company		**0.00%**	0.00%	N/A	**12/31/56**	12/31/56	**70,000**	72,000
Oxford Bank & Trust		**2.00%**	2.00%	Semiannual	**01/01/23**	01/01/22	**25,000**	25,000
Pan American Bank		**2.00%**	2.00%	Semiannual	**04/01/23**	04/01/22	**75,000**	75,000
Republic Bank		**2.00%**	2.00%	Monthly	**01/01/23**	01/01/22	**24,939**	24,939
US Bancorp		**3.00%**	3.00%	Monthly	**04/19/22**	04/19/21	**250,000**	250,000
MUFG Union Bank		**2.00%**	2.00%	Quarterly	**01/01/24**	01/01/24	**500,000**	500,000
Country Mutual Insurance Company		**1.50%**	1.50%	Semiannual	**04/30/25**	04/30/25	**125,000**	125,000
International Bank of Chicago		**2.00%**	2.00%	Semiannual	**06/14/24**	06/14/24	**100,000**	100,000
							3,371,873	3,306,252
Total							**26,408,177**	26,198,490
Less: Present value discount							**(2,079,949)**	(2,248,850)
Net long-term debt							**$ 24,328,228**	$23,949,640

10. **Notes Payable** (cont'd)

(1) The Organization has debt, pledge and security agreements with Chicago Community Catalyst Fund LLC. All proceeds of the debt must be used to fund loans under the CSBRF program. Interest at 1.75% is payable monthly. Monthly principal payments began at various times in 2021 and 2022 and will total $175,926 on an annual basis. One of the notes is expected to have a balloon payment of $500,000 due at its maturity on April 30, 2026. The notes are collateralized by the program deposit account, the loan loss reserve account (Note 3) and the loan documents and notes of the ultimate borrowers.

(2) The Organization has a loan with CIBC Bank, USA. Annual principal payments of $250,000 are payable December 29, 2022 through 2025. Interest at 1.50% is payable annually beginning December 29, 2021. The proceeds of the debt must be used to fund loans under the ISBEL program and is subject to an intermediary agreement, where the Illinois Department of Commerce and Economic Opportunity will provide the Organization with a guarantee for 50% of the principal amount of ISBEL program loans funded by the Organization. The note is collateralized by all assets not collateralized by Fifth Third Bank (Bank) pursuant to an intercreditor agreement with the Bank and the Organization.

(3) The Organization has a revolving line of credit with Fifth Third Bank with a maximum borrowing base of the lesser of $1,500,000 or 80% of eligible accounts as defined in the business loan agreement associated with the line of credit. The line of credit was collateralized by the assets of the Organization, excluding any rights to the CSBRF program loans and related loan loss reserve accounts. Interest on the line of credit was payable at LIBOR plus 2.50%. The line of credit was subject to financial covenants, including maintaining a minimum debt service coverage ratio of 1.2 to 1 and tangible net worth of $3,000,000. The Organization was in compliance with the financial covenants at December 31, 2021.

(4) The Organization has a loan with the Small Business Administration (SBA). Principal and interest are payable monthly at a rate based upon average size of micro loans made, collateralized by micro loans receivable totaling $659 and $44,151 at December 31, 2021 and 2020, respectively, as well as cash of $191,182 and $320,888 at December 31, 2021 and 2020, respectively. The Organization is required to maintain a minimum ratio of 1.15:1 in collateralized cash plus collateralized notes receivable to SBA debt outstanding. The Organization was in compliance with the covenant at December 31, 2021 and 2020.

(5) The Department of the Treasury, Community Development Financial Institutions (CDFI) Fund had financial covenants, defined in their original agreement, relating to net assets, net revenue, and operating and capital ratios. However, the Organization has been informed by the CDFI Fund that the repayment of this debt will not be accelerated, and they are no longer required to submit reports to the CDFI Fund. In 2007, the Organization further restructured the debt agreement with the CDFI Fund, capitalizing the balance of $30,000 for past interest, reducing the interest rate to 0%, extending the maturity to 2057, and requiring quarterly payments of $3,150.

10. **<u>Notes Payable</u>** (cont'd)

(6) In January of 2016, the Organization entered into a term note with the Federal Home Loan Bank Chicago (FHLB) for a maximum amount of $1,250,000. The term note is to be disbursed in two disbursements. The first disbursement of $500,000 was drawn in 2016. The second disbursement is contingent upon the Organization achieving specified ratios under the credit agreement as defined therein. The note has a maturity date of 10 years from initial disbursement and the funds are to be used for loan capital. The note bears interest at 2.13% and is unsecured, but contains covenants related to the Organization's maintenance as a Community Development Financial Institution, maintaining a level of use of lent funds, maintaining minimum financial ratios related to net assets, self-sufficiency, loan performance, among others. At December 31, 2021, the Organization was not in compliance with the covenant related to self-sufficiency ratio. The FHLB did not provide a waiver for the noncompliance, but also did not call a default. The debt maturity schedule on the following pages assumes that the debt with the FHLB will not be called based on noncompliance with debt covenants.

(7) The Organization has a loan with Starbucks Corporation. All proceeds of the debt must be used to provide financing to micro and small business owners serving low to moderate income businesses in a designated Chicagoland area. Annual principal payments of $783,333 are payable on September 4, 2025 and 2026, with the remaining balance due in 2027. Interest at 2.00% is payable annually, each September. The agreement is subject to certain financial covenants including a minimum adjusted net assets (as defined) to adjusted assets (as defined) ratio of 40% (minimum capital) and, a maximum ratio of non-performing assets (loans 120 days or more past due) to loans outstanding of 15%. In addition, the Organization cannot increase the line of credit with Fifth Third Bank without the lender's approval. The Organization was not in compliance with the minimum capital covenant at December 31, 2021. However, Starbucks waived the event of noncompliance.

(8) The Organization has a loan with John D. and Catherine T. MacArthur Foundation. All proceeds of the debt must be used to fund loans under the CSBRF program. The $3 million loan is interest free for eighteen months and will accrue interest at 1.00%, payable quarterly, thereafter. All principal and unpaid interest is due on December 15, 2025. However, an amount not to exceed $1.5 million is eligible for forgiveness if the Organization certifies that a total of $3.7 million in loan loss reserve grant funds from the City of Chicago has been allocated to offset charged-off CSBRF program loans originated by the Organization and an additional $1.5 million of CSBRF program loans have been charged-off.

(9) The Organization has a loan with Google Opportunity Finance Network. All proceeds of the debt must be used to provide technical and financial assistance to small businesses and non-profit organizations in physically blighted and economically distressed urban and rural areas with a goal to alleviate poverty, lessen the burdens of government, and/or combat community deterioration in such areas in a manner that is consistent with Opportunity Finance Network's charitable purposes and social justice mission. All principal is due on June 30, 2026. Interest at 1.00% through December 31, 2021, and a fixed interest rate of 2.00% beginning January 1, 2022 through the maturity date is payable quarterly, commencing in the second quarter of 2021. The loan contains covenants related to maintaining a level of unrestricted revenues, and maintaining minimum financial ratios related to net assets, loan performance, among others. The Organization was in compliance with the covenants at December 31, 2021.

10. **Notes Payable** (cont'd)

Equity Equivalent Debt, or EQ2, is a capital product for Community Development Financial Institutions and their investors. This special debt investment allows organizations like Allies for Community Business to strengthen their capital structure and increase lending and investing in economically, disadvantaged communities. It is a long-term subordinated loan, offered by regulated financial institutions to fulfill their investment requirements by meeting the credit needs of the communities in which they do business. Like permanent capital, EQ2 enhances the Organization's lending flexibility and increases its debt capacity by protecting lenders from losses. Unlike permanent capital, it must eventually be repaid. To qualify as an EQ2, the obligation is not secured, is fully subordinated, essentially cannot have accelerated repayment, carries an interest rate not tied to income received by the Organization, and has a rolling term and, therefore, a relatively indeterminate maturity.

The total interest incurred and expensed on all notes payable outstanding, other than imputed interest, for the year ended December 31, 2021, was $373,657 ($205,720 in 2020).

Maturities of debt and the present value discount for imputed interest rate on below market interest and interest-free loans at December 31, 2021, are as follows:

Future Principal Payments (Face Value)

	Secured Debt	Unsecured Debt	Unsecured Subordinated Debt	Equity Equivalent Debt	Total
2022	$ 2,389,764	$ 236,822	$ 130,100	$ 1,574,319	$ 4,331,005
2023	2,389,908	236,822	-	9,380	2,636,110
2024	2,382,803	486,822	-	1,359,380	4,229,005
2025	2,361,111	6,490,245	-	134,380	8,985,736
2026	1,398,040	3,297,933	-	9,380	4,705,353
2027 - 2031	-	856,334	-	46,900	903,234
2032 - 2036	-	73,000	-	46,900	119,900
2037 - 2041	-	73,000	-	46,900	119,900
2042 - 2046	-	73,000	-	46,900	119,900
2047 - 2051	-	73,000	-	46,900	119,900
2052 - 2056	-	73,000	-	46,900	119,900
2057 - 2058	-	14,600	-	3,634	18,234
	$ 10,921,626	$11,984,578	$ 130,100	$ 3,371,873	$ 26,408,177

10. **Notes Payable** (cont'd)

Debt Discount Amortization

	Secured Debt	Unsecured Debt	Unsecured Subordinated Debt	Equity Equivalent Debt	Total
2022	$ (167,593)	(257,800)	$ -	$ (52,201)	$ (477,594)
2023	(127,990)	(256,208)	-	(52,268)	(436,466)
2024	(89,384)	(254,592)	-	(14,139)	(358,115)
2025	(50,355)	(226,470)	-	(9,914)	(286,739)
2026	(7,755)	(67,408)	-	(8,276)	(83,439)
2027 - 2031	-	(70,385)	-	(40,112)	(110,497)
2032 - 2036	-	(58,377)	-	(37,341)	(95,718)
2037 - 2041	-	(52,273)	-	(32,481)	(84,754)
2042 - 2046	-	(43,686)	-	(27,821)	(71,507)
2047 - 2051	-	(31,539)	-	(19,962)	(51,501)
2052 - 2056	-	(14,362)	-	(8,867)	(23,229)
2057 - 2058	-	(271)	-	(119)	(390)
	(443,077)	(1,333,371)	-	(303,501)	(2,079,949)
Total debt, net	$ 10,478,549	$10,651,207	$ 130,100	$ 3,068,372	$ 24,328,228

11. **Commitments and Contingencies**

Financial Instruments with Concentration of Credit Risk – Loans range in size from $500 to $100,000, while their terms generally range from 2 to 60 months, with the exception of SBA CA loans that have a maximum term of 120 months. Collateral and cosigners may be required, depending upon the loan amount and the perceived credit risk. While the Organization serves all of Illinois and Indiana, most of the Organization's business activity is with borrowers located throughout Illinois, with the majority of these borrowers concentrated in the Chicagoland area. Geographic concentration risk on the Organization's borrowers arises largely from the influence of economic conditions in the Midwest region, and particularly, the Chicagoland area. The Organization's lending limit is $100,000 with the SBA CA program. Under that program, the SBA provides an 85% guarantee of the loan balance if the loan is underwritten and monitored in accordance with program standards.

Fees and Grants Received – The Organization has received significant financial assistance from federal, state and local government agencies. The disbursement of funds received under these programs, including payments made by governmental agencies to extinguish the Organization's debt, generally requires compliance with terms and conditions specified in the grant agreements and may be subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Organization. In 2021 and 2020, there were disbursements made in error under a grant program for which the Organization was acting as an agent. The amount, if any, of liability to the Organization is not determinable. Management does not believe the risk related to disallowed claims is probable.

12. Restrictions and Limitations on Net Assets

Net assets with donor restrictions at December 31, consisted of the following:

	2021	2020
EDA revolving loan funds	$ 2,421,408	$ 2,152,833
CSBRF loan loss reserve	5,459,856	5,451,679
City of South Bend - loan funds	148,250	148,250
Bank of America - funds for SBA loan loss reserve	60,000	60,000
Imputed Interest on below market and interest-free loans	2,079,949	2,248,849
Entreprenuers of Color funds	1,878,446	1,366,763
Tory Burch - loan funds	172,465	172,465
Hatchery Joint Venture funds	-	50,000
Chicago Community Trust grant funds	516,440	662,415
Wells Fargo - loan funds	1,738,629	-
Pepsico	179,457	-
Opportunity Fund - BTAD	56,380	-
Google Opportunity Finance Network	150,000	-
Other purpose restricted contibutions	53,360	10,000
	$ 14,914,640	$ 12,323,254

13. Employee Benefit Plan

The Organization has a SIMPLE Individual Retirement Account Plan that covers all full-time employees. The plan calls for the Organization to match employee contributions to the plan dollar-for-dollar up to a maximum of 3% of employee compensation. Benefit plan expense was $53,014 for the year ended December 31, 2021 ($37,905 in 2020).

14. Related Parties

From time to time, the Organization procures grants, financial products, and services from members of the Board of Directors or the organizations that employ them. These transactions are in the ordinary course of the Organization’s business.

15. Subsequent Events

Subsequent events have been evaluated through May 23, 2022, which is the date the financial statements were available to be issued.

In January 2022, the Organization signed a $250,000 promissory note for a loan payable to Rush University Medical Center. Quarterly interest payments on the note start on March 31, 2022. The note bears interest at 2.00% and matures in December 2024, when any outstanding principal and interest will be due.

In March 2022, the Organization extended the $80,100 unsecured subordinated debt with Devon Bank to March 26, 2024.

Subsequent to December 31, 2021, the Organization received various grants for restricted purposes totaling $1,150,000.